



**Part 2A Appendix 1 of Form ADV
Wrap Fee Program Brochure as of March 23, 2012**

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This Wrap Fee Program Brochure ("Brochure") provides information about the qualifications and business practices of FMSI Advisers (FMSI-IA). If you have questions about the contents of this Brochure, please call the FMSI-IAs' Compliance Department at 309-820-7444.

FMSI-IA is registered with the SEC as a registered investment adviser and has also notice filed in various states in which services are offered.

Additional information about FMSI Advisers is available on the SEC's website at www.adviserinfo.sec.gov. (Click on the link, select "investment adviser firm" and type in "FMSI Advisers"). Results will provide you with both Part 1 and 2 of FMSI Advisers' Form ADV.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration of a Registered Investment Adviser or its Investment Advisor Representatives does not imply any level of skill or training.

ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the SEC adopted amendments to the Part 2 of Form ADV, which is the disclosure brochure FMSI-IA provides to you. This Wrap Fee Brochure (“Brochure”) dated March 23, 2012 is an amended Brochure prepared in accordance with the SEC’s new requirements and rules. As such, this Brochure will be reviewed and amended annually and will be either offered to you if there are no material changes, or automatically delivered to you if it contains material information that was not previously disclosed. FMSI-IA will also re-post this Brochure to the SEC’s website on an annual basis or upon a material change.

The purpose of this Brochure, which is separate from the FMSI-IAs’ Firm Brochure, is to introduce our proprietary Fixed Income Managed Account strategy which we refer to as **“FIMA”**.

Under Rule 204-3 of the Investment Advisers Act of 1940, a wrap fee program is defined as a “program under which any client is charged a specified fee or fees not based directly on transactions in a client’s account for investment advisory services (which may include portfolio management or advice concerning the selection of other advisers) and execution of client transactions.”

FIMA is a discretionary wrap fee fixed income solution sponsored, offered and managed by FMSI-IA. FIMA’s core asset allocation model, the Corporate Bond Portfolio, is comprised of fixed income securities and dividend paying stock seeking preservation of principal with a monthly, semi-annual or annual income stream. FIMA’s asset allocation model is described in Section 4 – Services, Fees and Compensation.

FIMA is not a one-size fits all investment strategy.

FIMA is a fixed income, fixed-fee investment strategy solution for the more informed sophisticated investor.

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ITEM 4 - SERVICES, FEES, AND COMPENSATION

FMSI-IA registered with the SEC in 2011 and notice files with various state jurisdictions where it conducts its business activities as a registered investment adviser.

The principal shareholder and a privately held subsidiary controlling 75% or more of FMSI-IA is The Investment Company, Inc., a holding corporation. The firm is privately owned by members of senior staff.

As with any investment advisory service or program, you should review the investment advisers' and Investment Advisor Representative's (IARs) brochures or other disclosure documents for a full description of the services offered and the fees charged for those services and programs before signing any paperwork or contractual agreements. The IAR is always available to meet with you on a regular basis, or as determined by you, to review your portfolio.

It is important to mention that under no circumstances do we have custody of your funds or securities. Your funds and securities are carried with and held by qualified custodians at all times and is discussed more fully under Item 10 E.

All investments involve some degree of risk, some more than others. Keeping that in mind, recommendations will only be provided to you that are suitable for FIMA's investment strategy based on the information you provide us which includes, but is not limited to your investment objective, risk tolerance, time horizon and liquidity needs.

The managed account services that FIMA provides may include, but is not limited to:

- Functioning as the Sponsor and Portfolio Manager of the wrap fee program
- Provides a tiered fee schedule so as account assets grow, the overall fee will be lower
- Provides access to clearing, custody and other brokerage services of one of the world's largest brokerage firms – Pershing. Pershing is a SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC"), the New York Stock Exchange ("NYSE"), and a subsidiary of The Bank of New York Mellon Corporation:
 - Provides securities clearance through Pershing
 - Provides confirmations and statements through Pershing
 - Provides custodial arrangements through Pershing
 - Provides Investor and IAR 24/7 account viewing through Pershing NetXClient
- Provides securities execution through FMSI's Fixed Income Desk
- Reviews your investment objectives and goals as identified by you and your IAR
- Participation in a financial goals-based risk managed asset allocation strategy
- Reports and reviews performance of your account(s)

Introduction to FMSI's Fixed Income Managed Account ("FIMA")

FIMA is a discretionary wrap fee fixed income solution sponsored, offered and managed by FMSI-IA. FIMA's core asset allocation model, the Corporate Bond Portfolio, is comprised of fixed income securities and dividend paying stock seeking preservation of principal with a monthly, semi-annual or annual income stream. FIMA's focus is to preserve capital and generate an appropriate yield by identifying attractive yield opportunities and to build fixed income portfolios through specific security selections.

FMSI-IA serves as the Portfolio Manager and determines the asset allocation selecting specific investment vehicles based on its proprietary approach to asset allocation, as well as investment disciplines. FIMA is a wrap fee program and you pay a single all-in fee of the assets under management for investment management, brokerage services, custody and other services including performance review.

FIMA's investment strategy is not suitable for all clients. Clients whose Investment Profile is consistent with FIMA's strategy will be accepted. Suitability is determined at the account level according to the model's strategy expectations. FIMA is not a one-size fits all investment strategy. FIMA is a fixed income, fixed-fee investment strategy solution for the more informed sophisticated investor.

The annual fee paid by you is shared by FMSI-IA, the Portfolio Manager and your IAR. FIMA's Portfolio Manager's Fee will decrease when the portfolio's assets under management increases and reaches specific breakpoints defined below under Fees and Compensation. This portion of the fee is not negotiable; however, you may negotiate the fee charged by their IAR.

The Portfolio Manager may also separately manage client portfolios. At the sole discretion of the Portfolio Manager, clients may be able to request reasonable restrictions such as social preferences or to deposit assets in-kind to the portfolio. Due to the holding of non-model assets, the investment performance of a client's account may differ significantly from the investment performance of other accounts managed by the Portfolio Manager in accordance with the investment style. When FMSI-IA performs its review of any investment style, it will be based on a review of the standard portfolio holdings and not the separately managed account assets.

You have the ability to meet with your IAR on an annual basis or more frequently if desired. If there are any material changes in your personal and/or financial situation before or after the annual meeting, you should notify your IAR or FMSI-IA immediately to determine whether a review and/or revision of the Investment Profile is necessary.

When choosing investments, the Portfolio Manager adheres to the following policies:

- 1) FIMA may invest as much as 20% of the total assets in lower rated, high-yield debt securities that are rated below Baa3 by Moody's and lower than BBB- by S&P. If the quality rating criteria are met at the time of investment, a later decline in the rating by either or both of

the rating agencies shall not be a violation of the strategy. In the event that a security held by FIMA is downgraded by Moody's and S&P, the Portfolio Manager may continue to hold the security until such time as the Portfolio Manager deems it advantageous to dispose of the security.

- 2) No more than 75% of FIMA's total assets will be invested in obligations issued or guaranteed by the U.S. Government or its agencies or FDIC-backed Certificates of Deposit.
- 3) FIMA may hold unrated securities if the Portfolio Manager believes that the securities are comparable in investment quality to the rated securities. However, FIMA will hold no more than 5% of the total assets in unrated securities.

When selling investments, the Portfolio Manager considers the following:

- 1) Whether the current market price accurately reflects the credit worthiness of the company or if the Portfolio Manager sees other opportunities with similar securities.
- 2) Whether changes in the industry could have a negative impact on the issuer's business or marketing opportunities.
- 3) Credit ratings which fall below FIMA's minimum standards.
- 4) The possible impact of rising or falling interest rates on bonds in the strategy.

FIMA may adjust the average maturity based on the interest rate outlook. When interest rates are expected to rise and bond prices fall, the Portfolio Manager may hold bonds with a shorter average maturity. When rates are expected to fall and bond prices rise, the Portfolio Manager may hold bonds with a longer average maturity. Any adjustment in the maturity or quality of the holdings may cause an increase in portfolio turnover but will not result in an increase in expenses to you.

Establishing an Account

In order to participate in FIMA, you must execute an Investment Advisory Agreement ("IA Agreement") with FMSI-IA as well as open a brokerage account with Pershing, our custodial and clearing firm. All trades are routed through FMSI-IAs' Fixed Income Desk for execution through Pershing. All securities and cash are carried and held by Pershing.

The IA Agreement outlines the services provided and the terms and conditions governing the investment advisory relationship. Upon executing the IA Agreement, you grant FMSI-IA and FIMA's Portfolio Manager written discretionary authority to initiate transactions for the portfolio, as described in this Brochure and the IA Agreement.

In addition, FMSI-IA will provide you with quarterly performance reports to assist in monitoring the portfolio. You will also receive per trade transaction confirmations and brokerage account statements from Pershing which may be monthly, but not less than quarterly, depending on the activity in the portfolio. It is important that you compare each report to the other and notify us about any discrepancies as quickly as possible.

Fees and Compensation

FIMA's wrap fee is a consolidated annual fee that includes the services provided by FMSI-IA; the Portfolio Manager; the Investment Advisor Representative ("IAR"); and the fees and expenses associated with brokerage, clearing, and custodial services.

Portfolio Value	Manager's Fee	Max. IAR Fee	Max. Total Wrap Fee
\$0.00 - \$250,000.00	.70	.80	1.50
\$250,001.00 - \$500,000.00	.65	.80	1.45
\$500,001.00 - \$1,000,000.00	.60	.80	1.40
\$1,000,001.00 - \$2,000,000.00	.30	.80	1.10
\$2,000,001.00+	.20	.80	1.00

As previously disclosed, the Portfolio Manager is a related person and Chief Executive Officer (CEO) of FMSI-IA and its affiliated entities. Neither the Portfolio Manager nor CEO receives an annual base salary. Overall compensation includes private equity ownership, a percentage share of the affiliated broker-dealer's Fixed Income Desk but not of trades routed for FIMA accounts, a share of FIMA's Manager's Fee, certain retirement, insurance and other benefits that are broadly available to all employees, and the potential to earn an annual bonus based upon profitability of all FMSI affiliated entities. *It is important to mention that compensation paid to the Portfolio Manager will not increase the annual fee paid by the client.*

Limited Negotiability of Advisory Fees: The Total Wrap Fee that you are charged to participate in FIMA is negotiable. The Manager's Fee is not negotiable; however, you may negotiate a lower fee charged by your IAR.

FMSI-IA retains the discretion to link your accounts and to also negotiate alternative fees on a client-by-client basis. Your facts, circumstances, and needs are considered in determining a negotiated fee schedule. Factors considered include the complexity of your portfolios, assets to be placed under management, anticipated future additional assets, related portfolios, portfolio style, account composition, reports, and other factors. The specific annual fee Schedule is identified in the IA Agreement between the IAR and you.

At our sole discretion, we may offer discounts to family members and friends of associated persons of FMSI-IA that are not available to retail customers.

Please be aware that investing in the FIMA program may cost you more or less than purchasing these services separately or through another financial institution. For more information regarding this, please speak with your IAR.

Fee Calculation

The annual fee paid each quarter is calculated in arrears as follows:

Account Value X Annual Percentage Fee divided by 365 days X actual days in the quarter

EXAMPLE = \$250,000 X 1.50% / 365 X 90 = Quarterly Fee

Billing Methodology and Payment of Fees

Note: Computed annual fees are based on investment amounts and fee schedules. Actual bill amounts may vary if multiple portfolios are linked to achieve higher billing breakpoints. Annual minimum fees may increase the basis point charge.

Automatic Account Fee Debiting: The annual fee assessed on your managed account is automatically debited by and paid to FMSI-IA by the qualified custodian. The fee debited will be shown on your brokerage and/or managed account statements. The calculation of the annual fee will be shown on your FMSI-IA quarterly performance report.

We cannot make any representation regarding investment features that may limit your ability to liquidate securities or transfer all or a portion of your portfolio. Certain actions such as client directed liquidations, account value below the required minimum, or partial or full transfers out, will cause us to consider your IA Agreement terminated as per the language in the Agreement and stated here.

Other Fees and Expenses

FMSI-IA may enter into a performance fee arrangement with certain sophisticated clients who have the capacity to bear the additional risks associated with this arrangement. Performance-based fees are defined as fees based on a share of capital gains or capital appreciation of the assets of a client portfolio and are measured against a specific index or watermark (performance exceeding a starting balance). Separate disclosure and contracts are utilized for “qualified clients” who participate in a performance-based fee arrangement.

Pursuant to paragraph (d) of Rule 205-3 of the Advisers Act, a qualified client, desiring to participate in a performance-based fee must meet the \$1 million in managed assets and \$2 million net worth (excluding the primary residence value and amount of secured debts) tests of the Rule.

There are no transaction based fees; however, there may be other costs which are not included in the wrap fee arrangement such as fees, expenses and charges levied by a money market mutual fund or dividend-paying stock purchases, fees imposed by the SEC, clearing firm charges such as electronic fund and wire transfers, and other charges mandated by law. You should review and retain the Pershing Fee Schedule which is provided upon opening a brokerage and custodial account for the investment advisory relationship. You will be provided, pursuant to regulatory requirements, a 30 day notice prior to any increase or decrease in brokerage or custodial fees.

ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

FIMA has a minimum investment requirement, effective January 3, 2012 of \$250,000.00. Accounts established prior to December 31, 2011 required a minimum investment amount of \$100,000.00. FMSI-IA follows standard compliance procedures when opening or maintaining an account. FMSI-IA generally provides investment advice to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above, and
- State or municipal government entities.

ITEM 6 – PORTFOLIO MANAGER SELECTION

Terry Buffalo serves as the Portfolio Manager of FIMA and is a related person of FMSI-IA. Mr. Buffalo is the Chief Executive Officer (CEO) of The Investment Company, Inc., and its affiliated entities: First Midwest Securities, Inc., a registered broker-dealer; FMSI Advisers, a federally registered investment adviser; and First Midwest Insurance Services, Inc., a registered insurance agency.

Mr. Buffalo has over 20 years of experience in the securities industry with a focused expertise in fixed income products. Mr. Buffalo established a fixed income trading desk for several firms, introduced numerous new products and trained representatives on fixed income products. Terry has written several articles in industry publications and is recognized as an authority on bonds.

Prior to joining FMSI in 2002, Mr. Buffalo was the President for a large independent broker-dealer located in Illinois, and President of a broker-dealer in Beverly Hills, California. Early in his career, Terry worked in the high yield bond markets at one of the first bond trading firms, Mabon Securities Corp. in New York. Terry earned his BA from the University of Arkansas and holds the Series 6, 7, 24, 53, 63, 66, 79 and 99 licenses.

ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGER

When you open your account, the new account paperwork that you complete will be provided to the Portfolio Manager. Among other things, this paperwork contains information about your financial condition, investment risk tolerance, and time horizon. Please notify your IAR if your financial condition changes or if you want to impose investment restrictions or change existing investment restrictions. If FMSI-IA receives updated information about you from you or your IAR, that information will be shared with the Portfolio Manager if it will impact the daily management of your portfolio.

ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGER

You may communicate with the Portfolio Manager directly; however, it is preferred that you first consult with your IAR prior to contacting the Portfolio Manager. This preferred method of communication is to ensure that the financial advice you receive is consistent.

ITEM 9 – BROKERAGE PRACTICES

FMSI-IA requires you to provide us written authority to determine the broker-dealer to use and the commission costs that will be charged to you for directed brokerage transactions. You must include any limitations on this discretionary authority in this written authority statement. You may change or amend these limitations as required by providing us written notice.

FMSI-IA will initiate block trades where possible and when advantageous to you. This blocking of trades permits the trading of aggregate blocks of securities composed of assets to or from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

In a wrap fee program, clients do not pay transaction fees; however, other brokerage and custodial charges and fees may apply.

Block trading may allow us to execute trades in a timelier, more equitable manner, at an average price. FMSI-IA will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally may rotate or vary the order of brokers through which it places trades for clients on any particular day depending upon market conditions. FMSI-IA's block trading policy and procedures are as follows:

- 1) Transactions for your account may not be aggregated for execution if the practice is prohibited by or inconsistent with your IA Agreement or our Firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for you and consistent with your investment objectives and with any investment guidelines or restrictions applicable to your account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable FMSI-IA to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a 20-20 hindsight perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price; which may not always be achieved.
- 4) Prior to entry of an aggregated order, an order record must be completed which identifies each client account participating in the order and the proposed allocation upon order completion to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order record of allocation. However, adjustments to this pro rata allocation may be made to participating client

accounts in accordance with the initial order record of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of securities held in any client account.

- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order. Under the client's agreement with the custodian/broker, transaction costs may be based on the securities traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial order record of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

FMSI-IA's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

Securities for aggregated orders are clearly identified on FMSI-IA's records and to the broker-dealer or other intermediaries handling the transactions, by the appropriate account numbers for each participating client. No client or account will be favored over another.

FMSI-IA does not receive any soft-dollar benefits from Pershing.

ITEM 10 - ADDITIONAL INFORMATION

Termination of the Advisory Relationship

You may terminate your advisory agreement, by providing written notice, without penalty within five (5) business days of execution of the advisory agreement. If the advisory agreement is terminated after five (5) business days, you will receive a pro rata refund, after the date on which notice is received minus monies utilized to establish your account, services provided, and of any prepaid quarterly fees based upon the number of days remaining in the quarter. Thereafter, the advisory relationship may be terminated by either party upon a thirty (30) day written notice to each other. Any prepaid, unearned fees will be promptly refunded on a pro rata basis according to the number of days remaining in the billing period.

We cannot make any representation regarding investment features that may limit your ability to liquidate or transfer all or a portion of your portfolio. In these cases, we will consider your agreement terminated as per the language in the Agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, you are advised to review the offering document or participation agreement.

ERISA Accounts: FMSI-IA is a fiduciary to advisory clients that are employee benefit plans or qualified retirement accounts pursuant to the Employee Retirement Income and Securities Act (ERISA), and regulations under the Internal Revenue Code of 1986 (the Code), respectively. As

such, FMSI-IA is subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, FMSI-IA may only charge fees for investment advice about products for which our Firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, if these fees are received, they are used to offset FMSI-IA's advisory fees.

Account Reviews

Fixed income securities held within an account are monitored in regard to specific news, on a continuous basis for events that might affect the status of municipalities, corporate actions, or government events that could affect or impact the maturity or call features of various fixed income investments. The Portfolio Manager will all also continuously monitor and research buying opportunities focusing on factors such as financial condition, business product strength, competitive position and management experience among others. In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Bonds are suitable for clients who have a need for income as well as diversification and/or balance within the account.

In addition to monthly statements and confirmations of transactions that you receive from the qualified custodian, FMSI-IA provides a quarterly report summarizing the account balance and holdings. You should carefully review these reports and notify your IAR or FMSI-IA of any discrepancies.

Client Referrals and Other Compensation

FMSI-IA may engage Solicitors or pay any related or non-related person for referring potential clients to FIMA. The use of a Solicitor will not increase the fee charged to you. FMSI-IA, in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940, if applicable, will provide a written Solicitor's Disclosure Document to you at the time of entering into the advisory relationship.

We do however act as a Solicitor for other independent and unaffiliated registered investment advisers when we make a recommendation and you engage the advisory or management services of an independent or unaffiliated registered investment adviser. If you contract with the recommended adviser, FMSI-IA and the IAR will receive a portion of the management fee charged to the client.

FMSI-IA does not allow our related persons to directly accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to you.

Disciplinary Information

In January 2010, First Midwest Securities, Inc., without admitting or denying the findings, was fined \$10,000.00 and required to pay \$1,320.57 plus interest, in restitution to parties that were

involved in certain corporate bond transactions for which the Firm did not have a reasonable supervisory system in place to ensure the clients received fair prices. First Midwest Securities, Inc. has updated its' procedures to ensure customers receive fair prices on corporate bond transactions. The transactions in question were not related to investment advisory business.

In September 2008, First Midwest Securities, Inc., without admitting or denying the findings, was fined \$100,000.00 by the Pennsylvania Securities Commission for failure to reasonably supervise two agents in violation of the Pennsylvania Securities Act of 1972. First Midwest Securities, Inc. has since updated its' procedures to ensure reasonable supervision of agents. The two agents and the activities in question were not related to investment advisory business.

A – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Affiliated Broker/Dealer and Life Agency

A list of our affiliated entities, including our broker-dealer, First Midwest Securities, Inc., is specifically disclosed in Section 7.A. on Schedule D of Form ADV Part 1, which can be accessed by following the directions provided on the Cover Page of this Brochure.

Most of our management personnel and associated persons (except for clerical personnel) are also:

- Registered Representatives with our affiliated broker-dealer; and/or
- Licensed Life Agents of our affiliated and/or an unaffiliated insurance agency; and/or
- Management personnel, through the holding corporation, own and operate the affiliated broker-dealer and affiliated insurance agency.

In addition to investment advisory services, financial planning services, and offering the services (Solicitor) of a third-party money manager in our capacity as a registered investment adviser, FMSI-IA's affiliated entities include its parent company, The Investment Company, Inc., a holding corporation; First Midwest Securities, Inc., a FINRA-member registered broker-dealer, and First Midwest Insurance Services, Inc., an insurance agency registered with the Illinois Department of Insurance. These entities, other than the parent company, are actively engaged in securities and mutual fund transactions, and variable, health, long-term care, and fixed insurance products, respectively.

The principal executive officers of FMSI-IA are responsible for managing the holding corporation, the broker-dealer and insurance agency and may spend a majority of their time engaged in these other related business activities.

B – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategies

FIMA'S investment strategy is suitable for clients whose investment profile, comprised of investment needs, goals, time horizon, objectives and the client's particular circumstances, is consistent with FIMA's investment strategy. Suitability is determined according to the model's

strategy expectations and only those clients whose investment profile is consistent with the FIMA investment strategy will be accepted.

FIMA's core asset allocation model, the Corporate Bond Portfolio, is comprised of fixed income securities and dividend paying stock seeking preservation of principal with a monthly, semi-annual or annual income stream.

FMSI-IA's Portfolio Manager utilizes one or a combination of the following methods of analysis in formulating investment advice and/or managing client assets:

Capital Asset Pricing Model ("CAPM"). A model that describes the relationship between risk and expected return and that is used in the pricing of risky securities. The general idea behind CAPM is that investors need to be compensated in two ways: time value of money and risk. The time value of money is represented by the risk-free (rf) rate in the formula and compensates the investors for placing money in any investment over a period of time. The other half of the formula represents risk and calculates the amount of compensation the investor needs for taking on additional risk. This is calculated by taking a risk measure (beta) that compares the returns of the asset to the market over a period of time and to the market premium ($R_m - r_f$). The CAPM says that the expected return of a security or a portfolio equals the rate on a risk-free security plus a risk premium. If this expected return does not meet or beat the required return, then the investment should not be undertaken. The security market line plots the results of the CAPM for all different risks (betas).

Using the CAPM model and the following assumptions, we can compute the expected return of a security in this CAPM example: if the risk-free rate is 3%, the beta (risk measure) of the security is 2 and the expected market return over the period is 10%, the security is expected to return 17% ($3\% + 2(10\% - 3\%)$).

Discounted Cash Flow. In finance, discounted cash flow (DCF) analysis is a method of valuing a project, company, or asset using the concepts of the time value of money. All future cash flows are estimated and discounted to give their present values (PVs) — the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value or price of the cash flows in question.

Using DCF analysis to compute the NPV takes as input cash flows and a discount rate and gives as output a price; the opposite process — taking cash flows and a price and inferring a discount rate, is called the yield.

Discounted cash flow analysis is widely used in investment finance, real estate development, and corporate financial management.

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is

underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be the time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating a security.

Cyclical Analysis. In this type of analysis, we measure the movements of a particular security against the overall market in an attempt to predict the price movement of the security.

Quantitative Analysis. We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Principal Risks of Investing in the Strategy, include but are not limited to:

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

All investments involve some degree of risk, some more than others. Keeping that in mind, recommendations will only be provided to you that are suitable for FIMA's investment strategy based on the information you provide which includes, but is not limited to your investment objective, risk tolerance, time horizon and liquidity needs.

Defining and understanding your risk tolerance is essential for you in any investment strategy, and is heightened if you wish to utilize Margin and/or a Shorting Strategy.

Corporate Fixed Income – Investments in corporate fixed income securities are subject to a number of risks, including the possibility of issuer default, credit risk, market risk and call risk.

Interest Rate Risk – Bond prices fluctuate due to changing interest rates. When interest rates rise, bond prices fall, and bond prices go up when interest rates fall. Bonds with longer maturities have greater interest rate risk than do bonds with shorter maturities.

High Yield Securities Risk – Issuers of high yield fixed-income securities (commonly referred to as "junk bonds") are not as financially strong as those companies issuing investment grade bonds. High yield bonds are subject to greater credit quality risk than higher rated fixed-income securities and should be considered speculative. The value of debt securities may be affected by changing credit ratings.

Credit Risk – There is a chance that the issuer of a bond will default on its promise to pay interest and/or principal at maturity. Credit ratings are an attempt to assess this risk. All things being equal, the lower a bond's credit rating, the higher the interest the bond must pay in order to attract investors and compensate them for taking additional risk.

U.S. Government Agency Risk – Some U.S. Government agency securities, such as those of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") have only limited support from the agency's authority to borrow from the U.S. Government or the discretionary authority of the Treasury to purchase obligations of the issuing agency. Agencies with this limited credit support or no legally required support from the U.S. Government could default on their obligations or suffer reductions in their credit ratings.

Call and Prepayment Risk – Investment grade and high-yield bonds may contain prepayment or redemption (call) provisions which, if exercised during a period of declining interest rates, may require reinvesting in a less favorable environment (in lower-yielding security or interest rate) resulting in a decreased return for investors. Also, mortgage-backed securities issued by U.S. Government agencies are subject to prepayment risk because the underlying mortgages are being repaid on a regular basis.

Reinvestment Risk – When interest rates are declining, investors have to reinvest interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

Inflation Risk – Reduces the purchasing power of future interest payments and principal, collectively known as cash flows. Inflation also leads to lower bond prices. Inflation-indexed securities such as Treasury Inflation Protection Securities (TIPS) are structured to remove inflation risk.

Market Risk – The risk that the bond market as a whole would decline, lowering the value of individual securities regardless of their fundamental characteristics.

Selection Risk – The risk that a chosen security underperforms the market for reasons that cannot be anticipated.

Timing Risk – When an investment performs poorly after its purchase or better after its sale.

Liquidity Risk – The risk in locating a buyer and may be forced to sell at a discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that are part of a small issue, bonds that have recently experienced a downgrade in their credit rating, or bonds sold by an infrequent issuer.

Default Risk – The risk that the bond issuer will be unable to make interest or principal payments when they are due. If the payments are not made according to agreements in the bond documentation, the issuer can default. This risk is minimal for mortgage-backed

securities issued by government agencies or government-sponsored enterprises also known as agency securities issued by Ginnie Mae, Fannie Mae or Freddie Mac. Most asset-backed securities tend to carry bond insurance that guarantees payment of interest and principal.

Event Risk – The risk that the issuer undertakes a leveraged buyout, debt restructuring, merger or recapitalization that increases its debt load which causes the bond value to fall or interferes with its ability to make timely payments of interest and principal. This type of risk applies more to corporate bonds and can also occur due to natural or industrial accidents or regulatory change.

Early Amortization Risk – This risk more closely affects asset-backed securities and can be triggered by events including, but not limited to, insufficient payments by underlying borrowers and bankruptcy by the sponsor or servicer. In early amortization, principal and interest on the underlying assets are used to pay the investors, generally monthly, regardless of the expected schedule for the return of principal.

Duration Risk - The modified duration of a bond is a measure of its price sensitivity to interest rates movements, based on the average time to maturity of its interest and principal cash flows. Duration enables investor to more easily compare bonds with different maturities and coupon rates by creating a simple rule: with every percentage change in interest rates, the bond's value will decline by its modified duration, stated as a percentage. For example, an investment with a modified duration of 5 years will rise 5% in value for every 1% decline in interest rates and fall 5% in value for every 1% increase in interest rates.

The Portfolio Manager may increase average duration when they expect rates to decline to get the most benefit, and decrease average duration when they expect rates to rise to minimize the negative impact. If rates move in a direction contrary to their expectations, they lose.

C – CODE OF ETHICS

Rule 204A-1 of the Advisers Act requires all investment advisers registered with the SEC to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws. FMSI-IA has adopted and implemented a Code of Ethics (Code) which sets forth high ethical standards of business conduct, including compliance with applicable federal securities laws, required of all of its associated persons. A full and complete copy of our Code of Ethics is available on our website at www.myFMSI.com or you may contact us at (309) 820-7444 and a copy will be provided to you at no cost.

The Code's intent is to reflect the fiduciary principles that govern our conduct Firm-wide in providing investment advice to advisory clients. The Code consists of an outline of policies regarding several key areas identified below as well as published in the FMSI-IA Compliance Manual and is part of the investment adviser compliance program.

This Code applies to all Supervised Persons of FMSI-IA. The Advisers Act defines Supervised Person to mean any partner, officer, director (or other person occupying a similar status or

performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser. Key elements of our Code include:

- Standards of Conduct and Compliance with Laws, Rules and Regulations
- Protection of Material Nonpublic Information
- Personal Securities Trading and Access Persons
- Consequences for failure to Comply with Reporting Certain Conduct
- Recordkeeping.

FMSI-IA and our Supervised Persons owe a duty of loyalty, fairness and good faith towards you, our clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principals and spirit that guide the Code. Violations of our Code by any Supervised Person will be dealt with quickly and accordingly with respect to the violation, which may be as minor as a documented reprimand or as severe as termination for cause with a regulatory reporting disclosure, depending upon the violation.

Below are some of our expectations of the conduct required by our Supervised Persons:

- To always place your interests before and above their own.
- To always deal with you from an integrity-based perspective.
- To safeguard your personal nonpublic information with the greatest respect and confidentiality.
- To not trade personal accounts in any manner that would knowingly disadvantage your accounts.
- To hold ourselves and our associates responsible and accountable for knowing and abiding by our Code.
- To uphold our public reputation so you can be proud to have a relationship with us.

D – CONFLICTS OF INTEREST

In allowing certain business activities and practices, FMSI-IA understands and has implemented various policies and procedures to mitigate actual or potential conflicts of interest. We believe that in the best interests of our clients, requiring specific disclosures and transparency of potentially conflicting activities strengthens our advisory relationship with our clients. As part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

- We have adopted and implemented the Code of Ethics.
- Associated persons must receive prior approval and ongoing reviews of outside employment activities to properly address potential conflicts of interests.
- If we approve the opening of an outside brokerage account due to special circumstances, we require written disclosure of these outside brokerage accounts, as well as those for immediate family members, or accounts where the Supervised Person has a beneficial interest, including account statements and trade confirmations; we require annual updates

of existing account ownership and regularly review trading activities associated with outside brokerage accounts;

- Neither FMSI-IA nor any related person is a general partner in any partnership in which clients are solicited to invest.
- We track and monitor affiliated entities and associated persons who may own bonds/shares in the same securities as our clients.
- An advisory client may also be a broker-dealer client, and/or an insurance agency client of the same IAR/RR/Life Agent and affiliated entities.
 - The Supervised Person and affiliated entities will share in earned commissions, trails, bonuses, and other forms of compensation for these services engaged by the advisory client. Some fees may be offset and are negotiated on an individual basis at the discretion of each entity. Commissions, trails, bonuses and fees payable are disclosed in each products prospectus or other offering document.
 - Clients are not obligated to purchase recommended investment products from associated persons or affiliated companies.
- We educate our IARs regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.
- As previously disclosed, we recommend the services of various registered investment advisers to our clients and in exchange for this recommendation we receive a referral fee from the selected investment adviser. The fee received is a percentage of the overall fee charged by the investment adviser and does not increase the advisory fee paid by the client. We do not charge the client any fees for these referrals. We will not recommend advisers that we do not have an effective agreement. We are aware of the special considerations required under Rule 206(4)-3, Cash Payment for Client Solicitations of the Advisers Act, and as such, all appropriate disclosures shall be made and all applicable Federal and State laws will be observed.

You should be aware that the receipt of additional compensation by FMSI-IA and its management persons or IARs creates a conflict of interest that may impair the objectivity of our Firm and supervised persons when making advisory recommendations. FMSI-IA endeavors at all times to put your interests first as part of our fiduciary duty as a registered investment adviser. We take the following steps to address this conflict:

- We disclose to clients the existence of all known material conflicts of interest, including the potential for us or our IARs to earn compensation from the referral of clients to other registered investment advisers;
- We disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment adviser;
- We conduct initial and periodic due diligence on the selected investment advisers to ensure that the advisers we recommend to our clients remain suitable and in good standing; and
- We educate our IARs regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

You are not obligated to implement a Financial Plan through their IAR. You may, at your sole discretion, implement your Financial Plan through other financial institutions. However, when

you elect to implement your Financial Plan and purchase the recommended products through the IAR who is a registered representative (RR) or licensed Life Agent of the affiliated entities, a conflict of interest is created because one professional, in multiple capacities could earn income from three (3) different sources from your purchases. As an example, you could pay (1) a fee for advisory services; (2) a commission for the purchase of a stock, bond, mutual fund, etc., and (3) a commission for the purchase of a variable annuity or a fixed insurance product such as a fixed annuity or life insurance policy.

If you elect to purchase investment products through your IAR/RR or Life Agent, the purchase presents a conflict of interest by presenting an incentive for the IAR/RR or Life Agent to recommend investment products based on the compensation to be received rather than on your needs or to potentially recommend products and riders at a higher commission schedule. IARs/RRs and Life Agents will disclose to you at the time of a product purchase the amount of commission compensation to be earned when you purchase various investment products. This conflict of interest is directly related to the dual or multiple relationships created and potential income revenue to the IAR, RR, and Life Agent from a single client.

IARs, RRs, and Life Agents are generally the same individual. Each is also associated with the registered investment adviser, affiliated broker-dealer and affiliated life insurance agency. In these relationships, it is important for you to understand that your IAR is only permitted to represent, recommend, and establish advisory accounts with an approved investment adviser service or program; RRs are only permitted to represent, recommend, and effect investment product transactions of approved fund sponsors and issuers of the broker-dealer; and Life Agents are only permitted to represent, recommend, and effect insurance-related product transactions of approved insurance companies and issuers. Not only does the IAR/RR and Life Agent receive compensation; each entity also receives their proportionate share for the sales activities of the IAR/RR and Life Agent. Bear in mind, these business activities restrictions are in place in order for FMSI-IA and the affiliated entities to supervise, capture, and maintain compliance with their regulatory books and records requirements.

E – CUSTODY

FMSI-IA client funds and securities are held directly with Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation with \$910.7 billion (as of 9/30/11) in assets held in custody, a qualified custodian as defined under the Advisers Act, Rule 206(4)-2. The qualified custodian's contact information is listed on your account statement. You may also receive from FMSI-IA a separate report which may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. We encourage you to review both the custodian's account statement and the FMSI-IAs' reports and report any discrepancies to your IAR or FMSI-IA promptly.

Custodial account statements may be delivered to you on a monthly and/or quarterly basis depending upon the account activity. FMSI-IA reports will be provided separately on a quarterly basis. Each account statement or separate report will include all transactions and activity for the applicable time period including the fee calculation and fee debit amount.

F – COMPLIANCE PLAN AND SHARED DISCLOSURES

FMSI-IA has adopted and implemented its Compliance written policies and procedures pursuant to Rule 206(4)-7 of the Investment Advisers Act of 1940 and has adopted and shares multiple disclosures and various written supervisory procedures that are applicable to it as well as its affiliated entities.

These shared disclosures include its Privacy Policy Statement and practices, Business Continuity Plan and Summary, and Anti-Money Laundering Program to name a few.

G – VOTING CLIENT SECURITIES (PROXY BALLOTS)

As a matter of firm policy and practice, FMSI-IA does not have any authority to and does not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolio. IARs may provide advice to you regarding your voting of proxies.

You are encouraged to vote and ask general questions directly to the issuer related to the proxy content. Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised.

For a copy of our Proxy Voting Policy and Procedure or for assistance regarding proxy issues, please contact us at (309) 820-7444 or in writing to our address listed on the title page.

H – BUSINESS CONTINUITY PLAN SUMMARY

FMSI's Business Continuity Planning

FMSI's Business Continuity Plan discusses how we will respond to events that significantly disrupt our business (fire, flood, terrorist attack). Since the timing and impact of a Significant Business Disruption (SBD) is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan. For more specific information, please refer to our website: www.myFMSI.com.

Our Custodians (Pershing Advisor Solutions, TD Ameritrade and Pershing, LLC) back up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our Custodians that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments. Your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions

Significant business disruptions can vary in their scope, such as only our Firm, a single building housing our Firm, the business district where our Firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary

from minimal to severe. In a disruption to only our Firm or a building housing our Firm, we will transfer our operations to our alternate location when needed and expect to recover and resume business within one day. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within one day. In either situation, we plan to continue in business, transferring operations to our Custodians if necessary, and notify clients through our web site www.myFMSI.com or our client emergency number, (800) 662-8452. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our client's prompt access to their funds and securities.

FOR MORE INFORMATION – Please contact us at info@myFMSI.com with questions about our business continuity planning.

I – INVESTOR COMPLAINT REGISTRATION

You may contact FMSI-IA for any matter, including the filing of a complaint by contacting the office of the Chief Compliance Officer, 207 W. Jefferson Street, Suite 102, Bloomington, IL 61701 or via telephone at (309) 820-7444.

J – ANTI-MONEY LAUNDERING DISCLOSURE

The USA PATRIOT Act, implemented in October 2003, is designed to detect, deter, and punish terrorists in the United States and abroad. The Act imposes new anti-money laundering requirements on brokerage firms and financial institutions. FMSI has adopted and implemented its AML program. To help clients understand these efforts, we want to provide clients with some information about money laundering and our steps to implement the USA PATRIOT Act.

What is money laundering?

Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including illegal arms sales, drug trafficking, robbery, fraud, racketeering, securities fraud and terrorism.

What are we required to do to eliminate money laundering?

Under the rules required by the USA PATRIOT Act, our Firm has designated an AML Compliance Officer, set up employee training, arrange for independent audits, coordinates activities with our Custodians, and established policies and procedures to detect and report suspicious transactions and ensure compliance with the laws. As part of our required program, clients will be asked to provide various identification documents. Until clients provide the information or documents and until their identity has been verified, the account may not be able to be opened or transactions effected through us, our Custodians, or other financial institutions we engage on our client's behalf.

We thank our clients for their cooperation and hope that they continue to support us in our efforts to deny terrorists groups' access to America's financial systems.

K – FINANCIAL INFORMATION

Registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition. FMSI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

L – PRIVACY POLICY NOTIFICATION

FMSI First Midwest Securities, Inc. (FMSI) Privacy Notice

Revised 03/12

FACTS	WHAT DOES FMSI DO WITH YOUR PERSONAL INFORMATION?		
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do with your personal information.		
What?	The type of personal information we collect and share depends on the product or service you have with us. This information can include: <ul style="list-style-type: none"> ▪ Social Security number and employment information ▪ Transaction history and wire transfer instructions ▪ Income and account balances 		
How?	All financial companies need to share customer's personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customer's personal information; the reasons First Midwest Securities, Inc. chooses to share; and whether you can limit this sharing.		
Reasons we can share your personal information		Does FMSI share?	Can you limit this sharing?
For our everyday business purposes- Such as to process your transactions, report on transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.		Yes	No
For our marketing purposes- To offer our products and services to you.		Yes	Yes
For joint marketing with other financial companies		No	No
For our affiliates' everyday business purposes- Information about your transactions and experiences.		Yes	No
For our affiliates' everyday business purposes- Information about your creditworthiness.		Yes	Yes
For nonaffiliates to market to you- Only if your Rep/Advisor leaves First Midwest Securities, Inc. or one of its affiliates for another firm, or retires or sells his or her book of business.		Yes	Yes
To limit our sharing	<ul style="list-style-type: none"> ▪ Call (800) 662-8452 ▪ Email us: privacy@myFMSI.com Please note: If you are a new customer, we can begin sharing your information 30 days from the date we sent this notice. When you are no longer our customer, we continue to share your information as described in this notice. However, you can contact us at any time to limit our sharing.		
Questions?	Call (800) 662-8452 or go to www.myFMSI.com		
Who is providing this notice?	First Midwest Securities, Inc.		

What we do	
How FMSI protect my personal information?	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>We train our employees in the proper handling of personal information. We require companies that help provide our services to you to protect the confidentiality of personal information they receive.</p>
How FMSI collect my personal information?	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> ■ Open an account ■ Make deposits or withdrawals from your account ■ Apply for insurance ■ Tell us about your investment or retirement portfolio ■ Seek advice about your investments <p>We also collect your personal information from others such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> ■ Sharing for affiliates' everyday business purposes - information about your creditworthiness. ■ Affiliates from using your information to market to you. ■ Sharing for nonaffiliates to market to you. <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices will apply to everyone on your account - unless you tell us otherwise.
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ■ Our affiliates include the following companies: FMSI Advisers, First Midwest Insurance Services, Inc., and The Investment Company, Inc.
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ■ Nonaffiliates we share with can include Pershing LLC, Pershing Advisor Solutions (PAS), Legent Clearing LLC, TD Ameritrade, EAI Information Systems, ORION, Microsoft Exchange, Global Relay, Mavidea Technology Group and Knight BondPoint. ■ Nonaffiliates can also include your financial advisor's new Broker/Dealer or Investment Advisor firm if your financial advisor chooses to leave FMSI or chooses to retire or sell his or her book of business.
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ■ None
Other Important Information	
<p>Information for Vermont and California Customers</p> <p>In response to a Vermont regulation, if we disclose personal information about you to nonaffiliated third parties with whom we have joint marketing agreements, we will only disclose your name, address, other contact information, and information about our transactions or experiences with you.</p> <p>In response to a California law, we automatically treat accounts with California billing addresses as if you do not want to disclose personal information about you to nonaffiliated third parties except as permitted by the applicable California law. We will also limit the sharing of personal information about you with our affiliates to comply with all California privacy laws that apply to us.</p>	