

ORIGINAL

NEW APPLICATION



0000095882

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2009 APR 24 P 3:07

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

DUSTIN J. LUNT (CRD # 4705919) and
KAMI E. LUNT, husband and wife,

DJL & ASSOCIATES, L.L.C., a terminated
Arizona limited liability company,

Respondents.

DOCKET NO. S-20674A-09-0199

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, FOR RESTITUTION,
OF REVOCATION, FOR ADMINISTRATIVE
PENALTIES, AND FOR OTHER
AFFIRMATIVE ACTION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents DUSTIN J. LUNT and DJL & ASSOCIATES, L.L.C. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and that DUSTIN J. LUNT controlled DJL & ASSOCIATES, L.L.C. within the meaning of A.R.S. § 44-1999, such that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as DJL & ASSOCIATES, L.L.C. for violations of the Securities Act..

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

Arizona Corporation Commission
DOCKETED

APR 24 2009

DOCKETED BY [Signature]

1 **II.**

2 **RESPONDENTS**

3 2. DUSTIN J. LUNT ("LUNT") is an individual who, at all times relevant, resided in
4 Maricopa County, Arizona. LUNT is the manager of DJL & ASSOCIATES, L.L.C.

5 3. KAMI E. LUNT has been at all relevant times the spouse of LUNT and may be
6 referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. §44-
7 2031(C) solely for purposes of determining the liability of the marital community.

8 4. At all relevant times, LUNT acted for his own benefit and for the benefit or in
9 furtherance of the marital community.

10 5. DJL & ASSOCIATES, L.L.C. ("DJL") is a terminated, manager-managed, Arizona
11 limited liability company with a last known principal place of business in Maricopa County,
12 Arizona.

13 6. LUNT and DJL may be referred to collectively as "Respondents."

14 **III.**

15 **FACTS**

16 7. At all relevant times, LUNT was a registered securities salesman affiliated with
17 World Group Securities, Inc. ("WGS"), an Arizona registered securities dealer. LUNT was
18 terminated by WGS on February 12, 2008.

19 8. At all relevant times, DJL was not registered as a securities dealer.

20 9. From on or about October 2007 to November 2007 in Maricopa County, Arizona,
21 Respondents offered and sold to four investors \$70,000 of investment contracts issued by DJL
22 with the title Rate of Return Contract. Respondents have repaid to investors amounts totaling
23 \$50,000.

24 10. The offers and sales of the Rate of Return Contracts were not recorded on the
25 records of WGS. Investments associated with DJL were not authorized investment products of
26 WGS and LUNT was not authorized by WGS to sell them.

1 11. The Rate of Return Contracts confirm the amount of the investment by the
2 investors in DJL and give the investors two options regarding the return on their investment,
3 namely "Monthly Income" and "Monthly Compounding." The investors will either "be paid
4 monthly at an interest rate of 5%" or "get credited a monthly interest of 5% [while] the money
5 stays in and continues to compound."

6 12. Respondents deposited all of the investors' money into one of Respondents' bank
7 accounts for investment by Respondents and Respondents expected to keep as their
8 compensation the difference between what the investments would actually yield and the 5
9 percent return to be paid to investors pursuant to the Rate of Return Contracts.

10 13. LUNT represented that Respondents would put the investors' money into "some
11 alternative investments," investments chosen by Respondents, not the investors, including a
12 highly profitable venture that funded television advertisements for a variety of products (the "TV
13 AD Venture"). In August 2007, LUNT viewed the TV AD Venture's website that claimed
14 investors would earn annual returns between 4,800 and 12,000 percent.

15 14. In September 2007, LUNT learned that the TV AD Venture's operations were
16 transitioning offshore. In early November 2007, the TV AD Venture stopped making payments
17 to its investors and LUNT was unable to obtain a refund of principal from the operators of the
18 TV AD Venture. In late December 2007, LUNT learned that the Securities and Exchange
19 Commission had filed an enforcement action against the principals of the TV AD Venture for
20 fraud, alleging that the TV AD Venture really had no business operations and that it was simply a
21 Ponzi scheme. Respondents did not disclose to the investors any of the foregoing information.

22 15. Although Respondents received some payments from the operators of the TV AD
23 Venture, \$20,000 of the investors' money was lost.

24 16. In January 2008, LUNT told the investors simply that the TV AD Venture lost
25 money and that "things didn't work as planned," so Respondents refunded to the investors what
26 money of theirs that Respondents had left at the time.

VII.

REMEDIES PURSUANT TO A.R.S. § 44-1962

(Revocation of Registration of Salesman; Restitution, Penalties, or other Affirmative Action)

29. LUNT'S conduct is grounds to revoke his registration as a securities salesman with the Commission pursuant to:

a) A.R.S. § 44-1962(A)(2) for violating A.R.S. §§ 44-1841 and 44-1991;

b) A.R.S. § 44-1962(A)(10) for engaging in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions); and,

c) A.R.S. § 44-1962(A)(11) for failing to reasonably supervise salesmen under the salesman's supervisory control.

30. LUNT'S conduct is grounds to assess restitution, penalties, and/or take appropriate affirmative action pursuant to A.R.S. § 44-1962. Specifically, LUNT engaged in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions) and failed to reasonably supervise salesmen under his supervisory control.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. §§ 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

1 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
2 Requests should be made as early as possible to allow time to arrange the accommodation.

3 X.

4 **ANSWER REQUIREMENT**

5 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
6 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for
7 Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
8 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
9 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
10 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

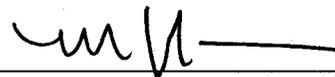
11 Additionally, the answering respondent must serve the Answer upon the Division.
12 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
13 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
14 Arizona, 85007, addressed to Aaron S. Ludwig.

15 The Answer shall contain an admission or denial of each allegation in this Notice and the
16 original signature of the answering respondent or respondent's attorney. A statement of a lack of
17 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
18 not denied shall be considered admitted.

19 When the answering respondent intends in good faith to deny only a part or a qualification
20 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
21 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

22 The officer presiding over the hearing may grant relief from the requirement to file an
23 Answer for good cause shown.

24 Dated this 24 day of April 2009.

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Matthew J. Neubert
Director of Securities