

**NASD
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

**RONALD VAUGHN
(CRD No. 453836),**

RESPONDENT.

**DISCIPLINARY PROCEEDING
No. 2006004213401**

COMPLAINT

The Department of Enforcement alleges:

1. Respondent Ronald Vaughn first became registered with NASD as a General Securities Representative in 1973. From on or about August 1, 1982, through on or about January 31, 2006, Vaughn was registered with member firm Cadaret, Grant & Co. (Cadaret Grant).
2. On January 31, 2006, Cadaret Grant filed a Form U5 on Vaughn's behalf stating that he had been permitted to resign that day for "failure to notify firm of two felony charges."
3. Vaughn has not been associated with a member firm since his termination from Cadaret Grant.
4. Accordingly, pursuant to Article V, Section 4 of NASD's By-Laws, NASD has jurisdiction over Vaughn until at least January 30, 2008.

FIRST CAUSE OF ACTION

MISAPPROPRIATION OF FUNDS (NASD Conduct Rule 2110)

5. The Department realleges and incorporates by reference paragraphs 1-4 above.
6. In or about November 2002, customer E.H. liquidated a fixed annuity worth \$74,240.41 held with Conseco Insurance Company (Conseco) and used those proceeds to purchase a fixed annuity through another insurance company, Midland National Life Insurance Company (Midland). At this time, in addition to being registered with Cadaret Grant, Vaughn was also an insurance agent appointed directly with Conseco and Midland. He served as customer E.H.'s agent for this transaction.
7. In or about early December 2002, Vaughn contacted Conseco, directly or through an intermediary, and falsely represented to Conseco that customer E.H.'s liquidation check had never been received and requested that another check be issued. In fact, as Vaughn was aware, the first liquidation check had been cashed and used by E.H. to purchase another fixed annuity.
8. Based on this representation, Conseco mailed another check payable to customer E.H. in the amount of \$74,240.41. The check was mailed to Vaughn's residential address, [REDACTED]
[REDACTED]
9. On or about December 26, 2002, Vaughn endorsed the Conseco check by signing his name and customer E.H.'s on the back, deposited the check in his bank account and then converted the proceeds for his own use and benefit. Vaughn never received Conseco's consent or permission to use these funds for himself.
10. By reason of the foregoing, Vaughn violated NASD Conduct Rule 2110.

SECOND CAUSE OF ACTION
FORGERY (NASD Conduct Rule 2110 and IM-2310-2)

11. The Department realleges and incorporates by reference paragraphs 1-10 above.
12. When Vaughn signed customer E.H.'s signature to the back of the liquidation check, as described in paragraph 9 above, he did so without the customer's consent or authority.
13. By reason of the foregoing, Vaughn violated NASD Conduct Rule 2110 and IM-2310-2.

THIRD CAUSE OF ACTION
FAILURE TO RESPOND (NASD Procedural Rule 8210 and Conduct Rule 2110)

14. The Department realleges and incorporates by reference paragraphs 1-13 above.
15. By letter dated June 6, 2006, sent via regular first-class mail and Federal Express (overnight delivery) to Vaughn's last known residential address as reflected in the records of NASD's Central Registration Depository, [REDACTED] [REDACTED] (CRD address), NASD staff requested that Vaughn appear for an on-the-record interview (OTR) on June 14, 2006. This request was made pursuant to NASD Procedural Rule 8210. The Federal Express mailing was delivered to Vaughn's CRD Address on June 7, 2006. The first-class mailing was not returned to the staff.
16. Vaughn never appeared for testimony on June 14, 2006 or otherwise responded to this request.
17. On June 14, 2006, the NASD staff sent a second letter to Vaughn pursuant to Rule 8210 requesting his appearance for an OTR on June 28, 2006. The letter notified Vaughn that if he failed to appear he could face disciplinary action. The letter was sent to Vaughn at his CRD address via regular first-class mail and certified mail. The certified mailing was delivered to Vaughn's CRD address on June 17, 2006. Vaughn signed the certified receipt acknowledging delivery. The first-class mailing was not returned to the staff.

18. Vaughn never appeared for testimony on June 28, 2006 or otherwise responded to this request.
19. The staff is not aware of a more current residential or business address for Vaughn.
20. By reason of the foregoing, Vaughn violated NASD Procedural Rule 8210 and Conduct Rule 2110.

FOURTH CAUSE OF ACTION

FAILURE TO DISCLOSE ON FORM U4 (NASD Conduct Rule 2110 and IM-1000-1)

21. The Department realleges and incorporates by reference paragraphs 1-20 above.
22. Based on the conduct described in paragraphs 6-9 above, the Office of the Prosecutor of Camden County (New Jersey) charged Vaughn on July 26, 2005 with Theft by Deception (N.J.S.A. 2C:20-4) and Forgery (N.J.S.A. 2C:21-1), both crimes of the Third Degree.
23. New Jersey does not use the felony/misdemeanor distinction to classify crimes; however, both of these third degree crimes are the equivalent of felony offenses for purposes of disclosure on a Form U4 because they provide for maximum jail sentences of five years.
24. On December 22, 2005, Vaughn pleaded guilty to both felony-equivalent charges and was accepted in a Pre-Trial Intervention diversionary program.
25. When he was charged with, and pleaded guilty to, the felony-equivalent violations (Theft by Deception and Forgery), Vaughn was associated with Cadaret Grant.
26. The felony charges and guilty plea were material facts that Vaughn was required to disclose on his Form U4. Vaughn, however, willfully failed to amend his Form U4 to disclose those facts.
27. By reason of the foregoing, Vaughn violated NASD Conduct Rule 2110 and IM-1000-1.

PRAYER

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under NASD Rule 8310(a), including monetary sanctions, be imposed;
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- C. make specific findings that Respondent's conduct, as alleged in the Fourth Cause of Action, was willful; the omitted information was material; and, the omission to state material facts was on a Form U4 application.

NASD DEPARTMENT OF ENFORCEMENT

Date: December 20, 2006



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