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N.H. Secretary of State's Bureau of Securities Reaches Over 1 Million Dollar Settlement and Bars New Hampshire Agent

Charles C. Kulch, a former New Hampshire investment adviser, and NEXT Financial Group, Inc., a New Hampshire licensed broker-dealer and federally covered investment adviser, charged clients an additional fee for services nearly indistinguishable from what they were supposed to receive.

CONCORD, NH (February 21, 2024): The Bureau of Securities Regulation (the "Bureau"), under the leadership of Secretary of State David M. Scanlan, has entered a Consent Order with investment adviser Charles C. Kulch, formerly of Kulch Financial Services, Inc. Kulch's office operated under NEXT Financial Group, Inc ("NEXT"), a licensed broker-dealer and federally covered investment adviser. The Bureau also entered a separate Consent Order with NEXT.

As part of the settlements, Kulch and NEXT agree to pay $663,358.22 in restitution to clients, a fine of $325,000, and investigative costs totaling $100,000. Affected clients will receive their restitution checks within the next 45 days.

Following an investigation, the Bureau learned that, from January 2014 to May 2020, Mr. Kulch charged his clients both advisory fees and separate Consulting Services Agreement fees ("CSA fees"), sometimes on multiple accounts, for services nearly indistinguishable from what clients were expected to receive from the advisory relationship.

Each client charged CSA fees had a CSA agreement. In each generic CSA Agreement, Kulch used the same boilerplate language describing the "non-discretionary" services he would perform, such as quarterly meetings consisting of review of assets and recommendations, world events, market discussions and any questions or concerns the client may have. These are services Kulch's clients should have received for the cost of the advisory fee they were already paying. In the Consent Orders, the Bureau alleged that NEXT failed to supervise Mr. Kulch by neglecting to notice clear signs of Mr. Kulch's violative conduct.

Katie Taylor, a Staff Attorney at the Bureau who worked on the matter from beginning to end, said: "The New Hampshire Securities Act is clear: it is unlawful for an investment adviser to engage in an act, practice or course of business that operates as a fraud or deceit upon another person. In this instance, Mr. Kulch clearly violated this provision by causing clients to pay both advisory fees and separate CSA fees for the same services. The Bureau is satisfied that Mr. Kulch has been barred from securities licensure in New Hampshire and that this investigation resulted in significant restitution to his former clients."

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