

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 67426 / July 12, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14949

In the Matter of

Charles M. Vaughn,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Charles M. Vaughn (“Vaughn” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

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.

B. RESPONDENT’S CRIMINAL CONVICTION

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.

C. OPERATION OF CM VAUGHN, LLC

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.

III.

In view of the foregoing, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary