

ProEquities, Inc.  
(doing business as Investment Advisors)

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This Brochure provides 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 state securities 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 brochures, the last update to which was made on August 31, 2012. These changes are summarized below. You may request a copy of the complete updated Brochure by contacting your Investment Adviser Representative, or ProEquities at 800-288-3035 or [suzette.foster@proequities.com](mailto:suzette.foster@proequities.com). Our Brochure is also available on our website at [www.proequities.com](http://www.proequities.com).

### Item 4 – Advisory Business –

- ProEquities ended its third party manager contracts with Victory Asset Management and BX Asset Management.
- ProEquities added Hanlon as an additional third party money manager.

### Item 5 – Fees and Compensation –

- ProEquities added Franklin Square and Waveland Energy as product partners

### 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.*

*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.*

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes.....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients.....	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information.....	7
Item 10 – Other Financial Industry Activities and Affiliations .....	<a href="#">17</a>
Item 11 – Code of Ethics .....	<a href="#">18</a>
Item 12 – Brokerage Practices .....	<a href="#">19</a>
Item 13 – Review of Accounts .....	<a href="#">19</a>
Item 14 – Client Referrals and Other Compensation .....	<a href="#">20</a>
Item 15 – Custody.....	<a href="#">20</a>
Item 16 – Investment Discretion .....	<a href="#">21</a>
Item 17 – Voting Client Securities .....	<a href="#">21</a>
Item 18 – Financial Information .....	<a href="#">21</a>
Brochure Supplement(s)	

## Item 4 – Advisory Business

ProEquities, Inc., (referred to as “ProEquities” or “the Firm”) is an independent investment advisory firm with Investment Advisor Representatives (“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 portfolio plan which may include trading and rebalancing of funds necessary to meet the client’s objectives and risk/return tolerance; as well as continual review of 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, taking into consideration the client’s risk tolerance, investment objective, time horizon, and other factors. 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.* Consult ProEquities’ wrap-fee program brochures for details on sponsored wrap fee programs.

*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 or asset allocation model; 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.

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

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

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 ProEquities, through the client's selected IAR, may enter into an investment advisory agreement whereby the IAR will provide investment advice regarding 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 Compliance department. In such arrangements, the IAR's services will be limited to providing investment advice regarding the account or assets and 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 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.

## **Item 5 – Fees and Compensation**

### Compensation related to Investment Management Services

*ProEquities-sponsored wrap-fee program.* Consult ProEquities' wrap-fee program brochures for details on ProEquities' compensation in the Firm's sponsored wrap fee programs.

*Third party money manager programs.* By agreement, the total fee charged to each client by the third party money manager will not normally exceed 3.00% of assets under management. ProEquities will receive a portion of this investment advisory fee for the advisory services rendered to the client through by ProEquities, through the client's IAR. The investment advisory fee varies by each third party money manager, as does ProEquities' portion of this fee. These fees are deducted from the client's account held with the third party manager. Fees paid in advance will typically be refunded to the client, prorated to the number of days during the quarter in which the client received the services; however, billing frequency and refund policies will vary by third party manager and is not controlled by ProEquities or our IARs. The client should consult the third party manager's disclosure document and/or client agreement for details specific to their account with the third party manager.

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

- *advisory fees* from our clients 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).

If a client enters into an advisory agreement with a third party money manager, ProEquities may receive payments from such third party money manager for the advisory services ProEquities performs under its investment advisory services agreement with the client based upon the amount of Assets under Management (AUM) that is held with a particular manager.

In addition to compensation that ProEquities receives for its advisory services provided to the client, ProEquities may receive compensation from the third party money manager based on any or all of the following: (i) the amount of assets invested with a particular third party manager in a given year; (ii) the amount of Assets under Management (AUM) that is held with a particular manager; (iii) a percentage of the total management fee charged by a manager; and (iv) a flat fee from the manager. These compensation arrangements are typically known as "revenue sharing." In addition, ProEquities may receive greater compensation from certain third party money managers, compared with others, and that may give ProEquities incentive to choose one third party money manager over another.

Because ProEquities may receive revenue sharing from third party money managers, ProEquities has a financial interest in recommending that clients engage the investment advisory services of a third party money manager with whom ProEquities has an agreement. Clients should understand that entering into an advisory relationship with a third party money manager is voluntary, and that if the client chooses to do so, then ProEquities will have a financial interest in bringing together that relationship. However, all investments made by ProEquities clients, including those made with third party money managers, are evaluated by a supervising principal for suitability, based on the client's individual needs and objectives.

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  
American Funds  
Atlas Energy  
Behringer Harvard  
Brinker Capital  
CNL Investment Co.  
Cole  
Curian Capital  
Cypress Energy  
Epoch Properties

Lincoln Financial Services  
Loring Ward  
Macquarie  
MetLife  
Nationwide  
Noble Royalties  
Pacific Life  
Penn Mutual  
Principal Financial Group  
Protective Life

First Trust Portfolios  
Franklin Square  
Genworth Financial  
Hamilton-Bates  
Hines Real Estate Securities  
ING  
Inland Real Estate  
Jackson National  
John Hancock  
Lightstone

Prudential  
Resource Real Estate  
Ridgewood Energy  
Stadion Funds  
Strategic Storage Trust, Inc.  
Transamerica  
Walton International  
Waveland Energy  
WP Carey

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 planning 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, under which the client may be assessed additional commissions or fees. 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, any refund may 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 ProEquities, through the client's IAR, where the IAR earns commissions or fees through sale of securities or insurance products, or the client enters into an investment management arrangement with ProEquities, through the client's IAR. This is negotiated between the client and ProEquities, through the client's 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 advice 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, under which the client may be assessed additional commissions or fees. 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, any refund may be prorated, commensurate with the amount of work performed on the plan.

All or a portion of the financial advice fee may be waived if the advice, or a portion thereof, is implemented with ProEquities, through the client's IAR, where the IAR earns commissions or fees through sale of securities or insurance products, or the client enters into an investment management arrangement with ProEquities, through the client's IAR. This is negotiated between the client and ProEquities, through the client's IAR, at the time the client signs the financial advice agreement.

#### Compensation related to the sale of securities and/or other investment products

ProEquities is dually registered as a broker/dealer (member FINRA and SIPC) and a registered investment adviser. Through its business as a broker/dealer, ProEquities receives compensation for the sale of securities, including but not

limited to, stocks, bonds, options, mutual funds, exchange traded funds, limited partnerships and real estate investments. This inherently presents a conflict of interest, giving the client's IAR an incentive to recommend investment products based on the compensation received, rather than on a client's needs. ProEquities' principals review all securities transactions effected by our representatives and IARs to ensure that the securities product, is suitable for the client's needs, including but not limited to, risk tolerance, investment objectives and time horizon. Clients have the option to purchase investment products recommended by ProEquities and its IARs through other brokers or agents that are not affiliated or associated with ProEquities. Although the firm's investment advisory business is a significant part of the firm's total business, the majority of the firm's total revenues, including commissions, asset-based fees from the sale of mutual funds, investment advisory fees, and other revenues, are derived from commissions related to the sale of securities.

In the firm's wrap fee programs, certain assets placed for management in those accounts may have been sold by the client's IAR outside of the wrap fee account, where the representative earned a commission for the sale. In certain circumstances, ProEquities may allow those assets to be transferred in to the wrap fee advisory account, however the IAR will be required to reduce his or her advisory fee in relation to the assets placed for management, on which the IAR previously received a commission.

## **Item 6 – 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).

## **Item 7 – Types of Clients**

ProEquities, through its IARs, 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.

For participation in a ProEquities-sponsored wrap-fee program, ProEquities requires a minimum initial investment, as discussed in detail in the Firm's wrap fee program brochures for the wrap fee programs offered through ProEquities. Please consult the firm's wrap-fee program brochures for information related to investment and/or participation in a ProEquities-sponsored wrap-fee program.

The minimum initial investment for participation in a third party money manager program varies by each third party manager and is not controlled by ProEquities or its IARs.

## **Item 8 – 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, which may affect the performance of an individual client's account. Investing in securities involves risk, including the possible loss of principal invested. There is no guarantee that investing in a particular security or investment strategy will result in favorable performance for the client's account. Investment in securities 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.

## **Item 9 – Disciplinary 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, Inc. 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 \$7,500.00. 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 \$750.00.
- 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 \$9,000.00.

- 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.

## **Item 10 – Other Financial Industry Activities and Affiliations**

10A. 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.

10B. ProEquities is not a futures commission merchant, commodity pool operator or commodity trading advisor.

### **10C. Other Industry Arrangements**

ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE Symbol "PL"). Other subsidiaries of Protective Life Corporation may also be registered as investment advisers with the SEC or with FINRA and the SEC as broker-dealers. None of the affiliate relationships are material to the Firm's advisory business.

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, LLC. As such, all client trades are cleared through Pershing, LLC and all client accounts are held with Pershing, LLC. 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, through its IARs, recommends the investment management services of other asset managers to its clients, either by recommending third party asset managers, or the recommendation to participate in and recommendation of asset managers in its Private Access wrap fee program. ProEquities is compensated for recommending these managers through a portion of the client's investment advisory fee. As discussed more fully in Section 5, the selection of a third party money manager, with whom ProEquities has a revenue sharing arrangement, presents a conflict of interest as ProEquities has a vested interest in the IAR's recommendation of such third party money manager. ProEquities also has a conflict of interest for its IARs' recommendation for clients to participate in the firm's Private Access and Perspectives wrap fee programs, in that the firm receives a portion of both the management and advisor fees. (Please consult the Private Access and/or Perspectives wrap fee program brochure for complete details.) To address these conflicts of interest, the firm's supervising principals review each such account to ensure that the recommendation of the manager and/or portfolio are suitable for the client, based on that client's investment objective(s), risk tolerance, time horizon and other factors. Additionally, this compensation is disclosed to the client, through either the agreement with the third party asset manager, or the Private Access or Perspectives wrap fee program brochure and client agreement.

## **Item 11 – 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 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 and provide investment advice in a manner such that the interests of our clients take precedence over all others.

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 of 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 certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of ProEquities' clients. In addition, the Code 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.

At times, client accounts may trade securities in a block or blocks on an aggregated basis in order to obtain best execution. In such circumstances, the accounts will 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 review for conflicts of interest.

A copy of ProEquities' Code of Ethics may be obtained by contacting the firm at 800-288-3035.

## **Item 12 – Brokerage Practices**

Please consult the brochures related to ProEquities' wrap-fee programs for information on brokerage practices for investment in these accounts.

For clients investing and/or participating in third party money manager programs, ProEquities has no control over the broker/dealers selected by the unaffiliated money manager.

Clients wishing to implement advice rendered under a financial planning or financial advice agreement may choose to implement these recommendations with ProEquities through the client's representative, either in a traditional commission or investment advisory arrangement, or a combination thereof, under which the client may pay additional compensation. The firm's IARs are not permitted to open or assist clients with opening accounts at other broker/dealers.

## **Item 13 – Review of Accounts**

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 will 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.

## **Item 14 – *Client Referrals and Other Compensation***

As discussed more fully in Section 5, ProEquities may also receive additional compensation as reimbursement for training and educational expenses; reimbursement for product marketing efforts or attendance at due diligence meetings; and research and due diligence. 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 IARs, 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.

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.

Please refer to Section 5 for complete details on these arrangements.

Although an inherent conflict of interest results as a result of ProEquities receiving such payments, all investments made by ProEquities' clients, including those investments with third party money managers, are evaluated by a supervising principal for suitability, based on the client's individual needs and objectives.

Outside of this compensation, neither ProEquities nor its IARs receive an economic benefit for the recommendation of a particular security, investment strategy or third party money manager.

Through certain of the third party money manager arrangements, ProEquities' IARs are deemed by the third party manager to be solicitors for these companies. The compensation paid to ProEquities by these third party managers may be classified as solicitor or referral fees, regardless of the services provided to the client by the IAR.

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.

## **Item 15 – Custody**

For those investments in ProEquities-sponsored wrap-fee programs, ProEquities has custody of its clients' funds and/or securities in that it deducts fees from client accounts, pursuant to the client's advisory agreement; and receives checks or physical securities for deposit to the client's account held with 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. Clients should receive at least quarterly statements from the broker dealer that holds and maintains client's investment assets. ProEquities urges you to carefully review such statements and compare such official custodial records to the account performance reports that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

For those investments in third party money manager programs, ProEquities does not have custody of client funds and/or securities. Clients should carefully review the third party manager's disclosures and advisory agreements to



determine if the manager has custody. ProEquities urges our clients to carefully review all statements and performance reports provided to you, as statements from custodians may vary based on accounting procedures, reporting dates or valuation methodologies.

## **Item 16 – Investment Discretion**

With respect to wrap fee programs sponsored by ProEquities, ProEquities usually receives discretionary authority from the client at the outset of an advisory relationship, as indicated on the client's investment management agreement, to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. In the Firm's Private Access wrap fee program, the selected money manager(s) will have discretionary trading authority, as granted in the Private Access investment advisory services agreement. The discretion granted under the client's investment advisory services agreement is limited to trading in securities in the client's account; and does not allow for the withdrawal of client funds or securities, with the exception of the withdrawal of funds to pay for the agreed-upon advisory and/or management fees. ProEquities' IARs will not have discretion over clients' accounts held with third party money managers or in accounts held at other firms for which the client's IAR provides investment advice.

When selecting securities and determining amounts, ProEquities observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, ProEquities' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to ProEquities and the client's IAR in writing.

## **Item 17 – 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 retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

ProEquities' clearing broker-dealer, Pershing, LLC 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 18 – Financial Information**

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.

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.