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SECURITIES COMMISSIONER



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AUSTIN, TEXAS 78711-3167

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MEMBER

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DERRICK MITCHELL
MEMBER

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

E. WALLY KINNEY
MEMBER

SOAH DOCKET NO. 312-11- 2832 SSB DOCKET NO. IC11- 03

IN THE MATTER OF THE
INVESTMENT ADVISER
REGISTRATION OF
HUNT ADVISORS LLC AND
THE INVESTMENT ADVISER
REPRESENTATIVE REGISTRATION OF
JOHN WARD HUNT

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

NOTICE OF HEARING

This is your OFFICIAL NOTICE that a hearing will be held at the State Office of Administrative Hearings, in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas 78701, before an Administrative Law Judge beginning on **April 5, 2011 at 9:00 AM Central Time** for the purpose of determining whether the investment adviser registration of Hunt Advisors LLC ("Respondent Hunt Advisors") and the investment adviser representative registration of John Ward Hunt ("Respondent Hunt") with the Securities Commissioner of Texas ("Securities Commissioner") should be REVOKED and whether Respondent Hunt Advisors and Respondent Hunt (collectively "Respondents") should be ordered to CEASE AND DESIST from engaging in fraudulent conduct.

This hearing will be held pursuant to The Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (Vernon 1964 & Supp. 2010) ("Texas Securities Act"); the Rules and Regulations of the Texas State Securities Board, 7 Tex. Admin. Code Chapter 101 et seq. (Supp. 2010) ("Board Rules"); the Administrative Procedure Act, Tex. Gov't Code Ann. § 2001.001 et seq. (Vernon 2008 & Supp. 2010); and the Rules of Practice and Procedure of the State Office of Administrative Hearings, 1 Tex. Admin. Code Chapter 155 (Supp. 2010) ("SOAH Rules").

IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE

SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS, WITH THE STAFF OF THE STATE SECURITIES BOARD AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS.

IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

CONTACT INFORMATION

Ronak V. Patel, Esq.
Assistant Director
Inspections & Compliance Division
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State Office of Administrative Hearings
300 W. 15th Street, Suite 504
Austin, Texas 78701
Telephone: (512) 475-3445
Facsimile: (512) 475-4994

Pursuant to § 105.9 of the Board Rules, all documents filed by any party, other than business records and transcripts, and all documents issued by the Administrative Law Judge must be contemporaneously served upon the Securities Commissioner's representative as identified below:

Sonia Ferguson
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

Legal authority and jurisdiction for this matter exist under Sections 14 and 23 of the Texas Securities Act, Section 2003.021(b) of the Texas Government Code, and Section 155.51 of the SOAH Rules.

The staff of the Texas State Securities Board ("Staff") will present evidence in support of its request that the Respondents' registrations with the Securities Commissioner be REVOKED and Respondents be ordered to CEASE AND DESIST from engaging in fraudulent conduct. The evidence presented by the Staff will prove the following:

I. Parties

1. Respondent Hunt Advisors is a Texas limited liability company whose last known business address as shown by records of the Texas State Securities Board is 4516 Lovers Lane, Suite 239, Dallas, Texas 75225. On or about September 10, 2008, Respondent Hunt Advisors registered with the Securities Commissioner as an investment adviser. This registration is currently effective.
2. Respondent Hunt is a natural person whose last known business address as shown by records of the Texas State Securities Board is 4516 Lovers Lane, Suite 239, Dallas, Texas 75225. Respondent Hunt is the President of Respondent Hunt Advisors. On or about September 10, 2008, Respondent Hunt registered with the Securities Commissioner as an investment adviser representative of Respondent Hunt Advisors. This registration is currently effective.

II. Investment Advisory Activity Prior to Registration

3. From in or about December 2007 to in or about July 2008, Respondent Hunt engaged in the business of advising others with respect to the value of securities and the advisability of investing in, purchasing, or selling securities. In exchange for this investment advice, Respondent Hunt received compensation in the form of a fee based on investment performance.
4. Thus, during the period from December 2007 to July 2008, Respondent Hunt was acting as an "investment adviser" as the term "investment adviser" is defined in Section 4.N of the Texas Securities Act. However, during this period, Respondent Hunt was not registered with the Securities Commissioner as an investment adviser or investment adviser representative of a registered investment adviser.
5. Section 12.B of the Texas Securities Act states that "a person may not, directly or through an investment adviser representative, render services as an investment adviser in this state unless the person is registered under the Act, submits a notice filing as provided by Section 12-1 of this Act, or is otherwise exempt under this Act."
6. During the period from December 2007 to in or about July 2008, Respondent Hunt violated Section 12.B of the Texas Securities Act, which constitutes a basis for the revocation of Respondent Hunt's registration with the Securities Commissioner.

III. Unauthorized and Inappropriate Fees and Expenses Charged to Clients

7. After September 2008, Respondents provided investment advice to an investment partnership, Hunt Fund, Ltd. ("Hunt Fund"), and several separately managed accounts. Respondent Hunt Advisors is also the General Partner of the Hunt Fund.

A. *Hunt Fund*

8. Respondents obtained twenty (20) investors for the Hunt Fund with principal investments totaling over \$970,000. In connection with their investments in the Hunt Fund, each investor received a private placement memorandum dated September 15, 2008 (“PPM”) and a limited partnership agreement dated September 9, 2008 (“Initial LPA”). The PPM and Initial LPA described numerous facts about the Hunt Fund, including the fees that the Hunt Fund would pay to Respondent Hunt Advisors.
9. Specifically, the PPM and the Initial LPA stated that each investor in the Hunt Fund would be charged either:
 - a. A 2.5% annual management fee, which would be calculated and charged quarterly based on the value of the investor’s interest in the Hunt Fund; or
 - b. If the investor was a “qualified client” or a “qualified limited partner”, a 2% annual management fee (on a quarterly basis) plus a 15% performance fee payable annually.
10. The PPM defined “qualified client” as “a natural person or company who has invested at least \$750,000 in the [Hunt Fund] immediately after becoming an investor in the [Hunt Fund]..., or have a net worth (or joint net worth with your spouse) at the time of your purchase which exceeds \$1,500,000. The Initial LPA contained a similar definition for “qualified limited partner”.
11. A majority of investors in the Hunt Fund were not “qualified clients” or “qualified limited partners”. Nonetheless, Respondents assessed each investor a performance fee, which was contrary to the representations in the PPM and Initial LPA.
12. Respondents engaged in a fraudulent business practice by charging a performance fee to investors that didn’t meet the definition of “qualified client” or “qualified limited partner”. These fraudulent business practices are a basis for the revocation of the Respondents’ registrations with the Securities Commissioner.
13. Furthermore, §116.13(b) of the Board Rules specifies that a registered investment adviser may only charge a performance fee to a “qualified client” as defined by the Board Rule. Board Rule 116.13(b) defines “qualified client” similar to the PPM. Thus, Respondent Hunt Advisors violated §116.13(b) of the Board Rules, which constitutes a basis for the revocation of Respondent Hunt Advisors’ registration with the Securities Commissioner.

B. Separately Managed Accounts

14. Respondents provided investment advisory services to clients through accounts outside of the Hunt Fund. The relevant terms, including the fees due to Respondent Hunt Advisors, were described in agreements titled "Investment Management Agreement".
15. The Investment Management Agreements with these clients did not indicate that the clients would be responsible for sharing in the expenses of Respondent Hunt Advisors. However, Respondents charged these clients for Respondent Hunt Advisors purported expenses. The clients were unaware that the Respondents were charging these expenses to their separately managed accounts.
16. Further complicating the issue was the fact that Respondent Hunt was listed as a co-owner on certain clients' brokerage and bank accounts. This set-up allowed Respondents to transfer and deduct funds from the clients' accounts without the clients' knowledge. Respondents did not provide the clients with any invoice or records describing the charges related to any of Respondent Hunt Advisors's expenses.
17. Respondents engaged in a fraudulent business practice by charging Respondent Hunt Advisors' expenses. Pursuant to Section 14.A(3) of the Texas Securities Act, this fraudulent business practice constitutes a basis for the revocation of Respondents' registrations with the Securities Commissioner.

IV. Legal Authority

18. Section 4.F of the Texas Securities Act states:

The terms "fraud" or "fraudulent practice" shall include any misrepresentations, in any manner, of a relevant fact; any promise or representation or prediction as to the future not made honestly and in good faith, or an intentional failure to disclose a material fact; the gaining, directly or indirectly, through the sale of any security, of an underwriting or promotion fee or profit, selling or managing commission or profit, so gross or exorbitant as to be unconscionable; any scheme, device or other artifice to obtain such profit, fee or commission; provided, that nothing herein shall limit or diminish the full meaning of the terms "fraud," "fraudulent," and "fraudulent practice" as applied or accepted in courts of law or equity.

19. Section 14 of the Texas Securities Act states in part:

(A) The Commissioner may ... revoke a registration issued under this Act, ... if the person:

...

(3) has engaged in any inequitable practice in the sale of securities ... or in any fraudulent business practice;

(6) has violated any provisions of this Act or a rule of the Board.

20. Section 23.B of the Texas Securities Act states in part that the Securities Commissioner may issue a Cease and Desist Order:

If it appears to the Commissioner at any time that an investment adviser or investment adviser representative is engaging or is likely to engage in fraud or a fraudulent practice with respect to rendering services as an investment adviser or investment adviser representative.

21. Pursuant to Section 14.A(3) of the Texas Securities Act, the fraudulent business practices described above are bases for the revocation of the Respondents' registrations with the Securities Commissioner.
22. Pursuant to Section 14.A(6) of the Texas Securities Act, the violations of the Texas Securities Act and Board Rules are bases for the revocation of the Respondents' registrations with the Securities Commissioner.
23. Finally, pursuant to Section 23.B of the Texas Securities Act, Respondents' fraudulent practices are bases for the issuance of an Order requiring Respondents to cease and desist from engaging in fraudulent conduct.

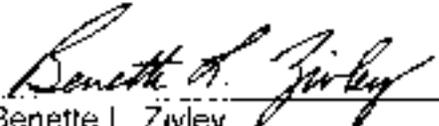
V. Relief Requested

Based on the foregoing allegations, the Staff requests that the Securities Commissioner issue an Order REVOKING the Respondents' registrations with the Securities Commissioner and ordering that Respondents CEASE AND DESIST from engaging in the fraudulent conduct described in this Notice of Hearing.

Pursuant to § 105.14 of the Board Rules, the Staff respectfully requests that the State Office of Administrative Hearings order that all costs charged to the Texas State Securities Board by any court reporting service involved in this matter be assessed against Respondents.

You are invited to appear personally, with, without, or through counsel, and to present any and all evidence relating to the matters set forth in this Notice.

Signed this 26th day of January, 2011.


Benette L. Zivley
Director
Inspections & Compliance Division

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been personally served on Hunt Advisors LLC, and to the Securities Commissioner's Representative by hand-delivery, done on this, the 26th day of January, 2011.

Hunt Advisors LLC
John Ward Hunt, President
4516 Lovers Lane, Suite 239
Dallas, Texas 75225

VIA Certified Mail # 9171082133393797002856

John Ward Hunt
4516 Lovers Lane, Suite 239
Dallas, Texas 75225

VIA Certified Mail # 9171082133393797002863

Sonia Ferguson
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

VIA HAND DELIVERY



Ronak V. Patel
Assistant Director
Inspections & Compliance Division