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SECURITIES COMMISSIONER

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Texas State Securities Board

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IN THE MATTER OF
PROEQUITIES, INC.

§
§

Order No. IC12-CAF-15

TO: Michael Joseph Mungenast
President and CEO
ProEquities, Inc.
2801 Highway 280 South
Birmingham, AL 35223

CONSENT ORDER

WHEREAS, state securities regulators from multiple jurisdictions conducted coordinated investigations of Bankers Life and Casualty Company ("Bankers Life") and BLC Financial Services, Inc. ("BLCFS") (collectively, "Bankers") to determine whether Bankers should have been registered as a dealer and investment adviser between January 1, 2005, and December 2, 2011; and

WHEREAS, the investigations revealed that Bankers has acted as a dealer and investment adviser in Texas without being registered, exempt from registration, or a federal covered investment adviser, and has employed or associated with agents and investment adviser representatives who were not so registered in Texas on behalf of Bankers; and

WHEREAS, ProEquities, Inc. ("ProEquities") entered into an agreement with Bankers effective April 30, 2010, to provide brokerage and investment advisory services out of Bankers Life branch office locations; and

WHEREAS, the conduct addressed herein has resulted in no known direct consumer harm, and the parties understand that registered agents or representatives of ProEquities participated in all securities transactions and at locations that were registered with the appropriate securities authorities as dealer locations of ProEquities; and

WHEREAS, ProEquities has cooperated with state securities regulators conducting the investigations by responding to inquiries, providing documentary evidence, and halting further payment to BLCFS of dealer and investment adviser related compensation while the investigations were pending; and

WHEREAS, ProEquities, as part of this settlement, agrees to comply with all state and federal licensing, registration, and other securities laws; and

WHEREAS, ProEquities has agreed to resolve the investigations through this Consent Order ("Order") in order to avoid protracted and expensive proceedings in numerous states; and

WHEREAS, ProEquities, without admitting or denying the Findings of Fact and Conclusions of Law set forth below and solely for the purposes of this Order, admits the jurisdiction of the Texas State Securities Board ("TSSB"), voluntarily consents to the entry of this Order by the Securities Commissioner of Texas ("Securities Commissioner"), and permanently waives any right to a hearing and appeal under The

Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (West 2010 & Supp. 2011) (“Texas Securities Act”), and the Administrative Procedure Act, Tex. Gov’t Code Ann. § 2001.001 et seq. (West 2008 & Supp. 2011), with respect to this Order;

NOW THEREFORE, the Securities Commissioner hereby enters this Order.

I.

FINDINGS OF FACT

1. Bankers Life is a life insurance company located in Illinois that has never been registered as a dealer or investment adviser.
2. BLCFS is a wholly-owned subsidiary of Bankers Life that also is located in Illinois. BLCFS (CRD No. 126638) has been a member of NASD or FINRA since 2003 and is registered as a broker-dealer only in Illinois. During its existence, BLCFS has had no business activity other than as described herein. BLCFS has never been registered as a dealer or investment adviser in Texas, and it has not registered any agents or investment adviser representatives in Texas.
3. On or about March 5, 1985, ProEquities (CRD No. 15708) registered with the Securities Commissioner as a dealer. This registration is currently effective.
4. On or about July 23, 1996, ProEquities notice filed with the Securities Commissioner as a federal covered investment adviser. This notice filing is currently effective.
5. ProEquities entered into an agreement with Bankers Life and BLCFS effective April 30, 2010 (the “ProEquities Agreement”). The ProEquities Agreement specified that ProEquities would “exercise exclusive control” over the dealer and investment advisory activities of ProEquities agents who were also insurance agents for

Bankers Life (the “Dual Agents”). In addition, the ProEquities Agreement assigned the following securities-related roles to BLCFS or to BLCFS and Bankers Life, which roles BLCFS and Bankers Life did perform until December 2, 2011:

- a. consulting with ProEquities on the persons to be appointed as representatives of ProEquities;
- b. identifying securities product training and marketing opportunities for review by ProEquities;
- c. conferring with ProEquities concerning the securities products made available for distribution by the dual agents;
- d. terminating the clearing broker selected by ProEquities (BLCFS only) in the event that the clearing agent did not use commercially reasonable efforts to process and service customer accounts at a level consistent with BLCFS's standards;
- e. paying for advertising and promotional material (BLCFS only) in the event that BLCFS ordered more than a reasonable quantity of such materials or required customization of them;
- f. recruiting representatives for ProEquities and assisting with the licensing and registration process;
- g. providing marketing, training and support; and
- h. paying for:
 - i. pre-examination training for required FINRA examinations;
 - ii. sales training materials;

- iii. recruitment and travel costs; and
 - iv. ProEquities stationary and business cards.
6. Under the ProEquities Agreement, ProEquities was required to pay BLCFS between 87% and 91% of revenue received by ProEquities for the securities business conducted by the dual agents. ProEquities also was required to provide reports to BLCFS of the amount of compensation to be paid to each dual agent for securities work, and BLCFS was to retain the difference.
7. BLCFS, in its current Form BD filing, lists the following as other business:
- BLC Financial Services, Inc. (BLCF) provides sales support & a marketing program to Bankers Life & Casualty agents who are securities licensed with ProEquities. BLCFS will receive compensation from ProEquities based on these securities sales. BLCFS will not have any representatives that sell to the public.
8. Evidence obtained during the investigation indicated that Bankers screened prospective securities agents, trained new securities agents, conducted some periodic training sessions for securities agents, monitored and attempted to increase securities production of securities agents, and played a significant role in determining the compensation of securities agents. Additionally, evidence showed that the involvement of Bankers in securities-related roles led to confusion in the reporting and responsibility hierarchies as between Bankers and ProEquities.
9. At no time were the dual agents registered as agents or investment adviser representatives of Bankers Life or BLCFS. The agents were registered

representatives and investment adviser representatives of ProEquities.

10. From April 30, 2010 through November 31, 2011, ProEquities paid Bankers, on a nationwide basis, a total of approximately \$11 million under the ProEquities Agreement for variable annuity and securities transactions and investment advice.

II.

CONCLUSIONS OF LAW

1. The TSSB has jurisdiction over this matter pursuant to Sections 23, 23-1, and 28 of the Texas Securities Act.
2. The above conduct subjects ProEquities to sanctions under Sections 23.A and 23-1 of the Texas Securities Act.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and ProEquities consent to the entry of this Order,

IT IS HEREBY ORDERED:

1. ProEquities shall CEASE AND DESIST from violating the Texas Securities Act.
2. Within ten (10) days after the entry of this Order, ProEquities shall pay the sum of Eight Thousand Two Hundred Seven Dollars and Fifty-Five Cents (\$8,207.55) to the general fund of the state of Texas.
3. ProEquities shall not attempt to recover any part of the payments addressed in this Order from dual agents, Bankers Life, or customers of ProEquities.

4. ProEquities shall fully cooperate with any investigation or proceeding related to the subject matter of this Order.
5. From the date of this Order through March 31, 2015, and while Bankers has dual agents that are registered representatives or investment adviser representatives of ProEquities, any agreement between Bankers and ProEquities shall be consistent with the provisions set forth in Consent Order No. IC12-CAF-14, which was entered by the Securities Commissioner regarding Bankers on September 5, 2012.
6. This Order concludes the investigation by the TSSB and any other action that the Securities Commissioner could commence under applicable law on behalf of the state of Texas as it relates to the conduct described above, up to and including activity occurring through December 2, 2011; provided, however, that excluded from and not covered by this paragraph are any claims by the TSSB arising from or relating to the "Order" provisions contained herein.
7. If payments are not made by ProEquities, or if ProEquities defaults in any of its obligations set forth in this Order, the Securities Commissioner may vacate this Order, at the Securities Commissioner's sole discretion, upon 10 days notice to ProEquities and without opportunity for administrative hearing or judicial review, and commence a separate action.
8. Nothing herein shall preclude the state of Texas, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the TSSB and only to the extent set forth herein, (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of

action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against ProEquities.

9. This Order is not intended by the Securities Commissioner to subject any person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions.
10. This Order and the order of any other state in related proceedings against ProEquities (collectively, the "Orders") shall not disqualify any person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of the state of Texas, and any disqualifications from relying upon the state of Texas's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.
11. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of Texas without regard to any choice of law principles.
12. This Order shall be binding upon ProEquities, its relevant affiliates, successors and assigns.
13. Except as set forth above, the TSSB agrees to take no action adverse to ProEquities based solely on the same conduct addressed in this Order. However, nothing in this Order shall preclude the TSSB from: (a) taking adverse action based on other conduct; (b) taking this Order and the conduct described above into account in

determining the proper resolution of action based on other conduct; (c) taking any and all available steps to enforce this Order; or (d) taking any action against other entities or individuals, regardless of any affiliation or relationship between ProEquities and the entities or individuals.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 5th
day of September, 2012.



JOHN MORGAN
Securities Commissioner

Approved as to Form:



Ronak V. Patel
Deputy Securities Commissioner



Courtney Bowling
Attorney
Inspections & Compliance Division

CONSENT TO ENTRY OF CONSENT ORDER

ProEquities, by signing below, agrees to the entry of this Consent Order ("Order") and waives any right to a hearing and appeal.

ProEquities states that no promise of any kind or nature whatsoever that is not reflected in this Order was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Michael S. Mungenast (name) represents that he or she has been authorized to enter into this Order on behalf of ProEquities, Inc.

ProEquities, Inc.

By: 

Title: CEO

Date: 8/6/12