

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



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State Securities Board

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MEMBER

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JACK D. LADD
MEMBER

SSB Docket No. 02-15

IN THE MATTER OF THE APPLICATION
FOR AGENT REGISTRATION OF
DAVID JACOB HERZOG

§
§
§

Order No. CAF-1460

TO: David Jacob Herzog (CRD # 1688885)
Next Financial Group, Inc.
2500 Wilcrest Drive, Suite 620
Houston, Texas 77042

DISCIPLINARY ORDER REPRIMANDING AND FINING AN AGENT

Be it remembered that David Jacob Herzog ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and the Findings of Fact and the Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2002)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §2001.001 et seq. (Vernon Supp. 2002)("Administrative Procedure Act").
2. Respondent was previously registered with the Securities Commissioner as an agent of San Clemente Securities, Inc. ("San Clemente") from on or about July 9, 1997, to on or about April 10, 2000.
3. Respondent was previously registered with the Securities Commissioner as an agent of Interfirst Capital Corporation ("Interfirst") from on or about April 10, 2000, to on or about February 19, 2002.

4. On or about October 24, 1999, Respondent received a complaint ("Complaint") from a client. The Complaint alleged that Respondent had committed investment-related sales practice violations. A good-faith estimate of the damages claimed in the Complaint exceeded \$5,000. Respondent did not update his Form U-4 on file with the Securities Commissioner as an agent of San Clemente and Interfirst to disclose the Complaint.
5. On or about February 23, 2001, the Complaint was amended to specifically allege damages of \$24,117. Respondent did not update his Form U-4 on file with the Securities Commissioner as an agent of Interfirst to disclose the amended Complaint.
6. On or about February 12, 2002, Respondent entered into a settlement agreement ("Settlement") resolving the Complaint in exchange for total payments of \$15,000 to the client. Respondent did not update his Form U-4 on file with the Securities Commissioner as an agent of Interfirst to disclose the Complaint and Settlement.
7. Respondent filed a Form U-4 for registration with the Securities Commissioner as an agent of Next Financial Group, Inc. ("Next Financial") on or about February 14, 2002, which is currently pending. Respondent did not disclose the Complaint or Settlement on his Form U-4 filed with the Securities Commissioner as an applicant for agent registration with Next Financial.
8. On or about March 21, 2002, and after a March 8, 2002, inquiry from a representative of the Securities Commissioner, Respondent disclosed the Complaint and Settlement on his Form U-4 on file with the Securities Commissioner as an applicant for agent registration with Next Financial.
9. The Form U-4 requires applicants and/or registrants to disclose investment-related complaints that allege sales practice violations and: (a) at least \$5,000 in damages, or, (b) are settled for at least \$10,000.
10. Section 115.9(a)(6) of the Rules and Regulations of the Texas State Securities Board ("Board Rules") requires disclosure to the Securities Commissioner, within thirty (30) days of receipt, of any change in information previously disclosed to the Securities Commissioner on any application, which includes all customer complaints and settlements required to be disclosed by the Form U-4.
11. Pursuant to Sections 101.2(c) and 133.33(a)(4) of the Board Rules, certain forms required to be filed with the Securities Commissioner, including the Form U-4, have been adopted as Board Rules.

CONCLUSIONS OF LAW

1. Respondent failed to amend his Form U-4 filed with the Securities Commissioner as an agent of San Clemente and Interfirst to disclose the Complaint and/or Settlement against Respondent, within thirty (30) days of receipt, as required by Section 115.9(a)(6) of the Board Rules and the Form U-4.
2. Respondent failed to disclose on his Form U-4 filed with the Securities Commissioner as an applicant for agent registration with Next Financial to disclose the Complaint and/or Settlement against Respondent, as required by the Form U-4.
3. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding an agent.
4. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order assessing an administrative fine against an agent.

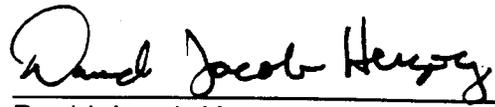
ORDER

1. It is therefore ORDERED that the registration of David Jacob Herzog as an agent of Next Financial Group, Inc. is hereby GRANTED.
2. It is further ORDERED that David Jacob Herzog is hereby REPRIMANDED.
3. It is further ORDERED that David Jacob Herzog shall pay an ADMINISTRATIVE FINE in the amount of One Thousand Dollars (\$1,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of One Thousand Dollars (\$1,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that David Jacob Herzog COMPLY with the terms of the Undertaking incorporated by reference herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 23rd day
of May, 2002.

Denise Voigt Crawford
DENISE VOIGT CRAWFORD
Securities Commissioner

Respondent:



David Jacob Herzog

Approved as to Form:



Joel H. Sauer
Assistant Director
Inspections and Compliance Division

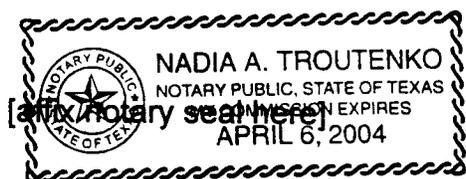


David A. Grauer
Director
Enforcement Division

ACKNOWLEDGMENT

On the 16th day of March, 2002, David Jacob Herzog ("Respondent") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent has read the foregoing Order;
2. Respondent has been fully advised of Respondent's rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusion of Law contained therein; and,
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived Respondent's rights as set forth therein.



Nadia Troutenko
Notary Public in and for
the State of Texas

My commission expires on: 4-6-04

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IN THE MATTER OF THE
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TO: David Jacob Herzog (CRD # 1688885)
Next Financial Group, Inc.
2500 Wilcrest Drive, Suite 620
Houston, Texas 77042

Jeffrey M. Auld, President/CEO
Next Financial Group, Inc. (CRD # 46214)
2500 Wilcrest Drive, Suite 620
Houston, Texas 77042

UNDERTAKING FILED WITH THE SECURITIES COMMISSIONER OF TEXAS

Comes Now, David Jacob Herzog ("Applicant") and Next Financial Group, Inc. ("Next Financial"), duly licensed with the Texas State Securities Board as a general securities dealer and who, as a condition of the Securities Commissioner of Texas ("Securities Commissioner") approving Applicant's pending application for registration with the Securities Commissioner as an agent of Next Financial, enters into the following Undertaking with the Securities Commissioner and makes the following representations:

1. Applicant and Next Financial represent that, as of the date of the execution of this Undertaking, Applicant has not offered for sale, sold or participated in the sale of any security as an employee, salesman, agent or representative of Next Financial in Texas, nor will Applicant do so until his application is approved.
2. Applicant and Next Financial undertake and agree that Applicant will not send out any invested-related correspondence without first obtaining prior approval from Applicant's supervisor, for a period of one (1) year from the date this Undertaking is executed, at which time prior approval will not be required.

Next Financial Group, Inc.

By: *Jeffrey M. Auld*

Title: *President*

ACKNOWLEDGMENT

On the 22 day of May, 2002, Jeffrey M. Auld personally appeared before me and voluntarily executed the foregoing Undertaking for the purposes stated therein and did duly acknowledge to me that he was authorized to execute the same on behalf of Next Financial Group, Inc.



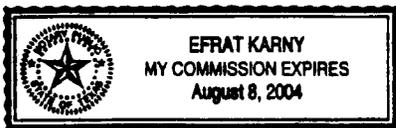
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Efrat Karny
Notary Public in and for
the State of TX
My Commission Expires: 8/8/04

David Jacob Herzog
David Jacob Herzog

ACKNOWLEDGMENT

On the 22 day of May, 2002, David Jacob Herzog personally appeared and acknowledged to me that he has voluntarily executed the foregoing Undertaking for the purposes stated therein.



[affix notary seal here]

Efrat Karny
Notary Public in and for
the State of TX
My Commission Expires: 8/8/04

3. Applicant and Next Financial further undertake and agree that Applicant will not recommend that a client switch from a securities product with a front-end load or a contingent deferred sales charge into a variable annuity/life policy or another securities product with a front-end load or a contingent deferred sales charge without first obtaining prior written approval from a supervisor at Next Financial for a period of one (1) year from the date this Undertaking is executed, at which time prior approval will not be required.
4. Applicant and Next Financial further undertake and agree that Applicant will immediately disclose all complaints required to be on Applicant's Form U-4.
5. Applicant and Next Financial further undertake and agree that, Applicant and Next Financial will, within thirty (30) business days of receipt by Applicant or Next Financial, promptly deliver or cause to be delivered to the Director of Inspections and Compliance of the State Securities Board any written or oral complaints in which Applicant's name appears or in which Applicant is otherwise involved.
6. Next Financial further undertakes and agrees to take such measures as are reasonably necessary to ensure that Applicant complies with the terms of this Undertaking.
7. Applicant and Next Financial file this Undertaking with the Securities Commissioner with the understanding that the expiration of any provision of this Undertaking in no way relieves Applicant or Next Financial of any duties or responsibilities under the Texas Securities Act and the rules and regulations promulgated thereunder.
8. Next Financial files this Undertaking with the Securities Commissioner with the understanding that a violation of any provision imposing an affirmative duty upon Next Financial pursuant to the terms of this Undertaking herein constitutes a basis for disciplinary proceedings against Next Financial pursuant to Section 14 of the Texas Securities Act.
9. Applicant files this Undertaking with the Securities Commissioner with the understanding that a violation of any provision imposing an affirmative duty upon Applicant pursuant to the terms of this Undertaking herein constitutes a basis for disciplinary proceedings against Applicant pursuant to Section 14 of the Texas Securities Act and may subject Applicant to criminal penalties pursuant to Section 29.E of the Texas Securities Act.