

**Item 1: Cover Page**



(doing business as Investment Advisors)

## Form ADV Part 2A Brochure

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Birmingham, Alabama 35223

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March 15, 2021

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This Brochure provides clients with information about the qualifications and business practices of ProEquities, Inc. (“ProEquities” or “Firm”). 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 (“SEC”) or by any governmental authority.

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

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

## Item 2: Material Changes

For this filing and all future filings, this Item 2 provides a summary of material changes made to the brochure since the last annual update.

### Item 12: Brokerage Practices

#### Transition to Pershing Advisor Solutions as Introducing Broker-Dealer

ProEquities and Pershing Advisor Solutions (“PAS”) have contractually agreed that PAS will become the introducing broker-dealer (“IBD”) for accounts on the Advisory Management Plus Platform (“AMP”) beginning in 2021. PAS is an affiliate of our custodian, Pershing (“Pershing” or “custodian,”) and both are subsidiaries of BNY Mellon. This agreement does not affect Pershing’s status or role as custodian, which continues uninterrupted.

The timing of the transition from ProEquities to PAS is as follows:

- For AMP accounts opened prior to approximately April 5, 2021, ProEquities serves as the IBD. This will change for at least some accounts, beginning in the 2<sup>nd</sup> quarter of 2021, because ProEquities and PAS began a conversion campaign in which existing AMP account holders could elect to transition their accounts from ProEquities to PAS. Account holders making this election will then be serviced by PAS as the IBD. The conversion is expected to occur during late May/early June 2021. Accounts that do not affirmatively consent to convert to PAS will continue to utilize ProEquities as the IBD with Pershing remaining as the custodian.
- On or around April 5, 2021, all new accounts will have PAS as the IBD.
- Both ProEquities and PAS will continue to use Pershing as the custodian.

The expectation is that PAS will eventually replace ProEquities as the IBD on all AMP accounts.

For a more detailed explanation of changes related to the PAS conversion, please see Item 12 (Brokerage Practices) beginning on page 20.

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## Item 4: Advisory Business

### Our Firm

ProEquities, Inc. is a registered broker-dealer and registered investment adviser and serves as the sponsor of, and in some cases as a portfolio manager for, wrap fee investment programs. ProEquities is a wholly-owned subsidiary of Protective Life Corporation, which is wholly owned by Dai-ichi Life Insurance Company, Limited (“Dai-ichi”) since February 2015.

We provide investment advice through investment adviser representatives (“Advisors”) who are associated with us as independent contractors and business owners. Representatives of ProEquities’ investment advisory business are also registered as independent contractor representatives with ProEquities’ registered broker-dealer (member FINRA/SIPC), which allows them to offer brokerage products and services to clients. An Advisor who is appropriately registered may offer a client both investment advisory and brokerage services. Before engaging with an Advisor, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves your investment needs and goals. Clients should speak to the Advisor to understand the different types of services available through ProEquities. ProEquities, through its Advisors, provides investment advice and management on assets in your account. Each Advisor is responsible for maintaining their client relationships.

As of December 31, 2020, ProEquities had \$4,395,472,222 in assets under management (“AUM”), of which \$2,842,518,626 was managed on a discretionary basis and \$1,552,953,596 was managed on a nondiscretionary basis.

### Our Advisory Services

ProEquities offers a variety of investment advisory services and programs to its Advisors for use with their clients, including wrap fee programs, advisory programs offered by third party investment adviser firms, financial planning services, and retirement plan consulting services. Our investment advisory services and programs are designed to accommodate a wide range of client investment philosophies, goals, needs, and investment objectives.

ProEquities offers advisory services on a discretionary and non-discretionary basis. To participate in our discretionary portfolio management services, a client must grant our firm discretionary authority to manage her account. Discretionary authorization allows us to determine the specific securities and the amount of securities to buy or sell for an advisory account without client preapproval. Discretionary authority is typically granted by the investment advisory agreement the client signs with our firm, a power of attorney, or trading authorization form.

### The Advisory Management Plus (AMP) Platform

Advisors offer investment management services through the selection of a ProEquities-sponsored wrap fee program managed by the Advisor, ProEquities as the Portfolio Manager, or with access to unaffiliated third party 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 assist the client to meet his or her 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 Advisor will review with each client their investment objectives and risk/return tolerance and may recommend investment in the appropriate ProEquities-sponsored wrap fee program. Some Advisors manage each account to models they have created; others customize each account to each client. The advisory services offered are tailored to the individual needs of each client, taking into consideration the client’s risk tolerance, investment objective, time horizon, and other factors. Clients may impose restrictions on investments in certain securities or types of securities; however, such restrictions will impact the performance of the account. Such requests must be submitted to ProEquities in writing.

Administrative, website, performance reporting, transaction order entry and other services are provided to ProEquities by outside service providers and sub-advisors. A client grants us the discretionary authority to select one or more sub-advisors to provide those services to clients and our firm. Envestnet Asset Management, Inc. (“Envestnet”), an unaffiliated third party investment adviser, provides these sub-advisory services in the ProEquities AMP Platform. Clients establishing AMP Platform accounts receive a copy of Envestnet’s Disclosure Brochure in addition to our firm’s Wrap Fee Brochure.

## AMP Platform Programs

ProEquities offers a group of investment advisory services and programs to its Advisors to use with their clients, which are designed to accommodate a wide range of investment philosophies, goals, needs and investment objectives. The AMP Platform offers two broad categories of fee-based managed account programs: Advisor Managed and Third Party Managed accounts, as follows:

ADVISOR MANAGED ACCOUNT PROGRAMS	THIRD PARTY MANAGED ACCOUNT PROGRAMS
<ul style="list-style-type: none"><li>• Capital Asset Management</li><li>• PreTrade Program</li><li>• PreTradePlus Program</li><li>• ProTrade Program</li><li>• ProTradePlus Program</li></ul>	<ul style="list-style-type: none"><li>• Advisor's Choice Separately Managed Account Program</li><li>• Advisor's Choice Strategist Program</li><li>• Unified Managed Account Program</li></ul>

## AMP Program Fees

The wrap fees differ per program and will either include or exclude transaction execution fees ("ticket charges"). The wrap fee is based generally upon a percentage of the assets under management in the account and not directly upon transactions in the client's account. The client will pay a graduated fee based on the level of assets in the client's account including or excluding ticket charges depending on the selected program. The fees vary among wrap fee programs and are subject to negotiation. ProEquities offers a group of investment advisory services and programs to its Advisors to use with their clients, which are designed to accommodate a wide range of investment philosophies, goals, needs and investment objectives.

For the AMP investment advisory services provided by ProEquities and the Advisor, accounts are charged a single management wrap fee, which consists of two components: the "advisory fee" and the "platform fee," as discussed below:

- The **advisor fee** is for financial advice offered by ProEquities, through the client's selected Advisor. Fees, fee structure, and experience may vary by Advisor. Therefore, two Advisors may provide similar services with different fee schedules, resulting in their clients paying higher or lower fees than other clients.
- The **platform fee** covers safekeeping and custodial fees, reporting, and in some cases trade execution fees (ticket charges---see below). The platform fee is calculated on a graduated, blended basis, based on the amount of assets in the client's account and/or the client's household total asset level, in accordance with the applicable Program's fee schedule below. The platform fee commences when the assets are invested by a third party manager or when the Advisor initiates billing. Clients should consult their Advisor if there are any questions regarding the calculation of the fee. The platform fee is allocated between Pershing, Envestnet, and ProEquities as reimbursement for the expenses incurred in providing, among other things, their services, processing, and technology.

## Ticket Charges

In addition to the wrap fee, clients in CAM, PreTrade Plus, and ProTrade Plus programs pay ticket charges. Ticket charges are fees generated for each trade executed in an account. Ticket charges vary depending upon several factors, such as type of security and the size of the trade. Tables that list the applicable ticket charges by wrap program appear in the Advisory Fees section of the ProEquities Wrap Fee Brochure. In instances where ProEquities serves as the IBD, Pershing credits ProEquities a portion of the ticket charge. ProEquities does not share any ticket charge revenue with the Advisor. In programs that incur ticket charges, more frequent trading results in higher aggregate ticket charges. If you anticipate your account engaging in frequent trading, please check with your Advisor to determine whether it is more appropriate for you to be in an advisory program (e.g., PreTrade or ProTrade) with a platform fee that includes ticket charges. For more detailed information on AMP program costs, please refer to the Wrap Fee Brochure.

## Third Party Asset Manager Programs Offered Outside of the AMP Platform

ProEquities also offers limited access to certain turn-key third party asset manager programs (TAMPs), which provide access to professional third party asset managers that are outside the scope of the AMP platform. TAMP programs offer you access to a variety of model portfolios with varying levels of risk from which to choose. TAMP program accounts are not managed by us; rather, they are managed by one or more third party portfolio managers on a discretionary basis, and

they consist of a variety of different securities types, including stocks, bonds, mutual funds, and derivatives. Account minimums for unaffiliated TAMP program accounts generally range between \$25,000 and \$50,000. ProEquities is not the sponsor of these TAMP programs. These programs typically select their own custodian. With respect to TAMPs offered by ProEquities, we act in either a “solicitor” or “sub-adviser” capacity as described below:

**Solicitor:** When acting as a solicitor for the TAMP program, neither ProEquities nor your Advisor provide advisory services in relation to the TAMP program account(s). Instead, your Advisor assists you in selecting one or more TAMP programs believed to be suitable for you based on your objectives and risk profile. ProEquities and your Advisor are compensated for referring you to the TAMP program. This compensation generally takes the form of the TAMP sharing a percentage of the advisory fee you pay to the TAMP with us, which is then shared with your Advisor. When ProEquities acts as a solicitor for a TAMP program, you receive a written solicitor disclosure statement describing the nature of our relationship, the terms of our compensation, including a description of the compensation that ProEquities will receive for referring you to the TAMP program, and the amount, if any, that you will be charged in addition to the advisory fee you would pay without our referral relationship.

**Adviser or Sub-Adviser:** Under an adviser or sub-adviser relationship between us and the sponsor of the TAMP program, ProEquities and your Advisor fulfill the role of an adviser or sub-adviser to you. Your Advisor provides you with portfolio management supervisory services with respect to your TAMP account(s) along with the TAMP provider. That means that your Advisor monitors the TAMP program’s performance, investment selection, and continued suitability for your portfolio and will advise you accordingly. Your Advisor helps you determine your investment objectives and risk tolerance in order to help you choose a program that meets your objectives. In some instances, your advisor can manage a portion of the investments at the TAMP.

There will be conflicts of interest when recommending one TAMP over another. ProEquities and the Advisor receive compensation when they refer you to the TAMP, which is usually a percentage of the advisory fee. The amount of compensation received by our firm and your Advisor from a particular TAMP could be higher than the compensation received from another TAMP. As a result, the Advisor has a financial incentive to recommend one TAMP over another. There are other suitable TAMPs that cost more or less.

In certain instances, clients will have lower advisory fees for TAMP accounts as compared to our AMP Platform; however, in addition to an asset-based advisory fee, a client can incur brokerage commissions, mark-ups and mark-downs, transaction charges and other fees, including “ticket charges,” related to the purchase and sale of stocks, bonds and other securities in TAMP accounts. Neither ProEquities nor its Advisors receive any of these fees. In other instances, the advisory fees for TAMPs on the AMP Platform may be lower than the TAMP Platform. The maximum Advisor fee for TAMP accounts is 1.50%, which is in addition to the platform and/or manager fees associated with the programs.

You will typically enter into an agreement directly with that TAMP, which will outline, among other things, fees, and the trading of the client’s account. Please refer to the relevant Form ADV, Part 2A of each TAMP for a more detailed explanation of each of the different investment advisory programs offered through ProEquities. Although ProEquities periodically researches, selects, and reviews the TAMPs, we make no guarantees that your financial goals or objectives will be achieved. Nor do we guarantee performance.

ProEquities currently has adviser or sub-adviser agreements to offer the services of the following TAMPs: Asset Mark, First Mercantile/American Trust Retirement, Orion Portfolio Solutions, Manning & Napier, Morningstar, SEI, and Buckingham Strategic Partners/Loring Ward. Both SEI and FTJ Advisor Direct at Orion Portfolio Solutions (closed to new accounts) allow your Advisor to manage the entire portfolio or a portion (“sleeve”) thereof along with the TAMP.

As of the date of this Brochure, our current solicitor arrangements are the following: Brinker Capital Inc., Camelot, City National Rochdale, CLS Investments, and Flexible Plan. For more information on these programs, please refer to the Form ADV, Part 2A and related disclosure documents for the investment adviser and program in question. These documents can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on the applicable program sponsor’s website. ProEquities may update TAMP arrangements without notice including adding new TAMPs or discontinuing offering existing TAMPs.

## **Financial Planning and Financial Advice Services**

For clients seeking financial advice involving analysis of a particular investment, investment portfolio, or overall financial situation, ProEquities, through its Advisors, provides financial planning and investment consulting services designed to

meet clients' financial goals, needs and objectives. The investment consulting services provided to individuals typically take the form of a financial plan. These consulting services include, but are not limited to, a review of an individual's current financial situation, with an emphasis on portfolio analysis, estate planning, insurance planning, education planning, retirement planning, and/or capital needs planning. To the extent other services are needed, your Advisor will assist you.

Advisors will also assist you in coordinating the implementation of any recommendations made, including referral to other practicing professionals whose services may be necessary such as an attorney, accountant, or insurance agent. In preparing a financial plan, the Advisor gathers information deemed relevant to the particular advisory service being provided through fact-finding interviews, documents and/or a profile questionnaire you complete. Based on your responses, the service will include an analysis of your financial information, including items such as your current assets, income, investments, liabilities, short and long-term capital and liquidity needs, risk tolerance, and short and long-term financial goals and objectives.

Advisors do not make recommendations concerning the purchase or sale of specific securities when preparing financial plans. However, in response to requests by clients for advice or recommendations to implement a financial plan, the Advisor's recommendations are limited to only those products offered through ProEquities, where the Advisor is registered as an investment adviser representative and/or as a registered representative of ProEquities. Similarly, any insurance recommendations will be limited to the insurance companies with whom the Advisor is appointed as an insurance agent or broker. This creates a conflict of interest as ProEquities may recommend the use of proprietary insurance or investment products and will recommend a product for which we or our Advisor will earn compensation. You may be able to purchase the same or other similar products and services at another broker-dealer or investment adviser, but for a lower cost.

## **Retirement Plan Services**

ProEquities, through its Advisors, offers advisory services for employer-sponsored retirement plans that are designed to assist plan sponsors ("Sponsors"). ProEquities, through its Advisors, may also assist with enrollment and investment education to plan participants and beneficiaries. ProEquities charges a fee for the Retirement Plan Services, as described in this brochure and the ERISA Master Account Application ("Application"). Retirement Plan Services include services considered fiduciary services under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or comparable state laws.

When delivering ERISA fiduciary services, ProEquities, through its Advisors, will perform those services to the plan as a fiduciary under ERISA Section 3(21) and will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. When providing any ERISA fiduciary Services, ProEquities, through its Advisors, will make recommendations to the Sponsor and the Sponsor retains full discretionary authority (as defined by ERISA Section 3(38)) or control over assets available in the plan. ERISA fiduciary services can be provided to plan participants; the plan participants maintain full discretionary authority and control over their personal retirement accounts.

Sponsors may engage ProEquities, through its Advisors, to perform the Retirement Plan Services by completing an ERISA application that describes how the Advisor will serve the plan and the fees to be charged for those services. The application describes additional terms of the arrangement between ProEquities and the Sponsor, including services in addition to the retirement plan. By signing the application, the Sponsor represents they have received sufficient information and determined that the Retirement Plan Services selected are: (i) necessary for the operation of the plan and (ii) reasonable and appropriate based upon the compensation to be paid for the Services. The Plan Sponsor must sign and complete the application before ProEquities and/or its Advisors performs any Retirement Plan Services.

In providing Retirement Plan Services, ProEquities, through its Advisors, may establish a separate client relationship with one or more plan participants, beneficiaries, or Sponsors. Advisors will not solicit services from plan participants or beneficiaries when providing Retirement Plan Services to the plan. If ProEquities is providing Retirement Plan Services to a plan, Advisors may, when requested by a plan participant, beneficiary, or Sponsor, arrange to provide services through a separate agreement that excludes any investment advice on plan assets. If a plan participant or beneficiary desires to affect an IRA Rollover, Advisor will obtain a signed disclosure from the plan participant. The plan participant retains final authority to determine whether to affect the rollover.

ProEquities, its employees, and its Advisors benefit from the compensation paid to ProEquities and will directly or indirectly receive a portion of the fees and other compensation paid by Retirement Plan Services clients. Those clients may also use other products or services available from or through ProEquities and in such case pay additional

compensation. This practice creates a conflict of interest that gives ProEquities and its Advisors an incentive to recommend Retirement Plan Services based on the compensation received. ProEquities addresses these conflicts through disclosure(s) in this Brochure and additional disclosures concerning compensation we receive, directly or indirectly. ProEquities will also offset or refund additional compensation when required by law.

As part of our investment advisory services, Advisors can make recommendations to plan participants regarding the rollover of employer-sponsored retirement plan assets. In the case where an Advisor recommends a retirement plan rollover into a ProEquities advisory account program, the Advisor will earn a portion of the advisory fee. This presents a conflict of interest because Advisors have an economic incentive to recommend you to rollover your retirement plan into an advisory program account. Plan participants are under no obligation to rollover retirement plan assets to an IRA and should carefully consider all relevant factors, such as penalty-free withdrawals, whether loans are permitted, legal protections, required minimum distributions, fees and expenses, service levels, available investment options, employer stock considerations, and state taxes.

## **Annuities**

Certain fee-based annuities may be linked to an AMP account. All variable annuity sub-account selection and reallocations are processed through the custodian of record for the variable annuity. The Advisor's advice for these products includes an initial selection of sub-accounts and their allocation, ongoing management, and recommendation of sub-account reallocation, and/or the selection of a third party manager for the sub-account management. Advisory fees paid by the client may be deducted from a ProEquities brokerage or advisory account.

Jackson National Life Insurance Company ("Jackson") pays ProEquities a quarterly 20 basis points marketing fee based on net annuity premiums received including advisory ("fee based") annuities offered to our clients. ProEquities has a conflict of interest to recommend products on which it receives higher compensation. We mitigate this conflict by disclosing it to the client and not sharing this revenue with our Advisors. See the Wrap Fee Brochure for more information on the fee-based fee schedule.

## **Limits on Advice to Certain Types of Investments**

With some exceptions, Advisors are available to offer advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. However, Advisors are not permitted to provide advice on futures or commodity contracts. It is also required that Third Party Managers used by Advisors be approved by ProEquities. If an Advisor is dually registered as a registered representative with the ProEquities broker, he or she will be restricted to providing advice based on proper FINRA licensing. For example, if an Advisor does not hold a Series 7 license and holds only the Series 6 license, the Advisor will be restricted to providing advice only on products for which he/she is appropriately licensed. ProEquities imposes limitations on certain types of products offered in advisory accounts, including limits on holding low-priced or "penny" stocks, leveraged or inverse ETFs, and volatility-linked products, to name a few.

## **Securities Backed Lines of Credit: LoanAdvance**

A LoanAdvance account is an account held through Pershing through which you borrow money from Pershing by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. ProEquities will receive revenue for your participation in this program. Even though this revenue is not shared with your Advisor, the receipt of this additional revenue creates a conflict of interest because of the increased compensation to ProEquities. A conflict of interest also exists because ProEquities and your Advisor will benefit because you don't have to liquidate assets in your account to pay for things with cash, which would diminish the assets held in the account and the potential fees that could be earned by ProEquities and your Advisor from holding or engaging in future transactions with those assets. For example, with a fee-based account, by recommending that you participate in this program to fund some purchase or financial need rather than liquidate securities, ProEquities and your Advisor continue to earn fees on the full account value. Please carefully review the LoanAdvance disclosure documents for additional risks involved in opening a LoanAdvance account. ProEquities reserves the right to approve or reject your participation in LoanAdvance for any reason.

## **Termination**

All advisory services continue in effect until terminated by either party (i.e., you, your Advisor, or ProEquities) by giving notice to the other party. Written notice of at least 30 days is required for investment management programs unless all



parties mutually agree on an earlier termination date. Any prepaid, unearned fees are promptly refunded to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Upon actual receipt of notice of termination, our obligation to manage or advise you with respect to the account immediately terminates. This means that unless we receive instructions from you, we will not buy, sell, reallocate, or rebalance Funds in the converted account. IRA and 403(b)(7) accounts remain subject to the provisions and restrictions of regulations, law, and the custodial Agreement. For clients utilizing TAMPs, termination procedures are determined by the TAMP. Please refer to the specific TAMP's disclosure brochure for specific termination procedures.

## **Item 5: Fees and Compensation**

### **Compensation related to Investment Management Services**

ProEquities receives compensation for the advisory services described in this brochure. Fee schedules for the various strategies the firm manages, and account minimums, are in the Wrap Fee Brochure. We may base our fees on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees) or commissions. You may negotiate asset-based fee and/or commission rates with us, and the decision to accept a negotiated fee is at the discretion of your Advisor. Factors involved in this negotiation may include the nature and size of the overall relationship with your Advisor, the level and type of advisory or other financial services being or expected to be provided, and ProEquities' policy with respect to discounts. You should understand that unless a lower rate has been negotiated, we charge fees based upon the applicable standard fee schedule for each advisory account program. While the asset-based fees are negotiable, the standard fee schedule's asset-level breakpoints and each applicable platform fee rate may not be modified in any way.

An inherent conflict exists in how ProEquities handles billing variations from the applicable fee schedule as compensation adjustments can result in higher compensation to the Advisor from one advisory program to another. Additionally, certain programs allow the Advisor to receive compensation on a more frequent, monthly basis as opposed to quarterly. You may pay us more or less than you might otherwise pay if the same services were purchased through another service provider. You may negotiate fees with different breakpoints and as a result, may pay a higher fee than as listed in the standard fee schedule (but not more than the program's maximum fee) as a result of fluctuations in your assets under management and/or account performance.

Advisors using any of the previously mentioned programs offered by ProEquities generally receive compensation as a percentage of the asset-based fee charged to the client's account. As such, ProEquities Advisors will earn more compensation as the amount of assets managed increases. This creates a conflict to recommend investment advisory accounts. ProEquities mitigates this conflict by monitoring to ensure that Advisors are making investment decisions that are consistent with the client's stated objectives and strategies. ProEquities also maintains policies to ensure the account is appropriate for the applicable advisory program or service and consistent with our fiduciary duty to the client.

### **TAMP Fees**

Fees for the TAMP programs may be negotiated but generally range from 0.75 to 2.00%, depending on the third party money manager program selected, the size of the account and the services provided. Under some programs, an inclusive fee covers account management, brokerage, clearing, custody, and administrative services. In other programs, the account may be charged separately for these services. The amount of the fees, the services provided, the payment structure, termination provisions, account minimums, and other aspects of each program are detailed and disclosed in the unaffiliated third party money manager's disclosure document and account opening documents and/or agreements. ProEquities and your Advisor share in the advisory fee.

TAMPs select the brokerage and custody relationships in their respective programs. In addition to the program fees, based upon the investments selected, clients may incur certain charges imposed by third parties in connection with the investments made through TAMP accounts. These include, but are not limited to, the following: mutual fund or money market 12b-1 and sub-transfer agency fees, mutual fund networking fees, mutual fund or money market management fees and administrative expenses, certain deferred sales charges on previously purchased mutual fund shares transferred into a TAMP account, other transaction charges and service fees, and other charges permitted or required by law. ProEquities does not receive a portion of these fees.

### **Fees from Retirement Plan Services**

Sponsors receiving Retirement Plan Services may pay more or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the number of participants, and the Retirement Plan Services offered. In light of the specific Retirement Plan Services offered by ProEquities and its Advisors, the Fees charged may be more or less than those of other similar service providers. Plan representatives that provide fiduciary services are paid a fee for those services. As of February 15, 2019, 12b-1 fees that are sent to the record keeper or ProEquities, for the benefit of the Advisor, will be rebated to the plan or the plan participant, as appropriate, where a plan asset advisory fee is charged by the Advisor. ProEquities will not rebate 12b-1 fees as received on commission basis in lieu of an advisory fee.

All fees paid to ProEquities for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities, and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client will pay an initial or deferred sales charge. The Retirement Plan Services provided by ProEquities and its Advisors may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the plan's other service providers, and the fees charged by ProEquities to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided. No increase in Advisor fees will be effective without prior written notice.

### **Financial Planning Services**

Financial planning and investment consulting fees are negotiable between the client and ProEquities Advisors. Fees charged for these services depend upon the anticipated time allocated to provide the services requested, the complexity of the plan, or the individual client's financial situation. The fees are determined in advance and mutually agreed upon between the client and their Advisor. The fees for financial planning and consulting services can be structured as an hourly rate, fixed dollar fee, or as a percentage of assets being advised upon. Services rendered and the fees charged are disclosed in the appropriate agreement. Advisory fees or commissions generated in the implementation of a plan through ProEquities or its affiliates may be used to offset financial planning and/or investment consulting fees. It is possible that a client of ProEquities may pay more or less for similar services than may be available through another firm. ProEquities or the client may terminate the investment consulting agreement by providing notice of such election to the other party. Investment programs involve risk and there is no guarantee that utilizing the financial planning and/or investment consulting services of ProEquities will produce favorable results.

### **Compensation for the Sale of Securities**

Clients have the option to purchase investment products recommended by ProEquities and its Advisors through other brokers or agents that are not affiliated with ProEquities. Commissions and other compensation for the sale of investment products provide other sources of compensation for ProEquities and many of its Advisors; however, commissions are not charged by ProEquities or the Advisors in connection with transactions in AMP (excluding ticket charges). Depending on which product and/or service you purchase, you will receive materials that disclose important information, such as product prospectuses, client services agreements, applications, and disclosure brochures. You should read and evaluate this information carefully and contact your Advisor with any questions.

### **Marketing Support from Product Sponsors**

ProEquities has agreements with certain mutual fund families, alternative investment sponsors, insurance companies, TAMPs, Strategists, and other counterparties (collectively, "sponsors") under which sponsors provide additional compensation, sometimes called "marketing support," to ProEquities. These marketing support payments subsidize the cost of educational programs and marketing activities that are designed to help facilitate the utilization of these sponsors' products and services and to make our Advisors more knowledgeable about these sponsors' products and services.

In addition, these payments allow these sponsors' representatives to attend and participate in ProEquities conferences where Advisors are present, one-on-one marketing meetings, and due diligence presentations. The method, timing, rate, and amount of these marketing support payments vary by program and sponsor, but marketing support payments typically are paid using one or more of the following methodologies: payment of a flat annual fee; payment of a percentage of each sale; and/or payment of an annual fee based on a percentage of total ProEquities client assets held with the sponsor. While

payments vary by sponsor, sponsors generally pay ProEquities either a flat annual fee or a percentage of up to 1% of the gross amount of each sale.

In addition to the marketing support payments that ProEquities receives through the formal marketing support arrangements described above, sponsors, including, but not limited to, those that have formal marketing support arrangements with ProEquities, make flat dollar payments to ProEquities from time to time. These payments are not made as part of any formalized agreement, but rather for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at ProEquities meetings or similar events, attendance at conferences, and participation in other training and educational events. Some sponsors also reimburse ProEquities and, indirectly, Advisors for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some sponsors also provide ProEquities and Advisors with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the sponsor.

The marketing support payments ProEquities receives from sponsors create incentives for ProEquities that result in conflicts of interest. In particular, because of these marketing support payments, ProEquities has an incentive to include these sponsors on ProEquities' platform and to recommend that you utilize products and services that generate such payments to ProEquities, rather than products and services that do not generate such payments to ProEquities. In addition, ProEquities has an incentive to include the products and services of sponsors that make the highest or relatively higher marketing support payments to ProEquities on ProEquities' platform and to recommend that you utilize those products and services. ProEquities mitigates these conflicts of interest by disclosing them to you; not sharing any of these revenues with the Advisors that recommend products or services for your account; and requiring a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Additional information regarding ProEquities' marketing support arrangements, including a list of sponsors with which ProEquities has formal marketing support arrangements, can be found on ProEquities' website at [www.proequities.com/disclosures](http://www.proequities.com/disclosures) (document entitled Product Sponsor Compensation and in the ProEquities Regulation Best Interest Disclosure Document available at the same location). ProEquities, Advisors, and clients also receive the benefit of certain services provided by program sponsors and custodians. These services include performance reporting, statement creation and delivery, technology systems including online access to account information, fee liquidation, notification and payment services, marketing material, and other services related to the management of investment advisory accounts. Some of these services may involve additional charges to ProEquities, Advisors, or to clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service.

### **Other Advisor Compensation**

Through its business as a broker-dealer, ProEquities receives compensation for the sale of securities, including but not limited to, stocks, bonds, options, mutual funds, exchange traded funds, limited partnerships, variable annuities, alternatives, and derivatives. This inherently presents a conflict of interest, giving the client's Advisor an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

Some Advisors receive additional compensation and/or incentive awards for generating a certain amount of revenue (in fees, commissions, or a combination of both) within a certain time period. Clients are not charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest that affects the judgment of the Advisor. We mitigate this conflict by disclosing it to you and by requiring a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Most Advisors are registered representatives of ProEquities in its capacity as a broker-dealer, and generally are licensed agents of Protective Life ("Protective"). In most cases, the Advisor can recommend products that are managed and/or sold by Protective provided that the recommendations are suitable given the client's investment objectives, financial circumstances, and other characteristics. When such recommendations are made, the Advisor receives compensation on these product recommendations and sales. Protective will profit from any sales of their proprietary products to clients of ProEquities.

Advisors may be compensated by ProEquities and/or the product manufacturer via commissions, asset-based fees, and/or other compensation which is built into the costs and charges of the product. This presents a conflict of interest as

ProEquities and Advisors have an incentive to recommend investment products based on the compensation received, rather than on a client's needs. We mitigate this conflict by disclosing it to you and by requiring a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

In the firm's wrap fee programs, certain assets placed for management in those accounts may have been sold by the client's Advisor outside of the wrap fee account, where the representative earned a commission for the sale. In certain circumstances, ProEquities may allow those assets to be transferred into the wrap fee advisory account depending on the time the assets resided in the brokerage account.

Additionally, we offer mutual funds issued by Praxis, which is part of Everence Financial ("Everence"). Everence and ProEquities are not related companies. There are several ProEquities Advisors affiliated with or employed by Everence. These Everence affiliated professionals can offer mutual funds from Praxis in addition to mutual funds offered by unrelated mutual fund companies. This is a conflict in that Everence benefits from the sale of Praxis mutual funds. We manage this conflict by disclosing it to you and by not creating a financial incentive for Everence Advisors to offer Praxis products. In this regard, Everence Advisors do not receive more compensation for selling Praxis mutual funds.

### **Recruitment Compensation to Advisors**

In many cases, ProEquities provides Advisors financial incentives when they join our firm from another firm. In general, if your Advisor joins ProEquities from another firm, you should discuss the reasons your Advisor decided to change firms and any costs or changes in services you would incur by transferring your accounts to ProEquities. Advisors joining from other firms are eligible to receive incentives, including loans, bonuses and/or other compensation, if they reach certain asset and/or production levels or remain with ProEquities for a certain period of time (typically 5-7 years). The amount paid to Advisors under these arrangements is largely based on the amount of the business serviced by the Advisor at the prior firm.

These payments are often substantial and take various forms, including loans, transition bonus payments and various forms of compensation to encourage Advisors to join ProEquities, and are contingent on your Advisor's continued affiliation with us. Therefore, even if the fees you pay to ProEquities remain the same or are less, the transfer of your assets to ProEquities contributes to your Advisor's ability to meet such targets even if not directly related to your account or the fees you pay to us. These practices create an incentive and a conflict for your Advisor to recommend the transfer of your account assets to ProEquities.

The conflicts of interest arising from the Advisor compensation arrangements described above are mitigated by the fact that ProEquities has suitability requirements and fiduciary obligations in certain circumstances, such as when ProEquities and its Advisors are acting in an investment advisory capacity, as well as regulatory and compliance rules and procedures which must be followed. In addition, ProEquities maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits. In most instances, Advisors may only recommend products offered through ProEquities where ProEquities has a selling agreement with the product sponsors. This means that an Advisor cannot service your account if it is held at a prior firm.

### **Other General Costs That May Apply to All Programs Described in This Brochure**

The program fees described above do not cover certain charges associated with securities transactions in clients' accounts, including: (i) dealer mark-ups, mark-downs, or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees assessed on collective investment vehicles, such as mutual funds and closed-end funds, UITs, ETFs, or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fees, distributor fees, and other fees and expenses; further information regarding charges and fees assessed on collective investment vehicles may be found in the appropriate prospectus or offering document), or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes, stock exchange fees, or other fees mandated by law; and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into a program account.

Clients should be aware if they transfer in-kind assets into a program account, such assets may be liquidated immediately or at a future point in time, and clients may incur a brokerage commission or other charge, including a CDSC. Clients also

may be subject to taxes when such liquidations of assets take place. Accordingly, clients should consult with their Advisor and tax consultant before transferring in-kind assets into a program. The broker-dealer or custodian may charge the client certain additional and/or minimum fees.

In certain programs, the total annual account fee does not cover certain custodial fees that may be charged to clients by the custodian. Clients also may be charged for specific account services, such as account transfers, electronic fund and wire transfers, and for other optional services elected by clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the total annual account fee does not cover certain non-brokerage-related fees, such as IRA trustee or custodian fees, tax-qualified retirement plan account fees, and annual and termination fees for retirement accounts, such as IRAs.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

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

## **Item 7: Types of Clients**

ProEquities, through its Advisors, provides investment advisory services to individuals, high-net-worth individuals, corporate pension and profit-sharing plans, retirement plans, fiduciaries to plans, including participant directed defined contribution plans and defined benefit plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, corporations and other U.S. institutions. For participation in a ProEquities-sponsored wrap-fee program, ProEquities requires a minimum initial investment, as discussed in detail in the Firm's Wrap Fee Brochure. The minimum initial investment for participation in a third party money manager program varies by each third party manager and is not controlled by ProEquities or its Advisors.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Following are brief discussions of some of the more common methods of analysis and investments strategies. ProEquities Advisors and third party managers may use either, neither or a combination of these approaches in their management of, or provision of advice regarding, client assets. ProEquities does not mandate which analysis its Advisors or third party managers must utilize in assisting their clients and/or in the creation of their investment models .

- **Fundamental Analysis:** This is an attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements, which can present a risk if the security moves in tandem with market movements.
- **Technical Analysis:** Past market movements are analyzed, and that analysis is applied to the present to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- **Cyclical Analysis:** In this type of technical analysis, the movements of a particular stock are measured against the overall market in an attempt to predict the price movement of the security. A risk in using cyclical analysis is that the overall market is subject to change and we may incorrectly identify where we are in the business or economic cycle.
- **Quantitative Analysis:** Mathematical models are used in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

- **Qualitative Analysis:** Subjective evaluation of non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement in order to predict changes to share price. A risk in using qualitative analysis is that subjective judgment may prove incorrect.
- **Asset Allocation:** Asset allocation strategy attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income and cash will change over time due to stock and market movements, and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund and/or ETF Performance Analysis:** The experience and track record of the manager of the mutual fund or ETF is reviewed in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future.
- **Market timing strategy:** While uncommon and typically not recommended to clients, market timing is a strategy where the manager will try to identify the best times to be in the market and when to get out. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy. Only clients that are looking for a speculative investment strategy should participate in an investment timing service.

## Investment Strategies

Among the investment strategies that our Advisors and third party managers may utilize.

- **Long term purchases:** Investments held at least a year.
- **Short term purchases:** Investments sold within a year.
- **Short Sales:** A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- **Margin transactions:** When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.
- **Options strategies:** Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.
- **Growth style:** This management style focuses on purchasing the stock of companies that have excellent financial characteristics such as above-average sales growth, profit growth, dividend growth, profit margins, and return on capital. In general, a portfolio manager following a growth approach to managing is willing to pay a higher than average valuation for this type of stock. A more conservative growth manager can choose to focus on high quality growth companies that are available at reasonable valuations determined by various pricing models.
- **Value style:** This management style focuses on purchasing the stock of companies that generally have less attractive measures of financial performance than growth companies but can be purchased at very attractive prices. In other words, a lower quality stock is acceptable as long as the price is sufficiently attractive. A value approach seeks to invest in companies believed to be selling at a sizeable discount. Value managers are also attracted to sound companies whose stock prices are depressed by temporary business problems or investor misperceptions.
- **Fixed income style:** This style focuses on purchasing different types of bonds. This strategy invests in high quality bonds, lower quality high yielding bonds, or international bonds, depending on the specific objectives for the account.

- **Asset allocation style:** This management style strives to construct portfolios which provide a certain lower level of overall risk (or fluctuation in principal) than would otherwise have been achieved through a less diversified approach. To achieve this objective, the portfolio manager can combine asset classes whose returns do not move in perfect tandem; in other words, their returns are not closely correlated.
- **Proprietary Mutual Funds:** Certain Strategists invest all or a portion of the assets in a proprietary mutual fund designed to be used within a wrap account. Such mutual funds impose additional restrictions such as restrictions on investing in the mutual fund outside of the wrap account managed by the Strategist.

If a client's individual situation changes, they should notify their Advisor, who will assist them in revising the current portfolio and/or prepare an updated client profile so that the Advisor can determine if a revised model portfolio would be more appropriate. It is important that clients understand the concept and risks inherent in exchanging an investment from one position to another. Investment decisions result in either a profit or loss, both with potential corresponding tax consequences. ProEquities and its Advisors cannot guarantee that the objectives of any investment program will be achieved. Furthermore, it is important to understand exchanging one mutual fund for shares of another mutual fund is treated as a sale for federal income tax purposes and capital gains or losses may be realized unless the client is eligible for tax deferral under a qualified retirement plan.

### **Risk of Loss**

You must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in any type of security (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there are varying degrees of risk.

You need to be prepared to bear investment loss including loss of original principal. Because of inherent risk of loss associated with investing, ProEquities and our Advisors and unaffiliated third party managers cannot represent, guarantee, or even imply that our services and methods of analysis:

1. Can or will predict future results; or
2. Successfully identify market tops or bottoms; or
3. Insulate you from losses due to market corrections or declines.

There are risks associated when investing in securities through an investment management program, including:

- **Market Risk:** This type of risk is caused by external factors independent of a security's particular underlying circumstances. Markets can, as a whole, go up or down on various news releases or for no discernable reason. This sometimes means the price of specific securities can fluctuate without any real reason and take some time to recover any lost value. Adding securities does not help to minimize this risk since all securities may be impacted by market fluctuations.
- **Short-Term Trading Risk:** These types of transactions may result in short-term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long-term strategies. Clients should consult with their tax professional regarding tax implications of short-term trading.
- **Investment Term Risk:** Clients requiring us to liquidate their portfolio during a period in which the price of the security is low will not realize as much value as if the investment had the opportunity to increase or regain its value (as investments sometimes do) or had we been able to reinvest in another security.
- **Short Sales Risk:** Short sales are motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The maximum gain on a short sale is limited but the maximum loss is theoretically infinite. Short sales also involve significant expenses, dividend responsibilities, possible regulatory prohibitions and critical timing considerations that impact potential profitability.
- **Company Risk:** When investing in stock positions, there is always a certain level of company industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors

specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company can be reduced.

- **Fixed Income Risk:** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk:** When investing in an Exchange Traded Fund or mutual fund, there are additional expenses based on your pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs. Leveraged and inverse ETFs are not suitable for all investors and have unique characteristics and risks. Although there are limited occasions where a leveraged or inverse ETF can be useful for some types of investors, it is extremely important to understand that for holding periods longer than a day, these funds may not give you the returns you expect.
- **Margin Risk:** Clients engaging in margin transactions are borrowing funds to purchase securities using loans for which their portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified and, if the value of securities declines, the client can lose more funds than originally deposited. The lender or custodian may be required to cease trading or liquidate securities in the account to meet a margin call or credit line demand. When using margin as a strategy, the client can lose more than the original investment.
- **Option Risk:** Options on securities can be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Inflation Risk:** The risk is that the rate of inflation will exceed the rate of return on an investment. The investment value itself does not decline but its relative value does.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. ProEquities typically does not recommend purchases of overseas investments.
- **Political Risk:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **Regulatory Risk:** Changes in law and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Concentrated Investment Risk:** Certain investment strategies may be concentrated in a specific sector, industry, or individual security. In this case, a concentrated portfolio will be more likely to sharply increase or decrease in value with changes in the market. This strategy is more volatile because the risk associated with each security represents a large percentage of the overall portfolio.



- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid while real estate properties are not.
- **Financial or Default Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations and service its debts in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value. Ratings provided by several rating services help to identify those companies with more risk.
- **Cybersecurity Risk:** The information and technology systems of ProEquities, its Advisors, and of key service providers to ProEquities and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes, communication transmission failures, misappropriation of information or assets, corrupted data, privacy breaches and interruptions/disruptions to operations, all of which have the potential to contribute to investment account losses and/or negative outcomes (e.g., privacy breach). Although ProEquities, its Advisors, and key service providers have implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for ProEquities, its Advisors, or key service providers to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of and/or access to ProEquities, its Advisors, key service providers or client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.
- **Risk Management Failures:** Although ProEquities attempts to identify, monitor, and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by ProEquities, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, ProEquities may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.
- **Systems and Operational Risk:** ProEquities relies on certain financial, accounting, data processing and other operational systems and services that are employed by the ProEquities and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures, or interruptions. For example, ProEquities and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated, or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by ProEquities and third party service providers to safeguard information in these systems, ProEquities, clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, and liability under applicable law, regulatory intervention, or reputational damage.

Investors should understand there are risks inherent in all financial decisions and transactions, and there is no guarantee investment objectives will be achieved. Our firm makes no promises, representations, warranties or guarantees that any of its services to be rendered will result in a profit. Our firm does not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy our firm may use or the success of our overall management. The values of the account will fluctuate (perhaps significantly) due to market conditions, manager performance and other factors. Using any benchmark or index in connection with the investment management services is no promise that the performance of the plan's particular investments will experience the same results. ProEquities and our Advisors will not be liable for any loss incurred with respect to any client account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action available under applicable securities laws or rights in the event ProEquities and our Advisors breach any fiduciary duty owed.

## Item 9: Disciplinary Information

This section contains information about certain disciplinary matters ProEquities believes are material to a client's evaluation of its advisory business or the integrity of its management. Information relating to these sanctions is available at [www.brokercheck.finra.org](http://www.brokercheck.finra.org) and/or [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

- As part of a voluntary self-reporting initiative in 2019, ProEquities entered into a settlement with the SEC in which the SEC found that ProEquities willfully violated Section 206(2) and 207 of the Advisers Act in connection with inadequate disclosure to clients of its and its associated persons' conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. The SEC ordered ProEquities to cease and desist from committing or causing any violations of Sections 206(2) and 207 of the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$1,852,383.10.

ProEquities, as a broker-dealer, is a member of FINRA and has been found to be in violation of FINRA's rules related to its brokerage activities. ProEquities has consented to sanctions related to the following matters:

- A 2009 sanction by FINRA relating to ProEquities' failure to timely conduct account reviews requested by customers and failure to timely provide refunds to customers, resulting in a fine of \$25,000.
- A 2015 sanction by FINRA relating to ProEquities' failure to apply sales charge discounts to eligible Unit Investment Trust purchases in the amount of \$109,709, resulting in a fine of \$165,000 and restitution of \$109,709.
- A 2016 sanction by FINRA relating to ProEquities' failure to establish, maintain, and enforce adequate written procedures to supervise sales of non-traditional exchange-traded funds, consolidated reports, and registered persons conducting investment advisory business through independent registered investment advisors. The sanction also related to failure to enforce procedures relating to the supervision of variable annuities sales and 1035-exchange transactions. FINRA imposed a \$200,000 fine.
- A 2019 sanction by FINRA relating to the sale to retirement plan and charitable organization customers of improper mutual fund share classes and failure to reasonably supervise the application of sales charge waivers. ProEquities provided restitution to eligible customers of \$152,880.

ProEquities, as a broker-dealer, is regulated by each of the 50 states and has been the subject of orders related to the violation of state laws and regulations in connection with its brokerage activities, including the following matters:

- A 2012 settlement with all 50 states (and Washington DC and the US Virgin Islands) relating to ProEquities' payment of commissions to another registered broker-dealer that was not registered as a broker-dealer in all states. ProEquities paid a fine of \$435,000 allocated among all the states (\$8,207.55 each) according to a predetermined schedule.
- A 2013 sanction by the Indiana Securities Division for failing to engage for a required branch audit and file the audit report by the established deadline, resulting in a fine of \$2,000 plus investigative costs.
- A 2015 settlement with the State of Missouri relating to the firm's supervision of a Missouri couple's account that incurred losses as a result of allegedly unsuitable options transactions. ProEquities reimbursed the clients and paid a fine of \$40,000.
- A 2016 sanction by the State of Arkansas relating to the sale of a security product to an Arkansas resident by a registered representative who was not registered in the state to an Arkansas, resulting in a fine of \$1,000.
- A 2018 sanction by the state of Connecticut relating to inadequately supervising a former registered representative relating to a written, third-party wire request signed by the client to the representative's undisclosed outside business activity. ProEquities paid a \$7,500 fine to the state and reimbursed the client \$90 in fees.

## Item 10: Other Financial Industry Activities and Affiliations

In addition to ProEquities' registration as an investment adviser, ProEquities is also registered as a broker-dealer and sells investment products and services, including stocks, bonds, mutual funds, annuities and other insurance products, and options.

ProEquities is affiliated with the following Protective subsidiaries due to common ownership:

- Protective Life Insurance Company
- West Coast Life Insurance Company
- MONY Life Insurance Company
- Protective Life and Annuity Insurance Company
- Protective Finance Corporation
- Protective Finance Corporations
- Golden Gate Captive Insurance Company

Conflicts are created by financial incentives and/or compensation arrangements between ProEquities and its affiliates in that ProEquities advisors may offer products manufactured by an affiliate. ProEquities manages this conflict by disclosing it and by not paying higher compensation for these proprietary product sales than for sales of products from unaffiliated product manufacturers.

Protective Life Corporation also owns Investment Distributors, Inc., ("IDI") which is a registered broker-dealer that wholesales Protective's variable insurance products. As such, IDI solely distributes products and does not open or maintain customers' accounts or hold customer funds or securities. Although under common ownership, the relationship to IDI does not present a conflict of interest to ProEquities, its Advisors or our clients.

### Affiliation with First Protective Insurance Group

ProEquities is under common ownership with First Protective Insurance Group ("FP"), a licensed insurance brokerage general agency. Some Advisors are licensed life insurance agents with FP and sell insurance products to ProEquities' advisory clients. Your Advisor, when acting in the capacity of a licensed insurance agent, can make implement insurance recommendations for advisory clients electing to receive this service. In this event, Advisors, in their separate capacities as licensed insurance agents, will receive separate and typical commission compensation for insurance and/or annuity sales. The receipt of this compensation creates a conflict of interest when recommending insurance products to their clients in that the compensation received for the sale of insurance products could exceed the compensation received from advisory services. We address this conflict via disclosure.

### Independent Advisor Firms

Certain representatives of ProEquities have their own registered investment advisory businesses. These independent investment advisor firms are separate business entities and are not under common control or ownership with ProEquities or our affiliates. Advisory services and recommendations provided under agreement with an independent investment advisor are solely the responsibility of that advisor, not ProEquities. The independent investment advisor firms market these services under a different marketing name and/or as an outside business activity. However, independent advisor firms can use some of ProEquities' programs and services if they include proper disclosure of such in the independent advisor firm's Form ADV.

## Item 11: Code of Ethics

### Summary and Offer

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, ProEquities has adopted a Code of Ethics that governs a number of conflicts of interest ProEquities has when providing advisory services to clients. ProEquities' Code of Ethics is designed to ensure that ProEquities meets our fiduciary obligations to our clients and to foster a culture of compliance, high standards of ethical conduct and professional excellence throughout the Firm.

The ProEquities' Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that ProEquities keeps clients' interests first at all times. ProEquities distributes the Code of Ethics to each of its supervised persons at the time of his or her initial affiliation with our firm, and annually for as long as he or she remains associated with our firm. ProEquities ensures that updates to the Code of Ethics are communicated to each supervised person as revisions to the Code of Ethics are made.

The ProEquities' Code of Ethics sets forth certain standards of conduct and addresses conflicts of interest among ProEquities and ProEquities' supervised persons and advisory clients. The interest of clients must be placed first at all times. Clients may obtain the Code of Ethics by submitting a written request to [Licensing@ProEquities.com](mailto:Licensing@ProEquities.com).

### **Personal Securities Trading**

ProEquities and its Advisors may purchase or sell for their own accounts securities or other investment products that are also recommended to clients, which may create a conflict of interest. To mitigate that conflict of interest, ProEquities' policy prohibits "trading ahead" of clients' transactions. When Advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions. ProEquities' Code of Ethics requires Advisors to place the interests of clients before their own interests. ProEquities' Compliance Department regularly reviews personnel and Advisor trades in an effort to ensure that their personal trading does not impact trades for clients, and clients receive preferential treatment.

## **Item 12: Brokerage Practices**

### **Introducing Broker-Dealer**

For accounts on the AMP platform, the IBD will either be PAS or ProEquities. PAS is an affiliate of Pershing and both are subsidiaries of BNY Mellon.

- For AMP accounts opened prior to approximately April 1, 2021, ProEquities serves as the IBD. Beginning in the 1<sup>st</sup> quarter of 2021, ProEquities and PAS began a conversion campaign ("conversion campaign") in which existing AMP account holders could elect to transition their accounts to have PAS serve as the IBD. The conversion is expected to occur during late May/early June 2021 ("conversion date"). Accounts that do not affirmatively consent to convert to PAS will continue to utilize ProEquities as the broker-dealer with Pershing remaining as the custodian.
- On or around April 1, 2021, all newly opened accounts will have PAS as the IBD.
- Both ProEquities and PAS will continue to use Pershing as the custodian.

Pershing assesses ticket charges for certain transactions unless transaction costs are included in the asset-based platform fee. When ProEquities acts as the IBD, it adds a markup to the ticket charges assessed by Pershing. This markup helps compensate ProEquities for the services it provides in relation to your account. The receipt of ticket charge revenue by ProEquities may be viewed as a conflict of interest. We mitigate this conflict by disclosing it, disclosing the total amount of the ticket charges imposed, and by not sharing any ticket charge revenue with the Advisor recommending transactions or strategies. We also require there be a review of the client's account at account opening and periodically afterwards to ensure it is suitable in light of matters such as investment objectives and financial circumstances.

Advisor-directed accounts in the CAM Program allow the Advisor to absorb transactions charges or pass them to the client. In cases where the ProEquities Advisor pays the transaction charges, the Advisor has an incentive to trade less frequently and/or to use securities that do not incur transaction charges, resulting in lower transaction charges to the ProEquities Advisor. We mitigate this conflict by disclosing it and by monitoring activity in client accounts and requiring that Advisor document the account reviews they conduct with clients, and other ongoing advice that may not result in transactions in a specific client account. Additionally, the Advisor may choose to absorb transaction charges for some customers but not others, which would result in some customers paying less in fees than other similarly situated clients. We manage this conflict by disclosing it to you.

Please see the Wrap Fee Brochure for a schedule of fees and ticket charges applicable to accounts.

## Comparison of Costs: PAS and ProEquities

ProEquities expects that, generally, client costs and fees should be lower for accounts in which PAS serves as IBD. As such, ProEquities has an incentive to remain as IBD to continue collecting fees. ProEquities has launched a conversion campaign to encourage all existing account holders to convert to PAS. ProEquities expects that at some point it will no longer serve as an IBD for any accounts and will require existing accounts either to convert to PAS, convert to a brokerage account, or close.

ProEquities received a payment from PAS for allowing PAS to serve as the IBD. This payment is conditioned on the transfer of a specified level of assets to PAS as IBD. If the level of assets does not reach the specified level, or declines by more than 25%, ProEquities will be required to repay some portion of the payment received from PAS. This creates an incentive for ProEquities to encourage AMP account holders to transfer to PAS. We mitigate this conflict by disclosing it and by noting that clients generally should receive more favorable pricing (i.e., lower fees) from PAS than they receive when ProEquities is the IBD.

The revenue ProEquities currently earns in its role as IBD will decline for accounts that convert to PAS as the IBD. Among the primary revenue sources ProEquities will no longer collect or will experience a decline in collections:

- ProEquities will no longer mark-up ticket charges, a lost revenue source;
- ProEquities will not mark-up other Pershing charges, a lost revenue source;
- ProEquities will not receive any revenue sharing payments from cash sweep investments, a lost revenue source;
- ProEquities will not receive NTF revenue for investments in NTF funds, a lost revenue source; and
- The amount of the platform fee ProEquities collects on new UMA, Strategists, and SMA accounts opened on or after approximately April 1<sup>st</sup> will decrease, thereby decreasing that revenue stream.

Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of PAS advisory account service fees.

Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of ProEquities advisory account service fees.

Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of ProEquities brokerage account service fees.

As discussed in Section 5, not all advisory clients pay the same platform fees. The fee schedules for the SMA, UMA, and Advisors Choice programs referenced in this document (and the Wrap Brochure) reflect the current platform fees that new customers pay. Existing customers in SMA, UMA, and Advisors Choice platforms who convert to PAS as part of the conversion campaign will not receive the lower platform fees and instead will continue to pay the platform fee in effect at the time they opened their initial accounts unless they take affirmative action (outlined below). Please refer to your advisory account opening paperwork (and the Statement of Investment Selection) for the platform fee schedule applicable to your account.

Existing SMA, Advisors Choice, and UMA customers may elect to receive the benefit of lower platform fees by making an affirmative change to your advisory program AFTER the conversion date of your account (which is expected to be in late May 2021). The requirements follow:

1. Your account currently must be in an Advisors Choice SMA, Strategist, or UMA program or you must move into one of these three programs after the conversion date;
2. If you currently are in SMA, Choice Strategist, or UMA, after the conversion date you must either:
  - a. effect a manager change;
  - b. change your risk profile;
  - c. change from one program (e.g., SMA) to another program (e.g., UMA); or
  - d. revise the amount of the advisor fee paid (increase or decrease)
3. If you are in PreTrade, PreTrade Plus, ProTrade, ProTrade Plus, or CAM, you must move to either a SMA, Choice Strategist, or UMA account. Please keep in mind that the platform fee for the SMA, Choice Strategist, and UMA programs are higher than those for the PreTrade, PreTrade Plus, ProTrade, ProTrade Plus, and CAM programs.

Charging a higher platform fee to existing customers is a conflict because ProEquities earns more revenue from the higher platform fee. We manage this conflict by disclosing it to you and by detailing the actions you can take with respect to your account to receive the lower pricing. We also manage this conflict by noting that clients who convert as part of the conversion campaign generally will receive the benefit of lower overall account fees (excluding the platform fee). We also manage the conflict by noting the platform fee charged to your account was disclosed to you at the time of account

opening. Finally, we manage the conflict by not sharing the higher platform fee with the Advisor, thereby eliminating an incentive to keep your account in a program with higher platform fees.

## **Best Execution**

ProEquities seeks to obtain, through its clearing firm, the best combination of net price and execution when effecting brokerage transactions for client accounts. ProEquities periodically and systematically reviews Pershing's execution quality and ProEquities' processes to ensure ProEquities continues to meet its best execution obligations for its clients.

In placing orders for the purchase and sale of securities and directing brokerage to effect these transactions, an investment manager's primary objective is to obtain best qualitative execution for clients in each client transaction so that the client's cost per transaction is the optimal combination of price and service considering all relevant factors, including, but not limited to, the type of security, timeliness of execution, efficiency of execution, and any other relevant consideration. As such, an investment manager may choose to execute "step-out" trades as discussed below.

## **Step-Out Trading**

Occasionally, Third Party Managers participating in some Advisors Choice Strategist, SMA and UMA Programs have the authority to effect transactions through a broker-dealer other than Pershing when the manager reasonably believes that such other broker-dealer may effect such transaction at a price, including any mark-ups or mark-downs and/or other fees and charges, that is more favorable to the account than would be the case if transacted through Pershing. This practice is frequently referred to as "step-out trading." Step-out trades may be executed without additional cost, but in certain instances, the executing broker-dealer may impose a commission, mark-up, or mark-down on the trade. If a third party manager engages in a step-out trade and the executing broker-dealer assesses a commission or equivalent fee on the trade, the client will incur trading costs that are in addition to the platform fees paid by the client to participate in AMP. Brokerage costs incurred in step-out trades are reflected in the net purchase or sale price shown on the trade confirmation that the client will receive for the particular step-out trade but are not disclosed separately in the trade confirmation.

Step-out trading practices differ among third party managers; some third party managers do not engage in step-out trading, while others engage in step-out trades for some or all transactions at no additional cost or for various additional costs. Third party managers who engage in step-out trades may be more costly to a client than third party managers who do not engage in step-out trades. Clients should review the third party manager's Form ADV Part 2A Brochure, inquire about the third party manager's trading practices and associated trading costs, and consider this information carefully before selecting a third party manager. Clients should review these step-out trading practices and the criteria used in selecting broker-dealers with their Advisors. Clients may also wish to contact their Advisor to determine if other third party managers on the platform provide a similar strategy at a lower cost. Please refer to our Step-Out Trading Disclosure on the Disclosures page of ProEquities' website for a list of the third party managers' strategies and the associated costs.

## **Principal Transactions**

ProEquities does not conduct Principal or Agency Cross transactions for advisory client accounts. However, certain unaffiliated third party money managers offered through ProEquities may conduct such transactions. Customers participating in a program offered by an unaffiliated third party money manager should consult the disclosure brochures provided by those money managers. Please reference the applicable ProEquities Wrap Fee Brochure and client's advisory agreement for more information on potential conflicts of interest related to such transactions.

## **Trade Errors**

ProEquities endeavors to identify and correct trade errors as soon as possible. When we identify a trade error, we will correct the error promptly with the goal of restoring the account back to the same condition that would have resulted if the error had not occurred. Losses associated with trade errors that are not caused by the Client will be borne by ProEquities or the Advisor. Under some circumstances, our correction of an error could result in a gain. If the error correction results in a gain, we retain the gain. For purposes of determining the gain or loss, related transactions are corrected in the aggregate so that profits offset associated losses; a Client may not elect to ratify only those portions of a related transaction that are profitable.

## **Item 13: Review of Accounts**

For Advisor-managed platforms (CAM, PreTrade, PreTrade Plus, ProTrade, ProTrade Plus), Advisors are in charge of providing all investment advice and conducting ongoing reviews of all accounts for their respective client accounts. For third party managed accounts, (including UMA, Choice Strategist, and Choice SMA), Advisors are also in charge of selecting and/or recommending third party investment advisers to their respective clients. For accounts managed by TAMPs, the TAMP is responsible for managing the account and will conduct reviews. The Advisor will monitor the performance of the TAMP.

Although not every Advisor provides an annual review to every client, ProEquities encourages you to request such a review to discuss such things as account performance, changes in your investment objectives, goals and financial situation, tax planning, estate planning, retirement planning and any other questions you have concerning your portfolio. If you receive only financial planning services, you generally are charged a separate fee for meetings with your Advisor. ProEquities also requires the client, in our standard client agreement, to inform their Advisor promptly of any changes to their information, including changes to financial situation or investment objectives and policies.

In addition to the reviews provided by Advisors, ProEquities reviews accounts at the time of opening to determine whether the account opened is in your best interest. ProEquities conducts surveillance of accounts in the aggregate to review for compliance with certain factors, including risk alignment and minimum trading.

### **Performance Reports**

The client will receive confirmations of all transactions and statements no less frequently than quarterly from the designated custodian. The confirmations include information such as account value, transactions, and other relevant account information. The custodian also sends out year-end tax documents, if applicable. Performance reports are made available by the respective platform provider. ProEquities' Advisors and our home office personnel are typically available during normal business hours to answer questions or concerns a client may have.

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

For a description of the economic benefits received by ProEquities and Advisors from entities who are not clients, as well as conflicts of interest created by those benefits and how they are addressed, please see Item 5, Fees and Compensation, above.

### **Solicitors Referring Clients to ProEquities**

ProEquities and its Advisors enter into arrangements with individuals ("Solicitors") who will refer clients that are candidates for investment advisory services to ProEquities. In return, ProEquities agrees to compensate the solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with ProEquities. Compensation to the Solicitor will be an agreed upon percentage of ProEquities' investment advisory fee or a flat fee depending on the type of advisory services ProEquities provides to clients. Not all Advisors work with Solicitors. In fact, most Advisors do not use Solicitors. ProEquities' referral program will be in compliance with federal or state regulations (as applicable). All solicitation/referral fees are paid pursuant to a written agreement retained by both ProEquities and the Solicitor. Solicitors are required to provide the client with a copy of ProEquities' Form ADV Part 2A and a Solicitor Disclosure Statement at the time of solicitation and ProEquities will obtain acknowledgement from the client of receiving those disclosures. Acknowledgement must be obtained prior to or at the time of entering into any investment advisory contract with ProEquities. Solicitors are not permitted to offer clients any investment advice on behalf of ProEquities. The advisory fee charged to clients can increase as a result of compensation being shared with the Solicitor.

### **Marketing Arrangements with Financial Institutions**

ProEquities has established and will continue to establish marketing arrangements with banks, credit unions and other financial institutions. In certain circumstances, investment advisory services of ProEquities are also marketed through these banks, credit unions and other financial institutions, provided that such marketing is done in compliance with applicable SEC and state regulations. Further, some Advisors conduct business from an affiliated bank or other financial institution. As a result of these marketing agreements, the financial institution receives compensation representing payment for the use of the facilities and equipment of the financial institution(s), in the form of program support or rent payment

and/or a portion of advisory fees or securities commissions paid to the Advisors/Registered Representatives for sales to customer/members of the financial institution.

These relationships create compliance issues relative to consumer protection. The joint guidelines of regulators of the depository institution call for, at a minimum, both written and verbal disclosure at or prior to the time securities products are purchased or sold that such securities products:

- Are not insured by the Federal Deposit Insurance Corporation (FDIC), or any other federal or state deposit guarantee fund or other government agency;
- Not endorsed or guaranteed by the bank or credit union or their affiliates;
- Are not deposits or obligations of the depository institutions and are not guaranteed by the depository institutions;
- Investments and securities are subject to investment risks, including possible loss of principal invested.

## **Item 15: Custody**

### **Custodian**

ProEquities requires all AMP accounts be established and held through either ProEquities or PAS as the IBD (as described in Section 12). In both cases, trades are executed and cleared through our custodian, Pershing, pursuant to a fully disclosed clearing agreement. PAS is not affiliated through ownership with ProEquities but is affiliated with Pershing. Under normal circumstances, ProEquities does not allow clients to direct brokerage to other firms or custodians.

As custodian of your brokerage account, Pershing is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities for your account
- The extension of margin credit upon approval

As a registered broker-dealer, custodian is subject to the rules and regulations of the SEC, FINRA, and other exchanges of which custodian is a member, and the MSRB. Custodian is also a member of SIPC. The factors considered in selecting Pershing (as the custodian) and PAS (as an IBD) include Pershing's expertise as a clearing firm, the existing broker-dealer clearing relationship ProEquities has with Pershing, the firms' financial strength, reputation, reporting and technology capabilities, their ability to work with broker-dealers and investment advisers who have independent contractors, and their execution pricing.

ProEquities and PAS only execute your transactions through Pershing for its AMP programs. Other clearing firms may offer less expensive execution of customer transactions, and in certain circumstances, execution of customer transactions on better terms. This creates a conflict of interest, as ProEquities routes your orders through Pershing for its own contractual arrangements, including the compensation arrangements described herein, without regard to whether your transaction could be executed for less cost and on better terms at another clearing firm.

### **Revenue Received from Custodian**

Through the relationships with custodian and PAS, we receive substantial economic and non-economic benefits. These benefits include, but are not necessarily limited to:

- A dedicated service group and a Relationship Manager
- Receipt of duplicate confirmations and bundled duplicate statements
- Online access for clients to access their account information
- Availability of third-party research and technology
- Access to trading and capital markets desks
- Access to operational and platform solutions that are integrated with custodian's offerings
- Trading and custodial experience
- The ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- Electronic download of trades, balances, and position information
- Access to an electronic communications network for client order entry and account information



- Revenue sharing from investment in NTF mutual funds offered on the Pershing Fundvest platform
- Revenue sharing from cash sweep programs
- Revenue sharing from ticket charges
- Revenue from the mark-up of Pershing fees imposed on non-transactional or incidental services

For accounts custodied at Pershing, clients will pay incidental charges including, but not limited to, the following: annual check writing and debit card fees on Corestone accounts; wire fees; check stop payment fees; returned check fees; ACH return fees; security transfer and redemption fees; transaction fees assessed by regulatory agencies or exchanges; transaction processing fees assessed by ProEquities' clearing firm; reorganization processing fees; trade confirmation fees; outgoing account transfer fees; margin extension fees; margin debit interest; non-purpose loan interest, IRA annual maintenance and IRA termination fees; amounts charged to produce year-end statements and account reports; paper surcharge fees; foreign security transaction fees; initial document review and ongoing annual service fees for special products, including but not limited to limited partnerships; mail courier fees; and bank charges and/or other transactions charges related to processing. These charges are assessed against the customer's account and include a mark-up imposed by ProEquities. This mark-up is a source of revenue to the firm.

ProEquities also receives a portion of any custodial fees charged to qualified plans and IRAs, any mutual fund positions held at the custodian, and other types of compensation from the custodian related to assets held or transactions placed through the custodian. We address these conflicts of interests by disclosing them and by not sharing any of these revenues with the ProEquities Advisor that recommends transactions or strategies (besides the advisor fee).

Additionally, ProEquities receives reimbursements for account transfer costs clients incur associated with account transfers to Pershing that represent new assets for the custodian. These account transfer cost reimbursements may not be offered or available to all new clients transferring their assets. This creates a conflict of interest for the Advisor because he or she could select which clients receive the benefit of the transfer cost reimbursement. We attempt to manage this conflict by disclosing it to you.

### **Account Statements and Possession of Funds or Securities**

Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements. When clients have questions about their account statements, they should contact their Advisor or the qualified custodian preparing the statement. Clients can also receive reports regarding their accounts from their Advisor. Such reports are not considered a replacement for custodial statements. Clients are urged to compare any reports generated and delivered from their Advisor against the account statements delivered from the qualified custodian.

Please note that payment for fees, securities and any other items cannot be made payable to an Advisor, their staff members or entities owned by them. Payment for the purchase of securities and for the purpose of funding an account must be made payable to the account's qualified custodian.

ProEquities and its Advisors generally do not take possession of client funds or securities. However, in certain asset management programs, clients have authorized us to deduct advisory fees from their accounts. While ProEquities and its Advisors do not accept authority to take possession of client assets, this level of account access is considered "custody" under Advisers Act rules. Additionally, ProEquities allows clients to grant authority to their Advisors to initiate transfers of funds and securities on the client's behalf, including transfers to third parties, through standing written authorizations. The SEC has determined that this capability is considered "custody" under Advisers Act rules.

### **Third Party Manager Direct (TAMP) Custody**

For those investments in third party money manager programs, ProEquities does not have custody of client funds and/or securities. Clients should carefully review the third party manager's disclosures and advisory agreements to determine who the third party money manager names as custodian, and if the third party money manager has custody of those assets. ProEquities urges its clients to carefully review all statements and performance reports provided to them, as statements from custodians may vary based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

The following ProEquities wrap fee programs are discretionary: ProTrade, ProTrade Plus, and CAM for nonqualified accounts. ProEquities clients in these programs grant discretionary authority at the inception of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for a client's account. The discretion granted under the client's investment advisory services agreement is limited to trading in securities in the client's account; and does not allow for the withdrawal of client funds or securities, with the exception of the withdrawal of funds to pay for the agreed-upon advisory and/or management fees.

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

## **Item 17: Voting Client Securities**

Neither ProEquities nor its Advisors vote proxies on a client's behalf or provide advice about how to vote proxies for securities held in the wrap fee accounts offered through ProEquities' AMP or third party TAMP platforms. Neither ProEquities nor its Advisors advise the client or act on behalf of the client in any legal proceedings, including bankruptcies involving securities held or previously held in these accounts or the issuers of those securities.

ProEquities does not vote proxies on a client's behalf; however, certain unaffiliated third party money managers offered through ProEquities may vote proxies. Customers participating in third party manager programs should consult the advisory agreement and brochures for those managers to ascertain the extent to which those managers may vote proxies. Please reference the applicable ProEquities' Wrap Fee Brochure and the advisory agreement for more information on whether and how such third party managers will vote proxies.

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

## **Item 18: Financial Information**

ProEquities does not require prepayment of fees of more than \$1,200, per client, and six months or more in advance, and is not required to provide an audited balance sheet for its most recent financial fiscal year.

As a registered investment adviser that has discretionary trading authority for some client accounts, ProEquities is required, per Rule 206(4)-4, to disclose any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to its clients. To the best of ProEquities' knowledge, the firm has no financial condition that is reasonably likely to materially affect its ability to meet contractual obligations. The firm has not been the subject of bankruptcy proceedings.

ProEquities has adopted a Business Continuity Plan ("BCP") that provides for the continuation of business critical functions in the event its headquarters becomes partially or totally inaccessible. Our BCP is subject to modification at any time. For further details, please review our BCP at [www.proequities.com/disclosures](http://www.proequities.com/disclosures).

**Item 1: Cover Page**



(doing business as Investment Advisors)

**AMP Wrap Fee Brochure  
Form ADV Part 2A - Appendix 1**

2801 U.S. Highway 280 South  
Birmingham, Alabama 35223  
800-288-3035  
[www.proequities.com](http://www.proequities.com)

March 15, 2021

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This Wrap Fee 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 (“SEC”) or by any governmental authority.

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

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

## Item 2: Material Changes

For this filing and all future filings, this Item 2 provides a summary of material changes made to the brochure since the last annual update.

### **Transition to Pershing Advisor Solutions as Introducing Broker-Dealer**

ProEquities and Pershing Advisor Solutions (“PAS”) have contractually agreed that PAS will become the introducing broker-dealer (“IBD”) for accounts on the Advisory Management Plus Platform (“AMP”) beginning in 2021. PAS is an affiliate of our custodian, Pershing (“Pershing” or “custodian,”) and both are subsidiaries of BNY Mellon. This agreement does not affect Pershing’s status or role as custodian, which continues uninterrupted.

The timing of the transition from ProEquities to PAS is as follows:

- For AMP accounts opened prior to approximately April 5, 2021, ProEquities serves as the IBD. This will change for at least some accounts, beginning in the 2<sup>nd</sup> quarter of 2021, because ProEquities and PAS began a conversion campaign in which existing AMP account holders could elect to transition their accounts from ProEquities to PAS. Account holders making this election will then be serviced by PAS as the IBD. The conversion is expected to occur during late May/early June 2021. Accounts that do not affirmatively consent to convert to PAS will continue to utilize ProEquities as the IBD with Pershing remaining as the custodian.
- On or around April 5, 2021, all new accounts on AMP will have PAS as the IBD.
- Both ProEquities and PAS will continue to use Pershing as the custodian.

The expectation is that PAS will eventually replace ProEquities as the IBD on all AMP accounts.

For a more detailed explanation of changes related to the PAS conversion, please see the sections entitled “Custodian” and “Introducing Broker-Dealer” in Item 4 (Services, Fees, and Compensation) beginning on page 15.

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## Item 4: Services, Fees, and Compensation

### General Information

ProEquities, Inc. (“ProEquities” or the “Firm”) is a registered broker-dealer and registered investment adviser and serves as the sponsor of, and in some cases as a portfolio manager for, wrap fee investment programs. ProEquities is a wholly-owned subsidiary of Protective Life Corporation, which is wholly owned by Dai-ichi Life Insurance Company, Limited (“Dai-ichi”) since February 2015.

We provide investment advice through investment adviser representatives (“Advisors”) who are associated with us as independent contractors and business owners. Representatives of ProEquities’ investment advisory business are also registered as independent contractor representatives with ProEquities’ registered broker-dealer (member FINRA/SIPC), which allows them to offer brokerage products and services to clients. An Advisor who is appropriately registered may offer a client both investment advisory and brokerage services. Before engaging with an Advisor, clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves your investment needs and goals. Clients should speak to the Advisor to understand the different types of services available through ProEquities. ProEquities, through its Advisors, provides investment advice and management on assets in your account. Each Advisor is responsible for maintaining their client relationships.

It is important to understand the services you can expect to receive, the costs associated with each of these different types of accounts, and the relationships with ProEquities and your Advisor. These services are described below and in ProEquities’ Form CRS, Regulation Best Interest Disclosure Document, and Forms ADV, Part 2A, which are available on ProEquities’ website at [www.ProEquities.com/Disclosures](http://www.ProEquities.com/Disclosures).

This Wrap Program Brochure is to inform our clients about ProEquities’ wrap programs offered through the firm’s Advisory Management Plus (“AMP”) platform. If a client is interested in learning more about any other advisory programs and services that ProEquities offers, please refer to Item 4 of the ADV Part 2A Brochure. As an RIA, ProEquities acts as the sponsor of wrap fee programs offered on AMP. By way of definition, a wrap fee program bundles, or “wraps,” investment advisory services (which, depending on the program, may include investment advice concerning the selection of available investment managers, research, and asset management services) and brokerage services (such as custody, reporting, and potentially execution of transactions depending on the program), for a specified “wrap” fee.

### The Advisory Management Plus (AMP) Platform

Advisors offer investment management services through the selection of a ProEquities-sponsored wrap fee program managed by the Advisor, ProEquities as the Portfolio Manager, or with access to unaffiliated third party 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 assist the client to meet his or her objectives and risk/return tolerance; as well as continual 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 Advisor will review with each client their investment objectives and risk/return tolerance and may recommend investment in the appropriate ProEquities-sponsored wrap fee program. Some Advisors manage each account to models they have created; others customize each account to each client. The advisory services offered are tailored to the individual needs of each client, taking into consideration the client’s risk tolerance, investment objective, time horizon, and other factors. Clients may impose restrictions on investments in certain securities or types of securities; however, such restrictions may impact the performance of the account. Such requests must be submitted to ProEquities in writing.

Administrative, website, performance reporting, transaction order entry and other services are provided to ProEquities by outside service providers and sub-advisors. A client grants us the discretionary authority to select one or more sub-advisors to provide those services to clients and our firm. Envestnet Asset Management, Inc. (“Envestnet”), an unaffiliated third party investment adviser, provides these sub-advisory services in the ProEquities AMP Platform. Clients establishing AMP Platform accounts receive a copy of Envestnet’s Disclosure Brochure in addition to our firm’s Wrap Fee Brochure.

### AMP Platform Programs

ProEquities offers a group of investment advisory services and programs to its Advisors to use with their clients, which are designed to accommodate a wide range of investment philosophies, goals, needs and investment objectives. The AMP

Platform offers two broad categories of fee-based managed account programs: Advisor Managed and Third Party Managed accounts, as follows:

ADVISOR MANAGED ACCOUNT PROGRAMS	THIRD PARTY MANAGED ACCOUNT PROGRAMS
<ul style="list-style-type: none"> <li>• Capital Asset Management</li> <li>• PreTrade Program</li> <li>• PreTradePlus Program</li> <li>• ProTrade Program</li> <li>• ProTradePlus Program</li> </ul>	<ul style="list-style-type: none"> <li>• Advisor's Choice Separately Managed Account Program</li> <li>• Advisor's Choice Strategist Program</li> <li>• Unified Managed Account Program</li> </ul>

## AMP Program Fees

The wrap fee is based generally upon a percentage of the assets under management in the account and not directly upon transactions in the client's account. The client will pay a graduated fee based on the level of assets in the client's account including or excluding ticket charges depending on the selected program. The wrap fees differ per program and will either include or exclude transaction execution fees ("ticket charges"). The fees vary among wrap fee programs and are subject to negotiation.

For investment advisory services provided by ProEquities and the Advisor on AMP, accounts are charged a single management "wrap fee," which consists of two components: the "advisory fee" and the "platform fee." A third charge, ticket charges, will apply for certain programs. Each of these is discussed below:

- The **advisor fee** is for the financial advice offered by ProEquities, through the client's selected Advisor. Fees, fee structure, and experience may vary by Advisor. Therefore, two Advisors may provide similar services with different fee schedules, resulting in their clients paying higher or lower fees than other clients.
- The **platform fee** covers safekeeping and custodial fees, reporting, and in some cases trade execution fees (ticket charges---see below). The platform fee is calculated on a graduated basis based on the amount of assets in a client's account and/or the client's household total asset level, in accordance with the applicable Program's fee schedule below. The platform fee commences when the assets are invested by a third party manager or when the Advisor initiates billing. Clients should consult their Advisor if there are any questions regarding the calculation of the fee.

## Ticket Charges

In addition to the wrap fee, clients in certain programs identified below (PreTrade Plus, ProTrade Plus, CAM) will pay ticket charges. Ticket charges are fees generated anytime a trade is executed in an account. Ticket charges may vary depending upon several factors, such as type of security and the size of the trade to be executed. Tables that list the applicable ticket charges by wrap program can be found under the Advisory Fees section of this Brochure, below. In instances where ProEquities serves as the IBD, Pershing credits ProEquities a portion of the ticket charge, which becomes a revenue source for us. ProEquities does not share any ticket charge revenue with the Advisor. In programs that pay the ticket charges, more frequent trading results in higher aggregate ticket charges. If you anticipate your account engaging in frequent trading, please check with your Advisor to determine whether it is more appropriate for you to be in an advisory program (e.g., PreTrade or ProTrade) with a platform fee that includes ticket charges.

The fee schedules associated with each of the advisory fee programs offered through the ProEquities AMP platform are described below. The fee is calculated at the beginning of each month based on the value of account assets under management as of the close of business on the last day of the preceding month and takes into account any inflows or outflows of \$1,000 or more. The assets are valued by Pershing, based on Pershing's books and records. Management fees are deducted in advance with the exception of the initial fee. The initial fee is billed in arrears, prorated based on the number of days that management services were provided during the first month. This initial fee is billed at the same time the first full month's fee is billed in advance.

## Capital Asset Management Program (CAM) (not open to new accounts)

CAM is an Advisor managed program where the Advisor has discretionary or non-discretionary trading authority over the account, except for qualified accounts (i.e. IRAs, 401Ks, etc.) where all accounts are non-discretionary. A discretionary account authorizes the Advisor to execute trades without consulting the client prior to each trade; a non-discretionary

account requires the Advisor to obtain the client's consent prior to executing each trade. The minimum investment amount required for the CAM advisory fee program offered through ProEquities is \$25,000. Due to the differences in ticket charges in CAM vs. other programs, clients may have expenses that are lower or higher than other AMP programs.

An advisory wrap fee (consisting of the advisor fee and the platform fee) is billed to the client's advisory account for providing a bundle of services, including but not limited to investment advice, investment research, and custody services.

CAM Fee Schedule				
Invested Amount Range			Maximum Advisor Fee	Platform Fee
First	0.01	\$ 25,000.00	2.00%	0.25%
Next	25,000.01	\$ 49,999.99	2.00%	0.23%
Next	50,000.00	\$ 99,999.99	2.00%	0.20%
Next	100,000.00	\$ 249,999.99	2.00%	0.18%
Next	250,000.00	\$ 499,999.99	1.75%	0.13%
Next	500,000.00	\$ 749,999.99	1.50%	0.10%
Next	750,000.00	\$ 999,999.99	1.25%	0.09%
Next	1,000,000.00	\$ 1,999,999.99	1.00%	0.05%
Next	2,000,000.00	and over	1.00%	0.04%

### CAM Ticket Charges

In addition to paying the fees identified above in the Fee Schedule, CAM account holders also pay ticket charges for each transaction. We disclose the amount of the ticket charges below in the CAM Fee Schedule chart. As indicated in the chart, the fees vary by product and by introducing broker-dealer. When PAS serves as IBD, the fees generally are lower than they are when ProEquities serves as IBD.

Advisors have the option to absorb (i.e., pay) the cost of ticket charges related to client trades themselves or they may determine to pass along that expense to the client. When the Advisor pays the ticket charge, he or she has an incentive to trade the account less frequently to minimize the ticket charge fees he or she pays. ProEquities manages this conflict by disclosing it and by monitoring these accounts for minimum trading requirements. Additionally, the Advisor may choose to absorb ticket charges for some customers but not others, which would result in some customers paying less in ticket charges than other similarly situated clients. We manage this conflict by disclosing it to you.

CAM Fee Schedule		ProEquities as Introducing Broker-Dealer		PAS as Introducing Broker-Dealer
TRANSACTION		AMP Trades	Phone Trades	All Trades with PAS
<b>Mutual Funds</b>	No Load Mutual Funds	\$18.00	\$28.00	\$7.00 (1)
	FundVest No-Transaction Fee Funds (NTF)*	\$0.00		\$0.00
	Transaction Fee Funds	\$18.00	\$28.00	\$7.00 (1)
	Mutual Fund Exchanges	\$7.50	\$17.50	\$10.00
	Periodic Investments	\$2.50	\$2.50	\$15.00 per event
<b>Equities</b>	Listed Equities	\$16.00	\$26.00	\$4.95
	OTC Equities	\$16.00	\$26.00	\$4.95



<b>Fixed Income</b>	Corporate & Municipal Bonds	\$18.00		\$7.00
	Treasury & Government Agency Bonds	\$18.00		\$7.00
	Mortgage Backed when Issued	\$10.00		\$7.00
	Dollar Cost Averaging & Systematics using SRS System	\$2.50		\$15.00 per event
<b>Options</b>	Equity & Index Purchases	\$1/Contract		\$1.50/Contract (2)
	Debt & Currency Purchases	\$2.40/Contract		\$1.50/Contract (2)
	Exercise & Assignment	\$16.00	\$26.00	\$25.00
<b>Other</b>	Money Market Investments	\$12.00		N/A
	Unit Investment Trusts	\$33.00		\$10.00
	Alternative Investments	\$50.00		\$50.00

\*Initial minimum purchase and redemption requirements must be met

(1) Certain funds within FundServ Program will be \$17/ticket

(2) Minimum charge per transaction per account is \$8

### PreTrade

PreTrade is a non-discretionary advisor-managed program, which means that an Advisor must obtain your consent prior to executing each transaction. Advisors have access to several investment products, including mutual funds, ETFs, stocks, bonds, unit investment trusts (UITs), and alternative products to build portfolios based on a client's risk tolerance, time horizon, goals, and objectives. Advisors are responsible for due diligence, asset allocation, trading, and rebalancing. Clients in the PreTrade program pay a wrap fee that consists of the advisor fee and the platform fee. PreTrade also includes execution services, which means that clients do not pay separate ticket charges per transaction. The platform fee for PreTrade is higher than the platform fee for PreTrade Plus because of the inclusion of execution services. Please see the chart below for the fees applicable to both PreTrade and ProTrade accounts.

### ProTrade

ProTrade is fundamentally similar to PreTrade with the exception that it is a discretionary advisor-managed program, which means that an Advisor need not obtain your consent prior to executing each transaction. Advisors have access to mutual funds, ETFs, stocks, bonds, UITs, and alternative investments to build portfolios based on a client's risk tolerance, time horizon, goals, and objectives. Advisors are responsible for due diligence, asset allocation, trading, and rebalancing. Customers in the ProTrade program pay a wrap fee that consists of the advisor fee and the platform fee. ProTrade also includes execution services, which means that clients do not pay ticket charges per transaction. The platform fee for ProTrade is higher than the platform fee for ProTrade Plus because of the inclusion of execution services. Please see the chart below for the fees applicable to both PreTrade and ProTrade accounts.

PreTrade and ProTrade Fee Schedule				
Investment Amount (\$)			Maximum Advisor Fee	Platform Fee
First	\$ 0.01	\$ 99,999.99	2.00%	0.28%
Next	100,000	\$ 249,999.99	2.00%	0.25%
Next	250,000	\$ 499,999.99	2.00%	0.21%
Next	500,000	\$ 999,999.99	1.75%	0.16%
Next	1,000,000	\$ 2,999,999.99	1.50%	0.10%
Next	3,000,000	\$ 4,999,999.99	1.50%	0.08%
Next	5,000,000	and over	1.00%	0.07%

The minimum initial investment in a PreTrade or ProTrade account is \$25,000. Envestnet charges a minimum annual fee of \$20 for account balances that fall below \$31,000. ProEquities charges a \$30 annual fee if the balance falls below \$21,500.

### PreTrade Plus

PreTrade Plus is conceptually similar to the PreTrade program in that it is a non-discretionary advisor-managed program, which means that an Advisor must obtain your consent prior to executing each transaction. Advisors have access to mutual funds, ETFs, stocks, bonds, UITs, and alternative investments to build portfolios based on a client's risk tolerance, time horizon, goals, and objectives. Advisors are responsible for due diligence, asset allocation, trading, and rebalancing. Customers in the PreTrade program pay a wrap fee that consists of the advisor fee and the platform fee.

PreTrade Plus differs from the PreTrade program in that customers also pay ticket charges. Because of this, the platform fee for PreTrade Plus is lower than the platform fee for PreTrade. Again, customers pay ticket charges for each transaction in a PreTrade Plus account. Please see the charts below for the fees applicable to both PreTrade Plus and ProTrade Plus accounts.

### ProTrade Plus

ProTrade Plus is conceptually similar to the ProTrade program in that it is a discretionary advisor-managed program, which means that an Advisor need not obtain your consent prior to executing each transaction. Advisors have access to mutual funds, ETFs, stocks, bonds, UITs, and alternative investments to build portfolios based on a client's risk tolerance, time horizon, goals, and objectives. Advisors are responsible for due diligence, asset allocation, trading, and rebalancing. Customers in the ProTrade program pay a wrap fee that consists of the advisor fee and the platform fee.

ProTrade Plus differs from the ProTrade program in that customers also pay ticket charges. Because of this, the platform fee for ProTrade Plus is lower than the platform fee for ProTrade. Again, customers pay ticket charges for each transaction in a ProTrade Plus account.

PreTradePlus and ProTradePlus Fee Schedules				
Investment Amount (\$)			Maximum Advisor Fee	Platform Fee
First	\$ 0.01	\$ 99,999.99	2.00%	0.20%
Next	100,000	\$ 249,999.99	2.00%	0.17%
Next	250,000	\$ 499,999.99	2.00%	0.16%
Next	500,000	\$ 999,999.99	1.75%	0.12%
Next	1,000,000	\$ 2,999,999.99	1.50%	0.08%
Next	3,000,000	\$ 4,999,999.99	1.50%	0.06%
Next	5,000,000	and over	1.00%	0.05%

\* The minimum initial investment in a PreTrade Plus or ProTrade Plus account is \$25,000. Envestnet charges a \$30 annual fee for account balances below \$31,000. ProEquities charges an annual fee of \$30 if the account balance falls below \$21,500.

### PreTradePlus and ProTradePlus Ticket Charges

In addition to the fee schedule above, PreTradePlus and ProTradePlus accounts will also be charged ticket charges for transactions involving specific securities identified below.

		ProEquities as Introducing Broker- Dealer		PAS as Introducing Broker-Dealer
TRANSACTION		AMP Trades	Phone Trades	All Trades with PAS
<b>Mutual Funds</b>	No Load Mutual Funds	\$12.00	\$22.00	\$7.00 (1)
	FundVest No-Transaction Fee Funds (NTF)*	\$0.00		\$0.00
	Transaction Fee Funds	\$12.00	\$22.00	\$7.00 (1)
	Mutual Fund Exchanges	\$12.00	\$22.00	\$10.00
	Periodic Investments	\$2.50	\$2.50	\$15.00 per event
<b>Equities</b>	Listed and OTC Equities	\$12.00	\$22.00	\$4.95
<b>Fixed Income</b>	Corporate & Municipal Bonds Treasury & Government Agency Bonds Mortgage Backed When Issued	\$12.00	\$22.00	\$7.00
	Dollar Cost Averaging & Systematics using SRS System	\$2.50		\$15.00 per event
<b>Options</b>	Equity & Index Purchases	\$1/Contract		\$1.50/Contract (2)
	Debt & Currency Purchases	\$2.40/Contract		\$1.50/Contract (2)
	Exercise & Assignment	\$16.00	\$26.00	\$25.00
<b>Other</b>	Money Market Investments	\$12.00	\$22.00	N/A
	Unit Investment Trusts	\$12.00	\$22.00	\$10.00
	Alternative Investments	\$50.00		\$50.00

\*Initial minimum purchase and redemption requirements must be met

(1) Certain funds within FundServ Program will be \$17/ticket

(2) Minimum charge per transaction per account is \$8

The above schedule is subject to change without prior notice. Clients should consult their Advisor for a current ticket charge schedule. Ticket charges should be a factor that you and your Advisor consider when deciding which securities to select, how frequently to place transactions and whether or not to place transactions in the account. The more trades placed in an account, the more ticket charges paid by the client. To mitigate the risk of program selection based solely on ticket charges, we provide training to the Advisor that includes elements such as size of the account, anticipated trading volume and costs. We also require Advisors to conduct an annual review of their clients' accounts to determine if, based on these factors, this program is still the most appropriate.

#### Advisor's Choice Separately Managed Account and Strategist Programs

The Advisor's Choice Separately Managed Account ("SMA") and Strategist ("Strategist") wrap fee programs offer clients an asset management account in which ProEquities, in its capacity as an investment adviser, provides access to and oversees the management of the account by select professional investment management firms (also called third party managers), according to the client's stated investment objectives. The SMA and Strategist accounts are discretionary, which authorizes the manager and/or Envestnet to effect portfolio transactions in the client's account without consulting the client prior to such transactions, as further described below.

The SMA and Strategist programs available through ProEquities are either managed by the unaffiliated third party managers or investment advisers. The Strategist program also offers clients managed account models developed and

managed by ProEquities' Advisory Investments team as the portfolio manager. The SMA and Strategist programs are managed in accordance with the investment methodology and philosophy used by the respective third party portfolio manager, investment adviser, or strategist. The Strategist program managed by the ProEquities' portfolio manager is directed in accordance with the investment methodology and philosophy of ProEquities' Advisory Investments team.

While the ProEquities' models are not necessarily subject to the same selection and review process as other portfolio strategists, we strive to hold ourselves to the same performance standards and our portfolio management team makes adjustments to the portfolios as necessary to continue to achieve their stated goals. In the ProEquities' Strategist program, there is no third party manager or strategist providing or managing account models, thus ProEquities collects both a manager fee and a platform fee. This results in a conflict of interest in that ProEquities' revenue is higher in the ProEquities' Strategist program vs. a third party manager or the SMA program. We mitigate this conflict of interest by disclosing it, by not sharing any of this revenue with our Advisors and by not providing any incentive for our Advisors to select one program over another program.

Managers in the SMA program generally use individual stocks, bonds, ETFs, and mutual funds as the underlying investment vehicle and may leverage additional security types to build their allocation. These products may represent either a portfolio manager's representation of a single or blended investment style. The Strategist program offers dynamic, strategic and tactical solutions and portfolios designed to meet client's investment needs by primarily using either ETFs, which includes exchange-traded notes (ETNs) and mutual funds.

The third party managers provide model or custom portfolios they have developed, based on their market and product research and due diligence, for use by ProEquities' clients. Advisors assist their clients in choosing a portfolio developed by the third party manager the Advisor believes is consistent with the client's risk tolerance and investment objectives. Advisors will obtain the necessary financial data from the client to determine the suitability of Advisor's Choice SMA and Strategist Programs and select the appropriate third party asset manager and portfolio. The client and the Advisor will meet periodically to review the client's financial situation, investment objectives, and current portfolio.

Periodically, the third party managers may rebalance or reallocate the securities within their portfolios, as they deem necessary or appropriate. The third party managers will provide their portfolio allocations to Envestnet or will execute the trades through their selected brokers. Envestnet will have trading discretion over the client's account for those accounts where third party managers provide portfolio allocation to Envestnet and will be responsible for placing trade execution orders with the applicable executing broker for the SMA and Strategist accounts to reflect the holdings prescribed for the portfolios, both at account opening and for periodic account rebalancing. Envestnet will affect transactions in the client's account on a discretionary basis in order to rebalance or reallocate the client's account in a manner consistent with the portfolio selected by the client.

The client may choose to invest in a customized portfolio diversified across multiple investment disciplines or target a more concentrated investment discipline. Third party managers may delegate the authority to vote securities to another person; to 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. At any given time, the client's account may not reflect the exact model portfolio due to market fluctuations or specific client needs or circumstances. The client will be responsible for all tax consequences resulting from any rebalancing or reallocation of the account.

The minimum initial investment in a Strategist account starts at \$5,000 and increases depending on the manager selected. The minimum initial investment for Advisor's Choice SMA account is \$50,000 and can also vary by manager. Your Advisor can provide information on account minimums.

Advisors Choice Strategist and SMA Fee Schedule						
Investment Amount (\$)			Maximum Advisor Fee	Manager Fee*	Platform Fee Existing Accounts	Platform Fee New Accounts as of April 2021
First	\$ 0.01	99,999.99	1.50%	Up to 1.00%	0.31%	0.29%
Next	100,000	249,999.99	1.50%	Up to 1.00%	0.29%	0.27%
Next	250,000	499,999.99	1.50%	Up to 1.00%	0.27%	0.245%

Next	500,000	999,999.99	1.50%	Up to 1.00%	0.21%	0.19%
Next	1,000,000	2,999,999.99	1.50%	Up to 1.00%	0.15%	0.14%
Next	3,000,000	4,999,999.99	1.50%	Up to 1.00%	0.12%	0.11%
Next	5,000,000	and over	1.00%	Up to 1.00%	0.11%	0.10%

\* Envestnet charges annual fees of \$50 for SMA account balances that fall below \$56,000 and \$20 for Strategists account balances that fall below \$22,500. ProEquities charges a \$30 annual fee for all programs if the account balance falls below \$21,500.

### ***Unified Managed Account***

A Unified Managed Account (UMA) offers a client the ability to employ different investment managers, objectives and/or strategies within a consolidated account. Envestnet serves as the overlay manager to manage separate account positions in a comprehensive asset allocation portfolio of securities in a single account. Most managers available in the SMA and Strategist Programs are available in a UMA account. The UMA also allows for the Advisor to manage a sleeve within a UMA account.

The client's Advisor will assist the client in clarifying their investment needs, including, but not limited to, investment objectives, tolerance for risk, and investment time horizon. The Advisor will work with the client in selecting the appropriate third party manager and/or individual securities to be managed by the Advisor in an effort to assist the client in achieving their investment goals. Third party managers and the strategies offered for a particular client's account are selected based on, but not limited to, risk adjusted returns and suitability needs. Selection of the manager(s), strategist(s) and individual securities or model portfolios will be documented in the Statement of Investment Selection (SIS).

Envestnet, through the client's UMA account, will provide investment management of each client's funds on a discretionary basis. Periodically, the third party managers may rebalance or reallocate the securities within their model portfolios, as they deem necessary or appropriate. For UMA accounts, the client's selected third party manager(s) will provide their portfolio allocations to Envestnet.

The client's Advisor will provide investment management in an advisor-managed sleeve, if one is created, on a discretionary basis. In addition, the Advisor has discretion to change managers or strategies in other sleeves. The Advisor executes the trades through Envestnet or ProEquities; Envestnet and ProEquities generally execute the trades through Pershing as the executing broker-dealer.

Once the client's account reaches the UMA model minimum then the UMA account is invested in the model portfolio selected. For each model portfolio in the UMA Program, the client has the ability to impose reasonable restrictions on the investments of the client's account, such as contributions or withdrawals of securities and/or cash; voting securities, requesting the sale of individual securities for tax planning purposes (also called "tax harvesting"). The client may be allowed flexibility in developing a customized portfolio diversified across multiple investment disciplines or targeting an individual or more concentrated investment disciplines. Third party managers may delegate the authority to vote securities to another person; to 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.

<b>UMA Fee Schedule</b>						
<b>Investment Amount (\$)</b>			<b>Maximum Advisor Fee</b>	<b>Manager Fee</b>	<b>Platform Fee Existing Accounts</b>	<b>Platform Fee New Accounts as of April 2021</b>
First	\$0.01	99,999.99	1.50%	Up to 1.00%	0.31%	0.29%
Next	100,000	249,999.99	1.50%	Up to 1.00%	0.29%	0.27%
Next	250,000	499,999.99	1.50%	Up to 1.00%	0.27%	0.245%
Next	500,000	999,999.99	1.50%	Up to 1.00%	0.21%	0.19%
Next	1,000,000	2,999,999.99	1.50%	Up to 1.00%	0.15%	0.14%

Next	3,000,000	4,999,999.99	1.50%	Up to 1.00%	0.12%	0.11%
Next	5,000,000	and over	1.00%	Up to 1.00%	0.11%	0.10%

Envestnet charges a \$50 annual fee for UMA account balances that fall below \$56,000. ProEquities charges a \$30 annual fee if the account balance falls below \$21,500.

### **Advisory (Fee-Based) Annuities**

Certain fee-based annuities may be linked to an AMP account. All variable annuity sub-account selection and reallocations are processed through the custodian of record for the variable annuity. The Advisor's advice for these products includes an initial selection of sub-accounts and their allocation, ongoing management and recommendation of sub-account reallocation, and/or the selection of a third party manager for the sub-account management. Advisory fees paid by the client may be deducted from a ProEquities brokerage or advisory account.

Jackson National Life Insurance Company ("Jackson") pays ProEquities a quarterly 20 basis points marketing fee based on net annuity premiums received including advisory ("fee based") annuities offered to our clients. ProEquities has a conflict of interest to recommend products on which it receives higher compensation. We mitigate this conflict by disclosing it to the client and not sharing this revenue with our Advisors.

Fee-Based Annuity Fee Schedule			
		Advisor Fee (max.)	Platform Fee
\$ 0.01	\$ 99,999.99	0.85%	0.190%
\$ 100,000.00	\$ 249,999.99	0.85%	0.170%
\$ 250,000.00	\$ 499,999.99	0.85%	0.165%
\$ 500,000.00	\$ 999,999.99	0.85%	0.130%
\$ 1,000,000.00	\$ 2,999,999.99	0.85%	0.090%
\$ 3,000,000.00	\$ 4,999,999.99	0.85%	0.070%
\$ 5,000,000.00	and over	0.85%	0.060%

A minimum annual fee of \$30 applies to an account established for a fee-based annuity. The minimum initial investment in a fee-based annuity varies by insurance company and product, therefore, the client should carefully read the prospectus to determine if their intended investment amount, and any intended additional deposits will meet the insurance company's stated investment minimums. ProEquities requires a minimum \$100,000 investment in a fee-based annuity on AMP (although exceptions may be made in certain circumstances). Envestnet imposes a \$50 annual fee if the annuity value drops below \$100,000.

Fee-based annuities and their counterpart commissionable annuities offer different product level cost structures which may result in a different total cost to the client. For example, mortality & expense (M&E) fees are generally charged on commissionable annuities, and are generally waived for fee-based annuities; the advisory fee charged for a fee-based annuity linked to a ProEquities AMP account is determined by the fee table shown above; advisory fees are not charged on a commissionable annuity. Each sub-account option offered by a variable annuity, whether fee-based or commissionable, charges management fees for the management of these investments. These sub-account management fees currently range from 0.26% to 2.35%. The variable annuity is custodied at the insurance company and the transactions are executed at the insurance company.

### **Account Termination**

If the client terminates her account for any reason during any billing period, the client's account will be refunded the pre-paid advisory fees on a pro-rata basis from the date of termination to the end of the billing period, with the refund being credited to the account the following month. If the client transfers the account to another firm, the client will pay an outgoing account transfer fee consisting of ProEquities' clearing firm costs and additional charges that ProEquities assesses for processing outgoing transfer requests, and separate charges for each transaction including but not limited to contingent deferred sales charges imposed by mutual fund companies and variable annuities on liquidations of account positions.

## Investnet Overlay Services Available in UMA Accounts

Clients enrolled in a UMA may be eligible, for an additional fee, for Investnet's Overlay Services provided by Portfolio Management Consultants (PMC). The application of an Overlay Service can cause the investment performance of the customized strategy to deviate from its original intent or suitability and will detract from the client's after-tax returns. ProEquities assumes no responsibility to you for the tax consequences of any transaction, including any capital gains and/or wash sales that may result from the tax-loss harvesting strategy.

### Investnet Tax Overlay Service

Tax Overlay Services are designed to help reduce tax exposure with the aim of improving client after-tax returns by coordinating tax management across multiple third-party managers who act as sub-advisors within a client's portfolio. Services are discretionary, meaning PMC may, in its sole discretion, make transactions in the account, even though such transactions may generate tax liability. Specifically, tax management is provided through services such as capital gain/loss matching, tax loss harvesting, and short-term gain deferral. Client should confer with their personal tax professional regarding the tax consequences of investing with ProEquities and engaging in the tax overlay service. Client and their tax professionals are responsible for how the transactions in the client's account(s) are reported to the IRS.

### Investnet Impact Overlay Service

Impact Overlay Services provide the ability to exclude specific companies or industries from a portfolio and are available to investors interested in excluding or reducing investments in companies in which they have personal convictions while adhering to the manager's models. PMC can apply one or more of 17 impact screens to an account. The client, in consultation with his or her Advisor, can determine the appropriate asset allocation, manager selection, and personal convictions for an account. As Investnet's Overlay Portfolio Manager, PMC considers balancing the investment decisions of individual managers with specific client-customization requests while adhering to the overall risk profile of an account.

### Investnet Overlay Fees

Accounts with enabled Overlay Services will incur an additional fee as described in the schedule below. The fee schedule below applies to a whole account annually, and it applies when Tax Overlay Services, Impact Overlay Services, or both are provided to an account. Client's Advisor generally establishes account fees for their program and in some cases may negotiate fees with clients. Lower or comparable services may be available from other sources.

Account Assets	Investnet Overlay Service Fee
First \$10,000,000	10 basis points
Next \$15,000,000	8 basis points
Over \$25,000,000	5 basis points

### Wrap Fee Programs: Cost Comparison

ProEquities' services, offered through the wrap fee programs, may cost more or less than what clients would pay for purchasing the services separately. The factors that bear on the relative cost of the managed account programs include the cost of the services if provided separately and the amount of trading activity in the client's account. To the extent that the client pays more for a bundled fee than it would by purchasing the services separately, this creates a possible financial incentive for ProEquities and its Advisors to recommend the wrap fee programs over other available programs or services (such as a brokerage account with no advisory services). Prospective clients should consider whether it is advantageous to enroll in a wrap fee program compared to paying separately for investment advice, trade execution and custody services.

A client may be able to obtain similar services for a lower fee from other advisors not affiliated with our firm. The advisor fee is based on the total amount of assets in the client's account and is independent of the level of trading activity. By agreeing to pay a fee based on investment advisory services provided rather than transactions, the client should understand that the fee may be higher than the cost of a commission-based alternative account or arrangement during periods of lower trading activity.

By purchasing mutual funds outside of the AMP platform, a client may invest in a single fund family and obtain "breakpoints" that could lower the cost of the funds. However, if a client purchases mutual fund shares directly, the client may not receive the asset allocation and account monitoring services available via the AMP platform and may not qualify to invest in share classes available to investors through the AMP platform. In addition, mutual funds purchased outside the AMP platform may charge commissions, front-end or back-end sales charges, and redemption fees, depending on the share

class. A client could invest in mutual funds and other investment products directly, without the services of ProEquities or an Advisor. In that case, the client would not receive the services provided by ProEquities or the Advisor, which are designed, among other things, to assist the client in determining which mutual funds or other investments are most appropriate given each client's financial condition and objectives.

### **Performance Reports and Account Statements**

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

While information contained in the performance report is believed to be accurate, the performance report does not replace the account statements clients receive from Pershing. The statements clients receive from Pershing are the official record for all pertinent account information. The performance report is provided in a different format from that of the Pershing account statement and will vary in content and scope. Clients should carefully compare the asset information contained in the performance report to the asset information provided in the Pershing account statement. Any discrepancies noted should be reported immediately to the client's Advisor 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.

### **Mutual Funds in AMP Accounts: No-Transaction Fee Funds**

Mutual funds purchased in an AMP account will either be a "non-transaction fee" (NTF) mutual fund or a "transaction fee" (TF) mutual fund. NTF mutual funds do not incur a transaction fee or ticket charge for the buying and selling of the fund in any AMP programs.

We participate in Pershing's Fundvest NTF mutual fund and ETF programs. FundVest is Pershing's NTF mutual fund platform consisting of no-load funds for retail investors and load-waived A-shares at net asset value (NAV) for fee based share class mutual funds, institutional and advisory shares. FundVest ETF is a Pershing no-transaction-fee ETF platform. At times, NTF funds independently may elect to cease participation in the Pershing's NTF fund program. When that occurs, a client holding a previously-categorized NTF fund will in most cases be charged a transaction fee by Pershing in connection with the liquidation of that particular mutual fund.

Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than do funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds, regardless of the level of trading. Over time, NTF funds held within a portfolio with low trading frequency will cost more than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of a client's account when compared to share classes of the same fund that assess lower internal expenses.

Participating fund sponsors pay a fee to Pershing to participate in the NTF program, and a portion of this fee is shared with ProEquities for accounts in which ProEquities is the IBD. Such payments vary and are up to 0.40% of assets held by ProEquities clients in NTF mutual funds. None of these additional payments are shared with any Advisors who sell NTF funds. ProEquities' receipt of a portion of the fees associated with the NTF program creates a conflict of interest because ProEquities has an incentive to make available or to recommend those products, or make investment decisions regarding investments, that provide this additional compensation to ProEquities over those mutual fund sponsors that do not make such payments to Pershing to share with ProEquities.

In addition, Pershing requires mutual fund shares that participate in the FundVest program to be held in a client's account for 30 days or a short-term redemption fee will apply. FundVest mutual funds require a minimum initial investment of \$2,500 for a non-IRA account and \$500 for an IRA account; subsequent investments and periodic investments for either a non-IRA or IRA account must be at least \$500 and \$100, respectively. Pershing's short term redemption fee is applicable to CAM, PreTradePlus and ProTradePlus accounts.

Clients will incur a transaction fee or charge in PreTrade Plus, ProTrade Plus, and CAM for the buying or selling of a transaction-fee mutual fund. In PreTrade, ProTrade, UMA, Strategist and SMA accounts ProEquities pays this transaction fee. This creates a conflict of interest to ProEquities in that we have an economic incentive to offer funds for which we are not assessed the transaction fee. We mitigate this conflict by disclosing it to the client. The list of mutual funds subject to the surcharge is updated by Pershing and is subject to change at any time. Clients wishing to obtain the current list may request it from their Advisor or call ProEquities at 800-288-3035.



## **Mutual Funds in AMP Accounts: Share Classes**

Mutual funds offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the commonly offered retail share classes (typically, Class A (including load-waived A shares), B and C shares), some mutual funds offer institutional share classes or other share classes that are specifically designed for purchase in an account enrolled in fee-based investment advisory programs. Institutional share classes are designed for purchase in an investment advisory program and usually have lower expense ratios than other share classes. However, these share classes may also have higher transaction costs and may have minimum purchase criteria that limit availability to larger transactions and may be subject to short term redemption fees. Clients should not assume that their assets will be invested in the share class with the lowest possible expense ratio.

ProEquities will offer new clients one share class through ProEquities' AMP Platform; the fund selected will not always be the lowest share class available through Pershing or direct from the mutual fund carrier. ProEquities will determine the selection on the one share class based on costs and availability of share classes. ProEquities' process for share class selection will be to exclude share classes with 12b-1 fees unless the only share class available has a 12b-1; in which case, ProEquities will credit the client's account with any 12b-1 fees ProEquities receives. ProEquities will also exclude any share class with transaction fees unless this is the only share class available. If more than one share class remains available, ProEquities will select the lowest cost share class remaining.

Please contact a ProEquities Advisor for more information about share class eligibility and review the applicable mutual fund prospectus for further information related to the fund's expenses.

## **Mutual Funds in AMP Accounts: 12b-1 Fees**

Your account may incur 12b-1 fees from certain mutual fund share classes that you may own through your AMP account. 12b-1 fees are paid out of fund assets, and they increase the expenses a client pays as a fund shareholder. Clients do not pay these fees directly; they are deducted from total assets in the fund and reduce a client's investment returns. Some non-transaction fee share classes charge a 12b-1 fee to shareholders; however, a portion of that fee is paid to the fund's distributor and/or custodian. ProEquities receives a portion of NTF 12b-1 fees or 100% of TF 12b-1 fees from our clearing firm for certain mutual fund share classes that a client owns through their ProEquities AMP account. ProEquities credits any 12b-1 fees we receive to the client account generating the fee and identifies this on Pershing statements as a line item transaction labeled "12b-1 Fee Credit".

## **Custodian**

ProEquities requires all AMP accounts be established and held through either ProEquities or PAS as the IBD (as described below). In both cases, trades are executed and cleared through our custodian, Pershing, pursuant to a fully disclosed clearing agreement. PAS is not affiliated through ownership with ProEquities but is affiliated with Pershing. Under normal circumstances, ProEquities does not allow clients to direct brokerage to other firms or custodians.

As custodian of your brokerage account, Pershing is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities for your account
- The extension of margin credit upon approval

As a registered broker-dealer, custodian is subject to the rules and regulations of the SEC, FINRA, and other exchanges of which custodian is a member, and the MSRB. Custodian is also a member of SIPC. The factors considered in selecting Pershing (as the custodian) and PAS (as an IBD) include Pershing's expertise as a clearing firm, the existing broker-dealer clearing relationship ProEquities has with Pershing, the firms' financial strength, reputation, reporting and technology capabilities, their ability to work with broker-dealers and investment advisers who have independent contractors, and their execution pricing.

ProEquities and PAS only execute your transactions through Pershing for its AMP programs. Other clearing firms may offer less expensive execution of customer transactions, and in certain circumstances, execution of customer transactions on better terms. This creates a conflict of interest, as ProEquities routes your orders through Pershing for its own contractual arrangements, including the compensation arrangements described herein, without regard to whether your transaction could be executed for less cost and on better terms at another clearing firm.

## Revenue Received from Custodian

Through the relationships with custodian and PAS, we receive substantial economic and non-economic benefits. These benefits include, but are not necessarily limited to:

- A dedicated service group and a Relationship Manager
- Receipt of duplicate confirmations and bundled duplicate statements
- Online access for clients to access their account information
- Availability of third-party research and technology
- Access to trading and capital markets desks
- Access to operational and platform solutions that are integrated with custodian's offerings
- Trading and custodial experience
- The ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- Electronic download of trades, balances, and position information
- Access to an electronic communications network for client order entry and account information
- Revenue sharing from investment in NTF mutual funds offered on the Pershing Fundvest platform
- Revenue sharing from cash sweep programs
- Revenue sharing from ticket charges
- Revenue from the mark-up of Pershing fees imposed on non-transactional or incidental services

For accounts custodied at Pershing, clients will pay incidental charges including, but not limited to, the following: annual check writing and debit card fees on Corestone accounts; wire fees; check stop payment fees; returned check fees; ACH return fees; security transfer and redemption fees; transaction fees assessed by regulatory agencies or exchanges; transaction processing fees assessed by ProEquities' clearing firm; reorganization processing fees; trade confirmation fees; outgoing account transfer fees; margin extension fees; margin debit interest; non-purpose loan interest, IRA annual maintenance and IRA termination fees; amounts charged to produce year-end statements and account reports; paper surcharge fees; foreign security transaction fees; initial document review and ongoing annual service fees for special products, including but not limited to limited partnerships; mail courier fees; and bank charges and/or other transactions charges related to processing. These charges are assessed against the customer's account and include a mark-up imposed by ProEquities. This mark-up is a source of revenue to the firm. The fees assessed may vary depending on whether ProEquities or PAS acts as the IBD. For current information, please visit the links to the fee schedules referenced below.

ProEquities also receives a portion of any custodial fees charged to qualified plans and IRAs, any mutual fund positions held at the custodian, and other types of compensation from the custodian related to assets held or transactions placed through the custodian. We address these conflicts of interests by disclosing them and by not sharing any of these revenues with the ProEquities Advisor that recommends transactions or strategies (besides the advisor fee).

Additionally, ProEquities receives reimbursements for account transfer costs clients incur associated with account transfers to Pershing that represent new assets for the custodian. These account transfer cost reimbursements may not be offered or available to all new clients transferring their assets. This creates a conflict of interest for the Advisor because he or she could select which clients receive the benefit of the transfer cost reimbursement. We attempt to manage this conflict by disclosing it to you.

## Introducing Broker-Dealer

For accounts on the AMP platform, the IBD will either be Pershing Advisor Solutions (PAS) or ProEquities. PAS is an affiliate of Pershing and both are subsidiaries of BNY Mellon.

- For AMP accounts opened prior to approximately April 5, 2021, ProEquities serves as the IBD. This will change for at least some accounts, beginning in the 2<sup>nd</sup> quarter of 2021, because ProEquities and PAS began a conversion campaign in which existing AMP account holders could elect to transition their accounts from ProEquities to PAS. Account holders making this election will then be serviced by PAS as the IBD. The conversion is expected to occur during late May/early June 2021. Accounts that do not affirmatively consent to convert to PAS will continue to utilize ProEquities as the IBD with Pershing remaining as the custodian.
- On or around April 5, 2021, all new accounts will have PAS as the IBD.

- Both ProEquities and PAS will continue to use Pershing as the custodian.

Pershing assesses ticket charges for certain transactions unless transaction costs are included in the asset-based platform fee. When ProEquities acts as the IBD, it adds a mark-up to the ticket charges assessed by Pershing. ProEquities retains this mark-up, which helps compensate ProEquities for the services it provides in relation to your account and contributes to ProEquities' revenues. The receipt of ticket charge revenue by ProEquities is viewed as a conflict of interest. We address this conflict by disclosing it, disclosing the total amount of the ticket charges imposed, and by not sharing any ticket charge revenue with the Advisor recommending transactions or strategies. We also require that there be a review of the client's account at account opening and periodically afterwards to ensure it is suitable in light of matters such as investment objectives and financial circumstances.

- Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of PAS advisory account service fees.
- Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of ProEquities advisory account service fees.
- Please see [www.Proequities.com/disclosures](http://www.Proequities.com/disclosures) for a copy of ProEquities brokerage account service fees.

### **Comparison of Costs: PAS and ProEquities**

ProEquities expects that, generally, client costs and fees should be lower for accounts in which PAS serves as IBD. The lower costs to clients will result in less revenue to ProEquities. As such, ProEquities has an incentive to remain as IBD to continue collecting fees. ProEquities launched the conversion campaign, discussed above, to encourage all existing account holders to convert to PAS. ProEquities expects that at some point it will no longer serve as an IBD for any accounts and will require existing accounts either to convert to PAS, convert to a ProEquities brokerage account, or close.

ProEquities received a payment from PAS, which is premised on the transfer of a specified level of assets from client accounts to PAS as IBD. If the level of assets does not reach the specified level, or declines by more than 25% from the specified level at any time during the duration of the PAS-ProEquities relationship, ProEquities will be required to repay some portion of the payment received from PAS. This creates an incentive for ProEquities to encourage AMP account holders to transfer to PAS. We address this conflict by disclosing it and by noting that clients generally should receive more favorable pricing (i.e., lower fees) from PAS than they receive when ProEquities is the IBD.

We expect that the revenue ProEquities earns in its role as IBD will decline for accounts that convert to PAS as the IBD. Among the primary revenue sources ProEquities expects to no longer collect or in which we expect to experience a decline in collections when no longer serving as IBD, include:

- Mark-ups on ticket charges;
- Mark-ups on other Pershing charges/fees;
- Revenue sharing payments from cash sweep investments;
- NTF revenue for investments in NTF funds;
- The platform fee ProEquities collects from customers on new UMA, Strategists, and SMA accounts opened on or after approximately April 1<sup>st</sup> is expected to decrease, thereby decreasing that revenue stream.

As discussed in Section 5, not all advisory clients pay the same platform fees. The fee schedules for the SMA, UMA, and Advisors Choice programs referenced in this document reflect the current platform fees that new customers pay. Existing customers in SMA, UMA, and Advisors Choice programs who convert to PAS as part of the conversion campaign will not receive the lower platform fees made available by ProEquities and instead will continue to pay the platform fee in effect at the time they opened their initial accounts unless they take affirmative action (outlined below). Please refer to your advisory account opening paperwork (and the Statement of Investment Selection) for the platform fee schedule applicable to your account.

Existing SMA, Advisors Choice, and UMA customers may elect to receive the benefit of lower platform fees by making an affirmative change to your advisory program AFTER the conversion date of your account (which is expected to be in late May 2021). The requirements follow:

1. Your account currently must be in an Advisors Choice SMA, Strategist, or UMA program or you must move into one of these three programs after the conversion date;

2. If you currently are in SMA, Choice Strategist, or UMA, after the conversion date you must take action that results in a “goal modification” within the Envestnet system. The actions that trigger a goal modification are as follows:
  - a. effect a manager change;
  - b. change your risk profile;
  - c. change from one of these three programs (e.g., SMA) to another (e.g., UMA); or
  - d. revise the amount of the advisor fee paid (increase or decrease)
3. If you are in PreTrade, PreTrade Plus, ProTrade, ProTrade Plus, or CAM, you must move to either a SMA, Choice Strategist, or UMA account. Please keep in mind that the platform fee for the SMA, Choice Strategist, and UMA programs are higher than those for the PreTrade, PreTrade Plus, ProTrade, ProTrade Plus, and CAM programs.

Charging a higher platform fee to existing customers is a conflict because ProEquities earns more revenue from the higher platform fee. We manage this conflict by disclosing it to you and by detailing the actions you can take with respect to your account to receive the lower pricing. We also manage this conflict by noting that clients who convert as part of the conversion campaign generally will receive the benefit of lower overall account fees (excluding the platform fee). We also manage the conflict by noting the platform fee charged to your account was disclosed to you at the time of account opening. Finally, we manage the conflict by not sharing the higher platform fee with the Advisor, thereby eliminating an incentive to keep your account in a program with higher platform fees.

### **Trade Confirmations**

Clients participating in the discretionary accounts on the AMP Platform may opt out of receiving trade-by-trade confirmations. Please contact your Advisor to obtain the necessary form. Clients electing not to receive trade-by-trade confirmations may later rescind this authorization at any time by giving written notice to ProEquities and Pershing; the client’s Advisor 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 the client’s account.

### **Cross Transactions**

ProEquities does not conduct Principal or Agency Cross transactions for advisory client accounts. However, certain unaffiliated third party money managers offered through ProEquities may conduct such transactions. Customers participating in a program offered by an unaffiliated third party money manager should consult the disclosure brochures provided by those money managers. Please reference the applicable ProEquities wrap fee program brochures and the advisory agreement for more information on potential conflicts of interest related to such transactions.

### **Recruitment Compensation to Advisors**

In many cases, ProEquities provides Advisors financial incentives when they join our firm from another firm. In general, if your Advisor joins ProEquities from another firm, you should discuss the reasons your Advisor decided to change firms and any costs or changes in services you would incur by transferring your accounts to ProEquities. Advisors joining from other firms are eligible to receive incentives, including loans, bonuses and/or other compensation, if they reach certain asset and/or production levels or remain with ProEquities for a certain period of time (typically 5-7 years). The amount paid to Advisors under these arrangements is largely based on the amount of the business serviced by the Advisor at the prior firm.

These payments are often substantial and take various forms, including loans, transition bonus payments and various forms of compensation to encourage Advisors to join ProEquities, and are contingent on your Advisor’s continued affiliation with us. Therefore, even if the fees you pay to ProEquities remain the same or are less, the transfer of your assets to ProEquities contributes to your Advisor’s ability to meet such targets even if not directly related to your account or the fees you pay to us. These practices create an incentive and a conflict for your Advisor to recommend the transfer of your account assets to ProEquities.

The conflicts of interest arising from the Advisor compensation arrangements described above are mitigated by the fact that ProEquities has suitability requirements and fiduciary obligations in certain circumstances, such as when ProEquities and its Advisors are acting in an investment advisory capacity, as well as regulatory and compliance rules and procedures which must be followed. In addition, ProEquities maintains a supervisory system that includes conducting periodic supervisory and compliance inspections and audits. In most instances, Advisors may only recommend products offered through

ProEquities where ProEquities has a selling agreement with the product sponsors. This means that an Advisor cannot service your account if it is held at a prior firm.

### **Other Advisor Compensation**

Some Advisors receive additional compensation and/or incentive awards for generating a certain amount of revenue (in fees, commissions, or a combination of both) within a certain time period. Clients are not charged any additional fees due to these circumstances. However, the receipt of additional compensation presents a conflict of interest that affects the judgment of the Advisor. We mitigate this conflict by disclosing it to you and by requiring a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Most Advisors are registered representatives of ProEquities in its capacity as a broker-dealer, and generally are licensed agents of Protective Life. In most cases, the Advisor can recommend products that are managed and/or sold by Protective provided that the recommendations are suitable given the client's investment objectives, financial circumstances, and other characteristics. When such recommendations are made, the Advisor receives compensation on these product recommendations and sales. Protective will profit from any sales of their proprietary products to clients of ProEquities.

Additionally, we offer mutual funds issued by Praxis, which is part of Everence Financial ("Everence"). Everence and ProEquities are not related companies. There are several ProEquities Advisors affiliated with or employed by Everence. These Everence affiliated professionals can offer mutual funds from Praxis in addition to mutual funds offered by unrelated mutual fund companies. This is a conflict in that Everence benefits from the sale of Praxis mutual funds. We manage this conflict by disclosing it to you and by not creating a financial incentive for Everence Advisors to offer Praxis products. In this regard, Everence Advisors do not receive more compensation for selling Praxis mutual funds.

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

The minimum investment amounts for each advisory fee program offered through ProEquities AMP<sup>SM</sup> platform vary by program and are as follows:

- PreTrade, PreTrade Plus, ProTrade, and ProTrade Plus = \$25,000
- Advisors Choice SMA and UMA = \$50,000 (varies by manager)
- Advisors Choice Strategist = \$5,000 (varies by manager)

These advisory fee programs are designed to assist clients, both individuals and institutions (such as qualified pension plans and profit sharing plans, trusts, estates, charitable organizations, and corporations). ProEquities, through its Advisors, 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. institutions.

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

### **CAM, PreTrade, PreTrade Plus, ProTrade, and ProTrade Plus**

In these Programs, the Portfolio Manager is the client's Advisor and is responsible for performing careful review on each security purchased for an account and ensuring that selected securities are suitable for the Account based upon the client's investment objectives, financial situation and any restrictions imposed by the client. Advisors are not subject to the same selection and review process as are other portfolio managers that provide services in this or other wrap fee programs sponsored by ProEquities. Advisors must have experience in the securities industry and an ability to advise clients responsibly with respect to their investment goals. ProEquities generally does not review the performance of the Advisor, nor is performance information calculated on a uniform or consistent basis. There is no guarantee that your account, under the management of your Advisor, will be profitable.

### **Advisor's Choice SMA and Strategist**

ProEquities employs a due diligence process prior to approving asset managers for the SMA and Strategist programs. Factors influencing selection include, but are not limited to, historical performance; accessibility; ability to customize,

investment philosophy and process, assets under management, and additional criteria. ProEquities will offer the investment management services of numerous third party managers.

## Methods of Analysis

ProEquities' Advisors and asset managers/strategists may use any one or more of several methods of analysis, including:

- **Fundamental Analysis:** This is an attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced or overpriced. Fundamental analysis does not attempt to anticipate market movements, which can present a risk if the security moves in tandem with market movements.
- **Technical Analysis:** This involves the analysis of past market movements and applies them to the present to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- **Cyclical Analysis:** A type of technical analysis in which the movements of a particular stock are measured against the overall market in an attempt to predict the price movement of the security. A risk in using cyclical analysis is that the overall market is subject to change and we may incorrectly identify where we are in the business or economic cycle.
- **Quantitative Analysis:** Mathematical models are used in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **Qualitative Analysis:** Subjective evaluation of non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement in order to predict changes to share price. A risk in using qualitative analysis is that subjective judgment may prove incorrect.
- **Asset Allocation:** Asset allocation strategy attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income and cash will change over time due to stock and market movements, and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund and/or ETF Performance Analysis:** The experience and track record of the manager of the mutual fund or ETF is reviewed in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future.
- **Market timing strategy:** Market timing is a strategy where the manager will try to identify the best times to be in the market and when to get out. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy. Only clients that are looking for a speculative investment strategy should participate in an investment timing service.

## Types of Investment Strategies and Styles

- **Long term purchases:** Investments held at least a year.
- **Short term purchases:** Investments sold within a year.
- **Short Sales:** A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall and that if the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account and are considered speculative transactions.

- **Margin transactions:** When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.
- **Options strategies:** Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.
- **Growth style:** This management style focuses on purchasing the stock of companies that have excellent financial characteristics such as above-average sales growth, profit growth, dividend growth, profit margins, and return on capital. In general, a portfolio manager following a growth approach to managing is willing to pay a higher than average valuation for this type of stock. A more conservative growth manager can choose to focus on high quality growth companies that are available at reasonable valuations determined by various pricing models.
- **Value style:** This management style focuses on purchasing the stock of companies that generally have less attractive measures of financial performance than growth companies, but can be purchased at very attractive prices. In other words, a lower quality stock is acceptable as long as the price is sufficiently attractive. A value approach seeks to invest in companies believed to be selling at a sizeable discount. Value managers are also attracted to sound companies whose stock prices are depressed by temporary business problems or investor misperceptions.
- **Fixed income style:** This style focuses on purchasing different types of bonds. This strategy invests in high quality bonds, lower quality high yielding bonds, or international bonds, depending on the specific objectives for the account.
- **Asset allocation style:** This management style strives to construct portfolios which provide a certain lower level of overall risk (or fluctuation in principal) than would otherwise have been achieved through a less diversified approach. To achieve this objective, the portfolio manager can combine asset classes whose returns do not move in perfect tandem; in other words, their returns are not closely correlated.

### **Risk of Loss**

As with any investment, investment in the advisory fee programs offered through ProEquities involves risk, including the possible loss of principal. There is no guarantee that investing in securities through these programs, or any other security or investment strategy, will be profitable for a client's account. Investments in securities, including those in these advisory fee programs, are not deposits of a bank, savings and loan or credit union; are not issued by, guaranteed by, or obligations of a bank, savings and loan, or credit union; and are not insured or guaranteed by the FDIC, SIPC, NCUA, or any other agency.

### **Voting Client Securities**

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

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

ProEquities does not charge any performance-based fees and does not participate in side by side management services.

## **Item 7: Client Information Provided to Third Party Portfolio Managers**

ProEquities' AMP platform programs may include portfolio management provided by well-established third party managers. ProEquities, through its Advisors, matches information (such as financial information, investment objectives, and risk tolerance) regarding clients to aid in providing selection of the appropriate third party managers. ProEquities includes the information provided by the client in the Envestnet Statement of Investment Selection ("SIS") to Envestnet at the time the account is opened.

## Item 8: Client Contact with Portfolio Manager

The portfolio manager of each client's CAM, PreTrade, PreTradePlus, ProTrade and ProTradePlus account is their selected Advisor. As such, clients will have consistent access to their Advisor. ProEquities does not place any restrictions on a client's ability to contact or consult with the sub-advisors to the Advisor's Choice Strategist, Advisor's Choice SMA, and ProEquities Unified Managed Account during normal business hours. Clients may also contact their ProEquities' Advisor to discuss the management of their ProEquities accounts during normal business hours.

## Item 9: Additional Information

### Cash Sweep Options

Clients have access to different cash sweep vehicles including certain money market funds that are used to automatically invest cash balances in your account awaiting reinvestment. Money market funds can lose value and have done so in the past. It is important to discuss your options with your Advisor as they can help determine the right sweep option for you.

### Cash Sweep Options Where PAS is the Introducing Broker-Dealer

For accounts where Pershing Advisor Solutions acts as the IBD, there is no designated sweep vehicle and ProEquities will not receive any remuneration or revenue sharing payments associated with cash sweep investments. Customers may select any money market fund offered through the program to utilize as their sweep account.

### Cash Sweep Options Where ProEquities is the Introducing Broker-Dealer

For accounts where ProEquities acts as the IBD, ProEquities receives revenue sharing payments from our custodian (Pershing) associated with investments in cash sweep accounts. Revenue sharing is limited to investments in the Liquid Insured Deposit program, as described below. ProEquities, when acting as the IBD, offers two sweep vehicles, which are available through Pershing for different types of clients.

- Liquid Insured Deposits Program: for non-ERISA retail accounts
- Dreyfus Government Cash Management Program (DGVXX): for ERISA accounts and institutional accounts

### Liquid Insured Deposits Program

The cash balance in an eligible ProEquities non-ERISA retail accounts (brokerage and advisory) will be deposited automatically or "swept" into interest-bearing FDIC-insurance eligible Program deposit accounts ("Deposit Accounts") at one or more FDIC-insured financial institutions (each a "Program Bank" or collectively, "Program Banks"). ProEquities offers the Liquid Insured Deposits Program at Pershing as a sweep option and is intended for investment of available cash balances into money market accounts at participating banks. Pershing has appointed Reich & Tang Deposit Solutions, LLC ("R&T") to provide certain services with respect to the operation of the Liquid Insured Deposits Program. There is no minimum amount required as an initial deposit or for subsequent deposits. Deposits made through a FDIC-Insured Program are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per legal category of account ownership at each participating Program Bank when aggregated with all other deposits held by the client in the same Program Bank and in the same legal category of account ownership. Client's deposits, plus interest earned thereon, are allocated among any number of Program Bank account(s) in a manner designed to currently provide the client up to \$2.5 million in FDIC coverage for each category of legal ownership, subject to certain restrictions, as further described by the Liquid Insured Deposits Terms and Conditions provided to the client by Pershing at account opening.

The FDIC protects a client against the loss of the Liquid Insured Deposits in the event a Program Bank fails. The Program Bank List specifies the Program Banks into which clients' funds will be deposited and is available at <https://www.pershing.com/global-assets/pdf/liquid-insured-bank-list.pdf>. Any securities held in clients' accounts, including money market mutual funds (as opposed to a Liquid Insured Deposits Program) are investment products and, as such, (i) are not insured by the FDIC; (ii) carry no bank guarantees; and (iii) are subject to investment risk, including loss of principal amount invested. Funds deposited through the FDIC-Insured Program are not eligible for SIPC protection. For additional information concerning SIPC coverage, please visit [www.sipc.org](http://www.sipc.org).

The Liquid Insured Program provides financial benefits for ProEquities, Pershing and R&T. For their services in connection with maintaining and administering the Liquid Insured Deposits Program, ProEquities, Pershing and R&T earn



fees based on the amount of money in the Liquid Insured Deposits Program. Each Program Bank pays Pershing and R&T fees for services related to the Liquid Insured Deposits equal to a percentage of the average daily deposit balance in the Deposit Balances at the Bank. The amount of fees received by Pershing and R&T will directly affect the interest rate paid by the Program Bank on a client's Deposit Account. ProEquities receives up to 30 basis points in distribution assistance from Pershing on average balances for Liquid Insured Deposits Product.

### **Dreyfus Government Cash Management Program**

ERISA accounts and Institutional client accounts with cash balances will automatically be invested in the Dreyfus Government Cash Management (DGVXX) Program. DGVXX is a "government money market fund" as that term is defined in Rule 2a-7, and pursues its investment objective by investing at least 99.5% in government securities (i.e. securities issued or guaranteed as to principal and interest by the US government or its agencies or instrumentalities, including those with floating or variable rates of interest), repurchase agreements collateralized solely by government securities and/or cash, and cash. The fund is subject to the maturity, quality, liquidity, and diversification requirement of Rule 2a-7 under the Investment Company Act of 1940, as amended, and seeks to maintain a stable share price of \$1.00. The fund normally invests at least 80% of its net assets in government securities and repurchase agreements collateralized solely by government securities (i.e. under normal circumstances, the fund will not invest more than 20% of its net assets in cash and/or repurchase agreements collateralized by cash). The securities in which the fund invests include those backed by the full faith and credit of the US government, which include US Treasury securities as securities issued by certain agencies of the US government, and those that are neither insured nor guaranteed by the US government.

### **Conflicts of Interest in the Liquid Insured Deposit Sweep Program (Sweep Program)**

The Sweep Program creates financial benefits for ProEquities and for custodian. Because ProEquities receives significant fees from our clients' participation in the Sweep Program, we have a conflict of interest in offering a Sweep Program to you. The greater the amount of cash that is swept into the Sweep Program and the total amount of cash for all clients maintained, the greater the conflict of interest. This creates a conflict of interest, as we are incentivized to choose client cash sweep options for circumstances relating to and benefiting our investment advisory business model, rather than individualized client circumstances. To mitigate conflicts, ProEquities does not share revenue earned from the Sweep Program with your Advisor.

These fees we receive from the Sweep Program are in addition to, and will not reduce, the advisory fees you pay, which increases your cost of investing as well as the money earned by ProEquities. Because the Advisory Fee will be applied to any cash and cash alternatives held within your account, you will almost always experience negative performance (or lose money) on the cash asset allocation for your account if the advisory fee charged on your cash and any cash alternatives is higher than the return you receive on any cash swept to the Sweep Program and on any cash alternatives. This also creates a conflict of interest because we earn more from the Sweep Program balances in investment advisory accounts than it would if such balances were held outside of the Sweep Program or outside of the investment advisory account entirely, creating an economic incentive for us to recommend advisory assets in cash be swept in the Sweep Program.

The yields in the Sweep Program are significantly less than you can earn through products designed to provide higher yields for your cash balances. Your Sweep Program balances are eligible for FDIC insurance designed to protect you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. Investment products such as money market funds pay a much higher rate of interest in many cases but are subject to market fluctuations and possible losses and are not FDIC insured. You may be subject to additional costs and delays in accessing your money market funds or other cash equivalent investments should you decide to invest in other investments and opt-out of the Sweep Program. You will also need to work closely with your Advisor to ensure your cash is invested since it will not automatically "sweep" to your chosen investments if invested outside of the Sweep Program.

### **Use of Margin**

When clients purchase securities, they may either pay for the securities in full or borrow part of the purchase price. Clients that choose to borrow funds for purchases must open a margin account with ProEquities. The securities purchased on margin are the firm's collateral for the margin loan. If the securities in the client's account decline in value, so does the value of the collateral supporting the margin loan, and as a result, Pershing may take action, such as issue a margin call and/or sell securities in the account, in order to maintain the required equity.

While the value of the margined security will appear as a debit, clients with a margin balance in an advisory account will be assessed asset-based advisory fees based on the gross value of the account(s) without any offset for margin or debit balances. As a result, ProEquities and the Advisor may have a financial incentive to recommend the acquisition of securities on margin or otherwise have margin credit extended. In the event of such margin credit extension, the costs incurred by the client, as well as the compensation received by the client's Advisor and ProEquities, will generally increase as the size of the outstanding margin balance increases. Please refer to "Brokerage Account Service Fees" at [www.ProEquities.com/Disclosures](http://www.ProEquities.com/Disclosures) for information regarding margin interest.

### **Securities Backed Lines of Credit: LoanAdvance**

A LoanAdvance account is an account held through Pershing through which you may borrow money from Pershing by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. ProEquities will receive revenue for your participation in this program. The receipt of this additional revenue creates a conflict of interest because of the increased compensation to ProEquities. A conflict of interest also exists because ProEquities and your Advisor will benefit because you don't have to liquidate assets in your account to pay for things with cash, which would diminish the assets held in the account and the potential fees that could be earned by ProEquities and your Advisor from holding or engaging in future transactions with those assets. For example, with a fee-based account, by recommending that you participate in this program to fund some purchase or financial need rather than liquidate securities, ProEquities and your Advisor continue to earn fees on the full account value.

Please carefully review the applicable LoanAdvance disclosure documents for additional risks involved in opening a LoanAdvance account. ProEquities reserves the right to approve or reject your participation in LoanAdvance.

### **Step-Out Trades**

In general, Envestnet routes trades directly to Pershing. Occasionally, Third Party Managers participating in some Strategist, SMA and UMA Programs have the authority to effect transactions through a broker-dealer other than Pershing when the manager reasonably believes that such other broker-dealer may effect such transaction at a price, including any mark-ups or mark-downs and/or other fees and charges, that is more favorable to the account than would be the case if transacted through Pershing. This practice is frequently referred to as "step-out trading." Step-out trades may be executed without additional cost, but in certain instances, the executing broker-dealer may impose a commission, mark-up, or mark-down on the trade. If a third party manager engages in a step-out trade and the executing broker-dealer assesses a commission or equivalent fee on the trade, the client will incur trading costs that are in addition to the platform fees paid by the client to participate in AMP. Brokerage costs incurred in step-out trades are reflected in the net purchase or sale price shown on the trade confirmation that the client will receive for the particular step-out trade but are not disclosed separately in the trade confirmation.

Step-out trading practices differ among third party managers; some third party managers do not engage in step-out trading, while others engage in step-out trades for some or all transactions at no additional cost or for various additional costs. Third party managers who engage in step-out trades are generally more costly to a client than third party managers who do not engage in step-out trades. Clients should review the third party manager's Form ADV Part 2A Brochure, inquire about the third party manager's trading practices and associated trading costs, and consider this information carefully before selecting a third party manager. Clients should review these step-out trading practices and the criteria used in selecting broker-dealers with their Advisors. Clients may also wish to contact their Advisor to determine if other third party managers on the platform provide a similar strategy at a lower cost. Please refer to our Step-Out Trading Disclosure at [www.ProEquities.com/disclosures](http://www.ProEquities.com/disclosures) for a list of the third party managers' strategies and the associated costs.

### **Best Execution**

ProEquities seeks to obtain, through its clearing firm, the best combination of net price and execution when effecting brokerage transactions for client accounts. ProEquities periodically and systematically reviews Pershing's execution quality and ProEquities' processes to ensure ProEquities continues to meet its best execution obligations for its clients. In placing orders for the purchase and sale of securities and directing brokerage to effect these transactions, an investment manager's primary objective is to obtain best qualitative execution for clients in each client transaction so that the client's cost per transaction is the optimal combination of price and service considering all relevant factors, including, but not limited to, the type of security, timeliness of execution, efficiency of execution, and any other relevant consideration. As such, an investment manager may choose to execute "step-out" trades as discussed above.

### **Transitioning from a Brokerage Account to an Advisory Account**

ProEquities reviews the transfer of investment products from a brokerage account to an advisory account in order to prevent the customer from paying both a commission and a fee for the same product. If the representative earned a commission on a product, you may transfer that product to an advisory account after a designated holding period that varies by product type. The holding period for stocks and ETFs is 120 days while mutual fund A shares must be held for at least two years before they can transfer into the advisory account. The holding period for other products varies by product type.

### **Independent Advisor Firms**

Certain representatives of ProEquities have their own registered investment advisory businesses. These independent investment advisor firms are separate business entities and are not under common control or ownership with ProEquities or any of our affiliates. Advisory services and recommendations provided under agreement with an independent investment advisor are solely the responsibility of that advisor, not ProEquities. The independent investment advisor firms market these services under a different marketing name and/or as an outside business activity. However, independent advisor firms can use some of ProEquities' programs and services if they include proper disclosure of such in their Form ADV.

### **Marketing Support from Product Sponsors**

ProEquities has agreements with certain mutual fund families, alternative investment sponsors, insurance companies, third party managers, and other counterparties (collectively, "sponsors") under which sponsors provide additional compensation, sometimes called "marketing support," to ProEquities. These marketing support payments subsidize the cost of educational programs and marketing activities that are designed to help facilitate the utilization of these sponsors' products and services and to make our Advisors more knowledgeable about these sponsors' products and services.

In addition, these payments allow these sponsors' representatives to attend and participate in ProEquities conferences where Advisors are present, one-on-one marketing meetings, and due diligence presentations. The method, timing, rate, and amount of these marketing support payments vary by program and sponsor, but marketing support payments typically are paid using one or more of the following methodologies: payment of a flat annual fee; payment of a percentage of each sale; and/or payment of an annual fee based on a percentage of total ProEquities client assets held with the sponsor. While payments vary by sponsor, sponsors generally pay ProEquities either a flat annual fee or a percentage of up to 1% of the gross amount of each sale.

In addition to the marketing support payments that ProEquities receives through the formal marketing support arrangements described above, sponsors, including, but not limited to, those that have formal marketing support arrangements with ProEquities, make flat dollar payments to ProEquities from time to time. These payments are not made as part of any formalized agreement, but rather for specific activities, including, but not limited to, exhibit booth space, presentation opportunities at ProEquities meetings or similar events, attendance at conferences, and participation in other training and educational events. Some sponsors also reimburse ProEquities and, indirectly, Advisors for certain expenses in connection with due diligence meetings, training and educational events, seminars that offer educational opportunities for clients, and similar events. Some sponsors also provide ProEquities and Advisors with nominal gifts and gratuities, including, but not limited to, merchandise bearing the brand or logo of the sponsor.

The marketing support payments ProEquities receives from sponsors create incentives for ProEquities that result in conflicts of interest. In particular, because of these marketing support payments, ProEquities has an incentive to include these sponsors on ProEquities' platform and to recommend that you utilize products and services that generate such payments to ProEquities, rather than products and services that do not generate such payments to ProEquities. In addition, ProEquities has an incentive to include the products and services of sponsors that make the highest or relatively higher marketing support payments to ProEquities on ProEquities' platform and to recommend that you utilize those products and services. ProEquities mitigates these conflicts of interest by disclosing them to you; not sharing any of these revenues with the Advisors that recommend products or services for your account; and requiring that there be a review of your account at account-opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

Additional information regarding ProEquities' marketing support arrangements, including a list of sponsors with which ProEquities has formal marketing support arrangements, can be found on the ProEquities' website at [www.proequities.com/disclosures](http://www.proequities.com/disclosures) (document entitled Product Sponsor Compensation and in the ProEquities Regulation Best Interest Disclosure Document available at the same location). ProEquities, Advisors, and clients also receive the benefit of certain services provided by program sponsors and custodians. These services may include performance reporting, statement creation and delivery, technology systems including online access to account information, fee

liquidation, notification and payment services, marketing material and other services related to the management of investment advisory accounts. Some of these services may involve additional charges to ProEquities, the Advisors, or to clients, while others are packaged and available as part of an investment advisory program without itemization of the cost of each product or service.

### **Privacy Statement**

ProEquities does not sell client information to other companies for marketing purposes. ProEquities employs reasonable security standards and safeguards to protect our client's personal information and prevent fraud. In addition, ProEquities continues to protect our client's privacy even if they cease being our client. For more information, please read our Privacy Statement located at [www.proequities.com/privacy](http://www.proequities.com/privacy).

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

### CHRISTOPHER R PHILLIPS, CFA\*\*

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Birmingham, AL 35223  
Phone: (205) 268-7040

**This brochure provides information about the qualifications and business practices of Christopher R Phillips, Director of Advisory Investments. Please contact us at (205) 268-7040 and/or [chris.phillips@proequities.com](mailto:chris.phillips@proequities.com) with any questions.** Additional information about Christopher R Phillips also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Educational Background and Business Experience

Mr. Phillips has an undergraduate degree from the University of Alabama at Birmingham, where he received Bachelor of Science degrees in Finance (1997). Mr. Phillips also has a Master of Business Administration degree from the University of Alabama (2003). He has no legal or disciplinary events and is paid a salary and bonus from ProEquities. Mr. Phillips was born in 1973.

Mr. Phillips has held the position of Director of Advisory Investments with ProEquities since 2011. Mr. Phillips serves as portfolio manager to the ProEquities CorETF Portfolios and the ProEquities Select Opportunity Portfolios. Working in conjunction with the ProEquities Investment Committee, he makes decisions on overall strategic asset allocations for each set of portfolios, individual investment selections, rebalancing decisions, and other related portfolio management decisions. He reports directly to Elizabeth Anderson, CEO, ProEquities.

Mr. Phillips holds the Series 7 and 66 licenses and is a registered representative of ProEquities. This does not create any conflict of interest with his role as Director of Advisory Investments.

### Non-Investment-Related Outside Business Activities

Christopher R Phillips is not involved in non-investment-related outside business activities that provide a substantial source of income or involve a substantial amount of time.

### Supervision

Mr. Phillips is subject to the policies and procedures of ProEquities as well as guidelines established for the advisory program. Mr. Phillips also has additional reporting requirements to Elizabeth Anderson, CEO of ProEquities, who has responsibility to supervise Mr. Phillips. The Chief Compliance Officer is responsible for administering ProEquities' policies and procedures for investment advisory services. You may contact Ms. Anderson at 205-268-7085. You may contact the compliance department at 800-288-3085.

For additional information on the professional designation earned by Mr. Phillips, please to [www.finra.org/investors/professional-designations](http://www.finra.org/investors/professional-designations).

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