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BEFORE THE ARIZONA CORPORATI

Commissioners:

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ARIZONA CORPORATE COMMISSION
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MARK DANA HUGHES, CRD #1843511,
and DOLLY A. HUGHES, husband
and wife,
and
LEGACY FINANCIAL ADVISORS,
L.L.C., CRD# 114029, an Arizona limited
Liability company,
Respondents.

DOCKET NO. S-20864A-12-0439

ANSWER BY RESPONDENT
MARK DANA HUGHES
AND RESPONDENT DOLLY A.
HUGHES AND RESPONDENT
LEGACY FINANCIAL
ADVISORS, L.L.C.

COME NOW the Respondents, Mark Dana Hughes and Legacy Financial Advisors, L.L.C.
[hereinafter "Respondents"], and Respondent Dolly A. Hughes [hereinafter "Respondent Wife"] and
for their answers to the "Notice of Opportunity for Hearing Regarding Proposed Order to Cease and
Desist, Order for Restitution, Order of Revocation, Order for Administrative Penalties, and Order for
Other Affirmative Action" filed October 17, 2012 in this matter [hereinafter "NOH"], hereby admit,
deny and allege as follows:

General Admissions, Denials, and Affirmative Defenses:

1. Respondents and Respondent Wife deny the allegations in the opening paragraph of
the NOH that they or any of them have engaged in acts, practices, and transactions that constitute

[Answer by Respondents Mark Dana Hughes, Dolly A. Hughes, and Legacy Financial Advisors, L.L.C.:
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1 violations of the Arizona Investment Management Act, A.R.S. Section 44-3101 *et seq.*, except as
2 may be set forth below.

3
4 2. Respondents and Respondent Wife admit the allegations in paragraph 1, Section I of
5 the NOH.

6 3. Respondents and Respondent Wife admit the allegations in paragraph 2, Section II of
7 the NOH except that Respondent Mark Dana Hughes is a resident of the State of Arizona.

8 4. Respondents admit the allegations in paragraphs 3, 4, 6, 7, 8, 9, 10, 11, and 12,
9 Section II of the NOH; Respondent Wife admits the allegations in paragraphs 3, 4, 6, 7, and 9 of
10 Section II of the NOH; Respondent Wife lacks information sufficient to form a belief as to the truth
11 or falsity of the allegations in paragraphs 8, 10, 11, and 12, Section II of the NOH, and therefore
12 denies same at this time.

13
14 5. Respondents and Respondent Wife admit the allegation in paragraph 5, Section II of
15 the NOH that at all relevant times Respondent Mark Dana Hughes was acting for his own benefit,
16 but deny he was acting for the benefit or furtherance of the marital community with Respondent
17 Wife; affirmatively alleges that Respondent Mark Dana Hughes and Respondent Wife entered into a
18 Separation Agreement on April 19, 2000, which agreement intended to and did abrogate community
19 property law and terminate the marital community as it pertained to said Respondent Mark Dana
20 Hughes' and Respondent Wife's assets.

21
22 **Specific Admissions, Denials, and Affirmative Defenses**
23 **Regarding Section III, "Facts"**

24
25 6. Respondents admit the allegations in paragraph 13, Section III of the NOH, except

1 that the statement in said paragraph regarding ETFs “were meant to be traded frequently with a
2 minimal holding period” is not necessarily true, and therefore denies same at this time.

3
4 7. Respondents admit the allegation in paragraph 14, Section III of the NOH that ETFs
5 presented certain risks, and admit the allegation in paragraph 14, Section III of the NOH that an
6 index consisting of small and/or mid-sized capitalized companies present greater investment risk
7 than found with larger more established companies, but deny the remainder of the allegations in
8 paragraph 14, Section III of the NOH.

9
10 8. Respondents deny the allegation in paragraph 15, Section III of the NOH that some of
11 LFA’s clients were principally conservative to moderately conservative, and allege that only one or
12 two of said clients were principally conservative to moderately conservative; denies the allegation in
13 paragraph 15, Section III of the NOH that life events caused some of LFA’s more aggressive
14 investors to change their investment objectives to conservative which was communicated to
15 Respondents; admits the remainder of the allegations in paragraph 15, Section III of the NOH;
16 Respondents affirmatively allege that Respondents took into account all the various risk exposures in
17 determining investment strategies for clients..
18

19 9. Respondents admit the allegations in paragraph 16, Section III of the NOH.

20 10. Respondents admit the allegations in paragraph 17, Section III of the NOH, and allege
21 that all of Respondents’ clients received the prospectuses; Respondents affirmatively allege that the
22 construction of said paragraph suggests meanings beyond the scope of the literal meaning of the
23 words, and to the extent that is intended, Respondents deny the suggested meanings..
24

25 11. Respondents admit the allegations in paragraphs 18, 19, and 20, Section III of the

1 NOH.

2 12. Respondents lacks information sufficient to form a belief as to the truth or falsity of
3 the allegations in paragraphs 21, 22, 23, 24, 25, 26, 27, 28, 29, and 30, Section III of the NOH, and
4 therefore deny same at this time; Respondents affirmatively allege that Respondents have not been
5 made aware by the complaining entity (i.e., the Securities Division of the Arizona Corporation
6 Commission) in the NOH which clients the complaining entity is referring to; at such time as the
7 complaining entity discloses the identity of said clients to Respondents, Respondents will seek to
8 amend this portion of their Answer.
9

10 13. Respondents lack information sufficient to form a belief as to the truth or falsity of the
11 allegations in paragraph 31, Section III of the NOH, and therefore deny same at this time.
12

13 14. Respondents admit the allegations in paragraph 32, 34, and 35, Section III of the
14 NOH; Respondents affirmatively allege there is much more that determines the length of time an
15 ETF is held besides the dollar value and Respondents used these determinations as well as the dollar
16 value in determining frequency.
17

18 15. Respondents deny the allegations in paragraph 33, Section III of the NOH;
19 Respondents affirmatively allege that Respondent Mark Dana Hughes was more aggressive in his
20 investments than he was for his own clients, excepting two or three.
21

22 16. Respondents admit the allegations in paragraph 36, Section III of the NOH, except for
23 the last sentence starting with the words "For at least one client. . . ", and Respondents deny the
24 allegations in the last sentence.
25

26 17. Respondents deny the allegations in paragraph 37, Section III of the NOH;
27

1 Respondents affirmatively allege there is no recommended holding period for leveraged ETFs.

2 18. Respondents admit the allegations in paragraphs 38, 39, 40, 41, 42, 43, 48, and 49,
3 Section III of the NOH; Respondents lack information sufficient to form a belief a to the truth or
4 falsity of the allegations in paragraph 46, Section III of the NOH, and therefore deny same at this
5 time..
6

7 19. Respondents deny the allegations in paragraph 44, Section III of the NOH, except that
8 Respondents admit that Respondent Mark Dana Hughes testified before the Arizona Corporation
9 Commission in January, 2012 and at a previous meeting.
10

11 20. Respondents deny generally the allegations in paragraph 45, Section III of the NOH,
12 except that Respondents admit that Respondent Mark Dana Hughes explained a certain trading
13 practice to the Arizona Corporation Commission in January, 2012.

14 21. Respondents deny the allegations in paragraph 47, Section III of the NOH.

15 22. Respondents admit the allegations in paragraph 50, Section III of the NOH, that
16 Respondent Mark Dana Hughes changed LFA's organizational form to an LLC, and that at that time
17 Respondent Mark Dana Hughes was not associated with an SEC covered advisor and did not obtain
18 a license as an investment advisor representative in association with Respondent Legacy Financial
19 Advisors, L.L.C. (Respondent Mark Dana Hughes did not need to obtain a license separate and apart
20 from his sole proprietorship); denies the remainder of the allegations in paragraph 50, Section III of
21 the NOH, at this time; affirmatively alleges that from and after the time that Respondent Legacy
22 Financial Advisors, L.L.C. existed (i.e., from and after December, 2009), Respondent Mark Dana
23 Hughes was given to understand that all registration issues were in good order (said Respondent used
24
25

26 _____
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1 a separate compliance firm, namely, Law Offices of Patrick J. Burns, Jr., P.C., 415 North Camden
2 Drive, #223, Beverly Hills, California 90201, for his licensing requirements); further affirmatively
3 alleges that from December, 2009 until he closed Respondent Legacy Financial Advisors, L.L.C.,
4 Respondent Mark Dana Hughes was unaware of any issues concerning his individual registration and
5 believed at all times he was properly registered.
6

7 23. Respondent Wife lacks information sufficient to form a belief as to the truth or falsity
8 of each and every allegation in paragraphs 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27,
9 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, and 50, Section III
10 of the NOH, and therefore denies same at this time..
11

12 **Specific Admissions, Denials, and Affirmative Defenses**
13 **Regarding Section IV, "Violation of A.R.S. §44-3151"**

14 24. Respondents admit the allegations in paragraph 51, Section IV of the NOH, that
15 Respondent Mark Dana Hughes transacted business in Arizona as an investment Advisor
16 Representative; denies the remainder of the allegations in paragraph 51, Section IV of the NOH.
17

18 25. Respondents deny the allegations in paragraphs 52 and 53, Section IV of the NOH;
19 Respondents affirmatively allege, on information and belief, that Respondent Mark Dana Hughes
20 was not employed by Respondent Legacy Financial Advisors LLC.; Respondents reincorporate and
21 reallege as if fully set forth hereat, the affirmative allegations set forth above in paragraph 22.

22 26. Respondent Wife lacks information sufficient to form a belief as to the truth or falsity
23 of each and every allegation in paragraphs 51, 52, and 53, Section IV of the NOH, and therefore
24 denies same at this time.
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**Specific Admissions, Denials, and Affirmative Defenses
Regarding Section V, “Remedies Pursuant to §44-3201”**

27. Respondents deny each and every allegation in paragraphs 54 and 55, Section V of the NOH.

28. Respondent Wife lacks information sufficient to form a belief as to truth or falsity of the allegations in paragraphs 54 and 55, Section V of the NOH, and therefore denies same at this time.

**Specific Admissions, Denials, and Affirmative Defenses
Regarding Section VI, “Violation of A.R.S. §44-3241”**

29. Respondents deny each and every allegation in paragraphs 56 and 57, Section VI of the NOH.

30. Respondent Wife lacks information sufficient to form a belief as to the allegations in paragraphs 56 and 57, Section VI of the NOH, and therefore denies same at this time.

General Denials and General Affirmative Allegations

31. Respondents deny each and every allegation in the NOH not specifically admitted herein.

32. Respondent Wife denies each and every allegation in the NOH not specifically admitted herein.

33. Respondents and Respondent Wife affirmatively allege as and for affirmative defenses, to the extent not already alleged, as follows:

[Answer by Respondents Mark Dana Hughes, Dolly A. Hughes, and Legacy Financial Advisors, L.L.C.:
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(a) Respondent Mark Dana Hughes at all times conducted himself within the Code of Ethics of the Board of Standards for the College of Financial Planning with which he was in good standing as a CFP licensee;

(b) Respondent Mark Dana Hughes conducted his practice in line with the practice standards set forth by the Board of Standards;

(c) Respondents deny any wrongdoing or practice within a scheme or artifice, for the purpose of harming his clients, or for any purpose;

(d) none of the complaints by Respondents' clients surfaced spontaneously prior to Respondent Mark Dana Hughes surrendering his license, but rather at the instigation of the complaining entity herein after that event.

34. Respondent Wife affirmatively alleges that she has never worked in the securities industry as an advisor (she helped occasionally in her husband's office prior to 1999 as a filing clerk), she never gave advice of any kind to any of her husband's clients, is unfamiliar with the rules and regulations pertaining to the securities industry, and was at all times relevant herein unfamiliar with Respondent Mark Dana Hughes' business practices.

WHEREFORE, Respondents Mark Dana Hughes, Dolly A. Hughes, and Legacy Financial Advisors, L.L.C., having fully answered the NOH, request the Commission to deny each and every request for relief sought by the Securities Division in this matter as those requests are set forth in paragraphs 1 through 8 of Section VII of the NOH.

DATED: 11-19-12

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MARK DANA HUGHES
Respondent
4549 North Camino Campero
Tucson, Arizona 85750
Telephone: (520) 991-5685 (cell)



DOLLY ANNA HUGHES
Respondent
4549 North Camino Campero
Tucson, Arizona 85750
Telephone: (520) 991-5685 (cell)

LEGACY FINANCIAL ADVISORS, L.L.C.,
An Arizona limited liability company



By
Mark Dana Hughes, Member/Manager
Respondent

STATE OF ARIZONA)
)
County of Pima)

Mark Dana Hughes, being first duly sworn, upon his oath, deposes and says as follows:
He has read the foregoing Answer and knows the contents thereof; that the statements made therein are true and correct or made on information and belief, to the best of his personal knowledge and belief.



Mark Dana Hughes

This document, consisting of 11 pages, of which this is page 9, was acknowledged, subscribed and sworn to before me, the Notary Public, on the 19 day of November,

1 knowledge and belief.

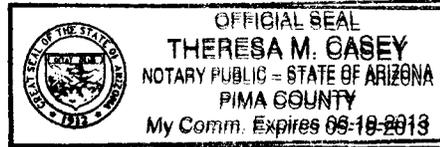
2 Dolly Anna Hughes
3 Dolly Anna Hughes

4 This document, consisting of 11 pages, of which this is page 11, was acknowledged,
5 subscribed and sworn to before me, the Notary Public, on the 19 day of November,
6 2012, by Dolly Anna Hughes.

7 My Commission Expires:

8 6/19/13

9 Theresa M. Casey
10 Notary Public



11 Original and 10 copies of this Answer mailed this 20th day of November, 2012 to:

12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Securities Division
17 Arizona Corporation Commission
18 Attention: Aikaterine Vervilos
19 1300 West Washington, 3rd Floor
20 Phoenix, Arizona 85007

21 By V.A. King

22 [Prepared by: Victoria A. King, AZCLDP #80506
23 4501 East Grant Road
24 Tucson, Arizona 85712
25 Telephone: (520) 749-3250]

26 [Answer by Respondents Mark Dana Hughes, Dolly A. Hughes, and Legacy Financial Advisors, L.L.C.:

27 Docket No. S-20864A-12-0439