

# NEXT Financial Group, Inc.

## Form ADV Firm Brochure

**March 28, 2024**

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This Brochure provides information about the qualifications and business practices of NEXT Financial Group, Inc. (“NEXT”). If you have any questions about the contents of this Brochure, please contact us at 877-876-6398. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. NEXT is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

This section summarizes changes to our Brochure since NEXT's last annual updating amendment on March 31, 2023. For additional details, please see the item in this Brochure referred to in the summary below.

### Item 4 – Advisory Business:

- Updated to include a new Non-Wrap Fee option for Contour Advisor as Portfolio Manager ("APM") accounts.
- Removed TD Ameritrade as a custodial option and replaced it with Schwab (where applicable).
- Lockwood Advisors, Inc. was rebranded to BNY Mellon Advisors, Inc. All references to Lockwood have been replaced with BNYM Advisors throughout.

### Item 5 – Fees and Compensation:

- Updated to include a new Non-Wrap Fee option for Contour Advisor as Portfolio Manager ("APM") accounts.
- Updated the maximum allowable fee/fee ranges for new Consulting Services.

### Item 9 – Disciplinary Information:

- On February 21, 2024, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to allegations that between 2014 and 2020 a former investment adviser representative of the firm engaged in violations of the New Hampshire securities laws, including misrepresenting the nature of consulting services agreement fees charged to clients and caused a number of clients to pay both advisory fees and separate consulting services fees for the same services, and NEXT failed to supervise the former investment adviser representative's use of consulting services agreements. NEXT, without admitting or denying the allegations, agreed to pay restitution to 275 New Hampshire investors in the amount of \$661,358.22 and \$425,000 in fines and costs to the Bureau.

### Item 10 – Other Financial Industry Activities and Affiliations:

- Updated to include new affiliations with Grove Point Advisors, LLC and Grove Point Investments, LLC. In addition, several affiliates were removed.

### Item 12 – Brokerage Practices:

- Includes updated disclosures concerning our custodial relationship with Schwab.
- Removed TD Ameritrade as a custodial option and replaced it with Schwab (where applicable).
- For IRA accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits LF – Level Fee Product (DILF), the per account monthly fee was updated to be no less than \$0.58 and no more than \$20.59.

### Item 14 – Client Referrals and Other Compensation:

- Updated to include enhanced disclosures regarding how we compensate your IAR, including recruitment compensation and operational assistance as well as growth incentives and other benefits.

### Item 15 – Custody:

- Updated to include that NEXT complies with the SEC's Custody Rule including engaging an independent public accountant to verify funds and securities of which it is deemed to have custody at least once a year.

### Item 16 – Investment Discretion:

- Updated to more fully describe the investment discretion granted by the client within the Contour program.

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## Item 4 – Advisory Business

NEXT Financial Group, Inc. (“NEXT,” “we,” or “us”) was formed in 1999, is a Virginia corporation, and is a wholly owned subsidiary of NEXT Financial Holdings, Inc., a Delaware corporation. NEXT Financial Holdings, Inc. is wholly owned by AWS 5, Inc., a Delaware corporation, which is wholly owned by Atria Wealth Solutions, Inc., a Delaware corporation, which is in turn wholly owned by Atria Wealth Solutions Holdings LLC, a Delaware limited liability company, which is privately owned.

NEXT is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and Securities Investor Protection Corporation (“SIPC”). NEXT is also licensed as an insurance agency in 50 states. NEXT offers insurance products and services to its clients through its affiliate NEXT Financial Insurance Services Company, an insurance agency.

Our principal business is providing a full line of services as a registered securities broker-dealer and investment adviser. In our capacity as a broker-dealer, we are involved in the sale of securities of various types including stocks, bonds, mutual funds, alternative investments, unit investment trusts (“UITs”), and variable annuities. We do not sell proprietary products.

As of December 31, 2023, NEXT had regulatory assets under management of \$3,522,327,030. Of that amount, \$40,467,988 was managed on a non-discretionary basis and \$3,481,859,042 was managed on a discretionary basis.

Our investment advisory services (“Advisory Services”) are made available to clients through individuals associated with NEXT as Investment Adviser Representatives (“IARs”). Many IARs are dually licensed (i.e., they are licensed both as IARs and as registered representatives and offer both investment advisory and brokerage services), which, in addition to Advisory Services, allows them to offer commission-based products. Your IAR will disclose to you whether he or she is dually licensed and if there are any limitations on services offered due to registrations and qualifications.

IARs are independent contractors of NEXT. IARs and NEXT branch offices often use marketing or business names other than NEXT. The purpose of using a name other than NEXT is for an IAR to create a brand that is specific to the IAR or branch but separate from NEXT. IARs who use names other than NEXT must disclose on their advertising and correspondence materials that securities and advisory services are offered through NEXT.

Our Advisory Services consist of programs sponsored by us, as well as advisory programs available through unaffiliated third-party investment advisers (“TPIA”). Our Advisory Services are designed to accommodate a wide range of investment philosophies and objectives. This allows our IARs to select the programs that they believe are best suited to meet each client’s individual needs and circumstances. We do not hold ourselves out as specializing in a particular type of advisory service. However, some IARs focus on certain types of advisory services over others.

IARs, subject to NEXT’s supervision, can develop their own investment philosophies and strategies. Investment philosophies and strategies can differ considerably between and among IARs even with investment philosophies and strategies that carry the same or a substantially similar name. There is no guarantee, stated or implied, that a strategy or client’s investment goals or objectives will be achieved.

Clients have access to a wide range of securities products, including common and preferred stocks; municipal, corporate, and government fixed income securities; limited partnerships; mutual funds; exchange traded funds (“ETFs”), options, unit investment trusts (“UITs”), direct investment programs; and indexed, registered index-linked, and variable annuity products, as well as a wide range of other products and services including asset allocation services. IARs offer advice on these and other types of investments based on the individual

circumstances of each client.

We offer the following advisory programs and services to our clients (“you” or “your”):

- Contour Platform
- NEXT Select Platform
- Visionary Multi-Manager Program
- Investment Fiduciary & Retirement Plan Consulting
- Plan Participant Investment Advice Services
- Third party investment adviser (“TPIA”) programs
- Educational workshops/seminars
- Consulting Services Program

## **Contour Platform (“Contour”)**

NEXT sponsors the Contour Platform (“Contour”), a discretionary investment advisory program that provides IARs access to tools to provide individualized investment management services. We offer non-wrap and wrap fee options through the Contour Program. For more information on the wrap fee option, please see the Form ADV Part 2A Appendix 1 (“Contour Brochure”) for this program. Contour is administered through an agreement with Envestnet Asset Management, Inc. (“Envestnet”), an investment adviser registered with the SEC. NEXT has engaged Envestnet to provide various administrative services to Contour clients as described below. Custody of a client’s Contour account assets is maintained by an unaffiliated custodian designated by the client after consultation with an IAR. Custodial options include Pershing LLC (“Pershing”), Charles Schwab & Co., Inc. (“Schwab”), and any other custodian we choose to make available (hereinafter referred to as “Custodian”). Each Custodian is responsible for execution and clearing of transactions, custody of assets and delivery of statements and confirmations for Contour accounts. Neither Envestnet, Pershing, nor Schwab is affiliated with NEXT.

Contour is comprised of multiple program options: (1) Advisor as Portfolio Manager (“APM”), (2) Fund Strategist Portfolios (“FSP”), (3) Separately Managed Accounts (“SMA”), and (4) Unified Managed Accounts (“UMA”). Your IAR will confer with you to determine your financial needs and objectives and gather your client profile and risk tolerance information to complete a Statement of Investment Selection (“SIS”). The information gathered from the risk tolerance questionnaire (“RTQ”) or approved financial planning tool assists in determining the allocation of your assets into an asset allocation model fitting one of seven investment profiles: Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, or Aggressive. Your IAR will obtain your written consent to change your investment profile risk tolerance. Your IAR will assist you in selecting one of the four program options listed above. Your IAR will create a proposal (“Proposal”) including your investment profile questionnaire responses, selected program option(s), and applicable fees. You, your IAR, and NEXT will enter into a Contour Platform Account Agreement (“Contour Agreement”) outlining your participation in the Platform.

A client opening a Contour account will receive a copy of the Contour Brochure, which contains additional information concerning the Contour Platform, wrap fee programs in general, and a disclosure of fees payable by the client.

## **NEXT Select Platform (“NEXT Select”)**

NEXT Select is a discretionary managed wrap fee platform sponsored by NEXT. NEXT has entered into an

agreement with BNY Mellon Advisors, Inc. (formerly Lockwood Advisors, Inc.) (“BNYM Advisors”), to provide administrative services for the program and platform accounts. Platform assets (“Platform Assets”) are eligible to be invested in (a) mutual funds, ETFs, options (limited to covered calls and purchases), and/or individual securities managed by an IAR (the “Representative Managed Program”); (b) ETF and mutual fund model portfolios managed by NEXT (the “ETF Program”); (c) mutual funds, ETFs, and/or other individual securities in separate accounts managed by other investment advisers (“SMA Managers”) selected by NEXT (the “Separately Managed Program”); or (d) mutual funds, ETFs, and/or individual securities a single, unified account with a portfolio customized by the IAR and overlay management services provided by BNYM Advisors, pursuant to the directions of one or more model providers (“Model Providers”) (the “Multi-Manager Program”).

A wrap fee pricing structure allows you to pay an all-inclusive fee (“Total Fee”) for account management, brokerage, clearance, and administrative services. A portion of the wrap fee is paid to your IAR, NEXT, BNYM Advisors, Pershing, the custodian, and, if applicable, a SMA Manager or Model Provider(s) for their respective services. You should consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in your account(s), the value of services provided under the investment program, and other factors, the wrap fee could exceed the aggregate cost of services if they were to be provided separately.

NEXT Select allows IARs to charge clients differing tiered level fee rates on the account value. The tiered levels follow a declination table which means that as the account increases in value, fees are charged at a reduced rate as assets enter a new tier with a lower rate.

A client opening a NEXT Select account should receive a copy of the NEXT Select Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the NEXT Select Platform, wrap fee programs in general, and a disclosure of fees payable by the client.

## **Visionary Multi-Manager Program (“Visionary Program”)**

The Visionary Program is a unified managed account program of model portfolios, sponsored by NEXT. NEXT has entered into an agreement with Envestnet to provide technological, administrative, and advisory services for the Visionary Program and Visionary Program accounts. Investment advisory services under the Visionary Program are provided by NEXT, Envestnet and IARs. After conferring with an IAR, clients designate Schwab as the custodian of Visionary Program accounts, to execute and clear transactions, custody assets and deliver statements and confirmations to you.

The Visionary Program assets are invested in a single account for a portfolio customized by your IAR and managed by Envestnet pursuant to the directions of one or more other investment advisers who have entered into licensing agreements with Envestnet to act as Sub-Managers or Model Providers. Your IAR selects and allocates Visionary Program assets among selected Sub-Managers and/or Model Providers’ investment models (“Third Party Models”) and other available investments, such as ETFs and mutual funds (“Other Investments”). Once an IAR has established the content of the portfolio, Envestnet provides overlay management of the Third Party Models by implementing trade orders and periodically updating and rebalancing each Third Party Model pursuant to the direction of the Model Provider(s) and IAR. Any Sub-Manager (if applicable) have full discretion regarding the purchase and sale of securities and the remaining cash allocation in order to facilitate flexibility in the management of Visionary Program assets.

The Visionary Program also features optional overlay services whereby a client can customize an investment strategy. Tax overlay attempts to minimize your potential tax burden by realizing losses and deferring realization of short-term gains. The goal of tax overlay management services is to improve the after-tax return of the portfolio while staying as consistent as possible with the risk/return characteristics provided by the Third Party Models. For

those clients who wish to have investment portfolios that more closely align with their personal convictions, clients may elect the Socially Responsible Investing Overlay Screens which integrate Environmental, Social and Governance (ESG) factors into client's investments. In this strategy, you may impose restrictions to prevent your account from being invested in companies involved in, for example, gambling, alcohol, tobacco, or pornography.

A client opening a Visionary Program account should receive a copy of the Visionary Multi-Manager Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the Visionary Program, wrap fee programs in general, and a disclosure of fees payable by the client.

## **Investment Fiduciary & Retirement Plan Consulting**

Certain of our IARs offer the following retirement plan services to employer-sponsored retirement plans and their participants: (1) Non-discretionary Investment Fiduciary Services; and/or (2) Retirement Plan Consulting Services. Depending on the type of the plan and the specific arrangement with a plan sponsor, we will provide one or more of these services. The plan sponsor will execute an Investment Fiduciary & Retirement Plan Consulting Agreement that outlines the services and fees.

### **Non-discretionary Fiduciary Services**

These services are designed to allow a plan sponsor to retain full discretionary authority or control over assets of the plan. NEXT's IARs will only be making recommendations to the sponsor. We will perform these non-discretionary investment advisory services through our IARs, and charge a fee for these fiduciary services, as described in this Form ADV and the Investment Fiduciary & Retirement Plan Consulting Agreement. We perform these investment advisory services for the plan as a fiduciary defined under Employment Retirement Income Security Act ("ERISA") Section 3(21) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

The plan sponsor can engage us to perform one or more of the following non-discretionary investment advisory services:

- Investment Policy Statement - Creation or review of existing investment policy statement;
- Advice Regarding Designated Investment Alternatives ("DIAs") – Make recommendations for selection and ongoing monitoring of DIAs to be offered to plan participants;
- Advice Regarding Qualified Default Investment Alternative(s) ("QDIA(s)") – Review of available investment options and recommendations to assist the plan sponsor in selecting or replacing the plan's QDIA(s);
- Third-Party Advisors and/or Managers - Recommend and assist in selection of third-party advisors and/or investment managers; and/or
- Participant Advice – Collect investor profile information and provide recommendations to assist the plan participant with the investment of plan assets in one or more of the plan's DIAs or Models, if available.

### **Retirement Plan Consulting Services**

Retirement Plan Consulting Services are designed to allow our IARs to assist a plan sponsor in meeting his/her fiduciary duties to administer a plan in the best interests of plan participants and their beneficiaries. When providing Retirement Plan Consulting Services, recommendations will only be made to the plan sponsor and the sponsor retains full discretionary authority or control over plan assets. The sponsor can also engage an IAR to assist



with administrative support, to provide oversight of relationship with service providers, to assist with investments, and/or to provide participant services as more fully described below. Some IARs offer additional services in addition to those listed below.

### ***Administrative Support***

- Assist plan sponsor in reviewing objectives and options available through the plan
- Assist with development/maintenance of fiduciary audit file and document retention policies
- Deliver fiduciary training periodically or upon reasonable request

### ***Service Provider Support***

- Assist fiduciaries with a process to select, monitor and replace service providers
- Provide reports and/or information designed to assist fiduciaries with monitoring Covered Service Providers (“CSPs”)
- Coordinate and assist with CSP replacement and conversion

### ***Investment Monitoring Support***

- Assist the plan committee with monitoring investment performance
- Assist with Designated Investment Managers (“DIMs”) and/or third-party advice providers as necessary

### ***Participant Services***

- Facilitate group enrollment meetings
- Coordinate employee education regarding plan investments and fees
- Assist plan participants in understanding plan benefits, retirement readiness and impact of increasing deferrals

### **Additional Services Provided Outside of the Investment Fiduciary & Retirement Plan Consulting Agreement**

NEXT and/or its IARs can establish a client relationship with one or more plan participants outside of the Investment Fiduciary & Retirement Plan Consulting program. Such client relationships develop in various ways, including, without limitation:

- as a result of a decision by a participant or beneficiary to purchase services from NEXT not involving the use of plan assets;
- as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan;
- through a separate arrangement to provide advice services to a plan participant under a Plan Participant Investment Advice Agreement; or
- through an Individual Retirement Account Rollover (“IRA Rollover”).

If a plan participant or beneficiary desires to affect an IRA Rollover, an IAR must obtain a written acknowledgement from the plan participant, known as the Retirement Plan Rollover Disclosure Form. Any decision to affect the rollover, or about what to do with the rollover assets, remains that of the participant or beneficiary alone.

In providing these optional services, we can offer employers and employees information on other financial and retirement products or services offered by NEXT and our IARs.

## **Plan Participant Investment Advice Services**

Plan Participant Investment Advice Services are designed to allow our IARs to provide non-discretionary advice under a Plan Participant Investment Advice Agreement regarding your employer-sponsored retirement plan account. Based upon the information you provide to your IAR about your investment objectives, risk tolerance, investment time horizon, etc., your IAR will provide you with written recommendations to assist you with the investment of your employer-sponsored retirement account. Your IAR will only provide recommendations relating to the investment alternatives designated by your employer (“Designated Investments”) and available to you through your employer-sponsored plan. Your IAR will only provide investment recommendations; you are responsible for executing the recommended transactions. Your IAR and NEXT will be held to a fiduciary standard of care under ERISA when providing you with investment advice, as defined under Sec. 3(21)(A)(ii) of ERISA, regarding your account.

## **Third-Party Investment Adviser (TPIA) Programs**

NEXT provides its IARs and clients with access to a number of TPIA programs and platforms for use by IARs that provide clients the opportunity to receive the investment management expertise of a diverse set of advisers that specialize in different asset classes and investment styles and use different portfolio management techniques including asset allocation strategies, mutual fund and ETF models, separately managed account (SMA) programs, unified managed account (UMA) programs, wrap fee services, and other types of managed portfolios such as tax harvesting and tax efficiency strategies, risk management strategies, and dynamic and tactical portfolios. Some programs are more or less aggressive as compared to other programs. Some programs also have higher or lower fees and expenses than other programs. These programs are sponsored by the TPIAs and are offered through co-adviser agreements, solicitor/referral arrangements, or other types of agreements between NEXT and a TPIA. Many TPIAs sponsor a broad range of investment programs.

When acting in a co-advisory capacity, NEXT and a TPIA are jointly responsible for the ongoing management of your account. Depending on the agreement between NEXT and a TPIA and based on the information provided by a client, an IAR will refer a client to or assist a client in selecting a TPIA who offers products and services that demonstrate an investment philosophy and style that appear to align with the needs of the client. A client is asked to provide detailed financial and other pertinent data to the IAR. An IAR helps a client determine the client’s risk tolerance, investment goals, and other relevant guidelines. Factors we consider in the selection of a particular TPIA include (a) our assessment of a TPIA, (b) your investment experience, risk tolerance, goals, objectives, and restrictions, and (c) the assets you have available to invest. There is no guarantee that a client’s goals or investment objectives will be achieved by any specific program, please see Item 8 below for additional information on risks of loss.

After an IAR assists a client in selecting a suitable TPIA program, client assets are then either invested in the strategy or model or the TPIA begins to allocate the client’s assets in the investment portfolio. The IAR provides initial and continuing education and information regarding the program selected. The IAR will also explain rebalancing guidelines utilized within the program and meet with a client periodically to discuss changes to the client’s financial circumstances.

In certain circumstances an IAR acts purely in a solicitor or referral capacity when referring you to a TPIA. Under these arrangements, an IAR assists a client in identifying the client’s objectives and refers the client to a TPIA

according to the client's stated objectives. The client typically enters into an agreement directly with the TPIA and the client's funds are invested by the TPIA. The IAR monitors the performance of the TPIA and coordinates communication between the client and TPIA. An IAR does not actively participate in the execution of any securities transactions for a client's TPIA account and does not have authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, or the broker-dealer to be used for the purchase or sale of securities in the client's TPIA account. NEXT and your IAR are compensated for referring you to the TPIA program. This compensation generally takes the form of the TPIA sharing a portion of the advisory fee you pay to the TPIA. When NEXT acts as a solicitor for a TPIA program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPIA program, if any, and the terms of our compensation arrangement with the TPIA program, including a description of the compensation that your IAR and NEXT will receive for referring you to the TPIA program. For more information, please see Item 14 below.

Please consult the applicable TPIA's agreement for further information, including information on the capacity in which NEXT acts for a particular program. Clients should refer to a TPIA's Form ADV Part 2, or equivalent brochure, for a full description of the terms and conditions of their services and fees.

TPIAs are subject to our due diligence process for inclusion as a TPIA and are subject to future change from time to time. Please consult your IAR for information regarding available TPIAs.

The services of a number of SMA Managers, Sub-Managers, and Model Providers we make available can be accessed through different platforms and programs including programs sponsored by us such as NEXT Select and Contour, as well as through TPIAs' own programs. Your advisory fee will vary depending on the platform or program selected to access the SMA Manager, Sub-Manager, or Model Provider. We have a financial incentive to recommend platforms that generate more fees to us. Most TPIA programs as well as our sponsored programs, NEXT Select and Contour, are considered "wrap fee" programs. A wrap fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in one of our wrap fee programs, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and certain custodial and administrative costs. Clients should refer to the client agreement, fee schedule, and TPIA brochure for their program for details on what the wrap fee covers.

The total fees you pay to access a particular SMA Manager, Sub-Manager, or Model Provider through the NEXT Select or Contour platform can be more or less than the combined fees charged by the TPIA, NEXT, and your IAR for a TPIA program that offers the same SMA Manager, Sub-Manager, or Model Provider through a co-advisory relationship. You should consider the aggregate fees charged on a particular platform and the services available when choosing a platform and investment manager and discuss with your IAR the platform and program pricing relative to a specific TPIA, SMA Manager, Sub-Manager, or Model Provider for additional details.

TPIAs have differing minimum account requirements and a variety of fee ranges. All securities are selected, and transactions are executed by the third-party money manager. Your IAR will contact you periodically to review your financial situation, objectives, and restrictions and communicate information to the TPIA; and assist you in understanding and evaluating the services provided by the money manager. Each TPIA maintains its own separate execution, clearing, and custodial relationships. NEXT and the IAR share in a portion of the fee paid to the TPIA for its services.

Since the TPIA services provided by each sponsor are unique, clients should request and carefully review the applicable disclosure brochure, client agreement, and other account paperwork for each TPIA for more detailed information about the services provided by a TPIA, including without limitation, a description of the TPIA's background, investment strategies, fees, custody arrangements, conflicts of interest, and other relevant information regarding the TPIA's services and business practices. Clients may obtain a copy of a TPIA's disclosure

brochure from their IAR or by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

A complete list of TPIAs available through NEXT is available upon request.

## **Educational Workshops/Seminars**

IARs can conduct educational workshops or seminars on various financial topics that encourage clients to seek investment advisory services or purchase securities or insurance products. Because a wide variety of clients attend these workshops and/or seminars, the events are generally not designed to meet the individual needs of clients but are appropriate for a larger audience.

## **Consulting Services Program**

NEXT's Consulting Services Program ("Consulting Services") allows an IAR to offer clients financial planning and/or consulting services for a fee. The nature of these services varies based upon an analysis of individual client needs. Areas addressed can include but are not limited to investment portfolio advice; business or estate planning; financial counseling and/or planning; and complex planning services. Complex planning services are either complex in nature and/or will require a significant amount of time to complete. Complex planning services must be outlined in a plan proposal providing a description of agreed upon services.

Consulting services does not include ongoing investment or asset management, asset rebalancing, asset allocation, or the execution of securities transactions. A consulting agreement is not an investment management agreement and does not convey discretion to an IAR or NEXT. The agreement terminates upon delivery of the services outlined in the agreement or within one year from the date the agreement is executed, whichever comes first.

## **IRA Rollover Considerations**

If you decide to roll assets out of a retirement plan into a NEXT advisory individual retirement account ("IRA"), NEXT and your IAR have a financial incentive to recommend that you invest those assets in one of our programs, because NEXT and your IAR will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those you pay through a plan, and there can be custodial and other maintenance fees.

The following fiduciary acknowledgement applies only when our IAR (i) provides investment advice to participants in or the fiduciaries of ERISA-covered retirement plans and to owners of IRAs, and (ii) recommends to participants in ERISA-covered retirement plans or owners of IRAs to make a rollover to an IRA.

When we provide investment advice to you regarding your retirement plan account or IRA, we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Fiduciary status for this purpose does not necessarily mean we are acting as fiduciaries for purposes of other applicable laws. This acknowledgement of fiduciary status does not confer contractual rights or obligations on you, NEXT, or the IAR.

## **Item 5 – Fees and Compensation**

This section provides information concerning fees and compensation for investment advisory services and programs available through NEXT. Additional information regarding fees and compensation for wrap fee programs sponsored by NEXT can be found in the Contour Brochure, the NEXT Select Wrap Fee Program Brochure, and the Visionary Multi-Manager Wrap Fee Program Brochure.

NEXT and our IARs are compensated for our services by charging an advisory fee. Advisory fees are typically calculated as a percentage of assets under management. Fees vary based on the type of advisory service provided to a client. The actual fee is disclosed prior to the client signing the agreement. The advisory fee is shared between your IAR and NEXT. Although platform fees and third-party money manager fees are generally non-negotiable, your IAR can negotiate his or her advisory fee.

Specific program fees are discussed below. The fee charged can be higher or lower than a program's listed fees depending on a client's unique circumstances. The fee charged by NEXT is established in the client's written agreement with NEXT. Depending on the program selected, fees will be billed on a monthly or quarterly basis in advance or arrears. All fees are specified in the client agreement, which typically authorizes the custodian to directly deduct the advisory fees from a client's account.

Certain advisory programs offer the ability to "household" eligible accounts. Householding involves aggregating your accounts for fee calculation purposes, which can help you qualify for a lower fee. A household is generally a group of accounts having the same address of record or same Social Security number. IRAs, SIMPLE IRAs and other personal retirement accounts generally can be combined for householding purposes; however, other retirement plan accounts subject to ERISA and charitable remainder trusts cannot be aggregated. Households are established through the IAR and must be requested by the client. Neither NEXT nor our IARs are responsible for identifying eligible accounts. A client is responsible for determining if they have eligible accounts and ensuring those accounts remain eligible. NEXT and our IARs earn higher fees if clients elect not to household eligible accounts where available. Clients should discuss the program fee and any potential fee reduction available through householding with their IAR.

Advisory fees are charged to clients of NEXT's various advisory platforms in exchange for account management, investment advice, consultation, and other advisory services offered under the platforms. Advisory fees are separate and distinct from fees and charges imposed on clients by custodians, brokers (including NEXT), TPIAs, and other third parties, such as fees charged by managers, transaction fees, custodial maintenance fees, fees and taxes on brokerage accounts and securities transactions, and underlying mutual fund fees and expenses paid to mutual funds and other investment product companies. Some common transactions that include associated processing fees and charges include trading, transfers, distribution of funds, systematic investments and withdrawals, and mutual fund exchanges. Many different circumstances can cause fees and charges to vary account by account. Some of these circumstances include the type of security being traded and dollar amount and/or share quantity of the trade. Custodial fees vary between custodians and the type of account. For instance, some types of retirement accounts carry higher custodial maintenance fees than others.

Clients are charged fees for specific account services within a NEXT Select, Contour, or Visionary Multi-Manager account, including for: outgoing transfers, wired funds, stop payments, direct registration of securities, paper statements and confirms, margin extensions, and IRA maintenance and termination. See "Other Fees and Expenses" below.

The costs associated with an advisory account may be more than the costs associated with a traditional brokerage account arrangement where a client pays a commission for each transaction but does not receive ongoing advice, this is particularly true for clients that intend to have a low number of transactions or follow a buy-and-hold approach. If you intend to follow a buy-and-hold investment strategy or do not wish to receive ongoing investment advice or management services, you should consider opening a commission-based brokerage account rather than an advisory account.

In advisory accounts, a client is paying for ongoing investment advice from an IAR. An IAR recommending an advisory account to a client receives a portion of the advisory fee as a result of the client's participation in an

advisory program. In some circumstances, this compensation will be more than what the IAR would receive if the client had a brokerage account through NEXT. If compensation would be more in recommending an advisory account than a brokerage account, an IAR has a financial incentive to recommend advisory programs or services over brokerage programs or services. Notwithstanding that conflict of interest, NEXT and our IARs take their responsibility to clients seriously and will recommend an advisory program or service to a client only if it is reasonably believed to be in the client's best interest.

The amount of compensation an IAR can receive varies between advisory programs and services, therefore, an IAR has a financial incentive to recommend an advisory program or service that permits the IAR to charge higher compensation over another advisory program or service where the IAR's level of compensation is less. Recommendations for specific advisory programs or services are made based on an IAR's best judgment based on the information a client provides to the IAR.

In most circumstances, IARs are also registered representatives with NEXT and, as such, may act in a broker-dealer capacity. In such capacity, an IAR may sell securities through NEXT and receive normal and customary commissions as a result of purchases and sales as well as 12b-1 fees from mutual funds held in client accounts. If an IAR recommends that a client invest in a security, which results in a commission being paid to the IAR in his or her capacity as a registered representative, and then recommends the security be moved to an advisory account, this represents a conflict of interest. NEXT conducts reviews of IAR commissions and advisory fees in an effort to ensure suitability for source of funds for new advisory deposits.

## **Contour Platform Fees**

The Contour Program is offered as either an account with separate advisory fees and transaction charges ("Non-Wrap Fee") or as an account where no separate transaction charges apply, and a single fee is paid for all advisory services and transactions ("Wrap Fee").

The Contour APM program is offered under both Wrap and Non-Wrap Fee arrangements. The FSP, SMA, and UMA Programs are only offered under Wrap Fee arrangements. If you select the Wrap Fee option, you will pay a single Account Fee that is inclusive of ticket charges for the purchase and sale of securities. Please see the Contour Brochure for more information on the Wrap Fee. Please consider that depending upon the level of the account fee charged, the amount of portfolio activity in your account, the value of services that are provided under the program, and other factors, the account fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Our policy and procedures are designed to ensure our IARs recommend Wrap Fee advisory accounts only for actively managed accounts. The Wrap Fee option offers a bundled charge that is inclusive of transactional (i.e., trading) costs and is meant to be utilized by investors who have an intention to actively trade their account. A Non-Wrap Fee account is generally more cost-effective for you if you do not intend to actively trade your account. While there is no precise determinant for an actively traded account, if you are engaging in a small number of transactions per year, you should discuss in detail with your IAR if a wrap-account is appropriate for your needs.

The fees for participation in Contour are based on an annual percentage of your platform assets. The Total Fee is comprised of three components: (a) a Program Fee, (b) an Advisory Fee, and (c) if applicable, a Manager(s) Fee. The Manager Fee applies in the FSP, SMA and UMA programs, but no manager fee is included in the APM program.

The Program Fee includes execution, clearing, custody, and NEXT, Envestnet, and Custodian fees for Wrap Fee account when applicable. The Program Fee is assessed in each of the program options and is non-negotiable. A

discounted Program Fee is available for certain IARs that meet the qualifications. The discount will be based upon the aggregated assets under management from all clients your IAR and their branch office maintains in all NEXT sponsored advisory programs. The discount ranges can be a partial or full reduction of the Program Fee. If your IAR receives a discounted Program Fee, your IAR's compensation will increase or decrease by the amount of the discount received, but your Total Fee and cost will remain unchanged.

The Advisory Fee compensates your IAR for assisting in the design, implementation, and ongoing monitoring of your investment plan. The Advisory Fee is negotiated between you and your IAR but will not exceed 2.25% in APM and 2.00% in FSP, SMA and UMA, except that in connection with fees for annuity subaccount management in APM, the Advisory Fee will not exceed 1%. The Advisory Fee charged depends upon a number of factors including the amount of the assets under management, the nature and extent of other account relationships between you and your IAR, the nature and complexity of the model portfolios, and other factors that the IAR deems relevant. The Advisory Fee you negotiate can be different than the fees your IAR negotiates with other clients or the fees other IARs negotiate with other clients for similar services.

Manager Fees apply in the FSP, SMA and UMA. The Manager Fee in the SMA and UMA varies by the selected SMA Manager, Sub-Manager, or Model Provider and ranges between 0.00% and 0.75% of your Platform assets. In the UMA, if your account has more than one Model Provider or Sub-Manager, the effective Manager Fee will be a blend of all Model Providers and/or Sub-Managers' fees weighted by the dollar amount invested in each model portfolio. SMA Managers or Model Providers who charge no, or a nominal fee are typically compensated by advisory fees from the propriety funds the SMA Managers or Model Providers include in their models. In the FSP, the Manager Fee ranges from 0% to 0.50% depending on the portfolio selected. Manager Fees are non-negotiable.

The Total Fee is billed and collected monthly or quarterly in advance as noted on the SIS. For accounts billed quarterly, the total fee is calculated at the beginning of each calendar quarter based on the fair market value of your platform assets, including money market funds, interest, and reinvested dividends in the account, on the last business day of the prior calendar quarter. For accounts billed monthly, the total fee is calculated at the beginning of each month based on the fair market value of your platform assets, including money market funds, interest, and reinvested dividends in the account, on the last business day of the prior calendar month. The Custodian determines the fair market value for fee calculation purposes.

Fees are automatically deducted from your account, or from another billable account as directed by you. The first payment is prorated based on the number of calendar days in the billing period. If you invest or withdraw \$10,000 or more in the account after the first day of a billing period, a prorated fee or rebate is calculated on each eligible deposit or withdrawal with adjustments applied the subsequent month. If an account is terminated prior to the end of a billing period, a pro rata portion of the total fee will be reimbursed to you. The fees deducted, including the dates and amounts, are reflected on the statements sent by Custodian. You should review those statements and the fees deducted. Any questions on the fees deducted from your account should be directed to your IAR, or you may contact us at the number on the cover page of this Brochure.

An additional charge of up to 10 basis points (0.10%) will be added to your program fee if you elect certain tax management services, ESG or socially responsible screening, or other portfolio customization described in the SIS. This charge is paid to the investment manager or the "overlay manager" that applies the tax screening to your investments.

**APM Fee Schedule (Wrap Fee Option)**  
**Total Fee = Advisory Fee + Program Fee**

Platform Assets	Maximum Allowable Advisory Fee*	APM Program Fee
First \$250,000	2.25%	0.20%
Next \$250,000	2.25%	0.17%
Next \$250,000	2.25%	0.15%
Next \$250,000	2.25%	0.13%
Next \$1,000,000	2.00%	0.10%
Next \$3,000,000	1.75%	0.090%
Assets above \$5,000,000	1.50%	0.070%

\* The maximum allowable advisory fee for annuity subaccount management in APM is 1%.

**APM Fee Schedule (Non-Wrap Fee Option)**  
**Total Fee = Advisory Fee + Program Fee**

Platform Assets	Maximum Allowable Advisory Fee*	APM Program Fee	
		Pershing as Custodian	Schwab as Custodian
First \$250,000	2.25%	0.15%	0.18%
Next \$250,000	2.25%	0.13%	0.16%
Next \$250,000	2.25%	0.11%	0.13%
Next \$250,000	2.25%	0.09%	0.11%



Next \$1,000,000	2.00%	0.07%	0.09%
Next \$3,000,000	1.75%	0.05%	0.06%
Assets above \$5,000,000	1.50%	0.04%	0.05%

\* The maximum allowable advisory fee for annuity subaccount management in APM is 1%.

### Transaction Charges for Contour Non-Wrap Accounts

In addition to the asset management fees noted above you will pay transaction charges for all trades effected in a Non-Wrap Fee Contour APM account. We markup the transaction charges that Pershing charges us for Non-Wrap Fee Contour APM accounts custodied with Pershing, which is a source of additional revenue for NEXT. Although there are a number of factors considered in determining which custodian to use, the transaction charges associated with trades in a Non-Wrap Fee Contour APM account custodied at Pershing are higher than the transaction charges for a Non-Wrap Fee Contour APM account custodied at Schwab. The more transactions a client enters into, the more compensation we receive. This represents a conflict of interest due to the fact that we have a financial incentive to establish Non-Wrap Fee Contour APM accounts with Pershing rather than Schwab because of the additional revenue we receive. This revenue, however, is retained by NEXT and is not shared with your IAR, so your IAR does not have a financial incentive to recommend you open a Non-Wrap Fee Contour APM account custodied with Pershing rather than Schwab or engage in frequent transactions.

Please refer to the Fee Schedule published in the disclosure section of our website at [nextfinancial.com/customers/disclosures](http://nextfinancial.com/customers/disclosures) for a detailed schedule of transaction fees and other brokerage costs as well as for a better understanding of where we receive additional compensation.

Certain no-load or load at net asset value ("NAV") mutual funds are available for purchase, sale, or exchange without incurring transaction costs. These funds are offered through the Custodian's no transaction fee programs. Certain exchange-traded funds are also available through the Custodian's no transaction fee programs.

### FSP, SMA, UMA Fee Schedule

**Total Fee = Advisory Fee + Program Fee + Manager Fee (if applicable)**

Platform Assets	Maximum Allowable Advisory Fee	Program Fee		
		FSP	SMA	UMA
First \$250,000	2.00%	0.24%	0.26% -0.28%	0.30%
Next \$250,000	2.00%	0.22%	0.24% -0.26%	0.28%
Next \$250,000	2.00%	0.19%	0.19% -0.23%	0.25%

Next \$250,000	2.00%	0.17%	0.17% -0.21%	0.23%
Next \$1,000,000	1.75%	0.13%	0.13% -0.16%	0.19%
Next \$3,000,000	1.50%	0.10%	0.10%	0.14%
Assets above \$5,000,000	1.25%	0.08%	0.08%	0.10%
<b>Manager Fee</b>		0.00% -0.50%	0.00% -0.75%	0.00% -0.75%

For complete fee details including account fee schedule guidelines, please see the Contour Brochure.

## NEXT Select Platform Fees

The fees for participation in NEXT Select are based on an annual percentage of your platform assets. The Total Fee is comprised of three components: (a) the Program Fee, (b) the Advisory Fee, and (c) if applicable, the Manager(s) Fee. The Manager Fee applies in the ETF and Mutual Fund Program, Separately Managed Program, and Multi-Manager Program, but no Manager Fee is included in the Representative Managed Program.

The Total Fee is calculated at the beginning of each calendar quarter based on the fair market value of your Platform Assets, including money market funds, interest and reinvested dividends in the account, on the last business day of the prior calendar quarter. Pershing determines the fair market value for fee calculation purposes.

You authorize the fees to be deducted from your account, or from any other account in Pershing's custody as directed by you, quarterly in advance. Fees deducted, including the dates and amounts, are noted on account statements sent to you by Pershing. The first payment is prorated based on the number of calendar days in the partial quarter. If you invest or withdraw \$10,000 or more in the account after the first day of a calendar quarter, a prorated fee or rebate is calculated on each eligible deposit or withdrawal with adjustments applied in the subsequent billing period. If the account is terminated prior to the end of a calendar quarter, a pro rata portion of the Total Fee will be reimbursed to you.

### Rep Managed Program Fee Schedule Total Fee = Advisory Fee + Program Fee

Platform Assets	Maximum Allowable Advisory Fee <sup>(1)</sup>	Representative Managed Program Fee <sup>(2)</sup>
First \$250,000	2.25%	0.200%
Next \$250,000	2.25%	0.175%
Next \$500,000	2.25%	0.150%
Next \$1,000,000	2.00%	0.100%

Next \$1,000,000	1.75%	0.080%
Assets above \$3,000,000	1.50%	0.080%

(1) This is the maximum Advisory Fee. The Advisory Fee is negotiable and can be less than the maximum.

(2) Client pays one Program Fee for the individual program selected.

**Fee Schedule for  
ETF and Mutual Fund Program, Separately Managed Program and Multi-Manager Program  
Total Fee = Advisory Fee + Program Fee + Manager Fee (if applicable)**

Platform Assets	Maximum Allowable Advisory Fee <sup>(1)</sup>	Program Fee <sup>(2)</sup>		
		ETF and Mutual Fund Program	Separately Managed Program	Multi-Manager Program
First \$250,000	2.00%	0.250%	0.350%	0.400%
Next \$250,000	2.00%	0.225%	0.325%	0.375%
Next \$500,000	2.00%	0.200%	0.300%	0.350%
Next \$1,000,000	1.75%	0.175%	0.250%	0.300%
Next \$1,000,000	1.50%	0.150%	0.200%	0.250%
Assets above \$3,000,000	1.25%	0.150%	0.200%	0.250%
<b>Manager Fee <sup>(3)</sup></b>		0.10%	0.00% - 0.50%	0.00% - 0.50%

(1) This is the maximum Advisory Fee. The Advisory Fee is negotiable and can be less than the maximum.

(2) Client pays one Program Fee for the individual program selected.

(3) The Manager Fee(s) is paid to the SMA Manager(s) or Model Provider(s) providing advice under a specific program and varies depending on the manager or provider and assets managed.

The above Fee Schedule is based on the amount of money you invest in NEXT Select and is not dependent on the amount of trading in the account or the advice given in any particular time period. Transactions in accounts are executed for a single wrap fee, which reduces the potential conflict of interest associated with executing orders for accounts and earning transaction-based compensation in connection with each order. You should be aware that lower fees for comparable services could be available from other sources.

## Visionary Program Fees

The fees for Visionary Program participation are based on an annual percentage of your program assets. The Program Fee is comprised of four components: (a) the Advisory Fee, (b) the Platform Fee, (c) the Sponsor Fee and (d) if applicable, the Manager(s) Fee. The Program Fee is calculated at the beginning of each calendar quarter based on the fair market value of your program assets, including money market funds, interest and reinvested dividends in the account, on the last business day of the prior calendar quarter.

Fees are automatically deducted from your account quarterly in advance and are noted on account statements sent to you by the custodian. The first payment is prorated based on the number of calendar days in the partial quarter. If you invest or withdraw \$10,000 or more in the account after the first day of a calendar quarter, a prorated fee

or rebate is calculated on each eligible deposit or withdrawal with adjustments applied in the subsequent billing period. If you terminate your participation in the program prior to the end of a calendar quarter, a pro rata portion of the Program Fee will be reimbursed to you.

### Fee Schedule

$$\text{Program Fee}^* = \text{Advisory Fee} + \text{Platform Fee}^* + \text{Sponsor Fee} + \text{Manager Fee}$$

Program Assets	Maximum Advisory Fee	Platform Fee** (Equity and Balanced Strategies)	Platform Fee** (Mutual Fund and ETF Strategies)	Sponsor Fee	Manager Fee
Up to \$250K	1.5%	0.13%	0.08%	0.25%	0.00% - 0.55%
\$250K-500K	1.5%	0.13%	0.08%	0.25%	0.00% - 0.55%
\$500k-1M	1.5%	0.13%	0.07%	0.25%	0.00% - 0.55%
\$1M-2M	1.5%	0.11%	0.07%	0.25%	0.00% - 0.55%
\$2M-5M	1.5%	0.11%	0.06%	0.25%	0.00% - 0.55%
Above \$5M	1.5%	0.09%	0.06%	0.25%	0.00% - 0.55%

\*Does not include the asset-based fee for brokerage/custody/clearing services provided by the custodian

\*\*Minimum annual per Account Platform Fee: \$100 Optional impact or Tax Overlay Service fee: 10 basis points

The above Fee Schedule is based on the amount of money you invest in the Visionary Program and is not dependent on the amount of trading in the account or the advice given in any particular time period. The Program Fee does not cover custodial fees charged to you by the custodian. The custodial fee is an asset-based fee which is disclosed in the custodial agreement. You should be aware that lower fees for comparable services could be available from other sources.

### Other Fees and Expenses

In addition to your advisory fee and transaction charges, you will pay individual retirement account (IRA) annual maintenance fees and tax-qualified retirement plan trustee fees, certain custodial fees, and other ancillary charges within a Contour, NEXT Select, or Visionary Program account, as applicable. You should expect to be charged for specific account services, such as account transfer fees, wire transfer charges, checking fees, paper statements and confirmations, and for other optional services elected by you on a per event basis. These fees are subject to the pricing schedule set by a Custodian and NEXT. NEXT receives a portion of certain of these fees for accounts in custody with Pershing, including where NEXT marks up the fee charged by Pershing, which can be substantial. Please review Item 12 – Brokerage Practices of this Brochure for additional information.

Our receipt of custodial fees, including where we markup a fee, creates a conflict of interest for NEXT because the fees constitute additional revenue to us. To mitigate this conflict, we do not share custodial fee revenues with your IAR, and we do not require or incentivize IARs to recommend advisory programs be custodied with any custodian. Brokerage and other transaction costs and certain administrative fees incurred in NEXT Select and Contour FSP, SMA, UMA, and APM Wrap Fee accounts are included in the Program Fee except as described within the Contour Brochure. Brokerage and other transaction costs incurred in Contour APM Non-Wrap Fee accounts are not included in the Program Fee as described above.

Please refer to the Account Fee Schedule published in the disclosure section of our website for a detailed schedule of transaction fees and other brokerage costs ([nextfinancial.com/customers/disclosures](https://nextfinancial.com/customers/disclosures)) for a better understanding of where we receive additional compensation.

You can elect to receive communications and documents from your account Custodian, including confirmations and statements, electronically by authorizing electronic delivery in writing. Unless you authorize electronic delivery, if Pershing delivers communications and documents to you via U.S. mail a paper delivery surcharge is assessed.

Interest on all cash account delinquencies (Cash Due Interest) in a client account is charged directly to your account at the then current rate. Transfer agent servicing fees, if any, are passed through to you and can vary based upon the transfer agent and position.

For Contour accounts in custody with Pershing, a \$10 mutual fund surcharge applies to purchases and redemptions of certain mutual funds that do not otherwise compensate Pershing for administration and operational accounting related to fund ownership. Neither NEXT nor your IAR retain any portion of the mutual fund surcharge. A list of applicable funds is available upon request.

### **Additional Fees for Collective Investment Vehicles**

For accounts that contain collective investment vehicles (“Collective Investment Vehicles”), such as mutual funds, closed-end funds, UITs, ETFs, annuities, structured products, or publicly traded real estate investment trusts, each Collective Investment Vehicle bears its own internal fees and expenses, such as fund operating expenses, management fees, deferred sales charges, redemption fees, other fees and expenses or other regulatory fees, charges assessed by annuity issuers such as contract charges, contract maintenance charges, transfer charges, optional rider fees, subaccount management fees and administrative expenses, short-term trading fees, redemption fees, and other fees imposed by law. Collective Investment Vehicle fees and expenses are disclosed in the applicable prospectus, statement of additional information, or product description. None of these fees are shared with NEXT or your IAR. This compensation is in addition to any advisory fee, resulting in increased costs to you.

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the mutual fund, this can include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees. In addition, you can incur redemption fees, when a portfolio manager to an investment strategy determines that it is in your overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle’s minimum holding period. Depending on the length of the redemption period, the particular investment strategy, and/or market conditions, a portfolio manager may be able to minimize any redemption fees when, in the portfolio manager’s discretion, it is reasonable to allow you to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

### **Compensation Related to Mutual Funds and Other Investments**

Your IAR, when acting in his/her separate capacity as a NEXT registered representative (i.e., as a broker), earns commissions, including asset-based fees and sales charges, from the sale of mutual funds, annuities, ETFs, and other securities. This results in a conflict of interest because NEXT and our IARs have an incentive to recommend investment products based on the compensation received rather than on a client’s needs. You are under no obligation to purchase investment products through NEXT or your IAR and you have the option to purchase the products we recommend through other financial services firms that are not affiliated with us.

After considering your overall needs and objectives along with your preferences, your IAR can recommend that you convert from a commission-based account to a fee-based advisory account. We maintain policies and procedures to ensure a conversion from a commission-based account to fee-based advisory account is in your best interest. Among other things, we employ the following policies:

- When Class A, B, or C shares of mutual funds are transferred into an advisory account, additional mutual fund purchases within the advisory account are made at net asset value (NAV) or in adviser or institutional share classes, which do not include 12b-1 fees. Such purchases will not result in your payment of a commission in addition to the annual advisory fee.
- NEXT will attempt to convert Class A, B, and C share mutual fund holdings in an advisory account to adviser or institutional class shares where available. In the event a tax-free conversion is unavailable or does not occur, 12b-1 fees received in fee-based accounts will be credited to your account.
- If your Contour or NEXT Select account is funded with a deposit of one or more open end mutual funds, UITs, or proceeds from the sale of open-end mutual funds or UITs, where NEXT was paid a sales charge in its capacity as a broker-dealer within one year of the initial billing date, you are entitled to a fee offset. The mutual fund fee offset varies depending on whether the mutual fund was subject to a front-end or a back-end sales charge. For mutual funds subject to a front-end sales charge, the fee offset is calculated using the number of shares multiplied by the closing price of the security on the day prior to the initial billing date multiplied by the annual advisory fee. For mutual funds subject to a back-end sales charge, the fee offset is equal to the amount of the back-end sales charge incurred: (1) upon liquidation of a mutual fund in the account; or (2) upon liquidation of a mutual fund within 60-days prior to the date the proceeds are transferred into the account. The unit investment trust fee offset is calculated in the same manner as the front-end load mutual fund fee offset.
- Your IAR can agree, upon your written request and for your convenience, to hold certain assets in your Contour account such as previously acquired concentrated positions in a stock or bond that you wish to hold for an unspecified period of time. Such assets are unmanaged, unmonitored, and are excluded from billing.
- Your IAR can agree, at your request, to hold certain assets in an advisory account such as previously acquired concentrated positions in a stock or bond, that you wish to liquidate over a period of time or hold to maturity. Such assets are being monitored but are excluded from billing.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, B, and C shares), mutual funds can also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes. NEXT and our IARs have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. NEXT seeks to minimize this conflict of interest, by providing our IARs with training and guidance on this issue, as well as by conducting periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that might be more appropriate given a client's particular investment objectives and any other appropriate considerations relevant to mutual fund share class selection. Regardless of such considerations, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

The appropriateness of a particular mutual fund share class selection is dependent upon a number of considerations, including: the asset-based advisory fee that is charged, whether transaction charges are applied to the purchase or sale of mutual funds, the overall cost structure of the advisory program, operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and NEXT's ability to access particular share classes through the custodian), share class eligibility requirements, and the revenue sharing, distribution fees, shareholder servicing fees, or other

compensation associated with offering a particular class of shares.

Further information regarding fees and charges assessed by a mutual fund is available in the mutual fund prospectus.

## **Wrap Fee Program versus Non-Wrap Fee Program**

We offer asset management services through both Wrap Fee and Non-Wrap Fee programs.

### Wrap Fee Programs

A wrap fee program is defined as an advisory program in which a client pays a single, specified fee for portfolio management services and trade execution. We receive a portion of the investment advisory fee you pay when you participate in any of the wrap fee programs we offer. Wrap fee programs are not suitable for all investments needs and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon. The benefit of a wrap fee program depends, in part, upon the size of an account, the types of securities in the account, and the expected size and number of transactions likely to be generated. Generally, wrap fee accounts are less expensive for actively traded accounts. For accounts with little or no trading activity, a wrap fee program may not be suitable because the wrap fee could be higher than fees in a traditional brokerage or non-wrap fee advisory account where you pay a fee for advisory services plus a commission or transaction charges for each transaction in the account. You should evaluate the total cost for a wrap fee account against the cost of participating in another program or account.

### Non-Wrap Fee Programs

Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap fee programs, such as Contour APM Non-Wrap, assess trade execution costs that are in addition to the investment advisory fees. In Contour APM Non-Wrap, there are two separate types of fees. We charge an investment advisory fee for our advisory services and another fee (“ticket charge”) is charged for each transaction (purchase, sale, or exchange) for accounts held at Pershing or Schwab. NEXT has a conflict of interest in offering non-wrap accounts custodied through Pershing due to the receipt of additional transaction-based ticket charge revenue received by us in our capacity as a broker-dealer.

NEXT maintains policies and procedures to ensure the recommendation of a specific account type is reasonably believed to be in your best interest. There is no guarantee that the Advisory Services offered will result in your goals and objectives being met. Nor is there any guarantee of profit or protection from loss. No assumption can be made that an advisory fee arrangement or portfolio management service of any nature will provide a better return than other investment vehicles. Advisory programs are not suitable for all investment needs, and any decision to participate in a wrap fee or non-wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. You should evaluate the total cost for participating in a particular advisory program in consultation with your IAR.

## **Investment Fiduciary and Retirement Plan Consulting**

Fees for Investment Fiduciary & Retirement Plan Consulting are negotiable. The types of fee arrangements include a percentage-based fee tied to assets under management; a periodic fee for ongoing services; and/or a one-time project-based fee. Fees are payable based on the timing and amounts specified in the Investment Fiduciary & Retirement Plan Consulting Agreement signed by the plan sponsor.

Sponsors receiving retirement plan services can pay more or less than a client might otherwise pay if purchasing the

services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the number of or locations of participants, the retirement plan services offered by another service provider, and the actual costs of services purchased elsewhere.

Fees paid to NEXT for retirement plan services do not cover custody, clearing or settlement services, and are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client will pay an initial or deferred sales charge. The retirement plan services provided by NEXT can, among other things, assist the plan sponsor in meeting its requirements for administering and managing the Plan and, if applicable, to the Plan's participants to help them maximize their benefits through the Plan. Accordingly, the plan sponsor should review both the fees charged by the funds, the fund manager, the plan's other service providers and the fees charged by NEXT to fully understand the total amount of fees to be paid by the client and to evaluate the services being provided.

No increase in the fees will be effective without prior written notice.

## **Educational Workshops/Seminars**

The fees for workshops and seminars vary on a case-by-case basis and are determined by the IAR(s) hosting the presentation. The fee is generally a non-negotiable flat fee. The amount of the fee could be higher if a meal is served or if printed materials are provided to attendees. In certain cases, these events are "sponsored" or supported by product sponsors or third-party money managers who reimburse IARs for the cost of the event.

The fee for a workshop or seminar must be paid via personal check or electronic payment either before or at the time of the workshop or seminar. If you pre-pay for a workshop or seminar and are unable to attend, you must contact your IAR to determine whether all or a portion of the fee is refundable. Refunds of seminar fees are at the discretion of your IAR.

## **Plan Participant Investment Advice Services**

Compensation for plan participant investment advice services is structured as a fee that is negotiable at the discretion of your IAR depending upon a number of factors including, time and labor; account size; complexity of the services provided and special circumstances involved; and qualifications or expertise of the IAR. Fee options include:

- A flat fee for one-time services;
- Recurring billing for ongoing services with fees collected monthly, quarterly or semi-annually in arrears or in advance; or
- Billing at an hourly rate not to exceed \$350 per hour collected upon completion of services.

Payment for services is due according to the schedule in the Plan Participant Investment Advice Agreement.

NEXT, your IAR, or you, can upon written notice to the others, terminate the Plan Participant Investment Advice Agreement. In the event of termination, NEXT and/or your IAR will decide the amount to be charged to you based upon the time and resources expended. Generally, you will be charged for the portion of work performed.



## Consulting Services

Compensation for consulting services is structured as a fee that is negotiable at the discretion of your IAR depending upon a number of factors including, the amount of the assets being reviewed, the nature and extent of account relationships between NEXT and its affiliates with you, the type and complexity of services requested, and other factors that your IAR deems relevant. Fee options include:

- Flat fee billing for one-time services, with or without an initial retainer;
- Recurring billing for ongoing services with fees collected monthly, quarterly or semi-annually in arrears or in advance; or
- Billing at an hourly rate collected upon completion of services.

The maximum hourly charge is \$500 per hour and the flat rate fee generally ranges from \$0 to \$20,000. In no event will NEXT or the IAR collect a fee in advance exceeding \$1,200 when services cannot be completed within six (6) months of the effective date of the Consulting Services Agreement.

Payment for services is due according to the method and schedule in the Consulting Services Agreement. For services provided for a flat fee, or one-time only services, the Consulting Services Agreement will automatically terminate once the services have been completed by your IAR and you have paid for the services. In the case of recurring payments for ongoing services, the Consulting Services Agreement shall automatically terminate one year from the date of execution.

NEXT, your IAR, or you can, upon written notice to the others, terminate the Consulting Services Agreement. In the event of termination, NEXT and/or your IAR will decide the amount to be charged to you based upon the time and resources expended. Generally, you will be charged for the portion of work performed and any unearned fees will be refunded.

In the event you elect to implement any recommendation made by your IAR acting in your IAR's capacity as a registered representative of NEXT, your IAR will receive additional commissions, markups, markdowns, or advisory fees if you choose to purchase a product or open an account with us.

NEXT and your IAR receive compensation for the sale of securities or other investment products sold to you by your IAR following the provision of consulting services, including investment company securities (mutual funds), variable annuity products, or other assets. Additionally, these products have other internal expenses that you pay indirectly through the cost of the fund or product. This compensation is in addition to the consulting fee and will result in increased costs to you.

You have the option to purchase investments recommended by your IAR through other brokers or agents who are not affiliated with NEXT.

## Third-Party Investment Adviser (TPIA)

Compensation for TPIA programs is generally provided to NEXT and an IAR in exchange for introducing clients to a TPIA. Compensation can also be in exchange for the initial and continuing education and information that NEXT and the IAR provide regarding the TPIA program selected. Compensation is usually a fixed percentage of the fees charged by a TPIA to the clients introduced by NEXT or the IAR. The fees paid by a client are based on assets under management. Additional fees for other services provided by a TPIA, such as custody and transaction fees, can be charged by a TPIA. Specific information about the services provided and the fees associated with the services is contained in a TPIA's Form ADV Part 2 or similar disclosure brochure and client agreement. A client should carefully review the TPIA's Form ADV Part 2 or brochure to fully understand all services to be provided,

as well as the fees and expenses that are associated with those services, to determine (1) if compensation is payable before a service is provided; (2) when compensation is payable; (3) how a client can get a refund; (4) what conflicts of interest exist with respect to a client's participation in the program; (5) how a client can terminate an advisory contract before its expiration date; and (6) if fees are negotiable.

TPIAs can impose a minimum dollar value of assets or other conditions for starting or maintaining accounts. Minimum account sizes are determined by the TPIA, not NEXT.

## **General Information Concerning Fees**

Fees vary between IARs, and clients can pay more or less than the fees charged by another IAR for similar services. The advisory fee charged can be more or less than what NEXT and your IAR might earn from other programs available in the financial services industry or if the services were purchased separately or on a commission basis. To this end, clients have the option to purchase investment products that an IAR recommends through other financial services firms that are not affiliated with NEXT.

Advisory fees are charged on all mutual fund shares deposited to advisory accounts unless eligible for the fee offset program described in the section entitled *Compensation Related to Mutual Funds and Other Investment Products* above. This includes shares deposited into an investment advisory account on which a client paid a sales charge. Also, to the extent that cash used for investment in an account comes from redemptions of your other non-managed mutual fund investments, you should consider the cost, if any, of the sales charge(s) previously paid and redemption fees that could be incurred. Such redemption fees would be in addition to the advisory fee on those assets. You should be aware that such redemptions and exchanges between mutual funds within investment advisory accounts typically have tax consequences in non-retirement accounts, which should be discussed with an independent tax advisor.

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

Advisory fees based upon a share of capital gains or capital appreciation of assets of an advisory client are commonly referred to as “performance-based fees.” NEXT does not permit IARs to accept performance-based fees. NEXT does not engage in side-by-side management.

## **Item 7 – Types of Clients**

NEXT, through its IARs, offers investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations or other businesses. Investment Fiduciary and Retirement Plan Services are available to clients that are sponsors or other fiduciaries to retirement plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. Our clients can have both fee-based advisory accounts and commission-based brokerage accounts. Depending on an IAR's registrations and qualifications, and a client's preferences and needs, our IARs provide advisory services, brokerage services, or both.

The minimum initial account size for the Visionary Program is \$25,000. The minimum account size for these programs can be waived at NEXT's discretion. TPIA programs also generally require minimum investment amounts that vary by program. We do not require a minimum asset amount for Investment Fiduciary & Retirement Plan Consulting, Plan Participant Advice Services, or Consulting Services.

The initial minimum account size for NEXT Select program options are listed below; however, these minimums can be waived at NEXT's discretion. In the SMP, should the SMA Manager require a higher minimum, the higher

minimum will apply. In the Multi-Manager Program, the minimum account size for each model style is determined by the Model Provider.

<b>NEXT Select Program</b>	<b>Minimum</b>
Representative Managed Program	\$25,000
ETF Program – Mutual Fund Models	\$5,000
ETF Program – ETF Models	\$10,000
Separately Managed Program	\$25,000
Multi-Manager Program	\$50,000

The initial minimum account size for Contour program options is listed below.

<b>Contour Program</b>	<b>Minimum</b>
Advisor as Portfolio Manager Program	\$25,000
Fund Strategist Portfolios	As low as \$2,000
Separately Managed Accounts	\$100,000
Unified Managed Accounts	\$100,000

The initial Contour account minimum can, however, be waived at NEXT's discretion, considering various factors. Such factors include, but are not limited to, length of client relationship, or combined values of other household/family member accounts. In the SMA, should the SMA Manager require a higher minimum, the higher minimum will apply. In the UMA, the minimum account size for each model style is determined by the Model Provider or Sub- Manager.

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

NEXT's IARs use a wide variety of methods of analysis, which can include charting, fundamental analysis, technical analysis, and cyclical analysis to determine investment strategies for clients. The primary sources of information used to conduct these types of analysis are financial newspapers and magazines, inspections, research prepared by others, ratings services, press releases, annual reports, prospectuses, and other filings with the SEC.

Investment strategies used by IARs can include, but are not limited to:

- Long-term purchases;
- Short-term purchases;
- Asset allocation and rebalancing;
- Dollar cost averaging;
- Trading;
- Margin; and
- Options.

Prior to investing, you should understand and agree with the investment strategies used by your IAR. The implementation of these strategies varies based upon the advisory services program selected and your preferences

and needs.

Your account is managed based on your financial situation, investment objectives and instructions. Your IAR works with you to obtain sufficient information to provide individualized investment advice and is reasonably available to consult with you on an ongoing basis. You are permitted to impose reasonable restrictions on the management of the account.

A quarterly custodial statement containing a description of all account activity is provided to you. Your IAR reviews overall performance of each account on a periodic basis to ensure that transactions are suitable based on your investment objectives and quality expectations and comply with any investment restrictions you request.

Clients who choose a TPIA should carefully review the TPIA's Form ADV Part 2A or other brochure for information on their investment strategies. Investment strategies vary by the TPIA selected.

Tax consequences are a critical component of any investment strategy. Therefore, depending on the strategy you choose to implement, it is possible that trading activity could result in taxable events and lower investment returns. Since investments have tax or legal consequences, you should consult your tax professionals and attorneys to help answer questions about specific situations or needs.

## **NEXT Select Platform**

In the ETF and Mutual Fund Program, NEXT uses both quantitative and qualitative analysis to construct its ETF and mutual fund allocation models. NEXT relies on Modern Portfolio Theory and Monte Carlo simulations to test its models and to evaluate performance relative to risk. NEXT's sources of information include Zephyr Analytics, Morningstar Principia, publicly available research, and prospectuses.

Each model's goal is to meet its investment objective through a diversified portfolio of strategically managed ETFs or mutual funds based on a target fixed income-to-equity ratio. We seek to maintain allocation targets through periodic rebalancing.

In the Separately Managed Program and Multi-Manager Program, NEXT, through its Due Diligence Committee, is responsible for reviewing, selecting, and monitoring SMA Managers and Model Providers. SMA Managers and Model Providers who meet certain of NEXT's prerequisites are required, among other things, to provide information relating to their firm, business practices, and policies and procedures.

SMA Managers and Model Providers selected for participation are also subject to periodic reviews to determine if there are any material changes or disclosure events that impact the quality of the SMA Manager's or Model Provider's performance of the services contemplated in NEXT Select.

## **Risk of Loss**

Investing in any type of security involves risk of loss that you should be prepared to bear. NEXT does not guarantee the performance of an account or any specific level of performance. Market values of the securities in the account will fluctuate with market conditions. When an account is liquidated, it may be worth more or less than the amount invested.

There is no guarantee that a client's investment goals or objectives will be achieved. All securities are subject to some level of risk which could cause the value of your securities to decrease in value, and in some cases, could result in a loss of your entire investment. The following are some types of risk that could affect the value of your

portfolio:

- **Market risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Business risk:** Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock can become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- **Interest rate risk:** If the Federal Reserve pushes interest rates higher, the market prices of bonds can be affected. When interest rates rise, the market price of bonds typically falls.
- **Inflation risk:** Inflation reduces the buying power of a dollar, and could cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- **Regulatory risk:** Legislative, regulatory, and/or judicial changes that impact businesses can drastically change entire industries.
- **Industry/company risk:** These risks are associated with a particular industry or a specific company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process before they can generate a profit. They carry a higher risk of fluctuations in profitability than an electric company, which generates its income from a steady stream of clients who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- **Opportunity risk:** You or your IAR may choose a conservative product to invest in, which could cause you to miss out on market upswings which potentially could have increased the value of securities with higher risk. The opposite is also true; market downturns can cause you to lose a significant amount of principal invested in higher risk securities when their funds could have been invested in lower risk securities.
- **Reinvestment risk:** There is a possibility that you will be unable to make additional purchases of a security already in your portfolio at the same rate at which the original purchase was made.
- **Currency or exchange rate risk:** Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which will cause the value of your portfolio to fluctuate.
- **Transactional cost risk:** You could incur significant transactional charges in an unbundled, actively traded account. Frequent trading can decrease the value of your account due to increased brokerage and transaction costs. In addition, the frequent trading can cause taxable events to occur, which could increase your tax burden.
- **Short sale risk:** While a short position has unlimited capability to increase in value, it in turn increases your risk, as you can be required to purchase the security at a high rate or price in order to cover the short sale.
- **Exchange-Traded Funds:** ETFs face market trading risks, including the potential lack of an active market for fund shares, losses from trading in the secondary markets, and disruption in the creation and redemption process of the ETF. Any of these factors can lead to liquidity risk and/or the fund's shares trading at a premium or discount to its "net asset value."
- **Leveraged and inverse ETFs:** ETFs that offer leverage or that are designed to perform inversely to the index or benchmark they track—or both—are growing in number and popularity. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments that are typically designed to achieve their stated objectives on a daily basis. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated

daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for clients who plan to hold them for longer than one trading session, particularly in volatile markets.

- **Interval Funds:** Interval funds provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, but there is no guarantee that a client will be able to sell all of their shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- **Environmental, Social, and Governance (“ESG”) strategies:** The implementation of ESG strategies could cause an account to perform differently compared to accounts that do not use such strategies. The criteria related to certain ESG strategies can result in an account foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities to comply with ESG guidelines when it might be otherwise disadvantageous to do so. In addition, an increased focus on ESG or sustainability investing in recent years may have led to increased valuations of certain issuers with higher ESG profiles. A reversal of that trend could result in losses with respect to investments in such issuers. There can be no assurance that an ESG strategy directly correlates with a client’s ESG goals, and ESG data is not available with respect to all issuers, sectors or industries and is often based upon estimates, comparisons or projections that may prove to be incorrect. As a result, a client account with ESG guidelines could nonetheless be invested in issuers that are inconsistent with the client’s ESG goals.
- **Structured Products:** A structured product is an unsecured obligation of an issuer with a return, generally paid at maturity, that is linked to the performance of an underlying asset, such as a security, basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. A structured product may contain a call feature that can result in the investment being redeemed earlier than the stated maturity date. If a structured product is called prior to maturity, the payment you receive will depend upon the stated terms of the investment. If a structured product is called, you may not be able to reinvest the proceeds in a similar investment with similar risk and return characteristics.
- **Money Market Mutual Funds:** While money market mutual funds seek to preserve a net asset value of \$1.00, during periods of severe market stress, a money market mutual fund could fail to preserve a net asset value of \$1.00 and/or could no longer be a viable business for the fund sponsor, which would force the sponsor to liquidate. It is possible to lose money by investing in a money market mutual fund.
- **Credit risk:** The risk that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds), which may be considered speculative and are more volatile than investment grade securities.
- **Options:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.
- **Global risk:** International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets are not as politically and economically stable as the United States and other nations.
- **Cybersecurity risk:** NEXT relies on the use and operation of different computer hardware, software, and

online systems. The following risks are inherent in such programs and are enhanced for online systems: unauthorized access to or corruption, deletion, theft, or misuse of confidential data relating to NEXT and its clients; and compromises or failures of systems, networks, devices, or applications used by NEXT or its vendors to support its operations.

You should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of NEXT or the integrity of NEXT's management.

NEXT is a broker-dealer in addition to its activities as a registered investment adviser. In connection with its broker-dealer business, NEXT has been the subject of certain regulatory actions, some of which NEXT has determined to be immaterial. Others are summarized below:

- On May 6, 2014, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to the approval of certain seminar invitations of a registered representative distributed in 2010 and 2011 that contained inaccurate information. NEXT agreed to cease and desist from further violations of New Hampshire securities laws and to pay an administrative fine of \$120,000 and investigative costs of \$20,000. NEXT further agreed to establish procedures or modify existing procedures to ensure information in advertising material submitted for approval is properly vetted prior to use.
- On May 28, 2014, NEXT entered into an AWC with FINRA. FINRA found that, between March 2009 and August 2011, NEXT failed to timely and/or accurately amend certain registered representatives' Forms U4 and U5 to disclose customer complaints, judgments, and liens; from January 2010 to August 2011, NEXT's former general counsel directly supervised registered persons without a principal registration; and from March 2009 to August 2012, the firm failed to establish and maintain a supervisory system, including written procedures, which was reasonably designed to detect and prevent unsuitable sales of structured products to retail customers. NEXT consented, without admitting or denying the findings, to a censure and fine of \$88,750.
- On January 27, 2016, NEXT entered into an AWC with FINRA. FINRA found that, between May 1, 2009 and April 30, 2014, NEXT failed to apply applicable sales charge discounts to certain customers' purchases of unit investment trusts (UITs) and to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$125,000, and pay restitution to the affected customers of \$216,150.04.
- On December 6, 2017, NEXT entered into an AWC with FINRA. FINRA found that, from August 2012 through September 2015, NEXT failed to have adequate exception reports to detect excessive trading, failed to perform any review of those reports for an extended period, and allowed excessive trading to occur due to inadequate oversight. FINRA also found that, between August 2012 and April 2014, NEXT had deficiencies in its supervisory procedures pertaining to the sale of multi-share class variable annuities and variable annuity exchanges. FINRA also found that the firm failed to reasonably monitor the use by its registered representatives of consolidated reports, did not take steps to ensure that information on its website was up to date regarding its Financial Partners, and did not reasonably supervise non-cash compensation received by its registered representatives in connection with product sponsor education and training meetings. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$750,000, and to engage an independent consultant to conduct a review of its policies, systems and

procedures, and training relating to the violations identified in the AWC.

- On March 11, 2019, the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order as to NEXT in connection with the SEC's Share Class Selection Disclosure Initiative. The Order alleges that (a) between January 1, 2014, and December 31, 2016, NEXT purchased, recommended, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which clients were eligible, (b) NEXT received 12b-1 fees in connection with the investments, and (c) NEXT failed to disclose in its Form ADV the conflicts of interest related to the receipt of 12b-1 fees and its selection of mutual fund share classes that pay such fees. NEXT agreed, without admitting or denying the findings, to cease and desist from committing or causing any future violations of Sections 206(2) and 207 of the Advisers Act, to a censure, to pay approximately \$1.4 million to compensate investors affected by its conduct, and to notify affected investors of the entry of the Order.
- On December 20, 2019, NEXT entered into a Consent Order with the Massachusetts Securities Division with respect to allegations that between January 2007 and December 2017 the firm approved the sale of non-traded real estate investment trusts ("REITs") by a registered representative that the Division alleged were unsuitable because the amount invested exceeded the firm's liquid net worth concentration guidelines for non-traded REITs. NEXT, without admitting or denying the allegations, agreed to a censure, to pay a fine of \$150,000, and to make rescission offers to ten Massachusetts investors.
- On December 30, 2019, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to allegations that between 2009 and 2016 the firm approved unsuitable recommendations of non-traded REITs to a number of New Hampshire investors that exceeded the firm's aggregate and product specific portfolio concentration guidelines for non-traded REITs, failed to comply with investor income thresholds for the purchase of such products, or were made to clients over the age of 80. NEXT, without admitting or denying the allegations, agreed to pay \$325,000 in fines and costs to the Bureau and to offer remediation to 77 New Hampshire investors.
- On February 13, 2020, NEXT consented to a Disciplinary Order with the Texas State Securities Board with respect to allegations that between 2014 and 2018 the firm did not adequately supervise one of its registered representatives who used a trading strategy that included short-term trading in Class A mutual fund shares that resulted in certain customers incurring significant expenses as a result of mutual fund sales charges. To resolve the matter, NEXT, without admitting or denying the allegations, agreed to pay a \$100,000 fine and refund \$500,000 to customers whose accounts were the subject of the trading strategy.
- On July 13, 2021, NEXT entered into an AWC with FINRA. FINRA found that from January 2012 through February 2019, NEXT failed to have adequate supervisory procedures to detect and prevent unsuitable short-term trading of mutual funds and municipal bonds in customer accounts and over-concentration in customer accounts in Puerto Rico municipal bonds. FINRA also found that, between March 2013 and February 2017, NEXT failed to establish an adequate system of supervisory controls to test and verify that its supervisory systems were reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. NEXT consented, without admitting or denying the findings, to a censure, a fine of \$750,000, and to within 120 days certify to FINRA that it has implemented supervisory systems and written supervisory procedures reasonably designed to address the issues identified in the AWC.
- On February 21, 2024, NEXT entered into a Consent Order with the New Hampshire Bureau of Securities Regulation with respect to allegations that between 2014 and 2020 a former investment adviser representative of the firm engaged in violations of the New Hampshire securities laws, including misrepresenting the nature of consulting services agreement fees charged to clients and caused a number



of clients to pay both advisory fees and separate consulting services fees for the same services, and NEXT failed to supervise the former investment adviser representative's use of consulting services agreements. NEXT, without admitting or denying the allegations, agreed to pay restitution to 275 New Hampshire investors in the amount of \$661,358.22 and \$425,000 in fines and costs to the Bureau.

NEXT, as a broker-dealer, is regulated by each of the 50 States and has been subject to orders related to the violation of certain state laws and regulations in connection with its brokerage activities. For more information about these state events and other disciplinary and legal events involving NEXT and its IARs, clients should refer to Investment Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck® at <https://brokercheck.finra.org>.

## Item 10 – Other Financial Industry Activities and Affiliations

NEXT is registered as a broker-dealer and as an investment adviser with the SEC. NEXT is a member of the FINRA and SIPC. NEXT is also licensed as an insurance agency in all states. NEXT is affiliated with NEXT Financial Insurance Services Company ("NFISCO"), an insurance agency.

NEXT is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc. (Atria), a privately-owned company. NEXT has the following affiliates.

Cadaret Grant & Co., Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency
CFS Insurance and Technology Services, LLC	Insurance Agency
CUSO Financial Services, LP	Broker Dealer & Registered Investment Adviser
Grove Point Advisors, LLC	Registered Investment Adviser
Grove Point Investments, LLC	Broker Dealer & Insurance Agency
NEXT Financial Insurance Services Company (NFISCO)	Insurance Agency
SCF Investment Advisors, Inc.	Registered Investment Adviser
SCF Securities, Inc.	Broker Dealer & Insurance Agency
Sorrento Pacific Financial, LLC	Broker Dealer, Registered Investment Adviser, and Insurance Agency
Western International Securities, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency

## Conflicts of Interest as a Broker-Dealer and Insurance Agency

NEXT is dually registered as both a broker-dealer and as a registered investment adviser and is also a licensed insurance agency. Most of our IARs are registered with us as a registered representative, which allows them to perform brokerage services for you by executing securities transactions. Each IAR is an independent contractor with NEXT. In their capacity as registered representatives, IARs offer securities and receive commissions as a result of such transactions. There is a conflict of interest when an IAR is able to choose between offering a client fee-based programs and services (as is typical of an advisory relationship) and/or commission-based products and services (as is typical of a brokerage relationship). There is a difference in how NEXT and your IAR are compensated for advisory accounts and brokerage accounts or insurance products. While a client pays a fee to their IAR on an advisory account based on the value of account assets and not the number of transactions, in their capacities as registered representatives, an IAR can offer securities and receive a commission, markup, or markdown on each transaction. To mitigate this conflict, we review our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs.

NEXT's registration as a broker-dealer is material to our advisory business when our advisory accounts are custodied with Pershing, a third-party custodian, where we act in our capacity as an introducing broker-dealer. This results in additional forms of compensation to NEXT which are discussed in this Brochure. See Item 12 – Brokerage Practices – Pershing Clearing Relationship, and Item 14 – Client Referrals and Other Compensation – Indirect Compensation and Revenue Sharing.

Many of our IARs are also licensed insurance agents appointed with various insurance companies. An IAR can be contracted and appointed as an independent insurance agent or as an insurance agent with NEXT. Acting in the capacity of an insurance agent, IARs can sell annuities and insurance products to advisory clients and earn commissions for these transactions.

Clients are under no obligation to purchase products or services recommended by an IAR or through an IAR or otherwise through NEXT or its affiliates. Clients are free to implement recommendations through any broker-dealer or advisory firm. If a client requests that an IAR recommend a broker-dealer, the IAR will recommend NEXT; however, the client is under no obligation to effect transactions through us.

## **An IAR's Outside Business Activities**

Our IARs are independent contractors and can engage in certain approved outside business activities other than providing brokerage and advisory services through NEXT, and in certain cases, an IAR receives more compensation, benefits, and non-cash compensation through an outside business activity than through NEXT. This creates a conflict of interest because IARs may have an incentive to spend more time and attention on other ventures than on managing your account. Some of our IARs are accountants, real estate agents, insurance agents, tax preparers, or lawyers, and some refer clients to other service providers and receive referral fees. As an example, an IAR could provide advisory or financial planning services through an unaffiliated investment advisory firm, sell insurance through a separate business, or provide third-party administration to retirement plans through a separate firm. If an IAR provides investment services to a retirement plan as our representative and also provides administration services to the plan through a separate firm, this typically means the IAR is compensated from the plan for the two services. In addition, an IAR can sell insurance through an insurance agency not affiliated with NEXT. In those circumstances, the IAR is subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of NEXT. When an IAR receives compensation, benefits, and non-cash compensation through the third-party insurance agency, the IAR has an incentive to recommend you purchase insurance products away from NEXT. If you contract with an IAR for services separate or away from NEXT, you should discuss with them any questions you have about the compensation they receive from the engagement. Additional information about a IAR's outside business activities is available on FINRA's website at [brokercheck.finra.org](http://brokercheck.finra.org).

## **Conflicts of Interest with Independent Registered Investment Advisers**

In addition to or in lieu of their capacity as an IAR of NEXT, certain IARs have their own independent registered investment adviser firms (an "Independent RIA"). An IAR of an Independent RIA can have three different but concurrent roles:

- As a registered representative with NEXT who receives commissions for effecting securities transactions;
- As an IAR of NEXT who receives a fee for rendering advisory services on behalf of NEXT; and
- As an IAR of an Independent RIA who offers advisory services outside of NEXT.

You should be aware that the receipt of additional compensation while acting in concurrent roles creates a conflict of interest and can impair the objectivity of these IARs when making advisory recommendations.

If your IAR is associated with an Independent RIA, this will be disclosed on your IAR's Part 2B of Form ADV. Depending on the terms negotiated, your IAR can retain a higher percentage of the advisory fee for services provided through an Independent RIA than would be retained when services are provided through NEXT. You should ask your IAR if purchasing services through an Independent RIA would result in increased costs to you. You are not obligated to purchase recommended investment products from our IARs or their Independent RIAs.

## **Conflicts of Interest as an Insurance Agency and with Affiliated Insurance Agency**

NEXT is licensed as an insurance agency and is affiliated with NEXT Financial Insurance Services Company ("NFISCO"), a licensed insurance agency. NFISCO is a subsidiary of NEXT Financial Holdings, Inc., the parent company of NEXT. An IAR can offer insurance through NEXT, through NFISCO, or through an independent insurance agency. When acting in the capacity of an insurance agent, IARs can effect transactions in insurance products for clients and earn commissions for these activities.

The fees paid to NEXT for advisory services are separate and distinct from the insurance commissions earned by NEXT, NFISCO and/or its insurance agents. You are under no obligation to use NEXT, NFISCO and/or its insurance agents for insurance services and can use the insurance firm and agent of your choosing.

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

NEXT has adopted a Code of Ethics ("Code") which sets forth standards of business conduct, which all associated persons of NEXT are required to follow. The Code also describes certain reporting requirements with which covered persons must comply. The Code includes provisions relating to the confidentiality of client information, insider trading, gifts and entertainment, and personal securities trading, among other things.

NEXT's clients or prospective clients may request a copy of NEXT's Code by contacting us using the contact information on the cover page of this Brochure.

IARs will often invest in the same securities recommended to clients. Generally, these securities are shares of open-end mutual funds or stocks and bonds actively traded on a national securities exchange or market where the time and size of the transactions will not affect purchases or sales for clients. They can also make purchases for their own accounts at or about the same time as the purchases/sales are made in client accounts. Orders for clients and orders for IARs' own accounts are sometimes aggregated in "block trades" as more fully described in the Brokerage Practices section below. Aggregated orders can achieve better execution for participating accounts and those advantages will be fairly allocated among all participating accounts.

IARs can hold positions in securities held or recommended to clients but are not allowed to front-run or otherwise benefit from these positions. Internal procedures have been instituted to ensure that clients are treated fairly in execution of all trades.

To avoid conflicts of interest, NEXT IARs are prohibited from buying or selling securities for their personal accounts where their decision is substantially derived, in whole or in part, by reason of their employment unless the information is also available to the investing public on reasonable inquiry. No IAR may place his/her own interests

over those of a client. Further, all IARs must comply with all applicable federal and state regulations governing registered investment advisers.

## **Item 12 – Brokerage Practices**

When you select a NEXT advisory program, the broker-dealer responsible for execution of trades varies. There are three possible scenarios: (1) NEXT requires the use of specific broker-dealers, as is the case in Contour, NEXT Select, and the Visionary Program (2) TPIAs may select the broker-dealer in a TPIA program; or (3) a client may have the option to select a broker-dealer.

NEXT is registered as a broker-dealer with the SEC and provides various services as an introducing broker-dealer for which it is compensated by a commission or ticket charge. NEXT has no brokerage soft dollar arrangements and receives no benefits or research in exchange for executions.

NEXT's IARs can recommend to their advisory clients that they use NEXT broker-dealer services, in which case services are offered at the same cost as to brokerage clients. However, if an Advisory Services client maintains a brokerage account with NEXT, in its capacity as a broker-dealer, they can incur higher transaction costs in the form of commissions or ticket charges than if their accounts were held elsewhere.

Except as disclosed in any wrap fee program, the brokerage commissions and/or transaction fees charged by NEXT, Pershing, and Schwab, or any other designated broker-dealer are exclusive of (and in addition to) NEXT's advisory fee.

NEXT acts as an introducing broker utilizing Pershing to execute transactions in NEXT Select and Contour accounts and to custody account assets in connection with the program. Contour accounts can also be custodied with an unaffiliated custodian designated by a client. Custodial options in Contour include, but are not limited to, Pershing and Schwab. Our clearing relationship with Pershing provides us with certain economic benefits and compensation by using ourselves as the broker-dealer for our advisory programs that would not be received if we used an unaffiliated, third-party broker-dealer for our advisory programs. See "Pershing Clearing Relationship" below for additional information.

### **NEXT Select and Contour**

In the NEXT Select and Contour Programs, you authorize us to direct all transactions through a designated broker-dealer. You cannot request that your orders be executed through another broker-dealer. When directing execution of all transactions through a particular broker-dealer, there is no assurance that most favorable execution will be obtained, which could cost you more money. Not all advisers require clients to direct transaction executions to specified broker-dealers, as we do. This creates a conflict of interest for accounts custodied at Pershing because of the economic benefits NEXT receives. We periodically review the execution quality of available broker-dealers to confirm that the quality we receive is comparable to what could be obtained through other qualified broker-dealers.

For accounts custodied at Pershing, NEXT relies in part on Pershing's review of execution quality, the details of which are made available to us for our review. In addition, to assist in evaluating the quality of Pershing's equity executions, we engage the services of a third-party consultant who monitors Pershing's equity executions for quality and helps us identify transactions that are eligible for price improvement.

On the NEXT Select Platform, SMA Managers or BNYM Advisors can elect to execute trades at broker-dealers

other than Pershing for some or all of their transactions or investment strategies. In Contour, SMA Managers, Sub-Managers, or Envestnet, as Overlay Manager, can elect to execute trades at broker-dealers other than Custodian for some or all of their transactions or investment styles. This is frequently referred to as “trading away” or “step out trades”. Clients who select such managers will be subject to any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that are imposed by the executing broker-dealer in addition to the total fee and the other fees described in the applicable wrap fee brochure. The Form ADV Part 2A for the applicable manager should be consulted for additional information.

Certain NEXT Select and Contour accounts are managed based on model portfolio strategies. One or more clients can have the same model portfolio, based on their investment objective and risk profile. We typically aggregate orders into block trades when models are rebalanced or if one or more securities are added or removed from a model. Transactions can, however, be executed independent of transactions for other clients. An IAR must reasonably believe that a block order is consistent with NEXT’s duty to seek best execution and will benefit each client participating in the aggregated order.

When we aggregate orders, we do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than another. Transactions are typically aggregated pro rata to the participating client accounts in proportion to the size of the order placed for each account. If we are unable to fully execute an aggregated order and we determine that it would be impractical to allocate a smaller number of securities among the participating accounts on a pro rata basis, we will seek to allocate the securities in a manner that does not disadvantage particular client accounts.

NEXT is not affiliated with Pershing or Schwab. The commissions and/or transaction fees charged by NEXT, Pershing and Schwab can be higher or lower than those charged by other broker-dealers. However, a client can 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 is reasonable in relation to the value of the brokerage and services received. 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 broker’s expertise, the price at which the trade executed relative to other trades in the security, the value of research provided, execution capability, commission rates, and the broker’s integrity and responsiveness. Consistent with the foregoing, while NEXT and/or our IARs seek competitive rates, you should not expect that we will necessarily obtain the lowest possible commission rates for client transactions. Also, and as noted above, we periodically review the execution quality of available broker-dealers to confirm that the quality we receive is comparable to what could be obtained through other qualified broker-dealers.

Schwab and Pershing provide NEXT and our IARs with access to institutional trading, portfolio management, brokerage and custodial services, research, and access to mutual funds and other investments that are otherwise generally available only for institutional investors or would require a higher minimum initial investment.

Schwab and Pershing do not charge a separate fee for custody of NEXT’s client accounts that they maintain but are compensated by the account holders through commissions or other transaction-related fees for security trades that are executed through them or settle into their accounts and for various account fees.

NEXT receives other products and services from Schwab and Pershing that benefits NEXT, but not client accounts. Some of these other products and services assist NEXT in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitate payment of NEXT’s fees from client’s accounts, and assist with back-office functions, record keeping and client reporting. These services can be used to service all or a substantial number

of client accounts, including accounts not maintained at Pershing or Schwab.

NEXT also receives services from Schwab and Pershing that are intended to help NEXT manage and further develop its business. These services include information technology, regulatory compliance, and marketing. In addition, Schwab and Pershing make available, arrange and/or pay for these types of services furnished to NEXT by independent third parties. Schwab and Pershing can discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of the third party providing the services to NEXT.

NEXT's or our IARs can make recommendations that clients maintain their assets in accounts at Schwab, Pershing, or another qualified custodian. These recommendations can be based in part on the benefits to a client, such as the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by the custodian, which creates a conflict of interest.

Clients of NEXT should be aware that if they direct NEXT or our IARs to use a particular broker, it can limit NEXT's or our IARs' ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading.

In connection with the provision of TPIA programs, your choice of custodian will be limited to those choices offered by the TPIA program sponsor.

## **Visionary Program**

The Visionary Program is operated as a directed brokerage subject to most favorable execution of client transactions. Envestnet does not require a client to utilize any particular broker-custodian. After consultation with the IAR, clients designate Schwab as the broker-custodian of program accounts. Clients pay an asset-based fee for the brokerage/custody/clearing services provided by Schwab (as opposed to transaction-based charges). The fees are detailed in a separate custodial agreement entered into between the client and Schwab. The maximum asset-based fee charged by Schwab for its services is 10 basis points.

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, Envestnet's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, Envestnet considers a number of factors, including, without limitation, the overall direct net economic result to the client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other factors involved in the receipt of brokerage services. Envestnet utilizes a global third-party service provider to assist in the review of trades for best execution purposes, and Envestnet's Best Execution Committee will periodically review the execution quality obtained on behalf of clients.

In general, Envestnet routes trades directly to the custodian of record. Occasionally, to obtain best execution and minimize market impact, certain thinly traded securities, illiquid or ETF trades, for example, can be 'stepped-out' in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be embedded in the price of the security, a client will incur trading costs in addition to the Program Fee.

Certain Sub-Managers do not utilize Envestnet to facilitate their trading in the securities within their strategies and consequently the use of these strategies may result in additional trade-away fees that are not included in the Program

Fee, or that may be in addition to the Program Fee. Clients should consult with their IAR and review the Sub-Manager's Form ADV Part 2A for information related to any additional fees. Further, Sub-Managers may execute transactions through brokers, dealers and banks that have certain arrangements with Sub-Managers pursuant to which Sub-Managers receive credit toward acquisition of research products and services for brokerage placed with such firms by Sub-Managers. Clients should carefully consider any additional trading costs the client may incur before selecting a Sub-Manager.

When Envestnet or a Sub-Manager deems a transaction to be in the best interests of a client as well as other clients of Envestnet or Sub-Manager, to the extent permitted by applicable law and regulation, Envestnet or Sub-Manager is permitted to aggregate multiple client orders to obtain what Envestnet or Sub-Manager believes will be the most favorable price and/or lower execution costs at the time of execution.

## **Pershing Clearing Relationship**

Pershing is the clearing firm for NEXT's brokerage business, is the custodian for NEXT Select, and is a custodial option for Contour accounts. Pershing offers their broker-dealer clients substantial financial strength and stability, economies of scale, and reliable, state-of-the-art technology. As part of this business relationship, NEXT pays Pershing various execution and clearing charges and fees in connection with Pershing maintaining custody and effecting the purchase and sale of securities for NEXT's clients. Pershing's execution and clearing charges are included in the commissions and transaction charges or fees that NEXT charges its clients. Pershing pays NEXT the portion of commissions and transactions fees that exceed its execution and clearing charges. NEXT does not share any of this revenue received from Pershing for investment advisory accounts with our IARs.

Pershing charges NEXT for certain account services for accounts custodied with Pershing (including advisory accounts), including clearing and executing transactions, outgoing transfers, wired funds, direct registration of securities, paper statements and confirms, margin extensions, ticket charges, and IRA custodial maintenance and termination. NEXT sets its own price for certain services, which are designed to cover its costs of doing business (including overhead and other costs) as well as provide for a profit to NEXT. NEXT charges clients more for certain services than it pays Pershing, which is sometimes called a "markup," and the markups vary by product and the type of service and can be substantial. NEXT keeps the difference between the fees and charges our clients pay and the amount paid to Pershing to cover the costs associated with processing transactions and providing other services.

The economic arrangements between NEXT and Pershing (including the fees charged by Pershing) can be renegotiated and change from time to time, including in circumstances where NEXT realizes net savings or increased profits from the changed arrangements and NEXT does pass on any net savings or increased profits in the form of reduced fees and charges to clients. This practice creates a conflict of interest for us since we have a financial incentive to recommend Pershing since we receive substantial compensation for the services we provide. IARs do not receive a portion of these fees.

Our clearing relationship with Pershing provides us with certain economic benefits and compensation by using ourselves as the broker-dealer for our advisory programs that would not be received if we used an unaffiliated, third-party broker-dealer for our advisory programs. For example, we add a markup to the transaction costs in the Non-Wrap Fee Contour APM program and certain other brokerage-related account charges and fees that are assessed to all client accounts at Pershing. The charges and fees that are marked up are set forth in our Account Fee Schedule on our website under Disclosures ([nextfinancial.com/customers/disclosures/](http://nextfinancial.com/customers/disclosures/)). The additional compensation we receive creates a significant conflict of interest with our clients because we have a substantial economic incentive to use Pershing as the clearing firm for trade execution and custody over other firms that do not share compensation with us. The revenue and compensation we receive from Pershing is related to both

advisory and brokerage accounts custodied on the Pershing platform. Our IARs do not receive any portion of this compensation.

For assets in the Contour program, NEXT pays a recurring fee to Pershing based on a percentage of the aggregate assets invested by advisory clients, excluding certain investments, such as alternative investments. When the assets in the Contour program custodied at Pershing increase, the fee we pay decreases. This creates a conflict of interest for NEXT as we have an incentive to recommend advisory clients use Pershing as a custodian over other custodians and to recommend that you increase the amount you have invested in your Contour account.

Pershing pays or shares with NEXT the following items:

- For accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) program, a portion of the fees paid by each participating bank receiving swept funds (each a “Program Bank”) equal to a percentage of the average daily deposits at the Program Banks. The combined fee paid to NEXT, Pershing, and a third-party administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. NEXT sets the amount of the fee it charges and retains, which may exceed the amount of interest paid to clients;
- For IRA accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits LF – Level Fee Product (DILF), a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System as detailed in the DILF Disclosure Statement and Terms and Conditions for the Level Fee Product located at [nextfinancial.com/customers/disclosures/](http://nextfinancial.com/customers/disclosures/). The per account monthly fee will be no less than \$0.58 and no more than \$20.59. It is generally anticipated that the fee NEXT charges will be offset by the total amounts paid to NEXT by Program Banks. If NEXT does not receive sufficient payments each month from Program Banks, NEXT reserves the right to debit each IRA account for the amount of any shortfall;
- For brokerage accounts in custody with Pershing that have not been converted to either the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) or Dreyfus Insured Deposits LF – Level Fee Product (DILF) programs, a portion of the revenue Pershing receives from uninvested client cash balances in such accounts automatically swept into money market funds and FDIC insured bank deposit products of up to 0.60% of the value of cash balances. These payments vary based on the bank deposit account or money market fund a client has selected;
- Transition assistance in the form of (a) reimbursement of IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing, or (b) a payment based on the value of assets transitioned, or (c) some combination of fee reimbursements and a payment based on the value of assets transitioned;
- A growth assistance credit to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to client accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest and/or fees;
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest Focus® no transaction fee mutual fund program (FundVest) as described below; and
- A rebate of a portion of clearing charges paid for equity and ETF transactions if the volume of transactions exceeds a certain number each month.

If NEXT or Pershing terminate their clearing agreement, NEXT is subject to a termination fee of \$666,000 until September 20, 2026. In addition, if the clearing agreement terminates or more than 30% of NEXT’s client



assets move to a custodial platform outside of Pershing prior to September 20, 2026, NEXT must repay the transition assistance and growth assistance payments received in the year the agreement terminates. This arrangement creates an incentive for NEXT to require you to use Pershing for brokerage services, over another third-party broker. Pershing can request a review and renegotiation of its charges if the revenue that Pershing receives from NEXT declines by ten percent or more in any six-month period.

### **FundVest Focus® No Transaction Fee (NTF) Mutual Fund Program**

In the FundVest program, NEXT is eligible to receive through a contractual agreement with Pershing, 100% of 12b-1 fees paid by participating mutual funds, and for participating mutual funds that do not pay 12b-1 fees, up to 40% of FundVest service fees paid by participating mutual funds to Pershing for FundVest assets over a threshold amount that are held in the aggregate in clients' brokerage and advisory accounts. Our receipt of a portion of the FundVest service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to Pershing that is shared with NEXT over other mutual funds that do not pay these fees. To mitigate this conflict, we do not share these fees with our IARs and we do not require or incentivize our IARs to recommend FundVest mutual funds. We credit all 12b-1 fees we receive to clients' advisory accounts.

Most FundVest mutual funds have higher internal expenses than mutual funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. Clients should ask whether lower-cost share classes are available and/or appropriate for their account considering their expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of \$51.50 which will be charged to your account. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us using the contact information provided on the cover page of this Brochure. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

### **Margin Accounts**

Pershing offers margin accounts for our clients where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account, or withdraw funds; and (ii) you are using the investments that you own in the account as collateral. Please carefully review the margin disclosure document for additional risks involved in opening a margin account.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest payment is in addition to other fees associated with your account.

Pershing and NEXT charge interest on margin loans to clients. Under its agreement with Pershing, NEXT sets the interest rate for margin loans in a range from 0.25% to 2.75% above the Pershing base lending rate depending on the amount of the margin advance. NEXT receives compensation in an amount by which the interest rate exceeds the Pershing base lending rate less 1%. NEXT has a conflict of interest in recommending to you a margin loan because NEXT (in its capacity as a broker-dealer) receives a markup on the interest charged on the loan. Your IAR is not compensated on margin loan balances and therefore does not have a conflict of interest in recommending the use of margin. Consequently, NEXT maintains policies and procedures to ensure recommendations made to you are in your best interest and in conjunction with the lack of compensation to your

IAR, believe this mitigates the conflict of interest that NEXT has in recommending margin loans.

### **LoanAdvance Program**

You can also participate in Pershing's LoanAdvance™ program which enables clients to collateralize certain investment accounts to obtain secured loans. In LoanAdvance, you are charged a rate of interest that is a floating rate not more than 3 percentage points above the Fed Funds Target Rate as published in The Wall Street Journal, plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over this rate and share it with your IAR. NEXT and our IARs have an incentive to recommend that clients borrow money rather than liquidating some of their account assets so that we and our IAR can continue to receive advisory fees on those assets. This results in additional compensation in connection with your advisory account. Trading is permissible in the advisory account that is pledged for the loan; however, the collateral must meet Pershing's LoanAdvance maintenance requirement to support the loan.

### **Securities Lending**

You are able to enroll in Pershing's Fully Paid Securities Lending program, which enables qualified clients to lend fully paid-for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with you, NEXT and your IAR. NEXT and your IAR share in 5% of the revenue received. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation would cause your IAR to hold a security in your account that would have otherwise been liquidated but not for receipt of additional compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR must be in your best interest, as well as the fact that if an account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or clients qualify for this program.

### **Cash Sweep Options**

NEXT, through our clearing firm, Pershing, offers a cash sweep program to automatically move (sweep) uninvested cash balances held in brokerage accounts into either an interest-bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit account through a Dreyfus Insured Deposits Program or a money market mutual fund, depending on the account type. Generally, each account is eligible for a single sweep product chosen specifically for that account type. Retail individual brokerage accounts (including investment advisory accounts), and business advisory or brokerage accounts are swept to the Dreyfus Insured Deposits P – Tiered Rate Product ("DIDP"), individual retirement accounts (IRAs) other than SIMPLE IRAs (SEPs) are swept to the Dreyfus Insured Deposits LF – Level Fee Product ("DILF"), and all ERISA Title I accounts are swept to the Dreyfus Government Cash Management – Investor Shares ("DGVXX") money market mutual fund.

For deposit accounts in the DIDP program, Pershing receives a fee from each participating bank receiving swept funds (each a "Program Bank") equal to a percentage of the average daily deposits at the Program Banks. Pershing shares the fee with NEXT and a third-party administrator. The combined fee paid to NEXT, Pershing, and the administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. NEXT receives a substantial portion of this fee but not more than 3.30% per year.

For IRAs, NEXT receives a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System. The per account monthly fee will be no less than \$0.58 and no more than

\$20.59. It is generally anticipated that the fee NEXT charges will be offset by the total amounts paid to us by the Program Banks. If NEXT does not receive sufficient payments each month from the Program Banks, NEXT reserves the right to debit your IRA account for the amount of any shortfall.

Your deposits at each Program Bank are limited to \$246,500, or \$493,000 for a joint account (98.5% of the deposit insurance limit). Once this amount is reached at a Program Bank, additional amounts are deposited in subsequent Program Banks in amounts not to exceed \$246,500 at each Program Bank. Any amounts deposited above the \$2.490 million program maximum (\$4.980 million for joint accounts) will be placed in shares of the DGVXX money market mutual fund and will not be covered by FDIC insurance.

For additional information on the DIDP and DILF program, please see the disclosure statement and terms and conditions booklets available on [nextfinancial.com/disclosures](http://nextfinancial.com/disclosures).

The DGVXX money market mutual fund is eligible for protection by the Securities Investor Protection Corporation ("SIPC"). SIPC does not protect against the rise and fall in the value of investments.

You may elect to turn off (i.e., opt out of) the automatic sweep feature by contacting your IAR. If you opt out, any cash balances in your account will remain as free credit balances and will not earn interest or be eligible for FDIC insurance but will remain eligible for SIPC coverage if maintained for the purpose of purchasing securities.

Depending on interest rates and other market factors, the yields on the DIDP and DILF will be higher or lower than the aggregate fees received by NEXT for your participation in the sweep programs. When yields are lower, this results in a negative overall return with respect to cash balances in a sweep program. Interest rates applicable to DIDP or DILF are often lower than the interest rates available if you make deposits directly with a bank or other depository institution outside of NEXT's brokerage platform or invest in a money market mutual fund or other cash equivalent.

NEXT receives more revenue when cash is swept into DIDP or DILF than if your cash was invested in other products, including money market mutual funds. Therefore, NEXT has an incentive to place and maintain your assets in the DIDP and DILF programs to earn more income, which creates a conflict of interest. A further conflict of interest arises as a result of the financial incentive for NEXT to recommend and offer the DIDP due to NEXT's control of certain functions. NEXT sets the interest rate tiers and the amount of the fee it receives for the DIDP, which generates additional compensation for NEXT. The compensation NEXT receives for DIDP and DILF is in addition to any remuneration NEXT and your IAR receive in connection with other transactions executed within your account for which advisory fees or other charges apply. We mitigate these types of conflicts by ensuring that your IAR does not receive any compensation from these sweep payments, and by maintaining policies and procedures to ensure that any recommendations made to you are in your best interest. You should compare the terms, interest rates, required minimum amounts, and other features of the sweep program with other types of accounts and investments for cash. The sweep products have limited purpose and are not meant as a long-term investment or a cash alternative.

The DIDP and DILF programs are available only to clients of broker-dealers such as NEXT that clear through Pershing. Pershing is a wholly owned indirect subsidiary of The Bank of New York Mellon Corporation and is affiliated with (a) The Bank of New York Mellon, a NY state-chartered bank, and BNY Mellon, National Association, a national banking association, both of which participate as Program Banks in DIDP and DILF, (b) Dreyfus Cash Solutions, a division of BNY Mellon Securities Corporation, which is a service provider for DIDP and DILF, and (c) Dreyfus, a division of BNY Mellon Investment Adviser, Inc. and the investment manager of

the Dreyfus money market mutual fund made available to accounts not eligible for DIDP or DILF.

### **Schwab Custodial Relationship**

NEXT may recommend that clients establish their advisory account with the Schwab Advisor Services division of Schwab, a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. The decision to custody assets with Schwab is at the discretion of our clients, including those accounts under ERISA or IRS rules and regulations, in which case a client is acting as either the plan sponsor or IRA accountholder.

Schwab provides NEXT with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody services for NEXT client accounts maintained at Schwab but is compensated by account holders through commissions or other transactions-related or asset-based fees for securities trades that are executed through Schwab or that settle in Schwab accounts.

Schwab also makes available to NEXT other products and services that benefit NEXT but do not benefit our clients' accounts. These benefits include national, regional, or NEXT specific educational events organized or sponsored by Schwab Advisor Services. Other benefits include occasional business entertainment of personnel of NEXT by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist NEXT in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of NEXT's fees from its clients' accounts; and assist with back-office training and support functions, recordkeeping, and client reporting. Many of these services may be used to service all or some substantial number of NEXT's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to NEXT other services intended to help NEXT manage and further develop its business enterprise. These services include professional compliance, legal, and business consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab makes available, arranges, and/or pays vendors for these types of services rendered to NEXT by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to NEXT.

Schwab also reimburses certain NEXT clients who open an account with Schwab for fees that they incur to close their accounts with another custodian and open an account and transition their assets to Schwab. There is a cap on the total fees that Schwab will reimburse each year and NEXT must transition a minimum number of new accounts and assets to Schwab to be eligible for the benefit.

While, as a fiduciary, NEXT endeavors to act in its clients' best interests, you should expect that NEXT's recommendation that clients maintain their assets in accounts at Schwab is based in part on the benefit to NEXT

of the availability of some of the foregoing products and service and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which creates a conflict of interest.

## **Item 13 – Review of Accounts**

Each IAR monitors his or her client accounts and conducts a review of accounts periodically. Factors that will result in additional reviews include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, or a change in a client's investment objectives or life circumstances.

In addition to the account reviews conducted by IARs, IAR-managed advisory accounts are subject to review by a designated supervisor. NEXT utilizes the following systems and procedures to supervise client accounts:

- NEXT Select Representative Managed Program and Contour APM accounts in custody with Pershing are supervised through an alert-based electronic transactional review system;
- Other investment advisory services programs are reviewed through a number of internal reports run by NEXT; and
- IARs are subject to NEXT's branch office examination program where a sampling of accounts and/or transactions are reviewed by the examiner.

On a periodic basis, clients participating in NEXT's wrap fee programs are sent a performance report. The account custodian also sends account statements on a monthly or quarterly basis. An IAR can also provide you with reports created using Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a third-party vendor that we engage to enable IARs to prepare reports for client accounts. These reports include different information than the performance reports we provide, including information about brokerage accounts, variable annuities and alternative investments and other assets not managed under an investment advisory agreement. There can be discrepancies in the pricing of securities between Albridge reports, the performance reports we provide, and the statements you receive from the account custodian. These discrepancies can result from different calculation and reporting methods between Albridge and the custodian. When there is a discrepancy, the custodial account statement will prevail. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact NEXT at the phone number on the cover page of this Brochure.

In connection with Investment Fiduciary and Retirement Plan Services, an IAR will contact each client at least once a year to review the client's retirement plan services. It is important that the plan sponsor discuss any changes in the plan's demographic information, investment goals, and objectives with the IAR. A Plan can receive written reports directly from their IAR based upon the services being provided, including any reports evaluating the performance of plan investment manager(s) or investments.

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

As discussed below and elsewhere in this Brochure, NEXT receives compensation, which can be substantial, from various parties in connection with providing services to clients. In many cases, this compensation is in addition to any advisory fees clients pay, and is not passed on or credited to clients unless otherwise noted. When evaluating the reasonability of NEXT's fees, a client should not consider just the advisory fees NEXT charges, but also the other compensation NEXT receives.

As further described in Item 12 - Brokerage Practices, NEXT receives compensation from Pershing in various forms, including: transition assistance, growth assistance credits, markups to transaction and account activity fees,

margin interest, revenue from cash sweep programs, credit interest, and volume discounts on trading costs based on the number of trades processed on the Pershing platform.

## **IAR Compensation**

NEXT pays your IAR compensation of various types. We compensate our IARs pursuant to independent contractor agreements. IAR compensation includes a portion of the advisory fee you pay us, which may be more or less than what your IAR would receive at another advisory firm. An IAR who earns over an annual threshold amount is eligible for a percentage payout increase on future compensation. In addition, we offer financial incentives, in the form of cash bonuses and forgivable (“compensatory”) loans, to reward IARs for increasing their assets serviced or annual revenue. Certain IARs are employed by another financial services company or individual providing financial services from which these IARs receive a salary or bonus for their services in addition to their NEXT compensation. Whenever compensation is based on assets serviced or annual revenue, an IAR has a conflict of interest and financial incentive to meet those revenue or asset levels in order to receive increased compensation, including by encouraging you to increase the amount of assets in your account.

In some cases, we pay a portion of a IAR’s compensation to an IAR’s designated supervisor(s). This creates a conflict of interest because the compensation affects the designated supervisor’s ability to provide objective supervision of the IAR. NEXT and our designated supervisors have an obligation to supervise IARs and may decide to terminate an IAR’s association with NEXT based on performance, a disciplinary event, or other factors. The amount of assets serviced or revenue generated by an IAR creates a conflict of interest when considering whether to terminate an IAR.

## **Other Benefits**

IARs who meet internal criteria (which includes, but is not limited to, revenue generated from sales of products and services) are eligible to receive certain benefits pursuant to special incentive programs. These benefits include eligibility for practice management support and enhanced service support levels that confer a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation. These benefits also include free or reduced cost marketing materials, reimbursement or credits of fees that IARs pay to NEXT for items such as administrative services or technology, and payments that can be in the form of repayable or compensatory loans (e.g., for retention purposes or to assist an IAR grow his or her advisory practice).

The availability of these benefits presents a conflict of interest because an IAR has an incentive to recommend to clients our investment products and services and to remain with NEXT to receive these benefits.

## **Recruitment Compensation and Operational Assistance**

NEXT provides recruitment compensation and other financial incentives to IARs transitioning from other financial services firms to NEXT. This transition assistance includes payments that are intended to assist an IAR with costs associated with the transition; however, we do not verify that any payments made are actually used by an IAR for transition costs. Transition assistance payments can be used for a variety of purposes such as providing working capital to assist in funding the IAR’s business, offsetting account transfer fees payable to the custodian as a result of the clients transitioning to NEXT’s platforms, technology set-up fees, marketing, mailing and stationery costs, registration and licensing fees, moving and office space expenses, staffing support, and termination fees associated with moving accounts.

These payments can be in the form of repayable and/or compensatory loans and are subject to favorable interest rate terms, as compared to other lenders. In the case of compensatory loans, the loans are forgiven if an IAR continues his or her association with NEXT for a certain period of time or if the IAR meets other conditions, which can include a requirement to maintain a certain level of assets or generate a certain amount of revenue for NEXT. An IAR's receipt of a loan from NEXT presents a conflict of interest in that the IAR has a financial incentive to maintain a relationship with NEXT and recommend NEXT to clients.

The amount of recruitment compensation provided by NEXT is often substantial in relation to the overall revenue earned or compensation received by an IAR at his or her prior firm. Such recruitment compensation is typically based on a percentage of an IAR's business established at their prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to NEXT. Recruitment compensation provided to IARs does not directly benefit clients. You should consider the recruitment compensation your IAR receives in evaluating the reasonableness of the compensation arrangement between you, your IAR, and NEXT.

### **Growth Incentives**

NEXT provides financial incentives to reward IARs for increasing their assets serviced or annual revenue by specific amounts in the form of cash bonuses and compensatory loans.

### **Conflicts of Interest**

A conflict of interest is created when NEXT provides financial incentives to IARs for moving assets to NEXT or increasing their assets serviced or annual revenue at NEXT. The conflict of interest is due to the IAR having a financial incentive to maintain his or her relationship with NEXT, transition assets to NEXT, and recommend investment products or services that generate more revenue as compared to other investments in order to receive a benefit or payment.

We attempt to mitigate these conflicts by reviewing our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs and are in a client's best interest. However, you should be aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with NEXT and your IAR. Further information about NEXT and your IAR's source of compensation and conflicts of interest is described in our Brokerage Services Disclosure Summary on our website under Disclosures ([www.nextfinancial.com/customers/disclosures](http://www.nextfinancial.com/customers/disclosures)).

### **Continuing Compensation**

NEXT makes available a program to provide continuing compensation to an IAR's estate/heirs upon the IAR's death or retirement ("inactive IAR"). Continuing compensation includes recurring advisory fees and brokerage commissions received by NEXT attributable to accounts established by the inactive IAR during his or her association with the firm. To ensure continuity, an IAR names a qualified successor IAR to provide ongoing services to his or her clients. The successor IAR shares an agreed percentage of the ongoing compensation with the inactive IAR's estate/heirs for up to five years. Program eligibility is based on minimum tenure and other qualification standards established by NEXT.

## Indirect Compensation and Revenue Sharing

NEXT receives compensation and/or fees (also referred to as revenue sharing or marketing support) from certain mutual fund sponsors (including money market funds), insurance (fixed and variable product) issuers, UIT, ETF, alternative investment, and structured product sponsors, and unaffiliated investment advisers that sponsor, manage, and/or promote the sale of certain products that are available to our clients. Product sponsors and third-party money managers (“Partners”) pay this compensation to NEXT in what we call our Partners Program.

Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. These payments can be substantial and, as such, create a conflict of interest for NEXT because the payments constitute additional revenue to NEXT and can influence the selection of investments and services NEXT and/or our IARs offer or recommend to clients. NEXT seeks to mitigate this conflict of interest by not sharing revenue sharing payments with our IARs. An IAR’s compensation is the same regardless of whether a sale involves a Partner’s product or service. In some cases, Partners pay additional marketing payments to NEXT to cover fees to attend conferences or reimburse expenses for workshops or seminars. The payments made under the Partners Program are based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. When Partners pay a flat fee (or marketing allowance) it is negotiated annually. This payment assists with costs related to education, training, conference attendance, reimbursement for workshops or seminars and marketing materials for our IARs. We do not share any marketing allowance with our IARs.

The benefits Partners receive include our IAR contact lists, business metrics, preferred placement on our website, participation in product training initiatives and marketing and sales campaigns, and the ability to participate in our conferences.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our conferences and events. The conferences and events provide a venue to communicate new products and services to our registered representatives and IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. The revenue is also used to pay for annual awards for our registered representatives and IARs who generate the most revenue overall and to pay for our general marketing expenses. A NEXT registered representative or IAR who earns total compensation over a threshold amount receives an award, in the form of a trophy, medal, or plaque, and is invited to attend NEXT’s top producer conference. Revenue from Partners helps to pay for top producer conference costs. Top producing NEXT registered representatives and IARs receive an award based on total revenues, including but not limited to sales of Partners’ mutual funds, annuities, structured products, and ETFs.

We prepare and make available to our IARs a quarterly list of Partners’ mutual funds and ETFs that have been screened for investment performance against other Partners’ funds with similar objectives and asset classes (the “Select Fund List” or “List”). NEXT and our IARs have a conflict of interest when an IAR chooses or recommends an investment from the Select Fund List for your portfolio because NEXT receives payments from the mutual fund or ETF sponsor. Our receipt of such payments influences our selection of mutual funds and ETFs, as our IARs are likely to recommend a fund or ETF whose sponsor pays us revenue sharing fees over a fund or ETF whose sponsor does not pay us.

You do not pay more to purchase funds from the List through NEXT than you would pay to purchase these funds through another broker-dealer, and your IAR does not receive additional compensation for selecting a fund from the List. IARs are not required to choose or recommend investments from the Select Fund List.

NEXT also receives compensation from certain TPIAs to assist in paying for ongoing marketing and sales support activities including training, educational meetings, due diligence reviews, and day-to-day marketing and/or



promotional activities. Not all TPIAs pay such compensation and participating TPIAs change over time.

The compensation arrangements vary and are generally structured as a fixed dollar amount or as a percentage of sales or assets under management with the adviser.

A conflict of interest exists where NEXT receives such compensation because there is an incentive to recommend these TPIAs over other investment advisers to generate additional revenue for the firm. However, our IARs are not required to recommend any TPIA providing additional compensation, nor do they directly share in any of this compensation.

Our IARs receive additional compensation from product sponsors. However, such compensation is not tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospects. Product sponsors sometimes also pay for or reimburse us for the costs associated with education or training events that are attended by our IARs and for NEXT-sponsored conferences and events. We also receive reimbursement from product sponsors for technology-related costs associated with investment proposal tools they make available to our IARs for use with clients.

To see NEXT's Third-Party Fee Disclosure, which identifies current participants in the Partners Program along with revenue sharing arrangements by product type, please visit the Disclosures section of our website at [www.nextfinancial.com/customers/disclosures](http://www.nextfinancial.com/customers/disclosures).

## **Solicitation Activities**

From time to time, NEXT enters into solicitation agreements with individuals or entities whereby investment advisory accounts are solicited by NEXT and referred to another state-registered or SEC-registered investment adviser. In these situations, NEXT is compensated for the referral activity.

NEXT also has solicitation arrangements with persons or entities who are not our IARs. If a solicitor will receive any portion of the advisory fee paid by a client, the client will receive a written disclosure statement describing the solicitation arrangement between NEXT and the solicitor, including the compensation to be received by the solicitor from NEXT.

NEXT and its IARs can offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. In such a case, NEXT will enter into networking agreement with a financial institution pursuant to which we share compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

## **Professional Edge Program**

The Professional Edge Program offers certain NEXT IARs, who are participants in the program, but who do not provide investment advisory services to clients themselves, the capability to refer their clients to other NEXT IARs. Professional Edge Program participants receive a portion of the advisory fee charged by the IAR managing a client's account. The fees assessed to a client who has been referred to another IAR as a result of their participation in the Professional Edge Program are no more or less than fees charged by IARs who do not use the program.

## Item 15 – Custody

NEXT has limited custody of clients' funds and/or securities when clients authorize us to deduct our management fees directly from the client's account. NEXT is also deemed to have custody of a client's funds and/or securities when a client has on file a standing letter of authorization ("SLOA") with the account custodian to move money from the client's account to a third party and under the SLOA authorizes us to designate, based on your standing instructions (which you may change or terminate), the amount or timing of the transfers. NEXT complies with the SEC's Custody Rule including engaging an independent public accountant to verify funds and securities of which it is deemed to have custody at least once a year.

NEXT has an arrangement with Custodians to provide clearance and custody of accounts. The Custodian: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage accounts, including but not limited to the crediting of interest and dividends on account assets. The Custodian delivers client account statements as well as confirmation of each purchase and sale to you. In NEXT Select and Contour, you can agree in writing to receive transaction information at least quarterly via a quarterly confirmation report in lieu of a trade-by-trade confirmation, where there is an allowable option. Non-Wrap Fee Contour APM accounts are not eligible to receive the quarterly confirmation report as this option is only available for wrap fee, discretionary accounts. The Custodian acts as the general administrator of each account, which includes collecting account fees on NEXT's behalf and processing, pursuant to NEXT's instructions, deposits to and withdrawals from the account. The Custodians do not assist clients in selecting NEXT or any investment objective or in determining suitability. You retain ownership of all cash, securities, and other instruments in the account.

In connection with Investment Fiduciary and Retirement Plan Services, NEXT does not serve as a custodian for plan assets. The plan sponsor is responsible for selecting the custodian. We may be listed as the contact for the plan account held at an investment sponsor or custodian. The plan sponsor will complete account paperwork with the outside custodian that provides the custodian's name and address. The custodian for plan assets is responsible for providing the plan with periodic confirmations and statements. The plan sponsor should review the statements and reports received directly from the custodian or investment sponsor.

You should receive at least quarterly statements from the qualified custodian that holds your advisory account assets. NEXT urges you to compare the holdings listed on the custodian's statement to those listed on reports NEXT or your IAR provides. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact NEXT at the phone number on the cover page of this Brochure.

In some instances, clients participate in programs that are not sponsored by NEXT. In those situations, clearance and custody of securities is determined by the program sponsor. You should refer to the sponsor's Form ADV Part 2A or other brochure for complete details regarding those programs.

## Item 16 – Investment Discretion

Your account is managed on a discretionary basis only with your written consent. Consent is granted and evidenced in the agreement signed when you become a client. We define discretion as: the ability to trade an account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. Neither NEXT nor an IAR has the authority to withdraw or transfer funds or securities from your account. Discretionary authorization remains in effect until your client services agreement is terminated.

All NEXT Select accounts are managed on a discretionary basis with discretion granted to: (a) the IAR in the Representative Managed Program; (b) the SMA Manager in the Separately Managed Program; (c) NEXT in the ETF Program; to (d) BNYM Advisors in the Multi-Manager Program with limited discretion to allocate platform assets across selected models and other assets; and (e) the IAR in the Multi-Manager Program for assets allocated to Other Investments and to select and allocate assets among the Model Providers according to your risk tolerance (as described in the NEXT Select Wrap Fee Brochure).

Contour accounts are managed on a limited discretionary basis to invest, reinvest, and otherwise deal with Platform Assets with discretion granted to: (a) the IAR in APM and the FSP Program; (b) each SMA Manager in the SMA Program; (c) each Sub-Manager for assets allocated to it, and (d) to IAR for assets allocated to Other Investments according to Client's Investment Profile and to select and allocate assets among Model Providers and Sub-Managers. Such discretionary authority allows the authorized party to make all investment decisions with respect to the Account and, when it deems appropriate and without prior consultation with Client, to buy, sell, exchange, convert, and otherwise trade Platform Assets. In addition, with respect to the UMA and FSP Programs, Client hereby grants (a) IAR limited discretionary authority that IAR may delegate to Envestnet in its capacity as overlay manager subject to the terms set forth above; and (b) the IAR limited discretionary authority to replace Model Providers and Sub-Managers (UMA Program only) in accordance with the Client's previously determined client profile and risk tolerance information.

Clients participating in the Visionary Program appoint each of Envestnet, NEXT, Sub-Manager, and IAR as investment manager and grants to Envestnet, NEXT, and IAR full discretionary authority to invest, reinvest and otherwise deal with the Visionary Program assets in their discretion, including without limitation the authority to select, allocate and reallocate the Visionary Program assets in the client's account to different Third Party Models and Sub-Managers and to delegate investment discretion to such Sub-Managers. Such discretionary authority allows Platform Manager, NEXT, Sub-Manager, and IAR to make all investment decisions with respect to the accounts and, when it deems appropriate and without prior consultation with the client, to buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, and other securities, including assets initially deposited into the accounts that do not meet the investment guidelines of the Program.

Your IAR has limited discretion to change your investment strategies, Model Providers and/or Sub-Managers within the same profile risk tolerance to a lower tolerance without your approval so long as there is no fee increase; however, to increase your risk tolerance or fees, your IAR will obtain your written consent.

## **Item 17 – Voting Client Securities**

Neither NEXT nor its IARs will take any action nor give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which your assets are invested.

For accounts in NEXT Select, you may authorize SMA Managers or BNYM Advisors in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in Separately Managed Program or Multi-Manager Program accounts. The default authorization for ERISA accounts (such as SIMPLE or SEP IRAs), is the SMA Manager or BNYM Advisors will receive all proxies and related material and will vote on your behalf. For assets held in Representative Managed Program or ETF Program accounts, neither NEXT nor the IAR will exercise such authority and you expressly retain the authority. You reserve the right to revoke proxy voting authority at any time.

In Contour, you authorize SMA Managers, Sub-Managers, or Envestnet, as applicable, in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar

action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in SMA or UMA accounts. You can revoke this authority by providing written instructions.

In the Visionary Program, Envestnet or Sub-Manager, as applicable, will exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Visionary Program assets, unless otherwise agreed with Client. Client reserves the right to revoke this authority at any time.

Unless you agree in writing to proxy delegation, all proxy materials will be sent directly to you. Any proxy materials inadvertently received by NEXT or our IARs will be forwarded to you for direct action and you retain the right to vote such proxies solicited for securities held in the investment advisory account.

You can obtain a copy of our proxy voting policies and procedures upon request, by contacting NEXT at the phone number on the front of this Brochure.

## **Item 18 – Financial Information**

NEXT is not required to include a balance sheet in this Brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

There is no financial condition that is reasonably likely to impair NEXT's ability to meet its contractual commitments to its clients. NEXT has never been the subject of a bankruptcy proceeding.