

FBL Investment Management Services, Inc.

5400 University Avenue
West Des Moines, IA 50266-5997
(515) 225-5400

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Part 2A to Form ADV

This brochure provides information about the qualifications and business practices of FBL Investment Management Services, Inc. If you have any questions about the contents of this brochure, please contact us at 515-225-5400. 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 FBL Investment Management Services, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The following material changes have occurred since the last annual update of our brochure on March 31, 2011.

Effective January 1, 2012 EquiTrust Investment Management Services, Inc was renamed FBL Investment Management Services, Inc. (“FBL”).

Financial Planning Services

The financial planning services offered by FBL’s IARs are no longer fee-based. IARs may charge fees for their planning services but are not required to do so.

EquiTrust Series Fund, Inc, and EquiTrust Variable Insurance Series Fund, Inc. (collectively referred to as the “Funds”), registered investment companies managed by FBL, merged their portfolios into funds managed by Federated Investors, Inc. As a result FBL no longer provides advisory services, accounting services, serves as shareholder service or transfer and dividend disbursing agent for the Funds. Additionally FBL Marketing Services, LLC no longer serves as underwriter for the Funds

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Advisory Business

FBL Investment Management Services, Inc. (“FBL,” “we” or “us”) is an investment advisory firm that has been in business and providing advisory services to clients since August 1971.

FBL is located in West Des Moines, Iowa and is owned by FBL Financial Services, Inc. which is wholly owned by FBL Financial Group, Inc., a publicly held company (“FFG”). FFG consists of a family of financial service companies offering businesses, individuals and institutional clients a wide range of financial products and services including life and annuity and property casualty insurance.

FBL authorizes its Investment Adviser Representatives (“IARs”) to act on its behalf to offer services as described below. In addition to the “Investment Adviser Representative,” FBL allows the use of Financial Advisor and Financial Planner titles. Certain FBL Investment Adviser Representatives are also registered representatives of FBL Marketing Services, LLC, an affiliated broker-dealer (“FBL Marketing”) that offers and sells certain investment and insurance products.

Investment Supervisory Services

FBL provides investment advisory and investment management services on a continuous basis to institutional accounts and various entities that are affiliated with FBL through ownership or otherwise. Such services are provided on an individual basis to reflect the investment objectives of each client’s account. Clients may impose restrictions on investing in certain securities or types of securities in their accounts.

Financial Planning Services

FBL, through its IARs, provides financial planning services. A Financial Plan (“Plan”) is produced by an IAR based on information provided by the financial planning client through:

- personal interviews
- questionnaires
- brokerage statements
- income tax statements
- wills
- other financial plans
- business agreements
- retirement information

Data obtained includes, but is not limited to, the client’s current financial condition and circumstances, investment objectives, goals and risk tolerance.

FBL must approve any software used by IARs in the development of a Plan. An IAR may use other tools and research, including government reports and publications, and tax and financial planning publications, and may work with the client’s attorneys or accountants. A Plan will not contain specific investment recommendations, but may contain informational reports on securities already held by the client or certain historical statistical data. An IAR may make analyses and recommendations as to the savings and investment goals the client may need to set

in order to provide adequate capital to fund a particular financial goal. Upon completion, the Plan is sent to FBL for review. After consideration by FBL, the Plan is released for presentation to the client.

Prior to FBL providing financial planning services, the client must sign a service agreement with FBL. Upon presentation of the Plan, the investment advisory relationship with the client is terminated. (The term of the service agreement will not exceed 180 days from the date the service agreement is signed by all parties.)

A client is in no way obligated to implement the investment strategies contained in the Plan or required to open accounts or transact business with FBL or any of its affiliated companies. Should the client choose to execute any recommendations contained in the Plan, he or she will do so entirely at their own discretion.

Consultative Services

FBL, through its IARs, provides consultative services. Such services are more limited in scope than FBL's fee-based financial planning services. A consultative client may request generic advice related to a single need associated with his or her existing investment portfolio, including, but not limited to, education savings goals, retirement income needs, retirement planning or beneficiary/survivor needs. An Analysis is produced by an IAR based on information provided by the client through a personal interview(s) and questionnaire(s). Upon completion, the Analysis is sent to FBL for review. After consideration by FBL, the Analysis is released for presentation to the client. The Analysis may be limited to a single need and does not recommend specific investment strategies for the client to consider, nor does it identify specific securities for purchase or sale.

Prior to FBL providing consultative services, the client must sign a service agreement with FBL. Upon presentation of the Analysis, the investment advisory relationship with the client is terminated. (The term of the service agreement will not exceed 180 days from the date the service agreement is signed by all parties.)

Seminars

FBL, through its IARs, may present pre-approved, financial planning seminars. Such seminars are prepared primarily by unaffiliated publishers and distributors of educational investment-related materials. The information is not intended to provide advice about specific investments nor does it purport to meet the investment objectives or needs of specific individuals.

In all matters, FBL's financial planning-related services are analytical and advisory only and do not include any legal, accounting or other related professional services.

Strategic Asset Allocation Model

FBL offers a dynamic asset allocation program, known as the Strategic Asset Allocation Model ("SAAM"), to variable annuity and variable life insurance products offered by affiliated and unaffiliated life insurance companies. The program is designed to provide an investment

strategy utilizing the product's available investment options for the policyholder's accumulated value and premium payments based on his or her financial objectives and risk tolerance. FBL, in conjunction with an independent investment strategist, provides ongoing review and analysis of the program to ensure the asset allocation models reflect existing market conditions and each subaccount's risk/return characteristics, resulting in periodic changes to the underlying investment allocations within each model.

Each SAAM is intended for a specific type of investor, from conservative to aggressive. Each SAAM identifies specific investment options and the percentage of accumulated value and premium payments to be allocated to each investment option.

Amount of Assets Managed

As of December 31, 2010, FBL had \$13,791,133,184.00 in assets under management on a discretionary basis.

Fees and Compensation

Investment Supervisory Services

The advisory fees FBL charges are generally based on the total market value of assets under management, determined as of the close of business at the end of each calendar quarter.

Advisory fees charged to non-investment company institutional clients are accrued and payable monthly in arrears, generally based on the total market value of assets under management, determined as of the close of business at the end of each quarter. Fees for these clients are as follows:

<u>Asset Type</u>	<u>Annual Fee</u>
Cash/Treasuries ¹	0.050%
Fixed Income	0.080
Equities	0.200
Real Estate	0.600
Mortgages	0.200
Alt Investments	3.000
Interest Rate SWAPs	0.050 ²
Options	0.020 ²

¹ Includes cash equivalents and U.S. Treasuries with a maturity of one year or less.

² Billed on the notional value.

Certain clients may also be charged a fixed fee per quarter.

Fees are subject to negotiation and variation in such situations as FBL deems appropriate.

FBL may provide non-investment company institutional clients with GAAP Schedule D asset accounting and/or tax accounting. Fees for these services will be negotiated separately.

In certain circumstances, fees different from those described above may be charged or negotiated with clients on a case-by-case basis.

FBL Marketing, a securities broker-dealer and an affiliate of FBL, has entered into selling agreements with various outside retail mutual funds. FBL and its supervised persons may make client investments in funds with which FBL Marketing and FBL supervised persons as representatives as FBL Marketing receive a portion of the commissions and distribution fees payable from sales of those mutual funds, including asset based sales charges and service fees.

These practices present a conflict of interest and give FBL and its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. FBL relies on the training of its supervised persons to ensure that any conflicts that arise are dealt with appropriately. Any conflict not disclosed in this brochure will be disclosed to the client at the time of service. Clients have the option to purchase investment products that FBL recommends through other broker-dealers or agents that are not affiliated with FBL.

Unless a client's investment management agreement provides otherwise, either party may terminate the relationship upon thirty (30) days' written notice.

Financial Planning Services

As disclosed in the service agreement, FBL may charge a minimum fee of \$250, not to exceed \$5,000, based upon the Financial Planning Client's income and net worth and the complexity of the client's financial condition, circumstances and goals. Up to \$500 of the fee quoted, if any, may be requested at the time the service agreement is executed. Upon delivery of the completed Plan, the balance of the fee, if any, is due. FBL compensates the IAR in connection with the client's purchase of a Plan.

Either party may terminate the service agreement prior to delivery of the Plan. If the client terminates the service agreement within five (5) business days of its execution, FBL will refund 100 percent of any fees paid. If the service agreement terminates Plan delivery, any fees not yet earned will be refunded to the client promptly following receipt of the written request to terminate the service agreement. Specific documentation of any fees earned will also be provided.

After the investment advisory relationship with the client is terminated, the IAR may receive compensation for selling the former client securities or other products to implement the client's Plan. A client is in no way obligated to implement the investment strategies contained in the Plan, nor is a client required to open accounts or transact business with FBL or any of its affiliated companies. Should the client choose to execute any recommendations contained in the Report, the client will do so entirely at his or her own discretion.

Consultative Services

As disclosed in the service agreement, FBL may charge an hourly rate, not to exceed \$250 per hour. Each IAR sets his or her own hourly rate and billing method as described in the service agreement. Upon delivery of the completed Analysis, the balance of the fee, if any, is due. FBL compensates the IAR in connection with the Consultative Client's purchase of the Analysis.

Seminars

An IAR may charge a fee for the seminar, a portion of which may be used to defray the cost of hosting the seminar. The fee is determined by the IAR and must be pre-approved by FBL. The fee will not exceed \$100 per attendee.

Strategic Asset Allocation Model

FBL, in providing SAAM, does not provide investment advice directly to policyholders, nor does FBL enter into any advisory agreement or relationship with policyholders. Policyholders do not pay a fee to the insurance company or FBL for participating in the program. FBL receives no compensation for services it performs in developing and updating asset allocation models.

Performance-Based Fees and Side-By-Side Management

This item is not applicable to FBL since it does not charge client performance-based fees.

Types of Clients

FBL's current client base consists mostly of institutional accounts and affiliated and non-affiliated businesses. For financial planning services, it is anticipated that the majority of financial planning clients will be individuals though businesses may be included.

FBL requires a minimum of \$400,000 of assets to establish an investment advisory account. However, smaller accounts may be taken under management in certain circumstances at the discretion of FBL.

FBL typically requires a financial planning client to have a minimum household income of \$75,000 or a minimum household net worth of \$150,000 (excluding the value of qualified plan assets or primary residence). However, such services may be provided to a financial planning client with less than the established minimum amounts at the discretion of FBL.

Methods of Analysis, Investment Strategies and Risk of Loss

In the course of providing investment supervisory services, FBL utilizes an investment philosophy built on an integrated risk management approach. The overall philosophy is opportunistic and value-oriented in nature with appropriate asset allocation as the most significant contributor to long-term investment success.

Our asset allocation decisions are based on a thorough review of our clients' needs, objectives and risk tolerance. Consideration is given to a client's need for:

- Current income
- Inflation protection
- Liquidity (ability to liquidate holdings to meet unforeseen cash needs)
- Tax-exempt income or preference for long-term capital gains
- Time horizon
- Overall risk tolerance

We incorporate these items into a strategic, risk-appropriate asset allocation. Our focus then shifts to the current condition of the financial markets. The risk/reward potential for each asset class is evaluated relative to each client's needs. We begin a fundamental analysis of individual securities, exchange-traded funds and/or mutual funds suitable for the account. Each account is actively managed to take advantage of appropriate investment opportunities. Our security selection process has been developed with the objective of managing price risk in equities and credit risk in bonds, seeking to ensure that clients are adequately compensated for risks incurred.

We utilize both equity and fixed-income investment strategies in implementing investment advice given to clients.

Equity

Our equity philosophy is that equity investing offers the opportunity for attractive, long-term, inflation-adjusted returns. We view equity investing as the primary means by which clients can obtain an increasing stream of dividend income and appreciation of capital.

We utilize both active and passively managed investment vehicles for equity allocations. In executing managed equity strategies, we build portfolios of individual equity securities and/or select actively managed mutual funds. We employ a value-oriented strategy in selecting individual securities, which are generally confined to liquid stocks of publicly traded domestic companies. We seek to identify securities, either growth or value, that are attractively priced relative to historic multiples of earnings, cash flow, dividends, book value and other financial data. In selecting actively managed mutual funds, we emphasize those which have generated consistent returns and risk relative to their respective benchmarks, and who offer a tenured, stable management team. Passive investments, consisting of exchange-traded funds (ETFs) and index mutual funds, are generally selected to provide low-cost exposure to specific equity sectors and/or market benchmarks.

Our clients incur the following risks when investing in equities:

- **Market Risk.** The risk that the market value of a security may move and down, sometimes rapidly and unpredictably, due to factors that have nothing to do with the issuer.
- **Liquidity Risks.** The equity securities in which we invest may be less readily marketable and may be subject to greater fluctuation in price than other securities.

- **Risks of Foreign Investing.** The share price of ETFs and/or mutual funds in which we invest may be more affected by investments in foreign securities due to foreign economic and political conditions, taxation policies and accounting and auditing standards than could otherwise be the case.
- **Non-Diversification Risk.** The risk that a concentration of assets in a limited number of companies will create a greater exposure to losses arising from adverse developments affecting those companies.
- **Currency Risks.** Exchange rates for currencies fluctuate daily. Accordingly, ETFs and/or mutual funds holding currencies or non-U.S. dollar denominated securities may experience increased volatility with respect to share price and return as a result of the exposure to foreign currencies
- **Information Risk.** The risk that key information about a security or market is inaccurate or unavailable.
- **Natural Event Risk.** The risk of losses attributable to natural disasters, crop failures and similar events.
- **Political Risk.** The risk of losses directly attributable to government actions or political events of any sort.
- **Financial Risk.** The risk that the issuer's earning prospects and overall financial position will deteriorate, causing a decline in the security's value.
- **Risks Related to Company Size.** Because the smaller companies in which we may invest may have unproven track records, a limited product or service base and limited access to capital, they may be more likely to fail than larger companies.

Fixed-Income

We view fixed-income investing as a means of generating income and/or as an offset to the risks of equity investing. Therefore, we generally concentrate on issues of high credit quality, short-to medium-term duration and high marketability. Fixed-income investments are often purchased with the intent of being held to maturity. However, investment decisions will be implemented to take advantage of changing business and market conditions. Our fixed-income selection process includes a review of credit quality, issuer diversification, sector allocation and interest rates available at various maturity dates.

We utilize both active and passively managed investment vehicles for our clients' fixed-income allocations. In executing managed fixed-income strategies, we build portfolios of individual fixed-income securities and also select actively managed mutual funds. Fixed-income investments are often purchased with the intent of being held to maturity. However, investment decisions will be implemented to take advantage of changing business and market conditions. Our fixed-income selection process includes a review of credit quality, issuer diversification, sector allocation and interest rates available at various maturity dates. Passive investments,

consisting of exchange-traded funds (ETFs) and index mutual funds, are generally selected to provide low-cost exposure to specific fixed-income sectors and/or market benchmarks.

Our clients incur the following risks when investing in fixed-income securities:

- **Interest Rate Risk.** Prices of fixed-income securities generally rise and fall in response to changes in prevailing interest rates. With fixed-income securities, a rise in interest rates typically causes a decline in market values, while a fall in interest rates typically causes an increase in market value.
- **Prepayment Risk.** The risk that a decline in prevailing interest rates will shorten the life of an outstanding mortgage-backed security by increasing the expected number of mortgage prepayments, thereby reducing the security's return.
- **Credit Risk.** The possibility that issuers of securities may default in the payment of interest or principal on the securities when due.
- **Liquidity Risk.** Some fixed-income securities in which we invest may be less readily marketable and may be subject to greater fluctuation in price than other securities. Liquidity risk also refers to our ability to sell a security at the time of our choosing.
- **Risks Associated with Noninvestment-Grade Securities.** Investments in securities rated below investment grade may be subject to greater interest rate, credit and liquidity risks than investment-grade securities.
- **Risks Related to the Economy.** Lower-grade bond returns are sensitive to changes in the economy. The value of a portfolio may decline in tandem with a drop in the overall value of the stock market based on negative developments in the U.S. and global economies.
- **Market Risk.** The risk that the market value of a security may move and down, sometimes rapidly and unpredictably, due to factors that have nothing to do with the issuer.
- **Political Risk.** The risk of losses directly attributable to government actions or political events of any sort.
- **Extension Risk.** The risk that a rise in prevailing interest rates will extend the life of an outstanding mortgage-backed security by reducing the expected number of mortgage payments, typically reducing the security's value.
- **Information Risk.** The risk that key information about a security or market is inaccurate or unavailable.
- **Natural Event Risk.** The risk of losses attributable to natural disasters, crop failures and similar events.

In certain instances, generally limited to our insurance company clients, we will employ derivatives to execute a client's investment strategy. For example, interest rate swaps may be purchased to manage interest rate risk exposure in certain insurance company client portfolios. In these instances, the trading for a client's account is conducted under the authority provided by the client's board of directors and under the discretion of the asset liability committee of the client. The asset liability committee of the client determines hedge effectiveness from an economic standpoint and the accounting staff of the client determines hedge effectiveness for appropriate accounting treatment. The FBL credit committee monitors counterparty risk and collateral is employed to mitigate counterparty risk. Sensitivity analysis is conducted on a quarterly basis and is reported to the client's asset liability committee.

We may utilize index call options to hedge an insurance company client's specific exposure, particularly that associated with indexed annuity products. The client's actuarial staff determines the required hedge amount, and trades are executed per their recommendations. The client's actuarial staff and FBL's advisory staff hold weekly review meetings to determine index exposure and effectiveness.

Our clients incur the following risks when using derivatives:

- **Counterparty risk.** The risk that the counterparty to a derivative transaction fails to perform according to the derivative agreement.
- **Hedging effectiveness risk.** The risk that the derivative fails to provide the financial outcome necessary to completely offset the impact incurred in association with the particular exposure.

While any investment program entails risk, and we cannot guarantee the avoidance of losses, we feel our approach attempts to minimize the probability of permanent loss of investment capital while giving the opportunity to earn a risk-appropriate return.

Investing in securities involves risk of loss that clients should be prepared to bear.

Disciplinary Information

FBL does not have any material legal or disciplinary events to disclose.

Other Financial Industry Activities and Affiliations

FBL provides investment accounting and compliance services for non-investment company institutional clients.

FBL is owned by FBL Financial Services, Inc., which also owns FBL Marketing. FBL Marketing also serves as a retail broker-dealer of other non-affiliated mutual funds.

FBL has been retained by Farm Bureau Life Insurance Company ("Farm Bureau") and other affiliated and unaffiliated insurance companies to manage substantially all the assets of these

entities. Such entities account for more than 94 percent of the assets managed by FBL and the fee revenue received by FBL from such entities represents a significant portion of FBL's revenues.

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

FBL and FBL Marketing have approved a joint Investment Code of Ethics (the "Code"). The Code covers all officers, directors, managers and employees of FBL and FBL Marketing ("supervised persons"). The Code requires all supervised persons to report transactions in certain securities ("covered securities") on a quarterly basis and holdings of covered securities upon becoming a supervised person and annually thereafter. Supervised persons must also obtain preclearance prior to entering into transactions in covered securities and must obtain prior approval from the Ethics Committee before participating in a private placement transaction. Those individuals considered "investment department personnel" (including portfolio managers) are precluded from purchasing securities in an initial public offering. Portfolio managers are further limited with regard to transactions in a covered security in any portfolio which he or she manages and are prohibited from profiting from the acquisition and disposition (or vice versa) of a covered security within sixty (60) days.

As a condition of employment or service, supervised persons must at all times act in the best interests of clients, as well as comply with the Code and all applicable federal securities laws. Any supervised person who becomes aware of a violation of the Code, either his or her own violation or that of another person, must promptly notify the Chief Compliance Officer of his or her respective company of the violation.

A copy of the Investment Code of Ethics may be obtained from FBL by calling 1-877-860-2904.

FBL Marketing Services has entered into selling agreements with various unaffiliated retail mutual funds. FBL and its supervised persons may make client investments in mutual funds with which FBL Marketing and FBL supervised persons as representatives of FBL Marketing receive a portion of the commissions and distribution fees payable from sales of those mutual funds, including asset based sales charges and service fees.

This practice presents a conflict of interest and give FBL and its supervised persons an incentive to recommend investment products based on compensation received, rather than on a client's needs. FBL relies on the training of its supervised persons to ensure that any conflicts that arise are dealt with appropriately. Any conflict not disclosed in this brochure will be disclosed to the client at the time of service.

FBL, or its related persons, are allowed to buy or sell for their individual portfolios, securities which are also recommended to clients, subject to the provisions of the Investment Code of Ethics. However, neither FBL nor related persons that are not advisory clients of FBL shall knowingly purchase or sell for personal benefit any security which FBL is in the process of purchasing or selling for its advisory clients, or which is on the "open order" list or "under consideration" for purchase or sale for such clients.

FBL will use its best efforts to detect and correct trading errors in order to protect clients from related losses. FBL's investment staff, compliance staff and insurance accounting staff are responsible for the detection of trading errors and the investment staff is responsible for ensuring the client is made whole should a trading error negatively impact the client. It is FBL's policy that any gains associated with trading errors are retained in the client accounts, and losses are borne by FBL.

Brokerage Practices

For those client accounts with respect to which FBL has brokerage discretion, FBL endeavors to obtain for clients the best combination of net price and execution of transactions in portfolio securities, whether through a broker as agent or with a dealer as principal. Subject to this primary consideration, while FBL does not have any specific understanding or arrangement to do so, FBL places substantially all portfolio transactions with brokerage firms that furnish research, statistical and other services. FBL regards information that is customarily available only in return for brokerage as among the elements to be considered in placing brokerage. No specific value can be determined from most such information and services and they are deemed supplemental to FBL's own efforts in the performance of its duties under its investment advisory agreements. Any research benefits derived are available for all the clients and may not always be used in connection with the accounts that paid commissions to the broker providing certain research services. This may cause clients to pay a broker-dealer a commission rate higher than that which the broker-dealer would have charged for execution only. This is known as paying up for soft dollar benefits. These products and services may include advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities, and analyses and reports concerning issuers, industries, securities and economic factors and trends. FBL believes that brokerage commissions are client assets and should be utilized in accordance with fiduciary principles, for the benefit of clients.

In the allocation of brokerage business, FBL may have an incentive to give preference to those brokers that provide research products and services, either directly or indirectly. However, FBL will only do so to the extent it believes that the selection of a particular broker is consistent with FBL's duty to seek best execution. To the extent that FBL is able to obtain products and services through the use of clients' commission dollars, it reduces the need to produce the same research internally or through outside providers for hard dollars and thus provides an economic benefit to FBL. On an ongoing basis, FBL monitors the research services received to ensure that the services received are reasonable in relation to the brokerage allocated.

The research products/services provided by brokers through its soft dollar arrangements benefit FBL's investment process for client accounts and are used in formulating investment advice for any and all clients of FBL, including accounts other than those that paid commissions to the brokers on a particular transaction. As a result, not all research generated by a client's trade will benefit that particular client's account. FBL does not attempt to allocate the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research it receives benefits clients and assists FBL in fulfilling its overall duty to its clients.

In negotiating commissions, FBL seeks the best security price and brokerage commission that in its judgment is reasonable in relation to the value of the brokerage and research services offered. Factors to be considered include the reliability and quality of the broker's services and the financial condition of the firm.

FBL may, in some instances, purchase for clients securities that are not listed on a national securities exchange but are traded in the over-the-counter market. It may also purchase listed securities through the "third market." Where transactions are executed in the over-the-counter or "third market," FBL will seek to deal with the primary market makers, but when necessary it will utilize the service of brokers. In all such cases, FBL will attempt to negotiate the best combination of net price and execution.

FBL occasionally executes cross transactions in the accounts of its clients. A cross transaction occurs when FBL is making a recommendation for clients to sell a security on the same day that FBL is recommending other clients buy the same security. When FBL acts as both client-buyer and client-seller of the transactions, there exists a potential conflict of interest since FBL is seeking to act in the best interest of each client. Generally, the broker involved will assess all parties their normal commission rate.

Purchases and sales of fixed income securities are normally principal transactions where the securities are purchased directly from the issuer or from an underwriter or market maker for the securities. Purchases from underwriters will include a commission or concession paid by the issuer to the underwriter, and purchases from dealers serving as market makers include the spread between the bid and asked prices. The primary consideration in allocating such transactions is obtaining the best combination of net price and execution of orders, but, as with equity securities, FBL may execute such transactions with the firms that furnish research, statistical and other services. Fixed income transactions may incur a minimum ticket charge where securities are purchased or sold through a non-custodial broker.

It is the practice of FBL to aggregate client orders for purchases and sales of equity and fixed-income securities whenever it believes such aggregation is consistent with the terms of its advisory agreements. When an order is aggregated, those clients affected receive the average price per share for the securities purchased through that order.

Generally, clients participating in an aggregated order for equity securities do not receive the average transaction cost on the purchases, but are assessed their normal commission rate and are subject to any minimum ticket charge assessed by the broker. However, if an aggregated order includes non-investment company affiliated clients, all clients will receive the average price per share and the average transaction cost. If an aggregated equity order is only partially filled, in some instances, orders may be filled in total rather than pro rata to avoid paying higher brokerage commissions.

FBL may aggregate fixed-income orders for clients. If an aggregated fixed-income order is only partially filled, FBL will fill client orders on a pro rata basis, subject to client specific minimum investment amounts, appropriateness for the client and available cash. If an "aggregated" fixed-

income order is not filled on a pro rata basis, the allocation is subject to approval by the compliance staff.

Where a transaction occurs between or among non-affiliated clients, no transaction costs may be assessed to either party.

If FBL is purchasing for multiple clients and does not aggregate the order, client orders will be placed for execution in the following order:

1. Clients, including non-affiliated insurance companies, who have non-directed brokerage accounts.
2. Clients who have directed their investment be placed with a particular broker-dealer.
3. Non-investment company affiliated clients.

If a client has directed trades to be placed with a broker, other than the one which FBL has negotiated a commission schedule, they may be disadvantaged by having their order placed subsequent to clients who do not have directed brokerage accounts.

Pursuant to their investment management agreements, certain non-investment company clients of FBL have directed that all brokerage for their account be placed with certain brokerage firms. In such situations, FBL is limited in its ability to negotiate a commission and FBL may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money. Brokerage commissions paid by these clients may be higher than might be available from another broker and may be higher than the commissions paid by other clients of FBL. Any research services provided to FBL by a brokerage firm which a certain client has directed FBL to use may benefit all clients of FBL and may not always be used in connection with the client directing FBL to place brokerage with such firm.

Review of Accounts

Securities held in all accounts are monitored by the portfolio managers involved on a continuous basis. Formal account reviews are conducted on an annual basis by the manager of the individual investment advisory client accounts to evaluate each account's attainment of its investment goals. Unusual market conditions and important economic developments may trigger informal reviews.

FBL's Investment Committee typically meets on a monthly basis to consider overall investment policies and general investment advice for its advisory clients.

Statements and reports containing portfolio information and performance results are generally distributed to clients quarterly, although reports of the holdings in an account are available at any time.

Financial Planning Services

A Financial Planning Report is provided as of a specific date. There is no ongoing monitoring or updating of these plans.

Client Referrals and Other Compensation

FBL does not receive nor pay compensation for any client referrals.

Custody

This item is not applicable to FBL since FBL is not deemed to have custody of separate account client assets.

Investment Discretion

FBL may accept discretionary authority to manage securities accounts on behalf of clients. Discretionary authority is generally established through the investment management agreement, investment authority and adherence to an investment policy statement as established by or in conjunction with the client.

Among our existing clients, we may face restrictions as to allocations to non-U.S. stocks or market sectors. Generally, in establishing a client's asset allocation, we will discuss non-U.S. sectors to uncover any aversion or potential allocation restrictions on this segment of the market. Additionally, capital requirements may impose restrictions on FBL in investing for certain clients, e.g. the insurance companies. For example, the capital charges associated with high yield bonds will typically restrain the allocation to this segment. Such restrictions are set in establishing and reviewing a client's investment policy statement.

Voting Client Securities

FBL's Proxy Voting Policies and Procedures set forth the general principles used to determine how FBL votes proxies on securities in client accounts for which FBL has proxy voting authority. FBL's general policy is to vote proxies in the best interests of clients. In pursuing this policy, FBL votes in a manner that is intended to maximize the value of client assets and seeks to align the interests of management of the companies in which it invests with the interests of clients.

FBL's Proxy Voting Policies and Procedures describe how FBL usually votes proxies on various matters, such as proposals on corporate governance, changes to capital structure and routine matters, including the election of directors and ratification of the appointment of independent auditors. FBL's Proxy Voting Policies and Procedures provide that proxies with respect to foreign companies may not be voted where the company is in a country which prohibits shareholders who vote proxies from trading the company's shares within a given period of time around the shareholder meeting date ("share blocking"). If the application of the voting guidelines is unclear, the matter is not covered by the voting guidelines or the voting guidelines

call for case-by-case review, FBL's Investment Committee will formulate a recommendation on the matter in accordance with FBL's goal of maximizing client assets.

FBL's Proxy Voting Policies and Procedures describe how FBL addresses conflicts of interest between FBL and its clients, with respect to proxy voting decisions. Actual or potential conflicts of interest involving a company or companies affiliated with FBL of which FBL is unaware are not considered conflicts of interest covered by the Proxy Voting Policies and Procedures. To resolve conflicts of which it is aware, FBL will (1) obtain client consent before voting in accordance with the voting guidelines or the recommendation of the Investment Committee, (2) refer the matter to a third-party proxy voting service or (3) the Investment Committee will prepare a report documenting the conflict, the procedures used to address the conflict, any contacts from outside parties regarding the proposal and the reason for the recommendation.

A copy of the complete Proxy Voting Policies and Procedures can be obtained from FBL by calling 1-877-860-2904. Clients may contact their relationship manager for information related to how their proxies are voted or to discuss voting on a specific proxy solicitation.

Financial Information

FBL does not believe there is any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.