

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 29, 2010

CLERK'S OFFICE

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

UBS FINANCIAL SERVICES, INC.

and

MARK CHRISTOPHER HUGHES,

Defendants

CASE NO. SEC-2010-00072

CASE NO. SEC-2010-00073

SETTLEMENT ORDER

Based on an investigation conducted by the Division of Securities and Retail Franchising ("Division"), it is alleged that UBS Financial Services, Inc. ("UBS") and Mark Christopher Hughes ("Hughes") (collectively, "Defendants"): (i) violated Securities Rule 21 VAC 5-20-280 A (3), in that UBS, through Hughes, sold shares of leveraged, exchange traded fund securities to two (2) Virginia investors when the products were not suitable given the customers' objectives, financial situation, risk tolerance, experience, and needs; (ii) UBS violated Securities Rule 21 VAC 5-20-260 B by failing to exercise diligent supervision over the securities activities of its agent, Hughes; and (iii) Hughes violated Securities Rule 21 VAC 5-20-280 B (6), as referenced in Securities Rule 21 VAC 5-20-280 A (3), by recommending to customers the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customers based upon reasonable inquiry concerning the customers' investment objective, financial situation, risk tolerance and needs, and any other relevant information known by the broker-dealer.

If the standards of the statute are met, the State Corporation Commission ("Commission") is authorized by § 13.1-506 of the Virginia Securities Act ("Act") to revoke the Defendants'

registration, by § 13.1-519 of the Act to issue temporary or permanent injunctions, by § 13.1-518 A of the Act to impose costs of investigation, by § 13.1-521 A of the Act to impose certain monetary penalties, by § 13.1-521 C of the Act to order the Defendants to make rescission and restitution, and by § 12.1-15 of the Code of Virginia to settle matters within its jurisdiction.

The Defendants neither admit nor deny these allegations but admit to the Commission's jurisdiction and authority to enter this Settlement Order.

As a proposal to settle all matters arising from these allegations, the Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

(1) The Defendants will pay to the Treasurer of the Commonwealth of Virginia, contemporaneously with the entry of this Order, the amount of Five Thousand Dollars (\$5,000) to defray the costs of investigation.

(2) In lieu of penalties, the Defendants have paid restitution in separate claims arising from the two (2) Virginia investors, in the amounts of \$500,000 and \$120,000, respectively.

(3) UBS will place Hughes under heightened supervision for a period of at least one (1) year from the date of entry of this Order. The plan of supervision is attached hereto as Attachment A.

Entry of this Order will have no effect on Hughes's registration.

The Division has recommended that the Commission accept the offer of settlement of the Defendants.

The Commission, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Division, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

- (1) The offer of the Defendants in settlement of the matter set forth herein be, and it is hereby, accepted;
- (2) The Defendants fully comply with the aforesaid terms and undertakings of this settlement; and
- (3) This case is dismissed and the papers herein shall be placed in the file for ended causes.

Dismissal of this case does not relieve the Defendants from their reporting obligations to any regulatory authority.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Joy Weber, Managing Director, UBS Financial Services, Inc., 1200 Harbor Boulevard, 10<sup>th</sup> Floor Legal, Weehawken, New Jersey 07086; Mark C. Hughes, 1501 K Street, NW, Washington, D.C. 20005; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

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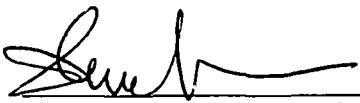
ADMISSION AND CONSENT

The Defendants, UBS Financial Services, Inc. and Mark Christopher Hughes, admit to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order.

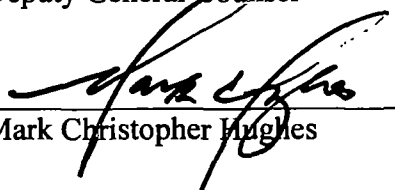
The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent, or representative thereof in consideration of the foregoing Settlement Order.

UBS Financial Services, Inc.

Date: 10/26/10

By:   
Ilene Marquardt, Managing Director,  
Deputy General Counsel

Date: 10/26/2010

  
Mark Christopher Hughes