

# Next Capital Management, LLC

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ADV Part 2A, Firm Brochure  
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**This Brochure provides information about the qualifications and business practices of Next Capital Management, LLC (“NEXT”). If you have any questions about the contents of this Brochure, please contact Andrew C. Hart at (212) 433-1111 or [ahart@nextcapitalmgmt.com](mailto:ahart@nextcapitalmgmt.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about NEXT also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to NEXT as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## Item 2           Material Changes

Since the last Annual Amendment filing on March 30, 2017, this Brochure has been amended to reflect that Schwab Wealth Investment Advisory, Inc. (“SWIA”) no longer serves as the program sponsor of the “NEXT Capital Wealth Builder” Program. Accordingly:

- Item 4 has therefore been amended to reflect the fact that NEXT is now the sole investment adviser for the NEXT Capital Wealth Builder Program;
- Item 8 has been amended to reflect additional risk disclosures relating to the NEXT Capital Wealth Builder Program, which were previously described in the SWIA brochure;
- Item 12 has been amended to describe revised brokerage practices for the NEXT Capital Wealth Builder Program; and
- Item 17 is amended to reflect that neither SWIA nor NEXT will vote proxies or receive issuer communications for the NEXT Capital Wealth Builder Program.

In addition, this Brochure has been amended since the previous Annual Amendment filing to make disclosure additions and enhancements, including at Items 4, 5, and 12, regarding retirement rollovers, a written acknowledgment of fiduciary status with respect to certain accounts governed by the Employee Retirement Income Security Act of 1974 / the Internal Revenue Code, or both, advisory fees, and economic benefits.

**ANY QUESTIONS: NEXT’s Chief Compliance Officer, Andrew C. Hart, remains available to address any questions regarding this amended filing, or any other issue pertaining to this Firm Brochure.**

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#### Item 4            **Advisory Business**

- A. NEXT is a limited liability company formed on December 18, 1998 in the State of Delaware, which became registered as an Investment Adviser Firm in March 1999. NEXT is principally owned by: Andrew C. Hart, who is NEXT's Managing Member, and the ACH Family Trust, which is a trust created for the benefit of Mr. Hart and his family.
- B. As discussed below, NEXT offers to clients (generally: individuals, high net worth individuals, trusts, pension and profit sharing plans, charitable organizations, and business entities, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage NEXT to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis. Unless the client and NEXT agree to a fixed-fee arrangement, NEXT's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under NEXT's management. Prior to engaging NEXT to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with NEXT setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

NEXT provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, NEXT will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, NEXT provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may execute or recommend execution of account transactions as a result of those reviews.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, NEXT may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, retirement planning, and cash flow analysis) on a stand-alone separate fee basis. Prior to engaging NEXT to provide planning or consulting services, clients are generally required to enter into a Financial Planning Agreement with NEXT setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to NEXT commencing services. If requested by the client, NEXT may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from NEXT. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify NEXT if there is ever any change in their financial situation or investment

objectives for the purpose of reviewing, evaluating, or revising NEXT's previous recommendations or services.

## NEXT CAPITAL WEALTH BUILDER

### Overview

Clients may choose to engage NEXT to provide investment management services utilizing the Institutional Intelligent Portfolios® Program, relative to investment accounts with market values of at least \$5,000 under the NEXT Capital Wealth Builder Program ("NEXT Capital Wealth Builder"). The Institutional Intelligent Portfolios® Program is an automated investment program through which clients are invested in a range of investment strategies NEXT has constructed and manages, each consisting of a portfolio of exchange traded funds ("ETFs") and a cash allocation. The client may instruct NEXT to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co"). NEXT uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate NEXT Capital Wealth Builder. NEXT is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (collectively, "Schwab"). NEXT, and not Schwab, is the client's investment adviser and primary point of contact with respect to NEXT Capital Wealth Builder. As between NEXT and Schwab, NEXT is solely responsible, and Schwab is not responsible, for determining the appropriateness of NEXT Capital Wealth Builder for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. NEXT has contracted with SPT to provide NEXT with the Platform, which consists of technology and related trading and account management services for NEXT Capital Wealth Builder. The Platform enables NEXT to make NEXT Capital Wealth Builder available to clients online and includes a system that automates certain key parts of its investment process (the "System"). The System includes an online questionnaire that helps NEXT determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that NEXT will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but NEXT then makes the final decision and selects a portfolio based on all the information it has about the client. The System also includes an automated investment engine through which NEXT manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

NEXT charges clients a fee for its services as described below under Item 5, Fees and Compensation. NEXT's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of NEXT Capital Wealth Builder. Schwab does receive other revenues in connection with NEXT Capital Wealth Builder, which are described below under Item 5.

NEXT does not pay SPT fees for the Platform so long as it maintains \$100 million in client assets in accounts at CS&Co that are not enrolled in NEXT Capital Wealth Builder. If NEXT does not meet this condition, then it must pay SPT an annual licensing fee of 0.10% of the value of its clients' assets in NEXT Capital Wealth Builder. This arrangement presents a **conflict of interest**, as it provides an incentive for NEXT to

recommend that clients maintain their accounts at Schwab Notwithstanding, NEXT may generally recommend to its clients that investment management accounts be maintained at CS&Co based on the considerations discussed in Item 12 below, which mitigates this conflict of interest. **NEXT's Chief Compliance Officer Andrew C. Hart, remains available to address this conflict of interest.**

Clients enrolled in NEXT Capital Wealth Builder are limited in the universe of investment options available to them. For example, the investment options available are limited to ETFs, whereas NEXT recommends various other types of securities in its other services. NEXT Capital Wealth Builder is designed to provide guidance and professional assistance to individuals who are beginning the process of accumulating wealth. Clients will have access to their accounts and a financial interface online but will also have the opportunity to confer with NEXT with respect to their account.

### **Rebalancing**

The System will rebalance a client's account periodically by generating instructions to CS&Co to buy and sell shares of ETFs and depositing or withdrawing funds through the "Sweep Program", considering the asset allocation for the client's investment strategy. Rebalancing trade instructions can be generated by the System when (i) the percentage allocation of an ETF varies by a set parameter established by NEXT, (ii) NEXT decides to change the ETFs or their percentage allocations for an investment strategy or (iii) NEXT decides to change a client's investment strategy, which could occur, for example, when a client makes changes to their investment profile or imposes or modifies restrictions on the management of their account. Accounts below \$5,000 may deviate farther than the set parameters as well as the target allocation of the selected investment profile. Rebalancing below \$5,000 may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

### **Sweep Program**

Each investment strategy involves a cash allocation ("Cash Allocation") that will be held in a sweep program at Charles Schwab Bank (the "Sweep Program"). The Cash Allocation will be a minimum of 4% of an account's value to be held in cash, and may be higher, depending on the investment strategy chosen for a client. The Cash Allocation will be accomplished through enrollment in the Sweep Program, a program sponsored by Schwab. By enrolling in NEXT Capital Wealth Builder, clients consent to having the free credit balances in their brokerage accounts at CS&Co swept into deposit accounts ("Deposit Accounts") at Charles Schwab Bank ("Schwab Bank") through the Sweep Program. Schwab Bank is an FDIC-insured depository institution that is a Schwab affiliate. The Sweep Program is a required feature of NEXT Capital Wealth Builder. If the Deposit Account balances exceed the Cash Allocation for a client's investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If clients request cash withdrawals from their accounts, this likely will require the sale of ETF positions in their accounts to bring their Cash Allocation in line with the target allocation for their chosen investment strategy. If those clients have taxable accounts, those sales may generate capital gains (or losses) for tax purposes. In accordance with an agreement with CS&Co, Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to an index.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, NEXT may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, retirement planning and cash flow analysis. NEXT **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance brokerage services. Accordingly, NEXT **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, NEXT may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by NEXT or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Unaffiliated Private Investment Funds.** NEXT may provide non-discretionary investment advice regarding unaffiliated private investment funds. NEXT's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. Unless otherwise set forth in this Brochure, if a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of NEXT calculating its investment advisory fee. NEXT's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Private Investment Fund Risk Factors:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Private Investment Fund Valuation.** In the event that NEXT references private investment funds owned by the client on any supplemental account reports prepared by NEXT, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor (which could be an estimated value). If the fund sponsor does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) could be significantly more or less than original purchase price. The client's advisory fee shall be based upon such reflected fund value(s).

**Independent Managers.** NEXT may also allocate a portion of client assets among certain independent investment manager(s) who will manage the designated assets on a day-to-day discretionary basis (the “Independent Manager(s)”) consistent with the client’s investment objectives. NEXT will continue to provide investment advisory services to the client relative to the ongoing monitoring and review of the Independent Manager(s), account performance, asset allocation and client investment objectives. Factors which NEXT may consider in recommending Independent Manager(s) include the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. Although not a material consideration for recommending asset allocation to a particular Independent Manager, NEXT may receive services, products and reimbursement from Independent Manager(s) relative to the Independent Manager evaluation process, such as: compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, and/or other products used by NEXT in furtherance of its investment advisory business operations. Certain Independent Manager(s) may impose individual account minimums. The fee charged by the Independent Manager(s) is separate from and in addition to NEXT’s investment advisory fee described at Item 5 below.

**Business Relationships with Fortigent and Dynasty.** NEXT maintains business relationships with Fortigent, LLC. (“Fortigent”), and Dynasty Financial Partners, LLC (“Dynasty”). Please refer to Item 10.C. for a description of the services and the **conflicts of interest** presented. **NEXT’s Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or prospective client may have regarding these relationships and the related conflicts of interest.**

**Asset-Based Fees versus Transaction-Based Fees:** Custodians such as *Schwab* are compensated for their services which include, but are not limited to execution, custody and reporting. *Schwab* can charge a fixed percentage fee for its services based upon the dollar amount of the assets placed in its custody and/or on their platform (for example: if *Schwab* was to charge an annual 0.10% of the market value of the client assets in its custody, the fee would include the execution of all account transactions). This is referred to as an “Asset-Based Fee”. In the alternative, rather than a fixed percentage fee based upon the market value of the assets in its custody, *Schwab* could charge a separate fee for the execution of each transaction. This is referred to as a “Transaction-Based Fee”. Under a Transaction Based fee, the amount of total fees charged to the client account for trade execution will vary depending upon the number of transactions that are placed for the account. Because NEXT cannot predict the markets and the amount of trading that will occur in a client account, NEXT generally favors Asset-Based pricing because it will fix the amount of the fee paid from the account for trade execution, regardless of the number of transactions that are placed for the account. However, NEXT, on an annual basis, will conduct a sampling to confirm its belief (given the inability to predict the markets and the corresponding amount of trading that will occur) that Asset-Based pricing continues to be beneficial for its clients. Prior to engaging *Schwab* regardless of pricing (Asset-Based versus Transaction-Based), the client will be required to execute a separate agreement with *Schwab* agreeing to such pricing/fees. The fees charged by *Schwab* are separate and in addition to the advisory fee payable by the client to NEXT. The client can request at any time to switch from Asset-Based pricing to Transaction-Based pricing, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by the client to switch to Transaction-Based pricing could prove to be economically detrimental. **NEXT’s Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or prospective client may have regarding Asset-Based versus Transaction- Based pricing.**

**Retirement Rollovers - Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If NEXT recommends that a client roll over their retirement plan assets into an account to be managed by NEXT, such a recommendation creates a conflict of interest if NEXT will earn a new (or increase its current) advisory fee as a result of the rollover. To the extent that NEXT recommends that clients roll over assets from their retirement plan to an IRA managed by NEXT, then NEXT represents that it and its investment adviser representatives are fiduciaries under the Employee Retirement Income Security Act of 1974 ("ERISA"), or the Internal Revenue Code, or both. **No client is under any obligation to rollover retirement plan assets to an account managed by NEXT. NEXT's Chief Compliance Officer, Andrew Hart remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.**

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a retirement plan ("Plan") organized under ERISA; (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then NEXT represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by NEXT or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Portfolio Activity.** NEXT has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, NEXT will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when NEXT determines that changes to a client's portfolio are neither necessary nor prudent. Of course, there can be no assurance that investment decisions made by NEXT will be profitable or equal any specific performance level(s).

**Charles Schwab & Co., Inc.** As discussed below at Item 12, unless the client directs otherwise, NEXT shall generally recommend that Charles Schwab & Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting securities transactions. **See Asset-Based Fees versus Transaction-Based Fees above and at Item 5 below.** In addition to NEXT's investment management fee as described at Item 5 below, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Platform Fees For Mutual Fund and ETF Portfolios.** In addition to NEXT's advisory fee described at Item 5 below, and Schwab's fees discussed in this Item 4 above and Item 5 below, the client will also incur the platform fee charged by Fortigent and/or Dynasty discussed in this Item 4 above and Item 10 below. The platform fee is generally 10 basis



points on the client assets utilizing either platform. A basis point is equal to one hundredth of one percent. Thus, 10 basis points is one-tenth (1/10) of one percent (1.00%) or 0.10%.

**ERISA Plan Engagements:** NEXT may also be engaged by Plan sponsors to provide discretionary and/or non-discretionary investment advisory services to ERISA retirement plans, whereby NEXT shall manage Plan assets in the amount and objective as designated by the Plan sponsor. In such engagements, NEXT will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 (“ERISA”) either as a 3(38) “investment manager” for discretionary engagements or as a 3(21) “fiduciary” for non-discretionary consulting engagements. In either engagement, NEXT will generally provide services on an “assets under management” fee basis per the terms and conditions of an Investment Advisory Agreement between the Plan and NEXT.

**Participant Directed Retirement Plans.** NEXT may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Consulting Agreement between NEXT and the plan. For such engagements, NEXT shall assist the Plan sponsor to select an investment platform from which Plan participants shall make their respective investment choices, and, to the extent engaged to do so, shall provide corresponding education to assist the participants with their decision making process.

**Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by NEXT independent of engaging NEXT as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive NEXT's initial and ongoing investment advisory services.

**Structured Notes.** NEXT may purchase structured notes for client accounts. A structured note is generally a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. However, NEXT may also recommend structured notes that do not contain a debt security. A structured note is essentially a promissory note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. There can be no assurance that any such product will prove profitable or successful. In light of the enhanced risks/rewards, a client may direct NEXT, in writing, not to purchase such product(s) for their accounts.

**Cross Transactions.** In limited circumstances, NEXT may arrange for cross-transactions pursuant to which NEXT may cross transactions between two of its managed client accounts (i.e., arranging for the clients’ securities trades by “crossing” these trades when NEXT believes that such transactions are beneficial to its clients). For all such transactions, neither NEXT nor any related person will be acting as a broker or receive any commission or transaction-based compensation. The client may revoke NEXT’s cross-transaction authority at any time upon written notice to NEXT.

**ByAllAccounts and Fortigent.** In conjunction with the services provided by “ByAllAccounts” and Fortigent, NEXT may also provide periodic comprehensive reporting services, which can incorporate all of the client’s investment assets including those investment assets that are not part of the assets managed by NEXT (the “Excluded Assets”). NEXT’s service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because NEXT does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not NEXT, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or the client’s other advisors that maintain trading authority, and not NEXT, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, NEXT shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that NEXT provide investment management services (whereby NEXT would have trading authority) with respect to the Excluded Assets, the client may engage NEXT to do so pursuant to the terms and conditions of the Investment Advisory Agreement between NEXT and the client.

**Non-Discretionary Service Limitations.** Clients that determine to engage NEXT on a non-discretionary investment advisory basis **must be willing to accept** that NEXT cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that NEXT would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, NEXT will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client’s consent.

**Client Obligations.** In performing its services, NEXT shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify NEXT if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising NEXT’s previous recommendations and/or services.

**Disclosure Statement.** A copy of NEXT’s written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of agreement between NEXT and the client.

- C. NEXT provides investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, NEXT shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on NEXT’s services.
- D. NEXT does not participate in a wrap fee program.

- E. As of December 31, 2017, NEXT had \$755,879,811 in assets under management on a discretionary basis and \$149,531,447 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

The client may engage NEXT to provide discretionary and/or non-discretionary investment advisory services on a negotiable fee-only basis. Unless a fixed-fee is otherwise agreed upon, NEXT's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under NEXT's management (generally between negotiable and 1.25%) as follows:

Initial \$500,000	1.25%
Next \$500,001 - \$5,000,000	1.00%
Next \$5,000,001 - \$10,000,000	0.75%
Next \$10,000,001 - \$25,000,000	0.50%
Next \$25,000,001 - \$50,000,000	0.40%
Over \$50,000,000	Negotiable

\* The rates set forth above are the maximum rates charges by NEXT, and NEXT may, in its sole discretion, agree to provide investment advisory services at rates lower than those set forth above.

In addition to the above, clients whose investment assets are allocated to the Fortigent and/or Dynasty management platforms will be responsible for additional fees as described further at Item 10.C. below.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, NEXT provides financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, retirement planning and cash flow analysis) on a stand-alone fee basis. NEXT's planning and consulting fees are negotiable, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). NEXT typically provides these services at an hourly rate of \$250, however NEXT may agree to provide financial planning and consulting services for a negotiated fixed fee.

### **NEXT CAPITAL WEALTH BUILDER**

Should a client choose to engage NEXT to provide discretionary investment advisory services on a fee-only basis through NEXT Capital Wealth Builder, NEXT's annual fee shall be 0.60% of the market value of the assets placed under NEXT's management.

- B. Clients may elect to have NEXT's advisory fees deducted from their custodial account. Both NEXT's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of NEXT's investment advisory fee and to directly remit that management fee to NEXT in compliance with regulatory procedures. In the limited event that NEXT bills the client directly, payment is

due upon receipt of NEXT's invoice. NEXT shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. A pro-rated fee will be charged on client contributions of \$25,000 or more to cover the period of time from the date of deposit until the last calendar day of the billing quarter. Similarly, a pro-rated fee reduction will be made on withdrawals of \$25,000 or more from a client account during a billing period, to reflect the period of time from the date of withdrawal until the end of the billing quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, NEXT shall generally recommend that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to NEXT's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). In addition, clients may also incur fees charged by Independent Manager(s), Fortigent, and Dynasty, which are all separate from and in addition to NEXT's investment advisory fee described above.

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both a fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (generally, Schwab).

**Asset-Based Fees versus Transaction-Based Fees:** Custodians such as Schwab are compensated for their services which include, but are not limited to execution, custody and reporting. Schwab can charge a fixed percentage fee for their services based upon the dollar amount of the assets placed in their custody and/or on their platform (for example: if Schwab was to charge an annual 0.10% of the market value of the client assets in its custody, the fee would include the execution of all account transactions). This is referred to as an "Asset-Based Fee".

In the alternative, rather than a fixed percentage fee based upon the market value of the assets in its custody, Schwab could charge a separate fee for the execution of each transaction. This is referred to as a "Transaction-Based Fee". Under a Transaction Based fee, the amount of total fees charged to the client account for trade execution will vary depending upon the number of transactions that are placed for the account.

Because NEXT cannot predict the markets and the amount of trading that will occur in a client account, NEXT generally favors Asset-Based pricing because it will fix the amount of the fee paid from the account for trade execution, regardless of the number of transactions that are placed for the account. However, NEXT, on an annual basis, will conduct a sampling to confirm its belief (given the inability to predict the markets and the corresponding amount of trading that will occur) that Asset-Based pricing continues to be beneficial for its clients. Prior to engaging Schwab regardless of pricing (Asset-Based versus Transaction-Based), the client will be required to execute a separate agreement with Schwab agreeing to such pricing/fees. The fees charged by Schwab are separate and

in addition to the advisory fee payable by the client to NEXT. **NEXT's Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or prospective client may have regarding Asset-Based versus Transaction- Based pricing.**

- D. NEXT's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. NEXT does not generally require an annual minimum fee or asset level for investment advisory services. NEXT, in its sole discretion, may charge a lesser investment management fee. The applicable form of agreement between NEXT and the client will continue in effect until terminated by either party by written notice in accordance with the terms of such agreement. Upon termination, NEXT shall refund the pro-rated portion of any advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither NEXT, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither NEXT nor any supervised person of NEXT accepts performance-based fees.

## **Item 7            Types of Clients**

NEXT's clients shall generally include individuals, high net worth individuals, trusts, pension and profit sharing plans, charitable organizations, and business entities. Except with respect to the NEXT Capital Wealth Builder Program described above, NEXT does not generally require an annual minimum fee or asset level for investment advisory services. NEXT, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

- A. NEXT may utilize the following methods of security analysis:
- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)

NEXT may utilize the following investment strategies when implementing investment advice given to clients:

- **Long Term Purchases** (securities held at least a year)
- **Short Term Purchases** (securities sold within a year)
- **Trading** (securities sold within thirty (30) days)
- **Options** (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** . Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by NEXT) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. NEXT's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis NEXT must have access to current/new market information. NEXT has no control over the dissemination rate of market information; therefore, unbeknownst to NEXT, certain analyses may be compiled with outdated market information, severely limiting the value of NEXT's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

NEXT's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In limited circumstances when consistent with a client's investment objective(s), NEXT may employ the use of options strategies, which involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by NEXT shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by NEXT is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct NEXT, in writing, not to employ any or all such strategies for their accounts. For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s

Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>. Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

- C. Currently, NEXT primarily allocates client investment assets various mutual funds, exchange traded funds, and individual equity and fixed income securities, on a discretionary and non-discretionary basis, in accordance with the client's designated investment objective(s). NEXT also provides non-discretionary investment advisory services relative to client assets that are allocated to unaffiliated private investment funds. (See Private Investment Funds above).

### **NEXT CAPITAL WEALTH BUILDER**

NEXT may, through its NEXT Capital Wealth Builder Program, allocate investment management assets of its client accounts, on a discretionary basis, among one or more asset allocation programs as designated on the Investment Advisory Agreement. NEXT Capital Wealth Builder asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as NEXT's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to NEXT's management of client assets through NEXT Capital Wealth Builder:

1. Initial Interview – at the opening of the account, NEXT, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly NEXT shall notify the client to advise NEXT whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, NEXT shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – NEXT shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct NEXT not to purchase certain mutual funds;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;

10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Risks Specific to NEXT Capital Wealth Builder

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses. ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so. Some ETFs available, including Schwab ETFs™, are less than 10 years old. Accordingly, there is limited data available to use when assessing the investment risk of some of these ETFs. As a result, one or more of the following may occur: (i) poor liquidity in or limited availability of the ETFs, or (ii) lack of market depth causing the ETFs to trade at excessive premiums or discounts.

**Item 9           Disciplinary Information**

NEXT has not been the subject of any disciplinary actions.

**Item 10          Other Financial Industry Activities and Affiliations**

- A. Neither NEXT, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither NEXT, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Fortigent/UMA**. NEXT has entered into a contractual relationship with Fortigent, LLC a third party due diligence and back-office firm (“Fortigent”), to assist NEXT with investment-related due diligence, research, and administrative support services. In addition, in conjunction with NEXT’s investment management services, NEXT and its clients may separately engage the services of Fortigent in its capacity as a UMA (Unified Managed Account) Sponsor/Overlay Manager (Access Overlay and Access Overlay II) and SEC adviser, to provide research, portfolio trading, re-balancing, reporting and other administrative services. NEXT compensates Fortigent directly for all reporting services related to assets that are not allocated to the Access Overlay II and UMA programs.



**Conflict of Interest.** Except as indicated above, NEXT compensates Fortigent directly for reporting services and indirectly for administrative and due diligence services through its use of Access Overlay and Access Overlay II. Although NEXT does compensate Fortigent directly for reporting services, the receipt of administrative and due diligence services at no cost presents a **conflict of interest** because it could provide NEXT with an incentive to allocate client assets to Fortigent.

**Please Note:** With respect to Access Overlay II, NEXT has negotiated what it believes to be the lowest fee available from Fortigent (0.10% of the assets allocated to Access Overlay II subject to an annual minimum fee of \$100). However, since Fortigent's pricing is fixed at 0.10% of assets allocated to Access Overlay II, clients allocating a greater amount of assets to Access Overlay II will pay a higher dollar fee for Fortigent's services. **Please Further Note:** The research obtained from Fortigent shall be used by NEXT to assist with the investment-decision making process for client accounts that do not participate in the Fortigent UMA program. Thus, clients utilizing Fortigent UMA could be subsidizing the cost of research used by NEXT to assist it with the management of non-Fortigent client accounts

**Please Also Note:** In many instances, the client will engage both Schwab (see Asset-Based versus Transaction-Based Fees disclosure below) and Fortigent (for reporting). The fees charged by Schwab and Fortigent are separate and in addition to the advisory fee payable by the client to NEXT. No client is under any obligation to utilize Fortigent's investment programs. A client can direct NEXT, in writing, not to utilize Fortigent investment programs. **NEXT's Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or respective client may have regarding the Fortigent relationship and the corresponding conflict of interest.**

**Dynasty/TAMP.** NEXT has entered into a contractual relationship with Dynasty Financial Partners, LLC ("Dynasty"), which provides NEXT with operational and back office support including access to a network of service providers. Through the Dynasty network of service providers, NEXT has access to discounts on trading technology, reporting, custody, brokerage, compliance and other related services. While NEXT believes this open architecture structure for operational services best serves the interests of its clients, this relationship presents certain **conflicts of interest** due to the fact that Dynasty retains a portion of the platform or other third party fees paid by NEXT or its clients for the services referenced above. In light of the foregoing, NEXT seeks at all times to ensure that any material conflicts are addressed on a fully-disclosed basis and handled in a manner that is aligned with its clients' best interests. NEXT does not receive any portion of the fees paid directly to Dynasty, its affiliates or the service providers made available through Dynasty's platform. In addition, NEXT reviews all such relationships, including the service providers engaged through Dynasty, on an ongoing basis in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of the services provided.

Dynasty's subsidiary, Dynasty Wealth Management, LLC is a registered investment adviser, which also provides access to a range of investment services including: separately managed accounts ("SMAs"), mutual fund and exchange-traded fund ("ETF") asset allocation strategies, and unified managed accounts ("UMAs") managed by external

third party managers (collectively the “Investment Programs”). NEXT and its clients may separately engage the services of Dynasty and/or its subsidiaries to access the Investment Programs. Under the UMA program, NEXT will maintain the ability to construct a single portfolio by selecting the specific, underlying investment vehicles and asset allocations. Under the SMA program, NEXT has the ability to construct a single portfolio by selecting the specific, underlying manager, investment vehicles and/or asset allocations. **Please Note:** With respect to the Investment Programs focused upon mutual fund and ETF asset allocation strategies, clients will be responsible for additional fees, currently equal to 0.10% of the value of client assets allocated to such strategies.

**Conflicts of Interest.** A portion of the negotiated price for Dynasty’s services is contingent upon NEXT transitioning a specific dollar amount in UMA assets to the Dynasty platform within 24 months of the effective date of its agreement with Dynasty. The fees payable from NEXT to Dynasty will increase if that minimum threshold is not met within that time period. In addition, NEXT may receive more advantageous pricing in the future as assets allocated to the Investment Programs increase. These arrangements present **conflicts of interest** because NEXT is incentivized to allocate client investment assets to the Investment Programs in order to receive more advantageous pricing from Dynasty. In light of the foregoing, NEXT seeks at all times to ensure that any such conflicts are addressed on a fully-disclosed basis and investment decisions are handled in a manner that is aligned with its clients’ best interests. NEXT does not receive any portion of the fees paid directly to Dynasty or the service providers made available through its platform. **NEXT’s Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or respective client may have regarding the Dynasty relationship and the corresponding conflict of interest.**

NEXT has no other relationship or arrangement with a related person that is material to its advisory business.

- D. NEXT may, from time-to-time recommend the retirement planning services of CMC Advisors, Inc. (“CMC”). The terms and conditions under which the client shall engage CMC shall be set forth in a separate written agreement between the client and CMC. **Please Note:** If the client engages CMC and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against CMC.

If NEXT refers a client to CMC and the client engages CMC, NEXT may receive a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities laws or requirements. **Conflict of Interest:** The recommendation by NEXT that an individual or entity engage CMC presents a **conflict of interest**, as the potential for receipt of referral fee may provide an incentive to recommend CMC based on the referral fee received, rather than on a particular client’s need. No person or entity is under any obligation to engage CMC.

**Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. NEXT maintains an investment policy relative to personal securities transactions. This investment policy is part of NEXT's overall Code of Ethics, which serves to establish a standard of business conduct for all of NEXT's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, NEXT also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by NEXT or any person associated with NEXT.

- B. Neither NEXT nor any related person of NEXT recommends, buys, or sells for client accounts, securities in which NEXT or any related person of NEXT has a material financial interest.
- C. NEXT and/or representatives of NEXT may buy or sell securities that are also recommended to clients. This practice may create a situation where NEXT and/or representatives of NEXT are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if NEXT did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of NEXT's clients) and other potentially abusive practices.

NEXT has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of NEXT's "Access Persons". NEXT's securities transaction policy requires that an Access Person of NEXT must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date NEXT selects; provided, however that at any time that NEXT has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. NEXT and/or representatives of NEXT may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where NEXT and/or representatives of NEXT are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, NEXT has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of NEXT's Access Persons.

## Item 12      **Brokerage Practices**

- A. In the event that the client requests that NEXT recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct NEXT to use a specific broker-dealer/custodian), NEXT generally recommends that investment management accounts be maintained at Schwab. Prior to engaging NEXT to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with NEXT setting forth the terms and conditions under which NEXT will provide investment advisory services, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that NEXT may consider in recommending Schwab (or any other broker-dealer/custodian to clients) include, among others:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for clients' accounts);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds, etc.);
- availability of investment research and tools that assist NEXT in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to NEXT and NEXT's other clients; and
- availability of other products and services that benefit NEXT, as discussed below.

Although the commissions and/or transaction fees paid by NEXT's clients shall comply with NEXT's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where NEXT determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although NEXT will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, NEXT's investment management fee. NEXT's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### 1. **Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, NEXT receives from Schwab (or could receive from another broker-dealer/custodian, investment

platform, unaffiliated investment manager, and/or product/fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist NEXT to better monitor and service client accounts maintained at such institutions. The support services that NEXT obtains can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by NEXT in furtherance of its investment advisory business operations.

Certain of the support services and/or products that may be received may assist NEXT in managing and administering client accounts. Others do not directly provide such assistance, but rather assist NEXT to manage and further develop its business enterprise. NEXT's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by NEXT to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

#### **Brokerage Practices Under NEXT Capital Wealth Builder**

Client accounts enrolled in NEXT Capital Wealth Builder are maintained at, and receive the brokerage services of, Schwab, a broker-dealer registered with the SEC and a FINRA/SIPC member. While clients are required to use Schwab as custodian/broker to enroll in NEXT Capital Wealth Builder, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. NEXT does not open the account for the client. If the client does not wish to place his or her assets with Schwab, then NEXT cannot manage the client's account through NEXT Capital Wealth Builder. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in NEXT Capital Wealth Builder, including both accounts for NEXT's clients and accounts for clients of other independent investment advisory firms using the Platform.

#### **Schwab Advisor Services**

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide NEXT and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer NEXT's client accounts while others help NEXT to manage and grow its business. Schwab also provides monetary assistance to NEXT to defray certain costs related to technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (NEXT doesn't have to request them) and at no charge to NEXT as long as it maintains a total of at least \$45 million of its clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

#### **Services that Benefit the Client**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which NEXT

might not otherwise have access or that would require a significantly higher minimum initial investment by NEXT's clients. Schwab's services described in this paragraph generally benefit the clients and the clients' accounts.

#### Services that May Not Directly Benefit the Client

Schwab also makes available to NEXT other products and services that benefit NEXT but may not directly benefit clients or their accounts. These products and services assist NEXT in managing and administering its clients' accounts. They include investment research (both Schwab's own and that of third parties). NEXT may use this research to service all or some substantial number of NEXT's client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of NEXT's fees from its clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

#### Services that Generally Benefit Only NEXT

Schwab also offers other services intended to help NEXT manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to NEXT. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide NEXT with other benefits such as occasional business entertainment of its personnel.

The availability of these services from Schwab benefits NEXT because it does not have to produce or purchase them. NEXT does not have to pay for Schwab's services so long as it maintains a specific amount of client assets in accounts at Schwab. (Beyond that, these services are not contingent upon NEXT committing any specific amount of business to Schwab in trading commissions or assets in custody.) The specific client asset minimum may give NEXT an incentive to request that clients maintain their account with Schwab based on NEXT's interest in receiving Schwab's services that benefits NEXT's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. This presents a **conflict of interest**. To mitigate this conflict, NEXT only makes such a recommendation when it believes that the selection of Schwab as broker-dealer/custodian is reasonably tailored to the client's best interests based upon the factors discussed above. **NEXT's Chief Compliance Officer, Andrew C. Hart,**

**is available to address any questions that a client or prospective client may have regarding the above arrangement and conflict of interest presented.**

2. NEXT does not receive referrals from broker-dealers.

3. **Directed Brokerage**

NEXT does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and NEXT will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by NEXT. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs NEXT to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through NEXT. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

B. To the extent that NEXT provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless NEXT decides to purchase or sell the same securities for several clients at approximately the same time. NEXT may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among NEXT’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. NEXT shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom NEXT provides investment supervisory services, account reviews are conducted on an ongoing basis by NEXT’s Managing Member and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise NEXT of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with NEXT on an annual basis.
- B. NEXT may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom NEXT provides investment supervisory services may also receive a periodic report from NEXT summarizing account activity and performance.

#### **Item 14      Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, NEXT receives economic benefits from Schwab including support services and/or products without cost (and/or at a discount). NEXT's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by NEXT to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

NEXT receives an economic benefit from Schwab in the form of the support products and services it makes available to NEXT and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit NEXT, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab's products and services to NEXT is not based on NEXT providing particular investment advice, such as buying particular securities for its clients.

**NEXT's Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. NEXT does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15      Custody**

NEXT shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom NEXT provides investment supervisory services may also receive a periodic report from NEXT summarizing account activity and performance. Please Note: To the extent that NEXT provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by NEXT with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of NEXT's advisory fee calculation.

NEXT provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from NEXT to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.



## **Item 16 Investment Discretion**

The client can determine to engage NEXT to provide investment advisory services on a discretionary basis. Prior to NEXT assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming NEXT as the client's attorney and agent in fact, granting NEXT full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage NEXT on a discretionary basis may, at any time, impose restrictions, in writing, on NEXT's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe NEXT's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. NEXT does not vote client proxies. Thus, unless an Independent Manager assumes proxy voting responsibility for client assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

With respect to the NEXT Capital Wealth Builder Program, clients are required to submit an Issuer Communication and Release Information Form, or similarly named form, to be certain that they receive proxies and corporate actions directly from the issuer of securities. NEXT does not offer any consulting assistance regarding proxy issues to clients.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact NEXT to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. NEXT does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. NEXT is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. NEXT has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: NEXT's Chief Compliance Officer, Andrew C. Hart, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**