

## **Wrap Fee Program Brochure**

**March 31, 2023**



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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 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 since NEXT's last annual updating amendment on March 31, 2022. For additional details, please see the item in this Brochure referred to in the summary below.

### Item 4 - Services, Fees and Compensation:

- Updated to include additional details regarding our advisory services we make available to clients.
- Updated to reflect an increased Maximum Allowable Advisory Fee for the NEXT Select programs. The Advisory Fee remains negotiable between you and your IAR. Your Total Fee will not increase as part of this change unless you affirmatively accept such change.
- Updated to include additional information regarding general fees assessed to your account, disclosure related to mutual funds and other investments, and disclosures related to wrap fee programs.

### Item 6 - Portfolio Manager Selection and Evaluation:

- Methods of Analysis, Investment Strategies and Risk of Loss updated to include cybersecurity risk.

### Item 9 - Additional Information:

- Other Financial Industry Activities and Affiliations updated to include additional information regarding an IAR's outside business activities and conflicts of interest.
- Brokerage Practices includes substantial disclosures concerning our relationship with Pershing LLC, the compensation we receive because of this relationship, and conflicts of interest arising out of this relationship. Also, includes updates on our cash sweep program through Pershing LLC.
- Client Referrals and Other Compensation updated to include additional information regarding how we compensate your IAR, including recruitment compensation and operational assistance as well as growth incentives and other benefits.
- Client Referrals and Other Compensation updated to include additional detail regarding compensation we receive from certain product sponsors.
- Client Referrals and Other Compensation updated Solicitation Activities to include our arrangements with financial institutions.

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## Item 4 – Services, Fees and Compensation

### Introductory Information

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 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, 2022, NEXT had regulatory assets under management of \$2,919,044,437. Of that amount, \$13,435,062 was managed on a non-discretionary basis and \$2,905,609,375 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.

NEXT offers clients a variety of advisory programs, including the NEXT Select wrap fee advisory platform (“NEXT Select”). This Wrap Fee Brochure describes the NEXT Select platform. For more information about NEXT’s advisory services and programs other than NEXT Select, please contact your IAR for a copy of our Form ADV Part 2A brochure that describes our other services and programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NEXT is not a custodian of any accounts. NEXT Select accounts are custodied with Pershing LLC (“Pershing”).

### Services

NEXT Select is a discretionary wrap fee platform (“Platform”) sponsored by NEXT. NEXT has entered into an agreement with Lockwood Advisors, Inc. (“Lockwood”), a registered investment adviser, to provide administrative services for the program and platform accounts (“Platform Accounts”). NEXT has designated Pershing, Lockwood’s affiliate, to execute and clear transactions, custody assets and deliver statements and confirmations to you, as applicable. Neither Lockwood nor Pershing are affiliated with NEXT.

Additionally, Lockwood 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, subject to a minimum account value.

NEXT Select offers four wrap fee program options:

<b>Wrap Fee Program Options</b>	<b>Program Description</b>	<b>Discretionary Authority</b>	<b>Minimum Account Size</b>	<b>Allowable Assets</b>
<b>Representative Managed Program ("RMP")</b>	Traditional discretionary IAR directed program	IAR	\$25,000	Mutual funds, ETFs options (limited to covered calls and purchases), fee-based UITs, equities and bonds
<b>ETF and Mutual Fund Program ("ETFP")</b>	Discretionary advisory program comprised of NEXT ETF and Mutual Fund Models	NEXT	\$5,000 – Mutual Fund Models \$10,000 – ETF Models	ETFs, mutual funds, and money market funds
<b>Separately Managed Program ("SMP")</b>	Separately managed account program using third-party investment advisers	SMA Manager	\$25,000	ETFs, exchange traded notes and exchange traded vehicles, mutual funds, equities, and bonds
<b>Multi-Manager Program ("MMP")</b>	Unified managed account program with Model Providers and Other Investments	Lockwood as Overlay Manager and IAR for Other Investments and allocation to model providers	\$50,000	ETFs, exchange traded notes and exchange traded vehicles, mutual funds, fee-based UITs, equities and bonds

Your IAR will interview you to determine your financial needs and objectives, gather your client profile and risk tolerance information to complete an investment profile questionnaire ("IPQ"). Your responses to the IPQ assist in determining a recommended allocation of your assets into an asset allocation model fitting one of five investment profiles: conservative; moderate conservative; moderate; moderate growth; and growth. Your IAR will have limited discretion to change your investment profile risk tolerance to a lower tolerance without your approval; however, to increase your risk tolerance, your IAR will obtain your written consent. Your IAR will assist you in selecting one of the four program options to implement the portfolio. 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 NEXT Select Client Services Agreement ("NEXT Select Agreement") outlining your participation in the Platform.

## Representative Managed Program

RMP is a program within the Platform designed to provide investment advice through an IAR for a fee based on the value of your Platform Assets. Acting under the NEXT Select Agreement, your IAR establishes an account at Pershing for the purpose of creating a portfolio to be managed by your IAR on a discretionary basis. Lockwood has no discretion over assets managed in the RMP and is not providing investment advisory services to you.

At the inception of the relationship, your IAR uses the investment profile based on your IPQ to select portfolio securities based on an asset allocation model. Your IAR will enter transaction orders consistent with your investment profile, risk tolerance and objectives. Currently the list of approved investments for the RMP includes mutual funds, exchanged traded funds (“ETFs”), options (limited to covered calls and purchases), fee- based unit investment trusts (“UITs”), equities, bonds, and other securities.

If your IAR is dually licensed with NEXT, your IAR’s selection of investments in RMP will be limited by the FINRA registrations held by your IAR. If your IAR only holds the Series 6, Investment Company, and Variable Contracts Products registration, your IAR will implement the IAR-directed model portfolio strategy using only mutual funds.

Because of the account’s discretionary nature, your IAR has full judgment over the selection and amount of investments to be purchased or sold in the account, without obtaining your prior consent or approval. Once a portfolio is constructed, your IAR monitors the account and rebalances the portfolio as changes in market conditions and client circumstances warrant.

## ETF and Mutual Fund Program

ETFP is designed to provide discretionary investment advice through NEXT’s proprietary strategically managed ETF and mutual fund models. The model portfolios are managed for a fee based on the value of your Platform Assets. Acting under the NEXT Select Agreement, your IAR establishes an account at Pershing to be invested in one of NEXT’s proprietary ETF or mutual fund models. Your responses to the IPQ will determine which of the models is appropriate based on your investment objectives, time horizon and risk tolerance.

Once an asset allocation model has been selected, you will grant NEXT discretionary authority to:

- Invest the assets in the Program account in accordance with the selected ETF or mutual fund model strategies;
- Make changes to the asset allocations, as deemed appropriate; and
- Rebalance the assets when needed.

Changes in the asset allocation model, which include adding, removing or replacing securities at NEXT’s discretion, are made based on a variety of factors, including but not limited to, changes in economic, financial, market and/or political conditions. We anticipate replacing securities on an infrequent basis because the models’ securities consist of ETFs and/or mutual funds that are designed to track the performance of particular indices.

At the inception of an account, ETFP assets are invested in ETF or mutual fund models determined in accordance with set target percentages of the total assets in the account. Thereafter, as markets fluctuate and values change, amounts originally allocated to an ETF or mutual fund model will either exceed or fall below the original target allocations. We periodically adjust model allocations back to the original asset targets, or “rebalance” the account. However, we do not rebalance models constantly, and asset allocations will drift away

from their original target percentages before NEXT, within its authority and judgment, brings those allocations back in line with the original percentages.

NEXT is responsible for monitoring the models and rebalancing each model as changes in market conditions warrant. Lockwood trades and rebalances ETFP accounts based solely on NEXT's models and directives. Each ETF model in the ETFP is invested solely in ETFs and money market funds. Each mutual fund model in the ETFP is invested solely in mutual funds and money market funds.

The tax consequences of ETF ownership differ from those of mutual funds. Held in taxable accounts, ETFs can be more tax efficient compared to traditional mutual funds. Generally, holding an ETF in a taxable account will generate less tax liabilities than if you held a similarly structured mutual fund in the same account. If you are concerned with tax efficiency, you should discuss this with your IAR or with your tax advisor.

## **Separately Managed Program**

SMP is a program designed to provide investment advice through other investment advisers ("SMA Managers") for a fee based on the value of your Platform Assets. SMA Managers have been invited by NEXT to provide portfolio investment management services and have entered into a participation agreement with Lockwood. The selected SMA Manager has discretion to invest the assets in exchange traded products such as ETFs, exchange traded notes and exchange traded vehicles, mutual funds, equities, bonds and other securities.

At the inception of the relationship, the IAR uses the information from your IPQ to recommend an SMA Manager whose strategies are appropriate for you based on your objectives and profile. Acting under the NEXT Select Agreement, the IAR establishes an account at Pershing for the purpose of creating a portfolio to be managed by an SMA Manager on a discretionary basis. If the recommended SMA Manager believes that the SMA Manager's services are suitable for you, the SMA Manager will manage the account according to the SMA Manager's strategies and your reasonable restrictions, if any. The SMA Manager can, in its sole discretion, decline to accept a client for any reason.

Because of the account's discretionary nature, the SMA Manager has full authority over the selection and amount of investments to be purchased or sold in the account, without obtaining your prior consent or approval. Once a model portfolio is constructed, the SMA Manager monitors the account and rebalances the portfolio as changes in market conditions and client circumstances warrant.

## **Multi-Manager Program**

MMP is designed to provide you with access to various investment strategies, including model strategies provided by one or more model providers ("Model Providers") and other available investments, such as ETFs, stocks and mutual funds ("Other Investments") via a single Unified Managed Account ("UMA"). Model Providers are selected for MMP participation by NEXT and enter into a contractual relationship with Lockwood. Your IAR is granted authority to select and allocate assets among the Model Providers according to your risk tolerance. Your IAR is also granted limited discretionary authority to invest, reinvest and otherwise deal with assets allocated to Other Investments in your UMA according to your investment objectives, risk tolerance, and time horizon determined by the IPQ.

NEXT has entered into an agreement with Lockwood, an investment adviser registered with the SEC, to act as the overlay manager for UMAs in the MMP. Lockwood is granted limited discretionary trading authority with



respect to assets in your UMA based on the selected models; to implement model changes; and to rebalance accounts pursuant to target allocations and program trading parameters established by NEXT. Lockwood will allocate assets across the investment choices available in MMP, in a manner consistent with your instructions, or in the case of Other Investments, your IAR's instructions, without regard to Lockwood's own assessment of such investment choices in circumstances where Lockwood has the authority to recommend or select them. Lockwood, as overlay manager, has the right to impose limitations on the percentage of program assets allocated to any one equity or money market position in Other Investments. NEXT will generally adhere to a 5% maximum single equity position size limit to manage the idiosyncratic risk of any one stock on your overall portfolio. No allocation of your assets to a particular model strategy or Other Investment should be considered an approval or endorsement by Lockwood of such model strategy or Other Investment. When a Model Provider makes a change to a model strategy, Lockwood will implement changes to the UMA accounts at its sole discretion. Except as described below, with respect to such changes, Lockwood's sole authority with respect to individual security selection is to carry out the client's or IAR's directions through implementation of the model portfolios provided by the model providers ("Model Portfolios"). Lockwood does not make any individual security decision on a client's behalf other than such decisions necessary to implement changes to the Model Portfolios, or if applicable to reject any or all changes to a model strategy. Lockwood and NEXT retain the authority to terminate or change Model Providers and to remove or replace Other Investments from the MMP. Assets from a removed or modified model strategy can be automatically reallocated for investment among the other models currently held within a UMA. Lockwood is authorized to allocate assets from an unavailable Other Investment to cash except as otherwise directed by your IAR. This replacement process will be subject to the usual and customary settlement procedures and can have tax consequences.

In addition to acting as the overlay manager, Lockwood is also a Model Provider for the MMP. In its role as a Model Provider, Lockwood acts in the same capacity as other Model Providers and creates its own Model Portfolios based on its proprietary research.

NEXT and your IAR are responsible for gathering client information; selecting Model Providers, Model Portfolios, and Other Investments; and determining if one or more Model Portfolio(s) or Other Investments selected are suitable for you. NEXT's Due Diligence Committee is responsible for performing due diligence and monitoring Model Providers. Lockwood can choose not to accept a UMA client in its sole discretion.

## **IRA Rollover Considerations**

If you decide to roll assets out of a retirement plan into a NEXT Select individual retirement account ("IRA"), NEXT and your IAR have a financial incentive to recommend that you invest those assets in the Platform, 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 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.

## 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 ETFP, SMP and MMP, but no Manager Fee is included in the RMP.

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 fair market value for fee calculation purposes.

You authorize fees to be deducted from your account, or from any other account in Pershing's custody as directed by you. 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. The fees deducted, including the dates and amounts, are reflected on the quarterly statements sent by the 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.

If you have more than one Platform account, your accounts can be "household", aggregating your accounts for fee calculation purposes, which can help you qualify for a lower fee. Household accounts established contemporaneously under a single Proposal are automatically householded. Household accounts opened under separate Proposals may be listed on the NEXT Select Agreement to aggregate accounts for billing purposes. A "household" is generally a group of accounts having the same address of record or same Social Security number. Individual Retirement Accounts ("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.

### 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.

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 RMP and 2.00% in ETFP, SMP, and MMP. The 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 fee you negotiate can be different than the fee your IAR negotiates with other clients or the fee other IARs negotiate with other clients for similar services.

The Program Fee includes execution, clearing, custody, and NEXT, Lockwood and Pershing fees. The Program Fee is assessed in each of the program options. The Program Fee is non-negotiable.

The Manager Fees applies in the ETFP, SMP and MMP. The Manager Fee in the SMP and MMP varies by the selected SMA Manager or Model Provider and ranges between 0.00% and 0.50% of your Platform Assets. In the MMP, if your account has more than one Model Provider, the effective Manager Fee will be a blend of all Model Providers' 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 ETFP, the Manager Fee is 0.10%.

## Changes to Fees

An increase in the Advisory Fee component of the Total Fee can only be made with 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. Your IAR cannot negotiate or change the Program Fee, or the Manager Fee. 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 the NEXT Select Agreement. Your continued acceptance of the services will constitute consent to changes in the Total Fee, including an increase in the amount charged, if any.

## Other Fees and Expenses

In addition to the wrap fee, 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 NEXT Select account. 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 Pershing and NEXT. NEXT receives a portion of certain of these fees, including where NEXT marks up the fee charged by Pershing, which can be substantial. Please review the Brokerage Practices section 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 in custody with Pershing. Brokerage and other transaction costs and certain administrative fees incurred in NEXT Select accounts are included in the wrap fee.

Please refer to the 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 Pershing, including confirmations and statements, electronically by authorizing electronic delivery where indicated in your NEXT Select Agreement or Account Information Form, or by completing an Electronic Communications Consent form. Unless you authorize electronic delivery, Pershing will deliver communications and documents to you via U.S. mail. Pershing assesses a paper surcharge, which is shared with NEXT.

Interest on all cash account delinquencies (Cash Due Interest) in your 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.

Brokerage and other transaction costs incurred in NEXT Select accounts are included in the wrap 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, UITs, ETFs, 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 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 Total 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, in his/her separate capacity as a NEXT registered representative (i.e., as a broker), earns commissions from the sale of mutual funds, variable 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 your NEXT Select account, additional mutual fund purchases within the advisory account will be 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 not available or does not occur, 12b-1 fees received in fee-based accounts will be credited to your account.
- If your 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 your account; or (2) upon liquidation of a mutual fund within 60-days prior to the date the proceeds are transferred into your 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

NEXT Select 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.

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.

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

SMA Managers or Lockwood can elect to execute trades at broker-dealers other than Pershing 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 or participate in the SMP or MMP are subject to 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 addition to the Program Fee and the other fees described herein. The Form ADV Part 2A for the applicable manager should be consulted for additional information.

### **Fee Information Applicable to Wrap Fee Accounts**

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.

## 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 NEXT Select accounts unless eligible for the fee offset program described in the section entitled *Compensation Related to Mutual Funds and Other Investments* 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 5 – Account Requirements and Types of Clients

### Account Requirements

The initial minimum account size for NEXT Select program options are listed below.

<b>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 account minimum can be waived at NEXT's discretion, considering various factors. Such factors may include, but are not limited to, length of client relationship or combined values of other household/family member accounts.

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.

## **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. Depending on an IAR's registrations and qualifications, and a client's preferences and needs, our financial professionals provide advisory services, brokerage services, or both.

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

NEXT does not utilize the services of any third-party money manager in the RMP. In the RMP, your IAR acts as portfolio manager and selects specific investments to implement an asset allocation model consistent with your investor profile, risk tolerance and investment objectives. IARs acting as portfolio managers generally do not have documented performance histories against which to measure. Therefore, IARs of NEXT are not subject to the same selection and review process that we use for SMA Managers and Model Providers.

We do not select or utilize the services of any third-party portfolio manager in the ETFP. NEXT is responsible for investment management of NEXT Select assets in the ETFP in accordance with model investment policies, and for overseeing model investments.

## **SMA Managers and Model Providers**

In the SMP and the MMP, 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 review to determine if there are any material changes or disclosure events that will impact the quality of the SMA Manager's or Model Provider's performance of the services contemplated in NEXT Select.

Your IAR is responsible for initial SMA Manager or Model Provider selection based on the information you provide at the inception of the account along with your IPQ and investment profile. Your IAR is also responsible for monitoring the appropriateness of the selected SMA Manager 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 Lockwood to calculate investment performance and to provide quarterly reports to clients, subject to a minimum account value. 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 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 will incorporate your needs and investment objectives as well as time horizon and risk tolerance when developing and selecting investment strategies. Your IAR is not bound by any specific methods of analysis or investment strategies for the management of model portfolios in the RMP, but rather as previously stated, your IAR will consider your unique situation and all information gathered at the account inception, your IPQ, as well as changes to your financial picture over time.

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 reputable financial publications, research prepared by others, ratings services, press releases, annual reports, prospectuses, and other filings with the SEC. The implementation of your IAR’s strategies varies based upon the individual client. Prior to investing, you should ensure that you understand and agree with the investment strategy used by the IAR.

In the ETFP, 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 ETF or mutual fund 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.

Each client’s account is managed based on the client’s financial situation, investment objectives and instructions. The IAR works with the client to obtain sufficient information to provide individualized investment advice and is reasonably available to consult with the client on an ongoing basis. Clients 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 Consequences**

Tax consequences are a critical component of any investment strategy. Therefore, depending on the strategy that you choose to implement, it is possible that any trading activity could result in a taxable event and lower investment returns. Certain SMA Managers in SMP and Model Providers in MMP 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 your specific situations or needs.

## **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 could 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 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 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.
- **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 and inverse ETFs risk:** 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.

## **Voting Client Securities**

You can authorize SMA Managers or Lockwood 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 SMP or MMP accounts. The default authorization for ERISA accounts (such as SIMPLE or SEP IRAs), is the SMA Manager or Lockwood will receive all proxies and related material and will vote on your behalf. For assets held in RMP or ETFP 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.

## **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 recommending the most appropriate asset allocation model(s) and strategies for you. You should notify your IAR promptly when changes to your financial situation, objectives, or other personal information occur, so that your IAR can adjust his or her management of your portfolio, 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, videoconference, mail, or email. In-person meetings should be scheduled in advance to ensure that your IAR is available. SMA Managers used in the program are not generally available to discuss specific investment issues.

## 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 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 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 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.
- 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.

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>.

## 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 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
Cadaret, Grant Agency	Insurance Agency
CFS Insurance and Technology Services, LLC	Insurance Agency
CUSO Financial Services, LP	Broker Dealer & Registered Investment Adviser
NEXT Financial Insurance Services Company (NFISCO)	Insurance Agency
Ovest Insurance Services LLC	Insurance Agency
SCF Investment Advisors, Inc.	Registered Investment Adviser
SCF Marketing, Inc.	Insurance Agency
SCF Securities, Inc.	Broker Dealer
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. Our IARs are independent contractors, many of whom are registered with us as a registered representative, which allows them to perform brokerage services for you by executing securities transactions. 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 Brokerage Practices – Pershing Clearing Relationship, 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. 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](https://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 own 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/or
- As an IAR of an Independent RIA who offers 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 impairs 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, 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. Clients are under no obligation to use NEXT, 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. Orders for clients and orders for IARs’ own accounts are sometimes aggregated in “block trades” or aggregated orders. Aggregated orders can achieve better execution for all participating accounts and those advantages will be fairly allocated among 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 the client is 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 their own interests over those of the client. Further, all IARs must comply with all applicable federal and state regulations governing registered investment advisers.

## **Brokerage Practices**

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 acts as an introducing broker utilizing Pershing to execute transactions in NEXT Select accounts and to custody account assets in connection with the platform. 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

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.

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, NEXT engages the services of a third-party vendor who monitors Pershing's equity executions for quality and helps us identify transactions that are eligible for price improvement.

NEXT Select accounts are managed based on model portfolio strategies. One or more clients can be assigned to the same model portfolio, based on their investment objective and risk profile. Aggregate orders in a block trade are typically executed 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 an aggregated order. The average price per share of a block trade is allocated to each account that participates in the block trade.

In SMP and MMP, SMA Managers or Lockwood, as Overlay Manager, can elect to execute trades at broker-dealers other than Pershing 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 in the SMP or MMP will be subject to 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. You should refer to the applicable SMA Manager's or Lockwood's Form ADV Part 2A for additional information.

## **Pershing Clearing Relationship**

Pershing is the clearing firm for NEXT's brokerage business and is also the custodian for NEXT Select accounts.

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, 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 earn substantial compensation for the services we provide. Our 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 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.

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 \$0.75 and no more than \$43.93. 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. Pershing has the option to 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.

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 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 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 participate in Pershing's LoanAdvance™ program which enables clients to collateralize certain investment accounts to obtain secured loans. In LoanAdvance, clients 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 NEXT and our IARs 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 \$0.75 and no more than

\$43.93. 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](https://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.

## **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, transactions in RMP accounts are subject to review by the IAR's designated supervisor through an alert-based electronic transaction review system.

At the end of each calendar quarter, clients participating in NEXT's wrap fee programs are sent a performance report. Pershing 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**

### **IAR Compensation**

Your IAR receives compensation from NEXT. NEXT compensates our 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. An IAR who earns over a threshold amount is eligible for a percentage payout increase, which is not retroactive. In addition, we offer financial incentives, in the form of cash bonuses or compensatory loans, to reward IARs for increasing their assets serviced or annual revenue. Certain IARs are employed by another financial professional who pays them a salary or bonus for their services. When compensation is based on the level of production or assets, an IAR has a financial incentive to meet those production or asset levels.

In some cases, we pay a portion of a IAR's compensation to the IAR's designated supervisor or another financial professional for supervision and/or administrative or sales support. 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 revenue generated by an IAR creates a conflict of interest when considering whether to terminate an IAR.

## **Other Benefits**

IARs that meet internal criteria (which includes, but is not limited to, revenue generated from sales of products and services) are eligible to receive other benefits pursuant to special incentive programs. These benefits present a conflict of interest because an IAR has an incentive to recommend investment products and services in general and to remain with NEXT to maintain these benefits. 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). If we make a loan to a new or current IAR, there is also a conflict of interest because NEXT's interest in collecting on the loan affects our ability to objectively supervise the IAR.

## **Recruitment Compensation and Operational Assistance**

When an IAR associates 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 subject to repayment if an IAR leaves NEXT before a certain period of time or if other conditions are not met and can include a requirement to maintain a certain level of revenue or assets serviced. Funds advanced by NEXT to an IAR under a compensatory loan are not taxable to the IAR when received but represent taxable income as the principal and interest is forgiven by NEXT or the IAR is paid additional compensation to cover the principal and interest on the note.

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.

The amount of recruitment compensation is often significant 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 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.

## **Growth Incentives**

NEXT provides financial incentives to reward IARs for increasing their assets serviced or annual production by specific amounts in the form of cash bonuses or compensatory loans that are subject to repayment if an IAR leaves NEXT before a certain period of time or if other conditions are not met and can include a requirement to maintain a certain level or production or assets serviced.



## **Conflicts of Interest**

Providing compensation to IARs for moving assets to NEXT or increasing their assets serviced or revenue creates a conflict of interest in that an IAR has a financial incentive to recommend that a client open and maintain an account with NEXT for advisory or brokerage services, and to recommend switching investment products or services where a client's current investment options are not available through NEXT, in order to receive the benefit or payment.

NEXT and our 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 compensation earned by an 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 up to five years. Program eligibility is based on minimum tenure and other qualification standards established by NEXT.

## **Other Firm 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.

## **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 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 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 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. Not all third-party investment advisers pay such compensation and participating third-party investment advisers change over time.

The compensation arrangements vary and are generally structured as a fixed dollar amount or as a percentage of sales and/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 third-party advisers over other investment advisers to generate additional revenue for the firm. However, our IARs are not required to recommend any third-party adviser 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 the 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 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.

## **Custody**

NEXT has limited custody of our clients' funds or/and securities when clients authorize us to deduct our management fees directly from their 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.

NEXT has an arrangement with Pershing to provide clearance and custody of NEXT Select accounts. Pershing: (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. Pershing delivers client account statements as well as confirmation of each purchase and sale to you. You may elect to receive transaction information in your monthly statements in lieu of transaction confirmations, except in the RMP

where confirmation suppression is not an option. Pershing acts as the general administrator of each account, which includes charging and collecting account fees on NEXT's behalf and processing, pursuant to NEXT's instructions, deposits to and withdrawals from the account. Pershing 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 Pershing. NEXT urges you to compare the holdings listed on the custodian's statement to those listed on reports NEXT or your IAR may 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.

## **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.