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(doing business as Investment Advisors)  
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Wrap Fee Program Brochure for the Capital Asset  
Management (“CAM”), ProTrade and Investment  
Advisory Services Wrap Fee Programs

Brochure Date August 31, 2012

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 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 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 Brochure, the last update to which was made on August 15, 2012. These changes are summarized below. You may request a copy of the complete updated Brochure by contacting ProEquities at 800-288-3035 or [suzette.foster@proequities.com](mailto:suzette.foster@proequities.com). Our Brochure is also available on our web site, [www.proequities.com](http://www.proequities.com), also free of charge.

## Item 9 – Additional Information –

- Disciplinary Information – As part of a multi-state review of an Administrative Agreement with an unaffiliated firm, ProEquities has entered into Consent Orders with state securities administrators. Details regarding these Consent Orders can be found in Item 9.

*Currently, our Brochure may be requested by contacting ProEquities at 800-288-3035 or [suzette.foster@proequities.com](mailto:suzette.foster@proequities.com). Our Brochure is also available on our web site, [www.proequities.com](http://www.proequities.com), also free of charge.*

*ProEquities also sponsors other wrap fee programs, which are discussed in detail in separate Wrap Fee Program Brochure. Clients may request information regarding these programs or a copy of the Wrap Fee Program Brochure for these other programs from their Investment Advisor Representative or by contacting ProEquities at 800-288-3035.*

*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 Capital Asset Management (“CAM”), ProTrade and Investment Advisory Services Wrap Fee Programs**

The CAM, ProTrade and Investment Advisory Services wrap 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 a convenient single "wrap" fee. A wrap fee is a charge, billed against 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.

ProEquities is dually registered as a broker/dealer (member FINRA and SIPC) and registered investment adviser. All accounts participating in the CAM, ProTrade and Investment Advisory Services wrap fee programs 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”). Pershing maintains custody of the client's funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

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

The investments for a particular client's CAM 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. Discretionary authorization is granted by means of a limited Trading Authorization as detailed in the “Investment Advisory Services Agreement”. 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.

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

ProEquities will furnish quarterly performance measurement reports to its clients participating in the CAM wrap fee program. 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 (“representative”) of ProEquities may also be IARs of an unaffiliated Registered Investment Adviser (“RIA”). These representatives may also offer the CAM, ProTrade and Investment Advisory Services wrap fee programs through ProEquities. 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

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, ProTrade and Investment Advisory Services Wrap Fee Programs offered through ProEquities is as follows:

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$ 0.01 - \$99,999	2.00%
\$100,000 - \$249,999	2.00%
\$250,000 - \$499,999	1.80%
\$500,000 - \$749,999	1.80%
\$750,000 - \$999,999	1.80%
\$1,000,000 - \$1,499,999	1.80%
\$1,500,000 - \$1,999,999	1.80%
Over \$2,000,000	1.50%

Other fee schedules may also be used, based on geographic location or other arrangement made by ProEquities and the IAR. The fees to be paid by the client will be disclosed in the investment advisory services agreement. 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, in some circumstances, 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 is only assessed on the billable assets held in the Wrap Fee Account. The fees will be calculated as follows:

#### *CAM and ProTrade Fee Calculation*

The fee will be based on the account value on the last day of each calendar quarter. The fee is payable quarterly, in advance, at the beginning of the next quarterly billing period. 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. All billable assets in the account will be included in calculating the value of the account to determine the amount of the fee. For contributions to an existing account during the quarter, the fee will be pro-rated, based on the number of days remaining in that billing period, and billed to the account at the next billing cycle. If the client terminates their account 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, and credited to the client’s account during the next quarter’s billing cycle. For amounts withdrawn from an existing account during the quarter, the pre-paid advisory fee for those assets will be refunded to the account on a pro-rata basis from the date of the withdrawal to the end of the billing period. 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.

#### *Investment Advisory Services Fee Calculation*

The fee will be based on the account value on the last day of each calendar month or quarter, as agreed upon by the client in the Investment Advisory Services Agreement. The fee is payable monthly or quarterly (as per agreement), in advance, at the beginning of the next billing period. 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. All billable assets in the account will be included in calculating the value of the account to determine the amount of the fee. For contributions to an existing account during the billing cycle, the fee will be pro-rated, based on the number of days remaining in that billing period. If the client terminates their account 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. For amounts withdrawn from an existing account during the billing period, the pre-paid advisory fee for those assets will be refunded to the account on a pro-rata basis from the date of the withdrawal to the end of the billing period, and credited to the client's account during the next billing cycle. 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 charges as well as additional charges that ProEquities' assesses for processing outgoing transfer requests.

The Wrap Fee for the CAM, ProTrade and Investment Advisory Services programs is paid to ProEquities as sponsor of the program in which the client is invested. 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. Where applicable, a portion of the advisor 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.

Under the CAM, ProTrade and Investment Advisory Services programs offered through ProEquities, the client will pay a single 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, reorganization processing fees, trade confirmation fees, outgoing account transfer fees, margin extension fees, margin debit interest, IRA annual maintenance fees, 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 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.

The minimum investment amount required for the CAM, ProTrade and Investment Advisory Services wrap fee programs offered through ProEquities is \$25,000. Accounts below the minimum may be accepted on an individual basis at the discretion of ProEquities. Related accounts (i.e. accounts under common ownership) may be linked to meet the \$25,000 minimum investment amount.

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

The services associated with CAM, ProTrade and Investment Advisory Services program accounts offered through ProEquities, 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 level 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 and Investment Advisory Services programs 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 wrap fee program 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 CAM, ProTrade or Investment Advisory Services account.

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, ProTrade, or Investment Advisory Services wrap 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 wrap 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 CAM, ProTrade and Investment Advisory Services programs 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 the CAM, ProTrade and Investment Advisory Services programs at as low a cost as possible, given the Firm’s supervisory and best execution obligations.

## **Recommendation of CAM, ProTrade and/or Investment Advisory Services Programs**

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 CAM, ProTrade and/or Investment Advisory Services programs. The amount of compensation the client’s IAR receives may be more than what the IAR would receive if the client participated in another wrap 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 the CAM, ProTrade and/or Investment Advisory Services programs over other programs or services offered or provided by ProEquities.

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

The minimum investment amount required for the CAM, ProTrade and Investment Advisory Services wrap fee programs offered through ProEquities is \$25,000. Related accounts (i.e. accounts under common ownership) may be linked to meet the \$25,000 minimum investment amount.

The CAM, ProTrade and Investment Advisory Services wrap 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 CAM, ProTrade and Investment Advisory Services programs 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 customer complaints; financial difficulties; termination from prior employers; or criminal charges/convictions.

Selection of the client's specific IAR is at the discretion of the customer. The customer may choose to terminate their participation in the CAM, ProTrade or Investment Advisory Services program or appoint another IAR to service their account. In the event that the client's IAR terminates their registrations with ProEquities, the customer's participation in the wrap fee account automatically terminates as of the date of the IAR's termination with ProEquities. The customer will be notified of this occurrence. In certain circumstances, 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 wrap-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.

### **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 advisor with the SEC since 1998. ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE symbol "PL").

As of 12/31/2011, ProEquities provided investment advisory services to \$1,914,153,149.00 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 wrap 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 wrap-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 Wrap Fee Programs.* Please reference Item 4 above for information regarding the CAM, ProTrade and Investment Advisory Services wrap fee programs. Clients should contact their IAR or the ProEquities home office for information regarding other wrap fee programs 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:

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

- *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 CAM, ProTrade or Investment Advisory Services programs involves risk, including the possible loss of principal. There is no guarantee that investing in securities through the CAM, ProTrade or Investment Advisory Services Programs, or any other security or investment strategy, will be profitable for a client's account. Investments in securities, including those in the CAM, ProTrade and Investment Advisory Services 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 CAM, ProTrade or Investment Advisory Services accounts. 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 the CAM, ProTrade or Investment Advisory Services accounts or the issuers of those securities. Clients participating in the CAM, ProTrade or Investment Advisory Services accounts retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

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 regarding clients to aid in providing appropriate and suitable investment advice regarding securities purchased in the CAM, ProTrade or Investment Advisory Services accounts. ProEquities will not share information with unaffiliated third parties. 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 Managers**

The portfolio manager of each client's CAM, ProTrade or Investment Advisory Services account is their selected IAR. As such, clients will have consistent access 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:

- An administrative proceeding was filed against ProEquities by NASD (now known as FINRA) in 2002. The NASD alleged that ProEquities engaged in the securities business when the Firm's net capital was below the required minimum and failed to notify the NASD of such. Without admitting or denying the findings, ProEquities entered an Acceptance, Waiver and Consent whereby the Firm was censured and fined \$7,500. This was a technical violation of the SEC and NASD Net Capital rules whereby the Firm's banking account funds were swept into an overnight repurchase, as is done with most corporate banking accounts. Corrective actions have been taken to prevent future similar technical violations.
- On March, 18, 2004, ProEquities entered into a Stipulation and Consent Agreement with the Office of Financial Regulation of the State of Florida. From 1998-2001, ProEquities violated section 517.161(a)(h), Florida Statutes, Rule 3E-600.013(1)(p)1, Florida Administrative Code, and NASD Conduct Rule 3010(a)(1) by failing to maintain a system to supervise the activities of an associated person on a registration agreement to ensure that this representative was properly supervised. Also, from 1998-2001, an associated person of ProEquities violated section 517.161(1)(h), Florida Statutes, Rule 3E-600.013(2) by engaging in a prohibited business practice, failing to comply with a registration agreement executed on March 25, 1998 and demonstrating unworthiness to transact the business of a dealer, investment advisor or associated person. As a result of these findings and ProEquities' agreeing to the Stipulation and Consent, the Firm was fined \$5,000 and agreed to cease and desist from all present and future violations of Chapter 517, Florida Statutes, and Chapter 3E, Florida Administrative Code, and the NASD Conduct Rules.

- 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.

## **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 (NYSE Symbol "PL"). Other subsidiaries of Protective Life Corporation which are registered as either broker-dealers or registered investment advisors 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.
- First Variable Capital Services, Inc. serves as the broker-dealer for the First Variable Life policies. Although under common ownership, the relationship to First Variable Life does not present a conflict of interest to ProEquities, its IARs or our clients.
- Protective Investment Advisors is a registered investment advisor 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 wrap-fee programs are held at Pershing. Consult the wrap-fee brochures for more information related to ProEquities sponsored wrap fee programs.

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; however, neither ProEquities nor its IARs will receive a portion of this fee. 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 wrap-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 wrap-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 CAM, ProTrade or Investment Advisory Services wrap 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, ProTrade, or Investment Advisory Services wrap 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 wrap 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 "product 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.

**Product 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 "product 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 product partners may have greater access to our registered representatives than other product sponsors.

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

Allianz	Lincoln Financial Services
American Funds	Loring Ward
Atlas Energy	Macquarie
Behringer Harvard	MetLife
Brinker Capital	Nationwide
CNL Investment Co.	Noble Royalties
Cole	Pacific Life
Curian Capital	Penn Mutual
Cypress Energy	Principal Financial Group

Epoch Properties	Protective Life
First Trust Portfolios	Prudential
Genworth Financial	Resource Real Estate
Hamilton-Bates	Ridgewood Energy
Hines Real Estate Securities	Stadion Funds
ING	Strategic Storage Trust, Inc.
Inland Real Estate	Transamerica
Jackson National	Walton International
John Hancock	WP Carey
Lightstone	

ProEquities may add or eliminate product partners from time-to-time without prior notice.

Product 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 product 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 product 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 product 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 wrap fee accounts, and as stated in the client's investment advisory services agreement, 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.