

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 68106 / October 25, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14949

In the Matter of

Charles M. Vaughn,

Respondent.

ORDER MAKING FINDINGS
AND IMPOSING REMEDIAL
SANCTIONS

I.

On July 12, 2012, the Securities and Exchange Commission (“Commission”) instituted public administrative proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Charles M. Vaughn (“Vaughn” or “Respondent”). Respondent has submitted an Offer of Settlement that the Commission has determined to accept.

II.

Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Making Findings and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. From August 2001 through March 2008, Vaughn was the sole owner and principal of CM Vaughn, LLC, an unregistered broker based in multiple locations in and around Atlanta, Georgia. Vaughn, 43 years old, was a resident of Ellijay, Georgia when he operated CM Vaughn, LLC.

2. On October 24, 2011, Vaughn entered a guilty plea in U.S. District Court for the Northern District of Georgia to one count of wire fraud in violation of Title 18 United States Code, Sections 1343 and 2, in United States v. Charles Michael Vaughn, Crim. Case No. 1:11-CR-310-RWS. On February 7, 2012, Vaughn was sentenced to a term of one hundred (100) months in

prison and three (3) years of supervised release, and ordered to pay restitution in the amount of \$8,833,686.41. Vaughn began serving his prison sentence on March 28, 2012.

3. As alleged in Vaughn's negotiated plea agreement, between July 2004 and October 2007, Vaughn induced more than 50 individuals to invest in a purported pooled investment fund called CM Vaughn Emerging Ventures Fund ("Emerging Ventures Fund" or "Fund"). As further alleged in the plea agreement, Vaughn represented to investors that the Fund earned annual returns from 15 to 50 percent, and stated that investors' funds were "insured." The plea agreement also alleges that Vaughn represented that the Fund was subject to a "stop loss" policy where, if the investments dropped below a certain value, Vaughn would terminate all investment activity in order to prevent further losses. However, as alleged in the plea agreement, rather than actually investing investor funds in the Emerging Ventures Fund, Vaughn misappropriated such funds to finance various private companies he owned and/or operated and also to pay his personal expenses and to repay earlier investors. Finally, the plea agreement alleges that Vaughn hid his actions by generating statements reflecting fictitious investment gains and account balances.

4. CM Vaughn, LLC solicited investors in the Emerging Ventures Fund through Vaughn, providing Fund information on the firm's letterhead. The Fund purportedly invested in exchange-listed stocks. Investors in the Fund opened individual accounts at CM Vaughn, LLC, through which the firm purportedly purchased their interests in the Fund. Finally, CM Vaughn, LLC purportedly charged Fund investors "commissions and trade fees" associated with the Fund's purported underlying stock trading.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Vaughn be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a

customer, whether or not related to the conduct that served as the basis for the Commission order;
and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct
that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary