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Wrap Fee Program Brochure  
Form ADV Part 2A - Appendix 1  
For Wrap Fee Programs offered through  
ProEquities, Inc.

Brochure Date – March 30, 2017

This Wrap Fee Program Brochure provides clients with information about the qualifications and business practices of ProEquities, Inc. (“ProEquities”). If you have any questions about the contents of this Brochure, please contact us at 800-288-3035. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any governmental authority.

ProEquities, Inc. is a registered investment adviser. Registration as an Investment Adviser does not imply any level of skill or training. The information in this Brochure provides you with information you can use to determine whether or not to hire or retain ProEquities.

Additional information about ProEquities also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Specific material changes were made to this Wrap Fee Brochure, the last update to which was made on April 15, 2016. These changes are summarized below. It is important to note that the changes discussed directly below are only those material changes that occurred since the last annual update to this Wrap Fee Brochure.

The following material changes were made:

### Item 4 – Advisory Business

Numerous changes were made to Item 4, and the description directly below is merely a summary. For a complete understanding of the changes, it is important to read Item 4 in its entirety.

ProEquities added a new program, the “PreTrade” advisory fee program. PreTrade is a non-discretionary advisory fee program that compliments the existing ProTrade program. Furthermore, ProTrade is now exclusively a discretionary program whereas previously it could be either discretionary or non-discretionary, depending on the client’s election.

The following advisory fee programs are no longer available as new accounts, but will continue to be available as existing accounts: ProEquities Defined Solutions and ProEquities Private Access programs. If you are an existing client with either a ProEquities Defined Solutions or ProEquities Private Access account and you have any questions, please contact your financial advisor.

Generally, the Fee Schedules for the various advisory programs offered by ProEquities have been changed. If you have an existing advisory account, this will not affect you. These changes will only apply to any new accounts that are opened.

Ticket charges may continue to be assessed in the CAM program, but will not be assessed in any other ProEquities advisory program.

### Item 9 – Additional Information

- Under “Disciplinary Information,” a description was added regarding the August 18, 2016 entry of ProEquities into an Acceptance, Waiver, and Consent (“AWC”) with FINRA. Without admitting or denying the allegations, ProEquities consented to the findings by FINRA and was fined \$200,000. Please read the Disciplinary Information section for further information.

*Additional information about ProEquities, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA’s Public Disclosure site at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck>. These websites also provide information about any persons affiliated with ProEquities who are registered, or are required to be registered, as investment adviser representatives of ProEquities.*

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## Item 4 – Services, Fees and Compensation

ProEquities, Inc. (also referred to hereinafter as “ProEquities” or the “Firm”) ProEquities is a registered broker-dealer and registered investment adviser that provides securities, investment advice and other financial services to clients. We are registered as an investment adviser with the Securities and Exchange Commission (“SEC”). We provide investment advice through investment adviser representatives (“IARs”) who are associated with our Firm, most of whom are also registered representatives of our broker-dealer. ProEquities sponsors advisory fee programs which are described herein.

ProEquities, in conjunction with Envestnet Asset Management, Inc. (“Envestnet”), offers these advisory fee programs through our privately labeled ProEquities AMP<sup>SM</sup> platform. Our relationship with Envestnet allows our IARs to provide you with an AMP Account by using tools, resources and technology provided by Envestnet as part of the advisory fee programs described herein. These tools, resources and technology include the ability to produce detailed proposals, create investment models, allocate assets, monitor your specifications on an account, aggregate trades, and rebalance an account.

Prior to opening an AMP account, your IAR will typically gather information through a meeting with you to determine, among other things, your investment experience, investment objectives, risk tolerance and general financial condition in order to create an investment profile for you. These investment profiles will allow our IAR to determine and recommend to you the appropriate investment products and services through your AMP account. The specific terms of the AMP account will be set forth in the Terms & Conditions, which you will enter into in order to open your AMP account.

ProEquities is dually registered as a broker-dealer (member FINRA and SIPC) and registered investment adviser. All accounts participating in the AMP platform are held with ProEquities acting as broker-dealer. As a broker-dealer, ProEquities conducts its securities business on a fully disclosed basis with its clearing firm, Pershing, LLC, (“Pershing”). For all advisory fee programs offered through the AMP platform, investment advisory accounts will be held in brokerage accounts with ProEquities, through its clearing arrangement with Pershing. As such, Pershing maintains custody of the client’s funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

### **Advisory Fee Programs Available through your AMP Account**

#### **ProEquities Capital Asset Management (“CAM”), PreTrade, and ProTrade Advisory Fee Programs**

The CAM, PreTrade, and ProTrade advisory fee programs are designed to assist clients, both individuals and institutions (such as qualified pension and profit sharing plans, trusts, estates, charitable organizations, and corporations). The client’s Investment Adviser Representative (“IAR”) will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon, and provide professional asset management for an advisory fee (in addition to the advisory fee, certain transaction fees may be charged to the client as further described below). An advisory fee is a charge billed to the client’s advisory account for providing a bundle of services, including but not limited to investment advice, investment research, and brokerage services. The IAR will work with the client in selecting appropriate investments in an effort to assist the client in achieving their investment goals. In all ProTrade accounts, IARs will have *discretionary* management authority.

In contrast, IARs will provide investment services on a *non-discretionary* basis in all CAM and PreTrade accounts. The IAR will consult with Client prior to investing, allocating, and re-allocating assets in client’s accounts, and the client must authorize the transaction before the IAR may execute the transaction in the account.

In the case of the CAM program, clients may also pay transaction fees also known as “ticket charges.” Ticket charges are fees that are generated anytime there is a trade executed in an account. Ticket charges may vary depending upon several factors, such as type of security and the size of the trade to be executed. Some IARs choose to pay the cost of ticket charges related to client trades. Other IARs choose to pass along that expense to clients. A table that lists the applicable ticket charges can be found under the “Advisory Fees: Capital Asset Management Fee Schedule” section of this Brochure. Clients may also contact their IAR for a current schedule of applicable ticket charges.

Under certain circumstances such as high trading volume in an account with a small value, ticket charges may approach or actually exceed the amount of the advisory fee. For those clients that do not pay ticket charges, the IAR and/or ProEquities may have an incentive: (a) not to offer investment advice that involves a trade recommendation (in the case of a non-discretionary account); or (b) not to trade the account (in the case of a discretionary account), as trading activity would generate ticket charges to be paid by the IAR.

### Investment Selection and Portfolio Management

The investments for a particular client's CAM, PreTrade, or ProTrade account are selected based on, but not limited to, risk adjusted returns and suitability needs. The client's IAR will provide investment management of client's funds either on a non-discretionary or discretionary basis, depending on which program is selected. The client's IAR diversifies and manages the client's portfolio, which includes, but is not limited to, stocks, bonds, options, mutual funds, exchange traded funds and money market instruments. Investments and allocations are determined based upon the client's pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors. The client's IAR will manage the client's accounts on an individual basis. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of each client's portfolio will vary among accounts of ProEquities' diverse field of IARs.

Pershing will send clients confirmation of each transaction affected in their CAM, PreTrade, or ProTrade Program account(s) and will send account statements reflecting activity in the client's CAM, PreTrade, or ProTrade Program account at least quarterly. Clients participating in the ProTrade Program may opt out of receiving trade-by-trade confirmations by giving written authorization to ProEquities and Pershing. The client's IAR will assist the client with completing the documentation required to opt out of receiving trade-by-trade confirmations. Clients electing not to receive trade-by-trade confirmations may later request confirmations at any time at no additional charge. Clients who have elected to opt out of receiving trade-by-trade confirmations may rescind this authorization at any time by giving written notice to ProEquities and Pershing; client's IAR will assist the client in completing the documentation required to rescind this authorization. Upon receipt of this notice, Pershing will resume sending trade-by-trade confirmations for client's account.

### **Advisors Choice SMA and Strategist Programs**

The Advisors Choice SMA and Strategist Program is a fee-based managed account program that offers access to institutional private money managers and third party managers using various investment vehicles. In these Programs, ProEquities offers the investment management services of an exclusive group of asset managers (professional money managers who are responsible for making all portfolio investment decisions in the investment strategies described below), whose management services are designed to assist clients, both individuals and institutions (such as pension plans, profit sharing plans, trusts, estates, charitable organizations, and corporations). Each manager must meet key standards before ProEquities will include that manager in our line-up, which may change from time to time as new managers are selected for inclusion or removed based on not meeting standards.

The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon, and provide professional advice. The IAR will work with the client in selecting the appropriate asset manager(s) and/or strategy in an effort to assist the client in achieving their investment goals.

### Model Portfolio Investment Selection and Portfolio Management

The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon; and will provide professional advice to the client for a single advisory fee. The IAR will work with the client in selecting the appropriate Advisors Choice SMA and Advisors Choice Strategist asset manager(s) and strategy(ies) in an effort to assist the client in achieving their investment goals. Asset managers and the strategies offered by

those managers for a particular client's account are selected based on, but not limited to, selected risk adjusted returns and suitability needs. Selection of the manager(s) and strategy(ies) will be documented in the Statement of Investment Selection.

The asset manager(s), through the client's Advisors Choice Programs account, will provide investment management of each client's funds on a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the Statement of Investment Selection and the client's Terms and Conditions.

For portfolios offered through ProEquities Advisors Choice program, Investnet will have trading discretion over the client's account, which will be granted via the Terms & Conditions and Statement of Investment Selection required to open the ProEquities AMP<sup>SM</sup> account. The client's selected manager(s) will provide their model portfolios to Investnet, and Investnet will be responsible for placing trade execution orders with the applicable executing broker for the Advisors Choice accounts to reflect the holdings prescribed for the model portfolios, both at account opening and for periodic account rebalancing. Investnet will not have access to clients' funds or securities, other than to place the transactions necessary to reflect the model portfolios.

Asset managers available through the Advisors Choice SMA and Strategist will offer various model portfolios under this program. The model portfolios will include investments in, but not limited to, stocks, bonds, ETFs and mutual funds. Once the client's account reaches the minimum investment amount stated for each manager, that manager will begin providing services to that client. For each model portfolio in the Advisors Choice SMA and Strategists program, the client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. However, this does not include the ability to require that particular securities or types of securities be purchased for the account. The client also has the ability to withdraw securities or cash; vote securities, or delegate the authority to vote securities to another person; be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holder; and proceed directly as a security holder against the issuer of any security in the client's account and not be obligated to join any person involved in the operation of the program, or any other client of the program, as a condition precedent to initiating such proceeding.

Pershing will send clients confirmation of each transaction affected in their Advisors Choice SMA and Advisors Choice Strategists account(s) and will send account statements reflecting activity in the client's Advisors Choice SMA and Advisors Choice Strategists Program account at least quarterly. Clients in Advisors Choice SMA and Advisors Choice Strategists Programs accounts may opt out of receiving trade-by-trade confirmations by giving written authorization to ProEquities and Pershing. The client's IAR will assist the client in completing the documentation required to opt out of receiving trade-by-trade confirmations. Clients electing not to receive trade-by-trade confirmations may later request confirmations at any time at no additional charge. Clients who have elected to opt out of receiving trade-by-trade confirmations may rescind this authorization at any time by giving written notice to ProEquities and Pershing; client's IAR will assist the client in completing the documentation required to rescind this authorization. Upon receipt of this notice, Pershing will resume sending trade-by-trade confirmations for client's account.

### **ProEquities Unified Management Account**

A Unified Managed Account (UMA) is a fee-based managed account that offers access to institutional private money managers, mutual funds, ETF's, stocks, bonds, and third party managers using various investment vehicles in one consolidated account. These managers include those available in the ProEquities Advisors Choice, and Defined Solutions platforms, whose management services are designed to assist both individuals and institutions (such as pension plans, profit sharing plans, trusts, estates, charitable organizations, and corporations) to achieve their investment goals.

The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon, and provide professional advice. The IAR will work with the client in selecting the appropriate asset manager(s) and/or strategy(ies) in an effort to assist the client in achieving their investment goals.

### **Model Portfolio Investment Selection and Portfolio Management**

The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon; and will provide professional advice to the client for a single advisory fee. The

IAR will work with the client in selecting the appropriate Advisors, Strategists and/or individual securities in an effort to assist the client in achieving their investment goals. Asset managers and the strategies offered by those managers for a particular client's account are selected based on, but not limited to, selected risk adjusted returns and suitability needs. Selection of the manager(s), strategists and individual securities or model portfolios will be documented in the Statement of Investment Selection.

The asset manager(s), through the client's ProEquities Unified Managed Account, will provide investment management of each client's funds on a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the Statement of Investment Selection and the client's Terms and Conditions.

Asset managers available through the ProEquities Unified Managed Account will offer various model portfolios under this program. The model portfolios will include investments in, but not limited to, stocks, bonds, ETFs and mutual funds. Once the client's account reaches the minimum investment amount stated for each manager, that manager will begin providing services to that client. For each model portfolio in the ProEquities Unified Managed Account Program, the client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. However, this does not include the ability to require that particular securities or types of securities be purchased for the account. The client also has the ability to withdraw securities or cash; vote securities, or delegate the authority to vote securities to another person; be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holder; and proceed directly as a security holder against the issuer of any security in the client's account and not be obligated to join any person involved in the operation of the program, or any other client of the program, as a condition precedent to initiating such proceeding.

Pershing will send clients confirmation of each transaction affected in their ProEquities Unified Managed Account and will send account statements reflecting activity in the client's ProEquities Unified Managed Account at least quarterly. Clients in ProEquities Unified Managed Account may opt out of receiving trade-by-trade confirmations by giving written authorization to ProEquities and Pershing. The client's IAR will assist the client in completing the documentation required to opt out of receiving trade-by-trade confirmations. Clients electing not to receive trade-by-trade confirmations may later request confirmations at any time at no additional charge. Clients who have elected to opt out of receiving trade-by-trade confirmations may rescind this authorization at any time by giving written notice to ProEquities and Pershing; client's IAR will assist the client in completing the documentation required to rescind this authorization. Upon receipt of this notice, Pershing will resume sending trade-by-trade confirmations for client's account.

### **Performance Evaluation and Monitoring Services**

ProEquities will furnish quarterly performance measurement reports to its clients participating in the advisory fee programs offered through the ProEquities AMP<sup>SM</sup> platform. These reports are intended to inform clients as to how their investments have performed during the selected period. The client will also receive account statements from Pershing at least quarterly, detailing all of the activity in the client's account, including the amount of advisory fees charged during the billing period.

Information contained in the performance report is believed to be accurate, however, the accuracy and completeness of the information is not guaranteed; and is not intended to replace the account statements clients receive from Pershing. The statements clients receive from Pershing should be considered the official record for all pertinent account information. The performance report is provided in a different format from that of the Pershing account statement and may vary in content and scope. Clients should carefully compare the asset information contained in the performance report to the asset information provided in the Pershing account statement. Any discrepancies noted should be reported immediately to the client's IAR or ProEquities' home office at 800-288-3035. Clients should also notify ProEquities promptly if they do not receive the account statements from Pershing on at least a quarterly basis. Calculations and data provided on the performance reports should not be relied upon for tax purposes, but rather clients should instead use the original transaction confirmations and 1099's provided by Pershing.

## **Representatives of Independent Registered Investment Advisers**

Registered securities representatives (“representatives”) of ProEquities may also be IARs of an unaffiliated registered investment adviser (“RIA”). These representatives may also offer the advisory fee programs sponsored by ProEquities, including those offered through ProEquities AMP<sup>SM</sup> platform. Investment advice or advisory services provided by the representative in such event is not provided through ProEquities, but rather is provided through the unaffiliated RIA. The representative’s association with an unaffiliated RIA, as well as the advisory services offered through that RIA, will be disclosed through a separate disclosure statement and investment advisory services agreement provided by the representative.

## **ADVISORY FEES**

The fee schedules associated with each of the advisory fee programs offered through the ProEquities AMP<sup>SM</sup> platform is described below:

### **Capital Asset Management Program**

ProEquities offers the following fee schedule, which is intended to be used as a basis for determining the fees to be charged to a particular client’s account. This fee schedule may be discounted at the IAR’s discretion. The general fee schedule for the CAM advisory fee program offered through ProEquities is as follows:

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$ 0.01 - \$99,999.99	2.00%
\$100,000 - \$249,999.99	2.00%
\$250,000 - \$499,999.99	1.75%
\$500,000 - \$749,999.99	1.50%
\$750,000 - \$999,999.99	1.25%
\$1,000,000 - \$1,499,999.99	1.00%
\$1,500,000 - \$1,999,999.99	1.00%
Over \$2,000,000	1.00%

The actual fees to be paid by the client will be disclosed in the SIS. These fees may be assessed on a blended or tiered basis. (For example, blended billing for an account with \$600,000 in assets would be calculated by charging 2.00% on the first \$249,999, 1.75% on the next \$250,000 and 1.50% on the remaining \$100,001. Using a tiered billing approach, the entire \$600,000 would be billed at 1.50%).

Although the advisory fees are standard fees, they may be negotiable and may vary according to a variety of factors, such as size and type of account, and complexity of the client’s objectives or financial situation.

The advisory fee for the CAM program is paid to ProEquities as sponsor of the program in which the client is invested. A portion of the advisory fee is paid to the client’s selected IAR based on a pre-established payout rate between ProEquities and the IAR (or representative of an unaffiliated Registered Investment Adviser where applicable); and the remainder is retained by ProEquities and is used to cover trading costs, custodian fees and other expenses. Any remaining amount after costs is revenue to ProEquities. Where applicable, a portion of the advisory fee may be paid to independent investment advisors as part of their agreement with ProEquities to offer this program to their clients; and the remainder is retained by ProEquities as revenue.

The minimum investment amount required for the CAM advisory fee program offered through ProEquities is \$25,000.

## **CAM Ticket Charges**

In addition to the fee schedule above, clients with CAM accounts may also be charged ticket charges. Some IARs may cover the cost of ticket charges related to client trades themselves, while other IARs may negotiate to pass along that expense to the client. The general ticket charge schedule is as follows:



TRANSACTION		Electronic Trades Via AMP	Phone Trades
<b>No Load Mutual Funds</b>	Purchases & Redemptions	\$18.00	\$28.00
	Exchanges (including SRS)	\$7.50	\$17.50
<b>Equities &amp; Options</b>	Listed Equities	\$16.00	\$26.00
	OTC Equities	\$16.00	\$26.00
	Options	\$16.00	\$26.00
<b>Individual Fixed Income</b>	Corporate & Municipal Bonds	\$18.00	\$18.00
	Treasury & Government Agency Bonds	\$18.00	\$18.00
	Money Market Investments	12.00	\$12.00
	Mortgage Backed when Issued	\$10.00	\$10.00
	Unit Investment Trusts	\$33.00	\$33.00
	Dollar Cost Averaging & Systematics using SRS System	\$2.50	\$2.50

Pershing Trade Execution Charges		
<b>Listed Equities</b>	All Market Orders ≤ 5,099 Shares	\$2/Order
	All Market Orders ≥ 5,099 Shares	\$2/Order + \$0.01/Share
	All Limit Orders	\$2/Order + \$0.015/Share
<b>Listed Corporate Bonds</b>	All Orders	\$1/Bond
<b>Options</b>	Equity & Index	\$1/Contract
	Debt & Currency	\$2.40/Contract

The schedules of ticket charges listed above are subject to change periodically without prior notice. Clients should consult their IAR for a current list of applicable ticket charges.

### PreTrade and ProTrade Programs

PreTrade and ProTrade program accounts are charged a single, sponsor fee, which includes the Advisor Fee and Platform Fee, as further described below. The minimum initial investment in a PreTrade or ProTrade account is \$25,000.00.

The Advisor Fee is paid to ProEquities as sponsor of the PreTrade or ProTrade program, as applicable, and is intended to cover the financial advice offered by ProEquities, through the client's selected IAR. The fee schedule below is intended to be used for determining the fees to be charged to a particular client's account, but the Advisor Fee may be discounted. A portion of the Advisor Fee is paid to the client's selected IAR based on a pre-established payout rate between ProEquities and the IAR (or representative of an unaffiliated Registered Investment Adviser where applicable); and the remainder is retained by ProEquities as revenue.

The Platform Fee is paid to ProEquities through account billing, and covers trading costs, custodian fees, and other costs. Any remaining amount after costs is revenue to ProEquities. The Platform Fee will be calculated on a tiered basis, based upon both the amount of assets in the Client's Account and based upon the cumulative amount of assets the Client's IAR has invested on the Advisor's platform, in accordance with the table directly below. For each Assets Under Management Tier listed in the table below, the Client shall be charged the minimum up to the maximum fee applicable to a Client's specific account program. The specific fee is dependent upon the Client's IAR's cumulative assets invested on the Advisor's platform at the end of the preceding quarter (or, in the case of an account opening, as of the date of the proposal). **The specific fee applicable to each Assets Under Management Tier may vary each quarter, from the minimum up to the maximum fee.** Clients should consult their IAR if there are any questions regarding the calculation of the fee.

<b>PreTrade and ProTrade Fee Schedule</b>				
<b>Assets Under Management Tiers*</b>		<b>Advisor Fee</b>	<b>Platform Fee Range</b>	
			<b>Minimum</b>	<b>Maximum</b>
\$ 0.01	\$ 99,999.99	2.00%	0.24%	0.33%
\$ 100,000.00	\$ 249,999.99	2.00%	0.22%	0.32%
\$ 250,000.00	\$ 499,999.99	2.00%	0.21%	0.29%
\$ 500,000.00	\$ 999,999.99	1.75%	0.18%	0.27%
\$ 1,000,000.00	\$ 1,999,999.99	1.50%	0.15%	0.21%
\$ 2,000,000.00	\$ 2,999,999.99	1.50%	0.15%	0.21%
\$ 3,000,000.00	\$ 4,999,999.99	1.50%	0.15%	0.21%
\$ 5,000,000.00	and over	1.00%	0.15%	0.16%

\* A minimum annual fee of \$20 may be charged by Envestnet for accounts that fall below \$31,000.00. Furthermore, an additional minimum annual fee of \$30 may apply to accounts that fall below \$16,000.00.

#### **Advisors Choice Strategist Program**

Advisors Choice Strategist accounts are charged a single, sponsor fee, which includes the Advisor Fee, Manager Fee, and Platform Fee, as further described below. The minimum initial investment in an Advisors Choice Strategist account ranges from \$25,000 to \$1,000,000 per Strategist.

The Advisor Fee is paid to ProEquities as sponsor of the Advisors Choice Strategist program and is intended to cover the financial advice offered by ProEquities, through the client's selected IAR. The fee schedule below is intended to be used for determining the fees to be charged to a particular client's account, but the Advisor Fee may be discounted. A portion of the Advisor Fee is paid to the client's selected IAR based on a pre-established payout rate between ProEquities and the IAR (or representative of an unaffiliated Registered Investment Adviser where applicable); and the remainder is retained by ProEquities as revenue.

The Manager Fee is paid to the client's selected Strategist(s) in the Advisors Choice Strategist program.

The Platform Fee is paid to ProEquities through account billing, and covers trading costs, custodian fees, and other costs. Any remaining amount after costs is revenue to ProEquities. The Platform Fee will be calculated on a tiered basis, based upon both the amount of assets in the Client's Account and based upon the cumulative amount of assets the Client's IAR has invested on the Advisor's platform, in accordance with the table directly below. For each Assets Under Management Tier listed in the table below, the Client shall be charged the minimum up to the maximum fee applicable to a Client's specific account program. The specific fee is dependent upon the Client's IAR's cumulative assets invested on the Advisor's platform at the end of the preceding quarter (or, in the case of an account opening, as of the date of the proposal). **The specific fee applicable to each Assets Under Management Tier may vary each quarter, from the minimum up to the maximum fee.** Clients should consult their IAR if there are any questions regarding the calculation of the fee.

Advisors Choice Strategist Fee Schedule					
Assets Under Management Tiers*		Advisor Fee	Manager Fee	Platform Fee Range	
				Minimum	Maximum
\$ 0.01	\$ 99,999.99	1.50%	Up to 1.00%	0.29%	0.38%
\$ 100,000.00	\$ 249,999.99	1.50%	Up to 1.00%	0.28%	0.38%
\$ 250,000.00	\$ 499,999.99	1.50%	Up to 1.00%	0.28%	0.36%
\$ 500,000.00	\$ 999,999.99	1.50%	Up to 1.00%	0.26%	0.35%
\$ 1,000,000.00	\$ 1,999,999.99	1.50%	Up to 1.00%	0.24%	0.30%
\$ 2,000,000.00	\$ 2,999,999.99	1.50%	Up to 1.00%	0.24%	0.30%
\$ 3,000,000.00	\$ 4,999,999.99	1.50%	Up to 1.00%	0.24%	0.30%
\$ 5,000,000.00	and over	1.00%	Up to 1.00%	0.24%	0.25%

\* A minimum annual fee of \$100 may be charged by Envestnet for accounts that fall below \$100,000.00. Furthermore, an additional minimum annual fee of \$30 may apply to accounts that fall below \$16,000.00.

**ProEquities Unified Managed Account and Advisors Choice SMA Programs**

Unified Managed Account and Advisors Choice SMA program accounts are charged a single, sponsor fee, which includes the Advisor Fee, Manager Fee (if applicable), and Platform Fee, as further described below. The minimum initial investment in a Unified Managed Account is \$150,000.00. The minimum initial investment in an Advisors Choice SMA account ranges from \$25,000 to \$1,000,000 per manager.

The Advisor Fee is paid to ProEquities as sponsor of the Unified Managed Account or Advisors Choice SMA program, as applicable, and is intended to cover the financial advice offered by ProEquities, through the client’s selected IAR. The fee schedule below is intended to be used for determining the fees to be charged to a particular client’s account, but the Advisor Fee may be discounted. A portion of the Advisor Fee is paid to the client’s selected IAR based on a pre-established payout rate between ProEquities and the IAR (or representative of an unaffiliated Registered Investment Adviser where applicable); and the remainder is retained by ProEquities as revenue.

The Manager Fee is paid to the client’s selected Manager(s) in the Unified Managed Account or Advisors Choice SMA program; however, the Manager Fee may not be applicable if no Manager has been selected within the Unified Managed Account program.

The Platform Fee is paid to ProEquities through account billing, and covers trading costs, custodian fees, and other costs. Any remaining amount after costs is revenue to ProEquities. The Platform Fee will be calculated on a tiered basis, based upon both the amount of assets in the Client’s Account and based upon the cumulative amount of assets the Client’s IAR has invested on the Advisor’s platform, in accordance with the table directly below. For each Assets Under Management Tier listed in the table below, the Client shall be charged the minimum up to the maximum fee applicable to a Client’s specific account program. The specific fee is dependent upon the Client’s IAR’s cumulative assets invested on the Advisor’s platform at the end of the preceding quarter (or, in the case of an account opening, as of the date of the proposal). **The specific fee applicable to each Assets Under Management Tier may vary each quarter, from the minimum up to the maximum fee.** Clients should consult their IAR if there are any questions regarding the calculation of the fee.

<b>ProEquities Unified Managed Account and Advisors Choice SMA Fee Schedule</b>					
<b>Assets Under Management Tiers*</b>		<b>Advisor Fee</b>	<b>Manager Fee**</b>	<b>Platform Fee Range</b>	
				<b>Minimum</b>	<b>Maximum</b>
\$ 0.01	\$ 99,999.99	1.50%	Up to 1.25%	0.30%	0.39%
\$ 100,000.00	\$ 249,999.99	1.50%	Up to 1.25%	0.29%	0.39%
\$ 250,000.00	\$ 499,999.99	1.50%	Up to 1.25%	0.29%	0.37%
\$ 500,000.00	\$ 999,999.99	1.50%	Up to 1.25%	0.27%	0.36%
\$ 1,000,000.00	\$ 1,999,999.99	1.50%	Up to 1.25%	0.25%	0.31%
\$ 2,000,000.00	\$ 2,999,999.99	1.50%	Up to 1.25%	0.25%	0.31%
\$ 3,000,000.00	\$ 4,999,999.99	1.50%	Up to 1.25%	0.25%	0.31%
\$ 5,000,000.00	and over	1.00%	Up to 1.25%	0.25%	0.26%

\* A minimum annual fee of \$120 may be charged by Envestnet for accounts that fall below \$100,000.00. Furthermore, an additional minimum annual fee of \$30 may apply to accounts that fall below \$16,000.00.

\*\* If applicable, as a client is not required to select a Manager to open or maintain a Unified Managed Account.

For each advisory program listed above, the Advisor Fee is a standard fee. However, the Advisor Fee may be negotiable and may vary according to a variety of factors, such as size and type of account, and complexity of the client's objectives or financial situation. The Platform Fee and any Manager Fee, if applicable, are not negotiable. The program fee is only assessed on the billable assets held in the advisory account. The fees will be calculated as follows:

*CAM, PreTrade, ProTrade, Advisors Choice SMA and Strategists, and ProEquities Unified Managed Account Fee Calculation*

The fee will be based on the account value, using trade date valuation, on the last day of each calendar quarter. The fee is payable quarterly, in advance, at the beginning of the next quarterly billing period. All billable assets in the account will be included in calculating the value of the account to determine the amount of the fee. In any partial billing cycle, the fee will be pro-rated, based on the number of days in which assets were placed for management during that cycle. However, if an account is opened during a calendar quarter, the fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter after the quarter ends.

For contributions or withdrawals of \$1,000 or more to an existing account during the quarter, the fee for that quarter will be recalculated and pro-rated, based on the number of days remaining in that billing period. The additional fee or fee credit due to an account as a result of mid-quarter contributions or withdrawals will be billed or credited to the account the following month. If the client terminates their account for any reason during any billing period, the client's account will be refunded the pre-paid advisory fees on a pro-rata basis from the date of termination to the end of the billing period, with the refund being credited to the account the following month. Additionally, if the client transfers their account to another firm, the client may pay an outgoing account transfer fee, which may consist of ProEquities' clearing firm costs as well as additional charges that ProEquities assesses for processing outgoing transfer requests.

Under the advisory fee programs offered through ProEquities AMP<sup>SM</sup> platform, the client will pay a fee, based on the amount of assets under management, for investment advice. This fee also covers most transaction related charges associated with executing transactions for the client except for incidental charges including but not limited to the following: annual check writing and debit card fees on Corestone accounts; wire fees; check stop payment fees; returned check fees; ACH return fees; security transfer and redemption fees; transaction fees assessed by regulatory agencies or exchanges; transaction processing fees assessed by ProEquities' clearing firm; reorganization processing fees; trade confirmation fees; outgoing account transfer fees;

margin extension fees; margin debit interest; IRA annual maintenance and IRA termination fees; amounts charged to produce year-end statements and account reports; paper surcharge fees; foreign security transaction fees; initial document review and ongoing annual service fees for special products, including but not limited to limited partnerships; mail courier fees; bank charges and/or other transactions charges related to processing. These charges are assessed against the customer's account and may consist of both charges that ProEquities pays to third parties such as clearing firm charges as well as additional charges for ProEquities' processing and transaction services. A schedule of these charges may be obtained by contacting either the client's IAR or ProEquities' home office at 800-288-3035.

### **Comparison of Cost of Service**

The services associated with the advisory fee programs offered through ProEquities AMP<sup>SM</sup> platform may cost clients more or less than purchasing such services separately, depending on the frequency of trading in the client's accounts, commissions charged at ProEquities or other broker-dealers for similar products, fees charged for like services by other broker-dealers and other factors. The investment advisory fee is based on the total amount of assets in the client's account; and is independent of the level of trading activity. By agreeing to pay a fee based on investment advisory services provided rather than transactions, the client should understand that the fee may be higher than the cost of a commission-based alternative account or arrangement during periods of lower trading activity.

### **Other Costs**

Customers enrolled in the CAM program may be assessed transaction charges, known as "ticket charges." These ticket charges are assessed against the customer's account and may consist of both charges that ProEquities pays to third parties such as clearing charges as well as additional charges for ProEquities' transaction services. Ticket charges may be waived for certain customers, in the sole discretion of the IAR. You may obtain a schedule of ticket charges by contacting your IAR or ProEquities' home office at 800-288-3035. Clients enrolled in the ProTrade, PreTrade, Advisors Choice SMA, and ProEquities Unified Managed Account advisory fee programs are not assessed ticket charges.

Clients with mutual funds or exchange traded funds in their portfolios are effectively paying ProEquities and the fund advisor for the management of the client's assets because funds pay advisory fees to the fund manager and distribution and service fees to broker-dealers, including ProEquities; and such fees are therefore indirectly charged to all holders of these fund shares. Clients who place mutual funds or exchange traded funds under ProEquities' management are therefore subject to both ProEquities' direct advisory fee and the indirect management fee of the fund advisor. Mutual funds and exchange traded funds are subject to additional advisory and other fees and expenses, as set forth in the prospectuses for those funds, which are ultimately borne by the client. To the extent that the client will hold fund shares for an extended period of time, these internal fund expenses should be added to the investment advisory fee when evaluating the costs of a advisory fee program offered through the ProEquities AMP<sup>SM</sup> platform.

Certain mutual fund families impose short-term trading charges when shares of mutual funds are purchased and sold within a short period of time. These fees typically range from 1%-2% of the original amount invested and are not waived for investment advisory accounts.

Clients may transfer existing assets into the CAM, PreTrade, or ProTrade advisory fee programs, which may include mutual fund or other security holdings which were sold by the client's IAR in a prior brokerage account. If so, the IAR may have earned a selling commission before moving assets into a fee-based advisory account. While ProEquities has certain policies related to this practice, the client understands that, where these assets are transferred into the advisory fee program, the client is paying an advisory fee on these assets. Certain mutual fund share classes (such as Class B and Class C) have higher fund expenses than other share classes, and as such these expenses will affect the overall return or performance of the individual holding and the client's account overall.

### **Selection of Broker-Dealer**

ProEquities is a dually-registered broker-dealer and registered investment advisor. As such, all accounts participating in the advisory fee programs through ProEquities AMP<sup>SM</sup> platform are held with the affiliated broker-dealer. ProEquities operates on a fully-disclosed basis with Pershing, whereby all accounts are custodied with Pershing. The use of our affiliated broker-dealer,

rather than a non-affiliated broker-dealer allows ProEquities to offer these advisory fee programs at as low a cost as possible, given the Firm's supervisory and best execution obligations.

### **Recommendation of Advisory Fee Programs offered through ProEquities AMP<sup>SM</sup> platform**

As disclosed in the "Advisory and Management Fees" section above, the client's IAR receives compensation as a result of the client's participation in the advisory fee programs offered via ProEquities AMP<sup>SM</sup> platform. The amount of compensation the client's IAR receives may be more than what the IAR would receive if the client participated in another advisory fee program offered by ProEquities, or if the client paid separately for investment advice, brokerage and other services. The client's IAR, therefore, may have a financial incentive to recommend one or more of these programs over other programs or services offered or provided by ProEquities.

### **Item 5 – Account Requirements and Types of Clients**

The minimum investment amounts for each advisory fee program offered through ProEquities AMP<sup>SM</sup> platform vary by program and are described above.

These advisory fee programs are designed to assist clients, both individuals and institutions (such as qualified pension plans and profit sharing plans, trusts, estates, charitable organizations, and corporations). ProEquities, through its IARs, routinely provides investment advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, corporations and other U.S. and international institutions.

### **Item 6 – Portfolio Manager Selection and Evaluation**

#### **Selection of Investment Adviser Representatives**

All Investment Adviser Representatives of ProEquities (or of an unaffiliated registered investment adviser, where authorized by ProEquities) who are registered through ProEquities' dually registered broker-dealer, may offer the advisory fee programs described herein to their customers. As an independent broker-dealer and investment adviser, ProEquities serves a diverse field force. Our selection process focuses on producers with a mindset to grow their existing business and who value the Firm as a business partner. ProEquities believes this culture provides independent producers with a structured business model that leverages the experience of our Firm while allowing enough flexibility to customize certain components important to their individual needs.

ProEquities' selection process includes an extensive background review of each prospective representative so that we may obtain a full understanding of their history and their objectives for business growth. The Firm will closely scrutinize any prospective representative who may have a history of client complaints; financial difficulties; termination from prior employers; or criminal charges/convictions.

Selection of the client's specific IAR is at the discretion of the client. The client may choose to terminate their participation in one or more of the advisory fee programs described herein or appoint another IAR to service their account. In the event that the client's IAR terminates their registrations with ProEquities, the customer will be notified of this occurrence and ProEquities may reassign the customer's account to another IAR who has agreed to manage the client's account. In these circumstances, the client will be notified of this change of IAR, and will be provided the opportunity to decline the assignment of the new IAR.

A representative sample of all accounts may be reviewed on a periodic basis by the ProEquities Compliance Department, and/or designated Office of Supervisory Jurisdiction ("OSJ") branch managers. The Firm uses a series of surveillance, exception and trading reports that are designed to facilitate this review. This review will be based on the customer's investment objectives, risk tolerance and financial and personal profile. There are three levels of accounts that may be reviewed: (1) advice rendered under financial planning or financial advice agreement; (2) investments in ProEquities-sponsored advisory fee programs; and (3)

investments in third party money manager arrangements. Supervisory review of these accounts will include general account activity and other triggering factors such as (1) fees charged; (2) account performance and performance reports; (3) customer complaints; (4) products used; (5) securities concentration; and (6) other triggering factors as determined by the reviewing principal. In addition, ProEquities' IARs are expected to provide continual advice to clients, routinely review client portfolios and are responsible for communicating with clients at least annually.

Specific information regarding the client's selected IAR is provided in the IAR's Form ADV Part 2B, which is provided at the time the client's AMP account is opened and periodically as may be required by law or regulation.

### **Selection of Advisors Choice SMA and Strategists**

ProEquities employs a detailed due diligence process prior to approving asset managers for the Advisors Choice SMA and Strategists programs. Factors influencing selection of an asset manager include, but are not limited to, historical performance; accessibility; ability to customize, knowledge of products currently offered, and knowledge of general economic and market factors and other criteria. ProEquities will offer the investment management services of numerous professional asset managers.

### **Other Advisory Services Offered by ProEquities and its IARs**

ProEquities is an independent investment advisory Firm with IARs located geographically throughout the United States; and has been registered as an adviser with the SEC since 1998. ProEquities is a wholly-owned subsidiary of Protective Life Corporation. Protective Life Corporation was purchased by The Dai-Ichi Life Insurance Company, Limited ("Dai-Ichi") in February, 2015; therefore Dai-Ichi is an indirect owner of ProEquities.

As of 12/31/2016, ProEquities provided investment advisory services to approximately \$2,787,508,000 in assets under management. Through the Firm's IARs, ProEquities provides investment advisory services to its clients as follows:

#### Investment Management Services

ProEquities' IARs offer investment management services through the selection of a ProEquities-sponsored advisory fee program or the use of non-affiliated money managers. These services include, but are not limited to, providing ongoing investment advice; implementation of a portfolio plan which may include trading and rebalancing of funds necessary to meet the client's objectives and risk/return tolerance; as well as ongoing review of a client's portfolio plan to ensure this plan remains consistent with the client's financial and personal objectives and risk/return tolerance. The IAR will review with each client their investment objectives and risk/return tolerance and may recommend investment in a ProEquities-sponsored advisory fee program or third party money manager program, where appropriate. The advisory services offered are tailored to the individual needs of each client. Clients may impose restrictions on investments in certain securities or types of securities; however, such restrictions may impact the performance of the account.

- *ProEquities-Sponsored Advisory Fee Programs.* Please reference Item 4 above for information regarding the advisory fee programs sponsored by ProEquities. Clients should contact their IAR or the ProEquities home office for information regarding other advisory fee programs or advisory services offered by ProEquities.
- *Third Party Money Manager Arrangements.* ProEquities has entered into agreements with various non-affiliated investment advisors (third party money managers) to offer asset allocation and asset management services to ProEquities' advisory clients. When investment with a third party money manager is recommended, the IAR will assist the client in selecting a suitable third party manager to implement and continually manage the client's investment plan. The IAR will assist the client in selecting the appropriate investment portfolio; setting restrictions or limitations on the management of the account; and will review the account activity transacted by the third party manager in the client's account with the client on a regular basis. ProEquities periodically reviews the current and historical performance record of each third party manager. These services are discussed more thoroughly in ProEquities' Form ADV Part 2A, a copy of which can be obtained from the client's IAR.

ProEquities currently has agreements to offer the services of the following third party money managers:

Asset Mark	Lockwood
Brinker Capital	Loring Ward
BTS	Manning & Napier
Clarke, Lanzen & Skalla (CLS Investments)	Morningstar
Camelot	Portfolio Strategies
First Affirmative Financial Network	Rochdale
First Mercantile Trust	SEI Investments
Flexible Plan Benefits	Strategic Equity Management
FTJ FundChoice	Vestor Capital
Hamilton-Bates	
ICON Advisers	

*ProEquities may add new managers or terminate agreements with money managers without prior notice.*

- *Advice on other accounts.* On a limited basis, a client and their IAR may enter into an investment advisory agreement whereby the IAR will manage a portfolio of assets designated by the client and not held in a brokerage account with ProEquities' affiliated broker-dealer. Such arrangements are approved on a case-by-case basis and require the pre-approval of a principal in ProEquities' Investment Advisory department. In such arrangements, the IAR will not be permitted to effect transactions in the client's account.

#### Financial Planning Services

ProEquities' IARs may offer financial planning services to clients which may include, but are not limited to, a detailed review of the client's current financial position and written evaluation and analysis derived from a client questionnaire. Such plans may include a comprehensive plan for the client, or address only limited areas such as income and resource allocation, estate planning, divorce planning, retirement planning, education planning or other such specific financial areas.

The financial planning fee does not include payment for implementation of the recommendations or advice contained in the plan. The client is at liberty at all times to follow or disregard, in whole or in part, any recommendations or advice contained in the plan. The client and ProEquities (through its IARs) may enter into arrangements separate from this financial planning agreement in order to implement all or certain portions of the recommendations or advice contained in the plan, which may be subject to additional compensation. A client may terminate a financial planning contract, without penalty, by written notice to the client's IAR within 5 business days from the date of the client's acceptance of the financial planning agreement; and fees paid to the date of termination but not yet earned will be refunded within 10 business days of ProEquities' receipt of the notice of the termination of the agreement. Once work has begun on the financial plan, however, any refunds will be prorated, commensurate with the amount of work performed on the plan.

#### Financial Advisory Services

ProEquities, through its IARs, offers financial advisory services to clients which may include, but are not limited to, a review of the client's current asset allocation; review of client-specified accounts not currently held with ProEquities or its affiliated broker-dealer; advice regarding particular securities; selection of other advisors; and advice regarding the securities markets in general. On occasion, ProEquities' IARs may provide services that utilize charts, graphs, formulas or other devices to assist clients in evaluating securities in order to make more informed investment decisions.

ProEquities' IARs may also provide preliminary advice as to the need for estate planning and other planning strategies that may call for legal, accounting or other expert advice. In these cases, ProEquities' IAR will direct the client to the appropriate professional of the client's choice.

The client and ProEquities (through its IARs) may enter into arrangements separate from the financial advice agreement in order to implement advice provided, which may be subject to additional compensation. A client may terminate a financial advice agreement, without penalty, by written notice to the client's IAR within 5 business days of the client's acceptance of the financial advice agreement; and any fees paid in advance but not earned will be refunded within 10 business days of ProEquities' receipt



of the notice of termination. Once financial advice has been rendered, however, any refunds will be prorated, commensurate with the amount of work performed in providing the advice.

#### Pension Consulting Services

ProEquities provides investment advisory services to pension plans through the selection of plan providers or platforms; advice regarding investment options for retirement plans; plan participant education and enrollment services; and advice to plan participants regarding their investment allocations to plan investment options. Specific services provided to each plan or participant are detailed in the plan or participant's investment advisory agreement.

#### Market Timing Services

By recommending certain of our third party money managers, ProEquities may recommend that a client participate in a market timing services offered by those managers. ProEquities does not independently offer a market timing service.

#### **Performance-Based Fees and Side-by-Side Management**

ProEquities does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

ProEquities' IARs may use charting; analysis of investment fundamentals; technical analysis; and cyclical analysis in the management of or advice regarding client assets. Each IAR may utilize a different investment methodology in the management of client assets. As with any investment, investment in the advisory fee programs offered through ProEquities involves risk, including the possible loss of principal. There is no guarantee that investing in securities through these programs, or any other security or investment strategy, will be profitable for a client's account. Investments in securities, including those in these advisory fee programs, are not deposits of a bank, savings and loan or credit union; are not issued by, guaranteed by, or obligations of a bank, savings and loan, or credit union; and are not insured or guaranteed by the FDIC, SIPC, NCUSIF or any other agency.

#### **Voting Client Securities**

Neither ProEquities nor its IARs vote proxies on clients' behalf or provide advice about how to vote proxies for securities held in the advisory fee accounts offered through ProEquities' AMP platform. Nor will ProEquities or its IARs advise the client or act for the client in any legal proceedings, including bankruptcies involving securities held or previously held in these accounts or the issuers of those securities.

ProEquities' clearing broker-dealer, Pershing, utilizes the services of a third-party vendor, Broadridge, for proxy processing. On record date, Broadridge will send Pershing a list of the applicable securities for which a proxy must be provided to the beneficial owner. Pershing, in turn, will provide Broadridge a list of the names and addresses of customers holding that security. Broadridge then mails hard copies of proxy notices to these customers along with instructions for voting the proxies electronically.

### **Item 7 – Client Information Provided to Portfolio Managers**

ProEquities, through its IARs, gathers information (such as financial information, investment objectives, and risk tolerance) regarding clients to aid in providing appropriate and suitable investment advice regarding securities purchased in the CAM or ProTrade programs and for selection of the appropriate managers and/or portfolios available through the Advisors Choice and/or ProEquities Unified Managed Account programs.

ProEquities will not share information with unaffiliated third parties or with those parties not required to service the client's account. Please consult ProEquities' privacy policy at [www.ProEquities.com](http://www.ProEquities.com) for further details about client privacy and information sharing.

## Item 8 – Client Contact with Portfolio Manager

The portfolio manager of each client's ProTrade account is their selected IAR. As such, clients will have consistent access to their IAR.

The sub-advisers to the Advisors Choice Strategist, Advisors Choice SMA, and ProEquities Unified Managed Account are not available for consultation with clients. Clients should direct any questions regarding their account or participation in these advisory fee programs to their IAR.

## Item 9 – Additional Information

### Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ProEquities or the integrity of ProEquities' management. ProEquities reports the following disclosure events:

- On March 23, 2009, ProEquities entered a Letter of Acceptance, Waiver and Consent with FINRA. FINRA alleged that, during a breakpoint self-assessment conducted in 2004, ProEquities failed to timely conduct account reviews requested by customers and failed to timely provide refunds to customers to whom a refund was due, in violation of NASD Conduct Rule 2110. Without admitting or denying the allegations, ProEquities consented to the findings by FINRA and was fined \$25,000.
- On August 30, 2010, ProEquities entered a Stipulation with the New York Department of Insurance. The New York Department of Insurance alleged that the Firm violated its rules by failing to report on the Firm's March, 2009 Corporate license renewal that ProEquities was involved in an administrative proceeding that was commenced by the then NASD prior to 3/18/2009 (see above 3/23/09 action). The Firm did not believe that this matter was reportable at the time of the March, 2009 corporate license renewal as it had not yet been finalized by the NASD/FINRA until May, 2009, as FINRA had indicated that the Firm's Acceptance, Waiver and Consent might not be accepted. This was not an intentional failure to report, but rather the Firm did not believe the matter was reportable at the time of the renewal. The Firm was fined \$750.
- On October 26, 2010, ProEquities entered a Consent Agreement with the Indiana Securities Division, after the Division alleged that ProEquities violated Indiana Code by failing to timely respond to a customer complaint. The complaint in dispute was received by the Firm in January, 2009 and was submitted to the Firm's employee who was then responsible for reviewing and providing a response to such complaint. This employee was terminated through a reduction in force, and the Firm learned after termination that this employee had not responded to a number of complaints. In review of the complaint in dispute, the representative informed the Firm that the customer had withdrawn the complaint and therefore no response was necessary. Over a year later, this customer filed a complaint with Indiana; the Firm provided a timely response and made settlement with the customer to correct an error that prompted the original complaint. Although ProEquities believed that this was an extraordinary circumstance of an employee's failure to adequately perform their job function, and not an indication of systemic issues with ProEquities' procedures, the state determined that this was nonetheless a violation of the Indiana Code. Without admitting or denying the state's allegations, but rather to avoid the expense and inherent uncertainty of a formal hearing, ProEquities entered into a Consent Agreement and was fined \$9,000.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Maine Office of Securities alleged that ProEquities violated 32 M.R.S., Section 16604, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Maine. In an effort to avoid protracted and expensive proceedings in numerous states, including Maine, ProEquities agreed to resolve the investigations

through Consent Order dated March 31, 2012, wherein ProEquities agreed to a total payment of \$435,000 allocated according to a schedule provided by the multi-state investigation group, with \$8207.50 payable to the state of Maine. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Wisconsin Division of Securities alleged that ProEquities violated Wisconsin Uniform Securities Law Chapter 551, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Wisconsin. In an effort to avoid protracted and expensive proceedings in numerous states, including Wisconsin, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Wisconsin. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the California Department of Corporations alleged that ProEquities violated Corporations Code sections 25210 and 25230, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in California. In an effort to avoid protracted and expensive proceedings in numerous states, including California, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of California. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Utah Division of Securities alleged that ProEquities violated Section 61-1-3 of the Utah Uniform Securities Act, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Utah. In an effort to avoid protracted and expensive proceedings in numerous states, including Utah, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Utah. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Alabama Securities Commission alleged that ProEquities violated Title 8, Chapter 6, Section 2, Code of Alabama 1975, the Alabama Securities Act, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Alabama. In an effort to avoid protracted and expensive proceedings in numerous states, including Alabama, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state

investigation group, with \$8,207.55 being payable to the state of Alabama. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Securities Commissioner of South Carolina alleged that ProEquities violated Sections 35-1-401, 35-1-402, and 35-1-403, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in South Carolina. In an effort to avoid protracted and expensive proceedings in numerous states, including South Carolina, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of South Carolina. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the South Dakota Division of Securities alleged that ProEquities violated SDCL 47-31B-401, 47-31B-402, 47-31B-403 and 47-31B-404, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in South Dakota. In an effort to avoid protracted and expensive proceedings in numerous states, including South Dakota, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of South Dakota. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Nevada Securities Division alleged that ProEquities violated Nevada's Uniform Securities Act, NRS 90.211 et. seq., specifically Nevada revised statutes 90.310 and 90.330, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Nevada. In an effort to avoid protracted and expensive proceedings in numerous states, including Nevada, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Nevada. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, Rhode Island alleged that ProEquities violated The Rhode Island Uniform Securities Act 7-11-101 et. seq. of the Rhode Island general laws of 1989 as amended, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Rhode Island. In an effort to avoid protracted and expensive proceedings in numerous states, including Rhode Island, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state

investigation group, with \$8,207.55 being payable to the state of Rhode Island. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Oregon Division of Finance alleged that ProEquities violated ORS 59.165, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Oregon. In an effort to avoid protracted and expensive proceedings in numerous states, including Oregon, ProEquities agreed to resolve the investigations through Consent Order dated August 6, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Oregon. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Texas State Securities Board alleged that ProEquities violated Sections 23, 23-1, 23.A and 28 of the Texas Securities Act, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Texas. In an effort to avoid protracted and expensive proceedings in numerous states, including Texas, ProEquities agreed to resolve the investigations through Consent Order dated August 6, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Texas. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Colorado Division of Securities alleged that ProEquities violated Sections 11-51-401(a)(1.5)(2) and (2.5), C.R.S., in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Colorado. In an effort to avoid protracted and expensive proceedings in numerous states, including Colorado, ProEquities agreed to resolve the investigations through Consent Order dated August 6, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the state of Colorado. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Minnesota Department of Commerce alleged that ProEquities violated Minn. Stat. et seq 80A.56 through et seq 80A.58, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Minnesota. In an effort to avoid protracted and expensive proceedings in numerous states, including Minnesota, ProEquities agreed to resolve the investigations through Consent Order dated July 11, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Minnesota. The payments to the unaffiliated broker-dealer represented a portion of the

compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the New Jersey Bureau of Securities alleged that ProEquities violated N.J.S.A. 49:3-47 et seq (“Securities Law”), specifically N.J.S.A. 49:3-56(A), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in New Jersey. In an effort to avoid protracted and expensive proceedings in numerous states, including New Jersey, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to New Jersey. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Missouri Secretary of State alleged that ProEquities violated Sections 409.4-401, 409.4.402, and 409.4-403, RSMO (CUM. SUPP. 2011), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Missouri. In an effort to avoid protracted and expensive proceedings in numerous states, including Missouri, ProEquities agreed to resolve the investigations through Consent Order dated September 18, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Missouri. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of Nebraska Department of Banking and Finance alleged that ProEquities violated The Securities Act of Nebraska, Neb. Rev. Stat. 8-1101 through 8-1123 (Reissue 2007; Cum. Supp. 2010; Supp. 2011) (“The Act”), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Nebraska. In an effort to avoid protracted and expensive proceedings in numerous states, including Nebraska, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Nebraska. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Securities Commissioner of Maryland alleged that ProEquities violated Sections 11-401 and 11-402 of the Maryland Securities Act, Title 11, Corps. & Ass’ns, MD. Code Ann (2007 Repl.Vol. & Supp. 2012) (“Act” or “Securities Act”), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Maryland. In an effort to avoid protracted and expensive proceedings in numerous states, including Maryland, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Maryland. The payments to the unaffiliated broker-dealer represented a portion of the compensation from

the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Department of Finance of the State of Idaho alleged that ProEquities violated Idaho Code Sections 30-14-401 through 404, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Idaho. In an effort to avoid protracted and expensive proceedings in numerous states, including Idaho, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Idaho. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Office of the Mississippi Secretary of State Securities and Charities Division alleged that ProEquities violated Miss. Code Ann. Sections 75-71-401 through 75-71-404, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Mississippi. In an effort to avoid protracted and expensive proceedings in numerous states, including Mississippi, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Mississippi. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of Washington Department of Financial Institutions Securities Division alleged that ProEquities violated RCW 21.20.040, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Washington. In an effort to avoid protracted and expensive proceedings in numerous states, including Washington, ProEquities agreed to resolve the investigations through Consent Order dated September 17, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Washington. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Commissioner of Commerce and Insurance for the State of Tennessee, at Nashville, alleged that ProEquities violated Tenn. Code Ann. 48-2-109, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Tennessee. In an effort to avoid protracted and expensive proceedings in numerous states, including Tennessee, ProEquities agreed to resolve the investigations through Consent Order dated October 16, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Tennessee. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by

ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of North Dakota Securities Department alleged that ProEquities violated N.D.C.C. 10-04-10, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in North Dakota. In an effort to avoid protracted and expensive proceedings in numerous states, including North Dakota, ProEquities agreed to resolve the investigations through Consent Order dated October 16, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to North Dakota. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Pennsylvania Department of Banking and Securities alleged that ProEquities violated certain provisions of the Pennsylvania Securities Act of 1972 (1972 Act) in connection with the offer and sale of securities in the Commonwealth of Pennsylvania, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Pennsylvania. In an effort to avoid protracted and expensive proceedings in numerous states, including Pennsylvania, ProEquities agreed to resolve the investigations through Consent Order dated October 16, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Pennsylvania. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Office of the Secretary of State Commissioner of Securities State of Georgia alleged that ProEquities violated Article 4 of the Georgia Uniform Securities Act of 2008 ("2008 Act"), and its predecessor, section 10-5-3 of the Georgia Securities Act of 1973 ("1973 Act"), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Georgia. In an effort to avoid protracted and expensive proceedings in numerous states, including Georgia, ProEquities agreed to resolve the investigations through Consent Order dated October 16, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Georgia. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Commonwealth of Massachusetts Office of the Secretary of the Commonwealth Securities Division alleged that ProEquities violated Mass. Gen. Laws Ch. 110A, 201, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Massachusetts. In an effort to avoid protracted and expensive proceedings in numerous states, including Massachusetts, ProEquities agreed to resolve the investigations through Consent Order dated October 16, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Massachusetts. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities



and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the New Hampshire Bureau of Securities Regulation alleged that ProEquities violated RSA 421-B:6 and 421-B:26, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in New Hampshire. In an effort to avoid protracted and expensive proceedings in numerous states, including New Hampshire, ProEquities agreed to resolve the investigations through Consent Order dated October 25, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to New Hampshire. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the District of Columbia Department of Insurance, Securities and Banking, alleged that ProEquities violated D.C. Official Code 31-5602.01(A) and 31-5602.02(A), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in the District of Columbia. In an effort to avoid protracted and expensive proceedings in numerous states, including the District of Columbia, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the District of Columbia. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of Indiana Office of the Secretary of State Securities Division alleged that ProEquities violated Ind. Code 23-19-4-1, Ind. Code 23-19-4-2, Ind. Code 23-19-4-3 and Ind. Code 23-19-4-4, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Indiana. In an effort to avoid protracted and expensive proceedings in numerous states, including Indiana, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Indiana. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Securities Commissioner for the state of Delaware alleged that ProEquities violated 6 Del. C. 73-301(A) and 6 Del. C. 73-301(C), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Delaware. In an effort to avoid protracted and expensive proceedings in numerous states, including Delaware, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Delaware. The payments to the unaffiliated broker-dealer represented a portion of the

compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Arkansas Securities Commissioner alleged that ProEquities violated Ark. Code Ann. 23-42-301 of the Arkansas Securities Act, Codified at Ark. Code Ann. 23-42-101 through 23-42-509 (“Act”), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Arkansas. In an effort to avoid protracted and expensive proceedings in numerous states, including Arkansas, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Arkansas. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Iowa Insurance Division alleged that ProEquities violated Iowa Code Sections 502-401(1), 402(1), 403(1) and 401(1)(2011), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Iowa. In an effort to avoid protracted and expensive proceedings in numerous states, including Iowa, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Iowa. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Commonwealth of Virginia State Corporation Commission at Richmond alleged that ProEquities violated 13.1-504 A, B and C of the Virginia Securities Act (“Act”), 13.1-501 et seq Code of Virginia, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Virginia. In an effort to avoid protracted and expensive proceedings in numerous states, including Virginia, ProEquities agreed to resolve the investigations through Consent Order dated November 12, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Virginia. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Commissioner of Securities and Insurance Montana State Auditor of Montana alleged that ProEquities violated Mont. Code. Ann. 30-10-201, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Montana. In an effort to avoid protracted and expensive proceedings in numerous states, including Montana, ProEquities agreed to resolve the investigations through Consent Order dated October 31, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Montana. The payments to the unaffiliated broker-dealer represented a portion of the

compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Alaska Department of Commerce, Community and Economic Development, Division of Banking and Securities alleged that ProEquities violated Alaska Statutes (“AS”) 45.50.030, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Alaska. In an effort to avoid protracted and expensive proceedings in numerous states, including Alaska, ProEquities agreed to resolve the investigations through Consent Order dated December 4, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Alaska. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Commonwealth of Kentucky Public Protection Cabinet, Department of Financial Institutions alleged that ProEquities violated KRS 292.330, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Kentucky. In an effort to avoid protracted and expensive proceedings in numerous states, including Kentucky, ProEquities agreed to resolve the investigations through Consent Order dated December 4, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Kentucky. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Ohio Division of Securities alleged that ProEquities violated Ohio revised Code (“ORC”) 1707.14,1707.414, 1707.16 and 1707.161, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Ohio. In an effort to avoid protracted and expensive proceedings in numerous states, including Ohio, ProEquities agreed to resolve the investigations through Consent Order dated December 4, 2012, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Ohio. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Securities Commissioner of the State of Kansas alleged that ProEquities violated K.S.A. 17-12A401, K.S.A. 17-12A402, K.S.A. 17-12A403, and K.S.A. 17-12A404, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Kansas. In an effort to avoid protracted and expensive proceedings in numerous states, including Kansas, ProEquities agreed to resolve the investigations through Consent Order dated January 7, 2013, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Kansas. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by

ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Government of the U.S. Virgin Islands alleged that ProEquities violated Chapter 23, 9 VIC, Sections 631, 632, 633 and 634, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in the U.S. Virgin Islands. In an effort to avoid protracted and expensive proceedings in numerous states, including the U.S. Virgin Islands, ProEquities agreed to resolve the investigations through Consent Order dated January 7, 2013, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to the U.S. Virgin Islands. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of New Mexico Regulation and Licensing Department Securities Division alleged that ProEquities violated Sections 58-13B-3 and 58-13B-5 of the New Mexico Securities Act of 1986 (1986, as amended through 2004) and Sections 58-13C-401 through 404 of the New Mexico Uniform Securities Act, NMSA 1978058-13C-101 to 58-13C-701 (2009) ("The Act"), in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in New Mexico. In an effort to avoid protracted and expensive proceedings in numerous states, including New Mexico, ProEquities agreed to resolve the investigations through Consent Order dated January 22, 2013, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to New Mexico. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the State of Florida Office of Financial Regulation alleged that ProEquities violated Section 517.12, Florida Statutes, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Florida. In an effort to avoid protracted and expensive proceedings in numerous states, including Florida, ProEquities agreed to resolve the investigations through Consent Order dated January 22, 2013, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Florida. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.
- In a multi-state review of an administrative services agreement with an unaffiliated firm, the Vermont Department of Financial Regulation alleged that ProEquities violated Vermont Uniform Securities Act (2002), codified in pertinent part at V.S.A. 5401-04 et seq, in that ProEquities paid commissions to another registered broker-dealer while that broker-dealer was not registered as a broker-dealer in Vermont. In an effort to avoid protracted and expensive proceedings in numerous states, including Vermont, ProEquities agreed to resolve the investigations through Consent Order dated February 28, 2013, wherein the Firm agreed to a total payment of \$435,000 among multiple states where the representatives were located during the timeframe 4/30/2010 to 12/2/2011, allocated according to a schedule provided by the multi-state investigation group, with \$8,207.55 being payable to Vermont. The payments to the unaffiliated broker-dealer represented a portion of the compensation from the sale of securities and/or provision of investment

advice by ProEquities representatives, and were payment for administrative services. That agreement has since been terminated. The sale of securities and/or provision of investment advice to retail customers were made by representatives of ProEquities, who were properly registered at all times with ProEquities in the states in which the clients were located.

- On March 27, 2013, ProEquities entered a Consent Agreement with the Indiana Securities Division, after the Division alleged that ProEquities violated Indiana Code by failing to engage for a required branch audit and file the audit report by the established deadline. Despite notice of the required audit, the firms' Indianapolis branch office personnel failed to complete the required audit and submit the audit report as required. The Firm's home office was not notified of the audit requirement, and was not aware that the branch office had failed to comply with the audit requirement until notice by the Indiana Securities Division. The Firm has since established procedures whereby the home office personnel will contact the Division annually to determine which, if any, of its branches have been selected for review.
- On October 22, 2015, ProEquities entered a Letter of Acceptance, Waiver and Consent with FINRA. FINRA alleged that, from May 1, 2009 to April 30, 2014, ProEquities failed to apply sales charge discounts to 713 eligible Unit Investment Trust ("UIT") purchases, resulting in customers paying excessive sales charges of approximately \$109,709.00 in violation of FINRA Rule 2110. In addition, FINRA alleged that ProEquities failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases in violation of NASD Conduct rule 3010 and FINRA Rule 2010. Without admitting or denying the allegations, ProEquities consented to the findings by FINRA and was fined \$165,000.
- On August 18, 2016, ProEquities entered a Letter of Acceptance, Waiver, and Consent with FINRA. FINRA alleged that, from January 1, 2008 to April 30, 2012, ProEquities failed to establish, maintain, and enforce adequate written procedures to supervise sales of non-traditional exchange-traded funds in violation of NASD Conduct Rules 3010(b) and FINRA Rule 2010 (for the time period prior to December 15, 2008). In addition, FINRA alleged that during the time period April 2006 through July 2013, ProEquities failed to establish, maintain, and enforce adequate written procedures to supervise the creation and dissemination of consolidated reports, in violation of NASD Conduct Rules 3010, subparts (b) and (d)(2), and 2110 (conduct prior to December 15, 2008) and FINRA Rule 2010 (conduct after December 14, 2008). Also, during the time period, January 1, 2014 through March 30, 2014, ProEquities failed to enforce its written procedures relating to the supervision of registered persons conducting investment advisory business through independent registered investment advisor, in violation of NASD Conduct Rules 3010(d) and 3040(c) and FINRA Rule 2010. In addition, during the time period, June 3, 2013 through March 28, 2014, ProEquities failed to enforce certain provisions of its written procedures relating to the supervision of sales of variable annuities and 1035-exchange transactions, in violation of NASD Conduct Rules 3010(b) and FINRA Rules 2330(d) and 2010. Finally, during the time period, June 3, 2013 through March 28, 2014, ProEquities violated of NASD Conduct Rule 3010 and FINRA Rules 2330(d) and 2010 by maintaining written procedures relating to the supervision of sales of variable annuities that identified, but did not sufficiently address, particular factors to be considered in assessing the suitability of a recommendation to buy or sell, in whole or in part, a variable annuity. Without admitting or denying the allegations, ProEquities consented to the findings by FINRA and was fined \$200,000.

#### **Other Financial Industry Arrangements**

ProEquities is also registered as a broker-dealer with the SEC and FINRA; and as a municipal securities dealer and municipal financial advisor with the Municipal Securities Rulemaking Board (MSRB). ProEquities' management personnel, as well as each of our IARs, are also registered representatives of ProEquities' broker-dealer.

ProEquities is a wholly-owned subsidiary of Protective Life Corporation. Protective Life Corporation is wholly-owned by Dai-Ichi Life Insurance Company, Limited ("Dai-Ichi"); therefore Dai-Ichi is an indirect owner of ProEquities. Other subsidiaries of Protective Life Corporation which are registered as either broker-dealers or registered investment advisers include:

- Investment Distributors, Inc. is a registered broker-dealer that wholesales Protective Life Insurance Company's variable insurance products. As such, Investment Distributors solely distributes products and does not open or

maintain customers' accounts or hold customer funds or securities. Although under common ownership, the relationship to Investment Distributors, Inc. does not present a conflict of interest to ProEquities, its IARs or our clients.

- Protective Investment Advisors is a registered investment adviser with the SEC. Although under common ownership, the relationship to Protective Investment Advisors does not present a conflict of interest to ProEquities, its IARs or our clients.

ProEquities has networking agreements with several banks or other financial institutions, whereby our IARs market investments, insurance and annuities in these financial institutions. ProEquities is solely responsible for the suitability of sales made to customers; therefore the contractual relationship with these financial institutions which allows ProEquities to offer financial products in these institutions does not present a conflict of interest to ProEquities, its IARs or our clients.

ProEquities' affiliated broker-dealer is a fully disclosed/introducing broker to Pershing. As such, all client trades are cleared through Pershing and all client accounts are held with Pershing. All accounts in ProEquities sponsored advisory fee programs are held at Pershing.

ProEquities' clearing firm, Pershing, offers a no-transaction fee mutual fund program, FundVest, which allows trading in a number of mutual fund families with no transaction or ticket charges. The mutual fund companies pay a fee to Pershing to be included in this program; and ProEquities receives a portion of this as part of a revenue sharing arrangement with Pershing. Trades placed in mutual funds participating in the FundVest program will not be assessed transaction or ticket charges (as discussed in Item 4 above). Other costs, including but not limited to, short-term trading fees, may still apply to these transactions.

#### **Code of Ethics**

ProEquities gives full disclosure to its clients as to its position as a broker-dealer. ProEquities will not allow any of its personnel to participate in the selection of investments for clients until the needs of the client have been determined. ProEquities' advisory personnel will be restricted in accordance with the Firm's internal guidelines and procedures.

ProEquities has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at ProEquities must acknowledge the terms of the Code of Ethics annually, or as amended. ProEquities' Code of Ethics requires that its employees and IARs conduct themselves in a manner such that the interests of our clients take precedence over all others and effect securities transactions in such a way as to avoid any conflict between the interest of any customer and the interests of the IAR.

ProEquities anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which ProEquities has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which ProEquities, its affiliates and/or clients, directly or indirectly, have a position or interest. ProEquities employees and persons associated with ProEquities are required to follow ProEquities Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of ProEquities and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for ProEquities' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of ProEquities will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of ProEquities clients. In addition, the Code of Ethics restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between ProEquities and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with ProEquities' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. ProEquities will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

ProEquities or its IARs may buy or sell for itself investment products which are recommended to clients. Records will be maintained of all securities bought or sold by ProEquities and its IARs. These records will be reviewed by a compliance principal to ensure no conflicts exist with client executions.

A copy of ProEquities' Code of Ethics may be obtained from the client's IAR or by contacting ProEquities at 800-288-3035.

### **Review of Accounts**

A representative sample of all accounts may be reviewed on a periodic basis by the ProEquities Compliance Department, and/or designated OSJ branch managers. The Firm uses a series of surveillance, exception and trading reports that are designed to facilitate this review. This review will be based on the customer's investment objectives, risk tolerance and financial and personal profile. There are three levels of accounts that may be reviewed: (1) advice rendered under financial planning or financial advice agreement; (2) investments in ProEquities-sponsored advisory fee programs; and (3) investments in third party money manager arrangements. Supervisory review of these accounts will include general account activity and other triggering factors such as (1) fees charged; (2) account performance and performance reports; (3) customer complaints; (4) products used; (5) securities concentration; and (6) other triggering factors as determined by the reviewing principal. In addition, ProEquities' IARs provide ongoing advice to clients, routinely review client portfolios and are responsible for communicating with clients at least annually.

With regard to investments in ProEquities-sponsored advisory fee programs or third party money manager programs, the clients are provided account statements directly from the account custodian, as well as periodic performance reports. Clients are urged to compare the information provided on performance closely to the information presented on the account statements provided by the account custodian. Where discrepancies are noted, the client should defer to the custodian's account statements.

### **Client Referrals and Other Compensation**

Clients with mutual funds and/or exchange traded funds in their portfolios are effectively paying ProEquities and the fund advisor for the management of the client's assets because these funds pay advisory fees, distribution and service fees to the fund manager and such fees are therefore indirectly charged to all holders of fund shares. Clients who place mutual funds and/or exchange traded funds under ProEquities' management are therefore subject to both ProEquities' direct advisory fee and the indirect management fee of the fund advisor. Mutual funds and exchange traded funds are subject to additional advisory and other fees and expenses, as set forth in the prospectuses for those funds, which are ultimately borne by the client. To the extent that the client will hold fund shares for an extended period of time, these internal fund expenses should be added to the investment advisory fee when evaluating the costs of a advisory fee account held with ProEquities.

Certain fund families impose short-term trading charges when shares of mutual funds are purchased and sold within a short period of time. These fees typically range from 1%-2% of the original amount invested and are not waived for investment advisory accounts.

Clients may transfer existing assets into the CAM, PreTrade, or ProTrade, advisory fee programs, which may include mutual fund or other security holdings which were sold by the client's IAR in a prior brokerage account. If so, the IAR may have earned a selling commission before moving assets into a fee-based advisory account. While ProEquities has certain policies related to this practice, the client understands that, where these assets are transferred into the advisory fee program, the client is paying an advisory fee on these assets. Certain mutual fund share classes (such as Class B and Class C) have higher fund expenses than other share classes, and as such these expenses will affect the overall return or performance of the individual holding and the client's account overall.

## Compensation related to Investment Management Services

For the investment management services that ProEquities provides, it may receive compensation and other payments in the form of:

- *advisory fees* from our customers based on the amount of assets under management by our Firm (or by third-party money managers) or upon the financial planning and/or advice services provided by our investment adviser representatives.
- *cash payments* from product sponsors as reimbursement *for training and educational expenses* incurred by our investment adviser representatives when attending educational meetings or conferences that are held by ProEquities or by the product sponsor.
- *cash payments* from product sponsors through the Firm to its registered representatives as *reimbursement for product marketing efforts or attendance at due diligence meetings* (in accordance with FINRA rules).

ProEquities and its registered representatives sell a variety of securities, including mutual funds, options, money market instruments, variable products (variable annuities and variable life insurance), stocks, bonds, Section 529 college savings plans, and alternative investments (such as real estate investment trusts, oil and gas partnerships, Section 1031 exchange programs and similar programs). In the normal course of providing financial planning and asset management services to customers, ProEquities and its investment advisory representatives may recommend the purchase or sale of securities. ProEquities may execute transactions in these securities and receive compensation and other payments in the form of:

- *commissions* from product sponsors based on transactions effected.
- *recurring distribution fees* from product sponsors based on assets held in an investment, commonly referred to as trail commissions or 12b-1 fees.
- *cash payments* from product sponsors to ProEquities *for research and due diligence* associated with securities offered for sale by the Firm.
- *cash payments in the form of rebates and incentives from ProEquities' clearing firm, Pershing*, to ProEquities for distribution assistance (including client asset levels maintained in certain money market sweep funds), and participation credits (monthly margin debit interest, free credit interest rebates and account inactivity fee rebates) on certain client account balances. ProEquities may also from time to time receive special incentives from Pershing for its participation in temporary marketing programs. Examples of prior programs include incentives to increase the number of incoming account transfers and retirement account openings. Because ProEquities receives rebates and incentives from Pershing as described above, ProEquities has a financial interest in recommending that you allocate a portion of your assets to certain money market sweep funds. ProEquities may also participate in temporary marketing programs for which it receives rebates and incentives from Pershing, and therefore may have a financial interest in recommending to you products or services included within the temporary marketing program. You should understand that you may choose to allocate your assets to money market sweep funds that do not produce a cash incentive for ProEquities and you may choose not to participate in any temporary marketing program.
- *other cash payments* from our "strategic partners" to ProEquities, as discussed in more detail below.

**Product Sponsors.** The product sponsor of a mutual fund, variable contract or alternative investment generally funds all or some portion of the commissions and distribution fees for the investment through fees and expense charges that are associated with that investment. These fees and expense charges are described in the prospectus, private placement memorandum, or other disclosure documents for that investment. Fees based on assets under management and for financial planning services are disclosed in the client's investment advisory and financial planning agreements with ProEquities.

**Strategic Partners.** ProEquities has also entered into marketing arrangements with a number of mutual fund, variable contract and alternative investment product sponsors and third-party money managers. These "strategic partners" are sometimes invited to attend or participate in educational meetings and conferences for ProEquities registered representatives and investment adviser representatives, and may be featured more prominently on the ProEquities website or other communications than other product sponsors. As a result, these strategic partners may have greater access to our registered representatives than other product sponsors.



As of the date of this brochure, the Firm's strategic partners include:

Allianz	Nationwide
American Funds	Noble Royalties
AssetMark	Pacific Life
Atlas Energy	Principal Financial Group
CNL Investment Co.	Protective Life
Cypress Energy	Prudential
First Trust Portfolios	Resource Real Estate
Franklin Square	Ridgewood Energy
Hines Real Estate Securities	Sammons
Inland Real Estate	Strategic Storage Trust, Inc.
Jackson National	Transamerica
John Hancock	Voya
Lightstone	Walton International
Lincoln Financial Services	Waveland Energy
Loring Ward	WP Carey
MetLife	

*Note: ProEquities may add or eliminate strategic partners from time-to-time without prior notice.*

Strategic partner marketing arrangements include provisions for cash payments to ProEquities. The cash payments may be based on a fixed amount per year, on a percentage of the amount that ProEquities customers have invested with the strategic partner, or both.

ProEquities registered representatives and IARs do not receive additional compensation for selling securities offered by a particular product sponsor, whether it is a strategic partner or not. Furthermore, they are not required to achieve a sales quota with respect to investments or services offered by any product sponsor. ProEquities also has a policy against accepting reimbursement through brokerage transactions directed to the Firm by product sponsors.

The Firm believes that, in general, the strategic partners offer investment and advisory products and services of a high quality. However, ProEquities does not guarantee that these products and services will perform better than others that may be available, and encourages its registered representatives, IARs and customers to consider any product sponsor or third-party money manager whose products and services might be suitable for the customer.

Registered representatives and IARs of the Firm who are associated with Everence may be eligible for incentives provided through Everence (such as eligibility for deferred compensation and health benefit programs and matching certain charitable contributions made by the representative) based on their sales of Praxis mutual funds and other products (such as insurance) that are offered by Everence or its affiliates.

#### Compensation related to Financial Planning Services

Fees for financial advice services are negotiated with the client's IAR and are generated from either: (1) a negotiated flat dollar amount, which is typically charged at the time a client signs a financial planning agreement; or (2) an hourly rate, which will be negotiated based on the expected number of hours spent in consultation with the client and preparing the plan. In accordance with ProEquities' established fee schedule, financial planning fees will generally not exceed \$10,000 for flat-fee arrangements; or \$500 per hour. The minimum fee for a financial plan is \$100.00.

Due to the complexity of some financial plans, however, a higher fee may be negotiated. In such instances, the IAR will submit the financial plan or a summary of the proposed planning work to be performed for review by a principal in ProEquities' Compliance department. The Compliance principal will notify the IAR of whether the plan or proposed work substantiates the higher fee. The specific manner in which financial planning fees are charged for each client is established in that client's financial planning agreement.

The financial planning fee does not include payment for implementation of the recommendations or advice contained in the plan. The client is at liberty at all times to follow or disregard, in whole or in part, any recommendations or advice contained in the plan. The client and ProEquities (through its IARs) may enter into arrangements separate from the financial planning agreement in order to implement all or certain portions of the recommendations or advice contained in the plan, which may be subject to additional compensation. The IAR may sell securities or insurance products in order to implement all or a portion of the plan; or the IAR may enter into an investment management agreement with the client to manage all or a portion of the client's assets, in accordance with the client's objectives.

A client may terminate a financial planning contract, without penalty, by written notice to the client's IAR within 5 business days from the date of the client's acceptance of the financial planning agreement; and fees paid to the date of termination but not yet earned will be refunded within 10 business days of ProEquities' receipt of the notice of the termination of the agreement. Once work has begun on the financial plan, however, any refunds will be prorated, commensurate with the amount of work performed on the plan.

All or a portion of the financial planning fee may be waived if the plan, or a portion thereof, is implemented with the client's IAR. This is negotiated between the client and their IAR at the time the client signs the financial planning agreement.

#### Compensation related to Financial Advice Services

Fees for financial advice services are negotiated with the client's IAR and are generated from either: (1) a negotiated flat dollar amount, which is typically charged at the time the client enters into a financial advice agreement; (2) an hourly rate, which will be negotiated based on the expected number of hours spent in consultation with the client, plus reimbursement for out-of-pocket expenses incurred for the service; (3) an annual fee, which is negotiated based on the estimated time to be spent in consultation with the client throughout the year; or (4) an asset-based fee related to advice provided to the client regarding assets specified by the client which are not held in a brokerage account with ProEquities' affiliated broker-dealer or which is not otherwise managed by the client's IAR.

In accordance with ProEquities' established fee schedule, financial advice fees will generally not exceed \$10,000 for flat-fee arrangements; \$500 per hour; \$5,000 per year, where charged annually; or \$2.00% of the asset balance where advice is provided on assets not held in a brokerage account with ProEquities' affiliated broker-dealer or otherwise managed by the client's IAR. Due to the complexity of some client situations, however, a higher fee may be negotiated. In such instances, the IAR will submit a summary of the proposed work to be performed for review by a principal in ProEquities' Compliance department. The Compliance principal will notify the IAR of whether the particular client situation and/or proposed work substantiate the higher fee. The specific manner in which financial advice fees are charged for each client is established in that client's financial planning agreement.

The financial advice fee does not include payment for implementation of the recommendations or advice contained provided. The client is at liberty at all times to follow or disregard, in whole or in part, any recommendations or advice provided by the client's IAR. The client and ProEquities (through its IARs) may enter into arrangements separate from the financial advice agreement in order to implement all or certain portions of the recommendations or advice, which may be subject to additional compensation. The IAR may sell securities or insurance products in order to implement all or a portion of the advice provided; or the IAR may enter into an investment management agreement with the client to manage all or a portion of the client's assets, in accordance with the client's objectives.

A client may terminate a financial advice contract, without penalty, by written notice to the client's IAR within 5 business days from the date of the client's acceptance of the financial advice agreement; and fees paid to the date of termination but not yet earned will be refunded within 10 business days of ProEquities' receipt of the notice of the termination of the agreement. Once work has begun or advice has been provided, however, any refunds will be prorated, commensurate with the amount of work performed and/or advice provided.

All or a portion of the financial advice fee may be waived if the advice, or a portion thereof, is implemented with the client's IAR. This is negotiated between the client and their IAR at the time the client signs the financial advice agreement.

**Use of Solicitors**

From time to time, investment advisory business is referred to ProEquities' IARs through solicitors. Compensation may be paid to the solicitor either by a flat fee arrangement or a percentage of the total management fee charged to the client. Under such arrangements, the client will receive a Solicitor Disclosure Document which details the payment of these fees.

**Financial Information**

ProEquities has neither a financial commitment that would impair its ability to meet its contractual and fiduciary commitments to its clients, nor has the Firm been the subject of a bankruptcy proceeding.

**Custody**

ProEquities maintains custody of certain client funds and securities in instances where checks are made payable to ProEquities for deposit to the client's brokerage account with Pershing and in those instances where the Firm accepts a physical security certificate for deposit to their Pershing brokerage account. Additionally, pursuant to the trading authority granted under certain advisory fee accounts, and as stated in the client's Terms and Conditions, ProEquities may have discretionary trading authority over a client's account. Clients should receive at least quarterly statements from the clearing broker-dealer, Pershing. ProEquities urges you to carefully review the Pershing statements and compare the information presented therein to the account performance reports that we may provide to you. These performance reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

# ProEquities, Inc. Advisor Brochure Supplement for ProEquities Select Opportunity Portfolios

(Part 2B of Form ADV)

This brochure provides information about the qualifications and business practices of CHRISTOPHER R PHILLIPS, who serves as portfolio manager to the ProEquities Select Opportunity Portfolios<sup>sm</sup>. If you have any questions about the contents of this brochure, please contact us at (205) 268-7040 and/or [chris.phillips@proequities.com](mailto:chris.phillips@proequities.com). 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.

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Additional information about CHRISTOPHER R PHILLIPS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Brochure Supplement (Part 2B of Form ADV)

### Item 2 Educational Background and Business Experience

I was born in 1973.

#### FORMAL EDUCATION

I have the following educational background:

Institution Name: Vanderbilt University  
Date Attended: 09/1991 to 09/1994  
Degree Obtained: None  
Major: N/A

Institution Name: University of Alabama, Birmingham  
Date Attended: 09/1995 to 05/1997  
Degree Obtained: Bachelor of Science  
Major: Finance

Institution Name: University of Alabama  
Date Attended: 12/2001 to 05/2003  
Degree Obtained: Bachelor of Science  
Major: Business Administration

## RECENT WORK EXPERIENCE

I have the following business background:

Employment Dates: 01/2002 to 2/2006

Business Name: HIGHLAND ASSOCIATES, INC. Investment

Related: Yes

City: BIRMINGHAM State: AL

Position Held: FINANCIAL ANALYST

Employment Dates: 10/2007 to 6/2009

Business Name: CITIGROUP GLOBAL MARKETS INC. Investment

Related: Yes

City: BIRMINGHAM State: AL

Position Held: FAA (PRE-HARTFORD)

Employment Dates: 6/2009 to 6/2010

Business Name: MORGAN STANLEY SMITH BARNEY Investment

Related: Yes

City: BIRMINGHAM State: AL

Position Held: MASS TRANSFER

Employment Dates: 8/2010 to 4/2011

Business Name: AMERIPRISE FINANCIAL SERVICES INC Investment

Related: Yes

City: BIRMINGHAM State: AL

Position Held: ASSOCIATE FINANCIAL ADVISOR

Employment Dates: 05/2011 to Present Business

Name: PROEQUITIES, INC Investment Related:

Yes

City: BIRMINGHAM State: AL

Position Held: REGISTERED REP

## SECURITIES AND INSURANCE LICENSES

I currently hold the following securities license(s): 7; 66.

## PROFESSIONAL DESIGNATIONS

I hold the following professional designations:

Designation Name: CFA - Chartered Financial Analyst

Accredited Sponsor: CFA Institute

Date Earned:

### **CFA - Chartered Financial Analyst**

Issued by the CFA Institute, The CFA Program reflects a broad Candidate Body of Knowledge developed and continuously updated by active practitioners in countries around the world to ensure that charterholders possess

knowledge grounded in the real world of today's global investment industry.

**Item 3 Disciplinary Information**

I have not been involved in any legal or disciplinary proceeding material to a client's determination of my integrity or my financial advice.

**Item 4 Other Business Activities**

I am engaged in the following investment-related OBA in addition to serving acting as an investment adviser representative. I recognize that these activities may raise conflicts of interests. I have described how I address them and any compensation I receive from these activities:

I am a Registered Representative of ProEquities, Inc., which is a registered broker-dealer and a member of FINRA and SIPC. My other affiliation creates limited potential material conflicts of interest for advisory clients because my commissions are customary and competitive for the marketplace. However, brokerage services may be available elsewhere at a lower cost. At no time is any client obligated to purchase securities through ProEquities, Inc. I receive no additional economic benefits that could create a material conflict of interest that I have not included below.

**NON-INVESTMENT-RELATED OBAs**

I am not involved in non-investment-related OBAs that provide a substantial source of my income or involve a substantial amount of my time.

**Item 5 Additional Compensation**

No one provides me any additional economic benefit for providing advisory services.

**Item 6 Supervision**

I supervise the quality of the advice given to my clients. I have access to your custodial account statements and your quarterly performance reports, which I review.

I am supervised by ProEquities, Inc. at several levels. Annually, I attest that I understand the policies and procedures related to my offering of advisory services and must complete various Continuing Education requirements. To monitor the advice I give, a Supervising Principal reviews all account opening paperwork before an account is opened, and a surveillance program monitors the investment management of my existing accounts for any red flags.

My supervisor is:  
Elizabeth Anderson  
(205) 268-7085