

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050034103-01

TO: Market Regulation Department
NASD

RE: **Hunter Securities Corp.**, Respondent
CRD No. 13134

Pursuant to Rule 9216 of the NASD Code of Procedure, Hunter Securities Corp., ("STLZ" or the "firm"), submits 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 the firm alleging violations based on the same factual findings.

The firm understands 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 Market Regulation Department 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 the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's 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. the firm 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

the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

STLZ also understands that the firm's experience in the securities industry and the firm's disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

STLZ has been a member of NASD since March 8, 1983, and its registration remains in effect. STLZ has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

STLZ specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- 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, STLZ specifically and voluntarily waives 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.

STLZ further specifically and voluntarily waives 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

The Market Regulation Department staff (the "staff") conducted a quarterly regulatory sweep of STLZ's compliance with Municipal Securities Rulemaking Board ("MSRB") Rules applicable to trade reporting in the Real-time Transaction Reporting System ("RTRS") during the period of April 1, 2005 through June 30, 2005 (the "review period").

- A. STLZ hereby accepts and consents, 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:

1. STLZ failed to report to the Municipal Securities Rulemaking Board ("MSRB") 287 transactions in municipal securities within fifteen minutes of the time of execution. These late reports represented 22% of all transactions in municipal securities that STLZ was required to report to MSRB during the review period.
2. The conduct described in paragraph one above constitutes separate and distinct violations of MSRB Rule G-14 and MSRB Rule G-17.

- B. STLZ also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$10,000.

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

III.

OTHER MATTERS

- A. STLZ understands that it may attach a Corrective Action Statement to this AWC which is a statement of demonstrable corrective steps taken to prevent future misconduct. STLZ understands that it 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. STLZ agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and has attached the Election of Payment form showing the method by which the firm proposes to pay any fine imposed.

C. STLZ specifically and voluntarily waives any right to claim that STLZ is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter

8/3/06

Respondent

Name: Steph Stygler
Title: President

Counsel for Respondent

9/1/06
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Market Regulation Department

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HUNTER

SECURITIES

MEMBERS NASD • SIPC

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NASD REGULATION, INC.
MARKET REGULATION

August 3, 2006

Stephanie Powers, Esq.
Senior Attorney
Department of Market Regulation
9509 Key West Avenue
Rockville, Maryland 20850-3329

RE: Case 20050034103

Dear Ms. Powers:

In connection with the AWC in this matter I would initially note that Hunter Securities has taken corrective action to relating to the late reporting violations. The corrective actions include moving the fax machine from the trading area to the data entry area and increasing the audio volume of the fax machine to better insure that the fax is being heard. Our firm is more carefully monitoring the time stamps on the faxes in the Ohio office and in our main office to ensure compliance. We have discussed with the Ohio office the significance of faxing transactions as soon as they are written. We also implemented a policy of having the Ohio office faxing each side of a transaction with an institutional account to speed the entry of each order. Hunter Securities is also time stamping the transactions upon receipt of the fax at the main office to ensure compliance with this rule. Furthermore Hunter Securities now requires the Ohio office to telephone the main office to alert us as to the incoming faxes.

We have also spoken with the NASD and the MSRB concerning trades that should be entered as "step out" trades. Merrill Lynch and Edward Jones requested that trades from Investment Advisors be entered as "step out" trades. This procedure has eliminated many trades from being entered late.

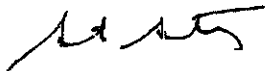
The corrective procedures have dramatically reduced the number of late trades to industry norms which I understand to be approximately a rate of seven per cent.

Hunter Securities has attempted to fully cooperate with the NASD concerning this matter. As noted above we have sought guidance to improve our procedures. Hunter Securities has not been the subject of any prior relevant disciplinary action. The firm previously received a fine from the NASD for an unrelated mater.

I would note that there was no manipulative intent in the late entry of these orders. The errors were procedural ones. There was no monetary gain or potential benefit gained by our firm or our agents from the late entries. In a random sampling that we took of these trades, approximately one half of the trades occurred where the trade was the only one in that bond for the trading day.

Should you need any additional information, please feel free to contact me.
Thank you for your consideration.

Sincerely,



Stephen Steglitz

Amendment added 8/7/2006 per conversation with Stephanie Powers

This corrective action statement is submitted by the respondent. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff.