

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E3A2005004701

TO: Department of Enforcement
NASD

RE: MCL Financial Group, Inc., Respondent
Member Firm
CRD No. 41180

Gary L. Flater, Respondent
Financial and Operations Principal
CRD No. 1049132

Pursuant to Rule 9216 of NASD Code of Procedure, Respondents submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondents alleging violations based on the same factual findings.

Respondents understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against them; and
3. If accepted:
 - a. this AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against them;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents disciplinary record;

- c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
- d. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondents testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondents also understand that their experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

MCL Financial Group, Inc. ("MCL") became an NASD member in September 1996. MCL has not previously been the subject of any disciplinary action by NASD, the Securities and Exchange Commission, other self-regulatory organization or any state regulator.

Gary L. Flater ("Flater") entered the securities industry in August 1982 as a General Securities Representative of a member of NASD. He became registered as a General Securities Representative and Principal and the Financial and Operations Principal ("FINOP") FINOP with MCL in September 1996. Those registrations remain current.

Flater's relevant disciplinary history is as follows. In December 1993, while registered through another NASD member firm, Flater was censured and fined \$3,500, jointly and severally, in AWC C3A930038. The firm, acting through Flater, the firm's FINOP, conducted a securities business on two separate occasions while its net capital was below the minimum required.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against them;

- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

Net Capital Violations

On January 31, 2005; February 28, 2005; March 31, 2005; April 29, 2005; May 31, 2005; June 30, 2005; July 29, 2005; August 31, 2005; September 30, 2005; November 30, 2005 and December 29, 2005, MCL, acting through Gary Flater utilized the instrumentalities of interstate commerce to engage in the securities business while failing to maintain required minimum net capital. MCL's net capital deficiencies for the relevant period were as follows:

Time Period	Net Capital Requirement	Deficient Net Capital
January 31, 2005	\$70,824	\$56,250

February 28, 2005	\$61,987	\$144,690
March 31, 2005	\$66,439	\$87,373
April 29, 2005	\$44,313	\$1,997
May 31, 2005	\$72,845	\$37,772
June 30, 2005	\$67,245	\$23,689
July 29, 2005	\$56,954	\$2,572
August 31, 2005	\$48,609	\$17,046
September 30, 2005	\$38,630	\$34,513
November 30, 2005	\$72,079	\$11,921
December 29, 2005	\$73,032	\$58,150

These violations were caused by MCL's treating the entire amount of a concessions receivable as an allowable asset when it was only permitted to treat offsetting payables of the concessions receivable as an allowable asset.

The foregoing conduct constituted violations of SEC Rule 15c3-1 and NASD Conduct Rule 2110 by MCL and Flater.

NASD Membership Rule Violation

NASD Membership and Registration Rule 1017 requires members to file an application for approval when there is a change in the equity ownership or partnership capital of the member that results on one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital. This application shall be filed 30 days prior to such change.

MCL, acting through Flater, notified the NASD regarding a 50% change in the ownership of MCL, but the notice was filed approximately three weeks after the ownership change had occurred.

The foregoing conduct constitutes violations of NASD Membership and Registration Rule 1017 and NASD Conduct Rule 2110 by MCL and Flater.

- B. Respondents also consent to the imposition, at a maximum, of the following sanctions:

MCL and Flater shall be censured and fined jointly and severally in the amount of \$12,500.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

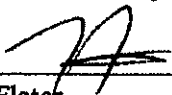
OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. They understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. Respondents agree to pay any monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which they propose to pay any fine imposed.
- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

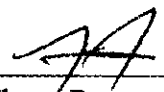
Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce them to submit it.

8-1-06
Date

MCL Financial Group, Inc. Respondent

By: 
Gary L. Flater

8-1-06
Date


Gary L. Flater, Respondent

Accepted by NASD:

8-14-2006
Date

Signed on behalf of the
Director of ODA, by delegated authority

Helen G. Barnhill
Helen G. Barnhill
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