

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034690901**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Hunter Scott Financial, LLC
BD No. 45559

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Hunter Scott Financial, LLC ("Hunter Scott", "Respondent", 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 below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Hunter Scott 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Hunter Scott has been a member of FINRA (formerly NASD) since 1999. The Firm employs approximately fourteen registered individuals and has three branch offices. Hunter Scott is primarily engaged in the sale of securities to retail customers.

RELEVANT DISCIPLINARY HISTORY

In March 2013, the Florida Office of Financial Regulation entered a final order adopting the Stipulation and Consent Agreement entered into by Hunter Scott. The Firm consented to a \$20,000 fine for failing to disclose that the "Handling Fee" the Firm charged customers between January 1, 2010 and April 12, 2012, included expenses incurred by the Firm in conducting its day-to-day brokerage business and did not relate directly to the handling or postage-related expenses incurred by the Firm in processing a client's transaction.

Hunter Scott has no other relevant formal disciplinary history with the Securities

and Exchange Commission, any state securities agency or any self-regulatory organization.

OVERVIEW

From January 1, 2011 through April 30, 2012, Hunter Scott charged its customers a fee for "handling," in addition to a commission, on securities transactions. The handling fee was fixed at \$50 per transaction. Although reflected on customer trade confirmations as a charge for "handling," the charge was not reasonably related to any direct handling-related services performed by the Firm, or handling-related expenses incurred by the Firm in processing the transaction, but rather, was effectively an additional commission. The characterization of the charge as being for "handling" was therefore inaccurate and improper.

FACTS AND VIOLATIVE CONDUCT

NASD Conduct Rule 2430 (Charges for Services Performed) requires charges, if any, for services performed, including miscellaneous services such as collection of moneys due for principal, dividends, or interest; exchange or transfer of securities; appraisals, safe-keeping or custody of securities, and other services, shall be reasonable and not unfairly discriminatory between customers.

Exchange Act Rule 10b-10 (Confirmation of Transactions) requires broker-dealers to disclose specified information in writing to customers at or before the completion of a transaction. Pursuant to Rule 10b-10, it shall be unlawful for any broker or dealer to effect for or with an account of a customer any transaction in, or to induce the purchase or sale by such customer of, any security (other than U.S. Savings Bonds or municipal securities) unless such broker or dealer, at or before completion of such transaction, gives or sends to such customer written notification disclosing, among other things, if the broker or dealer is acting as agent for such customer, for some other person, or for both such customer and some other person, the source and amount of any other remuneration received or to be received by the broker in connection with the transaction.

FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade) requires that a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

Between January 1, 2011 and April 30, 2012, Hunter Scott charged its customers a fee for "handling," in addition to a commission, on securities transactions. The handling fee was fixed at \$50 per transaction and a substantial portion was not attributable to any specific cost or expense incurred by the Firm in executing the trade, or determined by any formula applicable to all customers. The handling fee was determined by the Firm, not by the individual representative executing the order.

Although reflected on customer trade confirmations as a charge for "handling," a substantial portion of the fee actually served as a source of additional transaction-based remuneration or revenue to the Firm, in the same manner as a commission, and was not directly related to any specific handling services performed by the Firm, or handling-related expenses incurred by the Firm, in processing the transaction. Hunter Scott's characterization of the charge as being for "handling" was therefore improper. By designating the charge as a handling fee on customer trade confirmations, Hunter Scott understated the amount of the total commissions charged by the Firm and misstated the purpose of the handling fee.

By reason of the foregoing, Hunter Scott violated NASD Conduct Rule 2430, Exchange Act Rule 10b-10 and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

A censure and a \$25,000 fine.

Hunter Scott agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Hunter Scott specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint Issued specifying the allegations against it;
- B. To be notified of the 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and

C. If accepted:

1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. 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. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

5/30/13
Date (mm/dd/yyyy)

Respondent, Hunter Scott Financial, LLC

By: 

Printed Name and Title:

Pete Gouvas, President

Reviewed by:



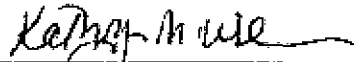
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Phone: (561) 910-5651

Accepted by FINRA:

6/4/13

Date

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



Kathryn M. Wilson
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FINRA Department of Enforcement
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