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(doing business as Investment Advisors)  
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Private Access Wrap Fee Program Brochure  
Brochure Date December 3, 2012

This Wrap Fee Program Brochure provides clients with information about the qualifications and business practices of ProEquities, Inc. (“ProEquities”). If you have any questions about the contents of this Brochure, please contact us at 800-288-3035. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any 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 Brochure, 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 ProEquities at 800-288-3035 or [suzette.foster@proequities.com](mailto:suzette.foster@proequities.com). Our Brochure is also available on our web site, [www.proequities.com](http://www.proequities.com), also free of charge.

### **Item 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 Or

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

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

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

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes.....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Services, Fees and Compensation .....	1
Item 5 – Account Requirements and Types of Clients.....	6
Item 6 – Portfolio Manager Selection and Evaluation.....	6
Item 7 – Client Information Provided to Portfolio Managers.....	9
Item 8 – Client Contact with Portfolio Managers .....	10
Item 9 – Additional Information.....	10

Brochure

Supplement(s)

## Item 4 – Services, Fees and Compensation

### ProEquities Private Access Program

The Private Access Program is a fee-based separate managed account program that offers access to institutional private money managers using various investment vehicles. Each individual account is customized, or separately managed, to each client's needs. In this Program, ProEquities (also referred to hereinafter as the "Firm") offers the investment management services of an exclusive group of asset managers (professional money managers who are responsible for making all portfolio investment decisions in the investment strategies described below), whose management services are designed to assist clients, both individuals and institutions (such as pension plans, profit sharing plans, trusts, estates, charitable organizations, and corporations). Each manager must meet key standards before ProEquities will include that manager in our line-up.

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

ProEquities currently offers the asset management services of the following managers and strategies:

- Al Frank Asset Management – Select Value Strategy – The portfolio objective is to seek long-term growth of capital by employing a "go anywhere" style focused on uncovering undervalued stocks.
- JAForldines Global – Tactical Moderate and Moderately Conservative Strategies – Both portfolios combine a tactical and strategic top-down macro approach to asset allocation with global orientation. The portfolios invest primarily in Exchange Traded Funds ("ETFs") across three asset classes - equities, fixed income and commodities – by taking a long-term secular view with tactical positioning during the shorter term business and credit cycles.
- JAForldines Capital Preservation Strategy – The portfolio is designed to seek consistent levels of current income and preservation of principal. The portfolio holds bonds of short and intermediate duration, usually in a mix of government bonds and investment grade corporate issues. The goal of the portfolio is to reduce exposure to cyclical movements in bond prices. The GCP is structured for investors interested in a portfolio that focuses on global currency trends and seeks high current income. The strategy is to utilize long-term macroeconomic and geopolitical variables in analyzing the effect on developed and developing countries' currency. The use of foreign currency E TFs as well as Treasury and Sovereign developed country bond ETFs characterizes the majority of holdings of this portfolio. The portfolio will employ the following asset allocation bands during the life of the portfolio: Equities 0-15%; Fixed Income – 0-100%; Currencies – 0-30%; and Alternatives 0-40%.
- Martin Investment Management – Best Ideas Strategy – The portfolio seeks long-term growth by selecting high-quality equities with above average growth rates and favorable price/earnings ratios.
- Rock Point Advisors – Balanced Strategy - Objectives are long-term gains and current income with lower volatility than equity-only portfolios. The portfolio invests in a mix of equities (50-75%) and fixed income (25-40%). Emphasis is given to stocks that distribute capital via dividends or opportunistic share repurchases.
- Rock Point Advisors – Equity Focus Strategy – The portfolio seeks long-term gains and current income by investing in stocks that are favorably valued and are expected to earn attractive returns on invested capital. The portfolio may also invest in other publicly traded securities, such as bonds, closed-end funds, and real estate investment trusts.
- The Moorings Group – Core Intermediate Fixed Income Strategy – The portfolio's goal is to provide total returns consistent with the preservation of capital through the investment in high grade taxable bonds, including Municipal, U.S. Treasury, U.S. Agency and Corporate.
- The Moorings Group – Intermediate Municipal Strategy – The goal of the strategy is to provide "after-tax total returns" consistent with the preservation of capital through the investment in high grade tax-exempt municipal bonds with maturities of less than 15 years. Portfolios will be managed to have similar overall interest rate risk as the S&P Investortools Intermediate Municipal Index.

- Aurum – Conservative Income Strategy - The objective is to provide capital protection and income using a global multi-asset class strategy with high allocations to fixed income, moderate allocations to alternative investments, and low if any exposure to equities.
- Aurum Conservative Balanced - Objective is to provide capital protection and income along with growth using a global multi-asset class strategy with high allocations to fixed income and moderate allocations to equities and alternative investments.
- Aurum Moderate Balanced Strategy - Objective is to provide growth and capital protection using a global multi-asset class strategy with moderate allocations to equities, fixed income, and alternative investments.
- Aurum Aggressive Balanced - Objective is to provide growth using a global multi-asset class strategy with high allocations to equities and moderate allocations to fixed income and alternative investments.
- Aurum Aggressive Allocation Strategy - Objective is to maximize long-term capital appreciation using U.S. and International equities with small allocations to fixed income and alternative strategies.

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

The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objectives, tolerance for risk, and investment time horizon; and will provide professional advice to the client for a single wrap fee. The IAR will work with the client in selecting the appropriate Private Access asset manager(s) and strategies in an effort to assist the client in achieving their investment goals. Asset managers and the strategies offered by those managers for a particular client's Private Access Program account are selected based on, but not limited to, selected risk adjusted returns and suitability needs. Selection of the Private Access manager(s) and strategies will be documented in the Investment Advisory Services Agreement.

The asset manager(s), through the client's Private Access Program account, will provide investment management of each client's funds on a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the "Investment Advisory Services Agreement".

Asset managers available through the Private Access Program will offer various model portfolios under this program. The model portfolios will include investments in, but not limited to, stocks, bonds, ETFs and mutual funds. Within 15 days of notification by ProEquities of their selection by a client and the establishment of a client's account, the asset manager will commence providing services to that client. For each model portfolio in the Private Access program, the client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. However, this does not include the ability to require that particular securities or types of securities be purchased for the account. The client also has the ability to withdraw securities or cash; vote securities, or delegate the authority to vote securities to another person; be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holder; and proceed directly as a security holder against the issuer of any security in the client's account and not be obligated to join any person involved in the operation of the program, or any other client of the program, as a condition precedent to initiating such proceeding.

ProEquities is dually registered as a broker/dealer (member FINRA and SIPC) and registered investment adviser. All accounts participating in the Private Access Program are held with ProEquities acting as broker/dealer. As a broker/dealer, ProEquities conducts its securities business on a fully disclosed basis with its clearing firm, Pershing, LLC, ("Pershing"). Pershing maintains custody of the client's funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

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

authorization. Upon receipt of this notice, Pershing will resume sending trade-by-trade confirmations for client's account.

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

The asset manager(s) for the client's account will monitor, rebalance, and manage all of the changes to the client's Private Access Program account. ProEquities will furnish quarterly performance measurement reports to its clients. These reports are intended to inform clients as to how their investments have performed during the selected period. Client will also receive account statements from Pershing (the clearing broker/dealer) at least quarterly, detailing all of the activity in the client's account, including the amount of advisory fees paid directly to ProEquities.

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

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

Registered securities representatives ("representative") of ProEquities may also be IARs of an unaffiliated Registered Investment Adviser ("RIA"). These representatives may also offer the Private Access wrap fee program through ProEquities. Investment advice or advisory services provided by the representative in such event is not provided through ProEquities, but rather is provided through the unaffiliated RIA. The representative's association with an unaffiliated RIA, as well as the advisory services offered through that RIA, will be disclosed through a separate disclosure statement and investment advisory services agreement provided by the representative.

### **Advisory & Management Fees**

Accounts in the Private Access Program are charged a single "wrap" fee, which includes a Management fee and an Advisor fee, both of which are determined based on assets under management. The Management fee is paid to ProEquities through account billing. A portion of this management fee is paid to the selected asset manager(s) for their management of the client's portfolio. The remaining amount of the Management fee is used to cover trading costs, custodian fees, and other costs. Any remaining amount after costs is revenue to ProEquities. The Management fee will be calculated on a blended basis only.

The Advisor fee is paid to ProEquities as sponsor of the Private Access wrap fee program and is intended to cover the financial advice offered by ProEquities, through the client's selected IAR. The fee schedule below is intended to be used for determining the fees to be charged to a particular client's account, but may be discounted. A portion of the Advisor fee is paid to the client's selected IAR based on a pre-established payout rate between ProEquities and the IAR (or representative of an unaffiliated Registered Investment Adviser where applicable); and the remainder is retained by ProEquities as revenue. Where applicable, a portion of the Advisor fee may be paid to independent investment advisors as part of their agreement with ProEquities to offer this program to their clients; and the remainder is retained by ProEquities as revenue.

The general advisory & management fee schedules for the Private Access Program offered through ProEquities are as follows:

### Private Access Program Fee Schedule

#### Equity Management Strategies

Assets Under Management	Advisor Fee	Management Fee
\$0.01 – \$99,999.99*	2.00%	1.00%
\$100,000.00 – \$249,999.99	2.00%	1.00%
\$250,000.00 – \$499,999.99	2.00%	0.95%
\$500,000.00 – \$999,999.99	1.80%	0.90%
\$1,000,000.00 – \$2,499,999.99	1.65%	0.80%
\$2,500,000.00 – \$4,999,999.99	1.50%	0.75%
\$5,000,000.00 – \$9,999,999.99	1.50%	0.65%
\$10,000,000.00 – and over	1.50%	Negotiable

#### Fixed Income Management Strategies

Assets Under Management	Advisor Fee	Management Fee
\$0.01 – \$499,999.99*	1.00%	0.45%
\$500,000.00 – \$999,999.99	1.00%	0.42%
\$1,000,000.00 – \$2,999,999.99	1.00%	0.40%
\$3,000,000.00 – \$4,999,999.99	1.00%	0.37%
\$5,000,000.00 – and over	1.00%	0.30%

\*The minimum initial investment in the Private Access wrap fee program is \$100,000 for equity strategies and \$150,000 for fixed income strategies; however an exception for opening an account below the minimum may be granted with prior approval from ProEquities as sponsor of the wrap fee program. In those circumstances where an account is opened below or falls below the minimum account balance, a minimum annual management fee of \$1,000.00 will be charged on equity management strategies, with the exception of Martin Investment Management Best Ideas Strategy and JAForldines Capital Preservation Strategy. A minimum annual management fee of \$675.00 will be charged on any fixed income strategy below such minimum.

Select asset managers, as detailed below, operate on a modified investment amount and fee arrangement on the Private Access platform as outlined below. At this time, this modification is limited to Martin Investment Management Best Ideas Strategy and JAForldines Capital Preservation Strategy with the investment range of \$50,000.00-\$100,000.00. The minimum initial investment requirement for Martin Investment Management Best Ideas Strategy and JAForldines Capital Preservation Strategy is \$50,000.00; however an exception for opening an account below this minimum may be granted with prior approval from ProEquities as sponsor of the wrap fee program. In those circumstances where an account is opened below or falls below the minimum account balance, a minimum annual management fee of \$625.00 for Martin Investment Management Best Ideas Strategy and \$750 for JAForldines Capital Preservation Strategy will be assessed.

#### Martin Investment Management

Assets Under Management	Advisor Fee	Management Fee
\$0.01 – \$99,999.99	1.50%	1.25%
\$100,000.00 – \$249,999.99	2.00%	1.00%
\$250,000.00 – \$499,999.99	2.00%	0.95%
\$500,000.00 – \$999,999.99	1.80%	0.90%
\$1,000,000.00 – \$2,499,999.99	1.65%	0.80%
\$2,500,000.00 – \$4,999,999.99	1.50%	0.75%
\$5,000,000.00 – \$9,999,999.99	1.50%	0.65%
\$10,000,000.00 – and over	1.50%	Negotiable

Although the fees listed above are standard fees, they may, in some circumstances, be negotiable and may vary according to a variety of factors, such as size, type, and complexity of account. The fee charged is a percentage of all assets in the Private Access Program account. The fee will be based on the account value on

the last day of each calendar quarter and is payable quarterly, in advance, after the beginning of each quarter. In any partial billing cycle, the fee will be pro-rated, based on the number of days in which assets were placed for management during that cycle. All assets in the account will be included in calculating the value of the account to determine the amount of the fee. For contributions to an existing account during the quarter, the fee will be pro-rated, based on the number of days remaining in that billing period and billed to the account during the next billing cycle. If the client terminates their account for any reason during any billing period, the client's account will be refunded the pre-paid advisory fees on a pro-rata basis from the date of termination to the end of the billing period. For amounts withdrawn from an existing account during the quarter, the pre-paid advisory fee for those assets will be refunded on a pro-rata basis from the date of the withdrawal to the end of the billing period, and credited to the account during the next billing cycle. Additionally, if the client transfers their account to another firm, the client may pay an outgoing account transfer fee, which may consist of ProEquities' clearing firm costs as well as additional charges that ProEquities assesses for processing outgoing transfer requests.

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

The services associated with Private Access accounts offered through ProEquities may cost clients more or less than purchasing the investment advisory and trade execution services separately, depending on the frequency of trading in the client's accounts, the assets in the client's account, commissions charged at ProEquities or other broker/dealers for similar accounts, fees charged for like services by other broker/dealers or registered investment advisers and other factors. The wrap fee is based on the level of assets in the client's account; and is independent of the level of trading activity. By agreeing to pay a single fee which includes both investment advisory services and execution, rather than commissions per transaction, the client should understand that the fee may be higher than the cost of a commission-based account or arrangement during periods of lower trading activity.

### **Other Costs**

The wrap fee charged to the client's Private Access Program account is based on the amount of assets under management and covers the investment advice provided by ProEquities through the client's selected IAR. The wrap fee also covers most transaction related charges associated with executing transactions for the client except for incidental charges including but not limited to the following: annual check writing and debit card fees on Corestone accounts, wire fees, check stop payment fees, returned check fees, ACH return fees, security transfer and redemption fees, reorganization processing fees, trade confirmation fees, outgoing account transfer fees, margin extension fees, margin debit interest, IRA annual maintenance fees, IRA termination fees, amounts charged to produce year-end statements and account reports, paper surcharge fees foreign security transaction fees, initial document review and ongoing annual service fees for special products, including but not limited to limited partnerships, mail courier fees, bank charges and/or transactions charges related to processing. These charges are assessed against the customer's account and may consist of both charges that ProEquities pays to third parties such as clearing firm charges as well as additional charges for ProEquities' processing and transaction services. A schedule of these charges may be obtained by contacting either the client's IAR or ProEquities' home office at 800-288-3035.

Certain asset managers in the Private Access Program utilize mutual funds and/or exchange-traded funds as part of the investment allocation for the model portfolios. As such, clients are effectively paying ProEquities and the fund advisor for the management of the client's assets because these funds pay advisory fees to the fund manager and distribution and services fees to broker-dealers, including ProEquities; and such fees are therefore indirectly charged to all holders of these fund shares. Clients in the Private Access program whose accounts are invested in mutual funds and/or exchange traded funds are therefore subject to both ProEquities' direct advisory fee and the indirect management fee of the fund advisor. Mutual funds and exchange-traded funds are subject to additional advisory and other fees and expenses, as set forth in the prospectus for these funds, which are ultimately borne by the client.

### **Selection of Broker/Dealer**

ProEquities is a dually-registered broker/dealer and registered investment advisor. As such, all accounts participating in the Private Access Program are held with ProEquities in its capacity as a broker/dealer. ProEquities operates on a fully-disclosed basis with Pershing, whereby all accounts are custodied with Pershing. The use of our



affiliated broker/dealer, rather than a non-affiliated broker/dealer allows ProEquities to offer the Private Access program at as low a cost as possible, given the Firm's supervisory and best execution obligations.

### **Recommendation of Private Access Program**

As disclosed in the "Advisory and Management Fees" section above, the client's IAR receives compensation as a result of the client's participation in the Private Access Program. The amount of compensation the client's IAR receives may be more than what the IAR would receive if the client participated in another wrap fee program offered by ProEquities, or if the client paid separately for investment advice, brokerage and other services. The client's IAR, therefore, may have a financial incentive to recommend the Private Access Program over other programs or services offered or provided by ProEquities.

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

The minimum initial investment in the Private Access wrap fee program is \$100,000 for equity strategies and \$150,000 for fixed income strategies; however an exception for opening an account below this minimum may be granted with prior approval from ProEquities as sponsor of the wrap fee program. In those circumstances where an account is opened below or falls below the minimum account balance, a minimum annual fee of \$1,000.00 will be charged on equity management strategies, with the exception of Martin Investment Management. A minimum annual fee of \$675.00 will be charged on any fixed income management strategy below such minimum.

The minimum initial investment for the equity strategies managed by Martin Investment Management is \$50,000; however an exception for opening an account below this minimum may be granted with prior approval from ProEquities as sponsor of the wrap fee program. In those circumstances where an account is opened below or falls below the minimum account balance, an annual fee of \$625.00 will be assessed.

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

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

### **Selection of Private Access Money Managers**

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

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

All IARs of ProEquities; or of an unaffiliated registered investment adviser (where authorized by ProEquities) who are registered through ProEquities dually registered broker/dealer, may offer the Private Access program to their customers. As an independent broker-dealer and investment adviser, ProEquities serves a diverse field force. Our selection process focuses on producers with a mindset to grow their existing business and truly values the Firm as a business partner. ProEquities believes this culture provides independent producers with a structured business model that leverages the experience of our Firm while allowing enough flexibility to customize certain components important to their individual needs.

ProEquities' selection process includes an extensive background review of each prospective representative so that we may obtain a full understanding of their history and their objectives for business growth. The Firm will closely

scrutinize any prospective representative who may have a history of customer complaints, financial difficulties, termination from prior employers or criminal charges/convictions or other material disclosures.

Selection of the client's specific IAR is at the discretion of the customer. Selection of the client's specific IAR is at the discretion of the customer. The customer may choose to terminate their participation in the Perspectives program or appoint another IAR to service their account. In the event that the client's IAR terminates their registrations with ProEquities, the customer's participation in the Perspectives account will continue in the model portfolio(s) previously selected by the client, unless the client notifies ProEquities of their instructions to discontinue management of the Perspectives account. The customer will be notified in the event their selected IAR terminates their registration with ProEquities. In certain circumstances, ProEquities may reassign the customer's account to another IAR who has agreed to manage the client's account. In these circumstances, the client will be notified of this change of IAR, and will be provided the opportunity to decline the assignment of the new IAR.

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

ProEquities is an independent investment advisory Firm with IARs located geographically throughout the United States; and has been registered as an advisor with the SEC since 1998. ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE symbol "PL").

As of 12/31/2011, ProEquities provided investment advisory services to \$1,914,153,149.00 in assets under management. Through the Firm's IARs, ProEquities provides investment advisory services to its clients as follows.

#### **Investment Management Services**

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

- *ProEquities-Sponsored Wrap Fee Programs.* Please reference Item 4 above for information regarding the Private Access wrap fee programs. Please refer to the wrap fee program brochures for information regarding other wrap fee programs offered by ProEquities.
- *Third Party Money Manager Arrangements.* ProEquities has entered into agreements with various non-affiliated investment advisors (third party money managers) to offer asset allocation and asset management services to ProEquities' advisory clients. When investment with a third party money manager is recommended, the IAR will assist the client in selecting a suitable third party manager to implement and continually manage the client's investment plan. The IAR will assist the client in selecting the appropriate investment portfolio; setting restrictions or limitations on the management of the account; and will review with the client on a regular basis the account activity transacted by the third party manager in the client's account. 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  
BTS  
Clarke, Lanzen & Skalla (CLS Investments)  
Curian Capital  
Fairlane Investments

ICON Advisers  
Lockwood  
Loring Ward  
Manning & Napier  
Morningstar

First Affirmative Financial Network  
First Mercantile Trust  
Flexible Plan Benefits  
FTJ FundChoice  
Genworth  
Hamilton-Bates  
Hanlon

Purcell  
Rochdale  
SEI Investments  
Strategic Equity Management  
Vestor Capital  
Wealth Management Corp.

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

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

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

### Pension Consulting Services

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

### Market Timing Services

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

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

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

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

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

### **Voting Client Securities**

Neither ProEquities nor its IARs vote proxies on clients' behalf or provide advice about how to vote proxies for securities held in the Private Access account. 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 Private Access account or the issuers of those securities. Rockpoint will vote client proxies on behalf of client accounts participating in a Private Access account where Rockpoint is the client's selected asset manager. In all other Private Access accounts, clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

ProEquities' clearing broker/dealer, Pershing, utilizes the services of Broadridge, whereby on record date, Broadridge sends to 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 mails hard copies of proxy notices to these customers; and instructions for electronic voting of proxies is included.

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

ProEquities, through its IARs, gathers information (such as financial information, investment objectives, and risk tolerance) regarding clients to aid in providing appropriate and suitable investment advice regarding participation in the Perspectives program and selection of the appropriate portfolio. ProEquities shares this information only when necessary for processing or administering your account. Please consult ProEquities' privacy policy for further details about information sharing. A copy of the Privacy Policy may be obtained from ProEquities' website at [www.proequities.com](http://www.proequities.com) or upon request to your IAR.

## Item 8 – Client Contact with Portfolio Managers

Clients will have limited access to their selected money manager in the Private Access Program, through their selected IAR.. Clients should direct any questions regarding their account or participation in the Private Access Program to their IAR.

## Item 9 – Additional Information

### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's 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, 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.

## **Other Financial Industry Arrangements**

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

ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE Symbol "PL"). Other subsidiaries of Protective Life Corporation which are registered as either broker/dealers or registered investment advisors. None of these affiliate relationships are material to the Firm's advisory business, nor do they present a conflict of interest to the Firm's advisory clients.

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

ProEquities' affiliated broker/dealer is a fully disclosed/introducing broker to Pershing, 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.

## **Code of Ethics**

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

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

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

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when

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

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

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

## **Review of Accounts**

A representative sample of all accounts may be reviewed on a periodic basis by the ProEquities Compliance Department, and/or designated OSJ branch managers. The Firm uses a series of surveillance, exception and trading reports that are designed to facilitate this review. This review will be based on the customer's investment objectives, risk tolerance and financial and personal profile. There are three levels of accounts that 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.

## **Client Referrals and Other Compensation**

### Compensation related to Investment Management Services

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

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

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

- *commissions* from product sponsors based on transactions effected.



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

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

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

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

Allianz	Lincoln Financial Services
American Funds	Loring Ward
Atlas Energy	Macquarie
Behringer Harvard	MetLife
Brinker Capital	Nationwide
CNL Investment Co.	Noble Royalties
Cole	Pacific Life
Curian Capital	Penn Mutual
Cypress Energy	Principal Financial Group
Epoch Properties	Protective Life
First Trust Portfolios	Prudential
Franklin Square	Resource Real Estate
Genworth Financial	Ridgewood Energy
Hamilton-Bates	Stadion Funds
Hines Real Estate Securities	Strategic Storage Trust, Inc.
ING	Transamerica
Inland Real Estate	Walton International
Jackson National	Waveland Energy
John Hancock	WP Carey
Lightstone	

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

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

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

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

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

### **Use of Solicitors**

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

### **Financial Information**

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

### **Custody**

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