

BrokerCheck Report

NEXT FINANCIAL GROUP, INC.

CRD# 46214

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Firm Profile	2 - 8
Firm History	9
Firm Operations	10 - 19
Disclosure Events	20



Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



NEXT FINANCIAL GROUP, INC.

CRD# 46214

SEC# 8-51356

Main Office Location

2500 WILCREST DRIVE
SUITE 620
HOUSTON, TX 77042
Regulated by FINRA Dallas Office

Mailing Address

2500 WILCREST DRIVE
SUITE 620
HOUSTON, TX 77042

Business Telephone Number

713-789-7122

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Virginia on 06/28/1998.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 1 Self-Regulatory Organization
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 13 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	26
Arbitration	3
Bond	3



Firm Profile

This firm is classified as a corporation.

This firm was formed in Virginia on 06/28/1998.

Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

NEXT FINANCIAL GROUP, INC.

Doing business as NEXT FINANCIAL GROUP, INC.

CRD# 46214

SEC# 8-51356

Main Office Location

2500 WILCREST DRIVE
SUITE 620
HOUSTON, TX 77042

Regulated by FINRA Dallas Office

Mailing Address

2500 WILCREST DRIVE
SUITE 620
HOUSTON, TX 77042

Business Telephone Number

713-789-7122



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any):	NEXT FINANCIAL HOLDINGS INC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	SHAREHOLDER
Position Start Date	09/2004
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	ELIAS JR, EUGENE HENRI
Is this a domestic or foreign entity or an individual?	Individual
Position	DIRECTOR
Position Start Date	06/2019
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	JALLANS, LESLIE BERNARD 1298338
Is this a domestic or foreign entity or an individual?	Individual
Position	CCO
Position Start Date	09/2014
Percentage of Ownership	Less than 5%

Firm Profile



Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): KETTERER, DOUGLAS JOHN
2050418

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 06/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): KNIGHT, BARRY GLENN
1398160

Is this a domestic or foreign entity or an individual? Individual

Position PRESIDENT/DIRECTOR

Position Start Date 12/2006

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): MUELLER, CHRISTOPHER BRIAN
2098597

Firm Profile**Direct Owners and Executive Officers (continued)**

Is this a domestic or foreign entity or an individual?	Individual
Position	SVP CHIEF OPERATIONS OFFICER
Position Start Date	02/2014
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any): TAYLOR, DONALD
1839640

Is this a domestic or foreign entity or an individual?	Individual
Position	CFO
Position Start Date	07/2021
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No



Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

Legal Name & CRD# (if any): ATRIA WEALTH SOLUTIONS HOLDINGS LLC

Is this a domestic or foreign entity or an individual? Domestic Entity

Company through which indirect ownership is established ATRIA WEALTH SOLUTIONS, INC.

Relationship to Direct Owner SHAREHOLDER

Relationship Established 04/2018

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): ATRIA WEALTH SOLUTIONS, INC.

Is this a domestic or foreign entity or an individual? Domestic Entity

Company through which indirect ownership is established AWS 5, INC.

Relationship to Direct Owner SHAREHOLDER

Relationship Established 11/2018

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): AWS 5, INC.

Is this a domestic or foreign entity or an individual? Domestic Entity



Firm Profile

Indirect Owners (continued)

Company through which indirect ownership is established NEXT FINANCIAL HOLDINGS INC.

Relationship to Direct Owner SHAREHOLDER

Relationship Established 05/2019

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): LEE EQUITY PARTNERS FUND II(A), L.P.

Is this a domestic or foreign entity or an individual? Domestic Entity

Company through which indirect ownership is established LEP ATRIA HOLDINGS, LLC

Relationship to Direct Owner MEMBER

Relationship Established 07/2017

Percentage of Ownership 50% but less than 75%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): LEE EQUITY PARTNERS FUND II, L.P.

Is this a domestic or foreign entity or an individual? Domestic Entity

Company through which indirect ownership is established LEP ATRIA HOLDINGS, LLC

Relationship to Direct Owner MEMBER

Relationship Established 07/2017

Firm Profile



Indirect Owners (continued)

Percentage of Ownership 25% but less than 50%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): LEP ATRIA HOLDINGS, LLC

Is this a domestic or foreign entity or an individual? Domestic Entity

Company through which indirect ownership is established ATRIA WEALTH SOLUTIONS HOLDINGS LLC

Relationship to Direct Owner MEMBER

Relationship Established 11/2017

Percentage of Ownership 25% but less than 50%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 1 SRO and 53 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	06/03/1999

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	06/03/1999



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	07/14/1999	North Carolina	Approved	07/23/1999
Alaska	Approved	06/04/1999	North Dakota	Approved	01/05/2000
Arizona	Approved	08/23/1999	Ohio	Approved	06/09/1999
Arkansas	Approved	07/06/1999	Oklahoma	Approved	06/07/1999
California	Approved	06/10/1999	Oregon	Approved	06/10/1999
Colorado	Approved	08/20/1999	Pennsylvania	Approved	06/28/1999
Connecticut	Approved	06/15/1999	Puerto Rico	Approved	01/03/2006
Delaware	Approved	06/08/1999	Rhode Island	Approved	07/01/1999
District of Columbia	Approved	04/02/1999	South Carolina	Approved	06/09/1999
Florida	Approved	06/22/1999	South Dakota	Approved	08/24/1999
Georgia	Approved	08/24/1999	Tennessee	Approved	06/22/1999
Hawaii	Approved	04/05/1999	Texas	Approved	08/17/1999
Idaho	Approved	06/03/1999	Utah	Approved	06/08/1999
Illinois	Approved	11/02/1999	Vermont	Approved	07/29/1999
Indiana	Approved	06/22/1999	Virgin Islands	Approved	09/25/2006
Iowa	Approved	06/11/1999	Virginia	Approved	03/04/1999
Kansas	Approved	07/14/1999	Washington	Approved	06/03/1999
Kentucky	Approved	06/04/1999	West Virginia	Approved	06/04/1999
Louisiana	Approved	06/28/1999	Wisconsin	Approved	01/03/2000
Maine	Approved	01/04/2000	Wyoming	Approved	08/02/1999
Maryland	Approved	08/16/1999			
Massachusetts	Approved	07/06/1999			
Michigan	Approved	09/02/1999			
Minnesota	Approved	06/10/1999			
Mississippi	Approved	06/18/1999			
Missouri	Approved	06/23/1999			
Montana	Approved	06/21/1999			
Nebraska	Approved	04/05/1999			
Nevada	Approved	06/11/1999			
New Hampshire	Approved	06/03/1999			
New Jersey	Approved	07/29/1999			
New Mexico	Approved	06/14/1999			
New York	Approved	04/01/1999			



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 13 types of businesses.

Types of Business

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Underwriter or selling group participant (corporate securities other than mutual funds)
- Mutual fund retailer
- U S. government securities broker
- Municipal securities broker
- Broker or dealer selling variable life insurance or annuities
- Put and call broker or dealer or option writer
- Investment advisory services
- Broker or dealer selling tax shelters or limited partnerships in primary distributions
- Non-exchange member arranging for transactions in listed securities by exchange member
- Broker or dealer selling interests in mortgages or other receivables
- Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: INSURANCE.

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name: PERSHING LLC

CRD #: 7560

Business Address: 1515 WEST 22ND STREET
#1000
OAKBROOK, IL 60523

Effective Date: 06/04/1999

Description: NEXT FINANCIAL GROUP, INC. IS A FULLY-DISCLOSED, INTRODUCING, BROKER/DEALER, UTILIZING THE CLEARING SERVICES OF:
PERSHING
1515 WEST 22ND STREET (#1000)
OAKBROOK, IL 60523
(800) 627-5387

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: 1515 WEST 22ND STREET
#1000
OAKBROOK, IL 60523
Effective Date: 06/04/1999
Description: NEXT FINANCIAL GROUP, INC. IS A FULLY-DISCLOSED, INTRODUCING,
BROKER/DEALER, UTILIZING THE CLEARING SERVICES OF:
PERSHING
1515 WEST 22ND STREET (#1000)
OAKBROOK, IL 60523
(800) 627-5387

This firm does have accounts, funds, or securities maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: 1515 WEST 2ND STREET
#1000
OAKBROOK, IL 60523
Effective Date: 06/04/1999
Description: NEXT FINANCIAL GROUP, INC. IS A FULLY-DISCLOSED, INTRODUCING,
BROKER/DEALER, UTILIZING THE CLEARING SERVICES OF:
PERSHING
1515 WEST 22ND STREET (#1000)
OAKBROOK, IL 60523
(800) 627-5387

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: PERSHING LLC
CRD #: 7560
Business Address: 1515 WEST 22ND STREE
#1000
OAKBROOK, IL 60523
Effective Date: 06/04/1999

Firm Operations



Industry Arrangements (continued)

Description: NEXT FINANCIAL GROUP, INC. IS A FULLY-DISCLOSED, INTRODUCING, BROKER/DEALER, UTILIZING THE CLEARING SERVICES OF:
PERSHING
1515 WEST 22ND STREET (#1000)
OAKBROOK, IL 60523
(800) 627-5387

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

SCF INVESTMENT ADVISORS, INC. is under common control with the firm.

CRD #:	123608
Business Address:	155 E. SHAW AVE SUITE #102 FRESNO, CA 93710
Effective Date:	04/09/2021
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	Yes
Description:	SCF INVESTMENT ADVISORS, INC. IS 100% OWNED BY SCF HOLDINGS, INC. SCF HOLDINGS, INC. IS 100% OWNED BY AWS 9, INC. AWS 9, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS, INC.

SCF SECURITIES, INC. is under common control with the firm.

CRD #:	47275
Business Address:	155 E. SHAW AVE SUITE 102 FRESNO, CA 93710
Effective Date:	04/09/2021
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No

Firm Operations



Organization Affiliates (continued)

Description: SCF SECURITIES, INC. IS 100% OWNED BY SCF HOLDINGS, INC. SCF HOLDINGS, INC. IS 100% OWNED BY AWS 9, INC.
AWS 9, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS, INC.

WESTERN INTERNATIONAL SECURITIES, INC. is under common control with the firm.

CRD #: 39262

Business Address: 70 S. LAKE AVE SUITE 700
PASADENA, CA 91101

Effective Date: 04/30/2020

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: WESTERN INTERNATIONAL SECURITIES INC. IS 100% OWNED BY CONCEPT BROKERAGE HOLDING CORPORATION. CONCEPT BROKERAGE HOLDING CORPORATION IS 100% OWNED BY AWS 7, INC.
AWS 7, INC. IS 100% OWNED BY ATRIA WEALTH SOLUTIONS INC.

CADARET, GRANT & CO., INC. is under common control with the firm.

CRD #: 10641

Business Address: ONE LINCOLN CENTER
110 W. FAYETTE STREET, 5TH FLOOR
SYRACUSE, NY 13202

Effective Date: 05/31/2019

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: Yes

Description: ATRIA WEALTH SOLUTIONS, INC. PARENT COMPANY OF AWS 5, INC. ALSO OWNS 100 OF AWS 4, INC. WHICH OWNS 100% OF CADARET, GRANT & CO., INC.

SORRENTO PACIFIC FINANCIAL, LLC is under common control with the firm.

Firm Operations



Organization Affiliates (continued)

CRD #: 127787
Business Address: 10150 MEANLY DRIVE, 1ST FLOOR
 SAN DIEGO, CA 92131
Effective Date: 05/31/2019
Foreign Entity: No
Country:
Securities Activities: Yes
Investment Advisory Activities: Yes
Description: ATRIA WEALTH SOLUTIONS, INC. PARENT COMPANY OF AWS 5, INC. ALSO OWNS 100% OF AWS 3, INC. WHICH OWNS 100% OF SORRENTO PACIFIC FINANCIAL, LLC

CUSO FINANCIAL SERVICES, L.P. is under common control with the firm.

CRD #: 42132
Business Address: 10150 MEANLY DRIVE, 1ST FLOOR
 SAN DIEGO, CA 92131
Effective Date: 05/31/2019
Foreign Entity: No
Country:
Securities Activities: Yes
Investment Advisory Activities: Yes
Description: ATRIA WEALTH SOLUTIONS, INC. PARENT COMPANY OF AWS 5, INC. ALSO OWNS 100% OF AWS 3, INC. WHICH OWNS 100% OF CUSO FINANCIAL SERVICES, L.P.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union

Firm Operations



Organization Affiliates (continued)

- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	26	0
Arbitration	N/A	3	N/A
Bond	N/A	3	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - § A "pending" event involves allegations that have not been proven or formally adjudicated.
 - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - § A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 26

Reporting Source: Regulator
Current Status: Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO DETECT AND PREVENT UNSUITABLE SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS IN CUSTOMER ACCOUNTS AND OVER-CONCENTRATION OF CUSTOMER ACCOUNTS IN PUERTO RICAN MUNICIPAL BONDS. THE FINDINGS STATED THAT THIS MATTER ORIGINATED FROM A TIP TO FINRA, A CUSTOMER ARBITRATION FILED AGAINST THE FIRM, AND AN EXAMINATION OF THE FIRM. THE FINDINGS ALSO STATED THAT THE FIRM'S AUTOMATED SURVEILLANCE SYSTEM TO IDENTIFY AND FLAG FOR REVIEW CLASS A SHARE SWITCHES WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FINRA RULES BECAUSE IT DID NOT PROVIDE CRITICAL DATA TO ASSIST THE SUPERVISORS IN EVALUATING THE TRANSACTIONS FOR SUITABILITY. IN ADDITION, WHEN THE SYSTEM FLAGGED A SWITCH TRANSACTION, THE FIRM PROVIDED SUPERVISORS WITH NO GUIDANCE THROUGH ITS WSPS TO ASSIST IN EVALUATING THE SUITABILITY OF THE SWITCH AND NO INFORMATION REGARDING APPROPRIATE HOLDING PERIODS FOR CLASS A SHARES. AFTER UPDATES TO THE WSPS, THE CRITERIA TO BE USED BY SUPERVISORS WAS VAGUE AND DID NOT PROVIDE SUFFICIENT GUIDANCE. THE FIRM ALLOWED SUPERVISORS TO CLEAR INDIVIDUAL ALERTS AFTER OBTAINING AN EXPLANATION FROM THE REGISTERED REPRESENTATIVE, WITHOUT ANY FURTHER INVESTIGATION. THIS INCLUDED INSTANCES IN WHICH RED FLAGS SHOULD HAVE PUT SUPERVISORS ON NOTICE THAT THE EXPLANATIONS WERE INCOMPLETE OR INACCURATE. ADDITIONALLY, THE WSPS DID NOT DISCUSS SUITABILITY REVIEWS SPECIFIC TO MUNICIPAL BONDS, ADDRESS OR PROVIDE ANY GUIDANCE REGARDING HOLDING PERIODS FOR MUNICIPAL BONDS, OR ADDRESS FACTORS TO BE CONSIDERED IN DETERMINING APPROPRIATE LEVELS OF CONCENTRATION OR PROVIDE ANY OTHER ADDITIONAL SUITABILITY GUIDANCE THAT ASSIST SUPERVISORS IN ANALYZING THE SUITABILITY OF MUNICIPAL BONDS. AS A RESULT, THE FIRM FAILED TO DETECT AND REASONABLY RESPOND TO RED FLAGS IN THE TRADING OF A SPECIFIC BROKER PRIOR TO CUSTOMERS INCURRING SIGNIFICANT LOSSES. THESE RED FLAGS INCLUDED SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS, AS WELL AS OVER-CONCENTRATION OF PUERTO RICAN MUNICIPAL BONDS IN CUSTOMER ACCOUNTS, THAT RESULTED IN CUSTOMERS INCURRING UNNECESSARY SALES CHARGES TOTALING APPROXIMATELY \$925,000 AND LOSSES OF APPROXIMATELY \$4.1 MILLION. THE FIRM PERFORMED A REVIEW OF THE BROKER'S SWITCHING ACTIVITY AFTER AN EMPLOYEE RAISED QUESTIONS ABOUT HIS TRADING. THE REVIEW HIGHLIGHTED THE FACT THAT THE BROKER WAS MOVING HIS CUSTOMERS IN AND OUT OF MUTUAL FUNDS AND PUERTO RICAN MUNICIPAL BONDS. WHEN THE



BROKER WAS QUESTIONED REGARDING THE ACTIVITY, HE GAVE MISLEADING EXPLANATIONS TO JUSTIFY THE ACTIVITY AND NO FURTHER REVIEW OF THE TRANSACTIONS WAS CONDUCTED. THE FIRM'S FAILURE TO CONDUCT A FURTHER REVIEW TO VERIFY THE BROKER'S EXPLANATIONS WAS NOT REASONABLE GIVEN THE INCONSISTENCY OF THOSE EXPLANATIONS WITH THE MULTITUDE OF RED FLAGS IN THE CUSTOMERS' ACCOUNT INFORMATION AND IN THE FIRM'S BLOTTER. THE FIRM DID NOT ADDRESS THE RED FLAGS ASSOCIATED WITH THE TRANSACTIONS AGAIN UNTIL AFTER ARBITRATIONS WERE FILED BY CUSTOMERS REGARDING BOTH THE CLASS A SHARE AND PUERTO RICAN MUNICIPAL BOND TRANSACTIONS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLE SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES TO TEST AND VERIFY ITS SURVEILLANCE SYSTEMS. ALTHOUGH THE FIRM PERFORMED ANNUAL TESTS OF ITS SUPERVISORY PROCEDURES AND CREATED A REPORT REGARDING THOSE TESTS, THE TESTS WERE NOT REASONABLY DESIGNED. NONE OF THESE TESTS EXAMINED WHETHER THE SYSTEM TO SUPERVISE TWO ACTIVE BUSINESS LINES - MUTUAL FUNDS AND MUNICIPAL BONDS - WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA AND MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) SUITABILITY RULES. AS A RESULT OF THE MISCONDUCT, THE FIRM VIOLATED MSRB RULES G-27(B), (C), AND (F).

Initiated By: FINRA

Date Initiated: 07/13/2021

Docket/Case Number: [2019063058701](#)

Principal Product Type: Mutual Fund(s)

Other Product Type(s): MUNICIPAL BONDS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/13/2021

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No



Sanctions Ordered: Censure
Monetary/Fine \$750,000.00

Other Sanctions Ordered: THE FIRM SHALL CERTIFY IN WRITING TO FINRA THAT THE FIRM HAS IMPLEMENTED SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ADDRESS UNSUITABLE SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS IN CUSTOMER ACCOUNTS AND OVER-CONCENTRATION OF CUSTOMER ACCOUNTS IN PUERTO RICAN MUNICIPAL BONDS.

Sanction Details: THE FIRM WAS CENSURED, FINED \$750,000, AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES (WSPS).

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO DETECT AND PREVENT UNSUITABLE SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS IN CUSTOMER ACCOUNTS AND OVER-CONCENTRATION OF CUSTOMER ACCOUNTS IN PUERTO RICAN MUNICIPAL BONDS. AS A RESULT, THE FIRM FAILED TO DETECT AND REASONABLY RESPOND TO RED FLAGS IN THE TRADING OF A SPECIFIC BROKER PRIOR TO CUSTOMERS INCURRING SIGNIFICANT LOSSES. THESE RED FLAGS INCLUDED SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS, AS WELL AS OVER-CONCENTRATION OF PUERTO RICAN MUNICIPAL BONDS IN CUSTOMER ACCOUNTS, THAT RESULTED IN CUSTOMERS INCURRING UNNECESSARY SALES CHARGES TOTALING APPROXIMATELY \$925,000 AND LOSSES OF APPROXIMATELY \$4.1 MILLION. THE FIRM PERFORMED A REVIEW OF THE BROKER'S SWITCHING ACTIVITY AFTER AN EMPLOYEE RAISED QUESTIONS ABOUT HIS TRADING. WHEN THE BROKER WAS QUESTIONED REGARDING THE ACTIVITY, HE GAVE MISLEADING EXPLANATIONS TO JUSTIFY THE ACTIVITY. THE FIRM'S FAILURE TO CONDUCT A FURTHER REVIEW TO VERIFY THE BROKER'S EXPLANATIONS WAS NOT REASONABLE GIVEN THE INCONSISTENCY OF THOSE EXPLANATIONS WITH THE MULTITUDE OF RED FLAGSTHE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A REASONABLE SYSTEM OF SUPERVISORY CONTROL POLICIES AND PROCEDURES TO TEST AND VERIFY ITS SURVEILLANCE SYSTEMS. ALTHOUGH THE FIRM PERFORMED ANNUAL TESTS OF ITS SUPERVISORY PROCEDURES AND CREATED A REPORT REGARDING THOSE TESTS, THE TESTS WERE NOT REASONABLY



DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA AND MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) SUITABILITY RULES. AS A RESULT OF THE MISCONDUCT, THE FIRM VIOLATED MSRB RULES G-27(B), (C), AND (F).

Initiated By:	FINRA
Date Initiated:	07/13/2021
Docket/Case Number:	2019063058701
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	MUNICIPAL BONDS
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	07/13/2021
Sanctions Ordered:	Censure Monetary/Fine \$750,000.00
Other Sanctions Ordered:	THE FIRM SHALL CERTIFY IN WRITING TO FINRA THAT THE FIRM HAS IMPLEMENTED SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ADDRESS UNSUITABLE SHORT-TERM TRADING OF MUTUAL FUNDS AND MUNICIPAL BONDS IN CUSTOMER ACCOUNTS AND OVER-CONCENTRATION OF CUSTOMER ACCOUNTS IN PUERTO RICAN MUNICIPAL BONDS.
Sanction Details:	THE FIRM WAS CENSURED, FINED \$750,000, AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES (WSPS).
Firm Statement	THE FIRM TERMINATED ITS RELATIONSHIP WITH THE BROKER IN QUESTION IN SEPTEMBER 2019 AND HAS RESOLVED ALL CUSTOMER COMPLAINTS AND ARBITRATIONS RELATED TO THE MATTER.

Disclosure 2 of 26

Reporting Source:	Firm
Current Status:	Final
Allegations:	FAILURE TO TIMELY REPORT TO THE DEPARTMENT A FINRA AWC IN JANUARY 2018 AND A SEC ORDER IN APRIL 2019



Initiated By: INDIANA DEPARTMENT OF INSURANCE
Date Initiated: 12/21/2020
Docket/Case Number: 18866-AG19-1218-206
Principal Product Type: Insurance
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Order
Resolution Date: 12/21/2020
Sanctions Ordered: Monetary/Fine \$7,500.00
Other Sanctions Ordered: SUBMIT A CORRECTIVE ACTION PLAN AND FOR 2 YEARS CONDUCT BRANCH EXAMS THAT INCLUDE A REVIEW OF REPRESENTATIVE BANK STATEMENTS AND SAMPLE CUSTOMER FILES AND TRANSACTIONS AND, UPON REQUEST, PROVIDE A SUMMARY OF A RANDOM SAME OF SUCH EXAMS TO THE DEPARTMENT
Sanction Details: FINE OF \$7,500.00 WAS PAID 1/13/2021
Firm Statement FAILURE TO TIMELY REPORT TO THE DEPARTMENT A FINRA AWC IN JANUARY 2018 AND A SEC ORDER IN APRIL 2019

Disclosure 3 of 26

Reporting Source: Regulator
Current Status: Pending
Allegations: THE FIRM VIOLATED 21VAC-5-20-260 BY OFFERING AND SELLING AN INVESTMENT TO A CLIENT WHO DID NOT MEET THE AGE AND CONCENTRATION GUIDELINES OF ITS WRITTEN SUPERVISORY PROCEDURES AND 21VAC5-20-280A3 FOR RECOMMENDING AN UNSUITABLE PRODUCT.
Initiated By: VIRGINIA STATE CORPORATION COMMISSION
Date Initiated: 05/01/2020
Docket/Case Number: SEC-2020-00006
URL for Regulatory Action: [HTTPS://SCC.VIRGINIA.GOV/DOCKETSEARCH#/CASEDETAILS/140531](https://SCC.VIRGINIA.GOV/DOCKETSEARCH#/CASEDETAILS/140531)



Principal Product Type: Direct Investment(s) - DPP & LP Interest(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: RESTITUTION

Resolution: Settled

Resolution Date: 05/01/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHIN 60 DAYS OF THE SETTLEMENT ORDER THE FIRM WILL PURCHASE THE INVESTMENT FROM THE CLIENT FOR \$40,0000 AND WITHIN 90 DAYS OF THE SETTLEMENT ORDER THE FIRM WILL PROVIDE PROOF OF THE PURCHASE TO THE DIVISION.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM VIOLATED 21VAC-5-20-260 BY OFFERING AND SELLING AN ALTERNATIVE INVESTMENT TO A CLIENT IN FEBRUARY 2010 WHO DID NOT MEET THE AGE AND CONCENTRATION GUIDELINES OF ITS WRITTEN SUPERVISORY PROCEDURES AND 21VAC5-20-280A3 FOR RECOMMENDING AN UNSUITABLE PRODUCT.

Initiated By: VIRGINIA STATE CORPORATION COMMISSION

Date Initiated: 05/01/2020

Docket/Case Number: SEC-2020-00006

Principal Product Type: Direct Investment(s) - DPP & LP Interest(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought: RESTITUTION

Resolution: Settled

Resolution Date: 05/01/2020

Sanctions Ordered: Monetary/Fine \$5,000.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: PAYMENT OF \$5,000 TO DEFRAY COSTS OF INVESTIGATION.

Sanction Details: WITHIN 60 DAYS OF THE SETTLEMENT ORDER THE FIRM WILL PURCHASE THE INVESTMENT FROM THE CLIENT FOR \$40,0000 AND WITHIN 90 DAYS OF THE SETTLEMENT ORDER THE FIRM WILL PROVIDE PROOF OF THE PURCHASE TO THE DIVISION.

Disclosure 4 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: FROM JANUARY 1, 2014 THROUGH DECEMBER 31, 2018, AN AGENT OF NEXT FINANCIAL GROUP, INC. ("RESPONDENT") USED A TRADING STRATEGY THAT INCLUDED SHORT-TERM TRADING IN CLASS A MUTUAL FUND SHARES. THE AGENT'S USE OF THE STRATEGY RESULTED IN THE AGENT'S CUSTOMERS INCURRING SIGNIFICANT EXPENSES AS A RESULT OF HIGH FRONT-END FEES. RESPONDENT'S SUPERVISION OF THE AGENT AND THE AGENT'S TRADING DID NOT INCLUDE ADEQUATE FOLLOW-UP TO INVESTIGATE OR PREVENT AGENT'S SHORT-TERM TRADING OF CLASS A MUTUAL FUND SHARES IN CUSTOMERS' ACCOUNTS AS REQUIRED BY RESPONDENT'S WRITTEN SUPERVISORY PROCEDURES. RESPONDENT HAS AGREED TO REFUND \$500,000 TO CUSTOMERS AS WELL AS PAY AN ADMINISTRATIVE FINE OF \$100,000 FOR RESPONDENT'S FAILURE TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES.

Initiated By: TEXAS

Date Initiated: 02/13/2020

Docket/Case Number: IC20-CAF-01

URL for Regulatory Action:

Principal Product Type: Mutual Fund(s)

Other Product Type(s):



Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: REPRIMAND

Resolution: Order

Resolution Date: 02/13/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$100,000.00

Other Sanctions Ordered: REPRIMAND, UNDERTAKING

Sanction Details: IT IS ORDERED THAT NEXT FINANCIAL GROUP, INC IS HEREBY REPRIMANDED. IT IS FURTHER ORDERED THAT NEXT FINANCIAL GROUP, INC COMPLY WITH THE TERMS OF THE UNDERTAKING. IT IS FURTHER ORDERED THAT NEXT FINANCIAL GROUP, INC PAY AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$100,000 TO THE GENERAL FUND OF THE STATE OF TEXAS WITHIN FIVE BUSINESS DAYS OF THE ENTRY OF THE ORDER.

Reporting Source: Firm

Current Status: Final

Allegations: FIRM'S SUPERVISION OF A REGISTERED REPRESENTATIVES AND THE REPRESENTATIVE'S TRADING IN CUSTOMERS' ACCOUNTS DID NOT INCLUDE ADEQUATE FOLLOW-UP TO INVESTIGATE OR PREVENT THE REPRESENTATIVE'S SHORT-TERM TRADING OF CLASS A MUTUAL FUND SHARES IN CUSTOMERS' ACCOUNTS AS REQUIRED BY FIRM'S WRITTEN SUPERVISORY PROCEDURES.

Initiated By: TEXAS STATE SECURITIES BOARD

Date Initiated: 02/13/2020

Docket/Case Number: IC20-CAF-01

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)



Other Sanction(s)/Relief Sought:	REPRIMAND
Resolution:	Order
Resolution Date:	02/13/2020
Sanctions Ordered:	Monetary/Fine \$100,000.00
Other Sanctions Ordered:	REPRIMAND, UNDERTAKING
Sanction Details:	THE UNDERTAKING REQUIRES THE FIRM TO REFUND \$500,000 IN SALES CHARGES TO CUSTOMERS. THE FINE WAS PAID ON 02/13/2020.
Firm Statement	BETWEEN 2014 THROUGH 2018 A REGISTERED REPRESENTATIVE OF THE FIRM USED A TRADING STRATEGY THAT INCLUDED SHORT-TERM TRADING IN CLASS A MUTUAL FUND SHARES. THE REPRESENTATIVE'S USE OF THE STRATEGY RESULTED IN THE REPRESENTATIVE'S CUSTOMERS INCURRING SIGNIFICANT EXPENSES AS A RESULT OF THE FRONT-END FEES OF CLASS A MUTUAL FUND SHARES. THE FIRM'S SUPERVISION OF THE REPRESENTATIVE AND THE REPRESENTATIVE'S TRADING IN CUSTOMERS' ACCOUNTS DID NOT INCLUDE ADEQUATE FOLLOW-UP TO INVESTIGATE OR PREVENT THE REPRESENTATIVE'S SHORT-TERM TRADING OF CLASS A MUTUAL FUND SHARES IN CUSTOMERS' ACCOUNTS AS REQUIRED BY THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. TO RESOLVE THE MATTER, THE FIRM, WITHOUT ADMITTING OR DENYING LIABILITY, AGREED TO REFUND \$500,000 TO CUSTOMERS AND PAY AN ADMINISTRATIVE FINE OF \$100,000.

Disclosure 5 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>A. NEXT SOLD NON-TRADED REITS TO A NUMBER OF CLIENTS OVER THE AGE OF 80 WHEN NEXT'S POLICIES AND PROCEDURES DISCOURAGE SUCH SALES.</p> <p>B. NEXT SOLD NON-TRADED REITS TO A NUMBER OF CLIENTS IN EXCESS OF CONCENTRATION GUIDELINES FOR AGGREGATE AI HOLDINGS OUTLINED IN NEXT' S POLICIES AND PROCEDURES WITHOUT ANY SUBSTANTIVE EXPLANATION OR ANALYSIS OF WHY SUCH SALES WOULD BE SUITABLE FOR THE CLIENTS IN QUESTION.</p> <p>C. NEXT SOLD NON-TRADED REITS TO A NUMBER OF CLIENTS IN EXCESS OF PRODUCT-SPECIFIC CONCENTRATION GUIDELINES OUTLINED IN</p>



NEXT'S POLICIES AND PROCEDURES WITHOUT ANY SUBSTANTIVE EXPLANATION OR ANALYSIS OF WHY SUCH SALES WOULD BE SUITABLE FOR THE CLIENTS IN QUESTION.

D. NEXT SOLD NON-TRADED REITS TO A NUMBER OF CLIENTS THAT DID NOT HAVE THE ANNUAL INCOME REQUIRED BY EACH REIT' S PROSPECTUS.

E. NEXT SOLD NON-TRADED REITS TO A NUMBER OF CLIENTS THAT DID NOT HAVE THE REQUISITE RISK PROFILE FOR SUCH A PRODUCT AS OUTLINED IN NEXT'S POLICIES AND PROCEDURES

Initiated By: NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION

Date Initiated: 11/01/2017

Docket/Case Number: 1-2017000030

URL for Regulatory Action: [HTTPS://SOS.NH.GOV/ENFORCEACT.ASPX](https://sos.nh.gov/enforceact.aspx)

Principal Product Type: Other

Other Product Type(s): REAL ESTATE INVESTMENT TRUSTS ("REITS")

Principal Sanction(s)/Relief Sought: Restitution

Other Sanction(s)/Relief Sought: CEASE AND DESIST FROM FURTHER VIOLATIONS, PUT AGENT ON HEIGHTENED SUPERVISION, REPORT TO BUREAU IF FURTHER COMPLAINTS ARE RECEIVED AGAINST AGENT.

Resolution: Consent

Resolution Date: 12/31/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: HEIGHTENED SUPERVISION FOR AGENT AND FORWARDING FURTHER COMPLAINTS AGAINST AGENT TO BUREAU.

Sanction Details: TOTAL AMOUNT OF RESTITUTION IS TO BE DETERMINED.



Reporting Source: Firm

Current Status: Final

Allegations: BETWEEN 2009 AND 2016 THE FIRM APPROVED RECOMMENDATIONS OF THE SALE OF NON-TRADED REITS TO A NUMBER OF NEW HAMPSHIRE INVESTORS THAT (A) EXCEEDED THE FIRM'S AGGREGATE OR PRODUCT SPECIFIC PORTFOLIO CONCENTRATION GUIDELINES FOR NON-TRADED REITS, (B) FAILED TO COMPLY WITH INVESTOR-INCOME THRESHOLDS FOR THE PURCHASE OF SUCH PRODUCTS, (C) WERE MADE TO A CLIENT OVER THE AGE OF 80, OR (D) WERE MADE TO A CLIENT WHO DID NOT HAVE THE REQUIRED RISK PROFILE FOR SUCH PRODUCTS.

Initiated By: NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION

Date Initiated: 11/01/2017

Docket/Case Number: 1-2017000030

Principal Product Type: Options

Other Product Type(s): REAL ESTATE INVESTMENT TRUSTS ("REITS")

Principal Sanction(s)/Relief Sought: Restitution

Other Sanction(s)/Relief Sought: CEASE AND DESIST FROM FURTHER VIOLATIONS, PUT AGENT ON HEIGHTENED SUPERVISION, REPORT TO BUREAU IF FURTHER COMPLAINTS ARE RECEIVED AGAINST AGENT.

Resolution: Consent

Resolution Date: 12/31/2019

Sanctions Ordered: Monetary/Fine \$235,000.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: HEIGHTENED SUPERVISION FOR AGENT AND FORWARDING FURTHER COMPLAINTS AGAINST AGENT TO BUREAU.

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM AGREED TO PAY A FINE OF \$235,000 AND COSTS OF INVESTIGATION OF \$90,000, TO OFFER REMEDIATION TO 77 NEW HAMPSHIRE INVESTORS, AND PLACE THE REGISTERED REPRESENTATIVE INVOLVED ON HEIGHTENED SUPERVISION. TOTAL AMOUNT OF RESTITUTION TO BE DETERMINED. FINE WAS PAID 12/24/2019.

Disclosure 6 of 26

Reporting Source: Regulator



Current Status: Final
Allegations: NEXT FAILED TO SUPERVISE AN AGENT THAT OVER CONCENTRATED CUSTOMERS IN NON-TRADED REITS.
Initiated By: MASSACHUSETTS
Date Initiated: 12/20/2019
Docket/Case Number: E-2017-0079
URL for Regulatory Action:
Principal Product Type: Other
Other Product Type(s): NON-TRADED REITS
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought: CEASE AND DESIST
 CENSURE
 RESCISSION
 THIRD PARTY REVIEW OF WSPS
Resolution: Consent
Resolution Date: 12/20/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$150,000.00
 Cease and Desist/Injunction
Other Sanctions Ordered: THIRD-PARTY REVIEW OF WSPS.
Sanction Details: ADMINISTRATIVE FINE: \$150,000.00
 RESTITUTION: APPROX. \$24,000.00
 13 OFFERS OF RESCISSION

Reporting Source: Firm
Current Status: Final
Allegations: BETWEEN JANUARY 2007 AND DECEMBER 2017 THE FIRM APPROVED THE SALE OF NON-TRADED REITS BY A REGISTERED REPRESENTATIVE THAT



EXCEEDED THE FIRM'S AGGREGATE OR PRODUCT SPECIFIC LIQUID NET WORTH CONCENTRATION GUIDELINES FOR NON-TRADED REITS.

Initiated By: MASSACHUSETTS

Date Initiated: 12/20/2019

Docket/Case Number: E-2017-0079

Principal Product Type: Other

Other Product Type(s): NON-TRADED REITS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CEASE AND DESIST CENSURE RESCISSION FIRM REVIEW OF WSPS

Resolution: Consent

Resolution Date: 12/20/2019

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00
Cease and Desist/Injunction

Other Sanctions Ordered: FIRM REVIEW OF WSPS

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM AGREED TO A CENSURE, A FINE OF \$150,000, TO MAKE WRITTEN OFFERS OF RESCISSION OR RESTITUTION TO TEN CUSTOMERS WHO PURCHASED NON-TRADED REITS, AND TO REVIEW ITS WRITTEN SUPERVISORY PROCEDURES IN CONNECTION WITH THE SALE OF NON-TRADED REITS AND SUBMIT A REPORT WITH THE FIRM'S CONCLUSIONS AND ANY RECOMMENDED CHANGES. FINE WAS PAID 12/31/2019.

Disclosure 7 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: IA RELEASE 5163, MARCH 11, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST NEXT FINANCIAL GROUP, INC. ("RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BREACHES OF FIDUCIARY DUTY AND INADEQUATE DISCLOSURES BY THE RESPONDENT IN CONNECTION WITH ITS MUTUAL FUND SHARE CLASS



SELECTION PRACTICES AND THE FEES IT RECEIVED. AT TIMES DURING THE RELEVANT PERIOD, RESPONDENT 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 THE CLIENTS WERE ELIGIBLE. RESPONDENT RECEIVED 12B-1 FEES IN CONNECTION WITH THESE INVESTMENTS. RESPONDENT FAILED TO DISCLOSE IN ITS FORM ADV OR OTHERWISE THE CONFLICTS OF INTEREST RELATED TO (A) ITS RECEIPT OF 12B-1 FEES, AND/OR (B) ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. DURING THE RELEVANT PERIOD, RESPONDENT RECEIVED 12B-1 FEES FOR ADVISING CLIENTS TO INVEST IN OR HOLD SUCH MUTUAL FUND SHARE CLASSES. AS A RESULT OF THE CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTIONS 206(2) AND 207 OF THE ADVISERS ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 03/11/2019

Docket/Case Number: 3-19066

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought: N/A

Resolution: Order

Resolution Date: 03/11/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? Yes

Sanctions Ordered: Censure
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: UNDERTAKINGS AND PREJUDGMENT INTEREST

Sanction Details: THE RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 207 OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,241,907.77 AND PREJUDGMENT



INTEREST OF \$163,442.12, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Regulator Statement

RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. RESPONDENT SELF-REPORTED TO THE COMMISSION THE VIOLATIONS DISCUSSED IN THIS ORDER PURSUANT TO THE DIVISION OF ENFORCEMENT'S SHARE CLASS SELECTION DISCLOSURE INITIATIVE ("SCSD INITIATIVE"). ACCORDINGLY, THIS ORDER AND RESPONDENT'S OFFER ARE BASED ON THE INFORMATION SELF-REPORTED BY RESPONDENT.

Reporting Source: Firm

Current Status: Final

Allegations: THE SEC 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 INTERESTS RELATED TO THE RECEIPT OF 12B-1 FEES AND ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. AS A RESULT OF THE CONDUCT DESCRIBED, THE SEC ALLEGES THAT NEXT WILLFULLY VIOLATED SECTIONS 206(2) AND 207 OF THE INVESTMENT ADVISERS ACT OF 1940.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 03/11/2019

Docket/Case Number: 3-19066

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 03/11/2019



Sanctions Ordered:	Censure Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS AND PREJUDGMENT INTEREST
Sanction Details:	THE RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 207 OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,241,907.77 AND PREJUDGMENT INTEREST OF \$163,442.12, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.
Firm Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. RESPONDENT SELF-REPORTED TO THE COMMISSION THE VIOLATIONS DISCUSSED IN THIS ORDER PURSUANT TO THE DIVISION OF ENFORCEMENT'S SHARE CLASS SELECTION DISCLOSURE INITIATIVE ("SCSD INITIATIVE"). ACCORDINGLY, THIS ORDER AND RESPONDENT'S OFFER ARE BASED ON THE INFORMATION SELF-REPORTED BY RESPONDENT.

Disclosure 8 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND IMPLEMENT A SUPERVISORY SYSTEM REASONABLY DESIGNED TO DETECT AND ADDRESS EXCESSIVELY TRADED ACCOUNTS.</p> <p>THE FINDINGS STATED THAT THE SUPERVISORY FAILINGS RESULTED FROM THE INADEQUATE CORRECTIVE ACTION TAKEN BY THE FIRM IN RESPONSE TO PRIOR FINRA DISCIPLINARY ACTIONS THAT INCLUDED A FAILURE TO USE EXCEPTION REPORTS OR ANY OTHER REASONABLY DESIGNED SYSTEM TO DETECT EXCESSIVE TRADING. IN ADDITION, THE FIRM FAILED TO IDENTIFY EXCESSIVE TRADING DUE TO LACK OF CLARITY REGARDING SUPERVISORY RESPONSIBILITIES.</p> <p>THEREBY, BETWEEN JANUARY 1, 2014, AND DECEMBER 31, 2015, A FIRM REPRESENTATIVE ENGAGED IN EXCESSIVE TRADING IN A CUSTOMER'S ACCOUNTS. THE PERIOD OF THE EXCESSIVE TRADING INCLUDED THE ENTIRE 14 MONTHS THAT THE FIRM'S SURVEILLANCE DEPARTMENT FAILED TO REVIEW THE ACTIVE TRADING EXCEPTION REPORTS. THE</p>



TRADING OF THE REPRESENTATIVE GENERATED TOTAL GROSS COMMISSIONS OF \$147,718, AND DURING THIS SAME PERIOD, THE CUSTOMER'S ACCOUNTS EXPERIENCED LOSSES OF \$391,893. THE CUSTOMER WAS IN HER 60S, HAD AN INVESTMENT OBJECTIVE TO FOCUS ON GENERATING INCOME, HAD AN ANNUAL INCOME OF \$60,000, AND HAD A CONSERVATIVE TO MODERATE RISK TOLERANCE. AS REFLECTED BY THE COST-TO-EQUITY RATIOS, THE CUSTOMER'S IRA ACCOUNT WOULD NEED TO RETURN 23.2 PERCENT TO BREAK EVEN, AND HER SECOND ACCOUNT WOULD NEED TO RETURN 20.02 PERCENT TO AVOID LOSSES. GIVEN THE CUSTOMER'S AGE AND CONSERVATIVE RISK TOLERANCE, REQUIRING A MINIMUM RETURN OF 20 TO 23 PERCENT WAS UNSUITABLE FOR THESE ACCOUNTS. THE FIRM, HOWEVER, FAILED TO ADDRESS THE ACTIVITY UNTIL 2016 DUE TO FLAWS IN ITS SUPERVISORY SYSTEM. THE FIRM DID NOT REASONABLY SUPERVISE THE REPRESENTATIVE'S EXCESSIVE TRADING ACTIVITY DUE TO THE LACK OF EXCEPTION REPORT CREATION, LACK OF EXCEPTION REPORT REVIEW, AND LACK OF CLARITY REGARDING ESCALATION. HOWEVER, BECAUSE OF AN INVESTIGATION THAT OCCURRED IN CONNECTION WITH THE CUSTOMER'S COMPLAINT, THE FIRM TERMINATED THIS REPRESENTATIVE AND SETTLED WITH THE CUSTOMER FOR \$386,646. IF THE FIRM HAD INSTITUTED REASONABLY DESIGNED PROCEDURES TO ENSURE BRANCH AUDITS WERE COMPLETED AND FINDINGS OF EXCESSIVE TRADING ACTED UPON, IT COULD HAVE PREVENTED THE EXCESSIVE TRADING BY THE REPRESENTATIVE IN THE CUSTOMER'S ACCOUNT.

THE FINDINGS ALSO STATED THAT ALTHOUGH VARIABLE ANNUITY (VA) SALES ACCOUNTED FOR A SIGNIFICANT PERCENTAGE OF THE FIRM'S OVERALL BUSINESS, THE FIRM FAILED TO IMPLEMENT A SUPERVISORY SYSTEM AND PROCEDURES REASONABLY DESIGNED TO ENSURE APPROPRIATE SUITABILITY DETERMINATIONS IN ITS VA SALES, INCLUDING L-SHARE CONTRACTS.

FINRA MADE FINDINGS IN A PREVIOUS SETTLEMENT THAT THE FIRM DID NOT PROVIDE REASONABLE SUPERVISION OF VA TRANSACTIONS. DESPITE THE DEFICIENCIES FOUND BY FINRA, THE FIRM'S SUPERVISION OF VA SALES CONTINUED TO BE DEFICIENT. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SYSTEMATIC SURVEILLANCE PROCEDURES TO IDENTIFY POSSIBLE INAPPROPRIATE RATES OF VA EXCHANGES. THE FIRM ALSO FAILED TO ENFORCE ITS EXISTING PROCEDURES RELATING TO THE SUITABILITY REVIEW OF VA TRANSACTIONS. THE FINDINGS ALSO INCLUDED THAT THE FIRM LACKED A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ENSURE THAT INFORMATION INCLUDED ON CONSOLIDATED REPORTS PROVIDED TO CUSTOMERS WAS ACCURATE. THE SUPERVISORY SYSTEM WAS INADEQUATE AND THE FIRM FAILED TO ENFORCE THE PROCEDURES. FINRA FOUND THAT THE FIRM OMITTED MATERIAL FACTS FROM ITS WEBSITE THAT CAUSED ITS COMMUNICATIONS WITH THE PUBLIC TO BE



MISLEADING. IN CONNECTION WITH THIS CONDUCT, THE FIRM FAILED TO HAVE SUPERVISORY PROCEDURES REASONABLY DESIGNED TO DETECT AND MONITOR FOR MISLEADING COMMUNICATIONS ON ITS WEBSITE. FINRA ALSO FOUND THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE A SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE RELATING TO NON-CASH COMPENSATION.

Initiated By: FINRA

Date Initiated: 12/06/2017

Docket/Case Number: [2015043319901](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/06/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$750,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$750,000 AND REQUIRED TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THE AWC. FINES PAID IN FULL ON DECEMBER 14, 2017.

Reporting Source: Firm

Current Status: Final



Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF FINDINGS THAT FROM AUGUST 2012 THROUGH SEPTEMBER 2015, IT FAILED TO HAVE ADEQUATE EXCEPTION REPORTS TO DETECT EXCESSIVE TRADING, FAILED TO PERFORM A REVIEW OF THOSE REPORTS FOR AN EXTENDED PERIOD, AND ALLOWED EXCESSIVE TRADING BY A FIRM REPRESENTATIVE TO OCCUR BETWEEN JANUARY 1, 2014, AND DECEMBER 31, 2015, DUE TO INADEQUATE OVERSIGHT. IN ADDITION, THE FINDINGS STATED THAT, BETWEEN AUGUST 2012 AND APRIL 2014, THE FIRM HAD DEFICIENCIES IN ITS SUPERVISORY PROCEDURES PERTAINING TO THE SALE OF MULTI-SHARE CLASS VARIABLE ANNUITIES AND VARIABLE ANNUITY EXCHANGES. THE FINDINGS ALSO STATED 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.
Initiated By:	FINRA
Date Initiated:	12/06/2017
Docket/Case Number:	2015043319901
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/06/2017
Sanctions Ordered:	Censure Monetary/Fine \$750,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	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. FINE WAS PAID 12/21/2017.



Disclosure 9 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	FAILURE TO SUPERVISE FORMER BROKER-DEALER AGENT, JOSHUA RAY ABERNATHY, WHO SOLICITED AND MISAPPROPRIATED CLIENT FUNDS FROM AT LEAST NINE(9)INVESTORS, WHILE ASSOCIATED WITH NEXT FINANCIAL.
Initiated By:	VIRGINIA STATE CORPORATION COMMISSION
Date Initiated:	09/21/2017
Docket/Case Number:	SEC-2017-00033
URL for Regulatory Action:	HTTP://WWW.SCC.VIRGINIA.GOV/DOCKETSEARCH#/CASEDETAILS/134713
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Restitution
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	09/21/2017
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$50,000.00 Disgorgement/Restitution
Other Sanctions Ordered:	
Sanction Details:	MONETARY FINE IS WAIVED IF ADDITIONAL RESTITUTION PAYMENTS TOTALING \$60,000 ARE MADE TO THE AFFECTED INVESTORS IDENTIFIED BY THE DIVISION ON A PRO RATA BASIS. PRIOR TO THE ENTRY OF THE ORDER NEXT FINANCIAL PAID \$186,384.38 TO NINE(9) AFFECTED CLIENTS.
Regulator Statement	THE DIVISION ALLEGES NEXT FINANCIAL FAILED TO PROPERLY SUPERVISE THE SECURITIES ACTIVITIES OF ABERNATHY. SPECIFICALLY, THE DIVISION ALLEGES THAT NEXT FINANCIAL KNEW AND APPROVED OF ABERNATHY'S USE OF A PERSONAL SECURITIES ACCOUNT, YET FAILED TO

MONITOR SUCH ACCOUNT FOR UNUSUAL ACTIVITIES AS WELL AS FAILED TO FOLLOW ITS WRITTEN POLICIES AND PROCEDURES REQUIRING IT TO REVIEW ABERNATHY'S TRANSACTIONS IN HIS PERSONAL SECURITIES ACCOUNT. AS A RESULT ABERNATHY WAS ABLE TO MISAPPROPRIATE FUNDS FROM AT LEAST NINE(9)INVESTORS FOR HIS OWN PERSONAL USE.

Reporting Source: Firm

Current Status: Final

Allegations: THE DIVISION ALLEGES THE FIRM FAILED TO EXERCISE DILIGENT SUPERVISION OVER THE SECURITIES ACTIVITIES OF ITS AGENT, JOSHUA R. ABERNATHY, WHO MISAPPROPRIATED FUNDS FROM A NUMBER OF INVESTORS.

Initiated By: VIRGINIA STATE CORPORATION COMMISSION

Date Initiated: 09/21/2017

Docket/Case Number: SEC-2017-00033

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Restitution

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 09/21/2017

Sanctions Ordered: Monetary/Fine \$50,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: IN LIEU OF PAYING A FINE OF \$50,000.00 AND COSTS OF INVESTIGATION OF \$10,000.00 THE FIRM HAS ELECTED TO PAY THE \$60,000.00 IN ADDITIONAL RESTITUTION PAYMENTS TO THE NINE INVESTORS.

Firm Statement PRIOR TO ENTRY OF THE SETTLEMENT ORDER, THE FIRM PAID RESTITUTION OF \$186,384.38 TO NINE INVESTORS.

Disclosure 10 of 26

Reporting Source: Regulator



Current Status: Final

Allegations: FAILURE TO REQUIRE THAT DISCLOSURES REGARDING THE APPROPRIATE RISKS RELATED TO NON-TRADITIONAL ETFS BE GIVEN TO CLIENTS; FAILURE TO ESTABLISH AND MAINTAIN SUPERVISORY PROCEDURES DESIGNED TO DETECT AND PREVENT VIOLATIONS OF THE KANSAS UNIFORM SECURITIES ACT; AND FAILURE TO SUPERVISE THEIR REPRESENTATIVE, JACK M. SCHWARTZ, IN CONNECTION WITH NON-TRADITIONAL ETF TRANSACTIONS HE RECOMMENDED AND SOLD TO CUSTOMERS.

Initiated By: KANSAS

Date Initiated: 10/06/2017

Docket/Case Number: 2012-5942/18E017

URL for Regulatory Action:

Principal Product Type: Other

Other Product Type(s): LEVERAGED AND/OR INVERSE ETFS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 10/06/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: RESPONDENT NEXT IS ORDERED TO PAY \$75,000 TO THE KANSAS INVESTOR EDUCATION AND PROTECTION FUND.

Regulator Statement THE ACTION HEREIN OCCURRED AS A RESULT OF A COMPLIANCE EXAMINATION.

Reporting Source: Firm



Current Status:	Final
Allegations:	FAILURE TO REQUIRE THAT DISCLOSURES REGARDING THE APPROPRIATE RISKS RELATED TO NON-TRADITIONAL ETFS BE GIVEN TO CLIENTS; FAILURE TO ESTABLISH AND MAINTAIN SUPERVISORY PROCEDURES DESIGNED TO DETECT AND PREVENT VIOLATIONS OF THE KANSAS UNIFORM SECURITIES ACT; AND FAILURE TO SUPERVISE THEIR REPRESENTATIVE, JACK M. SCHWARTZ, IN CONNECTION WITH NON-TRADITIONAL ETF TRANSACTIONS HE RECOMMENDED AND SOLD TO CUSTOMERS.
Initiated By:	KANSAS
Date Initiated:	10/06/2017
Docket/Case Number:	2012-5942/18E017
Principal Product Type:	Other
Other Product Type(s):	LEVERAGED AND/OR INVERSE ETFS
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	10/06/2017
Sanctions Ordered:	Monetary/Fine \$75,000.00
Other Sanctions Ordered:	
Sanction Details:	RESPONDENT NEXT IS ORDERED TO PAY \$75,000 TO THE KANSAS INVESTOR EDUCATION AND PROTECTION FUND.
Firm Statement	THE ACTIVITIES THAT WERE SUBJECT OF THE CONSENT ORDER OCCURRED BETWEEN 2009 AND 2012. NEXT IMPLEMENTED A POLICY RESTRICTING THE PURCHASE OF LEVERAGED AND INVERSE ETFS IN OCTOBER 2012, BEGINNING IN APRIL 2014 REQUIRED PRIOR COMPLIANCE APPROVAL OF THE PURCHASE OF LEVERAGED OR INVERSE ETFS, AND EFFECTIVE AS OF MARCH 30, 2017, PROHIBITED THE PURCHASE OF LEVERAGED AND INVERSE ETFS.

Disclosure 11 of 26

Reporting Source:	Regulator
Current Status:	Final



Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IDENTIFY AND APPLY SALES CHARGE DISCOUNTS TO CERTAIN CUSTOMERS' ELIGIBLE PURCHASES OF UITs RESULTING IN CUSTOMERS PAYING EXCESSIVE SALES CHARGES OF APPROXIMATELY \$192,089.54. THE FINDINGS STATED THAT THE FIRM ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM AND WSPS REASONABLY DESIGNED TO ENSURE THAT CUSTOMERS RECEIVED SALES CHARGE DISCOUNTS ON ALL ELIGIBLE UIT PURCHASES.

Initiated By: FINRA

Date Initiated: 01/27/2016

Docket/Case Number: [2014041679001](#)

Principal Product Type: Unit Investment Trust(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/27/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$125,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED, FINED \$125,000, AND ORDERED TO PAY \$216,150.04, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.

THE \$125,000 FINE WAS PAID IN FULL ON FEBRUARY 17, 2016.

Reporting Source: Firm



Current Status:	Final
Allegations:	FINRA ALLEGED THAT DURING THE FIVE-YEAR PERIOD FROM MAY 1, 2009 TO APRIL 30, 2014, THE FIRM FAILED TO APPLY CERTAIN SALES CHARGE "BREAKPOINT" DISCOUNTS TO 696 ELIGIBLE UNIT INVESTMENT TRUST (UIT) PURCHASES RESULTING IN CUSTOMERS PAYING EXCESSIVE SALES CHARGES IN THR AGGREGATE AMOUNT OF APPROXIMATELY \$192,089. IN ADDITION, FINRA ALLEGED THAT THE FIRM FAILED 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.
Initiated By:	FINRA
Date Initiated:	01/27/2016
Docket/Case Number:	2014041679001
Principal Product Type:	Unit Investment Trust(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/27/2016
Sanctions Ordered:	Censure Monetary/Fine \$125,000.00 Disgorgement/Restitution
Other Sanctions Ordered:	THE FIRM WAS CENSURED, FINED \$125,000, AND ORDERED TO PAY \$216,150.04 PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.
Sanction Details:	THE FIRM IS CENSURED, FINED \$125,000, AND PAID RESTITUTION OF \$216,150 (INCLUDING INTEREST OF \$24,060). FINE PAID 02/17/2016.
Firm Statement	WITHOUT ADMITTING OR DENYING LIABILITY, THE FIRM SETTLED A MATTER WITH FINRA WITH RESPECT TO SALES CHARGE "BREAKPOINT" DISCOUNTS ON CERTAIN UNIT INVESTMENT TRUST (UIT) PURCHASES MADE DURING THE FIVE-YEAR PERIOD FROM MAY 1, 2009 TO APRIL 30, 2014 AND THE FIRM'S SUPERVISORY PROCEDURES RELATED TO UIT PURCHASES . THE FIRM WAS PART OF A REGULATORY SWEEP OF MANY FIRMS REGARDING BREAKPOINT DISCOUNTS ON UIT PURCHASES. THE FIRM IDENTIFIED AND CORRECTED THE MISSED DISCOUNTS AND



REIMBURSED ALL AFFECTED CLIENTS FOR THE DISCOUNTS, PLUS INTEREST.

Disclosure 12 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	THE DIVISION ALLEGES NEXT FINANCIAL GROUP, INC. FAILED TO EXERCISE DILIGENT SUPERVISION OVER THE SECURITIES ACTIVITIES OF THEIR AGENT, ERRYN BARKETT, WHO SOLD UNREGISTERED SECURITIES TO HIS NEXT CLIENTS.
Initiated By:	VIRGINIA STATE CORPORATION COMMISSION
Date Initiated:	09/21/2017
Docket/Case Number:	SEC-2015-00011
URL for Regulatory Action:	HTTP://WWW.SCC.VIRGINIA.GOV/DOCKETSEARCH#/CASEDETAILS/134359
Principal Product Type:	Other
Other Product Type(s):	PENSION INCOME STREAM
Principal Sanction(s)/Relief Sought:	Restitution
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	11/23/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$10,000.00
Other Sanctions Ordered:	COST OF INVESTIGATION ASSESSED TO NEXT FINANCIAL GROUP, INC. IN THE AMOUNT OF \$8,000.
Sanction Details:	PRIOR TO THE ENTRY OF THE SETTLEMENT ORDER, NEXT OFFERED \$141,405.60 TO AFFECTED CLIENTS IN RESTITUTION. NEXT PAID, CONTEMPORANEOUSLY WITH ENTRY OF THE SETTLEMENT ORDER (ORDER ENTERED 11/23/2015), A \$10,000 PENALTY AND \$8,000 TO DEFRAY THE COST OF INVESTIGATION.



Regulator Statement THE DIVISION ALLEGES NEXT FINANCIAL GROUP, INC. FAILED TO EXERCISE DILIGENT SUPERVISION OVER THE SECURITIES ACTIVITIES OF THEIR AGENT, ERRYN BARKETT ("BARKETT"). THE DIVISION ALLEGES BARKETT SOLD UNREGISTERED SECURITIES TO HIS NEXT CLIENTS; THESE CLIENTS LOST SUBSTANTIAL AMOUNTS OF MONEY DUE TO THEIR INVESTMENTS IN THE UNREGISTERED SECURITIES SOLD TO THEM BY BARKETT.

Reporting Source: Firm

Current Status: Final

Allegations: THE COMMISSION ALLEGED THAT THE FIRM FAILED TO EXERCISE DILIGENT SUPERVISION OVER THE SECURITIES ACTIVITIES OF A FORMER AGENT WHO SOLD UNREGISTERED SECURITIES AWAY FROM THE FIRM.

Initiated By: COMMONWEALTH OF VIRGINIA STATE CORPORATION COMMISSION

Date Initiated: 10/23/2015

Docket/Case Number: SEC-2015-00011

Principal Product Type: Other

Other Product Type(s): PENSION INCOME STREAM

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: COST OF INVESTIGATION

Resolution: Order

Resolution Date: 11/10/2015

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered: PAYMENT OF \$8,000 TO DEFRAY COSTS OF THE INVESTIGATION WERE PAID ON 11/10/2015

Sanction Details: MONETARY PENALTY AND COSTS OF INVESTIGATION WERE PAID ON 11/10/2015.

Firm Statement IN 2011 A FORMER REPRESENTATIVE OF THE FIRM, WITHOUT OBTAINING REQUIRED APPROVAL FROM THE FIRM, SOLD SEVEN INVESTMENT CONTRACTS ISSUED BY VOYAGER FINANCIAL GROUP, LLC TO FOUR CLIENTS. THE INVESTMENT CONTRACTS WERE BASED ON PENSION OR DISABILITY INCOME STREAMS OF CERTAIN INDIVIDUALS, WERE NOT APPROVED FOR OFFER OR SALE BY REPRESENTATIVES OF THE FIRM,

AND FAILED TO PERFORM IN ACCORDANCE WITH THEIR TERMS. THE FIRM NEITHER ADMITTED NOR DENIED THE ALLEGATIONS MADE BY VIRGINIA DIVISION OF SECURITIES AND RETAIL FRANCHISING IN CONSENTING TO THE ENTRY OF THE SETTLEMENT ORDER. THE FIRM HAS ENTERED INTO AGREEMENTS WITH EACH OF THE FOUR CLIENTS WHO PURCHASED THE INVESTMENTS TO COMPENSATE THEM FOR THEIR INVESTMENTS.

Disclosure 13 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 19 TRANSACTIONS, IT PURCHASED AGENCY SECURITIES FOR ITS OWN ACCOUNT FROM A CUSTOMER OR SOLD AGENCY SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER IN THE COURSE OF ITS BUSINESS AT AN AGGREGATE PRICE THAT WAS NOT FAIR AND REASONABLE.
Initiated By:	FINRA
Date Initiated:	12/16/2014
Docket/Case Number:	2011026521101
Principal Product Type:	Other
Other Product Type(s):	AGENCY SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/16/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$265,000.00 Disgorgement/Restitution



Other Sanctions Ordered: INTEREST

Sanction Details: THE FIRM WAS CENSURED, FINED \$265,000 AND ORDERED TO PAY \$177,170.01, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 19 TRANSACTIONS, IT PURCHASED AGENCY SECURITIES FOR ITS OWN ACCOUNT FROM A CUSTOMER OR SOLD AGENCY SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER IN THE COURSE OF ITS BUSINESS AT AN AGGREGATE PRICE THAT WAS NOT FAIR AND REASONABLE.

Initiated By: FINRA

Date Initiated: 12/16/2014

Docket/Case Number: 201126521101

Principal Product Type: Other

Other Product Type(s): AGENCY SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: RESTITUTION

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/16/2014

Sanctions Ordered: Censure
Monetary/Fine \$265,000.00
Disgorgement/Restitution

Other Sanctions Ordered: INTEREST

Sanction Details: THE FIRM WAS CENSURED, FINED \$265,000 AND ORDERED TO PAY \$177,170.01, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS.

Disclosure 14 of 26

Reporting Source: Regulator

Current Status: Final



Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED IN SOME INSTANCES TO TIMELY AND/OR ACCURATELY AMEND A REGISTERED REPRESENTATIVE'S FORM U4 OR FORM U5 TO DISCLOSE A CUSTOMER COMPLAINT, JUDGMENT, AND/OR LIEN. THE FINDINGS STATED THAT THE FIRM'S FORMER GENERAL COUNSEL WAS ACTIVELY ENGAGED IN THE SUPERVISION OF ITS CHIEF COMPLIANCE OFFICER (CCO) AND OF THE COMPLIANCE DEPARTMENT. THE FIRM'S FORMER GENERAL COUNSEL LACKED A PRINCIPAL REGISTRATION AT ALL TIMES DURING THE STATED TIME PERIOD. THE FINDINGS ALSO STATED THAT THE FIRM OFFERED AND SOLD VARIOUS CATEGORIES OF STRUCTURED PRODUCTS TO RETAIL CUSTOMERS WITHOUT HAVING IN PLACE A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, THAT WAS REASONABLY DESIGNED TO DETECT AND PREVENT UNSUITABLE SALES OF STRUCTURED PRODUCTS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) DID NOT PROVIDE SUFFICIENT GUIDANCE ON SUPERVISION OR SUITABILITY IN THE CONTEXT OF STRUCTURED PRODUCTS, IT HAD NO SYSTEM OR PROCEDURE IN PLACE TO DETECT OR FLAG FOR REVIEW POTENTIAL OVER CONCENTRATIONS IN STRUCTURED PRODUCTS IN CUSTOMER ACCOUNTS, AND IT DID NOT HAVE A FORMAL TRAINING PROGRAM ADDRESSING STRUCTURED PRODUCTS.
Initiated By:	FINRA
Date Initiated:	05/28/2014
Docket/Case Number:	2012030727301
Principal Product Type:	Other
Other Product Type(s):	STRUCTURED PRODUCTS
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/28/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure



Monetary/Fine \$88,750.00

Other Sanctions Ordered:

Sanction Details: SEE ABOVE

Regulator Statement FINE PAID JUNE 4, 2014

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED IN SOME INSTANCES TO TIMELY AND/OR ACCURATELY AMEND A REGISTERED REPRESENTATIVE'S FORM U4 OR FORM U5 TO DISCLOSE A CUSTOMER COMPLAINT, JUDGMENT, AND/OR LIEN. THE FINDINGS STATED THAT THE FIRM'S FORMER GENERAL COUNSEL WAS ACTIVELY ENGAGED IN THE SUPERVISION OF ITS CHIEF COMPLIANCE OFFICER (CCO) AND OF THE COMPLIANCE DEPARTMENT. THE FIRM'S FORMER GENERAL COUNSEL LACKED A PRINCIPAL REGISTRATION AT ALL TIMES DURING THE STATED TIME PERIOD. THE FINDINGS ALSO STATED THAT THE FIRM OFFERED AND SOLD VARIOUS CATEGORIES OF STRUCTURED PRODUCTS TO RETAIL CUSTOMERS WITHOUT HAVING IN PLACE A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, THAT WAS REASONABLY DESIGNED TO DETECT AND PREVENT UNSUITABLE SALES OF STRUCTURED PRODUCTS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) DID NOT PROVIDE SUFFICIENT GUIDANCE ON SUPERVISION OR SUITABILITY IN THE CONTEXT OF STRUCTURED PRODUCTS, IT HAD NO SYSTEM OR PROCEDURE IN PLACE TO DETECT OR FLAG FOR REVIEW POTENTIAL OVER CONCENTRATIONS IN STRUCTURED PRODUCTS IN CUSTOMER ACCOUNTS, AND IT DID NOT HAVE A FORMAL TRAINING PROGRAM ADDRESSING STRUCTURED PRODUCTS.

Initiated By: FINRA

Date Initiated: 05/28/2014

Docket/Case Number: [2012030727301](#)

Principal Product Type: Other

Other Product Type(s): STRUCTURED PRODUCTS

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/28/2014

Sanctions Ordered: Censure
Monetary/Fine \$88,750.00

Other Sanctions Ordered:

Sanction Details: SEE ABOVE

Disclosure 15 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: NEXT FAILED TO REASONABLY SUPERVISE DISSEMINATION OF SEMINAR INVITATIONS BY AGENT THAT CONTAINED INACCURATE INFORMATION.

Initiated By: NEW HAMPSHIRE

Date Initiated: 12/05/2011

Docket/Case Number: I-2011000023

URL for Regulatory Action:

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: ADMINISTRATIVE FINE/COSTS

Resolution: Consent

Resolution Date: 05/06/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$120,000.00
Cease and Desist/Injunction



Other Sanctions Ordered: COSTS OF INVESTIGATION IN THE AMOUNT OF \$20,000.
Sanction Details: CEASES AND DESIST FROM FURTHER VIOLATIONS OF NEW HAMPSHIRE SECURITIES LAWS.

Reporting Source: Firm
Current Status: Final
Allegations: NEXT FAILED TO REASONABLY SUPERVISE DISSEMINATION OF SEMINAR INVITATIONS BY AGENT THAT CONTAINED INACCURATE INFORMATION
Initiated By: NEW HAMPSHIRE
Date Initiated: 12/05/2011
Docket/Case Number: I-2011000023
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Cease and Desist
Other Sanction(s)/Relief Sought: ADMINISTRATIVE FINE/COSTS
Resolution: Consent
Resolution Date: 05/06/2014
Sanctions Ordered: Monetary/Fine \$120,000.00
 Cease and Desist/Injunction
Other Sanctions Ordered: COSTS OF INVESTIGATION IN THE AMOUNT OF \$20,000.
Sanction Details: CEASE AND DESIST FROM FURTHER VIOLATIONS OF NEW HAMPSHIRE SECURITIES LAW.

Disclosure 16 of 26

Reporting Source: Firm
Current Status: Final
Allegations: FAILURE TO NOTIFY THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES TIMELY REGARDING DISCLOSURE INFORMATION.
Initiated By: STATE OF FLORIDA
Date Initiated: 06/14/2013



Docket/Case Number: 136624-13-AG

Principal Product Type: Insurance

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/28/2013

Sanctions Ordered: Monetary/Fine \$3,000.00

Other Sanctions Ordered: 2 YEAR PROBATION

Sanction Details: APPLICANT MUST STRICTLY ADHERE TO ALL PROVISIONS OF THE FLORIDA INSURANCE CODE AND RULES OF THE DEPARTMENT

Disclosure 17 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 3010, 3110: FOR OVER FOUR YEARS, TWO OF THE FIRM'S REGISTERED REPRESENTATIVES OPERATED AN APPROVED OUTSIDE BUSINESS ACTIVITY AND WOULD, AT TIMES, USE THEIR OUTSIDE BUSINESS EMAIL ACCOUNTS TO SEND OR RECEIVE SECURITIES-RELATED ELECTRONIC CORRESPONDENCE WITH CUSTOMERS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS), ALLOWED REGISTERED PERSONS TO COMMUNICATE WITH CUSTOMERS THROUGH NON-FIRM EMAIL ADDRESSES, AS LONG AS THESE OUTSIDE EMAIL DOMAIN NAMES WERE APPROVED AND HOSTED BY THE FIRM, SUCH THAT THE EMAILS SENT OR RECEIVED FROM THESE EMAIL ACCOUNTS WOULD BE CAPTURED ON THE FIRM'S SERVER AND COULD BE REVIEWED AS PART OF THE FIRM'S REGULAR EMAIL SURVEILLANCE. THE FIRM DISCOVERED DURING THE ANNUAL BRANCH AUDIT OF THE REGISTERED REPRESENTATIVES' BRANCH THAT THEIR OUTSIDE BUSINESS EMAILS WERE NOT BEING CAPTURED OR MAINTAINED ON THE FIRM'S SERVER AND, THEREFORE, WERE NOT BEING REVIEWED. DESPITE THIS KNOWLEDGE, THE FIRM FAILED TO TAKE ANY CORRECTIVE STEPS. CONSEQUENTLY, THE FIRM FAILED TO REVIEW, MAINTAIN AND PRESERVE SECURITIES-RELATED ELECTRONIC CORRESPONDENCE SENT OR



RECEIVED FROM THE REGISTERED REPRESENTATIVES' OUTSIDE BUSINESS EMAIL ACCOUNTS. NASD RULE 3010 REQUIRES MEMBERS TO ESTABLISH AND ENFORCE PROCEDURES FOR THE REVIEW BY A REGISTERED PRINCIPAL OF INCOMING AND OUTGOING WRITTEN AND ELECTRONIC CORRESPONDENCE RELATED TO THE MEMBER'S SECURITIES BUSINESS, AND TO RETAIN SUCH CORRESPONDENCE IN ACCORDANCE WITH NASD RULE 3110. NASD RULE 3110 AND SEC RULE 17A-4 IMPOSE A GENERAL DUTY ON MEMBER FIRMS TO MAINTAIN AND PRESERVE CERTAIN BOOKS AND RECORDS, INCLUDING SECURITIES-RELATED ELECTRONIC CORRESPONDENCE.

Initiated By: FINRA

Date Initiated: 05/03/2013

Docket/Case Number: [2011028898802](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/03/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$250,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$250,000. IN ADDITION, THE FIRM AGREED TO COMPLY WITH THE FOLLOWING UNDERTAKINGS WITHIN THE TIME PERIOD SPECIFIED ((UNLESS THE PERIODS ARE OTHERWISE EXTENDED BY FINRA).
WITHIN NINETY (90) DAYS AFTER ISSUANCE OF THE NOTICE OF ACCEPTANCE OF THIS AWC, THE FIRM SHALL CONDUCT AN AUDIT TO



IDENTIFY ALL NON-FIRM EMAIL ACCOUNTS USED FOR SECURITIES-RELATED COMMUNICATIONS BY REGISTERED PERSONS OF THE FIRM AND IDENTIFY WHETHER SUCH EMAIL ACCOUNTS ARE BEING CAPTURED BY THE FIRM'S SERVERS, REVIEWED AS A PART OF THE FIRM'S NORMAL EMAIL SURVEILLANCE, AND RETAINED AS REQUIRED BY FINRA RULES AND THE FEDERAL SECURITIES LAWS. WITHIN THIRTY (30) DAYS AFTER COMPLETION OF THE AUDIT, FOR ANY NON-FIRM EMAIL ACCOUNTS IDENTIFIED DURING THE AUDIT, THE FIRM SHALL ESTABLISH AND IMPLEMENT A CORRECTIVE PROCEDURE TO ENSURE THAT SUCH EMAIL ACCOUNTS WILL BE CAPTURED, REVIEWED AND RETAINED BY THE FIRM IN THE FUTURE. WITHIN SIXTY (60) DAYS AFTER CONDUCTING ITS AUDIT, THE FIRM SHALL PROVIDE TO FINRA A WRITTEN STATEMENT, SIGNED BY THE RESPONSIBLE PRINCIPAL OR PRINCIPALS, DESCRIBING THE STEPS TAKEN IN THE AUDIT, THE RESULTS OF THE AUDIT, AND THE CORRECTIVE STEPS TAKEN TO ENSURE THE FUTURE CAPTURE, REVIEW AND RETENTION OF THE EMAILS IDENTIFIED. FINE PAID MAY 16, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: TWO OF THE FIRM'S REGISTERED REPRESENTATIVES USED THEIR OUTSIDE BUSINESS EMAIL ACCOUNTS FOR A PERIOD OF 4 YEARS, WHICH EMAILS WERE NOT MAINTAINED ON THE FIRMS'S SERVER OR PROPERLY REVIEWED.

Initiated By: FINRA

Date Initiated: 05/03/2013

Docket/Case Number: [2011028898802](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/03/2013

Sanctions Ordered: Censure
Monetary/Fine \$250,000.00



Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, \$250,000 FINE AND UNDERTAKINGS SPECIFIC TO FIRM'S ONGOING EMAIL REVIEW. THE UNDERTAKINGS REQUIRE NEXT TO CONFIRM THAT SECURITIES-RELATED COMMUNICATIONS BY REGISTERED PERSONS OF THE FIRM ARE BEING CAPTURED BY THE FIRM'S SERVERS, REVIEWED AS A PART OF THE FIRM'S NORMAL EMAIL SURVEILLANCE, AND RETAINED AS REQUIRED BY FINRA RULES AND THE FEDERAL SECURITIES LAWS.

Disclosure 18 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL 12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL EFFECTIVE 4/27/12.

Initiated By: ALABAMA

Date Initiated: 10/03/2012

Docket/Case Number: CO-2012-0032

URL for Regulatory Action:

Principal Product Type: Annuity(ies) - Variable

Other Product Type(s): CORPORATE DEBT, INSURANCE, AND MUTUAL FUNDS.

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL 12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL



EFFECTIVE 4/27/12.

Resolution: Order

Resolution Date: 10/03/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$60,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL 12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL EFFECTIVE 4/27/12.

Regulator Statement ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL 12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL EFFECTIVE 4/27/12.

Reporting Source: Firm

Current Status: Final

Allegations: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT INADVERTANTLY TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL ON



12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. THEREAFTER, MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL EFFECTIVE 4/27/12.

Initiated By: ALABAMA

Date Initiated: 10/03/2012

Docket/Case Number: CO-2012-0032

Principal Product Type: Annuity(ies) - Variable

Other Product Type(s): CORPORATE DEBT, INSURANCE, AND MUTUAL FUNDS.

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES.

Resolution: Order

Resolution Date: 10/03/2012

Sanctions Ordered: Monetary/Fine \$60,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: ON 10/3/12 THE COMMISSION ENTERED INTO A CONSENT ORDER WITH NEXT FINANCIAL, WHEREBY NEXT PAID \$10,000 IN ADMINISTRATIVE ASSESSMENT AND \$50,000 INVESTIGATIVE FEES FOR ALLOWING AN UNREGISTERED BD AGENT TO CONDUCT SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS. AN EMPLOYEE OF NEXT INADVERTANTLY TERMINATED STEVEN WILLIAMS' BD AGENT REGISTRATION IN AL ON 12/31/10. MR. WILLIAMS EFFECTED SECURITIES TRANSACTIONS ON BEHALF OF AL CLIENTS FROM 1/3/11-2/21/12. THEREAFTER, MR. WILLIAMS HAS BEEN REGISTERED AS A BD AGENT IN AL EFFECTIVE 4/27/12.

Firm Statement SETTLED

Disclosure 19 of 26

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF 18 DEL.C 1719 IN THAT HE OR SHE DID NOT REPORT "AN ADMINISTRATIVE ACTION TAKEN BY ANOTHER JURISDICTION" TO THE DELAWARE INSURANCE COMMISSION.



Initiated By: STATE OF DELAWARE DEPARTMENT OF INSURANCE
Date Initiated: 05/21/2012
Docket/Case Number: 1850/128667
Principal Product Type: Insurance
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Stipulation and Consent
Resolution Date: 06/18/2012
Sanctions Ordered: Monetary/Fine \$500.00
Other Sanctions Ordered:
Sanction Details: VOLUNTARILY AND KNOWINGLY SURRENDER AND FORFEIT THE SUM OF \$500.00

Disclosure 20 of 26

Reporting Source: Firm
Current Status: Final
Allegations: VIOLATION OF SECTION 375.141.6 RSMO (SUPP.2010) BY FAILING TO REPORT AN ADMINISTRATIVE ACTION WITHIN THIRTY (30) DAYS OF THE FINAL DISPOSITON OF THE MATTER DIRECTLY TO THE STATE OF MISSOURI DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
Initiated By: STATE OF MISSOURI DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
Date Initiated: 11/29/2011
Docket/Case Number: 139485
Principal Product Type: Insurance
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)


Other Sanction(s)/Relief Sought:

Resolution: Other
Resolution Date: 12/28/2011
Sanctions Ordered: Monetary/Fine \$250.00
Other Sanctions Ordered:
Sanction Details: FINE OF \$250 PAID TO THE MISSOURI STATE SCHOOL FUND.

Disclosure 21 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: FINRA RULE 2010, NASD RULES 2110, 2310, 3010 - NEXT FINANCIAL GROUP, INC. FAILED TO HAVE REASONABLE GROUNDS FOR APPROVING THE SALE AND ALLOWING THE CONTINUED SALE OF PRIVATE OFFERINGS. EVEN THOUGH THE FIRM WAS AWARE OF RED FLAGS AND NEGATIVE INFORMATION THAT SHOULD HAVE ALERTED IT TO POTENTIAL RISKS, IT ALLOWED ITS BROKERS TO CONTINUE SELLING THE OFFERINGS. DUE DILIGENCE REPORTS DETAILED THAT THE OFFERINGS WERE COLLECTIVELY REPORTING A NET OPERATING LOSS AND IN THE ABSENCE OF ADDITIONAL CREDIT LINE FUNDS, THE ISSUER'S OPERATING FUNDS WOULD NEED TO COME FROM A HIGHER LEVEL OF PRODUCTION REVENUES GOING FORWARD OR FUTURE DIVESTITURES OF LEASE/MINERAL ASSETS TO PAY DIVIDENDS AND PRINCIPLE REDEMPTIONS WHEN THEY BECAME DUE. CERTAIN OFFERINGS WERE ADVANCING FUNDS TO, OR BUYING ASSETS FROM, OTHER OFFERINGS. BECAUSE OF THE LACK OF TRANSPARENCY IN THE ISSUER'S FINANCIAL STATEMENTS, IT WAS DIFFICULT TO ASCERTAIN THE ASSET AND LIABILITY POSITIONS OF THE OFFERINGS AT ANY GIVEN MOMENT. THE REPORTS CAUTIONED THAT THE FINANCIAL STATEMENTS FOR THE OFFERINGS HAD NOT BEEN FORMALLY AUDITED OR CONFIRMED BY AN OUTSIDE ACCOUNTING FIRM NECESSARY TO VALIDATE THE FINANCIAL INFORMATION REPORTED BY THE ISSUER. THE FIRM SOLD APPROXIMATELY \$20,515,500 OF THE OFFERINGS TO INVESTORS. THE FIRM FAILED TO ENFORCE REASONABLE SUPERVISORY PROCEDURES TO DETECT OR ADDRESS POTENTIAL RED FLAGS AND NEGATIVE INFORMATION AS IT RELATED TO THE OFFERINGS. THE FIRM, ACTING THROUGH A PRINCIPAL, FAILED TO MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS. THE FIRM FAILED TO ADEQUATELY SUPERVISE A REGISTERED REPRESENTATIVE'S SALES OF A FRAUDULENT



LIFE SETTLEMENT PRODUCT. DESPITE THE FACT THAT THE REGISTERED REPRESENTATIVE COMPLETED AN OUTSIDE BUSINESS ACTIVITY QUESTIONNAIRE AND A FORM U4 AMENDMENT THAT CLEARLY INDICATED HE WAS SELLING THE PRODUCT TO CUSTOMERS, THE FIRM DID NOTHING TO SUPERVISE HIS OUTSIDE BUSINESS ACTIVITY; THE REPRESENTATIVE SOLD A TOTAL OF \$3,540,000 LIFE SETTLEMENT CONTRACTS TO CUSTOMERS.

Initiated By: FINRA

Date Initiated: 11/22/2011

Docket/Case Number: [2009019063801](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): PRIVATE PLACEMENTS, LIMITED PARTNERSHIP INTERESTS, LIFE SETTLEMENT PRODUCTS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/22/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$50,000 AND ORDERED TO PAY \$2,000,000 IN RESTITUTION TO INVESTORS. FOR THE PURPOSE OF DISTRIBUTING THE RESTITUTION, IT SHALL BE PAID TO A RECEIVER APPOINTED BY THE U.S. DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS IN AN SEC CIVIL JUDICIAL CASE. A REGISTERED FIRM PRINCIPAL SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT

RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THE AWC.

Reporting Source: Firm

Current Status: Final

Allegations: NEXT FAILED TO HAVE REASONABLE GROUNDS FOR APPROVING THE SALE OF PRIVATE OFFERINGS.

Initiated By: FINRA

Date Initiated: 11/22/2011

Docket/Case Number: [2009019063801](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): PRIVATE PLACEMENTS, LIMITED PARTNERSHIP INTERESTS, LIFE SETTLEMENT PRODUCTS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/22/2011

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, A CENSURE, FINE AND RESTITUTION TO CLIENTS.

Firm Statement FINE AND RESTITUTION PAID.

Disclosure 22 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ACT RULE 17A-3, FINRA BY-LAWS ARTICLE V, SECTIONS 2(C) AND 3(B), FINRA RULE 2010, NASD RULES 2110, 3010(A), 3010(C), 3011(A)-(B), 3012(A)(1)-(2), 3040, 3070, 3110(A), MSRB RULES G-27(A)-(C) AND G-30: THE



MEMBER FIRM DID NOT HAVE A REASONABLE SYSTEM FOR REVIEWING THE TRANSACTIONS OF ITS REGISTERED REPRESENTATIVES FOR EXCESSIVE TRADING. THE FIRM RELIED UPON ITS OSJ BRANCH MANAGERS TO REVIEW THE TRANSACTIONS OF ITS REGISTERED REPRESENTATIVES AND UPON HOME OFFICE COMPLIANCE PERSONNEL TO REVIEW THE TRANSACTIONS OF ITS OSJ BRANCH MANAGERS, BUT THESE SUPERVISORS AND COMPLIANCE PERSONNEL ONLY REVIEWED TRANSACTIONS ON WEEKLY PAPER BLOTTERS OR ELECTRONIC BLOTTERS. MONTHLY ACCOUNT STATEMENTS AND CONTINGENT DEFERRED SALES CHARGE REPORTS FOR MUTUAL FUND ACTIVITY WERE ALSO AVAILABLE FOR REVIEW AND COULD BE INDICATORS OF EXCESSIVE TRADING, HOWEVER, GIVEN THE VOLUME OF TRADING CERTAIN PRINCIPALS REVIEWED, AND IN CERTAIN CASES, THE LARGE NUMBER OF REPRESENTATIVES THE PRINCIPAL WAS RESPONSIBLE FOR, IT WAS NOT REASONABLE TO EXPECT PRINCIPALS TO BE ABLE TO TRACK EXCESSIVE TRADING ON A WEEKLY SALES BLOTTER, LET ALONE THROUGH MONTHLY ACCOUNT STATEMENTS OR MUTUAL FUND SALES CHARGE REPORTS. DUE TO THE LACK OF A REASONABLE SUPERVISORY SYSTEM, THE FIRM FAILED TO DETECT EXCESSIVE TRADING BY A REGISTERED REPRESENTATIVE IN FIVE ACCOUNTS RESULTING IN ABOUT \$102,376 IN UNNECESSARY SALES CHARGES, MOREOVER, THE FIRM FAILED TO IDENTIFY OR FOLLOW-UP ON OTHER TRANSACTIONS THAT SUGGESTED EXCESSIVE TRADING BY 13 OTHER REGISTERED REPRESENTATIVES IN 39 ADDITIONAL CUSTOMER ACCOUNTS. THE FIRM DID NOT HAVE A REASONABLE SYSTEM FOR ENSURING THAT IT OBTAINED AND DOCUMENTED PRINCIPAL REVIEW OF TRANSACTIONS BY ITS REGISTERED REPRESENTATIVES, INCLUDING SALES OF COMPLICATED PRODUCTS SUCH AS VARIABLE ANNUITIES AND THE FIRM SHOULD HAVE BEEN PARTICULARLY ATTENTIVE TO MAINTAINING BOOKS AND RECORDS THAT ESTABLISHED THAT THE TRANSACTIONS HAD BEEN PROPERLY REVIEWED. THE FIRM FAILED TO PROVIDE REASONABLE SUPERVISION OF MUNICIPAL BOND MARKUPS AND MARKDOWNS TO ENSURE THAT ITS REGISTERED REPRESENTATIVES CHARGED ITS CUSTOMERS REASONABLE MARKUPS AND MARKDOWNS. THE FIRM'S BRANCH OFFICE EXAMINATION PROGRAM WAS UNREASONABLE BECAUSE IT WAS NOT DESIGNED TO CARRY OUT ITS INTENDED PURPOSE OF DETECTING AND PREVENTING VIOLATIONS OF, AND ACHIEVING COMPLIANCE WITH FEDERAL, STATE, AND NASD SECURITIES REGULATIONS, AS WELL AS ITS POLICIES. THE FIRM FAILED TO HAVE A REASONABLE SUPERVISORY SYSTEM TO OVERSEE IMPLEMENTATION OF ITS HEIGHTENED SUPERVISION POLICIES AND PROCEDURES FOR ITS REGISTERED REPRESENTATIVES AS IT FAILED TO COMPLY WITH THE TERMS OF ITS HEIGHTENED SUPERVISION FOR ITS REGISTERED REPRESENTATIVES REGARDING CLIENT COMPLAINTS, REGULATORY ACTIONS OR INTERNAL REVIEWS, THEREFORE IT HAD A DEFICIENT IMPLEMENTATION OF



HEIGHTENED SUPERVISION POLICIES AND PROCEDURES. THE FIRM FAILED TO HAVE A REASONABLE SUPERVISORY CONTROL SYSTEM OR TO HAVE IN PLACE SUPERVISORY CONTROL PROCEDURES AS REQUIRED BY RULE 3012 AND IT FAILED TO PERFORM ADEQUATE 3012 TESTING OR PREPARE AN ADEQUATE 3012 REPORTS. THE FIRM FAILED TO HAVE A REASONABLE SYSTEM AND PROCEDURES IN PLACE TO REVIEW AND APPROVE PRIVATE SECURITIES TRANSACTIONS BY INVESTMENT ADVISORS. THE FIRM DID NOT PROPERLY FILE AND INACCURATELY FILED RULE 3070 REPORTS RELEVANT TO CUSTOMER COMPLAINTS, AND DID NOT FILE OR AMEND FORM U4 AND FORM U5 REPORTS IN A TIMELY MANNER RELEVANT TO KEEPING THE FORMS CURRENT WITH MATERIAL FACTS OR INFORMATION ON TERMINATIONS. THE FIRM'S ANTI-MONEY LAUNDERING (AML) SYSTEMS AND PROCEDURES WERE UNREASONABLE AS THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AN AML COMPLIANCE PROGRAM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 3011. (CONT. IN COMMENT ITEM #14)

Initiated By: FINRA

Date Initiated: 11/10/2010

Docket/Case Number: [2009016272902](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): UNSPECIFIED SECURITIES, VARIABLE ANNUITIES, MUNICIPAL BOND

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/10/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$400,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED



TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, IT IS CENSURED, FINED \$400,000, ORDERED TO PAY \$103,179.84 IN RESTITUTION, PLUS INTEREST, TO CUSTOMERS. THE RESTITUTION ORDERED IS TO BE PAID TO THE CUSTOMERS PLUS INTEREST AT THE RATE SET FORTH IN SECTION 6621(A)(2) OF THE INTERNAL REVENUE CODE, 26 U.S.C. 66221(A)(2), FROM MARCH 31, 2009, UNTIL THE DATE THE AWC IS ACCEPTED BY THE NAC. A REGISTERED PRINCIPAL ON BEHALF OF THE FIRM SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF RESTITUTION OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THE AWC. IF FOR ANY REASON RESPONDENT CANNOT LOCATE THE CUSTOMER AFTER REASONABLE AND DOCUMENTED EFFORTS WITHIN SUCH PERIOD, RESPONDENT SHALL FORWARD ANY UNDISTRIBUTED RESTITUTION AND INTEREST TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY, OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED. THE RESPONDENT SHALL PROVIDE SATISFACTORY PROOF OF SUCH ACTION TO FINRA WITHIN 14 DAYS OF FORWARDING THE UNDISTRIBUTED RESTITUTION AND INTEREST TO THE APPROPRIATE STATE AUTHORITY.

Regulator Statement

ALTHOUGH THE FIRM UTILIZED A MONEY MOVEMENT REPORT DURING THE RELEVANT PERIOD, THE FIRM'S SUPERVISORS DID NOT DETECT RED FLAGS INVOLVING NUMEROUS INSTANCES OF POTENTIALLY SUSPICIOUS ACTIVITIES RELATING TO THE TRADING OF A COMPANY'S STOCK AND THE TRANSFERS OF PROCEEDS RELATING TO SALES OF THE STOCK, AND THUS FAILED TO INVESTIGATE AND REPORT THESE ACTIVITIES IN ACCORDANCE WITH THE FIRM'S OWN PROCEDURES AND THE REQUIREMENTS OF THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS. OVER 1.3 MILLION SHARES OF THE COMPANY'S STOCK WERE TRADED IN 152 CUSTOMER ACCOUNTS BEING SERVICED BY A REGISTERED REPRESENTATIVE. DURING A ONE WEEK PERIOD IN JUNE 2008, THE FIRM'S ONLY AML EXCEPTION REPORT THAT MONITORED LARGE MONEY MOVEMENT FLAGGED TRADES THE COMPANY'S ACCOUNT THREE TIMES, BUT THE FIRM TOOK NO ACTION AND FAILED TO FILE ANY SARS AS APPROPRIATE.

Reporting Source: Firm

Current Status: Final

Allegations: NEXT FAILED TO DEVELOP ADEQUATE MEASURES TO PREVENT VIOLATIONS OF NEXT'S TRADING, ANTI-MONEY LAUNDERING, BRANCH OFFICE EXAMINATION AND SURVEILLANCE POLICIES.

Initiated By: FINRA



Date Initiated: 11/10/2010
Docket/Case Number: [2009016272902](#)
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s): UNSPECIFIED SECURITIES, VARIABLE ANNUITIES, MUNICIPAL BOND
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 11/10/2010
Sanctions Ordered: Censure
 Monetary/Fine \$400,000.00
 Disgorgement/Restitution
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING ANY FINDINGS, NEXT CONSENTED TO CENSURE, FINE AND RESTITUTION.
Firm Statement FINE AND RESTITUTION PAID.

Disclosure 23 of 26

Reporting Source: Regulator
Current Status: Final
Allegations: FAILURE TO ADEQUATELY SUPERVISE OR PERFORM AN ADEQUATE INTERNAL EXAMINATION OF ITS REPRESENTATIVES LOCATED IN LOUISVILLE, KY.
Initiated By: KENTUCKY DIVISION OF SECURITIES
Date Initiated: 05/12/2008
Docket/Case Number: 2008-AH-239
URL for Regulatory Action:
Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)



Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 08/29/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered: SETTLEMENT AGREEMENT AND ORDER

Sanction Details: \$1,000 FINE WAS ASSESSED AND PAID 9/5/2008.

Regulator Statement FIRM WILL PROMPTLY IMPLEMENT (WITHIN 60 DAYS) SUCH A SYSTEM THAT WILL ADDRESS ISSUES RELATING TO DETECTION OF SWITCHING TRANSACTIONS; DEVELOPMENT OF A SWITCH FORM; REVIEW AND APPROVAL OF ALL CORRESPONDENCE; AND CONDUCT A REVIEW OF ITS INTERNAL INSPECTION SYSTEM.

Reporting Source: Firm

Current Status: Final

Allegations: STATE OF KENTUCKY CITED NEXT FINANCIAL FOR FAILING TO ADEQUATELY SUPERVISE OR PERFORM AN ADEQUATE INTERNAL EXAMINATION OF ONE REGISTERED REPRESENTATIVE IN ONE BRANCH OFFICE.

Initiated By: STATE OF KENTUCKY

Date Initiated: 08/18/2008

Docket/Case Number: 2008-AH-239

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:



Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	09/09/2008
Sanctions Ordered:	Monetary/Fine \$1,000.00
Other Sanctions Ordered:	
Sanction Details:	FINE OF \$1,000.
Firm Statement	FINE PAID

Disclosure 24 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: SECTION 17(F)(2) OF THE SECURITIES EXCHANGE ACT, SEC RULE 17A-3, NASD RULES 2110, 2440, 3010, 3010(A), 3010(B), 3012, 3110, INTERPRETATIVE MATERIAL-2440 - NEXT FINANCIAL GROUP, INC. FAILED TO HAVE A REASONABLE SYSTEM FOR REVIEWING THE TRANSACTIONS OF ITS OFFICE OF SUPERVISORY JURISDICTION (OSJ) BRANCH MANAGERS; OSJ BRANCH MANAGERS REVIEWED THE SUITABILITY OF THEIR TRANSACTIONS INSTEAD OF COMPLIANCE PRINCIPALS. THE FIRM'S WRITTEN PROCEDURES FAILED TO EXPLAIN HOW THE FIRM WOULD SUPERVISE OSJ MANAGER TRANSACTIONS. THE FIRM INTRODUCED REGIONAL MANAGERS TO SUPERVISE OSJ MANAGERS BUT PROBLEMS PREVENTED THE NEW SYSTEM FROM PROVIDING REASONABLE SUPERVISION. THE FIRM'S FAILURE TO HAVE ADEQUATE EXCEPTION REPORTS AVAILABLE TO THE REGIONAL MANAGERS WAS UNREASONABLE CONSIDERING IT COULD HAVE PURCHASED EXCEPTION REPORTS FROM ITS CLEARING FIRM. WRITTEN SUPERVISORY PROCEDURES DID NOT PROVIDE ADDITIONAL GUIDANCE ON HOW REGIONAL MANAGERS WERE EXPECTED TO SUPERVISE OSJ MANAGERS. AN OSJ MANAGER CHURNED CUSTOMER ACCOUNTS WHEREBY CUSTOMERS LOST \$565,000 BECAUSE NO ONE AT THE FIRM WAS REVIEWING HIS TRANSACTIONS. THE FIRM FAILED TO ENSURE OSJ MANAGERS WERE PROVIDING TIMELY OVERSIGHT OF THEIR REPRESENTATIVES. THE FIRM FAILED TO SUPERVISE AN INDIVIDUAL WHO CHURNED CUSTOMER ACCOUNT BECAUSE THERE WAS NO CLEAR UNDERSTANDING OF WHO WAS RESPONSIBLE FOR HIS SUPERVISION. THE FIRM CHARGED CUSTOMERS EXCESSIVE MARKUPS AND MARKDOWNS; FAILED TO RECORD THE RECEIPT TIME FOR CUSTOMER ORDERS AND FAILED TO ESTABLISH A REASONABLE SUPERVISORY SYSTEM TO DETECT THE FAIR PRICING OF TRADES ON EQUITY SECURITIES TRANSACTIONS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO PROVIDE ADEQUATE GUIDANCE CONCERNING THE CRITERIA FOR RECOMMENDING VARIABLE ANNUITY



EXCHANGES TO CUSTOMERS. THE FIRM FAILED TO ENFORCE ITS HEIGHTENED SUPERVISION PROCEDURES FOR REPRESENTATIVES REQUIRING ADDITIONAL SUPERVISION. [CONTINUED IN COMMENTS]

Initiated By: FINRA

Date Initiated: 06/22/2009

Docket/Case Number: [2006007058101](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/22/2009

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS; THEREFORE, THE FIRM IS CENSURED, FINED \$1,000,000, ORDERED TO PAY \$5,638.86 IN RESTITUTION, AND REQUIRED TO ADOPT AND IMPLEMENT SYSTEMS AND PROCEDURES INCLUDING WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FEDERAL SECURITIES LAWS AND NASD/FINRA RULES APPLICABLE TO SUPERVISION OF REGISTERED REPRESENTATIVES OF THE FIRM INCLUDING OSJ BRANCH MANAGERS AND DIVISION MANAGERS; EXCESSIVE TRADING AND CHURNING; MARKUPS AND MARKDOWNS; HEIGHTENED SUPERVISION; SUPERVISORY CONTROL SYSTEMS AND BACKGROUND CHECKS OF EMPLOYEES, INCLUDING FINGERPRINTING AND HIRING STATUTORILY DISQUALIFIED INDIVIDUALS AND PROVIDE A WRITTEN CERTIFICATION BY THE CHIEF COMPLIANCE OFFICER TO FINRA WITHIN 120 DAYS OF ACCEPTANCE OF



THIS AWC THAT IT HAS ADOPTED AND IMPLEMENTED SUPERVISORY SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND NASD/FINRA RULES.

Regulator Statement

ALLEGATIONS CONTINUED: THE FIRM FAILED TO REASONABLY SUPERVISE ITS RULE 3012 OBLIGATIONS BECAUSE IT DID NOT ADEQUATELY TEST ITS SUPERVISORY SYSTEMS; IDENTIFY SELF-SUPERVISION BY OSJ BRANCH MANAGERS; IDENTIFY THE PROBLEMS WITH THE REGIONAL MANGER SUPERVISORY SYSTEM; PREPARE REASONABLE RULE 3012 REPORTS FOR TWO YEARS; AND CREATE ADDITIONAL OR AMENDED SUPERVISORY PROCEDURES AFTER IDENTIFYING A NEED FOR THEM IN THE AREA OF UTILIZING EXCEPTION REPORTS. THE FIRM FAILED TO REQUIRE THAT NON-REGISTERED EMPLOYEES WHO WORKED OUTSIDE THE FIRM'S HEADQUARTERS BE FINGERPRINTED AND DID NOT HAVE WRITTEN PROCEDURES ADDRESSING STEPS TO BE TAKEN IF AN EMPLOYEE WAS STATUTORILY DISQUALIFIED.

Reporting Source: Firm

Current Status: Final

Allegations: NEXT FAILED TO CREATE A REASONABLE SYSTEM OF SUPERVISION AND PROCEDURE FOR SUPERVISING ITS REGISTERED REPRESENTATIVES.

Initiated By: FINRA

Date Initiated: 05/15/2008

Docket/Case Number: [2006007058101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: OTHER SANCTIONS INCLUDE CENSURE & RESTITUTION.

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/22/2009

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00
Disgorgement/Restitution

Other Sanctions Ordered: RESULTING IN A CENSURE, A FINE OF \$1,000,000 AND AN UNDERTAKING TO



ADOPT AND IMPLEMENT SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO SUPERVISE ITS REGISTERED REPRESENTATIVES.

Sanction Details: FINE AND RESTITUTION PAID. UNDERTAKING CONCLUDED.

Disclosure 25 of 26

Reporting Source: Regulator

Current Status: Final

Allegations: ARTICLE V, SECTIONS 2 AND 3 OF THE FINRA BY-LAWS, NASD RULE 2110 - THE FIRM FAILED TO TIMELY REPORT TO FINRA STATISTICAL AND SUMMARY INFORMATION REGARDING CUSTOMER COMPLAINTS. THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY FILE WITH FINRA FORMS U4 AND U5 AMENDMENTS TO REFLECT CUSTOMER COMPLAINTS AGAINST REGISTERED REPRESENTATIVES.

Initiated By: FINRA

Date Initiated: 05/12/2008

Docket/Case Number: [2007007165602](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/12/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, NEXT FINANCIAL GROUP, INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE



ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM FAILED TO TIMELY REPORT TO FINRA STATISTICAL AND SUMMARY INFORMATION REGARDING CUSTOMER COMPLAINTS. THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY FILE WITH FINRA FORMS U4 AND U5 AMENDMENTS TO REFLECT CUSTOMER COMPLAINTS AGAINST REGISTERED REPRESENTATIVES.
Initiated By:	FINRA
Date Initiated:	05/12/2008
Docket/Case Number:	2007007165602
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/12/2008
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, NEXT FINANCIAL GROUP, INC., CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDING OF A CENSURE AND \$10,000 FINE.
Firm Statement	FINE PAID

Disclosure 26 of 26

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC ADMINISTRATIVE PROCEEDING RELEASE 34-56316, AUGUST 24, 2007:



THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") ANNOUNCED THE ISSUANCE OF AN ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 (ORDER) AGAINST NEXT FINANCIAL GROUP, INC. (NEXT). THE ORDER ALLEGES THAT NEXT, A REGISTERED BROKER-DEALER HEADQUARTERED IN HOUSTON, TEXAS, WILLFULLY VIOLATED REGULATION S-P BY DISCLOSING NONPUBLIC PERSONAL INFORMATION ABOUT ITS CUSTOMERS TO NONAFFILIATED THIRD PARTIES, WITHOUT ALLOWING THE CUSTOMER THE OPPORTUNITY TO OPT OUT OF SUCH DISCLOSURE, BY ALLOWING REGISTERED REPRESENTATIVES TO TAKE CUSTOMER NONPUBLIC PERSONAL INFORMATION WITH THEM WHEN LEAVING NEXT'S EMPLOYMENT. THE ORDER ALSO ALLEGES THAT NEXT WILLFULLY AIDED AND ABETTED AND CAUSED OTHER BROKER-DEALERS' VIOLATIONS OF REGULATION S-P BY ENCOURAGING, AND IN MANY CASES FACILITATING, NEWLY EMPLOYED REGISTERED REPRESENTATIVES TO BRING THEIR CUSTOMERS' PERSONAL NONPUBLIC INFORMATION, SUCH AS SOCIAL SECURITY NUMBERS, ACCOUNT NUMBERS, PASSPORT NUMBERS, DRIVERS LICENSE NUMBERS, DATES OF BIRTH AND CUSTOMER FINANCIAL INFORMATION, TO NEXT WITHOUT PROPER NOTICE TO THE CUSTOMER AND A REASONABLE OPPORTUNITY TO OPT OUT OF SUCH DISCLOSURE.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	08/24/2007
Docket/Case Number:	3-12738
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	07/18/2008
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No



Sanctions Ordered: Monetary/Fine \$125,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: SEC ADMINISTRATIVE RELEASE 34-58192, JULY 18, 2008: THE SEC FILED A ORDER OF FINALITY NOTIFYING THAT THE INITIAL DECISION BECAME FINAL. THE INITIAL DECISION ORDERED NEXT FINANCIAL GROUP, INC. TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS OR FUTURE VIOLATIONS OF RULES 4, 6, 10 AND 30(A)(1) OF REGULATION SP-17, 17 CFR §§ 248.4, .6, .10, AND .30(A)(1); AND FURTHER ORDERED NEXT TO PAY A \$125,000 CIVIL PENALTY PURSUANT TO SECTION 21B OF THE EXCHANGE ACT.

Regulator Statement SEC INITIAL DECISION RELEASE 349, JUNE 18, 2008: IT IS ORDERED THAT, PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, NEXT FINANCIAL GROUP, INC., SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS OR FUTURE VIOLATIONS OF RULES 4, 6, 10, AND 30(A)(1) OF REGULATION S-P; AND PURSUANT TO SECTION 21B OF THE SECURITIES EXCHANGE ACT OF 1934, NEXT SHALL PAY A CIVIL PENALTY OF \$125,000.

PAYMENT OF THE CIVIL PENALTY SHALL BE MADE ON THE FIRST DAY FOLLOWING THE DAY THIS INITIAL DECISION BECOMES FINAL. THIS INITIAL DECISION SHALL BECOME EFFECTIVE IN ACCORDANCE WITH AND SUBJECT TO THE PROVISIONS OF RULE 360 OF THE COMMISSION'S RULES OF PRACTICE. THE INITIAL DECISION WILL NOT BECOME FINAL UNTIL THE COMMISSION ENTERS AN ORDER OF FINALITY.

Reporting Source: Firm

Current Status: Final

Allegations: THE SEC FOUND THAT NEXT WILLFULLY VIOLATED REGULATION S-P, WHICH REQUIRES BROKER-DEALERS AND REGISTERED INVESTMENT ADVISORS TO HAVE WRITTEN POLICIES AND PROCEDURES THAT ARE REASONABLY DESIGNED TO SAFEGUARD CUSTOMER RECORDS AND INFORMATION.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 08/24/2007

Docket/Case Number: 3-12738

Principal Product Type: No Product

Other Product Type(s):



Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	FINE
Resolution:	Settled
Resolution Date:	07/21/2008
Sanctions Ordered:	Monetary/Fine \$125,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	THE SEC ORDERED NEXT TO CEASE AND DESIST FROM COMMITTING FUTURE VIOLATIONS OF REGULATION S-P, CENSURED IT FOR ITS CONDUCT, AND ORDERED IT TO PAY A \$125,000 PENALTY (2008)
Firm Statement	FINE PAID



Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	FINRA
Case Initiated:	11/22/2010
Case Number:	10-04782
Disputed Product Type:	MUTUAL FUNDS; VARIABLE ANNUITIES
Sum of All Relief Requested:	\$250,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	05/08/2012
Sum of All Relief Awarded:	\$225,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 3

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-TRANSFER; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE
Arbitration Forum:	FINRA



Case Initiated: 12/10/2012
Case Number: [12-04045](#)
Disputed Product Type: COMMON STOCK; MUNICIPAL BOND FUNDS; MUTUAL FUNDS; VARIABLE ANNUITIES
Sum of All Relief Requested: \$50,673.61
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/27/2014
Sum of All Relief Awarded: \$15,310.82

There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.

Disclosure 3 of 3

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-EXCHANGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 05/24/2017
Case Number: [17-00997](#)
Disputed Product Type: ANNUITIES; VARIABLE ANNUITIES
Sum of All Relief Requested: \$200,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/17/2018
Sum of All Relief Awarded: \$60,000.01

There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.



Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 3

Reporting Source:	Firm
Policy Holder:	NEXT FINANCIAL GROUP, INC.
Bonding Company Name:	FEDERAL INSURANCE COMPANY
Disposition:	Payout
Disposition Date:	04/27/2018
Payout Details:	\$250,000 PAID APRIL 27, 2018
Firm Statement	CLAIM RELATED TO LOSS OF CUSTOMER PROPERTY DUE TO THE DISHONESTY OF A FORMER INDEPENDENT CONTRACTOR, REGISTERED REPRESENTATIVE.

Disclosure 2 of 3

Reporting Source:	Firm
Policy Holder:	NEXT FINANCIAL GROUP, INC.
Bonding Company Name:	CHUBB
Disposition:	Payout
Disposition Date:	11/22/2010
Payout Details:	\$85,000.00 DATE PAID: 12/07/2010
Firm Statement	THE CLAIMANT COMMENCED AN ARBITRATION AGAINST HIS FORMER REPRESENTATIVE ALLEGING THAT HE RECOMMENDED AN UNREGISTERED SECURITY THAT THE BROKER/DEALER FAILED TO SUPERVISE THE UNAPPROVED OUTSIDE BUSINESS ACTIVITY. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE BROKER/DEALER SETTLED WITH THE CLAIMANT. (LEGAL FILE #9963.66)

Disclosure 3 of 3

Reporting Source:	Firm
Policy Holder:	NEXT FINANCIAL GROUP, INC.
Bonding Company Name:	CHUBB



Disposition: Payout
Disposition Date: 06/29/2010
Payout Details: \$150,000.00
DATE PAID:07/06/2010

Firm Statement THE PLAINTIFFS COMMENCED A LAWSUIT ALLEGING THAT THEIR FORMER REPRESENTATIVE RECOMMENDED UNSUITABLE INVESTMENTS AND ALSO ENCOURAGED THEM TO INVEST IN HIS PERSONAL COMPANY, WHICH WAS A PROHIBITED PRACTICE OF THE BROKER/DEALER. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE BROKER/DEALER ALONG WITH THE OTHER DEFENDANTS SETTLED THE MATTER. (LEGAL FILE #9963.61)

End of Report



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