

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##E3B20040207

TO: Department of Enforcement
NASD

RE: Paul Howard Hughes, Respondent
General Securities Representative
CRD No. 252636

Pursuant to Rule 9216 of NASD Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

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directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects my testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Paul Howard Hughes entered the securities industry in March 1973 as a General Securities Representative of a member of NASD. From January 1980 until October 2004, he was registered through PaineWebber Incorporated aka UBS Financial Services, Inc. ("UBS") as a General Securities Representative. He is not currently registered or associated with any member firm.

Respondent Hughes has no formal disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in

connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

1.

In or about June 1983, Paul Howard Hughes became the Trustee of the CEL Support Trust ("the Trust"). The trustor, CEL, was a relative of Respondent Hughes' wife. CML, then a minor, was CEL's granddaughter. CML was a beneficiary of the Trust and she became the sole beneficiary of the Trust upon the death of CEL in or about September 2000.

In or about June 1983, Respondent Hughes opened an account in the name of the Trust ("the Trust Account") at his employer firm, UBS. In July 1992, when CML was 18 years old, an account was opened in CML's name ("the CML Brokerage Account") at UBS. The funds to open the CML Brokerage Account were provided by her grandmother, CEL.

For several years, in order to distribute the income or principal of the Trust to CML, Respondent Hughes made quarterly distributions from the Trust Account to CML's bank account. By 2002, largely as a result of loans that Respondent Hughes had made to himself from the Trust, the assets of the Trust Account were substantially depleted.

During the period from on or about November 14, 2002, until on or about September 23, 2003, without CML's knowledge, authorization or consent, Respondent Hughes caused four payments to be made from the CML Brokerage Account to CML's bank account, in the total amount of approximately \$11,727.42. Respondent Hughes did not inform CML that the payments came from her UBS account, and she believed they were distributions from the Trust. Respondent Hughes thereby made improper use of CML's funds.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2330(a). Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 by Paul Howard Hughes.

2.

During the period from in or about October 2001 until in or about April 2004, Respondent Hughes drew 11 checks from the Trust Account in the total amount of approximately \$9,582. Ten of the checks were made payable to Respondent Hughes or his wife. The remaining check was made payable to a university, to pay the tuition or expenses of a member of Respondent Hughes' family.

During the same approximate period of time, Respondent Hughes deposited approximately \$9,014.70 of his funds into the Trust Account.

Respondent Hughes thereby misused approximately \$9,014.70 in customer funds without the customer's knowledge, authorization or consent, and has not accounted for approximately \$567.30 in customer funds, which Respondent Hughes thereby converted to his own use and benefit.

Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2330(a). Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 by Paul Howard Hughes.

3.

On or about February 25, 2003, without CML's knowledge, authorization, or consent, Respondent Hughes affixed, or caused to be affixed, the signature of CML to a letter purporting the authorize the transfer of \$2,930.76 from the CML Brokerage Account to CML's bank account.

On or about May 16, 2003, without CML's knowledge, authorization, or consent, Respondent Hughes affixed, or caused to be affixed, the signature of CML to a letter purporting the authorize the transfer of \$2,927.40 from the CML Brokerage Account to CML's bank account.

Such acts, practices and conduct constitute separate and distinct violations of Conduct Rule 2110 by Paul Howard Hughes.

B. I also consent to the imposition, at a maximum, of the following sanctions:

Paul Howard Hughes shall be barred from associating with any member of NASD in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

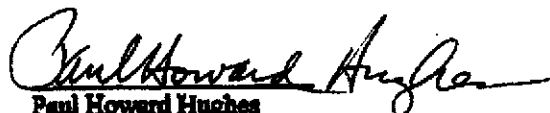
III.

OTHER MATTERS

A. I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce me to submit it.

02/08/2006
Date


Paul Howard Hughes
Respondent

Reviewed by:


John A. Bender
Counsel for Respondent
Ryan, Swanson & Cleveland, PLLC
1201 Third Ave., Suite 3400
Seattle, WA 98101-3034

Accepted by NASD:

April 6, 2006
Date

Signed on behalf of the Director of
ODA, by delegated authority

David Utevsky
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