



09042352

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
SECURITIES AND EXCHANGE COMMISSION Annual Report Burden hours per response..... 12.00	

**COPY**

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

AUG 31 2009

SEC FILE NUMBER
8-38139 ✓

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17(b)(1) of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

DIVISION OF MARKET REGULATION

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FIRST MIDWEST SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

207 W. JEFFERSON STREET, SUITE 102

(No. and Street)

BLOOMINGTON

(City)

IL

(State)

61701

(Zip Code)

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

TRISHA COX

] 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

(Address)

NORMAL

(City)

IL

(State)

61761

(Zip Code)

CHECK ONE:

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

**SECURITIES & EXCHANGE COMMISSION**  
**RECEIVED**  
**MAR 23 2009**  
**CHICAGO REGIONAL OFFICE**

<b>FOR OFFICIAL USE ONLY</b>

\*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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AB  
9/3

AB  
9/17

OATH OR AFFIRMATION

I, TRISHA COX, 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, 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:

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

Trisha Cox  
Signature  
\_\_\_\_\_  
CCO  
Title

Kettra 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 15c3-1 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.

SECURITIES & EXCHANGE COMMISSION  
RECEIVED  
MAR 23 2009  
CHICAGO REGIONAL OFFICE

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

# Phillips & Associates, CPAs, P.C.

1606 Hunt Drive, Suite B  
Normal, IL 61761  
Phone: 309-452-2417  
Fax: 309-888-9261

219 W. Washington Street  
Pontiac, IL 61764  
Phone: 815-842-2138  
Fax: 815-844-3197

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, 2008 and have issued our report thereon dated February 18, 2009. 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, 2008, we considered its internal control over financial reporting 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.

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 internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 weakness. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Shelly + Associates, CPAs, P.C.*

February 18, 2009

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

TABLE OF CONTENTS  
DECEMBER 31, 2008

	<u>PAGE</u>
<b>Independent Auditor's Report</b>	2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Operations and Retained Earnings	4
Statement of Cash Flows	5
Statement of Changes in Stockholders' Equity	6
Notes to Financial Statements	7-12
<b>Supplemental Information</b>	
Report of Independent Auditor on Supplementary Data	13
Schedule of Other General and Administrative Expenses	14
Computation of Net Capital	15
Computation of Excess Net Capital Requirements	15
Reconciliation of the Unaudited Computation of Net Capital to the Audited Computation	16
Reconciliation of the Unaudited Computation of Excess Net Capital to the Audited Computation of Excess Net Capital	16

# Phillips & Associates, CPAs, P.C.

1600 Hunt Drive, Suite B  
Normal, IL 61761  
Phone: 309-452-2417  
Fax: 309-888-9261

219 W. Washington Street  
Pontiac, IL 61764  
Phone: 815-842-2138  
Fax: 815-844-3197

## 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, 2008 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.

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 Midwest 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 accounting principles generally accepted in the United States of America.

*Phillips & Associates, CPAs, P.C.*  
February 18, 2009

SECURITIES & EXCHANGE COMMISSION  
RECEIVED  
FEB 27 2009  
CHICAGO REGIONAL OFFICE

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

**Statement of Financial Position**  
**December 31, 2008**

	<u>Total</u>
<b>Assets</b>	
Cash-note 3	\$ 453,041
Commission and related receivable-note 4	1,158,672
Inventory	330,409
Notes receivable - related parties -current portion	66,648
Refundable income taxes	89,397
Equipment net of accumulated depreciation	13,727
Notes receivable - related parties - noncurrent	42,938
Security deposit with clearing house	63,790
<b>Total Assets</b>	<u><u>\$ 2,218,622</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 11,094
Commissions payable	861,213
<b>Total Liabilities</b>	<u>872,307</u>
<b>Stockholders Equity</b>	
Common stock - no par value, 15,000 shares authorized; 12,073 shares issued and outstanding	229,435
Paid in capital	621,912
Retained earnings (deficit)	494,968
<b>Total Stockholders Equity</b>	<u>1,346,315</u>
	<u><u>\$ 2,218,622</u></u>

The accompanying notes are part of these financial statements

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

**Statement of Operations and Retained Earnings**  
**For the Year Ended December 31, 2008**

	<b>2008</b>
<b>Revenue:</b>	
Securities commissions	
- Listed stock	\$ 68,012
- OTC stock	10,146,110
- Mutual funds	1,194,310
- Options	951,366
- Bonds	1,164,750
<b>Total Securities Commissions</b>	<b>13,524,548</b>
Variable Annuity Commissions	1,026,580
Private Placements Fees	63,570
Limited Partnership Commissions	143,627
Inventory- Trading Profits	1,084,475
Fixed Insurance Commissions	24,344
Variable Life Insurance Commissions	30,235
<b>Total Commissions</b>	<b>15,897,379</b>
Interest Income	412,845
Registered Investment Advisory Fees	386,741
Miscellaneous Service Fees	1,362,439
Other Miscellaneous Products and Services	260,359
<b>Total Revenues</b>	<b>18,319,763</b>
<b>Expenses:</b>	
Commissions Expense	14,089,933
Principal Clearance	958,920
Quote Service Rental (net of reimbursements of \$19,414)	20,577
Broker Registration Fees (Net of reimbursements of \$156,829)	133,957
Legal and Professional Fees	672,565
Other Broker Charges	75,886
Interest Expense	6,135
Other General and Administrative Expenses -page 12	2,485,756
Less: Expense Reimbursement and Recoveries	(112,046)
<b>Total Expenses</b>	<b>18,331,683</b>
<b>Income (Loss) Before Income Taxes</b>	<b>(11,920)</b>
Income Tax Expense(Refundable) -note 6	-
<b>Net Income (Loss) for the Year</b>	<b>(11,920)</b>
<b>Retained Earnings - Beginning of Year</b>	<b>506,888</b>
<b>Retained Earnings (Deficit) - End of Year</b>	<b>\$ 494,968</b>

The accompanying notes are part of these financial statements

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

**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

<b>Cash Flow from Operating Activities</b>	
Net Income (loss)	\$ (11,920)
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation	3,943
Change in Current Assets and Liabilities	
Decrease (Increase) in	
Commissions and related receivables	11,129
Refundable Income Taxes	(89,397)
Due from Parent Company - note 5	12,406
Other assets and receivables	(78,889)
Increase (Decrease) in	
Accounts Payable	(42,257)
Commissions Payable -note 5	(408,514)
Income Taxes Due Parent -note 6	<u>(141,012)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(744,511)</u>
<b>Cash Flow from Investing Activities</b>	
Purchases of equipment	<u>(2,261)</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>(2,261)</u>
<b>Cash Flow from Financing Activities</b>	
Paid in capital	411,912
Increase in Security Deposits	<u>(148)</u>
<b>Net Cash Provided by (Used for) Financing Activities</b>	<u>411,764</u>
<b>Net Increase (decrease) in Cash</b>	(335,008)
<b>Cash at Beginning of Year</b>	<u>788,049</u>
<b>Cash at End of Year -note 3</b>	<u><u>\$ 453,041</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 Year Ended December 31, 2008**

	Common Stock	Paid In Capital	Retained Earnings	Total
<b>Balance at beginning of year</b>	\$ 229,435	\$ 210,000	\$ 506,887	\$ 946,322
Add: Net income (loss)	-	-	(11,920)	(11,920)
Capital Contribution	-	411,912	-	411,912
	<u>\$ 229,435</u>	<u>\$ 621,912</u>	<u>\$ 494,967</u>	<u>\$ 1,346,314</u>
<b>Balance at end of year</b>	<u>\$ 229,435</u>	<u>\$ 621,912</u>	<u>\$ 494,967</u>	<u>\$ 1,346,314</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 1- ORGANIZATION AND NATURE OF BUSINESS**

Nature of Operations

First Midwest Securities, Inc. is a broker-dealer registered with the SEC and is a member of various exchanges and the Financial Industry Federal Regulatory Authority, Inc.(FINRA). The Company is a Wisconsin corporation that is a wholly-owned subsidiary of The Investment Company.

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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

These financial statements include only the accounts of the Company. The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, investment advisory, and venture capital businesses.

Securities Transactions

The Company 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 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.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial position.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due, if any, plus deferred taxes. No deferred taxes were recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. For the year ended December 31, 2008, the company recognized income tax benefits equal to savings provided to its parent corporation as a result of filing its return on a consolidated basis.

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Accounting for Uncertain Tax Positions

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to the Company's annual financial statements ending on December 31, 2009. The Company does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

Advertising

Advertising costs are charged to operations when incurred and amounted to \$40,049.

Equipment and Depreciation

Equipment with an estimated useful life in excess of one year is capitalized at cost and depreciated over its estimated useful life, generally 3-7 years, on a straight-line basis.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, that are not held for sale in the ordinary course of business.

**NOTE 3 - CASH**

The following is a summary of cash in banks and held by other in fully insured accounts as of December 31, 2008.

	<u>2008</u>
Checking	\$ 22,556
Legent Account Cash	<u>430,485</u>
Total	<u>\$ 453,041</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 4 - COMMISSIONS AND RELATED RECEIVABLES**

The following is a summary of commissions and related receivables as of December 31, 2008:

	<u>Total</u>
Securities Commissions:	
Clearing Houses	\$1,069,678
Direct Business Receivable	61,667
Variable Annuity Commissions	15,365
Mutual Fund Commissions	6,373
Total	<u>\$1,158,671</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

Consolidated Income Taxes

First Midwest Securities, Inc. receives reimbursement or pays its parent company for its share of consolidated federal income taxes, as applicable. (See also notes 6 and 9). The Company transferred \$188,000 to the parent towards estimated federal and State income tax deposits during the year.

Notes Receivable

The Company made advances to employees and independent brokers in the form of notes with various terms for repayment and forgiveness. The notes are due as follows:

<u>Year</u>	<u>Amount Due</u>
2009	\$ 66,648
2010	39,600
2011	3,212
	<u>\$ 109,460</u>

**NOTE 6 – OPERATING LEASE**

The Company leases its office space under a lease agreement for \$8,224 per month. The lease runs through August 31, 2009. The lease is classified as an operating lease. Office lease paid during 2008 was \$ 96,904.

The Company has lease agreements for various operating purposes on a month-to-month basis and an agreement to provide office space for a related party which totaled \$10,200.

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 7 - INCOME TAXES**

First Midwest Securities, Inc. files a consolidated federal income tax return with its parent company (The Investment Company, Inc.) and another subsidiary (First Midwest Insurance Services, Inc.). The Company transfers its portion of consolidated income taxes for remittance as they accrue.

The current provision for income taxes including deferred components resulting from the tax effects of filing a consolidated return was \$ 0.

There were no significant differences between the expected income tax income computed at the U.S. statutory income tax rate and the Company's income tax.

Refundable income taxes represents an estimate of the Company's contribution toward estimates paid in 2008.

**NOTE 8 - DEPOSIT WITH CLEARING ORGANIZATIONS**

The Company is required to maintain deposits of \$ 63,790 with the organizations that clear its customers' transactions. The \$63,790 is included in other assets.

**NOTE 9 - PENSION PLANS**

The Company contributes matching contributions to savings incentive retirement accounts for eligible employees. The contribution matches the employee's salary reduction contribution up to 3% of earnings. The Company may make non-elective contributions equal to 2% of compensation in lieu of the matching contribution. The company contributed \$46,653 during the year.

**NOTE 10 - 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 10 - NET CAPITAL - continued**

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.

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 11 - STOCKHOLDER'S EQUITY**

There were 15,000 shares authorized of no par value common stock, of which 12,073 shares are issued and outstanding.

The parent company paid in additional capital amounting to \$210,000 during the year.

**NOTE 12 - ADDITIONAL CASH FLOW DISCLOSURES**

There was no interest paid for the current year. The Company transferred \$188,000 to the parent towards estimated federal and State income tax deposits during the year.

**NOTE 13 - CONCENTRATION OF CREDIT RISK AND REVENUE**

The company maintains its cash at various financial institutions. The balances, at times, may exceed federally insured limits. The company was within the insured limit at year end.

**NOTE 14 - 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, 2008.

**NOTE 15 - CONTINGENCIES**

In the normal course of business, the Company is subject to pending and threatened legal actions. After reviewing the pending and threatened litigation with counsel, management believes that the outcome of such actions will not have a material adverse effect on the Company's statement of financial condition.



## Phillips & Associates, CPAs, P.C.

1600 Hunt Drive, Suite B  
Normal, IL 61761  
Phone: 309-452-2417  
Fax: 309-888-9261

219 W. Washington Street  
Pontiac, IL 61764  
Phone: 815-842-2138  
Fax: 815-844-3197

To the Board of Directors  
First Midwest Securities, Inc.

We have audited the accompanying financial statements of First Midwest Securities, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated February 18, 2009. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required supplementary information. Such information, except for page 16 which is unaudited and for which we express no opinion, 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.

*Phillips & Associates, CPAs, P.C.*  
February 18, 2009

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

**Schedule of Other General and Administrative Expenses**  
**For the Year Ended December 31, 2008**

<b>Other General and Administrative Expenses</b>	
Personnel costs	\$ 1,204,128
Accounting	6,475
Advertising	40,049
Charitable donations	3,090
Depreciation	3,943
Dues and subscriptions	54,159
Educational expenses	911
Equipment rental	13,957
Insurance	893
Technology expenses	96,121
Licenses and permits	8,924
Professional and Legal Fees	820,243
Miscellaneous	4,033
Office Expense	71,895
Rent	110,703
Travel	46,232
	<hr/>
<b>Total Expenses</b>	<b>\$ 2,485,756</b>
	<hr/> <hr/>

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

**Computation of Net Capital**  
**December 31, 2008**

<b>Total stockholder's equity per financial statement</b>	\$ 1,346,315
Deduct	
Haircuts on securities	(19,674)
Total nonallowable assets per statement of financial position	<u>(219,886)</u>
<b>Net Capital</b>	<u><u>\$ 1,106,755</u></u>

**Computation of Excess Net Capital Requirement**  
**December 31, 2008**

<b>Net Capital</b>	\$ 1,106,755
Deduct: Minimum dollar net capital requirement -note 7	<u>(100,000)</u>
<b>Excess Net Capital</b>	<u><u>\$ 1,006,755</u></u>

**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, 2008**

<b>Unaudited net capital per Focus Report</b>	1,106,755
Adjustments to asset accounts -increase (decrease)	-
Adjustments to liability accounts -decrease (increase)	-
<b>Audited net capital</b>	<u><u>\$ 1,106,755</u></u>

**Reconciliation of the Unaudited Computation of Excess Net Capital Requirement  
to the Audited Computation of Excess Net Capital Requirement**

<b>Unaudited Excess Net Capital</b>	\$ 1,006,755
Adjustments to asset accounts- increase (decrease)	-
Adjustments to liability accounts-decrease (increase)	-
<b>Audited Excess Net Capital</b>	<u><u>\$ 1,006,755</u></u>



207 West Jefferson Street  
The Illinois House, Suite 102  
Bloomington, IL 61701-3969

**FIRST MIDWEST SECURITIES, INC.**  
*Member FINRA/SIPC/MSRB*  
www.firstmidwestsecurities.com

Phone: (800) 662-8452  
(309) 820-7444  
Fax: (309) 820-7451

---

February 26, 2009

SEC  
175 W. Jackson Blvd, Suite 900  
Chicago IL 60604

Re: Audited Financial Statements

To Whom It May Concern:

Enclosed please find a copy of First Midwest Securities, Inc.'s 2008 Annual Audited Financial Statements.

If you have any questions, please feel free to call me directly at 309-820-7444.

Sincerely,

A handwritten signature in cursive script that reads 'Mary Pelo'.

Mary Pelo  
Accounting

cc: Enclosure