BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE, AT NASHVILLE

TENNESSEE SECURITIES DIVISION,	)	
Petitioner,	)	
	)	
vs.	)	**Order No. 12-005**
	)	
PROEQUITIES, INC.	)	
Respondent.	)	

CONSENT ORDER

The Tennessee Securities Division ("TSD") and ProEquities, Inc. ("PEI") agree to the entry of this Consent Order in accordance with section 48-1-116 of the Tennessee Securities Act of 1980, TENN. CODE ANN. §§ 48-1-101 to 48-1-201 (2012) ("Act"), which states that the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner") may from time to time make such orders as are necessary to carry out the provisions of the Act.

Respondent, PEI, hereby agrees to the entry of this Consent Order, subject to the approval of the Commissioner, as follows:

RESPONDENT

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

2. WHEREAS, the investigations revealed that Bankers has acted as a broker-dealer and investment adviser in Tennessee 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 on behalf of Bankers, all in violation of section § 48-1-109; and

3. WHEREAS, PEI entered into an agreement with Bankers effective April 30, 2010, to provide brokerage and investment advisory services out of BLC branch office locations; and

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

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

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

7. WHEREAS, PEI has agreed to resolve the investigations through this Consent Order in order to avoid protracted and expensive proceedings in numerous states; and

8. WHEREAS, PEI, without admitting or denying the Findings of Fact and Conclusions of Law set forth below and solely for the purposes of this Consent Order, admits the jurisdiction of the TSD, voluntarily consents to the entry of this Consent Order, and waives any right to a hearing or to judicial review regarding this Consent Order;

9. NOW THEREFORE, the Commissioner, as administrator of the Act, hereby enters this Consent Order.

I.

FINDINGS OF FACT

1. BLC is a life insurance company located in Illinois that has never been registered as a broker-dealer or investment adviser.

2. BLCFS is a wholly-owned subsidiary of BLC 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 broker-dealer or investment adviser in Tennessee, and it has not registered any agents or investment adviser representatives in Tennessee.

3. At all relevant times, PEI (CRD No. 15708) has been a broker-dealer registered in Tennessee and a federal covered investment adviser.

4. BLC and BLCFS entered into an agreement with PEI effective April 30, 2010 (the "ProEquities Agreement"). The ProEquities Agreement specifies that PEI would "exercise exclusive control" over the broker-dealer and investment advisory activities of PEI agents who were also insurance agents for BLC (the "Dual Agents"). In addition, the ProEquities Agreement assigned the following securities-related roles to BLCFS or to BLCFS and BLC, which roles BLCFS and BLC did perform until December 2, 2011:

a. consulting with PEI on the persons to be appointed as representatives of PEI;

b. identifying securities product training and marketing opportunities for review by PEI;

c. conferring with PEI concerning the securities products made available for distribution by the Dual Agents;

d. terminating the clearing broker selected by PEI (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' 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 PEI 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. PEI stationary and business cards.

5. Under the ProEquities Agreement, PEI was required to pay BLCFS between eighty-seven percent (87%) and ninety-one percent (91%) of revenue received by PEI for the securities business conducted by the Dual Agents. PEI 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.

6. 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.

7. 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 PEI.

8. At no time were the Dual Agents registered as agents or investment adviser representatives of BLC or BLCFS. The agents were registered representatives and investment adviser representatives of PEI.

9. From April 30, 2010 through November 31, 2011, Bankers received, on a nationwide basis, a total of approximately eleven million dollars ($11,000,000.00) from PEI under the ProEquities Agreement for variable annuity and securities transactions and investment advice.

II.

CONCLUSIONS OF LAW

1. The TSD has jurisdiction over this matter pursuant to the Act.

2. Under the Act, a person may not act as a broker-dealer in Tennessee unless registered or exempt from registration. TENN. CODE ANN. § 48-1-109(a) (2012).

3. Similarly, a person may not act as an investment adviser in Tennessee unless registered, exempt from registration, or a federal covered investment adviser. TENN. CODE ANN. § 48-1-109(c) (2012).

4. A broker-dealer may not employ or associate with an agent, as defined in section 48-1-102(3) of the Act, unless the employee or associated person is registered as an agent of the broker-dealer. TENN. CODE ANN. § 48-1-109(b) (2012).

5. An investment adviser may not employ or associate with an investment adviser representative unless the employee or associated person is registered as an investment adviser representative of the investment adviser. TENN. CODE ANN. § 48-1-109(f) (2012).

6. By engaging in the conduct set forth above, Bankers acted as an unregistered broker-dealer and investment adviser in Tennessee in violation of sections 48-1-109(a) and 48-1- 109(c) of the Act.

7. Furthermore, by employing or associating with Dual Agents who were not registered as agents or investment adviser representatives of Bankers, Bankers violated sections 48-1-109(b) and 48-1- 109(f) of the Act.

8. By engaging in the conduct set forth above, PEI engaged in conduct giving rise to liability under section 48-1-116 of the Act.

9. As a result, this Consent Order and the following relief are appropriate, in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

III.

ORDER

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

IT IS HEREBY ORDERED:

1. PEI shall **CEASE AND DESIST** from engaging in conduct giving rise to liability under section 48-1-116 of the Act.

2. In accordance with the terms of the multistate settlement, PEI shall pay an amount of four hundred thirty-five thousand dollars ($435,000.00) to the states where Dual Agents were located during the period from April 30, 2010, through December 2, 2011, allocated according to a

schedule provided by the multi-state investigation working group. PEI shall pay eight thousand two hundred seven dollars and fifty-five cents ($8,207.55) to the TSD as its portion of the total amount, which portion shall be considered a payment to the Enforcement/Legal Training Fund. Such payment shall be made within ten (10) days from the date this Consent Order is signed by the Commissioner by mailing a check made payable to the State of Tennessee, Securities Division to the following address:

State of Tennessee
Department of Commerce and Insurance, Securities Division
Attn: Barbara A. Doak, Chief Counsel
500 James Robertson Parkway
Davy Crockett Tower, 8th Floor
Nashville, TN 37243

3. If any state securities regulator determines not to accept the settlement offer of PEI reflected herein, including the amount allocated to the applicable state according to the schedules referenced in paragraph 2 above, the payment to the TSD set forth in paragraph 2 above shall not be affected; and PEI shall not be relieved of any of the non-monetary provisions of this Consent Order.

4. PEI shall not attempt to recover any part of the payments addressed in this Consent Order from Dual Agents, BLC, or customers of PEI.

5. PEI shall fully cooperate with any investigation or proceeding related to the subject matter of this Consent Order.

6. From the date of this Consent Order through March 31, 2015, and while Bankers has Dual Agents that are registered representatives or investment adviser representatives of PEI, any agreement between Bankers and PEI shall be consistent with the provisions set forth in a separate Consent Order executed by Bankers and the Commissioner in Order No. 12-004.

7. This Consent Order concludes the investigation by the TSD and any other action that the

Commissioner could commence under applicable law on behalf of the TSD as it relates to the violations 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 TSD arising from or relating to the "Order" provisions contained herein.

8. If payments are not made by PEI, or if PEI defaults in any of its obligations set forth in this Consent Order, the Commissioner may vacate this Consent Order, at her sole discretion, upon 10 days' notice to PEI and without opportunity for administrative hearing or judicial review, and commence a separate action.

9. Nothing herein shall preclude the State of Tennessee, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the TSD 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 PEI.

10. This Consent Order is not intended by the 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.

11. This Consent Order and the order of any other state in related proceedings against PEI (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 Tennessee, and any disqualifications from relying upon this State's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

12. The venue of this Consent Order and any dispute related thereto shall be the State of

Tennessee. This Consent Order and any dispute thereto shall be construed and enforced in accordance with, and governed by, the laws of Tennessee, without regard to any choice of law principles.

13. This Consent Order shall be binding upon PEI, its relevant affiliates, successors and assigns.

14. Except as set forth above, the TSD agrees to take no action adverse to PEI based solely on the same conduct addressed in this Consent Order. However, nothing in this Consent Order shall preclude the TSD from: (a) taking adverse action based on other conduct; (b) taking this Consent 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 Consent Order; or (d) taking any action against other entities or individuals, regardless of any affiliation or relationship between ProEquities and the entities or individuals.

IT IS HEREBY ORDERED on this 30th day of January, 2013.

Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance

APPROVED FOR ENTRY:

Daphne D. Smith
Assistant Commissioner for Securities

ISSUANCE REQUESTED BY:

Barbara A. Doak (BPR# 015802)
Chief Counsel for Securities Division
Department of Commerce and Insurance
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243

CONSENT TO ENTRY OF CONSENT ORDER

PEI, by signing below, agrees to the entry of this Consent Order and waives any right to a hearing or to judicial review.

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

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

ProEquities, Inc.

By: _____

Title: CEO

Date: 11/12/12