

7/9/09

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



13

0000100001

TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

ORIGINAL

MEMORANDUM

TO: Kristin K. Mayes, Chairman
Gary Pierce
Paul Newman
Sandra D. Kennedy
Bob Stump

Arizona Corporation Commission

DOCKETED

JUN 25 2009

FROM: Mark Dinell
Assistant Director of Securities

DOCKETED BY

AZ CORP COMMISSION
DOCKET CONTROL

2009 JUN 25 P 2:05

RECEIVED

DATE: June 24, 2009

RE: Dustin J. Lunt, et al. (Docket No. S-20674A-09-0199); Order to Cease and Desist, of Restitution, of Revocation, and for Administrative Penalties

CC: Michael P. Kearns, Interim Executive Director

Attached is a proposed Order to Cease and Desist, of Restitution, for Revocation, and for Administrative Penalties (the "Order") and Consent to Same by: Dustin J. Lunt ("LUNT"), Kami E. Lunt, and DJL & Associates, L.L.C. ("DJL"). The Order finds that 1) DJL violated A.R.S. §§ 44-1841, 44-1842, and 44-1991 by offering and selling unregistered securities while being unregistered and by violating the anti-fraud provisions of the Securities Act and 2) LUNT violated §§ 44-1841, 44-1962, and 44-1991. The Order requires LUNT and DJL to cease and desist their activity, pay \$47,849 in restitution, and pay an administrative penalty in the amount of \$20,000. Also, the Order revokes the securities salesman registration of LUNT.

In October and November 2007, while LUNT was a registered securities salesman affiliated with World Group Securities, Inc. ("WGS"), an Arizona registered securities dealer, LUNT and DJL offered and sold investment contracts to four investors (two Arizona residents and two from Utah). In addition to being unregistered securities, these were not recorded on the records of WGS; they were not authorized investment products of WGS; and LUNT was not authorized by WGS to sell them.

As a WGS branch manager, LUNT failed to supervise another WGS registered securities salesman who Lunt knew had raised money from investors and lost much of it. LUNT tried to recoup those investors' losses by using investor money in foreign currency trading, but he failed to do so.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Aaron S. Ludwig

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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, <p style="text-align: center;">Respondents.</p>) DOCKET NO. S-20674A-09-0199)) DECISION NO. _____)) ORDER TO CEASE AND DESIST, OF) RESTITUTION, OF REVOCATION, AND) FOR ADMINISTRATIVE PENALTIES AND) CONSENT TO SAME BY:)) DUSTIN J. LUNT and KAMI E. LUNT)) DJL & ASSOCIATES, L.L.C.)))))
--	--

Respondents DUSTIN J. LUNT, KAMI E. LUNT, and DJL & ASSOCIATES, L.L.C. elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, of Restitution, of Revocation, and for Administrative Penalties ("Order"). Respondents DUSTIN J. LUNT, KAMI E. LUNT, and DJL & ASSOCIATES, L.L.C. admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and, consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1
2
3 1. 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 2. 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 3. At all relevant times, LUNT acted for his own benefit and for the benefit or in
9 furtherance of the marital community.

10 4. 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 5. LUNT and DJL may be referred to collectively as "Respondents."

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

17 7. At all relevant times, DJL was not registered as a securities dealer.

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

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

25 10. The Rate of Return Contracts confirm the amount of the investment by the investors
26 in DJL and give the investors two options regarding the return on their investment, namely

1 "Monthly Income" and "Monthly Compounding." The investors will either "be paid monthly at an
2 interest rate of 5%" or "get credited a monthly interest of 5% [while] the money stays in and
3 continues to compound."

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

8 12. LUNT represented that Respondents would put the investors' money into "some
9 alternative investments," including a highly profitable venture that funded television
10 advertisements for a variety of products (the "TV AD Venture"). In August 2007, LUNT viewed
11 the TV AD Venture's website that claimed investors would earn annual returns between 4,800 and
12 12,000 percent.

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

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

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

25

26

1 3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were
2 neither registered nor exempt from registration.

3 4. DJL violated A.R.S. § 44-1842 by offering or selling securities while neither
4 registered as a dealer nor exempt from registration.

5 5. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or
6 artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c)
7 engaging in transactions, practices, or courses of business that operate or would operate as a fraud
8 or deceit. Respondents' conduct includes, but is not limited to, the following:

9 a) Failing to disclose information that contradicted or raised doubt about the
10 legitimacy of the representation that the TV AD Venture was highly profitable; and,

11 b) Failing to disclose that some investors would be repaid in full before other
12 investors and that Respondents would decide which investors that would be.

13 6. LUNT directly or indirectly controlled DJL as its manager. Therefore, LUNT is
14 jointly and severally liable under A.R.S. § 44-1999 to the same extent as DJL for its violations of
15 A.R.S. § 44-1991.

16 7. LUNT'S conduct subjects him to an order of revocation of his securities salesman
17 registration pursuant to:

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

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

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

24 8. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.
25 §§ 44-2032 and 44-1962.

26

1 enters an order under Docket No. S-20673A-09-0198, pay restitution to the Commission in the
2 amount of \$23,486. Payment shall be made in full on the date of this Order.

3 Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of
4 this Order until paid in full. Payment shall be made to the "State of Arizona" to be placed in an
5 interest-bearing account controlled by the Commission. The Commission shall disburse the funds
6 on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds
7 that the Commission cannot disburse because an investor refuses to accept such payment, or any
8 restitution funds that cannot be disbursed to an investor because the investor is deceased and the
9 Commission cannot reasonably identify and locate the deceased investor's spouse or natural
10 children surviving at the time of the distribution, shall be disbursed on a pro-rata basis to the
11 remaining investors shown on the records of the Commission. Any funds that the Commission
12 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the
13 state of Arizona.

14 IT IS FURTHER ORDERED, pursuant to A.R.S. §§ 44-2036 and 44-1962, that
15 Respondents, individually, and the marital community of LUNT and Respondent Spouse, jointly
16 and severally, shall pay an administrative penalty in the amount of \$20,000. Payment shall be
17 made to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10%
18 per annum from the date of this Order until paid in full. The payment obligations for these
19 administrative penalties shall be subordinate to any restitution obligations ordered herein and shall
20 become immediately due and payable only after restitution payments have been paid in full or
21 upon Respondents' or Respondent Spouse's default with respect to Respondents' and Respondent
22 Spouse's restitution obligations.

23 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that the securities salesman
24 registration of LUNT is revoked.

25 For purposes of this Order, a bankruptcy filing by any of the Respondents or Respondent
26 Spouse shall be an act of default. If any Respondent or Respondent Spouse does not comply with

1 this Order, any outstanding balance may be deemed in default and shall be immediately due and
2 payable.

3 IT IS FURTHER ORDERED that, if any Respondent or Respondent Spouse fails to
4 comply with this order, the Commission may bring further legal proceedings, including application
5 to the superior court for an order of contempt.

6 IT IS FURTHER ORDERED that this Order shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

8
9
10 CHAIRMAN

COMMISSIONER

11
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13
14 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS,
15 Interim Executive Director of the Arizona Corporation
16 Commission, have hereunto set my hand and caused the
17 official seal of the Commission to be affixed at the
18 Capitol, in the City of Phoenix, this _____ day of
19 _____, 2009.

20
21
22
23
24
25
26
MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(ASL)

CONSENT TO ENTRY OF ORDER

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1. Respondents and Respondent Spouse admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents and Respondent Spouse acknowledge that they have been fully advised of their right to a hearing to present evidence and call witnesses and they knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents and Respondent Spouse acknowledge that this Order constitutes a valid final order of the Commission.

2. Respondents and Respondent Spouse knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents and Respondent Spouse acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondents and Respondent Spouse understand and acknowledge that they have a right to seek counsel regarding this Order and that they have had the opportunity to seek counsel prior to signing this Order. Respondents and Respondent Spouse acknowledge and agree that, despite the foregoing, they freely and voluntarily waive any and all right to consult or obtain counsel prior to signing this Order.

5. Respondents and Respondent Spouse neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order. Respondents and Respondent Spouse agree that they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future administrative proceeding before the Commission or any other state agency concerning the denial or issuance of any license or registration required by the state to engage in the practice of any business or profession.

1 6. By consenting to the entry of this Order, Respondents and Respondent Spouse agree
2 not to take any action or to make, or permit to be made, any public statement denying, directly or
3 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
4 this Order is without factual basis. Respondents and Respondent Spouse will undertake steps
5 necessary to assure that all of their agents and employees understand and comply with this
6 agreement.

7 7. While this Order settles this administrative matter between Respondents,
8 Respondent Spouse, and the Commission, Respondents and Respondent Spouse understand that
9 this Order does not preclude the Commission from instituting other administrative or civil
10 proceedings based on violations that are not addressed by this Order.

11 8. Respondents and Respondent Spouse understand that this Order does not preclude
12 the Commission from referring this matter to any governmental agency for administrative, civil, or
13 criminal proceedings that may be related to the matters addressed by this Order.

14 9. Respondents and Respondent Spouse understand that this Order does not preclude
15 any other agency or officer of the state of Arizona or its subdivisions from instituting
16 administrative, civil, or criminal proceedings that may be related to matters addressed by this
17 Order.

18 10. LUNT and DJL agree that they will not apply to the state of Arizona for registration
19 as a securities dealer or salesman or for licensure as an investment adviser or investment adviser
20 representative at any time in the future.

21 11. LUNT and DJL agree that they will not exercise any control over any entity that
22 offers or sells securities or provides investment advisory services within or from Arizona at any
23 time in the future.

24 12. LUNT and DJL agree that they will not sell any securities in or from Arizona
25 without being properly registered in Arizona as a dealer or salesman, or exempt from such
26 registration; LUNT and DJL will not sell any securities in or from Arizona unless the securities are

1 registered in Arizona or exempt from registration; and, LUNT and DJL will not transact business
2 in Arizona as an investment adviser or an investment adviser representative unless properly
3 licensed in Arizona or exempt from licensure.

4 13. Respondents and Respondent Spouse agree that they will continue to cooperate with
5 the Securities Division by, including but not limited to, providing complete and accurate testimony
6 at any hearing in this matter and cooperating with the state of Arizona in any related investigation
7 or any other matters arising from the activities described in this Order.

8 14. LUNT and Respondent Spouse acknowledge that any restitution or penalties
9 imposed by this Order are obligations of LUNT as well as the marital community.

10 15. Respondents and Respondent Spouse consent to the entry of this Order and agree to
11 be fully bound by its terms and conditions.

12 16. Respondents and Respondent Spouse acknowledge and understand that, if they fail
13 to comply with the provisions of the order and this consent, the Commission may bring further
14 legal proceedings against them, including application to the superior court for an order of
15 contempt.

16 17. Respondents and Respondent Spouse understand that default shall render them
17 liable to the Commission for its costs of collection and interest at the maximum legal rate.

18 18. Respondents and Respondent Spouse agree and understand that, if they fail to make
19 any payment as required in the Order, any outstanding balance shall be in default and shall be
20 immediately due and payable without notice or demand. Respondents and Respondent Spouse
21 agree and understand that acceptance of any partial or late payment by the Commission is not a
22 waiver of default by Commission.

23 ...

24 ...

25 ...

26

1 19. LUNT represents that he is the manager of DJL and has been authorized by DJL to
2 enter into this Order for and on behalf of it.

[Handwritten signature of Dustin J. Lunt]

DUSTIN J. LUNT

[Handwritten signature of Kami E. Lunt]

KAMI E. LUNT

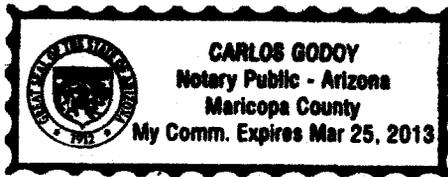
3
4
5
6
7 STATE OF ARIZONA)
8) ss
9 County of Maricopa)

10 SUBSCRIBED AND SWORN TO BEFORE me this 18 day of June, 2009.

[Handwritten signature]
NOTARY PUBLIC

13 My commission expires:

14 March 25, 2013



[Handwritten signature]

DJL & ASSOCIATES, L.L.C.

By: Dustin J. Lunt

Its: Manager

18 STATE OF ARIZONA)
19) ss
20 County of Maricopa)

21 SUBSCRIBED AND SWORN TO BEFORE me this 18 day of June, 2009.

[Handwritten signature]
NOTARY PUBLIC

24 My commission expires:

25 March 25, 2013

