

NEXT FINANCIAL GROUP, INC.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED DECEMBER 31, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL

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8-51356

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

NEXT Financial Group, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2500 Wilcrest Drive, Suite 620

(No. and Street)

Houston

(City)

Texas

(State)

77042

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Moss Adams LLP

(Name - if individual, state last, first, middle name)

8750 N. Central Expressway, Suite 300

(Address)

Dallas

(City)

TX

(State)

75231

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

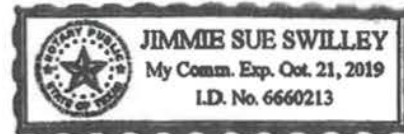
OATH OR AFFIRMATION

I, Philip F. Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of NEXT Financial Group, Inc., as of December 31, 2017, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Philip F. Smith
Signature

Chief Financial Officer
Title

Jimmie Sue Swilley
Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholder's Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) Report of Independent Registered Public Accounting Firm on Management's Exemption Report.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

NEXT FINANCIAL GROUP, INC.

CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
STATEMENT OF FINANCIAL CONDITION	2
STATEMENT OF INCOME / (LOSS)	3
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 10
SUPPLEMENTAL INFORMATION	
Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	12 - 13
Schedule II: Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	14
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON MANAGEMENT'S EXEMPTION REPORT	16 - 17



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder
NEXT Financial Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of NEXT Financial Group, Inc. (the "Company") as of December 31, 2017, the related statements of income/(loss), changes in stockholder's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion on the Supplemental Information

The supplemental information in Schedules I and II has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The information in Schedules I and II is the responsibility of the Company's management. Our audit procedures include determining whether the information in Schedules I and II reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in Schedules I and II. In forming our opinion on the information in Schedules I and II, we evaluated whether the information in Schedules I and II including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Dallas, Texas
March 14, 2018

We have served as the Company's auditor since 2016.

NEXT FINANCIAL GROUP, INC.
Statement of Financial Condition
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 1,315,481
Cash equivalents held at clearing broker	2,850,447
Receivable from broker-dealers and clearing organizations	1,570,079
Property and equipment, net	127,418
Loans receivable – salesmen	696,967
Receivable – related party	396,385
Deferred tax benefit	186,546
Other assets	2,557,895
Marketable securities	<u>12,960</u>
 Total Assets	 <u>\$ 9,714,178</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 2,038,481
Commissions payable	1,752,835
Payable – related party	7,337
Deferred rent	<u>277,923</u>
 Total liabilities	 <u>4,076,576</u>
Stockholder's equity:	
Common stock, 5,000 shares authorized with \$.01 par value, 5,000 shares issued and outstanding	 50
Additional paid-in capital	4,569,117
Retained earnings	<u>1,068,435</u>
 Total stockholder's equity	 <u>5,637,602</u>
 Total Liabilities and Stockholder's Equity	 <u>\$ 9,714,178</u>

The accompanying notes are an integral part of these financial statements.

NEXT FINANCIAL GROUP, INC.
Statement of Income / (Loss)
For the Year Ended December 31, 2017

Revenues:	
Commissions income	\$ 56,862,573
Investment advisory fees	38,260,914
Other revenue	3,628,352
Interest income	<u>1,578,381</u>
Total revenues	<u>100,330,220</u>
Expenses:	
Salaries and other employment costs	7,997,137
Commissions and clearance paid other brokers	83,449,079
Communications	262,825
Occupancy and equipment costs	707,723
Promotional costs	3,086,882
Regulatory fees and expenses	492,634
Other expenses	6,209,538
Depreciation and amortization	<u>90,827</u>
Total expenses	<u>102,296,645</u>
Income / (Loss) before income taxes	(1,966,425)
Provision for income taxes	<u>57,651</u>
Net income / (Loss)	<u>(\$ 2,024,076)</u>

The accompanying notes are an integral part of these financial statements.

NEXT FINANCIAL GROUP, INC.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2017

	<u>Common Stock Shares Issued</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2016	5,000	\$ 50	\$4,569,117	\$13,937,511	\$18,506,678
Dividends				(10,845,000)	(10,845,000)
Net income / (Loss)	<u> </u>	<u> </u>	<u> </u>	<u>(2,024,076)</u>	<u>(2,024,076)</u>
Balance at December 31, 2017	<u>5,000</u>	<u>\$ 50</u>	<u>\$4,569,117</u>	<u>\$ 1,068,435</u>	<u>\$ 5,637,602</u>

The accompanying notes are an integral part of these financial statements.

NEXT FINANCIAL GROUP, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities:

Net income / (Loss)	\$(2,024,076)
Adjustments to reconcile net income / (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	90,827
Deferred income taxes	352,755
Provision for Bad Debts	55,280
(Increase) decrease in assets:	
Cash equivalents held at clearing broker	431,671
Receivables from broker-dealers and clearing organizations	534,594
Receivable – related party	(399,188)
Other assets	(27,453)
Marketable securities	26,510
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	403,386
Commissions payable	(437,501)
Payable – related party	(312,077)
Deferred rent	(43,154)
Securities sold, not yet purchased	<u>(164,375)</u>

Net cash provided (used) by operating activities (1,512,801)

Cash flows from investing activities:

Loans made to salesmen	(570,919)
Loan payments received from salesmen	743,203
Purchases of property and equipment	<u>(99,104)</u>

Net cash provided (used) by investing activities 73,180

Cash flows from financing activities:

Dividend paid	<u>(250,000)</u>
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Net cash provided (used) by financing activities (250,000)

Net increase/decrease in cash and cash equivalents (1,689,621)
Cash and cash equivalents at beginning of year 3,005,102

Cash and cash equivalents at end of year \$1,315,481

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Income taxes	<u>\$ 301,211</u>

Supplemental disclosure of Non-cash Financing activity:

Dividend of Receivable to Parent	<u>\$10,595,000</u>
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The accompanying notes are an integral part of these financial statements.

NEXT FINANCIAL GROUP, INC.
Notes to Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

NEXT Financial Group, Inc. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a Virginia corporation. The Company operates under SEC Rule 15c3-3(k)(2)(ii), whereby a clearing broker-dealer performs clearing functions for all broker-dealer transactions with customers and brokers and dealers on a fully disclosed basis. The Company also has agreements for clearing functions with other various mutual funds and variable annuity brokers. The Company receives commissions on trades that are facilitated through the clearing broker-dealer and other brokers. The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles and to general practices within the securities industry.

The Company is a wholly-owned subsidiary of NEXT Financial Holdings, Inc. ("Holdings").

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

Receivable from Broker-Dealers and Clearing Organizations

Receivables from broker-dealers and clearing organizations are generally collected in full in the month following their accrual. As such, management has not recorded an allowance for doubtful accounts on these.

Loans Receivable - Salesmen

The Company advances funds to its registered representatives as determined necessary by management. The advances consist of pass through expenses, which are generally recouped upon the following commission payment cycle, and loans which are repaid with interest over periods of up to three years. Interest earned on the loans is recorded on a monthly basis. Loans receivable are generally repaid through the following commission payment cycles and are generally considered past due upon termination of the registered representative. Management records an allowance for bad debts based on a collectability review of specific accounts. Any receivables deemed uncollectible are written off against the allowance.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of leasehold improvements are capitalized and such costs are amortized on a straight-line basis over the shorter of their estimated useful lives or lease term, as applicable.

Other Assets

Other assets consist primarily of prepaid expenses and other receivables. Prepaid expenses are carried at cost and are expensed over the period of time to which they relate, generally less than one year. Other receivables consist mostly of advances to employee and registered representatives that are generally collected within less than three months. As of December 31, 2017, the Company had recorded an allowance for doubtful accounts of \$143,221 against these receivables.

NEXT FINANCIAL GROUP, INC.
Notes to Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies, continued

Investments

Marketable securities and securities sold, not yet purchased are carried at fair market value in accordance with the *Fair Value* Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Increases or decreases in net unrealized appreciation or depreciation of investments are credited or charged to operations. The fair values of marketable securities are based on publicly available, unadjusted quoted prices in active markets (Level 1 inputs as defined in the *Fair Value* Topic of the FASB ASC).

Revenue Recognition

Security transactions (and related commission revenue and expense) are recorded on a trade date basis. Commission revenue and related expenses from the sale of mutual funds are recorded on a trade date basis.

Investment advisory and management fees are generally recognized as services are provided. Generally, fees are billed on a quarterly basis based on the account's asset value at the end of a quarter. Advance payments, if received, are deferred and recognized during the periods for which services are provided.

Compensated Absences

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs incurred for the year ended December 31, 2017 were \$35,158 and are reflected in promotional costs.

Income Taxes

The Company accounts for income taxes in accordance with the *Income Taxes* Topic of the FASB ASC. Deferred tax assets and liabilities arising from temporary differences between book and tax basis are recognized using the enacted statutory tax rates and laws that will be in effect when such differences are expected to reverse. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years. In the case of deferred tax assets, a reduction in deferred tax assets is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Any interest or penalties associated with income taxes would be included as a component of income tax expense in the period in which the assessment arises.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEXT FINANCIAL GROUP, INC.
Notes to Financial Statements
December 31, 2017

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934 the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2017, the Company had net capital of approximately \$1,300,724 and net capital requirements of \$271,772. The Company's ratio of aggregate indebtedness to net capital was 3.13 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Note 3 - Property and Equipment

The classes of property and equipment are as follows:

Furniture and fixtures	\$ 402,975
Computer equipment and software	2,010,874
Leasehold improvements	<u>366,656</u>
	2,780,505
Less: accumulated depreciation and amortization	<u>(2,653,087)</u>
	<u>\$ 127,418</u>

Depreciation and amortization expense for the year ended December 31, 2017 was \$90,827.

Note 4 - Loans Receivable – Salesmen

The Company has 39 unsecured promissory notes receivable from its registered representatives. The notes are generally payable within a year in equal monthly installments of principal plus interest at annual interest rates ranging from 0% to 7.75%. All of the outstanding notes mature at various times through 2018 and 2019. As of December 31, 2017, the Company had recorded \$28,644 as an allowance for doubtful accounts against loans receivable – salesmen.

Note 5 - Income Taxes

The provision for income taxes consists of the following:

Current tax expense / (benefit)	\$ (295,104)
Deferred tax expense (benefit)	<u>352,755</u>
Total income tax expense	<u>\$ 57,651</u>

The Company is a member of a group that files a consolidated federal tax return. Accordingly, income taxes payable to (refundable from) the tax authority is recognized on the financial statements of the parent company who is the

NEXT FINANCIAL GROUP, INC.
Notes to Financial Statements
December 31, 2017

Note 5 - Income Tax Matters, continued

taxpayer for income tax purposes. The members of the consolidated group allocate payments to any member of the group for the income tax reduction resulting from the member's inclusion in the consolidated return, or the member makes payments to the parent company for its allocated share of the consolidated income tax liability. This allocation approximates the amounts that would be reported if the Company was separately filing its tax return. As of December 31, 2017, the Company had related-party receivables of \$311,521 for current income tax benefits that could be utilized by Holdings, and there were no tax-related balances payable to Holdings.

The expected income tax expense from applying statutory rates to net income before income taxes differs from actual income tax expense due to state income taxes net of federal tax benefit, permanent differences related to meals and entertainment, adjustments from the prior year's estimates to actual prior year income tax return amounts and adjustments to deferred taxes as of the beginning of the year of \$172,114, due to changes in enacted tax rates.

The Company files income tax returns in the U.S. federal jurisdiction and in various state and local jurisdictions. The Company's federal income tax returns generally remain subject to examination by the Internal Revenue Service for three years from the date the return is due, including extensions. The Company's state and local income tax returns are subject to examination by the respective state and local authorities over various statutes of limitations, most ranging from three to five years from the date of filing.

Deferred income tax assets and liabilities consist of the following:

Deferred tax assets:	
Accrued Liabilities	<u>\$ 311,537</u>
Total deferred tax assets	<u>311,537</u>
Deferred tax liabilities:	
Accumulated depreciation	<u>124,991</u>
Total deferred tax liabilities	<u>124,991</u>
Net deferred income tax asset	<u>\$ 186,546</u>

Note 6 - Operating Leases

The Company leases office space in Houston, Texas. Rental expense is calculated on a straight-line basis. The lease began in August 2008, for a six-year term, with renewal options for two additional five-year terms. In January 2014, the Company amended its lease agreement to extend the lease term through August 31, 2020. The renewal provisions of the original lease remain in effect. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining no cancelable lease terms in excess of one year:

Year Ending	
<u>December 31,</u>	
2018	\$ 689,377
2019	705,662
2020	<u>477,679</u>
	<u>\$ 1,872,718</u>

Rental expense for the year ended December 31, 2017, was \$623,209 and is reflected in occupancy and equipment costs.

NEXT FINANCIAL GROUP, INC.
Notes to Financial Statements
December 31, 2017

Note 7 - Employee Benefits

The Company has a 401(k) savings plan for all employees who have completed one month of service. The plan allows the Company to make discretionary matching contributions, as well as additional discretionary contributions. The Company made matching contributions of \$158,561 to the plan for the year ended December 31, 2017.

Note 8 - Concentration Risk

At December 31, 2017, and at various other times during the year then ended, the Company had cash balances in excess of federally insured limits.

Note 9 - Commitments and Contingencies

The Company has been named, along with other defendants, in proceedings and lawsuits incidental to its securities business. As of December 31, 2017, customers in these proceedings are seeking damages of approximately \$11.2 million. The Company has also been named, along with other defendants, in proceedings instituted by a former employee and a former independent contractor of the Company who seek damages of approximately \$22.6 million. Management intends to present a vigorous defense. The ultimate outcome of these proceedings and lawsuits cannot presently be determined. As of December 31, 2017, the Company has accrued approximately \$1,195,000 related to these proceedings and lawsuits based on the analysis conducted by the Company and/or their attorneys as to the Company's potential exposure.

Included in the Company's clearing agreement with its clearing broker-dealer is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on any unsettled trades. At December 31, 2017, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 10 - Related Party Transactions

The Company is a wholly-owned subsidiary of Holdings. At December 31, 2017, the Company had a receivable from Holdings of \$396,385 and a payable of \$7,337 as reflected on the Statement of Financial Condition. The Company and Holdings are under common control and the existence of that control may create operating results and financial position different than if the companies were autonomous.

During 2017, the Company recorded a non-cash dividend of \$10,595,000. The dividend was funded with related-party receivable from Holdings of the same amount. Also during 2017, the Company paid cash dividends of \$250,000.

Supplemental Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
as of
December 31, 2017

Schedule I

NEXT FINANCIAL GROUP, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of December 31, 2017

COMPUTATION OF NET CAPITAL

Total stockholder's equity qualified for net capital		\$ 5,637,602
Deductions and/or charges:		
Non-allowable assets:		
Receivable from broker-dealers and clearing organizations	\$ 251,251	
Property and equipment, net	127,418	
Loans receivable – salesmen	696,967	
Receivable – related party	396,385	
Deferred tax benefit	186,546	
Other assets	2,557,895	
Other deductions and/or charges:		
Deficits in clearing account	<u>34,345</u>	<u>(4,250,807)</u>
Net capital before haircuts on securities positions		1,386,795
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(c)(2)):		
Money market accounts	58,953	
Undue concentration	<u>27,118</u>	<u>(86,071)</u>
Net capital		<u>\$ 1,300,724</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:		
Accounts payable and accrued expenses		\$ 2,038,481
Commissions payable		1,752,835
Payable – related party		7,337
Deferred rent and lease incentives		<u>227,923</u>
Total aggregate indebtedness		<u>\$ 4,076,576</u>

Schedule I (continued)

NEXT FINANCIAL GROUP, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of December 31, 2017

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 271,772</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 250,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 271,772</u>
Net capital in excess of required minimum	<u>\$ 1,028,952</u>
Excess net capital at 1000%	<u>\$ 893,066</u>
Ratio: Aggregate indebtedness to net capital	<u>3.13 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

There were no significant differences in the computation of net capital under Rule 15c3-1 from the Company's computation.

Schedule II

NEXT FINANCIAL GROUP, INC.

Computation for Determination of Reserve Requirements Under
Rule 15c3-3 of the Securities and Exchange Commission
As of December 31, 2017

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from Rule 15c3-3 under Section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Pershing, LLC

Report of Independent Registered Public Accounting Firm

On Management's Exemption Report

Required By SEC Rule 17a-5

Year Ended

December 31, 2017



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder
NEXT Financial Group, Inc.

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) NEXT Financial Group, Inc. (the "Company") identified provision 17 C.F.R. § 15c3-3(k)(2)(ii) (the "exemption provision") under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 and (2) the Company stated that the Company met the identified exemption provision throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Moss Adams LLP

Dallas, Texas
March 14, 2018



EXEMPTION REPORT

NEXT FINANCIAL GROUP, INC. Assertions

We confirm, to the best of our knowledge and belief, that:

1. NEXT FINANCIAL GROUP, INC. claimed an exemption from SEC Rule 15c3-3 under the provisions in paragraph of (k)(2)(ii) throughout the fiscal year January 1, 2017 to December 31, 2017.
2. NEXT FINANCIAL GROUP, INC. met the identified exemption provisions in SEC Rule 15c3-3(k)(2)(ii) throughout the fiscal year January 1, 2017 to December 31, 2017 without exception.

Sign: _____

Date: _____

2/27/18

NEXT Financial Group, Inc.
Philip F. Smith
Chief Financial Officer
2500 Wilcrest Drive, Suite 620
Houston, TX 77042

Office: (713) 333.4926
Fax: (713) 980.2431

Report of Independent Registered Public Accounting Firm

On the SIPC Annual Assessment

Required By SEC Rule 17a-5, and the SIPC Series 600 Rules

Year Ended December 31, 2017



Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures

To the Board of Directors and Stockholder
NEXT Financial Group, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below, which were agreed to by NEXT Financial Group, Inc. (the "Company") and the Securities Investor Protection Corporation ("SIPC") with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of the Company for the year ended December 31, 2017, solely to assist you and SIPC in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows.

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
2. Compared the total revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2017 with the total revenue amounts reported in Form SIPC-7 for the year ended December 31, 2017, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences; and,
5. We were unable to compare the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed as there was no such overpayment amount stated on Form SIPC -7 and management represented to us that no such overpayment exists.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Form SIPC-7. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP
Dallas, Texas
March 14, 2018