

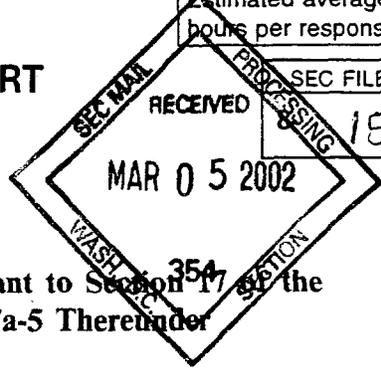


3/6/02

SECURITIES COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

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



SEC FILE NUMBER
15123

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 12/31/2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
AMERICAN FIDELITY SECURITIES, INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

2000 NORTH CLASSEN BOULEVARD

(No. and Street)

OKLAHOMA CITY

OK

73106-6092

(City)

(State)

(Zip Code)

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

MARVIN EWY

EXECUTIVE REPRESENTATIVE

(405) 523-5339

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

700 FIRST OKLAHOMA TOWER, 210 WEST PARK AVENUE, OKLAHOMA CITY, OK 73012

(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 21 2002

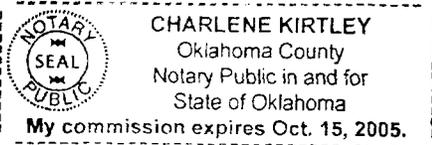
FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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).

BP 3/21

OATH OR AFFIRMATION

I, David R Carpenter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AMERICAN FIDELITY SECURITIES, INC., as of DECEMBER 31, ~~19~~ 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:



Deke A
Signature
President
Title

Charlene Kirtley
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).



AMERICAN FIDELITY SECURITIES, INC.

Financial Statements and Schedule

December 31, 2001

(With Independent Auditors' Report Thereon)

AMERICAN FIDELITY SECURITIES, INC.

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700 Oklahoma Tower
210 Park Avenue
Oklahoma City, OK 73102-5671

Independent Auditors' Report

Board of Directors and Stockholder
American Fidelity Securities, Inc.:

We have audited the accompanying statement of financial condition of American Fidelity Securities, Inc. (the Company) (a wholly owned subsidiary of American Fidelity Assurance Company) as of December 31, 2001, and the related statements of income, stockholder's equity, 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 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 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 American Fidelity 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 accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the table of contents is presented for the purpose 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.

KPMG LLP

January 18, 2002



AMERICAN FIDELITY SECURITIES, INC.

Statement of Financial Condition

December 31, 2001

Assets

Cash	\$	203
Certificate of deposit, at cost, which approximates market		26,400
Warrants, at cost, which approximates market		76,100
Accrued interest receivable		797
Other accounts receivable		14,276
Total assets	\$	<u>117,776</u>

Liabilities and Stockholder's Equity

Liabilities:

Accounts payable	\$	<u>14,276</u>
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Stockholder's equity:

Common stock, par value \$10 per share. Authorized 5,000 shares; issued and outstanding 1,000 shares		10,000
Additional paid-in capital		<u>93,500</u>
		<u>103,500</u>

Total liabilities and stockholder's equity	\$	<u>117,776</u>
--------------------------------------------	----	----------------

See accompanying notes to financial statements.

AMERICAN FIDELITY SECURITIES, INC.

Statement of Income

Year ended December 31, 2001

Revenues:		
Commissions	\$	1,368,427
Interest		1,540
Expense reimbursement		26,662
Other		1,371
		<u>1,398,000</u>
Expenses:		
Commissions		1,341,910
Regulatory fees and expenses		52,796
Other operating expenses		3,294
		<u>1,398,000</u>
Net income	\$	<u><u>—</u></u>

See accompanying notes to financial statements.

AMERICAN FIDELITY SECURITIES, INC.

Statement of Stockholder's Equity

Year ended December 31, 2001

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance at December 31, 2000	\$ 10,000	93,500	—	103,500
Net income	—	—	—	—
Balance at December 31, 2001	<u>\$ 10,000</u>	<u>93,500</u>	<u>—</u>	<u>103,500</u>

See accompanying notes to financial statements.

AMERICAN FIDELITY SECURITIES, INC.

Statement of Cash Flows

Year ended December 31, 2001

Cash flows from operating activities:	
Net income	\$ —
Adjustment to reconcile net income to net cash used in operating activities:	
Decrease in accrued interest receivable	68
Net cash provided by operating activities	<u>68</u>
Cash flows from investing activities:	
Proceeds from matured certificate of deposit	26,400
Purchase of certificate of deposit	<u>(26,400)</u>
Net cash provided by investing activities	<u>—</u>
Net increase in cash	68
Cash, beginning of year	<u>135</u>
Cash, end of year	<u>\$ 203</u>

See accompanying notes to financial statements.

AMERICAN FIDELITY SECURITIES, INC.

Notes to Financial Statements

December 31, 2001

(1) Significant Accounting Policies

American Fidelity Securities, Inc. (the Company) is a wholly owned subsidiary of American Fidelity Assurance Company (AFA), a life insurance company. The Company's primary function is to act as a broker-dealer in the business of effecting transactions for the American Fidelity Separate Account A and American Fidelity Separate Account B (the Funds), separate accounts of AFA.

Under terms of a contract with AFA, the Company sells variable annuity contracts issued by AFA to participants in the Funds. The Company does not hold funds or securities for, or owe funds or securities to, the Funds. AFA keeps certain books and records for the Company. AFA charges the Company for costs incurred. Such charges are equal to amounts earned by the Company for services rendered under the contract. AFA provides reimbursement to the Company for costs of the Company that are in excess of revenues.

The American Fidelity Companies Employee Savings Plan (ESP), an affiliate of the Company, offers its participants various investment options for contributions to their individual accounts. Included in these options are mutual funds from the American Funds Group, Los Angeles, California, which pays 12b-1 fees to compensate for marketing. These fees must be paid to a broker-dealer under securities laws and the Company has contracted to serve in that marketing capacity. The provisions of the Employee Retirement Income Security Act of 1974 do not allow the Company to retain these payments, which must be paid to the trust of the ESP for application first to eligible plan expenses, with any remainder applied as pro rata dividend to the accounts of participants in the ESP. The commissions revenues and expenses related to these fees are reflected in the accompanying statement of income and were approximately \$82,000.

(a) *Use of Estimates*

The preparation of 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. Actual results could differ from those estimates.

(b) *Investments*

In 2000, the National Association of Securities Dealers (NASD) embarked on a large-scale restructuring, which included offering to its members by private placement memoranda an ownership stake in the NASD. The offer was made in two phases. Each member was offered the right to purchase up to a certain limit of either shares or warrants in each of the two offerings. AFA made a capital contribution of \$93,500, a portion of which was used to purchase warrants. The warrants are not traded on a public exchange, and are carried at cost, which management believes approximates fair value.

AMERICAN FIDELITY SECURITIES, INC.

Notes to Financial Statements

December 31, 2001

(c) Commissions

Commissions are recorded on a trade-date basis.

(d) Income Taxes

A provision for income taxes is not required because the Company's earned revenues equal the expenses incurred, and because the tax bases of its assets and liabilities equal the book bases. The Company is included in AFA's consolidated income tax return.

(2) Net Capital Requirements

The Company, as a registered broker and dealer of securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). This rule requires the Company to maintain sufficient net capital of an amount not less than \$5,000. The Company has net capital of \$26,504 as of December 31, 2001.

(3) Subordinated Liabilities

The Company incurred no liabilities subordinated to claims of general creditors as of and for the year ended December 31, 2001.

(4) Rule 15c3-3

The Company is exempt from Rule 15c3-3 under subsection (k). Under this exemption, the *Computation for Determining Reserve Requirements and Information Relating to the Possession or Control Requirements* are not required.

(5) Commitments and Contingencies

The Company is a party to various legal actions arising in the normal course of business. None of the actions are believed by management to involve amounts material to the financial statements taken as a whole. Any legal costs or judgments against the Company that exceed its capital would be funded by AFA.

AMERICAN FIDELITY SECURITIES, INC.

Computation of Net Capital Pursuant to Rule 15c3-1
of the Securities and Exchange Commission

December 31, 2001

Computation of net capital:

Total stockholder's equity	\$ <u>103,500</u>
Total stockholder's equity qualified for net capital	\$ <u>103,500</u>
Total capital and allowable subordinated liabilities	\$ 103,500
Deductions:	
Nonallowable receivable	797
Nonallowable investment in warrants	76,100
Other deductions (interest penalty)	<u>99</u>
Net capital	26,504

Computation of net capital requirement:

Minimum dollar net capital requirement	<u>5,000</u>
Excess net capital	\$ <u>21,504</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	\$ <u>25,076</u>

Computation of aggregate indebtedness:

Total liabilities (from statement of financial condition)	<u>14,276</u>
Percentage of aggregate indebtedness to net capital	<u>54%</u>
Percentage of debt to debt-equity total	<u>14%</u>

There were no material differences between the computation of net capital under Rule 15c3-1 included in this report and the computations included in the Company's corresponding unaudited Form X-174A-5, Part IIA filing as of December 31, 2001.