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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67781 / September 5, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3456 / September 5, 2012

INVESTMENT COMPANY ACT OF 1934
Release No. 30193 / September 5, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15006

COPY

In the Matter of RAYMOND J. LUCIA COMPANIES, INC. and RAYMOND J. LUCIA, SR., Respondents.	ANSWER OF RESPONDENT RAYMOND J. LUCIA COMPANIES, INC. TO ORDER INSTITUTING ADMINISTRATIVE CEASE-AND DESIST PROCEEDINGS

Respondent Raymond J. Lucia Companies, Inc. ("RJLC") hereby answers the Order Instituting Proceedings (the "Order") as follows:

1. Answering Paragraph A.1 of the Order, RJLC admits it is California corporation located in San Diego, California. RJLC admits it did business as "RJL Wealth Management" until May 2010. RJLC admits it was registered with the Commission as an investment advisor from September 2002 through December 2011 (CRD No. 115670). RJLC admits in March 2010 it sold its advisory accounts and transferred its client accounts to RJL Wealth Management, LLC ("RJLWM"). RJLC admits RJLWM is registered with the Commission as an investment adviser (CRD No. 152396). Except as admitted, RJLC denies the remaining allegations of Paragraph A.1.

2. Answering Paragraph A.2 of the Order, RJLC admits Raymond J. Lucia, Sr. ("Lucia") is the sole shareholder of RJLC and RJL Enterprises, Inc. RJLC admits Lucia produces a daily syndicated radio show, *The Ray Lucia Show*. RJLC admits Lucia is a registered investment adviser representative (CRD No. 1073284) associated with RJLWM. RJLC admits Lucia was formerly a registered representative of First Allied Securities, Inc. (CRD No. 32444), a registered broker dealer. RJLC admits Lucia previously owned Lucia Financial, LLC (CRD NO. 37919), a registered broker dealer. RJLC admits Lucia previously held Series 24 and 63 licenses. RJLC admits Lucia is 61 years old and a resident of Rancho Santa Fe, California. Except as admitted, RJLC denies the remaining allegations of Paragraph A.2.

3. Answering Paragraph B.1 of the Order, RJLC admits that Lucia has hosted a radio show, *The Ray Lucia Show*, which was syndicated in 2000. RJLC admits Lucia has previously appeared on television programs. RJLC admits Lucia's image is shown on the websites, www.rjlwm.com and www.raylucia.com. RJLC admits Lucia has been a featured speaker at seminars. RJLC admits these seminars were promoted on Lucia's radio show and www.raylucia.com. RJLC admits Lucia has authored three books on investing for retirement: *Buckets of Money: How to Retire in Comfort and Safety* (2004), *Ready . . . Set . . . Retire!* (2007), and *The Buckets of Money Retirement Solution: The Ultimate Guide to Income for Life* (2010). Except as admitted, RJLC denies the remaining allegations of Paragraph B.1.

4. Answering Paragraph B.2 of the Order, RJLC admits that on his radio show and at seminars Lucia has discussed his wealth management strategy, "Buckets of Money" ("BOM"). RJLC admits the books authored by Lucia speak for themselves. RJLC admits Lucia's comments are not limited to discussion of the BOM strategy. RJLC admits a recurring theme of Lucia's comments is that the BOM strategy could enhance one's ability to protect the money one

has spent a lifetime accumulating, and could enhance one's ability to generate inflation-adjusted income for life. Except as admitted, RJLC denies the remaining allegations of Paragraph B.2.

5. Answering Paragraph B.3 of the Order, RJLC admits the idea for the BOM strategy was a 1998 article in *Financial Planning* by John J. Bowen, Jr. RJLC admits the Bowen article speaks for itself. RJLC admits Lucia relied, in part, on research conducted by Ibbotson Associates. Lucia admits the Ibbotson research speaks for itself. Except as admitted, RJLC denies the remaining allegations of Paragraph B.3.

6. Answering Paragraph B.4 of the Order, RJLC denies that the allegations completely and accurately reflect the statements Respondents have made concerning the BOM strategy. RJLC denies knowledge or information sufficient to form a belief as to the ambiguous allegations concerning a "general understanding" of "backtesting." RJLC denies the remaining allegations of Paragraph B.4.

7. Answering Paragraph B.5 of the Order, RJLC admits calculations related to the BOM strategy were performed. Except as admitted, RJLC denies the remaining allegations of Paragraph B.5.

8. Answering Paragraph B.6 of the Order, RJLC admits Lucia has made public statements concerning the validation of the BOM strategy. Except as admitted, RJLC denies the remaining allegations of Paragraph B.6.

9. Answering Paragraph B.7 of the Order, RJLC admits the 2004 book speaks for itself. Except as admitted, RJLC denies the remaining allegations of Paragraph B.7.

10. Answering Paragraph B.8 of the Order, RJLC admits the 2007 book speaks for itself. Except as admitted, RJLC denies the remaining allegations of Paragraph B.8.

11. Answering Paragraph B.9 of the Order, RJLC is without sufficient knowledge or

information to form a belief as to the allegation as it is vague and ambiguous as to the term "RJL's website." To the extent a statement was posted on a website, that statement speaks for itself.

12. Answering Paragraph B.10 of the Order, RJLC denies it has made public statements that it follows "science, not art." RJLC admits broadcast copy for Lucia's prior radio shows speaks for itself. Except as admitted, RJLC denies the remaining allegations of Paragraph B.10.

13. Answering Paragraph B.11 of the Order, RJLC denies that the allegations completely and accurately reflect the statements Respondents have made concerning the BOM strategy, except admit the BOM strategy is an overall asset allocation and withdrawal strategy which has to be applied individually to the portfolios of those who elect to employ the strategy, depending on each investor's personal investment circumstances. To the extent not admitted, the allegations of Paragraph B.11 are denied.

14. Answering Paragraph B.12 of the Order, RJLC denies that the allegations completely and accurately reflect the statements Respondents have made concerning the BOM strategy, except admit the BOM strategy is an overall asset allocation and withdrawal strategy which has to be applied individually to the portfolios of those who elect to employ the strategy, depending on each investor's personal investment circumstances. To the extent not admitted, the allegations of Paragraph B.12 are denied.

15. Answering Paragraph B.13 of the Order, RJLC denies that the allegations completely and accurately reflect the statements Respondents have made concerning the BOM strategy, except admit the BOM strategy is an overall asset allocation and withdrawal strategy which has to be applied individually to the portfolios of those who elect to employ the strategy,

depending on each investor's personal investment circumstances. To the extent not admitted, the allegations of Paragraph B.13 are denied.

16. Answering Paragraph B.14 of the Order, RJLC denies Respondents promoted the BOM strategy by using a lengthy "sideshow" at the seminar presentations. RJLC admits the BOM seminars were promoted on Lucia's radio show and on a website formerly owned by RJLC, which is no longer in existence. RJLC denies that the remaining allegations completely and accurately set forth the purpose of the seminars. To the extent not admitted, the allegations of Paragraph B.14 are denied.

17. Answering Paragraph B.15 of the Order, RJLC admits that the "slideshow" speaks for itself. RJLC denies that the allegations in Paragraph B.15 of the Order completely and accurately set forth the information presented during the seminars.

18. Answering Paragraph B.16 of the Order, RJLC admits that the "slideshow" speaks for itself. RJLC denies that the remaining allegations in Paragraph B.16 of the Order completely and accurately set forth the information presented during the seminars.

19. Answering Paragraph B.17 of the Order, RJLC admits the 1966 and 1973 Spreadsheets, and numerous other sources, validate the slideshow's central premise – that the BOM investment strategy provides superior outcomes in relation to other investment strategies. Except as admitted, RJLC denies the remaining allegations of Paragraph B.17.

20. Answering Paragraph B.18 of the Order, RJLC denies the allegations contained therein.

21. Answering Paragraph C.19, of the Order, RJLC admits a 3% inflation rate was utilized in the slideshow presentation. Except as admitted, RJLC denies that the allegations in Paragraph C.19 of the Order completely and accurately set forth the information presented

during the seminars.

22. Answering Paragraph C.20, RJLC denies information or knowledge to respond to the ambiguous allegations concerning the unspecified "historically accurate inflation rate." RJLC denies the remaining allegations of Paragraph C.20.

23. Answering Paragraph C.21, RJLC admits the slides used during the seminars speak for themselves. RJLC denies that the allegations in Paragraph C.21 of the Order completely and accurately set forth the information presented during the seminars. RJLC denies the remaining allegations of Paragraph C.21.

24. Answering Paragraph C.22 of the Order, RJLC denies the allegations contained therein.

25. Answering Paragraph C.23 of the Order, RJLC admits the 1966 and 1973 Spreadsheets did not, and could not, include calculations for advisory fees. Except as admitted, RJLC denies the remaining allegations of Paragraph C.23.

26. Answering Paragraph C.24 of the Order, RJLC denies information or knowledge sufficient to form a belief as to the ambiguous allegations concerning the impact of advisory fees on returns. RJLC denies the remaining allegations of Paragraph C.24.

27. Answering Paragraph C.25 of the Order, RJLC denies the allegations contained therein.

28. Answering Paragraph C.26 of the Order, RJLC denies the 1966 and 1973 Spreadsheets "failed" to reallocate assets after the bond and REIT buckets were exhausted. RJLC admits the 1966 and 1973 Spreadsheets did not reallocate assets after the bond and REIT buckets were exhausted. RJLC denies the remaining allegations of Paragraph C.26.

29. Answering Paragraph C.27 of the Order, RJLC denies the allegations contained

therein.

30. Answering Paragraph C.28 of the Order, RJLC admits the performance calculations presented during the seminars demonstrate that the BOM investment strategy would have provided superior outcomes in relation to other investment strategies. Except as admitted, RJLC denies the remaining allegations of Paragraph C.28.

31. Answering Paragraph C.29 of the Order, RJLC denies the allegations contained therein.

29. Answering Paragraph C.30 of the Order, RJLC denies the allegations contained therein.

29. Answering Paragraph C.31 of the Order, RJLC denies the allegations contained therein.

AFFIRMATIVE DEFENSES

RJLC asserts the following affirmative defenses and reserves the right to amend the answer to assert an additional affirmative defenses when and if, in the course of its investigation, discovery, or preparation for trial it becomes appropriate to assert such affirmative defenses. In asserting these defenses, RJLC does not assume the burden of proof for any issue that would otherwise rest on the Division of Enforcement.

FIRST AFFIRMATIVE DEFENSE

The Order fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

The Order fails to state facts sufficient to allege a violation by RJLC of the Investment Advises Act or any Rule promulgated thereunder.

THIRD AFFIRMATIVE DEFENSE

This Administrative Proceeding is barred by the applicable statute of limitations of 28 U.S.C. § 2462.

FOURTH AFFIRMATIVE DEFENSE

This Administrative Proceeding is barred by the doctrine of waiver.

FIFTH AFFIRMATIVE DEFENSE

This Administrative Proceeding violates the Due Process Clause of the United States Constitution.

SIXTH AFFIRMATIVE DEFENSE

The initiation of this Administrative Proceeding is arbitrary, capricious and selective prosecution.

SEVENTH AFFIRMATIVE DEFENSE

The Order fails to allege sufficient grounds for a cease and desist order where the conduct complained of ceased over two years ago and there is no reasonable likelihood RJLC will commit any future violation.

EIGHTH AFFIRMATIVE DEFENSE

This Administrative Proceeding is barred by the doctrine of unclean hands.

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WHEREFORE, RJLC prays for judgment as follows:

1. That the Order Instituting Administrative Proceedings against RJLC be dismissed, with prejudice;

2. That RJLC be awarded its costs of suit incurred herein;

3. That RJLC be awarded its reasonable attorneys' fees;

4. For such other and further relief as the Court may deem just and proper.

Dated: September 19, 2012

LOCKE LORD LLP

By: Wrenn Chais

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