

DENISE VOIGTCWWFORD
SECURITIES COMMISSIONER

DON A. WSCHKE
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300
Facsimile: (512) 305-8310



Texas State Securities Board

208 E 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

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IN THE MATTER OF
THE INVESTMENT ADVISER
REGISTRATION OF MDK FINANCIAL
GROUP, INC.

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Order No. ICO6-CAF-05

TO: Michael David Krost, President
MDK Financial Group, Inc. (IARD No. 116334)
6802 Mapleridge, Suite 203
Bellaire, TX 77401

CONSENT DISCIPLINARY ORDER

Be it remembered that MDK Financial Group, Inc. ("Respondent"), by and through Michael David Krost, its President, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and 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 the Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 ~~et seq.~~ (Vernon 1964 & Supp. 2005)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 ~~et seq.~~ (Vernon 2000 & Supp. 2005)("Administrative Procedure Act").
2. On or about January 28, 2000, Respondent registered with the Securities Commissioner as an investment adviser, which is currently effective.
3. On or about September 6, 2005, Debbie Feuer ("Feuer") registered with the Securities Commissioner as an investment adviser representative of Respondent. From on or about January 6, 2004 to on or about September 5, 2005, Feuer, for compensation and in Texas, provided investment advice on behalf of Respondent to the clients of Respondent.
4. On or about January 17, 2005, Respondent sent, via electronic mail, a correspondence ("January 17 e-mail") titled "Calendar Year 2004 Retirement Update" to each of Respondent's clients.

5. The January 17 e-mail included the following statement "Your core portfolio holdings for calendar year 2004, consisting of large cap value, mid cap value, and small cap value oriented stocks along with high yield bonds ended up 15.4%. The return is net after all fees and expenses."
6. On or about April 6, 2005, Respondent sent, via electronic mail, a correspondence ("April 6 e-mail") titled "Quarterly Retirement Update" to each of Respondent's clients.
7. The April 6 e-mail included the following statement "Your core portfolio holdings consisting of large cap value, mid cap value, and small cap value oriented stocks along with high yield bonds are as of the end of the first quarter is down 1.5%. The return is net after all fees and expenses."
8. The "core portfolio" discussed in the January 17 e-mail and the April 6 e-mail actually referenced Respondent's model portfolio, not the actual investments held in each client's portfolio. This fact was not explained on the January 17 e-mail or the April 6 e-mail.
9. Not all of Respondent's clients that received the January 17 e-mail and/or the April 6 e-mail had invested a portion of their funds with the same asset allocation as Respondent's model portfolio.
10. Several clients contacted Respondent after receiving the January 17 e-mail or the April 6 e-mail to get clarification on what the e-mails meant for the clients' specific portfolios.
11. On or about August 1, 2005, Respondent sent, via electronic mail, a correspondence ("August 1 e-mail") titled "Retirement Update on Core Holdings" to each of Respondent's clients.
12. The August 1 e-mail included the following statement "As of the end of the end of (sic) July 2005, the Dow is down 1.3%, the S&P 500 is up 1.8%, and the Nasdaq is up 0.4%. Core portfolio holdings consisting of large cap value, mid cap value, and small cap value oriented stocks along with high yield bonds are as of the end of July 2005 is up 5.0%. The return is net after all fees and expenses."
13. Despite Respondent's representation that the performance figures listed on the January 17 e-mail, the April 6 e-mail, and the August 1 e-mail (collectively "the E-mails") were "net after all fees and expenses", Respondent did not account for the commissions that its clients would pay or had already paid.
14. The E-mails did not state that the commissions were not accounted for in determining the performance figures listed on the E-mails. The fact that the commissions were not accounted for in calculating the performance figures is a fact material to the performance figures listed on the E-mails,

15. Because the performance figures listed in the E-mails did not reflect the deduction of the commissions, the performance figures listed on the E-mails were actually gross performance figures.
16. Pursuant to §116.15(2)(D) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), an investment adviser may not advertise its performance data if the advertisement omits any of the facts material to the performance figures.
17. Pursuant to §116.15(3) of the Board Rules, a registered investment adviser may not advertise gross performance data unless the investment adviser also includes net performance data in an equally prominent manner.
18. Respondent has cooperated with the staff of the Texas State Securities Board

CONCLUSIONS OF LAW

1. Feuer, for compensation, provided investment advice on behalf of Respondent to the clients of Respondent, and therefore is an "investment adviser representative" as the term "investment adviser representative" is defined by Section 4.P of the Texas Securities Act.
2. Respondent's rendering of services as an investment adviser through Feuer at a time when Feuer was not registered as an investment adviser representative of Respondent is a basis for the issuance of an order reprimanding Respondent pursuant to Section 14.A(5)(b) of the Texas Securities Act.
3. Respondent's statements to each of its clients in the January 17 e-mail and the April 6 e-mail referencing "Your core portfolio" without an explanation of what Respondent meant by "Your core portfolio" were misleading, and constitute inequitable practices in rendering services as an investment adviser.
4. Respondent's statements regarding "Your core portfolio" in the January 17 e-mail and the April 6 e-mail, without distinguishing which clients had actually invested a portion of their funds based on Respondent's model portfolio, constitute inequitable practices in rendering services as an investment adviser.
5. Respondent's omissions, on the E-mails, of the fact that the performance figures listed on the E-mails did not account for commissions constitute violations of §116.15(2)(D) of the Board Rules.
6. Respondent's use of gross performance data in the E-mails without including net performance data on the E-mails constitutes violations of §116.15(3) of the Board Rules.

7. Pursuant to Sections 14.A(3), 14.A(5)(b), and 14.A(6) of the Texas Securities Act, the foregoing inequitable practices in the rendering of investment advisory services and violations constitute bases for the issuance of an order reprimanding a registered investment adviser.
8. 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 investment adviser.

ORDER

1. It is therefore ORDERED that MDK Financial Group, Inc. is hereby reprimanded.
2. It is further ORDERED that MDK Financial Group, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that MDK Financial Group, Inc. COMPLY with the terms of the Undertaking incorporated by reference herein.

Deputy

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 19th
day of April, 2006.

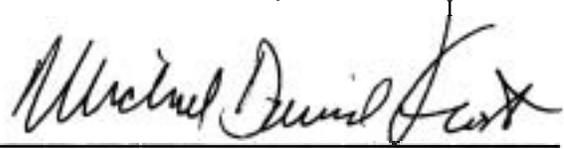
DENISE VOIGT CRAWFORD
Securities Commissioner



Don A. Raschke
Deputy Securities Commissioner

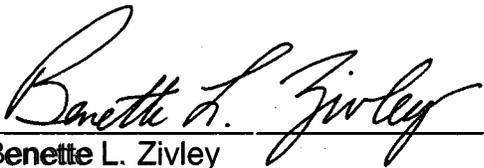
Respondent:

MDK Financial Group, Inc.



By: Michael David Krost, President

Approved as to Form:



Benette L. Zivley
Director
Inspections and Compliance Division

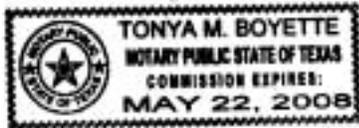


Joseph C. Matta, Esq.
Schiffmeister Diaz-Arrastia Brem, L.L.P.
Attorney for Respondent

ACKNOWLEDGMENT

On the 13th day of April, 2006, MDK Financial Group, Inc. ("Respondent"), by and through, Michael David Krost, its President, personally appeared before me, executed the foregoing Order, and acknowledges that:

1. Michael David Krost is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Michael David Krost has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

Tonya M. Boyette
Notary Public in and for
the State of Texas

My commission expires on: 5-22-2008