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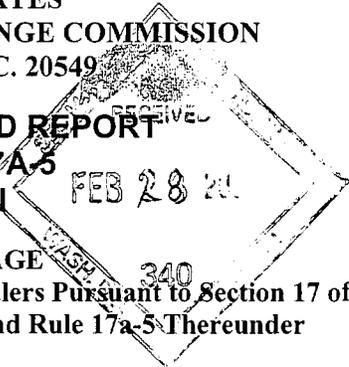
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
8-33680

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 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

First State Securities, Inc.

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

7136 S. Yale, Suite 102

(No. and Street)

Tulsa

(City)

OK

(State)

74136

(Zip Code)

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

William R. Massie

(817) 481-5677

(Area Code - Telephone No.)

OFFICIAL USE ONLY
FIRM ID. NO.

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Cheshier & Fuller, L.L.P.

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

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

CHECK ONE:

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

PROCESSED

FOR OFFICIAL USE ONLY
MAR 22 2002
THOMSON FINANCIAL

*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).

AP
3/21/2002

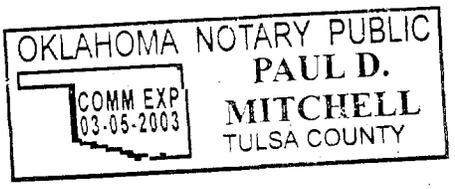
OATH OR AFFIRMATION

I, Sidney I. Shupack, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First State Securities, Inc., as of December 31, 2001, 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:

Sidney Shupack
Signature

PRESIDENT
Title

Paul D. Mitchell
Notary Public
2/27/02



This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows
- (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.
- (o) Independent auditor's report on internal control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FIRST STATE SECURITIES, INC.
REPORT PURSUANT TO RULE 17a-5(d)
YEAR ENDED DECEMBER 31, 2001

FIRST STATE SECURITIES, INC.

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Cheshier & Fuller, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SEC & PRIVATE COMPANIES PRACTICE
SECTION OF AICPA
DIVISION OF FIRMS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS
CPAMERICA INTERNATIONAL
AN AFFILIATE OF HORWATH INTERNATIONAL

14175 PROTON ROAD
DALLAS, TEXAS 75244-3692
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800-834-8586
FAX: 972-960-2810
WWW.CHESHIER-FULLER.COM

Independent Auditor's Report

Board of Directors
First State Securities, Inc.

We have audited the accompanying statement of financial condition of First State Securities, Inc., as of December 31, 2001, and the related statements of income, changes in stockholder's 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 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 First State Securities, Inc., as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the 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.

Cheshier & Fuller, L.L.P.
CHESHIER & FULLER, L.L.P.

Dallas, Texas
January 31, 2002

FIRST STATE SECURITIES, INC.
Statement of Financial Condition
December 31, 2001

ASSETS

Cash	\$ 6,132
Receivable from correspondent broker/dealer	38,214
Securities owned, at market value	
Money market mutual fund	233,972
Common stocks (cost of \$249,599)	376,272
Securities owned, not readily marketable	72,100
Due from Parent	48,969
Other assets	<u>3,365</u>
 Total Assets	 <u>\$ 779,024</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	<u>\$ --</u>
Stockholder's equity	
Common stock - \$1 par value, 300,000 shares authorized, 27,700 shares issued, less 500 shares of Treasury stock	 27,200
Additional paid in capital	95,106
Retained earnings	<u>656,718</u>
 Total stockholder's equity	 <u>779,024</u>
	<u>\$ 779,024</u>

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

FIRST STATE SECURITIES, INC.
Statement of Income
For the Year Ended December 31, 2001

Revenue:	
Commissions	\$ 171,405
Revenue from sale of investment company shares	372
Interest and dividends	35,819
Realized loss on marketable securities	(18,660)
Unrealized gain on marketable securities	33,915
	<hr/>
	222,851
	<hr/>
Expenses:	
Employee compensation	58,918
Clearance paid to broker	30,313
Communications	15,648
Occupancy and equipment costs	18,416
Promotions	4,569
Data processing	444
Regulatory fees	981
Other	20,246
	<hr/>
	149,535
	<hr/>
Net income before income taxes	73,316
Provision (benefit) for income taxes	18,527
	<hr/>
Net income	\$ 54,789
	<hr/> <hr/>

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

FIRST STATE SECURITIES, INC.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2001

	<u>Common Shares Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2000	27,200	\$ 27,200	\$ 95,106	\$ 601,929	\$ 724,235
Net income (loss)				<u>54,789</u>	<u>54,789</u>
Balance, December 31, 2001	<u>27,200</u>	<u>\$ 27,200</u>	<u>\$ 95,106</u>	<u>\$ 656,718</u>	<u>\$ 779,024</u>

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

FIRST STATE SECURITIES, INC.
Statement of Changes in Liabilities Subordinated to the Claims of General Creditors
For the Year Ended December 31, 2001

Balance, December 31, 2000	\$	--
Additions		--
Retirements		--
		<hr/>
Balance, December 31, 2001	\$	--
		<hr/> <hr/>

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

FIRST STATE SECURITIES, INC.
Statement of Cash Flows
For the Year Ended December 31, 2001

Cash Flows from Operating Activities

Net income	\$ 54,789
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Deferred income tax expense	5,949
Realized (gain) loss on investment securities	18,670
Unrealized (gain) loss on investment securities	(33,925)
Change in assets and liabilities:	
Receivable from brokers	(4,266)
Other assets	(2,722)
	<u>38,495</u>
Net cash provided by operating activities	<u>38,495</u>

Cash Flows from Investing Activities

Sale of investment securities	91,578
Net advances to Parent	45,211
Purchase of investment securities	(19,346)
	<u>117,443</u>

Net cash provided (used) by investing activities 117,443

Net increase in cash and cash equivalents 155,938

Beginning cash and cash equivalents 84,166

Ending cash and cash equivalents \$ 240,104

Supplemental Disclosures

Cash paid for:	
Interest	<u>\$ --</u>
Income taxes	<u>\$ 12,574</u>

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

FIRST STATE SECURITIES, INC.

Notes to Financial Statements

December 31, 2001

Note 1 - Summary of Significant Accounting Policies

First State Securities, Inc. ("Securities") is a wholly-owned subsidiary of First State Financial, Inc. ("Financial").

Securities is a broker/dealer in securities registered with the Securities and Exchange Commission under the exemptive provisions of (S.E.C.) Rule 15c3-3 (k)(2)(ii). These provisions provide that all funds and securities belonging to customers be handled by a correspondent broker/dealer.

Securities customers are primarily individuals residing in the Tulsa, Oklahoma metropolitan area. Receivable from brokers or dealers is with Securities' correspondent broker/dealer which is located in Dallas, Texas.

Marketable securities are carried at market value and securities not readily marketable are valued at fair market value as determined by management. Market value is determined by quoted market prices. The resulting difference between cost (determined by specific identification) and market (or fair value) is included in income. Common stocks consist of shares in U.S. companies which are listed on a national exchange and operate in various industries. Securities transactions (and related commission revenue and expense) are recorded on a trade date basis.

Securities treats money market mutual funds and all highly liquid debt instruments with original maturities of three months or less as cash equivalents for purposes of the statement of cash flows.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

Securities files a consolidated income tax return with Financial. Income taxes are recorded using the separate company method to comply with FASB Statement 109. Any resulting provision or benefit for income taxes is recorded as receivable from or payable to Financial.

FIRST STATE SECURITIES, INC.
Notes to Financial Statements
December 31, 2001

Note 1 - Summary of Significant Accounting Policies, continued

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. Deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income, subject to a valuation allowance.

Note 2 - Related Party Transactions

At December 31, 2001 Securities had a receivable from Financial which is net of a current income tax liability of \$21,493 and a deferred income tax liability of \$43,210.

Effective August 2001, First State Investment Advisors, Inc. ("Advisors"), another subsidiary of Financial, began allocating employee compensation costs to Securities. Securities also began allocating certain overhead expenses to Advisors at that time. Employee compensation costs allocated by Advisors to Securities aggregated \$58,918 in 2001. Overhead expenses allocated to Advisors aggregated \$7,851 in 2001. Advisors absorbed employee compensation costs and Securities absorbed certain overhead costs prior to August 2001.

Note 3 - Commitments and Contingencies

Securities leases its office space and equipment under operating agreements. Rental expense under operating leases was \$17,101 for the year ended December 31, 2001. Future minimum leases are:

<u>Year Ended</u> <u>December 31,</u>	
2002	\$ 22,312
2003	<u>5,578</u>
	<u>\$ 27,890</u>

Securities is required to indemnify its correspondent broker/dealer if a customer fails to settle a securities transaction, according to its clearing agreement. Management was neither aware, nor had it been notified of any potential indemnification loss at December 31, 2001.

FIRST STATE SECURITIES, INC.
Notes to Financial Statements
December 31, 2001

Note 4 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, a minimum net capital requirement must be maintained, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

There were no material inadequacies in the computation of the ratio of aggregate indebtedness to net capital at December 31, 2001 and the procedures followed in making the periodic computations required. At December 31, 2001, Securities had net capital of approximately \$592,403 and net capital requirements of \$100,000. The ratio of aggregate indebtedness to net capital was 0 to 1 at December 31, 2001. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Note 5 - Possession or Control Requirements

Securities does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 6 - Income Taxes

The provision for income taxes consists of current income taxes of \$12,574 and deferred income taxes of \$5,949. Actual income tax expense differs from expected income tax expense applying statutory rates primarily because of changes in estimated tax rates used to compute deferred taxes.

Deferred tax liabilities of \$43,209 (see Note 2) are primarily due to basis differences in investment securities between financial and income tax reporting.

Supplemental Information
Pursuant to Rule 17A-5
of the Securities Exchange Act of 1934
For the Year Ended
December 31, 2001

Schedule I

FIRST STATE SECURITIES, INC.

Computation of Net Capital Under Rule 15c3-1 of the Securities Exchange Commission
As of December 31, 2001

Computation of Net Capital

Total ownership equity qualified for net capital		\$ 779,024
Deductions and/or charges		
Non-allowable assets:		
Securities owned, not readily marketable	\$ 72,100	
Due from Parent	48,969	
Other assets	<u>3,365</u>	<u>124,434</u>
Net capital before haircuts on securities positions		654,590
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(f)):		
Money market mutual fund	4,679	
Common stocks	56,440	
Undue concentration	<u>1,068</u>	<u>62,187</u>
Net capital		<u>\$ 592,403</u>
 Aggregate Indebtedness		
Total aggregate indebtedness		<u>\$ --</u>

Schedule I (continued)

FIRST STATE SECURITIES, INC.

Computation of Net Capital Under Rule 15c3-1 of the Securities Exchange Commission
As of December 31, 2001

Computation of Basic Net Capital Requirement

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ --</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Minimum net capital requirement (greater of two minimum requirement amounts)	<u>\$ 100,000</u>
Net capital in excess of minimum required	<u>\$ 492,403</u>
Excess net capital at 1000%	<u>\$ 592,403</u>
Ratio: Aggregate indebtedness to net capital	<u>0 to 1</u>

Reconciliation with Company's Computation

There were no material differences in the computation of net capital under rule 15c3-1 from the Company's computation.

Schedule II

FIRST STATE SECURITIES, INC.
Computation for Determination of Reserve Requirements Under
Rule 15c3-3 of the Securities Exchange Commission
As of December 31, 2001

Exemptive Provisions

The Company has claimed an exemption from Rule 15c-3-3 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: SWS Securities, Inc.

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

Year Ended December 31, 2001



Cheshier & Fuller, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SEC & PRIVATE COMPANIES PRACTICE
SECTION OF AICPA
DIVISION OF FIRMS
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AN AFFILIATE OF HORWATH INTERNATIONAL

14175 PROTON ROAD
DALLAS, TEXAS 75244-3692
PHONE: 972-387-4300
800-834-8586
FAX: 972-960-2810
WWW.CHESHIER-FULLER.COM

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

Board of Directors
First State Securities, Inc.

In planning and performing our audit of the financial statements and supplemental information of First State Securities, Inc. (the "Company"), for the year ended December 31, 2001, we considered its internal control, including control activities 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including 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 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
2. Recordation of differences required by rule 17a-13
3. 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.

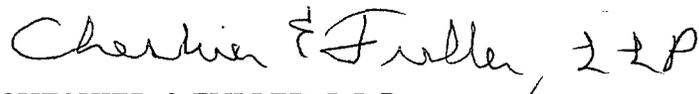
Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U. S. 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 or the practices and procedures referred to above, errors 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.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control, including 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, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., 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.


CHESHER & FULLER, L.L.P.

Dallas, Texas
January 31, 2002