

AB 315



SECURITIES AND COMMISSION

OMB APPROVAL
 OMB Number: 3235-0123
 Expires: September 30, 1998
 Estimated average burden hours per response . . . 12.00

SEC. MAIL RECEIVED
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**ANNUAL AUDITED REPORT
 FORM X-17A-5
 PART III**

SEC FILE NUMBER
 8-51097

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hunter Scott Financial, LLC

OFFICIAL USE ONLY
 FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (do not use P.O. Box No.)

110 East Atlantic Avenue, Suite 250
(No. and Street)
Delray Beach Florida 33444
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Peter Gouzos (561)265-3614

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sherb & Co., LLP
(Name - if individual state last, first, middle name)
805 Third Avenue New York New York 10022
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

PROCESSED

MAR 19 2007

J THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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AB 3/17

OATH OR AFFIRMATION

I, Peter Gouzos, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Hunter Scott Financial, LLC, as of December 31, 2006 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NOTARY PUBLIC-STATE OF FLORIDA
Karen Z. Fischer
Commission # DD610800
Expires: NOV. 17, 2010
BONDED THRU ATLANTIC BONDING CO., INC.

Peter Gouzos
Signature
President
Title

Karen Z. Fischer
Notary Public

This report** contains (check all applicable boxes):

- (a) Facing page
- (b) Statement of Financial Condition
- (c) Statement of Income (Loss)
- (d) Statement of Changes in Financial Condition
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- (l) An Oath or Affirmation
- (m) A copy of the SICP Supplemental Report
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

TABLE OF CONTENTS

| | |
|-----------------------------------------------------------------------------------------------------------|-------|
| Independent Auditor's Report..... | 1 |
| Financial Statements: | |
| Statement of Financial Condition | 2 |
| Statement of Operations | 3 |
| Statement of Changes in Members' Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6-8 |
| Supplementary Information: | |
| Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission | 10 |
| Supplementary Information Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 | 11-12 |
| Report on Internal Control Required by SEC Rule 17a-5 Claiming an Exemption from SEC Rule 15c3-3 | 13-14 |



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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Peter Gouzos, President
Hunter Scott Financial, LLC
Delray Beach, Florida

We have audited the accompanying statement of financial condition of Hunter Scott Financial, LLC as of December 31, 2006, and the related statements of operations, changes in members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hunter Scott Financial, LLC as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sherb & Co., LLP
Certified Public Accountants

Boca Raton, FL
February 26, 2007

Hunter Scott Financial, LLC
Statement of Financial Condition
December 31, 2006

ASSETS

| | |
|------------------------------------------------------------------------|-------------------|
| Cash | \$ 311,744 |
| Commissions receivable | 87,647 |
| Advances receivable - brokers | 38,119 |
| Deposit with clearing organization | 79,771 |
| Other assets | <u>34,652</u> |
| Total current assets | 551,933 |
| Property and equipment, net of accumulated depreciation of \$17,383 | <u>25,869</u> |
| Total assets | <u>\$ 577,802</u> |

LIABILITIES AND MEMBERS' EQUITY

| | |
|---------------------------------------|-------------------|
| Liabilities: | |
| Commissions payable | \$ 142,091 |
| Accounts payable and accrued expenses | <u>50,309</u> |
| Total liabilities | <u>192,400</u> |
| Members' equity | <u>385,402</u> |
| Total liabilities and members' equity | <u>\$ 577,802</u> |

See accompanying notes to financial statements

Hunter Scott Financial, LLC
Statement of Operations
For the Year Ended December 31, 2006

| | |
|---------------------------------------|------------------|
| Revenues: | |
| Commissions | \$ 3,475,332 |
| Other income | 345,803 |
| Interest | 47,209 |
| Total revenues | <u>3,868,344</u> |
| Expenses: | |
| Commissions to agents/representatives | 2,603,034 |
| Clearing costs | 337,711 |
| Employee compensation and benefits | 103,307 |
| Taxes other than federal income tax | 10,298 |
| Insurance | 50,268 |
| Regulatory fees and expenses | 58,009 |
| Bank charges and other charges | 2,906 |
| Professional fees | 48,958 |
| Office expenses | 72,246 |
| Management fees | 349,487 |
| Auto expenses | 30,433 |
| Travel and entertainment | 31,950 |
| Postage and shipping | 28,696 |
| Maintenance | 15,162 |
| Telephone and internet | 68,044 |
| Depreciation | 6,976 |
| Utilities | 5,814 |
| Rent | 36,068 |
| Total expenses | <u>3,859,367</u> |
| Net income | <u>\$ 8,977</u> |

See accompanying notes to financial statements.

Hunter Scott Financial, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2006

| | |
|----------------------------------------------------|--------------------------|
| Members' Equity - December 31, 2005 | \$ 376,425 |
| Net income for the year ended December 31, 2006 | <u>8,977</u> |
| Members' Equity - December 31, 2006 | <u><u>\$ 385,402</u></u> |

See accompanying notes to financial statements

Hunter Scott Financial, LLC
Statement of Cash Flows
For the Year Ended December 31, 2006

| | |
|-------------------------------------------------------------------------------|-------------------|
| Cash flows from operating activities: | |
| Net Income | \$ 8,977 |
| Adjustments to reconcile net income to net cash used in operating activities: | |
| Depreciation expense | 6,976 |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Commissions receivable | (38,799) |
| Deposit with clearing organization | (115) |
| Other assets | (1,667) |
| Increase (decrease) in: | |
| Commissions payable | 18,786 |
| Accounts payable and accrued expenses | (73,644) |
| Net cash used in operating activities | <u>(79,486)</u> |
| Cash flows from investing activities: | |
| Purchase of property and equipment | <u>(2,213)</u> |
| Net cash used by investing activities | <u>(2,213)</u> |
| Cash flows from financing activities: | |
| Advances receivable - brokers | 129,520 |
| Proceeds from note payable | <u>(20,000)</u> |
| Net cash provided by financing activities | 109,520 |
| Net increase in cash | 27,821 |
| Cash, beginning of year | <u>283,923</u> |
| Cash, end of year | <u>\$ 311,744</u> |
| <u>Supplemental disclosure of cash flow information:</u> | |
| Cash paid during the year for interest | <u>\$ -</u> |
| Cash paid during the year for taxes | <u>\$ -</u> |

See accompanying notes to financial statements

HUNTER SCOTT FINANCIAL, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF BUSINESS

Hunter Scott Financial, LLC (the "Company"), formerly known as Platinum Capital LLC, is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company was organized under the laws of the State of Florida on March 16, 1998 and is headquartered in Delray Beach, Florida. The Company acts as a broker dealer in securities transactions for its customers and uses Sterne, Agee & Leach, LLC as its clearing broker.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2006.

Revenue Recognition

The Company earns revenue (commissions) from brokerage and trading which are recognized on the day of the trade - trade date basis.

Revenues are not concentrated in any particular region of the country or with any individual or group.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and State income tax purposes. Under subchapter K of the Internal Revenue Code, each member is taxed separately on his distributive share of the Company's income whether or not that income is actually distributed. Accordingly, no provision for income taxes has been recorded in the accompanying statement of operations for the year ended December 31, 2006.

NOTE 3 - DEPOSITS WITH CLEARING ORGANIZATIONS

As required by its clearing organization, a deposit of \$79,771 exists at Sterne, Agee & Leach, LLC.

NOTE 4 - ADVANCES RECEIVABLE - BROKERS

As of December 31, 2006, the Company has advanced \$38,119 to certain registered representatives. Such advances are non-interest bearing and due on demand. It is the Company's intent to deduct advances due from registered representatives from the future commissions payable to such individuals.

HUNTER SCOTT FINANCIAL, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | Estimated Useful Life (Years) | |
|--------------------------------|----------------------------------|-----------------|
| Furniture and equipment | 5 to 7 | \$22,871 |
| Computers | 5 | 15,931 |
| Leasehold improvements | 4 | 4,450 |
| | | <u>43,252</u> |
| Less: accumulated depreciation | | <u>(17,383)</u> |
| | | <u>\$25,869</u> |

Depreciation expense for the year ended December 31, 2006 was \$6,976.

NOTE 6 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had net capital of \$285,167, which was \$272,340 in excess of its required net capital of \$12,827. The Company's ratio of aggregate indebtedness to net capital computed in accordance with Rule 15c3-1 was .67 to 1.

The Company qualifies under the exemptive provisions of Rule 15c3-3 under Section (k)(2)(ii) of the Rule, as it does not carry security accounts of customers or perform custodial functions related to customer securities.

NOTE 7 – RECEIVABLE FROM AND PAYABLE TO CLEARING ORGANIZATIONS

The Company clears all of its proprietary and customer securities transactions through another broker-dealer on a fully disclosed basis. At no time is the Company in possession of customer funds.

The Company has a \$87,647 receivable from their clearing organization at December 31, 2006 which consists primarily of the Company's net commissions due from customer trades.

HUNTER SCOTT FINANCIAL, LLC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

NOTE 8 – OPERATING LEASE

The Company occupies its operating facilities under a five (5) year lease expiring on March 31, 2009 at an annual base rental of \$23,400 plus common area maintenance and state sales tax. The base rental has a 5% annual increase. Minimum future lease payments for the remaining term of the leases are as follows:

| | |
|------|-----------------|
| 2007 | \$26,766 |
| 2008 | 28,104 |
| 2009 | 7,111 |
| | <u>\$61,981</u> |

The leases has one five (5) year renewal option commencing April 1, 2009 and one three (3) year renewal option commencing on April 1, 2007

In addition, the Company leases vehicles and office equipment under non-cancelable operating leases. The Company is responsible for all insurance maintenance and taxes on the vehicles.

Lease payments under these operating leases for the year ended December 31, 2006 was \$16,045.

Minimum future lease payments under these leases are as follows:

| | |
|------|----------|
| 2007 | \$12,282 |
|------|----------|

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company maintains its cash in bank accounts at high credit quality financial institutions. The balances at times may exceed federally insured limits.

NOTE 10 – CONTINGENCIES

The Company has been advised that it is under investigation by the NASD for possible violations of NASD regulations. The investigation is in process and the outcome of such uncertainty is unknown. No provision has been made for such uncertainty.

The Company was involved in an arbitration matter involving a customer. As of December 31, 2005, the Company accrued \$50,000 as a contingent liability as it relates to this arbitration. During 2006, this matter was settled for \$60,000 and the Company paid such amount in full.

SUPPLEMENTARY INFORMATION

Hunter Scott Financial, LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2006

Net capital computation:

| | | |
|-----------------------------------------------------|----|---------|
| Total Members' Equity | \$ | 385,402 |
| Deductions and/or charges: | | |
| Non-allowable assets: | | |
| Advances - related parties | | 38,119 |
| Retainer fees | | 5,000 |
| Other assets | | 29,652 |
| Property and equipment | | 25,869 |
| Total non-allowable assets | | 98,640 |
| Net capital before haircuts on securities positions | | 286,762 |
| Haircuts on securities: | | |
| Clearing deposit | | 1,595 |
| Total haircuts on securities | | 1,595 |
| Net capital | | 285,167 |
| Required minimum capital | | 12,827 |
| Excess net capital | \$ | 272,340 |

Aggregate indebtedness:

| | | |
|-------------------------------------------------------------------------------|----|----------|
| Aggregate indebtedness as included in the Statement of Financial Condition | \$ | 192,400 |
| Total aggregate indebtedness | \$ | 192,400 |
| Ratio of aggregate indebtedness to net capital | | .67 to 1 |

Reconciliation:

| | | |
|---------------------------------------------------------------------|----|---------|
| Net capital, per unaudited December 31, 2006 FOCUS report, as filed | \$ | 285,167 |
| Net audit adjustments | | - |
| Net capital, per December 31, 2006 audited report, as filed | \$ | 285,167 |

HUNTER SCOTT FINANCIAL, LLC
Computation for Determination of Reserve Requirement

The Company did not make a computation for determining the reserve requirement to Rule 15c3-3 as they are exempt pursuant to subparagraph (k)(2)(ii) of Rule 15c3-3 as all customer transactions are cleared through Sterne, Agee & Leach, LLC on a fully disclosed basis.

The Company did not supply information relating to the possession or control requirements under Rule 15c3-3 as they are exempt pursuant to subparagraph (k)(2)(ii) of Rule 15c3-3 as all customer transactions are cleared through Sterne, Agee & Leach, LLC on a fully disclosed basis.



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Certified Public Accountants

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Peter Gouzos, President
Hunter Scott Financial, LLC
Delray Beach, Florida

In planning and performing our audit of the financial statements and supplemental schedules of Hunter Scott Financial, LLC for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications and comparisons
- 2) Recordation of differences required by rule 17a-13
- 3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Boca Raton, FL
February 26, 2007

Sherb & Co., LLP
Certified Public Accountants

END



HUNTER SCOTT FINANCIAL, LLC
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006