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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- 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 1/1/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: American Fidelity Securities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

2000 N. Classen Blvd.

(No. and Street)

Oklahoma City,

Oklahoma

73106-6092

(City)

(State)

(Zip Code)

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

Shirley Williams

Chief Financial Officer

405-523-5397

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP

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

210 Park Avenue, Suite 2850

Oklahoma City

Oklahoma

73102-5683

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SEC Max Processing  
Section

MAR 05 2009

Washington, DC  
111

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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)

SEC 1410 (06-02)

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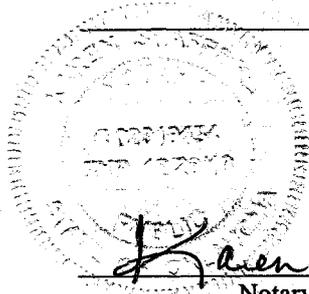
OATH OR AFFIRMATION

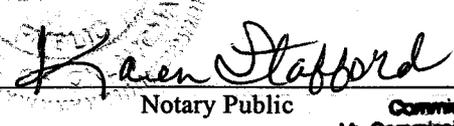
I, David R. Carpenter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of American Fidelity Securities, Inc., as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the 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

President  
Title



  
Notary Public

Commission No. 02010454  
My Commission Expires Dec, 29, 2010

- 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).



**KPMG LLP**  
210 Park Avenue, Suite 2850  
Oklahoma City, OK 73102-5683

**Independent Auditors' Report on Internal Control  
Required by Securities and Exchange Commission Rule 17a-5(g)(1)**

Board of Directors  
American Fidelity Securities, Inc.:

In planning and performing our audit of the financial statements of American Fidelity Securities, Inc. (the Company), as of and for the year ended December 31, 2008, 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 the financial statements in conformity 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a significant deficiency, or combination of deficiencies in internal control, such that results that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 considered 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 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, as described in the second paragraph of this report, were adequate at December 31, 2008, 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 and 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.

KPMG LLP

February 10, 2009



**AMERICAN FIDELITY SECURITIES, INC.**

Financial Statements and Schedule

December 31, 2008

(With Independent Auditors' Report Thereon)

# AMERICAN FIDELITY SECURITIES, INC.

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**KPMG LLP**  
210 Park Avenue, Suite 2850  
Oklahoma City, OK 73102-5683

## **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, 2008, and the related statements of income, stockholder's 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 American Fidelity Securities, Inc. as of December 31, 2008, 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 conducted 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 under the Securities and Exchange Act of 1934. 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**

February 10, 2009

**AMERICAN FIDELITY SECURITIES, INC.**

Statement of Financial Condition

December 31, 2008

**Assets**

Cash	\$	982
Certificate of deposit, at cost, which approximates market		9,000
Accrued interest receivable		18
Commissions receivable		<u>27,500</u>
Total assets	\$	<u><u>37,500</u></u>

**Liabilities and Stockholder's Equity**

Liabilities:

Accounts payable - parent	\$	18,250
Accounts payable - other		<u>9,250</u>
Total liabilities		<u>27,500</u>

Stockholder's equity:

Common stock, par value \$10 per share. Authorized 5,000 shares; issued and outstanding 1,000 shares		<u>10,000</u>
		<u>10,000</u>
Total liabilities and stockholder's equity	\$	<u><u>37,500</u></u>

See accompanying notes to financial statements.

**AMERICAN FIDELITY SECURITIES, INC.**

Statement of Income

Year ended December 31, 2008

Revenue:		
Commissions	\$	1,074,274
Interest		227
		<u>1,074,501</u>
Expenses:		
Commissions		960,946
Regulatory fees and expenses		99,023
Management fee		13,798
Other operating expenses		734
		<u>1,074,501</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, 2008

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance, December 31, 2007	\$ 10,000	—	—	10,000
Net income	—	—	—	—
Return of capital	—	—	—	—
Balance, December 31, 2008	<u>\$ 10,000</u>	<u>—</u>	<u>—</u>	<u>10,000</u>

See accompanying notes to financial statements.

**AMERICAN FIDELITY SECURITIES, INC.**

Statement of Cash Flows

Year ended December 31, 2008

Cash flows from operating activities:	
Net income	\$ —
Adjustment to reconcile net income to net cash provided by operating activities:	
Decrease in accrued interest receivable	128
Net cash provided by operating activities	<u>128</u>
Cash flows from investing activities:	
Proceeds from matured certificate of deposit	36,000
Purchase of certificate of deposit	<u>(36,000)</u>
Net cash provided by investing activities	<u>—</u>
Net increase in cash	128
Cash, beginning of year	<u>854</u>
Cash, end of year	<u>\$ 982</u>

See accompanying notes to financial statements.

# AMERICAN FIDELITY SECURITIES, INC.

## Notes to Financial Statements

December 31, 2008

### (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, American Fidelity Separate Account B, and American Fidelity Separate Account C (the Funds), separate accounts of AFA.

Under terms of a management agreement with AFA, the Company earns commissions by selling 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 not to exceed net earnings 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 revenue.

#### (a) *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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### (b) *Basis of Presentation*

The accompanying financial statements have been prepared using the accrual method of accounting.

#### (c) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and in banks including money market, demand deposits, commercial paper, and certificates of deposit with maturities of three months or less.

#### (d) *Investments*

The Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*, effective January 1, 2008. FAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements in financial statements, effective for the Company's current fiscal period. The Company does not have any investments to which FAS 157 would apply.

#### (e) *Commissions*

Commissions are recorded on a trade-date basis.

#### (f) *Income Taxes*

A provision for income taxes is not required because the Company's earned revenue equals 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 federal income tax return.

## AMERICAN FIDELITY SECURITIES, INC.

### Statement Regarding Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2008

The Company has no unrecognized tax positions at December 31, 2008 as a result of the provisions of Financial Standards Accounting Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). The Company adopted FIN 48 on January 1, 2007 and on such date the Company had no unrecognized tax positions.

As of December 31, 2008, the Company has no accrued interest and penalties related to uncertain tax positions. The Company would recognize interest accrued related to unrecognized tax positions in interest expense and penalties accrued in operating expense, should they occur.

The tax years 2005 through 2008 remain open to examination by the major taxing jurisdictions to which the Company is subject. The Company is not currently under examination by any taxing authority and does not expect any material changes to its unrecognized tax positions within the next twelve months.

#### **(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 \$9,982 as of December 31, 2008.

Part IIA of the Company's most recent annual report to the Securities and Exchange Commission is available at the Company's office and the regional office of the Securities and Exchange Commission in New Orleans, Louisiana.

#### **(3) Subordinated Liabilities**

The Company incurred no liabilities subordinated to claims of general creditors as of and for the year ended December 31, 2008.

#### **(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, 2008

## Computation of net capital:

Total stockholder's equity	\$ <u>10,000</u>
Total stockholder's equity qualified for net capital	\$ <u>10,000</u>
Total capital and allowable subordinated liabilities	\$ 10,000
Deductions for nonallowable assets:	
Accrued interest receivable	<u>18</u>
Net capital	9,982

## Computation of net capital requirement:

Minimum dollar net capital requirement	<u>5,000</u>
Excess net capital	\$ <u>4,982</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	\$ 7,232

## Computation of aggregate indebtedness:

Aggregate indebtedness:	
Total liabilities (from statement of financial condition)	\$ <u>27,500</u>
Total aggregate indebtedness	\$ <u>27,500</u>

Percentage of aggregate indebtedness to net capital

275%

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-17a-5, Part IIA filing as of December 31, 2008.

See accompanying independent auditors' report.