

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

HARVEY B. VAUGHN, JR.,
(CRD No. 500700)

Respondent.

Disciplinary Proceeding
No. 2015045409001

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. During the period from June 2005 through June 2014, Harvey B. Vaughn, Jr. ("Vaughn"), while associated with FINRA member firm WFG Investments, Inc. ("WFG"), willfully failed to timely amend his Uniform Application for Securities Industry Registration or Transfer Form ("Form U4") to disclose that he had filed a bankruptcy petition in a U.S. bankruptcy court. Thereafter, during the period from November 2014 through May 2015, Vaughn, while associated with FINRA member firm Transcend Capital ("Transcend"), willfully failed to timely amend his Form U4 to disclose an unsatisfied federal tax lien.
2. Respondent's willful failure to timely amend his Form U4 to disclose the bankruptcy filing and unsatisfied lien was in contravention of Article V, Section 2 of NASD's By-Laws (for conduct on or before July 29, 2007) and Article V, Section 2 of FINRA's By-Laws (for conduct on or after July 30, 2007), and violated NASD IM-1000-1 (for conduct on or before August 16, 2009), FINRA Rule 1122 (for conduct on or after August 17, 2009), NASD

Conduct Rule 2110 (for conduct on or before December 14, 2008), and FINRA Rule 2010 (for conduct on and after December 15, 2008).

RESPONDENT AND JURISDICTION

3. Vaughn entered the securities industry in September 1987, when he associated with a member firm and registered with FINRA.
4. During his career in the securities industry, Vaughn obtained Series 7, 24, 5, 63 and 65 securities licenses.
5. Vaughn subsequently associated with several other member firms including WFG from December 2002 to June 2014, Transcend from July 2014 to May 2015, and Odeon Capital Group LLC (“Odeon”) from May 2015 to June 2015.
6. On November 30, 2015, Vaughn’s most recent employer member firm filed a Uniform Termination Notice for Securities Industry Registration (“Form U5”) on his behalf, terminating his registrations with FINRA and his association with the firm on that day.
7. Vaughn has not been registered with or associated with a FINRA member firm since November 30, 2015.
8. Although Vaughn is no longer registered or associated with a FINRA member firm, he remains subject to FINRA’s jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA’s By-Laws, because (i) the Complaint was filed within two years after the effective date of termination of Vaughn’s last period of registration with a FINRA member firm, namely on November 30, 2015; and (ii) the Complaint charges Vaughn with misconduct committed while he was registered or associated with a FINRA member firm.

FACTUAL BACKGROUND

Willful Failure to Timely Disclose the Filing of a Bankruptcy Petition

9. On May 26, 2005, Vaughn filed a Chapter 7 bankruptcy petition in the U.S. Bankruptcy

Court for the Western District of Texas (Austin) (Case No. 05–13014–frm).

10. Vaughn signed the May 26, 2005 bankruptcy petition, among other documents, and was aware of the filing.
11. Vaughn was associated with WFG and registered with FINRA as a general securities representative when he filed the May 26, 2005, Chapter 7 bankruptcy petition.
12. Vaughn did not file or cause to be filed a supplementary amendment to his Form U4 within 30 days of filing the bankruptcy petition as required by FINRA's and NASD's By-Laws.
13. Vaughn was granted a discharge by the Bankruptcy Court on August 29, 2005.
14. Vaughn's Form U4 was amended 11 times while associated with WFG during the period from June 27, 2005 to June 26, 2014, but Vaughn's bankruptcy filing was not disclosed on any of the amendments.
15. Because Vaughn signed the bankruptcy petition, he was intimately aware of its filing.
16. Vaughn willfully failed to disclose his May 26, 2005 bankruptcy filing on his Form U4 until July 1, 2014, and then did so only in the process of becoming registered with another FINRA member firm.

Willful Failure to Timely Disclose an Unsatisfied Lien

17. On October 3, 2014, the Internal Revenue Service ("IRS") recorded a federal tax lien against Vaughn in the amount of \$60,756 for the tax years 2008, 2010, 2011 and 2012.
18. On or about October 3, 2014, Vaughn received a document entitled "Notice of Federal Tax Lien," which disclosed the filing of a lien in the amount of \$60,756 for unpaid taxes.
19. On or about October 15, 2014, Vaughn entered into an installment payment plan with the IRS to satisfy the lien. Vaughn subsequently began making payments to the IRS under the payment plan; however, the lien has not yet been satisfied.

20. Vaughn was associated with Transcend and registered with FINRA as a general securities representative at the time of the October 3, 2014 lien.
21. Vaughn did not file or cause to be filed a supplementary amendment to his Form U4 within 30 days of receiving notice of the lien as required by FINRA's and NASD's By-Laws.
22. Vaughn had knowledge of the tax lien because he received the "Notice of Federal Tax Lien," and negotiated a payment plan with the IRS.
23. Vaughn completed a new Form U4 when he associated with Odeon on May 7, 2015, and falsely answered "no" to disclosure question 14M.
24. Vaughn willfully failed to disclose his October 3, 2014 lien on his Form U4 until May 22, 2015, after Odeon discovered the lien and required Vaughn to disclose it on Form U4.

False Employee Attestation

25. On December 23, 2014, while associated with Transcend, Vaughn completed an *Employee Attestation* required by the firm. Under a section of the Attestation entitled "U-4 Update," Vaughn was required to attest to the following statement: "I have reviewed a copy of my U-4 as provided to me or from FINRA's WebCRD, and the following applies: No changes are necessary; or Changes are necessary, I will contact the Compliance Department to update my U-4." Vaughn selected "No changes are necessary," and failed to disclose the October 3, 2014 lien to Transcend's Compliance Department.

FIRST CAUSE OF ACTION

Willful Failure to Timely Update Form U4 (Article V, Section 2(c) of the NASD and FINRA By-Laws, FINRA Rules 1122 and 2010, NASD Rule 2110, and NASD IM-1000-1)

26. The Department realleges and incorporates by reference Paragraphs 1 through 25 above.
27. Article V, Section 2 of the NASD and FINRA By-Laws requires that associated persons who apply for registration must provide "such . . . reasonable information with respect to the

applicant as [NASD or FINRA] may require” and further that such applications “shall be kept current at all times by supplementary amendment . . . filed . . . not later than 30 days after learning of the facts or circumstances giving rise to the amendment.”

28. NASD IM-1000-1 and its successor, FINRA Rule 1122 (effective August 17, 2009), prohibit associated persons from filing or failing to correct registration information that is incomplete or inaccurate so as to be misleading.
29. NASD Rule 2110 and its successor, FINRA Rule 2010 (effective December 15, 2008), require associated persons to observe high standards of commercial honor and just and equitable principles of trade.
30. Question 14K(1) of the Form U4 asks, “[w]ithin the past 10 years: have you made a compromise with creditors, filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?” If an affirmative answer is given to Question 14K(1), the registered person is required to provide details about the compromise or bankruptcy.
31. Question 14M of the Form U4 asks: “Do you have any unsatisfied judgments or liens against you?” Again, if an affirmative answer is given, the registered person is required to provide details about the judgment or lien.
32. Respondent willfully failed to timely update his Form U4 to correct material information that had become inaccurate.
33. Specifically, Vaughn failed to amend his Form U4 to disclose his bankruptcy filing from June 25, 2005 through June 30, 2014, and failed to amend his Form U4 to disclose his federal tax lien from November 2, 2014 through May 21, 2015.
34. Vaughn’s failure to amend his Form U4 to disclose his bankruptcy filing and federal tax lien in accordance with the timeframe set forth in Article V, Section 2 of NASD’s and FINRA’s By-Laws was willful.

35. By willfully failing to amend his Form U4 in a timely manner to disclose his bankruptcy filing and unsatisfied tax lien, Vaughn contravened Article V, Section 2 of NASD's By-Laws (for conduct on or before July 29, 2007) and Article V, Section 2 of FINRA's By-Laws (for conduct on or after July 30, 2007), and violated NASD IM-1000-1 (for conduct on or before August 16, 2009), FINRA Rule 1122 (for conduct on or after August 17, 2009), NASD Conduct Rule 2110 (for conduct on or before December 14, 2008), and FINRA Rule 2010 (for conduct on and after December 15, 2008).

SECOND CAUSE OF ACTION

False Employee Attestation (FINRA Rule 2010)

36. The Department realleges and incorporates by reference Paragraphs 1 through 35 above.
37. On December 23, 2014, while associated with Transcend, Vaughn misled the firm by falsely completing an *Employee Attestation* by answering "No changes are necessary" to the question "I have reviewed a copy of my U-4 as provided to me or from FINRA's WebCRD..." Vaughn should have selected "Changes are necessary, I will contact the Compliance Department to update my U-4," and subsequently disclosed the October 3, 2014 lien to Transcend's Compliance Department.
38. Based on the foregoing, Vaughn failed to observe high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

RELIEF REQUESTED

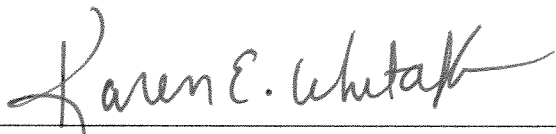
WHEREFORE, the Department respectfully requests that the Panel:

- A. Make findings of fact and conclusions of law that Respondent Vaughn committed the violations charged and alleged herein;
- B. Order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed.

- C. Order that Respondent Vaughn bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. Make specific findings that Respondent Vaughn's conduct, as alleged herein, was willful; the omitted information was material; and the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date: January 22, 2016



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