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

Brochure Date March 31, 2011

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

ProEquities is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Wrap Fee Program Brochure for the Capital Asset Management (“CAM”), ProTrade and Investment Advisory Services Wrap Fee Programs (“Brochure”) dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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

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

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

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## **Item 4 – Services, Fees and Compensation**

### **ProEquities Capital Asset Management (“CAM”)**

The CAM Program is designed to assist clients, both individuals and institutions (such as pension, profit sharing plans, trusts, estates, charitable organizations, and corporations). The client’s Investment Advisor Representative (“IAR”) will assist the client in clarifying their investment needs, including but not limited to investment objective, tolerance for risk, and investment time horizon, and provide professional asset management for a convenient single “wrap” fee. The Investment Advisor Representatives will work with the client in selecting appropriate investments in an effort to assist the client in achieving their investment goals.

The clearing broker/dealer maintains custody of the client’s funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

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

The investments for a particular client’s CAM Account are selected based on, but not limited to, risk adjusted returns and suitability needs. The client’s IAR will provide investment management of client’s funds on a non-discretionary basis or a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the “Investment Advisory Services Agreement”. The client’s IAR diversifies and manages the client’s portfolio, which includes, but is not limited to, stocks, bonds, options, mutual funds and money market instruments. Investments and allocations are determined based upon the client’s pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors. The client’s IAR will manage the client’s accounts on an individual basis. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client’s portfolio. For these reasons, performance of the portfolio will vary among accounts of ProEquities’ diverse field of IARs.

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

ProEquities (also referred to herein as the “Firm”) will furnish quarterly performance measurement reports to its clients participating in the CAM wrap fee program. These reports are intended to inform clients as to how their investments have performed during the selected period. Client will also receive account statements from Pershing, LLC (the clearing broker/dealer) at least quarterly, detailing all of the activity in the client’s account, including the amount of advisory fees paid directly to ProEquities.

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

### **ProEquities ProTrade Program**

The ProTrade Program is designed to assist clients, both individuals and institutions (such as pension, profit sharing plans, trusts, estates, charitable organizations, and corporations). The client’s Investment Advisor Representative (“IAR”) will assist the client in clarifying their investment needs, including but not limited to investment objective, tolerance for risk, and investment time horizon, and provide professional asset management for a convenient single

"wrap" fee. The Investment Advisor Representatives will work with the client in selecting appropriate investments in an effort to assist the client in achieving their investment goals.

The clearing broker/dealer maintains custody of the client's funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

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

The investments for a particular client's ProTrade Account are selected based on, but not limited to, risk adjusted returns and suitability needs. The client's IAR will provide investment management of client's funds on a non-discretionary basis or a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the "Investment Advisory Services Agreement". The client's IAR diversifies and manages the client's portfolio, which includes, but is not limited to, stocks, bonds, options, mutual funds and money market instruments. Investments and allocations are determined based upon the client's pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors. The client's IAR will manage the client's accounts on an individual basis. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio will vary among accounts of ProEquities' diverse field of IARs.

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

ProEquities will furnish quarterly performance measurement reports to its clients participating in the ProTrade wrap fee program. These reports are intended to inform clients as to how their investments have performed during the selected period. Client will also receive account statements from Pershing, LLC (the clearing broker/dealer) at least quarterly, detailing all of the activity in the client's account, including the amount of advisory fees paid directly to ProEquities.

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

### **ProEquities Investment Advisory Services Wrap Fee Program**

The Investment Advisory Services program is designed to assist clients, both individuals and institutions (such as pension, profit sharing plans, trusts, estates, charitable organizations, and corporations). The client's IAR will assist the client in clarifying their investment needs, including but not limited to investment objective, tolerance for risk, and investment time horizon, and provide professional asset management for a convenient single "wrap" fee. The client's IAR will work with the client in selecting appropriate investments in an effort to assist the client in achieving their investment goals.

The clearing broker/dealer, Pershing, LLC, maintains custody of the client's funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

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

The investments for a particular client's Investment Advisory Services account are selected based on, but not limited to, risk adjusted returns and suitability needs. The client's IAR will provide investment management of client's funds on a non-discretionary basis or a discretionary basis, through written authorization granted by limited Trading Authorization as detailed in the "Investment Advisory Services Agreement". The client's IAR diversifies and

manages the client's portfolio, which includes, but is not limited to, stocks, bonds, options, mutual funds and money market instruments. Investments and allocations are determined based upon the client's pre-defined investment objectives, risk tolerance, time horizon, financial information, and other various suitability factors. The client's IAR will manage the client's accounts on an individualized basis. Further restrictions and guidelines imposed by clients may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio will vary among accounts of ProEquities' diverse field of IARs.

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

ProEquities and the client's IAR, at the discretion of the IAR, may furnish quarterly performance measurement reports to its clients participating in the Investment Advisory Services wrap fee program. Such reports, where provided, are intended to inform clients as to how their investments have performed during the selected period. Clients will also receive account statements from Pershing, LLC (the clearing broker/dealer) at least quarterly, detailing all of the activity in the client's account, including the amount of advisory fees paid directly to ProEquities.

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

### **Representatives of Independent Registered Investment Advisors**

Registered securities representatives of ProEquities may also be Investment Advisor Representatives of an unaffiliated Registered Investment Advisor. These representatives may also offer the CAM, ProTrade and Investment Advisory Services wrap fee programs through ProEquities. The representative's association with an unaffiliated Registered Investment Advisor will be disclosed through a separate disclosure statement provided by the representative.

### **Advisory Fees**

ProEquities, Inc. offers the following fee schedule, which is intended to be used as a basis for determining the fees to be charged to a particular client's account, but may be discounted. The general fee schedule for the CAM and Investment Advisory Services Wrap Fee Programs offered through ProEquities is as follows:

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

These fees may be assessed on a blended, i.e., 2.00% for the first \$100,000, etc. or a tiered basis, i.e., 1.50% for all assets in the account. This fee also covers most transaction related costs associated with executing transactions for the client except for incidental costs such as wire fees, bank charges or transactions charges related to processing. Transaction charges, known as ticket charges, may be passed through to the customer in the CAM and Investment Advisory Services programs. This will be agreed upon between the IAR and the client.

Although the fees listed above are standard fees, they may, in some circumstances, be negotiable and may vary according to a variety of factors, such as size and type of account, complexity. The fee charged is a percentage of all assets in the Wrap Fee Account. The fees will be calculated as follows:

#### *CAM and ProTrade Fee Calculation*

The fee will be based on the account value on the last trading day of each calendar quarter. The fee is payable quarterly, in advance, after the beginning of each quarter. In any partial calendar quarter, the CAM Fee will be pro-rated, based on the number of days in which assets were placed for management during the quarter. All assets in the CAM Account will be included in calculating the value of the account to determine the amount of the fee.

#### *Investment Advisory Services Fee Calculation*

The fee will be based on the account value on the last trading day of the previous billing cycle. It is payable, in advance, either quarterly or monthly, as agreed to in the Investment Advisory Services Agreement. In any partial billing cycle, the Fee will be pro-rated, based on the number of days in which assets were placed for management during that cycle. All assets in the Investment Advisory Services Account will be included in calculating the value of the account to determine the amount of the fee.

The Wrap Fee for the CAM, ProTrade and Investment Advisory Services programs is paid to ProEquities as sponsor of the program in which the client is invested. A portion of this fee is paid to the client's selected IAR based on a pre-established payout rate between ProEquities and the IAR.

The Wrap Fee does not cover incidental fees, such as fees for wiring funds to the client's personal account. Clients investing in the CAM and Investment Advisory Services programs may also be charged for costs associated with executing transactions, known as "ticket charges", as agreed to in the Investment Advisory Services Agreement. A schedule of these charges may be obtained from the client's IAR. Clients investing in the ProTrade program will not be assessed ticket charges.

The minimum investment amount required for the CAM, ProTrade and Investment Advisory Services wrap fee programs offered through ProEquities is \$25,000. Accounts below the minimum may be accepted on an individual basis at the discretion of ProEquities.

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

The Fees associated with investing in CAM, ProTrade or Investment Advisory Services accounts offered through ProEquities may cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's accounts, commissions charged at other broker/dealers for similar products, fees charged for like services by other broker/dealers and other factors.

### **Other Costs**

Under the CAM, ProTrade and Investment Advisory Services programs offered through ProEquities, the client will pay a single fee, based on the amount of assets under management, for investment advice. This fee also covers most transaction related costs associated with executing transactions for the client except for incidental costs such as wire fees, bank charges or transaction charges related to processing. Transaction charges may be passed through to customers in the CAM and Investment Advisory Services programs; these fees will not be passed through to customers in the ProTrade program.

Clients with mutual funds in their portfolios are effectively paying ProEquities and the mutual fund advisor for the management of the client's assets because mutual funds pay advisory fees, distribution and service fees to ProEquities, Inc. and such fees are therefore indirectly charged to all holders of mutual funds shares. Clients who place mutual funds shares under ProEquities' management are therefore subject to both ProEquities' direct management fee and the indirect management fee of the mutual fund advisor. Mutual funds are subject to additional advisory and other fees and expenses, as set forth in the prospectuses for those funds, which are ultimately borne by the client.

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

ProEquities is a dually-registered broker/dealer and registered investment advisor. As such, all accounts participating in the CAM, ProTrade and Investment Advisory Services programs are held with the affiliated broker/dealer. ProEquities operates on a fully-disclosed basis with Pershing, LLC, whereby all accounts are custodied with Pershing. The use of our affiliated broker/dealer, rather than a non-affiliated broker/dealer allows ProEquities to offer the CorETF program at as low a cost as possible, given the Firm's supervisory and best execution obligations.

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

The minimum investment amount required for the CAM, ProTrade and Investment Advisory Services wrap fee programs offered through ProEquities is \$25,000. Accounts below the minimum may be accepted on an individual basis at the discretion of the ProEquities, Inc. Compliance Department.

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

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

### **Selection of Investment Advisor Representatives**

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

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

Selection of the client's specific IAR is at the discretion of the customer. The customer may choose to terminate their participation in the CAM, ProTrade or Investment Advisory Services program or appoint another IAR to service their account. In the event that the client's IAR terminates their registrations with ProEquities, the customer will be notified of their option to terminate their participation in the program or accept assignment of an alternative IAR.

ProEquities may conduct periodic reviews of clients' accounts. Reviews will be done by the CCO of ProEquities' Registered Investment Advisor or designated principal(s) under the supervision of this person.

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

ProEquities is an independent investment advisory Firm with Investment Advisor Representatives ("IARs") located geographically throughout the United States; and has been registered as an advisor with the SEC since 1998.

ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE symbol "PL").

As of 12/31/2010, ProEquities provided investment advisory services to \$1,876,629,216 in assets under management. Through the Firm's IARs, ProEquities provides investment advisory services to its clients as follows:

#### Investment Management Services

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

- *ProEquities-Sponsored Wrap Fee Programs.* Please reference Item 4 above for information regarding the CAM, ProTrade and Investment Advisory Services wrap fee programs. Please refer to the wrap fee program brochures for information regarding other wrap fee programs offered by ProEquities.
- *Third Party Money Manager Arrangements.* ProEquities has entered into agreements with various non-affiliated investment advisors (third party money managers) to offer asset allocation and asset management services to ProEquities' advisory clients. When investment with a third party money manager is recommended, the IAR will assist the client in selecting a suitable third party manager to implement and continually manage the client's investment plan. The IAR will assist the client in selecting the appropriate investment portfolio; setting restrictions or limitations on the management of the account; and will review with the client on a regular basis the account activity transacted by the third party manager in the client's account. ProEquities periodically reviews the current and historical performance record of each third party manager.

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

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

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

#### Financial Planning Services

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

The financial planning fee does not include payment for implementation of the recommendations or advice contained in the plan. The client is at liberty at all times to follow or disregard, in whole or in part, any recommendations or advice contained in the plan. The client and ProEquities (through its IARs) may enter into arrangements separate from this financial planning agreement in order to implement all or certain portions of the recommendations or advice contained in the plan, which may be subject to additional compensation. A client may terminate a financial planning contract, without penalty, by written notice to the client's IAR within 5 business days

from the date of client's acceptance of the financial planning agreement; and fees paid to the date of termination but not yet earned will be refunded within 10 business days of ProEquities' receipt of the notice of the termination of the agreement. Once work has begun on the financial plan, however, any refunds will be prorated, commensurate with the amount of work performed on the plan.

#### Financial Advisory Services

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

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

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

#### Pension Consulting Services

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

#### Market Timing Services

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

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

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

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

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

#### **Voting Client Securities**

Neither ProEquities nor its IARs vote proxies on clients' behalf or provide advice about how to vote proxies for securities held in the CAM, ProTrade or Investment Advisory Services accounts. Nor will ProEquities or its IARs

advise the client or act for the client in any legal proceedings, including bankruptcies, involving securities held or previously held in the CAM, ProTrade or Investment Advisory Services accounts or the issuers of those securities. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

ProEquities' clearing broker/dealer, Pershing, LLC utilized the services of Broadridge, whereby on record date, Broadridge sends to Pershing a list of the applicable securities for which a proxy must be provided to the beneficial owner. Pershing, in turn, will provide Broadridge a list of the names and addresses of customers holding that security. Broadridge mails hard copies of proxy notices to these customers; and instructions for electronic voting of proxies is included.

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

ProEquities, through its IARs, gathers information regarding clients to aid in providing appropriate and suitable investment advice regarding securities purchased in the CAM, ProTrade or Investment Advisory Services accounts. ProEquities will not share information with unaffiliated parties. Please consult ProEquities' privacy policy for further details about client privacy and information sharing.

## **Item 8 – Client Contact with Portfolio Managers**

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

## **Item 9 – Additional Information**

### **Disciplinary Information**

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

- An administrative proceeding was filed against ProEquities, Inc. by NASD (now known as FINRA) in 2002. The NASD alleged that ProEquities engaged in the securities business when the Firm's net capital was below the required minimum and failed to notify the NASD of such. Without admitting or denying the findings, ProEquities entered an Acceptance, Waiver and Consent whereby the Firm was censured and fined \$7,500.00. This was a technical violation of the SEC and NASD Net Capital rules whereby the Firm's banking account funds were swept into an overnight repurchase, as is done with most corporate banking accounts. Corrective actions have been taken to prevent future similar technical violations.
- On March, 18, 2004, ProEquities entered into a Stipulation and Consent Agreement with the Office of Financial Regulation of the State of Florida. From 1998-2001, ProEquities violated section 517.161(a)(h), Florida Statutes, Rule 3E-600.013(1)(p)1, Florida Administrative Code, and NASD Conduct Rule 3010(a)(1) by failing to maintain a system to supervise the activities of an associated person on a registration agreement to ensure that this representative was properly supervised. Also, from 1998-2001, an associated person of ProEquities violated section 517.161(1)(h), Florida Statutes, Rule 3E-600.013(2) by engaging in a prohibited business practice, failing to comply with a registration agreement executed on March 25, 1998 and demonstrating unworthiness to transact the business of a dealer, investment advisor or associated person. As a result of these findings and ProEquities' agreeing to the Stipulation and Consent, the Firm was fined \$5,000 and agreed to cease and desist from all present and future violations of Chapter 517, Florida Statutes, and Chapter 3E, Florida Administrative Code, and the NASD Conduct Rules.
- On March 23, 2009, ProEquities entered a Letter of Acceptance, Waiver and Consent with FINRA. FINRA alleged that, during a breakpoint self-assessment conducted in 2004, ProEquities failed to timely conduct account reviews requested by customers and failed to timely provide refunds to customers to whom a

refund was due, in violation of NASD Conduct Rule 2110. Without admitting or denying the allegations, ProEquities consented to the findings by FINRA and was fined \$25,000.

- On August 30, 2010, ProEquities entered a Stipulation with the New York Department of Insurance. The New York Department of Insurance alleged that the Firm violated its rules by failing to report on the Firm's March, 2009 Corporate license renewal that ProEquities was involved in an administrative proceeding that was commenced by the then NASD prior to 3/18/2009 (see above 3/23/09 action). The Firm did not believe that this matter was reportable at the time of the March, 2009 corporate license renewal as it had not yet been finalized by the NASD/FINRA until May, 2009, as FINRA had indicated that the Firm's Acceptance, Waiver and Consent might not be accepted. This was not an intentional failure to report, but rather the Firm did not believe the matter was reportable at the time of the renewal. The Firm was fined \$750.00.
- On October 26, 2010, ProEquities entered a Consent Agreement with the Indiana Securities Division, after the Division alleged that ProEquities violated Indiana Code by failing to timely respond to a customer complaint. The complaint in dispute was received by the Firm in January, 2009 and was submitted to the Firm's employee who was then responsible for reviewing and providing a response to such complaint. This employee was terminated through a reduction in force, and the Firm learned after termination that this employee had not responded to a number of complaints. In review of the complaint in dispute, the representative informed the Firm that the customer had withdrawn the complaint and therefore no response was necessary. Over a year later, this customer filed a complaint with Indiana; the Firm provided a timely response and made settlement with the customer to correct an error that prompted the original complaint. Although ProEquities believed that this was an extraordinary circumstance of an employee's failure to adequately perform their job function, and not an indication of systemic issues with ProEquities' procedures, the state determined that this was nonetheless a violation of the Indiana Code. Without admitting or denying the state's allegations, but rather to avoid the expense and inherent uncertainty of a formal hearing, ProEquities entered into a Consent Agreement and was fined \$9,000.00.

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

ProEquities is also registered as a broker/dealer with the SEC and FINRA; and as a municipal securities deal and municipal financial advisor with the Municipal Securities Rulemaking Board (MSRB). ProEquities' management personnel, as well as each of our IARs, are also registered representatives of ProEquities' broker/dealer. ProEquities is a wholly-owned subsidiary of Protective Life Corporation (NYSE Symbol "PL"). Other subsidiaries of Protective Life Corporation which are registered as either broker/dealers or registered investment advisors include:

- Investment Distributors, Inc. is a registered broker/dealer that wholesales Protective Life Insurance Company's variable insurance products. As such, Investment Distributors solely distributes products and does not open or maintain customers' accounts or hold customer funds or securities. Although under common ownership, the relationship to Investment Distributors, Inc. does not present a conflict of interest to ProEquities, its IARs or our clients.
- First Variable Capital Services, Inc. serves as the broker/dealer for the First Variable Life policies. Although under common ownership, the relationship to First Variable Life does not present a conflict of interest to ProEquities, its IARs or our clients.
- Protective Investment Advisors is a registered investment advisor with the SEC. Although under common ownership, the relationship to Protective Investment Advisors does not present a conflict of interest to ProEquities, its IARs or our clients.

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

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

ProEquities sponsored wrap-fee programs are held at Pershing. Consult the wrap-fee brochures for more information related to ProEquities sponsored wrap fee programs.

ProEquities may also receive additional compensation from product sponsors as reimbursement for training and educational expenses; reimbursement for product marketing efforts or attendance at due diligence meetings; and research and due diligence. ProEquities has also entered into marketing arrangements with a number of mutual fund, variable contract and alternative investment product sponsors and third-party money managers. These “product partners” are sometimes invited to attend or participate in educational meetings and conferences for ProEquities IARs, and may be featured more prominently on the ProEquities website or other communications than other product sponsors. As a result, these product partners may have greater access to our registered representatives than other product sponsors. Also, if a customer holds mutual funds in a brokerage account, the customer’s registered representative may not be assessed certain ticket charges by ProEquities if the customer invests in mutual funds issued by a product partner.

## **Code of Ethics**

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

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

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

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

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

ProEquities may act as principal for client transactions in fixed income securities. The Firm's fixed income traders will only act as principal for advisory clients in effort to obtain a more favorable price for the client or to obtain better execution of the transaction. In these instances, the Firm does not mark up the price at which these investments are sold to or bought from clients.

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

### **Review of Accounts**

A representative sample of all accounts may be reviewed on a periodic basis by the Chief Compliance Officer of ProEquities' advisory Firm, or a registered principal under their supervision. This review will be based on the customer's investment objectives, risk tolerance and financial and personal profile. There are three levels of accounts that will be reviewed: (1) advice rendered under financial planning or financial advice agreement; (2) investments in ProEquities-sponsored wrap-fee programs; and (3) investments in third party money manager arrangements. Supervisory review of these accounts will include general account activity and other triggering factors such as (1) fees charged; (2) account performance and performance reports; (3) customer complaints; (4) products used; (5) securities concentration; and (6) other triggering factors as determined by the reviewing principal.

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

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

Clients with mutual funds in their portfolios are effectively paying ProEquities and the mutual fund advisor for the management of the client's assets because mutual funds pay advisory fees, distribution and service fees to ProEquities, Inc. and such fees are therefore indirectly charged to all holders of mutual funds shares. Clients who place mutual funds shares under ProEquities management are therefore subject to both ProEquities direct management fee and the indirect management fee of the mutual fund advisor. Mutual funds are subject to additional advisory and other fees and expenses, as set forth in the prospectuses for those funds, which are ultimately borne by the client.

ProEquities may also receive additional compensation as reimbursement for training and educational expenses; reimbursement for product marketing efforts or attendance at due diligence meetings; and research and due diligence. ProEquities has also entered into marketing arrangements with a number of mutual fund, variable contract and alternative investment product sponsors and third-party money managers. These "product partners" are sometimes invited to attend or participate in educational meetings and conferences for ProEquities IARs, and may be featured more prominently on the ProEquities website or other communications than other product sponsors. As a result, these product partners may have greater access to our registered representatives than other product sponsors.

Also, if a customer holds mutual funds in a brokerage account, the customer's registered representative may not be assessed certain ticket charges by ProEquities if the customer invests in mutual funds issued by a product partner.

The Firm's product partners include:

Allianz	Jackson National
American Funds	John Hancock
Atlas Energy	LEAF Financial Corp
Behringer Harvard	Lincoln Financial Services
CNL Investment Co.	Loring Ward
CORE Realty	Nationwide
Cornerstone Real Estate	Pacific Life
Curian Capital	Principal Financial Group

Cypress Energy	Protective Life
Genworth Financial	Prudential
Grubb and Ellis	Resource Real Estate
Hamilton-Bates	Ridgewood Energy
Hartford/PLANCO	Stadion Funds
Hines Real Estate Securities	Strategic Storage Trust, Inc
ING	Walton International
Inland Real Estate	

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

Except for reimbursement of certain ticket charges (as discussed above), ProEquities' IARs do not receive additional compensation for selling securities offered by a particular product sponsor, whether it is a product partner or not. Furthermore, the Firm's IARs are not required to achieve a sales quota with respect to investments or services offered by any product sponsor. ProEquities also has a policy against accepting reimbursement through brokerage transactions directed to the Firm by product sponsors.

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

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

### **Use of Solicitors**

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

### **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about ProEquities' financial condition. ProEquities has no financial commitment, at this time, that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Custody**

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