

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 331191

ProEquities, Inc.  
CRD#15708

Respondent.

Issued and entered  
This 3 day of January, 2017

**CONSENT ORDER IN LIEU OF CEASE AND DESIST PROCEEDINGS**

The Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau (“Bureau”), as the agency regulator of the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 et seq (“Securities Act”), and whose Director, Julia Dale, is the statutory Administrator authorized to enforce the Securities Act (“Administrator”), hereby enters into this Consent Order in Lieu of Cease and Desist Proceedings (“Consent Order”) with ProEquities, Inc. (“ProEquities”); and, ProEquities, without admitting or denying the findings of fact or conclusions of law in this Consent Order, voluntarily consents to the entry of, and waives any right to a hearing or judicial review regarding this Consent Order.

**I. FINDINGS OF FACT**

1. Bankers Life and Casualty Company (“Bankers Life”) is a life insurance company located in Illinois that has never been registered as a broker-dealer or investment adviser pursuant to the Securities Act in Michigan.
2. BLC Financial Services, Inc. (“BLCFS”) (collectively with Bankers Life, “Bankers”) was a wholly-owned subsidiary of Bankers Life that also was located in Illinois. BLCFS (CRD#126638) was a member of NASD or FINRA from 2003 to 2012 and was registered as a broker-dealer only in Illinois until terminating its registration in April 2012. During its existence, BLCFS had no business activities other than those described in this Consent Order. BLCFS has never been registered in any capacity

under the Securities Act in Michigan, and has never registered any agents or investment adviser representatives in the State of Michigan.

3. ProEquities (CRD# 15708) is an Alabama corporation, incorporated in or around July of 1984. It is registered pursuant to the Securities Act in Michigan as a broker-dealer and is notice filed as a federal covered investment adviser.
4. ProEquities entered into an agreement with BLCFS effective on or around April 30, 2010 to provide brokerage and investment advisory services (“the ProEquities Agreement”). The ProEquities Agreement specified that ProEquities would “exercise exclusive control” over the broker-dealer and investment advisory activities of ProEquities agents who were also insurance agents for Bankers Life (“Dual Agents”). In addition, the ProEquities Agreement assigned the following securities-related roles to BLCFS or to Bankers, which roles BLCFS and Bankers 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 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’ 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 in 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.

5. 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 the Dual Agents for securities work, and BLCFS was to retain the difference.
6. BLCFS, in its Form BD filing on April 27, 2012, listed 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. State securities regulators from multiple jurisdictions conducted coordinated investigations of Bankers to determine whether Bankers should have been registered as a broker-dealer and investment adviser between January 1, 2005 and December 2, 2011.
8. ProEquities cooperated with state securities regulators conducting 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.
9. The investigations revealed that Bankers had acted as a broker-dealer and investment adviser in Michigan without being registered, exempt from registration, or a federal covered investment adviser, and employed or associated with agents and investment adviser representatives that were not registered through Bankers.
10. The investigations developed no evidence that direct consumer harm occurred, 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 broker-dealer locations of ProEquities.
11. The investigations developed evidence 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.

12. At no time were the Dual Agents registered as agents or investment adviser representatives of Bankers Life or BLCFS. Agents were registered as agents and investment adviser representatives of ProEquities.
13. From April 30, 2010 through November 30, 2011, Bankers received, on a nationwide basis, a total of approximately \$11 million from ProEquities under the ProEquities Agreement for securities transactions and investment advice.
14. As of May 25, 2016, pursuant to an agreement between ProEquities and Bankers, Dual Agents transitioned from ProEquities to a broker-dealer affiliate of Bankers, Bankers Life Securities. Upon completion of the transition or expiration of the transition period, the agreement between ProEquities Agreement will terminate.
15. ProEquities has agreed to resolve the investigations through a multi-state settlement which includes this Consent Order in order to avoid protracted and expensive proceedings in multiple states.

## **II. RELEVANT STATUTORY PROVISIONS AND CONCLUSIONS OF LAW**

1. Section 401(1) of the Securities Act, MCL 451.2401(1), prohibits a person from acting as a broker-dealer in Michigan unless the person is registered or properly exempt from registration.
2. Sections 402(4) and 402(5) of the Securities Act, MCL 451.2402(4) and MCL 451.2402(5), prohibit a broker-dealer from employing or associating an agent unless the agent is registered with the broker-dealer.
3. Section 403(1) of the Securities Act, MCL 451.2403(1), prohibits a person from acting as an investment adviser in Michigan unless the person is registered or properly exempt from registration.
4. Section 403(4) of the Securities Act, MCL 451.2403(4), prohibits an investment adviser from employing or associating with an investment adviser representative that transacts business in the state on behalf of the investment adviser unless the individual is registered as an investment adviser representative.
5. By engaging in the conduct set forth above, Bankers acted as an unregistered broker-dealer and investment adviser in Michigan, in violation of sections 401(1) and 403(1) of the Securities Act, MCL 451.2401(1) and MCL 451.2403(1).
6. By engaging in in the conduct set forth above, ProEquities engaged in conduct giving rise to liability under section 604 of the Securities Act, MCL 451.2604.

7. As a result of this Consent Order, the following relief is appropriate and in the public interest.

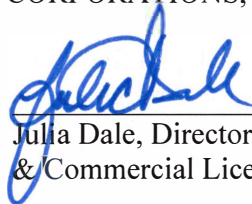
### III. ORDER

1. ProEquities shall cease and desist from engaging in conduct giving rise to liability under section 604 of the Securities Act, MCL 451.2604.
2. In accordance with the terms of the multistate settlement, ProEquities shall pay an amount of \$435,000 to the states where Dual Agents were located during the period of April 30, 2010 through December 2, 2011, allocated according to a schedule provided by the multi-state investigation working group. ProEquities shall pay \$8,207.55 to the Bureau's Securities Investor Education and Training Fund as its portion of the total amount, which portion shall be considered a civil fine. Such payment shall be made payable to the "State of Michigan", and shall be made within thirty days from the date of service of this Consent Order.
3. If any state securities regulator determines not to accept the settlement offer of ProEquities reflected herein, including the amount allocated to the applicable state according to the schedules referenced in paragraph III.2 above, the payment to Michigan set forth in paragraph III.2 shall not be affected; and ProEquities shall not be relieved of any of the non-monetary provisions of this Consent Order.
4. ProEquities shall not attempt to recover any part of the payments addressed in this Consent Order from Dual Agents, Bankers Life, or customers of ProEquities.
5. ProEquities shall fully cooperate with any investigation or proceeding relating to the subject matter of this Consent Order.
6. This Consent Order concludes the Bureau's investigation and any action that the Bureau could commence pursuant to the Securities Act in Michigan for the violations described above, up to and including the activity occurring through December 2, 2011; provided, however, that excluded from and not covered by this paragraph are any claims by the Bureau arising from or relating to the "Order" provisions contained in section III herein.
7. If payments are not made by ProEquities, or if ProEquities defaults on any of its obligations set forth in this Consent Order, the Bureau may vacate this Consent Order upon ten days' notice to ProEquities and without the opportunity for administrative hearing or judicial review, and initiate a separate action pursuant to the Securities Act.
8. This Consent Order does not preclude the State of Michigan, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations,

other than the Administrator and only to the extent set forth in this Consent Order (collectively, "State Agencies") 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 Consent Order is not intended by the Bureau 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 Consent Order and any disputes related to it shall be construed and enforced in accordance with, and governed by, the laws of the State of Michigan without regard to any choice of law principles.
11. This Consent Order shall be binding upon ProEquities, its relevant affiliates, successors, and assigns.
12. Except as set forth above, the Bureau agrees to take no action adverse to ProEquities based solely on the same conduct addressed in this Consent Order. Nothing in this Consent Order precludes the Bureau from: (a) taking action based upon other conduct; (b) taking this Consent Order and the conduct described above into account in determining proper resolutions of actions based upon other conduct; (c) taking any and all available steps to enforce this Consent Order; or (d) taking action against other entities or individuals, regardless of any affiliation or relationship between ProEquities and the entities or individuals.

CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU



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Julia Dale, Director, Corporations, Securities  
& Commercial Licensing Bureau

1/3/17  
Date

**CONSENT TO ENTRY OF ORDER**

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

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

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

ProEquities, Inc.

By: Christopher W. Flint

Its: President & CEO

Dated: December 19, 2016

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MDA - JCSO

**RECEIVED**

DEC 27 2016

**CSCL - ADM**