



**NEXT FINANCIAL** Member  
An Atria Company FINRA/SIPC

## **Wrap Fee Program Brochure**

**March 31, 2021**

### **Visionary Multi-Manager Program**

2500 Wilcrest Drive, Suite 620  
Houston, TX 77042  
877.876.6398  
[www.nextfinancial.com](http://www.nextfinancial.com)

This Wrap Fee Program 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 any level of skill or training.

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

## Item 2 – Material Changes

The following summarizes material changes to this Brochure since NEXT Financial Group, Inc.’s (“NEXT”) last annual updating amendment on March 12, 2020. For more details, please see the item in this Brochure referred to in the summary below.

On February 11, 2021, the following sections were amended:

Item 9 - Additional Information

- Conflicts of Interest as a Broker/Dealer and Insurance Agency concerning dual registration; and
- Client Referrals and Other Compensation, NEXT Compensation to IAR pertaining to recruitment compensation.

This March 31, 2021 amendment includes additional detail in connection with NEXT’s revenue sharing arrangements with certain product sponsors and third-party money managers located in Item 9 – Client Referrals and Other Compensation, Revenue Sharing.

## Item 3 – Table of Contents

<b>Item 1 – Cover Page .....</b>	<b>1</b>
<b>Item 2 – Material Changes.....</b>	<b>2</b>
<b>Item 4 – Services, Fees and Compensation .....</b>	<b>5</b>
Introductory Information .....	5
Services.....	5
Portfolio Overlay Services .....	6
Fees .....	7
Changes to Fees.....	9
Other Fees and Expenses .....	9
Additional Fees for Collective Investment Vehicles .....	9
Additional Fees for Trades Executed at Other Broker/Dealers .....	10
Fee Offset.....	10
Other Issues Relating to Fees .....	10
<b>Item 5 – Account Requirements and Types of Clients.....</b>	<b>10</b>
Account Requirements .....	10
Types of Clients.....	11
<b>Item 6 – Portfolio Manager Selection and Evaluation.....</b>	<b>11</b>
Sub-Managers and Model Providers .....	11
Performance Calculation.....	11
Performance-Based Fees and Side-by-Side Management.....	12
Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Methods of Analysis and Investment Strategies .....	12
Tax Implications.....	12
Risk of Loss.....	13
Voting Client Securities .....	14
<b>Item 7 – Client Information Provided to Portfolio Managers .....</b>	<b>14</b>
<b>Item 8 – Client Contact With Portfolio Managers .....</b>	<b>15</b>
<b>Item 9 – Additional Information.....</b>	<b>15</b>
Disciplinary Information.....	15
Other Financial Industry Activities and Affiliations.....	17
Conflicts of Interest as a Broker/Dealer and Insurance Agency .....	17
IRA Rollover Considerations .....	18

Conflicts of Interest with Associated Independent Registered Investment Advisers.....	18
Conflicts of Interest with Affiliated Insurance Agency.....	19
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	19
Brokerage Practices .....	19
Best Execution.....	20
Custody .....	21
Review of Accounts .....	21
Client Referrals and Other Compensation.....	22
NEXT Compensation to IAR .....	22
Continuing Compensation .....	23
Revenue Sharing.....	23
Ad Hoc Reporting .....	24
Solicitation Activities .....	24
Professional Edge Program.....	24
Financial Information .....	25

## Item 4 – Services, Fees and Compensation

### Introductory Information

NEXT Financial Group, Inc. (“NEXT,” “us” or “we”) 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 an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc., a Delaware corporation that is privately owned.

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

As of December 31, 2020, NEXT had regulatory assets under management of \$2,610,708,731, all of which is managed on a discretionary basis. NEXT’s Investment Adviser Representatives (“IARs”) also recommend the services of select third-party money managers.

NEXT offers clients a variety of advisory programs. This Wrap Fee Brochure describes the Visionary Multi-Manager Program (“Program”). NEXT is not a custodian of any accounts.

For additional information about NEXT, a copy of NEXT’s Form ADV is publicly available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request.

### Services

The Program is a unified managed account program of model portfolios, sponsored by NEXT. NEXT has entered into an Agreement with Envestnet Asset Management, Inc. (“Envestnet”), Platform Manager, to provide technological, administrative, and advisory services for the Program and Program accounts. Investment advisory services under the Program are provided by NEXT, Envestnet and IARs.

After consulting with the IAR, clients designate TD Ameritrade, Inc. (“TD Ameritrade”) as the custodian of Program accounts, to execute and clear transactions, custody assets and deliver statements and confirmations to you. Neither Envestnet, nor TD Ameritrade are affiliated with NEXT. Additionally, Envestnet provides an electronic performance reporting system which permits an IAR to create performance reports on demand in addition to preparing quarterly performance reports that will be provided to a client upon request.

Your IAR interviews you to determine your financial needs and to gather your customer profile and risk tolerance information to develop a program designed to meet your goals and objectives. Utilizing the Envestnet platform tools, IAR creates a proposal to allocate your assets among the different Program options and determine the suitability of the asset allocation and investment options, based on your needs and objectives, investment time horizon, risk tolerance and any other pertinent factors.

You should consider all of your assets, income, and investments when you decide whether to adopt, modify, or reject a proposed asset allocation. You may impose a ceiling on the percentage of assets you are willing to allocate to certain asset classes. However, if you impose such a restriction, you may receive an asset allocation

proposal that differs from the allocation your IAR would otherwise consider appropriate. Clients who do not impose any restrictions are likely to receive asset allocation proposals that are similar to proposals presented to other clients with similar investment profiles.

Your IAR provides to you an investment proposal that includes your responses to a Risk Return Worksheet and describes an overview of the proposed investment solution. You enter into an agreement with NEXT, your IAR and Envestnet by executing a Statement of Investment Selection (“SIS”) that reflects your investment objectives and goals. The SIS, in conjunction with the Visionary Multi-Manager Program Terms and Conditions, constitutes your Program participation agreement.

The 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 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 your 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 and IAR. Any Sub-Manager (if applicable) shall have full discretion regarding the purchase and sale of securities and the remaining cash allocation in order to facilitate flexibility in the management of Program assets.

In connection with Program assets, Envestnet is responsible for determining the target asset mix and providing overlay management. The IAR is responsible for selecting the specific, underlying Third Party Models and Other Investments to meet the client’s needs. In certain instances, the IAR may determine the target asset mix in addition to selecting Other Investments and utilize Envestnet solely for administrative and trading services.

Clients participating in the Program appoint each of Envestnet, NEXT, Sub-Manager (if applicable), IAR as investment manager and grants to Envestnet, NEXT, and IAR full discretionary authority to invest, reinvest and otherwise deal with the Program assets in their discretion, including without limitation the authority to select, allocate and reallocate the 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.

## **Portfolio Overlay Services**

A client may desire to place an overlay screen (“Overlay Screen”) on all or certain Program assets as denoted in the SIS, whereby the client will customize an investment strategy. Tax overlay attempts to minimize the client’s 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. Tax overlay management is not designed to eliminate taxes, merely to ensure that Envestnet takes tax consequences into consideration in determining whether and how to rebalance an account. If Envestnet determines that the tax consequences would outweigh the potential benefits of rebalancing, the account may not be rebalanced in accordance with the established rebalancing schedule.

Clients who wish to have investment portfolios that more closely align with their personal convictions, may elect the Socially Responsible Investing Overlay Screens, which integrate Environmental, Social and Governance (ESG) factors into the client's investments. In this strategy, a client may impose restrictions to prevent an account from being invested in companies involved in, for example, gambling, alcohol, tobacco, or pornography. Any such limitations can have a negative effect on the performance of the account. Should the performance of the impact-screened investment strategy begin to substantially deviate from the underlying investment strategy, the IAR will consult with the client to determine whether the customized strategy is still appropriate. In using an Overlay Screen, the application of a screen to an investment strategy can cause the investment performance of the customized strategy to deviate from the pre-screened investment strategy.

You are not required to select either of these options, but you may choose one or both strategies for your account. Your selection of Overlay Screens will be made when you open your account, but you can add or remove overlay services at any time by notifying NEXT or your IAR in writing. You will be charged a single additional fee, whether you select one or both optional strategies.

NEXT and your IAR are responsible for gathering client information; selecting Model Providers, Sub-Managers, Model Portfolios, and Other Investments; and determining if one or more Model Portfolio(s) or Other Investments selected are suitable for you. NEXT is responsible for performing due diligence and monitoring Model Providers. Envestnet can choose not to accept a Program client at its sole discretion.

## **Fees**

The fees for participation in the Program are based on an annual percentage of your Program assets. The Program Fee comprises 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.

You authorize us to deduct fees from your account quarterly in advance and the dates and amounts are noted on quarterly account statements sent to you by the custodian. You should review those statements and the fees deducted. Any questions about 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.

The first payment is pro-rated based on the number of calendar days in the partial quarter and is debited the first day of the month after assets are placed in the Program. In the event an Account is opened in the last month of a calendar quarter, the Program Fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the day after initial Program Assets are placed into the Program. 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.

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 1.5%. The fee charged depends on 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 fee you negotiate will be different than the fee your IAR negotiates with other clients or the fees other IARs negotiate with other clients for similar services.

The Platform Fee is paid to Envestnet for its overlay management services and for implementing trade executions; for fee calculation and billing; account administration; and performance reporting. Strategies limited to mutual funds and ETFs have a lower Platform Fee than those that apply to equity and balanced strategies. The Sponsor Fee is paid to NEXT for services provided under the Program.

The Manager Fee varies by the selected Sub-Manager(s) or Model Provider(s) and ranges between 0.00% and 0.55% of your Program Assets. If your account has more than one Model Provider/Sub-Manager, the effective Manager Fee will be a blend of all Model Providers'/Sub-Managers' fees weighted by the dollar amount invested in each Model Portfolio. Sub-Managers or Model Providers who charge no or a nominal fee typically will be compensated by advisory fees from the propriety funds the Sub-Managers or Model Providers include in their models.

### Fee Schedule

**Program Fee\* = Advisory Fee + Platform Fee+ Sponsor Fee + Manager Fee**

<b>Program Assets</b>	<b>Maximum Advisory Fee</b>	<b>Platform Fee** (Equity and Balanced Strategies)</b>	<b>Platform Fee** (Mutual Fund and ETF Strategies)</b>	<b>Sponsor Fee</b>	<b>Manager Fee</b>
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 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 the client by the custodian. The custodial fee is an asset-based fee that is disclosed in the custodial agreement. You should be aware that lower fees for comparable services may be available from other sources.



## **Changes to Fees**

Although the Advisory Fee is negotiable, your IAR cannot negotiate or change the Platform Fee, the Sponsor Fee or the Manager Fee. The Advisory Fee component of the Program fee will not be increased without your written consent. Advisory Fee changes after the first day of the calendar quarter will be effective on the next quarterly billing cycle and will not be prorated.

NEXT can change the Program Fee schedule at any time by giving prior written notice to you. Following the 30-day notice period, the new fee schedule will become effective unless you terminate your Visionary Program Agreement. Your continued acceptance of the services will constitute consent to changes in the Program Fee, including an increase in the amount charged, if any.

## **Other Fees and Expenses**

You will pay an asset-based custodial fee based on a contractual agreement with the custodian and other ancillary charges within a Program account as applicable. You are charged for specific account services, such as certain transfer taxes, electronic fund and wire transfer charges, auction fees, certain odd-lot differentials, and for other optional services elected by you on a per event basis. You will incur, as applicable, ancillary charges such as insufficient fund fees and/or returned check fees, debit balances, margin interest, transfer taxes; stock exchange fees, SEC fees or other fees mandated by law.

Brokerage and other transaction costs incurred in Program accounts are included in the asset-based custodial fee except as described below under “Additional Fees for Trades Executed at Other Broker/Dealers.”

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

For accounts that contain collective investment vehicles (“Collective Investment Vehicles”), such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds 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, redemption fees and other fees and expenses or other regulatory fees, as 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 the Program 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 particular 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 the 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.

## **Additional Fees for Trades Executed at Other Broker/Dealers**

Envestnet and Sub-Managers can elect to execute trades with or through broker-dealers other than the account custodian for some or all of their transactions or investment styles when Envestnet or Sub-Manager believes that “best execution” of transactions may be obtained and determines in good faith that the commission cost is reasonable in relation to the value of the brokerage and research services on the particular transaction executed through such other broker, dealer or bank, including any broker/dealer that is affiliated with Envestnet or Sub-Manager. This is frequently referred to as “trading away” or “step out trades.” Clients are responsible for any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that can be imposed by the executing broker-dealer in connection with step out trades. Refer to Item 9, *Brokerage Practices, Best Execution* for more information regarding these transactions.

## **Fee Offset**

You are entitled to a fee offset if your account is funded with a deposit of one or more open end mutual funds, unit investment trusts or proceeds from the sale of open end mutual funds or unit investment trusts, where NEXT was paid a sales charge in its capacity as a broker/dealer within one year of the initial billing date. The 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 your account; or (2) upon liquidation of a mutual fund within 60-days prior to the date the proceeds are transferred into your account. Fee offsets are spread equally over four calendar quarters.

## **Other Issues Relating to Fees**

The cost of advisory services provided through the Program can be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the Program to a particular client include the size of the account, the type of account (i.e., equity or fixed income), the amount of assets devoted to a particular strategy and the Model Provider(s) and/or Sub-Manager(s) selected.

The Advisory Fee portion of the Program Fee is shared between your IAR and NEXT. The fees earned could be more or less than what NEXT or your IAR might earn from other programs available in the financial services industry. Therefore, NEXT and your IAR have a financial incentive to recommend the Program to clients and prospective clients.

# **Item 5 – Account Requirements and Types of Clients**

## **Account Requirements**

The initial minimum investment for Program accounts is \$25,000. The initial account minimum can, however, be waived at NEXT’s discretion, considering various factors. Such factors may include, but are not limited to, length of the client relationship or combined values of other household/family member accounts.

## **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. Our clients can have both fee-based advisory accounts and commission-based brokerage accounts. Our representatives can offer clients advisory services, brokerage services, or both, depending on a client's preferences and needs.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **Sub-Managers and Model Providers**

Envestnet makes available to NEXT investment managers with whom Envestnet has entered into a sub-management agreement (Sub-Managers) to act as investment advisors with respect to the investment of clients' Program Assets in managed securities portfolios, mutual fund portfolios, and exchange-traded fund portfolios. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the Sub-Manager. In this scenario, the Sub-Manager is acting in the role of a "Model Provider."

Envestnet has developed a program to collect and report data on investment style and philosophy, past performance and personnel of Sub-Managers and Model Providers that are designated as "approved." Envestnet's process for selecting, evaluating and monitoring approved Sub-Managers is more fully described in Envestnet's Form ADV Part 2A, Appendix 1. NEXT leverages this process in making recommendations. Envestnet also makes available other Sub-Managers for which Envestnet has not performed due diligence; NEXT makes those managers available after conducting its own due diligence on those managers, including review of investment style and philosophy, past performance and personnel.

NEXT, through the Managed Account Product Review Committee, is responsible for reviewing, selecting and monitoring Sub-Managers and Model Providers. Sub-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 will impact the quality of the Sub-Manager's or Model Provider's performance of the services contemplated in the Program. In addition, the Managed Account Product Review Committee conducts periodic ongoing reviews of Envestnet.

Your IAR is responsible for initial Sub-Manager and/or Model Provider selection based on the information you provide at the inception of the account along with your investor profile and results of your Risk Return Worksheet. Your IAR is also responsible for monitoring the appropriateness of the selected Sub-Manager(s) and/or Model Provider(s) in light of any changes in your financial condition, risk tolerance and investment objectives reported by you from time to time.

### **Performance Calculation**

NEXT has engaged Envestnet to calculate investment performance and to prepare quarterly investment performance reports. Your IAR will provide to you a copy of the most recent quarterly report upon your request. Neither NEXT, nor any third party, reviews or verifies the accuracy of performance or its compliance with any presentation standards.

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 in order to ensure that transactions are suitable based on your investment objectives, meet your quality expectations and comply with any investment restrictions requested by you.

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

Fees based on 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 charge performance-based fees. We also do not engage in side-by-side management.

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

### **Methods of Analysis and Investment Strategies**

Your IAR considers your investment needs and objectives as well as time horizon and risk tolerance when developing and selecting investment strategies. The IAR is not bound by any specific methods of analysis or investment strategies for the management of model portfolios, but rather as previously stated, your IAR will consider your unique situation and all information gathered at the account inception, your Risk Return Worksheet, as well as changes to your financial picture over time.

The primary sources of information used to conduct these types of analysis are reputable financial publications, research prepared by others, ratings services, press releases, annual reports, prospectuses, other filings with the SEC and Envestnet’s asset allocation tools. Prior to investing, you should ensure that you understand and agree with the investment strategy.

The implementation of the IAR’s strategies varies based upon the individual client. Each client’s account is managed based on the client’s 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.

However, there is a possibility that by imposing restrictions, you may receive an asset allocation proposal that differs from the allocation your IAR would otherwise consider appropriate. Clients who do not impose any restrictions are likely to receive asset allocation proposals that are similar to proposals presented to other clients with similar investment profiles.

### **Tax Implications**

Tax implications are a critical component of any investment strategy. Therefore, depending on the strategy you choose to implement, it is possible that any trading activity could result in a taxable event and lower investment returns. Certain Sub-Managers and Model Providers employ tactical strategies that do not consider taxes, including the avoidance of wash sales, in the management of portfolios. Since investments could have tax or legal consequences, you should contact your tax professionals and attorneys to help answer questions about specific situations or needs.

## Risk of Loss

Investing in any type of securities 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 the account is liquidated, it could be worth more or less than the amount invested. 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 adverse 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 principal to shareholders.
- **Interest rate risk:** If the Federal Reserve raises interest rates, the market prices of bonds can be affected. When interest rates rise, the market prices of bonds typically fall.
- **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 customers 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.
- **Inflation risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Opportunity risk:** A client or an IAR can choose a conservative product to invest in, which could cause the client 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 could cause a client to lose a significant amount of principal invested in higher risk securities, when his or her funds could have been invested in lower risk options.
- **Reinvestment risk:** There is a possibility 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 the client's portfolio to fluctuate.
- **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 equity ETFs:** The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index.

- **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.
- **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.

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.

## **Voting Client Securities**

Neither NEXT nor IAR votes, or gives advice on how to vote, proxies for securities held on behalf of clients. 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 Program Assets, unless otherwise agreed with the client. A client reserves the right to revoke this authority at any time. Envestnet has developed appropriate principles, policies and procedures to ensure that such proxies are voted in the best interests of clients. Envestnet's proxy voting procedures are more fully described in Envestnet's Form ADV Part 2A, Appendix 1.

You can, however, elect to exercise your right to vote proxies by providing a written request to NEXT or IAR. If NEXT inadvertently receives proxy materials on behalf of an advisory client, we will promptly forward such materials to the authorized party.

## **Item 7 – Client Information Provided to Portfolio Managers**

Information regarding your financial situation, investment objectives, risk tolerance, time horizon and other relevant factors as described by you, is gathered prior to opening an account and assists your IAR when selecting appropriate Sub-Managers and Model Providers. Envestnet receives information about a client's stated investment objective, investment restrictions and investor risk tolerance. The client's investor risk tolerance is based on the client's stated responses in the account opening process and classifies the client as a conservative, moderate, aggressive, etc. type of investor.

You should notify your IAR promptly when changes to your financial situation, objectives, or other personal information occur, so that your IAR can adjust your asset allocations, if necessary. You can impose any reasonable restrictions on the management of the account. Each client is contacted at least annually to

determine if any changes have occurred that will affect the ongoing suitability of the portfolio selected and to determine if any new restrictions should be imposed on the account.

## **Item 8 – Client Contact With Portfolio Managers**

You are generally free to contact NEXT and your IAR at any time during normal business hours via telephone, facsimile, mail or email. In-person meetings should be scheduled in advance to ensure that your IAR is available. Envestnet, as overlay manager, will make personnel who are knowledgeable about your account and its management reasonably available for consultation, but Model Providers and Sub-Managers are not generally available to discuss specific investment issues. Any requests for consultations should be made through your IAR.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the 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 October 13, 2011, NEXT entered into an AWC with FINRA. FINRA found that, between September 2007 and January 2009, NEXT failed to have reasonable grounds for approving the sale of a specific private placement. NEXT consented, without admitting or denying the findings, to a censure and fine of \$50,000, and agreed to pay \$2,000,000 in restitution to certain clients who invested in the private placement in question.
- On May 3, 2013, NEXT entered into an AWC with FINRA. FINRA found that NEXT failed to properly monitor and maintain emails for two registered representatives' outside business email accounts. NEXT consented, without admitting or denying the findings, to a censure, fine of \$250,000, and certain undertakings specific to the firm's ongoing email review.
- 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 to 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 Sanction 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 shares 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.

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 <http://brokercheck.finra.org>.

## **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 FINRA and the Securities Investor Protection Corporation (“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.

As an indirect wholly owned subsidiary of Atria, NEXT is also affiliated with Cadaret, Grant & Co., Inc., a broker/dealer and SEC registered investment adviser and Cadaret, Grant Agency, an insurance agency. Atria also owns CUSO Financial Services, LP, a broker/dealer and SEC registered investment adviser, CFS Insurance and Technology Services, LLC, an insurance agency, Sorrento Pacific Financial, LLC, a broker/dealer, SEC registered investment adviser and insurance agency, and Western International Securities, Inc., a broker/dealer, SEC registered investment adviser and an 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. Each IAR is an independent contractor registered representative with NEXT. This creates a conflict of interest because an IAR can choose between offering a client advisory fee-based programs and services and/or commission-based products and services. To mitigate this conflict, NEXT requires that any advisory program or service that is offered to a client is suitable for the client’s investment goals and financial needs.

Most of our IARs are dually registered. That is, in addition to being an IAR they are registered with us as a registered representative or agent in our capacity as a broker/dealer, which permits them to offer brokerage services to you as a brokerage customer with a brokerage account instead of or in addition to their services to you as an advisory customer. Many of our IARs are also licensed insurance agents appointed with various insurance companies. 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 or insurance agents, an IAR can offer securities and insurance products and receive a

commission, markup, or markdown on each transaction. The individuals who are responsible for the immediate supervision of IARs can receive a portion of those commissions or fees as an override to compensate them for their supervisory services. Because your IAR can offer both advisory and brokerage services, there is a conflict involving the determination of whether to recommend an advisory account (fee-based) or a brokerage account (commission-based) or both. 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. Additionally, 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.

## **IRA Rollover Considerations**

If you are a participant in an employer-sponsored retirement plan such as a 401(k) plan, and decide to roll assets out of the plan into an NEXT advisory account, 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 a participant pays through a plan, and there can be maintenance and other miscellaneous fees.

Plan participants are under no obligation to roll their retirement assets over to an IRA with NEXT and should carefully consider all relevant factors, such as penalty-free withdrawals starting as early as age 55, whether loans are permitted, legal protections, required minimum distributions, fees and expenses, service levels, available investment options, employer stock considerations and state taxes. NEXT asks clients considering a rollover to complete NEXT's Retirement Plan Rollover Disclosure Form documenting the rationale for the rollover decision and disclosing important information and considerations in connection with the rollover.

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

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

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

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

If your IAR is associated with an Independent RIA firm, 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. Clients are not obligated to purchase recommended investment products from our IARs or their Independent RIAs.

## **Conflicts of Interest with Affiliated Insurance Agency**

NEXT is affiliated with NEXT Financial Insurance Services Company, a licensed insurance agency. NFISCO is a subsidiary of NEXT Financial Holdings, Inc., the parent company of NEXT. IARs, in their capacity as insurance agents with NFISCO or as independent insurance agents, can affect 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 NFISCO and/or its insurance agents. Clients are under no obligation to use NFISCO and/or its insurance agents for insurance services and can use the insurance agency and agent of their choosing.

## **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 can 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.

To avoid conflicts of interest, 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. IARs may not place their own interests over those of the client. Further, IARs must comply with all applicable federal and state regulations governing registered investment advisers.

## **Brokerage Practices**

NEXT has no brokerage soft dollar arrangements and receives no benefits or research in exchange for executions.

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

## Best Execution

By directing brokerage, clients may not receive the benefit of the lowest trade price then available for any particular transaction. Envestnet and Sub-Managers, if applicable, have the authority to effect transactions for client accounts with or through a broker, dealer or bank other than that directed by the client, if Envestnet or Sub-Manager believes that “best execution” of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with Advisor, Envestnet or Sub-Manager. In such cases, commissions or other compensation to the brokers in such transactions will be in addition to the Program Fee.

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, the client will incur trading costs in addition to the wrap fee. On an annualized-basis, the number of step-out trades conducted by Envestnet equates to approximately 2% of total order flow. Actual step-out percentages may vary dependent on the Third Party Model(s) chosen by IAR and the securities held in the particular model. In some instances, clients pay a commission in addition to the wrap fee for stepped-out trades.

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 wrap 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 interest of the 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.

## **Custody**

NEXT has limited custody of our 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 the SLOA authorizes us to designate, based on your instructions from time to time, the amount or timing of the transfers. The SEC has set forth a set of procedural safeguards intended to alleviate a firm being held to the full requirements of the SEC's Custody Rule under these circumstances, which we follow.

Clients enter into an agreement with TD Ameritrade to provide clearance and custody of Program accounts. TD Ameritrade: (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. TD Ameritrade acts as the general administrator of each account, which includes debiting account fees on NEXT's behalf and processing, pursuant to NEXT's instructions, deposits to and withdrawals from the account. TD Ameritrade does 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.

You should receive at least quarterly statements from TD Ameritrade electronically, unless you elect to receive paper statements. NEXT urges you to compare the holdings listed on the custodial statement to those listed on any reports NEXT or your IAR provide. 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.

Because Program accounts are discretionary, you authorize NEXT to direct TD Ameritrade to forward confirmations of transactions for your Program account to NEXT as your account fiduciary and to deliver a statement to you not less than quarterly, containing the same information that would have been contained in trade-by-trade confirmations. You can rescind this authorization by instructing us in writing to provide trade-by-trade confirmations to you.

## **Review of Accounts**

Each IAR monitors his or her client accounts and conducts a review of accounts periodically. Factors that could 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 the client's investment objectives or life circumstances.

In addition to the account reviews conducted by IARs, NEXT's supervisors are charged with reviewing new advisory account documents to confirm the client's Risk Return Worksheet is complete and that the type of account, investment strategy, and fee structure are suitable for the client.

At the end of each calendar quarter, Envestnet makes available a report of account activity and performance for clients participating in the Program. NEXT or your IAR will provide a copy of the most recent report upon request. TD Ameritrade also sends account statements to you on a monthly or quarterly basis. Although the information we provide in the performance reports is obtained from sources believed to be reliable, we urge

you to compare the holdings listed on the custodian's statement to those listed on reports NEXT or your IAR provide. You should carefully review all statements and performance reports. If any discrepancies are noted, you should contact us at the number on the cover page of this Brochure.

## **Client Referrals and Other Compensation**

### **NEXT Compensation to IAR**

Your IAR receives compensation from NEXT. NEXT compensates its IARs pursuant to an independent contractor agreement, and not as an employee. This compensation includes a portion of the advisory fee, which may be more or less than what your IAR would receive at another advisory firm. Such compensation includes other types of compensation, such as bonuses, awards or other items of value offered by NEXT. NEXT pays its IARs in different ways, for example:

- Reimbursement or credit of fees IARs pay to NEXT for technology services;
- Free or reduced-cost marketing materials;
- Recruitment compensation in connection with the transition of association from another broker/dealer or investment advisor firm to NEXT;
- Payments in the form of repayable or compensatory loans; and
- Attendance at NEXT conferences and events.

NEXT pays its IARs this compensation based on the IAR's overall business production and on the amount of assets on NEXT's advisory platforms, including the Visionary Program.

When an IAR becomes associated with NEXT after working with another financial services firm, the IAR can receive recruitment compensation from NEXT in connection with the transition. 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 used for transition costs. These payments can be in the form of repayable 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 generally subject to repayment if an IAR leaves NEXT before a certain period of time or if other conditions are not met. 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 stationary costs, registration and licensing fees, moving and office space expenses, staffing support and termination fees associated with moving accounts.

The amount of recruitment compensation is typically based on a percentage of the 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. The receipt of this compensation creates a conflict of interest in that an IAR has a financial incentive to recommend that a customer open and maintain an account with NEXT for advisory or brokerage services, and to recommend switching investment products or services where a customer's current investment options are not available through NEXT, in order to receive the benefit or payment.

NEXT and its IARs attempt to mitigate these conflicts of interest by assessing and recommending that clients use NEXT's services based on the benefits that such services provide to clients, rather than the recruitment

compensation earned by any particular IAR. 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.

## **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 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 no more than five years. Program eligibility is based on minimum tenure and other qualification standards established by NEXT.

## **Revenue Sharing**

NEXT receives fees when we invest your account assets or recommend that you invest in certain mutual funds (including money market funds), UITs, and ETFs. These fees are called "revenue sharing." Mutual fund, UIT and ETF sponsors and third-party money managers ("Partners") pay these fees to NEXT in what we call the Partners Program. Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. The benefits Partners receive include our IAR contact lists and 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.

The payments made under our Partners Program are calculated based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. The revenue sharing fees we receive can be substantial, which creates a conflict of interest. We mitigate this conflict by not sharing revenue sharing fees with our IARs. An IAR's compensation is the same regardless of whether a sale involves a Partner's product or service.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our annual National Educational Conference. The conference provides 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 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 revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of revenue sharing fees 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 unaffiliated or third-party investment advisers 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. The compensation arrangements vary and are generally structured as a fixed dollar amount or as a stated percentage not exceeding 0.05% of sales and 0.03% on assets with the adviser.

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

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

## **Ad Hoc Reporting**

We receive up to \$5,000 per product sponsor annually from various mutual fund, ETF, and annuity investment sponsors in exchange for access to business intelligence and ad hoc reporting relating to our registered representatives and IARs.

## **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 the client, the client will receive a written disclosure statement describing the arrangement. A client will not pay higher fees because of the solicitor's arrangement.

## **Professional Edge Program**

The Professional Edge Program offers certain NEXT IARs, who are members of the Program, but who do not provide investment advisory services to clients themselves, the capability to refer their clients to other NEXT IARs. The Professional Edge Program participants receive a portion of advisory fees charged by the IAR managing the 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.



## **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.