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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
B- 38139

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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FIRST MIDWEST SECURITIES, INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
207 W. JEFFERSON, SUITE 102

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

BLOOMINGTON

ILLINOIS

61701

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
JENNIFER PRATT (309) 820-7444

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
RICHARD W. PHILLIPS CPA

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

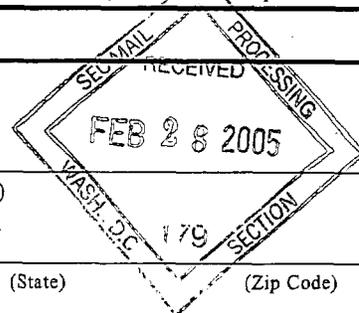
1600 HUNT DRIVE, SUITE B, NORMAL, IL 61761

(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 23 2005

THOMSON FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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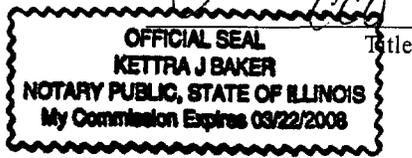
OATH OR AFFIRMATION

I, JENNIFER PRATT, 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 MIDWEST SECURITIES, INC., as of DECEMBER 31, 2004, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Jennifer Pratt  
Signature

Ketra J Baker  
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 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 15c3-3 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).

**FIRST MIDWEST SECURITIES, INC**  
**(A Wholly Owned Subsidiary of The Investment Company, Inc.)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2004 AND 2003**

**Richard W.  
Phillips,  
CPA**

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

TABLE OF CONTENTS  
DECEMBER 31, 2004 AND 2003

	<u>PAGE</u>
<b>Independent Auditor's Report</b>	2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
<b>Supplemental Information</b>	
Report of Independent Auditor on Supplementary Data	11
Schedule of Other General and Administrative Expenses	12
Statements of Changes in Stockholders Equity	13
Statements of Changes in Liabilities Subordinated To Claims of General Creditors	13
Computation of Net Capital	14
Computation of Excess Net Capital Requirements	14
Reconciliation of the Unaudited Computation of Net Capital to the Audited Computation	15
Reconciliation of the Unaudited Computation of Excess Net Capital to the Audited Computation of Excess Net Capital	15
Letter on Internal Accounting Control	16

Richard W.  
Phillips,  
CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
First Midwest Securities, Inc.

We have audited the accompanying statement of financial position of First Midwest Securities, Inc. as of December 31, 2004 and the related statement of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2003 financial statements were audited by other auditors who expressed an unqualified opinion in their report dated February 7, 2004.

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. Management's procedures for safeguarding securities have also been reviewed. 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 Midwest Securities, Inc. as of December 31, 2004 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.

*Richard W. Phillips, CPA*  
January 24, 2005

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Statements of Financial Position  
December 31, 2004 and 2003**

	2004		2003	
	Allowable	Non- Allowable	Allowable	Non- Allowable
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash-note 3	\$ 256,794	-	\$ 188,141	-
Commission and related receivable-note 4	488,274	18,414	275,949	82,335
Due from parent company	-	108,776	-	-
Other assets and receivables	-	12	-	388
Deferred tax benefit	-	-	-	2,720
<b>Total Current Assets</b>	<u>745,068</u>	<u>127,202</u>	<u>464,090</u>	<u>85,443</u>
<b>Other Assets:</b>				
Equipment net of accumulated depreciation	-	134	-	-
Security deposit with clearing house	61,741	-	76,790	-
<b>TOTAL ASSETS</b>	<u>\$ 806,809</u>	<u>\$ 127,336</u>	<u>\$ 540,880</u>	<u>\$ 85,443</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
<b>Current Liabilities:</b>				
Accounting fees payable		\$ 4,500		\$ 4,500
Management fees payable-note 5		13,637		21,320
Federal income taxes payable to parent-notes 5 and 6		183,389		109,018
State income taxes payable to parent-notes 5 and 6		30,134		18,147
<b>Total Liabilities</b>		<u>231,660</u>		<u>152,985</u>
<b>Stockholders Equity:</b>				
Common stock - no par value, 15,000 shares authorized; 12,073 and 9,540 shares issued and outstanding in 2004 and 2003 respectively-note 8		229,435		229,435
Retained earnings (deficit)		473,050		243,903
<b>Total Stockholders Equity</b>		<u>702,485</u>		<u>473,338</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u>\$ 934,145</u>		<u>\$ 626,323</u>

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Statements of Operations and Retained Earnings**  
For the Years Ended December 31, 2004 and 2003

	2004	2003
<b>Revenue:</b>		
Securities commissions		
- Listed stock	\$ 658,488	\$ 242,646
- OTC stock	1,107,253	1,057,293
- Mutual funds	758,472	761,640
- Options	156,909	103,842
- Bonds	1,193,339	456,541
<b>Total Securities Commissions</b>	3,874,461	2,621,962
Variable Annuity Commissions	700,905	481,670
Private Placements Fees	-	84
Limited Partnership Commissions	107,778	43,946
Due Diligence Fees	3,280	(367)
Inventory- Trading Profits	519,530	325,977
Life Insurance Commissions	3,980	75,221
Registered Investment Advisory Fees	319,096	171,883
Miscellaneous Income	153,513	146,398
<b>Total Revenues</b>	5,682,543	3,866,774
<b>Expenses:</b>		
Commissions to Parent Company -note 5	4,899,846	3,090,361
Principal Clearance	321,199	195,758
Quote Service Rental	1,725	5,393
Registration Fees	25,284	88,667
Signature Guarantee Service	1,064	920
Other General and Administrative Expenses -page 12	98,369	126,267
<b>Total Expenses</b>	5,347,487	3,507,366
<b>Operating Income (Loss)</b>	335,056	357,367
<b>Other Income (Expense)</b>		
Interest Income	50,185	48,329
Interest Expense	(3,793)	(407)
<b>Total Other Income (Expense)</b>	46,392	47,923
<b>Income Before Taxes</b>	381,448	405,290
Income Tax Expense -note 6	152,301	162,880
<b>Net Income (Loss) for the Year</b>	229,147	242,410
<b>Retained Earnings - Beginning of Year</b>	243,903	1,492
<b>Retained Earnings (Deficit) - End of Year</b>	\$ 473,050	\$ 243,902

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Statements of Cash Flows**  
For the Years Ended December 31, 2004 and 2003

	<b>2004</b>	<b>2003</b>
<b>Cash Flow from Operating Activities</b>		
Net Income (loss)	229,147	\$ 242,410
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	16	-
Decrease (Increase) in Deferred Tax Benefit	2,720	10,912
Change in Current Assets and Liabilities		
Decrease (Increase) in		
Commissions and related receivables	(148,404)	(193,701)
Due from Parent Company - note 5	(108,776)	-
Other assets and receivables	376	42,347
Increase (Decrease) in		
Commissions payable -note 5	-	(156,042)
Accounting Fees Payable	-	300
Management Fees Payable -note 5	(7,683)	10,375
Income Taxes Due Parent -note 6	86,358	151,967
	<b>53,754</b>	<b>108,568</b>
<b>Cash Flow from Financing Activities</b>		
Increase in Security Deposits	15,049	(20,212)
Purchase of Equipment	(150)	-
	<b>14,899</b>	<b>(20,212)</b>
<b>Net Increase (decrease) in Cash</b>	<b>68,653</b>	<b>88,356</b>
<b>Cash at Beginning of Year</b>	<b>188,141</b>	<b>99,785</b>
<b>Cash at End of Year -note 3</b>	<b>\$ 256,794</b>	<b>\$ 188,141</b>

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 and 2003**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

First Midwest Securities, Inc. introduces and forwards, as a broker, all transactions and accounts of customers to another broker or dealer who carries such accounts on a fully disclosed basis. First Midwest Securities, Inc. promptly forwards all funds received from customers in connection with its activities as a broker.

Basis of Statement Preparation

The Company's accounts are maintained on the accrual basis of accounting. As such, revenues are recognized when earned, and expenses and related liabilities are recorded in the period incurred.

Use of Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Uncollectible Accounts

No allowance for uncollectible accounts has been provided since it is believed that the balance in accounts receivable is fully collectible.

Security Valuation

Investments in securities traded on a national securities exchange (or reported on NASDAQ national market) are stated at the last reported sales price on the day of valuation. The first-in first-out method is used to determine the cost of each security at the time of sale. These securities are subject to off balance sheet risk due to the fact that market values are unpredictable.

**FIRST MIDWEST SECURITIES, INC**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 and 2003**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. For the years ended December 31, 2003, these differences relate to operating loss carry-forwards. The deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Advertising

Advertising costs are charged to operations when incurred and amounted to \$39,766 and \$20,164 for 2004 and 2003, respectively.

**NOTE 2 – CORPORATE HISTORY**

First Midwest Securities, Inc. was formally known as Ablestrong Securities, Inc. Ablestrong Securities, Inc. was incorporated in 1987 and was a wholly owned subsidiary of Ablestrong Financial Group, Inc. in November 1989, The Investment Company, Inc. acquired Ablestrong Securities, Inc. on December 12, 1989 and changed its name to First Midwest Securities, Inc.

First Midwest Securities, Inc. is registered as a licensed broker to deal in securities.

**NOTE 3 – CASH**

The following is a summary of cash as of December 31, 2004 and December 31, 2003.

	<u>2004</u>			<u>2003</u>
	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>	<u>Total</u>
Checking	\$ 256,794	\$ -	\$ 256,794	\$ 188,141
Money Market	-	-	-	-
Risk Trading Account	-	-	-	-
<b>Total</b>	<b>\$ 256,794</b>	<b>\$ -</b>	<b>\$ 256,794</b>	<b>\$ 188,141</b>

**FIRST MIDWEST SECURITIES, INC**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 and 2003**

**NOTE 4- COMMISSIONS AND RELATED RECEIVABLES**

The following is a summary of commissions and related receivables as of December 31, 2004 and 2003:

	2004		2003	
	Allowable	Non- Allowable	Total	Total
Securities Commissions:				
Mutual Fund Commissions	\$ 2,445	\$ 7,118	\$ 9,563	\$ 17,431
Clearing Houses	<u>383,608</u>	<u>-</u>	<u>383,608</u>	<u>163,623</u>
	386,053	7,118	393,171	181,054
Variable Annuity Commissions	13,792	563	14,355	12,178
Limited Partnerships	-	-	-	-
Other Receivables	<u>88,429</u>	<u>119,521</u>	<u>207,950</u>	<u>165,052</u>
 Total	 <u>\$ 488,274</u>	 <u>\$ 127,202</u>	 <u>\$ 615,476</u>	 <u>\$ 358,284</u>

**NOTE 5- RELATED PARTY TRANSACTIONS: DUE FROM/TO PARENT COMPANY**

The following is a summary of the amounts to be collected from (paid to) First Midwest Securities, Inc.'s parent company (The Investment Company, Inc):

	2004	2003
Commissions and Management Fees Payable to Parent	<u>\$ 13,637</u>	<u>\$ 21,320</u>
Corporate Income Tax Payable		
Federal	\$ 183,389	\$ 109,018
State	<u>\$ 30,134</u>	<u>18,147</u>
 Total Income Taxes Payable	 <u>\$ 213,523</u>	 <u>\$ 127,165</u>

Commissions and Management Fees

First Midwest Securities, Inc. pays commissions and management fees to its parent, who employs the related individual brokers. The amount due to the parent is generally 91% of all commissions and advisory fees earned by First Midwest Securities, Inc. For the years ended December 31, 2004 and December 31, 2003, fees and commission expense under this arrangement amounted to \$4,899,846 and \$3,090,361, respectively. Commissions and management fees payable to the parent company as of December 31, 2004 and 2003 amounted to \$13,637 and \$21,320, respectively.

**FIRST MIDWEST SECURITIES, INC**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 and 2003**

**NOTE 5- RELATED PARTY TRANSACTIONS: DUE FROM (TO) PARENT COMPANY – continued**

Rent

First Midwest Securities, Inc. is provided office space at no charge from parent company.

Other

First Midwest Securities, Inc. pays its parent company for telephone expenses incurred, and for its share of consolidated federal income taxes. (See also notes 6 and 9).

**NOTE 6- INCOME TAXES**

First Midwest Securities, Inc. files a consolidated federal income tax return with its parent company (The Investment Company, Inc.). Income taxes reflected in these financial statements included only First Midwest Securities, Inc.'s portion of the total income taxes of the consolidated return.

The following are the components of income tax expenses for 2004 and 2003:

	<u>2004</u>			<u>2003</u>
	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Total</u>
Income Tax Payable	\$ 121,410	\$ 30,891	\$ 152,301	\$ 162,880
Deferred Income Tax	-	-	-	-
Total Income Tax Expenses	<u>\$ 121,410</u>	<u>\$ 30,891</u>	<u>\$ 152,301</u>	<u>\$ 162,880</u>

For the year ended December 31, 2003 it is reasonable certain that the temporary differences relating to taxable income and accounting income will reverse in future years. Therefore, no valuation allowance is needed. Using a combined federal and State tax rate of 28.5%, the deferred tax assets amounted to:

	<u>2004</u>			<u>2003</u>
	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Total</u>
Deferred Tax Asset				
Net operating Losses	\$ -	\$ -	\$ -	<u>\$ 2,720</u>

**FIRST MIDWEST SECURITIES, INC**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 and 2003**

**NOTE 7- NET CAPITAL**

First Midwest Securities, Inc. introduces and forwards, as a broker, all transactions and accounts of customers to another broker or dealer who carries such accounts on a fully disclosed basis. First Midwest Securities, Inc. promptly forwards all funds received from customers in connection with its activities as a broker.

The net capital requirements (in accordance with Section 15c3-1 of Securities and Exchange Commission Rules) are \$100,000, for brokers who receive securities, but who do not generally carry customer's accounts. First Midwest Securities, Inc. has complied with these requirements for the years ended December 31, 2004 and 2003.

Because First Midwest Securities, Inc. cleared all customer transactions through another broker-dealer on a fully disclosed basis, the Company is exempt from having to provide information relating to the possession or control requirements in accordance with Section 15c3-3 of the SEC Rules.

**NOTE 8- STOCKHOLDER'S EQUITY**

For the years ended December 31, 2004 and 2003, there were 15,000 shares authorized of no par value common stock. For the year ended December 31, 2004 and 2003, there were 12,073 and 12,073 shares issued and outstanding respectively.

**NOTE 9- ADDITIONAL CASH FLOW DISCLOSURES**

Income taxes in the amount of \$63,224 and \$0, respectively were paid during December 31, 2004, and 2003. Cash outlays for interest paid during 2004 and 2003 amounted to \$3,793 and \$406 respectively.

**NOTE 10- CONCENTRATION OF CREDIT RISK AND REVENUE**

The company maintains its cash at various financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2004 and 2003, the company exceeded the insured limit by \$156,575 and \$87,135 respectively.

**NOTE 11- DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amount of all financial instruments as reported in the accompanying statements of financial position is equal to the fair value for these same financial instruments as of December 31, 2004.

Richard W.  
Phillips,  
CPA

To the Board of Directors  
First Midwest Securities, Inc.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise First Midwest Securities, Inc. basic financial statements. The accompanying supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Richard W. Phillips, CPA*

January 24, 2005

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Schedule of Other General and Administrative Expenses**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Other General and Administrative Expenses</b>		
Accounting	\$ 5,790	\$ 7,748
Advertising	39,766	20,164
Dues and subscriptions	5,457	950
Website and educational expenses	1,806	545
Insurance	2,354	41,871
Licenses and permits	(36,826)	7,807
Legal Fees	24,443	15,377
Miscellaneous	43,812	20,735
Office Supplies	151	2,932
Postage	5,768	5,369
Repairs, maintenance and property taxes	4,262	882
Telephone	1,106	1,888
Travel	480	2,041
	<u>          </u>	<u>          </u>
<b>Total Expenses</b>	<u><u>\$ 98,369</u></u>	<u><u>\$ 128,309</u></u>

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Statements of Changes in Stockholder's Equity**  
**For the Years Ended December 31, 2004 and 2003**

	2004	2003
<b>Balance at beginning of year</b>	\$ 473,338	\$ 230,928
Add: Net income (loss)	229,147	242,410
<b>Balance at end of year</b>	\$ 702,485	\$ 473,338

**Statements of Changes in Liabilities Subordinated**  
**to Claims of General Creditors**  
**For the Years Ended December 31, 2004 and 2003**

	2004	2003
<b>Balance at beginning of year</b>	\$ -	\$ -
Increases	-	-
Decreases	-	-
<b>Balance at end of year</b>	\$ -	\$ -

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC.**  
**(A Wholly Owned Subsidiary of The Investment Company, Inc.)**

**Computation of Net Capital**  
**December 31, 2004 and 2003**

	2004	2003
<b>Total stockholder's equity per financial statement</b>	\$ 702,485	\$ 473,338
Deduct		
Haircuts on securities	(459)	-
Total nonallowable assets per statement of financial position	(127,336)	(85,443)
<b>Net Capital</b>	<b>\$ 574,690</b>	<b>\$ 387,895</b>

**Computation of Excess Net Capital Requirement**  
**December 31, 2004 and 2003**

	2004	2003
<b>Net Capital</b>	\$ 574,690	\$ 387,895
Deduct: Minimum dollar net capital requirement -note 7	(100,000)	(100,000)
<b>Excess Net Capital</b>	<b>\$ 474,690</b>	<b>\$ 287,895</b>

The accompanying notes are part of these financial statements

**FIRST MIDWEST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of The Investment Company, Inc.)

**Reconciliation of the Unaudited Computation of Net Capital  
to the Audited Computation of Net Capital  
December 31, 2004 and 2003**

	2004	2003
<b>Unaudited net capital per focus report</b>	593,770	514,016
Adjustments to asset accounts -increase (decrease)	-	-
Adjustments to liability accounts -decrease (increase)		
Corporate taxes payable	(19,080)	(126,120)
<b>Audited net capital</b>	<b>\$ 574,690</b>	<b>\$ 387,896</b>

**Reconciliation of the Unaudited Computation of Excess Net Capital Requirement  
to the Audited Computation of Excess Net Capital Requirement  
December 31, 2004 and 2003**

	2004	2003
<b>Unaudited Excess Net Capital</b>	\$ 493,770	\$ 414,016
Adjustments to asset accounts- increase (decrease)	-	-
Adjustments to liability accounts-decrease (increase)		
Corporate taxes payable	(19,080)	(126,120)
<b>Audited Excess Net Capital</b>	<b>\$ 474,690</b>	<b>\$ 287,896</b>

The accompanying notes are part of these financial statements

Richard W.  
Phillips,  
CPA

To the Board of Directors  
First Midwest Securities, Inc.

We have audited the financial statements of First Midwest Securities, Inc. for the year ended December 31, 2004 and have issued our report thereon dated January 24, 2005.

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.

In planning and performing our audit of the financial statements of First Midwest Securities, Inc. for the year ended December 31, 2004, we considered its internal control for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

The management of First Midwest Securities, Inc. is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of polices and procedure may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation; that we consider to be material weakness as defined above.

  
January 24, 2005