

First State Investment Advisors, Inc.

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www.firststate-ok.com

6/21/2012

FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of First State Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (918) 492-1466. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about First State Investment Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for First State Investment Advisors, Inc. is 104788.

First State Investment Advisors, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, First State Investment Advisors Inc. will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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Item 4 Advisory Business

Description of Services and Fees

First State Investment Advisors, Inc. (hereinafter "First State Investment Advisors") is a registered investment adviser based in Tulsa, OK. We are organized as a corporation under the laws of the State of Texas. We have been providing investment advisory services since 1996. First State Financial, Inc. is the principal owner. Sidney I. Shupack is the founder and President of First State Financial, Inc. Currently, First State Investment Advisors offers the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

We offer discretionary portfolio management services to our clients and prospective clients. We utilize a personalized, tax efficient, value oriented approach to portfolio management. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather from our initial and any subsequent meetings to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we will customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Our investment strategy primarily focuses on investments in high quality, large cap, "Blue Chip" securities. We may also invest in investment grade municipal and corporate bonds, preferred stocks, mutual funds and government securities. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis. We will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. Our portfolio management services do not allow you to limit our discretionary authority by providing restrictions on the securities we may purchase and sell in your account.

Types of Investments

We primarily offer advice on high quality, large cap, "Blue Chip" securities. First State Investment Advisors may also invest in investment grade municipal and corporate bonds, preferred stocks, mutual funds and government securities.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Assets Under Management

As of November 30, 2011 we manage \$47,581,827 client assets on a discretionary basis.

Item 5 Fees and Compensation

Portfolio Management Services

Our Portfolio Management fee is based on a percentage of assets under management and ranges from a minimum of 0.25% to a maximum of 1.50%. Bond allocations are subject to a fee of 0.25% of assets under management. Our fee for the management of equity securities is based on a percentage of your assets we manage and is set forth in the following fee schedule:

Equity Assets Under Management	Annual Fee
\$0 to \$100,000	1.50%
\$100,001 to \$2,000,000	1.25%
Over \$2,000,000	1.00%

In limited circumstances and based solely on our discretion, the fee may be negotiated. As a result of such negotiation, the fees charged for any given client may be higher or lower than the fees charged for another client. The annual portfolio management fee is billed and payable semi-annually in advance based on the value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

We will either invoice the client directly for management fees or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts dispersed from your account including the amount of the advisory fee paid directly to our firm.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$50,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. In addition, we use a free cash flow and dividend discount model to evaluate a stock's value.
- **Charting Analysis** - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Long Term Buy and Hold

Buy and hold is a long term investment strategy based on the view that in the long run financial markets give a good rate of return despite periods of volatility or decline. This viewpoint also holds that short term market timing, i.e. the concept that one can enter the market on the lows and sell on the highs, does not work for small, or unsophisticated, investors so it is better to simply buy and hold. The risk involved with this type of strategy is that, if you need your money in the short term, you may not be able to wait for the market to recover from a downturn.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend high quality, large cap, "Blue Chip" securities. We may also invest in investment grade municipal and corporate bonds, preferred stocks, mutual funds and government securities. We do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that's used to make the interest payments; and, whether or not the bond can be "called" prior to maturity. When a bond is called or comes due, it may not be possible to replace it with a bond of equal character paying the same interest coupon or yield.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same interest coupon or yield.

Item 9 Disciplinary Information

First State Investment Advisors has been registered and providing investment advisory services since 1996. Sidney I. Shupak and Paul D. Mitchell have been registered as either an investment adviser representative or registered representative since 1996. First State Investment Advisors, Inc. does not have disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Arrangements with Affiliated Entities

We are affiliated with First State Securities, Inc. (hereinafter "First State Securities") through common control and ownership. First State Securities is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Sidney I. Shupack, CEO/CCO, is the President of First State Financial, Inc., the parent company of First State Investment Advisors and First State Securities.

First State Securities will effect securities transactions for advisory clients of First State Investment Advisors. Transactions will be placed consistently with the objective of negotiating the best execution available. While net price is a major consideration in best execution, we will also take into account the quality of brokerage services, confidentiality, financial stability, and responsiveness. Mr. Shupack is also licensed as a registered representative of First State Securities. As such, Mr. Shupack, in his separate capacity as a registered representative, will effect securities transactions and will receive separate, yet customary compensation for effecting such transactions, including 12b-1 fees for the sale of investment company products. Other fees may be charged for services provided by First State Financial, Inc. Mr. Shupack may make differing recommendations with respect to the same securities to different advisory clients. All recommendations made by Mr. Shupack are specific to each client's individual needs and current financial situation.

All profits derived from First State Investment Advisors and First State Securities, pass through First State Financial, Inc., the parent company, and to First State Financial, Inc.'s shareholders if First State Financial, Inc. is operated profitably. First State Securities' revenues are almost exclusively generated

from the execution of transactions on behalf of First State Investment Advisors' clients. Nonetheless, First State Securities anticipates no profit will be derived from brokerage transactions placed on behalf of the First State Investment Advisors' clients since all transactions executed are pass through rates charged by its custodian, Southwest Securities, Inc. The recommendation and utilization of First State Securities for advisory clients' brokerage transactions creates a conflict of interest since Sidney I. Shupack serves as a principal of both entities.

Clients to whom First State Investment Advisors offers advisory services are informed that they are under no obligation to use First State Securities or its representatives for their broker dealer services and may use the service provider of their choosing. Mr. Shupack spends less than 10% of his professional time in his capacities at First State Securities

Paul D. Mitchell, Treasurer, is the Treasurer of First State Financial, Inc., the parent company of First State Investment Advisors and First State Securities Mr. Mitchell spends less than 20% of his professional time in his capacities at First State Securities

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at the number listed on the cover of this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may recommend securities to you at the same time we or persons associated with our firm purchase or sell such securities for our own account. However, all Associated Persons transactions in personal accounts occur after client transactions and only upon approval of the Board of Directors of First State Investment Advisors, Inc.

It is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We recommend the brokerage and custodial services of First State Securities, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that First State Securities provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by First State Securities, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services First State Securities provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

We routinely recommend that you direct our firm to execute transactions through First State Securities. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Associated Persons providing investment advice on behalf of our firm who are registered representatives of First State Securities will recommend First State Securities to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from First State Securities unless First State Securities provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through First State Securities. It may be the case that First State Securities charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through First State Securities, these individuals (in their separate capacities as registered representatives of First State Securities) may earn commission-based compensation as a result of placing the recommended securities transactions through First State Securities. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use First State Securities, we may not be able to accept your account. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

Sidney I. Shupack, CEO/CCO and Paul D. Mitchell, Treasurer, will monitor your accounts on an ongoing basis and will conduct formal reviews at least annually to ensure the advisory services provided to you are consistent with your stated and current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

You will receive trade confirmations and monthly or quarterly statements from your account custodian.

Item 14 Client Referrals and Other Compensation

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are registered representatives with First State Securities. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

First State Investment Advisors and its affiliated broker dealer, First State Securities do not have custody of client funds. Southwest Securities, Inc. is the custodian for all client accounts that have selected First State Securities as their broker.

Since First State Investment Advisors does require fees to be paid for the upcoming six month period, and such fees may exceed \$500, an independent accounting firm has been hired to audit both First State Investment Advisors' and First State Securities' financials on an annual basis. The audited financial statements for First State Investment Advisors are contained in Item 18 - Financial Information of this brochure. Financial information for First State Securities is available upon request.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at the phone number listed on the cover of this brochure.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

Item 17 Voting Client Securities

Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Item 18 Financial Information

We are required to provide financial information to our clients because we do require the prepayment of more than \$500 in fees and six or more months in advance.

Please see attached audited balance sheet.

Item 19 Requirements for State-Registered Advisers

Sidney I. Shupack, Chief Executive Officer/Chief Compliance Officer

Year of Birth: 1935

Formal Education After High School:

- University of Oklahoma, B.B.A, Finance, 06/1958

Business Background:

- First State Financial, Inc., President, 1971 to Present
- First State Securities, Inc., President and Registered Representative, 06/1985 to Present.
- First State Investment Advisors, Inc., President, 1996 to Present.

Paul D. Mitchell

Year of Birth: 1952.

Formal Education After High School:

- Emporia State University, B.S., Environmental Studies, 12/1975

Business Background:

- First State Financial, Inc., Treasurer, 05/1985 to Present
- First State Securities, Inc., Treasurer, 05/1985 to Present.

- First State Investment Advisors, Inc., Treasurer, 05/1985 to Present.

Our firm is affiliated with First State Securities, Inc., a securities broker dealer through common control and ownership. We spend approximately 10-20% of our time in this capacity. Please refer to the *Other Financial Industry Activities and Affiliations - Item 10* in this brochure for information on our affiliated registration as a broker-dealer.

Neither our firm, nor any persons associated with our firm are compensated for advisory services with performance-based fees. Please refer to the "Performance-Based Fees and Side-By-Side Management" section above for additional information on this topic.

Sidney I. Shupack has a disciplinary history, the details of which can be found on FINRA's BrokerCheck system or the IAPD. The BrokerCheck link is www.finra.org/brokercheck; the IAPD link is www.adviserinfo.sec.gov. You may inspect the disciplinary history by accessing the either website and either entering Mr. Shupack's name or his CRD number which is 423043.

The disciplinary events which may be considered material are represented below:

Regulatory action was initiated by the SEC on October 26, 1978 resulting in bar. Mr. Shupack was barred from being associated with any investment advisor. The bar was lifted in June 1996.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at the phone number listed on the cover of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

First State Investment Advisors, Inc.

Audited Financial Statements

**For the Year Ended
December 31, 2011**

First State Investment Advisors, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
First State Investment Advisors, Inc.

We have audited the accompanying statement of financial condition of First State Investment Advisors, Inc. as of December 31, 2011 and the related statements of income, changes in 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 First State Investment Advisors, Inc. as of December 31, 2011 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.

CF & Co., LLP
CF & Co., L.L.P.

Dallas, Texas
March 7, 2012

FIRST STATE INVESTMENT ADVISORS, INC.

Statement of Financial Condition

December 31, 2011

ASSETS

Cash	\$ 8,816
Marketable securities owned, at fair value	
Common stocks (cost of \$986,612)	1,237,975
Other assets	<u>7,229</u>
 Total Assets	 <u>\$ 1,254,020</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:

Accounts payable	\$ 2,500
Accrued liabilities	111,706
Current income taxes payable	76,066
Deferred income taxes payable	<u>63,520</u>
 Total liabilities	 <u>253,792</u>

Stockholder's equity:

Common stock-no par value, 1,000,000 shares authorized, 1,000 shares issued and outstanding	1,000
Retained earnings	1,233,682
Due from Affiliates	<u>(234,454)</u>
 Total stockholder's equity	 <u>1,000,228</u>
 Total Liabilities and Stockholder's Equity	 <u>\$ 1,254,020</u>

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

FIRST STATE INVESTMENT ADVISORS, INC.

Statement of Income

For the Year Ended December 31, 2011

Revenue:

Investment management fees	\$ 483,020
Interest and dividends	33,055
Realized gains on marketable securities	67,172
Unrealized losses on marketable securities	<u>6,287</u>
Total revenue	<u>589,534</u>

Expenses:

Employee and officer compensation	197,435
Communications	1,958
Occupancy and equipment costs	25,692
Promotional costs	7,290
Margin interest	2,501
Data processing	6,500
Regulatory fees	1,370
Other	<u>34,037</u>
Total expenses	<u>276,783</u>

Net income before income taxes	312,751
Provision (benefit) for income taxes	<u>104,715</u>
Net income	<u>\$ 208,036</u>

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

FIRST STATE INVESTMENT ADVISORS, INC.

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2011

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Due From Affiliates</u>	<u>Total</u>
Balance, December 31, 2010	\$ 1,000	\$ 1,025,646	\$ (170,042)	\$ 856,604
Net advances to/from Affiliates			(64,412)	(64,412)
Net income		208,036		208,036
Balance, December 31, 2011	<u>\$ 1,000</u>	<u>\$ 1,233,682</u>	<u>\$ (234,454)</u>	<u>\$ 1,000,228</u>

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

FIRST STATE INVESTMENT ADVISORS, INC.

Statement of Cash Flows

For the Year Ended December 31, 2011

Cash Flows from Operating Activities

Net income	\$ 208,036
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Deferred income taxes	28,649
Realized gains on marketable securities	(67,172)
Unrealized gains on marketable securities	(6,287)
Change in assets and liabilities:	
Decrease in other assets	2,191
Increase in accounts payable	1,000
Increase in accrued liabilities	55,778
Increase in current income taxes payable	35,640

Net cash provided (used) by operating activities 257,835

Cash Flows from Investing Activities

Net advances to/from Affiliates	(64,412)
Sale of long-term marketable securities	812,182
Purchases of long-term marketable securities	<u>(1,008,146)</u>

Net cash provided (used) by investing activities (260,376)

Cash Flows from Financing Activities

Net decrease in cash (2,541)

Beginning cash 11,357

Ending cash \$ 8,816

Supplemental Disclosures

Cash paid for:

Interest \$ 2,501

Income taxes \$ ---

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

FIRST STATE INVESTMENT ADVISORS, INC.

Notes to Financial Statements

December 31, 2011

Note 1 - Organization and Nature of Business

First State Investment Advisors, Inc. ("Advisors") is a wholly-owned subsidiary of First State Financial, Inc. ("Financial"). Advisors is registered with the United States Securities and Exchange Commission as an investment advisor under the Investment Advisers Act of 1940.

Advisors' customers are primarily individuals residing in the Tulsa, Oklahoma metropolitan area. Customers maintain securities accounts with First State Securities, Inc. ("Securities"), an affiliate and wholly-owned subsidiary of Financial. Investment advisory fees are charged to customers' securities accounts in advance semi-annually. Revenue is recognized on a pro rata basis throughout the period.

Note 2 - Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

Marketable Securities

Marketable securities are held for long-term investment and are carried at fair value. Fair value is determined by quoted market prices. Advisors follows the accounting policy of Financial and Securities by reflecting the resulting difference between cost (determined by specific identification) and market (or fair value) in income. Transactions in marketable securities are recorded on a trade date basis. For purposes of the statement of cash flows, transactions in marketable securities are reflected as investing transactions.

Income Taxes

Advisors files a consolidated income tax return with Financial. Income taxes are recorded using the separate company method to comply with FASB ASC 740. Any resulting provision or benefit for income taxes is recorded in the statement of income. Any potential interest and penalty associated with a tax contingency, should one arise, would be included as a component of income tax expense in the period in which the assessment arises. Income tax returns are generally subject to examination by the respective federal and state authorities over various statutes of limitations generally three years from the date of filing.

FIRST STATE INVESTMENT ADVISORS, INC.

Notes to Financial Statements

December 31, 2011

Note 2 - Summary of Significant Accounting Policies, continued

Income Taxes, 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 3 - Fair Value Measurements

Advisors categorizes its marketable securities owned recorded at fair value into a three-level fair value hierarchy, in accordance with U.S. GAAP. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Marketable securities owned consist of common stocks issued by U.S. companies which are listed on a national exchange and operate in various industries. Common stocks owned are classified as Level 1 assets because valuations are based on quoted prices in active markets for identical assets that Advisors has the ability to access.

Note 4 - Related Party Transactions

Advisors provides personnel, office space and other administrative services to Securities under an expense sharing agreement. Expenses reimbursed under this agreement aggregated \$4,237 in 2011. Amounts due from affiliates are non-interest bearing, unsecured, and due on demand.

Note 5 - Income Taxes

The provision for income taxes consists of current income tax expense of \$76,066 and a deferred income tax expense of \$28,649. 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.

Sidney I. Shupack

First State Investment Advisors, Inc.

7136 South Yale, Suite 300 Tulsa, OK 74136

**918-492-1466 Phone
918-492-1678 Facsimile**

www.firststate-ok.com

6/21/2012

**FORM ADV PART 2B
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Sidney I. Shupack that supplements the First State Investment Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact the phone number listed above if you did not receive First State Investment Advisor's brochure or if you have any questions about the contents of this supplement.

Additional information about Sidney I. Shupack is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Sidney I. Shupack, Chief Executive Officer/Chief Compliance Officer

Year of Birth: 1935

Formal Education After High School:

- University of Oklahoma, B.B.A., Finance, 06/1958

Business Background:

- First State Financial, Inc., President, 1971 to Present
- First State Securities, Inc., President and Registered Representative, 06/1985 to Present.
- First State Investment Advisors, Inc., President, 1996 to Present.

Item 3 Disciplinary Information

Sidney I. Shupack has a disciplinary history, the details of which can be found on FINRA's BrokerCheck system or the IAPD. The BrokerCheck link is www.finra.org/brokercheck ; the IAPD link is www.adviserinfo.sec.gov. You may inspect the disciplinary history by accessing the either website and either entering Mr. Shupack's name or his CRD number which is 423043.

The disciplinary events which may be considered material are represented below:

Regulatory action was initiated by the SEC on October 26, 1978 resulting in bar. Mr. Shupack was barred from being associated with any investment advisor. The bar was lifted in June 1996.

Item 4 Other Business Activities

Sidney I. Shupack, CEO/CCO, is the President of First State Financial, Inc., the parent company of First State Investment Advisors, Inc. and First State Securities, Inc. Mr. Shupack is affiliated with First State Securities, Inc. (hereinafter "First State Securities") through common control and ownership. First State Securities is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

First State Securities will effect securities transactions for advisory clients of First State Investment Advisors Transactions will be placed consistently with the objective of negotiating the best execution available. While net price is a major consideration in best execution, we will also take into account the quality of brokerage services, confidentiality, financial stability, and responsiveness. Mr. Shupack is also licensed as a registered representative of First State Securities As such, Mr. Shupack, in his separate capacity as a registered representative, will effect securities transactions and will receive separate, yet customary compensation for effecting such transactions, including 12b-1 fees (trails) for the sale of investment company products. Other fees may be charged for services provided by First State Financial, Inc. Mr. Shupack may make differing recommendations with respect to the same securities to different advisory clients. All recommendations made by Mr. Shupack are specific to each client's individual needs and current financial situation.

All profits derived from First State Investment Advisors and First State Securities, pass through First State Financial, Inc., the parent company, and to First State Financial, Inc.'s shareholders if First State Financial, Inc. is operated profitably. First State Securities' revenues are almost exclusively generated from the execution of transactions on behalf of First State Investment Advisors' clients. Nonetheless, First State Securities anticipates no profit will be derived from brokerage transactions placed on behalf of the First State Investment Advisors' clients since all transactions executed are pass through rates

charged by its custodian, Southwest Securities, Inc. The recommendation and utilization of First State Securities for advisory clients' brokerage transactions creates a conflict of interest since Sidney I. Shupack serves as a principal of both entities.

Clients to whom First State Investment Advisors offers advisory services are informed that they are under no obligation to use First State Securities or its representatives for their broker dealer services and may use the service provider of their choosing. Mr. Shupack spends less than 10% of his professional time in his capacities at First State Securities.

Item 5 Additional Compensation

Sidney I. Shupack does not receive any additional compensation for providing advisory services beyond the fee based compensation he receives through First State Investment Advisors and its affiliated entities as described above. Please see Other Business Activities in this Supplement.

Item 6 Supervision

Paul D. Mitchell is responsible for supervising Sidney I. Shupack's advisory activities. Mr. Mitchell can be reached at (918) 492-1466. Mr. Mitchell monitors and approves all of Mr. Shupack's personal transactions.

Item 7 Requirements for State-Registered Advisers

Mr. Shupack does not have any reportable arbitration claims. Mr. Shupack does have disciplinary history (Please see Disciplinary History above). Mr. Shupack has not been the subject of a bankruptcy petition.

Paul D. Mitchell

First State Investment Advisors, Inc.

7136 South Yale, Suite 300 Tulsa, OK 74136

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6/21/2012

**FORM ADV PART 2B
BROCHURE SUPPLEMENT**

This brochure supplement provides information about Paul D. Mitchell that supplements the First State Investment Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact the phone number listed above if you did not receive First State Investment Advisor's brochure or if you have any questions about the contents of this supplement.

Additional information about Paul D. Mitchell is available on the SEC's website at www.adviserinfo.sec.gov .

Item 2 Educational Background and Business Experience

Paul D. Mitchell

Year of Birth: 1952.

Formal Education After High School:

- Emporia State University, B.S., Environmental Sciences, 12/1975

Business Background:

- First State Financial, Inc., Treasurer, 05/1985 to Present
- First State Securities, Inc., Treasurer, 05/1985 to Present.
- First State Investment Advisors, Inc., Treasurer, 05/1985 to Present.

Item 3 Disciplinary Information

Paul D. Mitchell does not have disciplinary information.

Item 4 Other Business Activities

Paul D. Mitchell, Treasurer, is the Treasurer of First State Financial, Inc., the parent company of First State Investment Advisors, Inc. and First State Securities, Inc. Mr. Mitchell spends less than 20% of his professional time in his capacities at First State Securities.

Item 5 Additional Compensation

Paul D. Mitchell does not receive any additional compensation for providing advisory services beyond the fee based compensation he receives through First State Investment Advisors and its affiliated entities as described above. Please see Other Business Activities in this Supplement.

Item 6 Supervision

Sidney I. Shupack is responsible for supervising Paul D. Mitchell's advisory activities. Mr. Shupack can be reached at (918) 492-1466. Mr. Shupack monitors and approves all of Mr. Mitchell's personal transactions.

Item 7 Requirements for State-Registered Advisers

Mr. Mitchell does not have any reportable arbitration claims, has not been found liable in a reportable civil, self-regulatory organization proceeding or administrative proceeding, and has not been the subject of a bankruptcy petition.