

**NASD
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Andrew Barrett Vaughey,
CRD No. 2453108

Respondent.

Disciplinary Proceeding
No. C3B050004

Hearing Officer: _____

COMPLAINT

Upon information and belief, Complainant alleges as follows:

1. Respondent Andrew Barrett Vaughey ("Vaughey") was initially associated with a member of NASD in January 1994. He became registered as a General Securities Representative in January 1995. From on or about April 17, 2000, until on or about May 10, 2002, he was registered through Alliance Fund Distributors, Inc., aka Alliance Bernstein Investment Research and Management, Inc. ("Alliance") as a General Securities Representative. From on or about May 14, 2002, until February 26, 2003, he was registered through another member firm as a General Securities Representative. From on or about November 17, 2003, until on or about December 12, 2003, he was associated with another member firm.
2. On or about December 12, 2003, a Uniform Termination Notice for Securities Industry Registration ("Form U-5") was filed by a member firm, disclosing that Respondent Vaughey had voluntarily terminated his association with that firm on December 12, 2003.

COPY

3. Respondent Vaughey is not currently registered or associated with any member firm; however, pursuant to Article V, Section 4 of the NASD By-Laws, NASD retains jurisdiction over him for purposes of this Complaint.

FIRST CAUSE OF COMPLAINT

**[Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5,
and NASD Conduct Rules 2110 and 2120,
Fraudulent Misrepresentations or Omissions of Material Facts]**

4. Paragraph numbers 1 through 3, above, are realleged and incorporated herein by reference.
5. During the period from in or about December 2001 until on or about January 19, 2002, while registered through Alliance, Respondent Vaughey, by the use of instrumentalities of interstate commerce or the mails, intentionally or recklessly employed devices to defraud customers JC and AC and their registered representative, RWF, by making untrue statements of material facts and/or omitting to state material facts necessary to make the statements made by Respondent Vaughey, in light of the circumstances in which they were made, not misleading, in connection with JC and AC's purchase of shares in Alliance National Municipal Income Fund ("the Fund"), which were underwritten and distributed by Alliance.
6. Specifically, Respondent Vaughey made the following misrepresentations:
 - (a) Respondent Vaughey represented to RWF, JC and AC that Alliance was paying sales commissions and sales concessions for the Fund "out of its pocket."
 - (b) Respondent Vaughey represented to RWF that the Fund would provide a 6.5% tax free yield without any risk to net asset value. Respondent Vaughey expected and intended that his statement would be conveyed to JC and AC.
 - (c) Respondent Vaughey represented to JC, AC and RWF that if the price of the Fund declined at the time when JC and AC needed to liquidate their investment, Alliance would

repurchase their shares for the price they had paid. Therefore, he represented, there would be no risk to their principal.

7. Respondent Vaughey knew, when he made the foregoing misrepresentations, that JC and AC were looking for a short-term investment with no risk to principal, because they knew they would need to liquidate a substantial portion of the funds invested to pay income taxes in April 2002. Before they met with Respondent Vaughey on or about January 11, 2002, JC and AC expected to invest approximately \$1.5 million. In reliance on Respondent Vaughey's misrepresentations, JC and AC purchased 166,665 shares of the Fund at \$15 per share, for a total cost of \$2,499,975. As of March 31, 2002, the market value of the Fund was \$13.35 per share and the total value of the shares purchased by JC and AC was \$2,224,977.75. JC and AC therefore incurred a loss of \$274,997.50.
8. Such acts, practices and conduct constitute separate and distinct violations of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5 adopted thereunder, and NASD Conduct Rule 2120. Such conduct is inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 by Respondent Vaughey.

SECOND CAUSE OF COMPLAINT
(Pleaded in the Alternative to the First Cause of Complaint)

**[NASD Conduct Rule 2110,
Misrepresentations or Omissions of Material Facts]**

9. Paragraph numbers 1 through 3 and 5 through 8, above, are realleged and incorporated herein by reference.
10. With respect to the First Cause of this Complaint, and with respect to the misrepresentations made to JC, AC and RWF set forth therein, in the event that the Panel concludes that such

misrepresentations did not violate Section 10(b), SEC Rule 10b-5, and NASD Conduct Rule 2120, in the alternative, such misrepresentations violated just and equitable principles of trade, in violation of NASD Conduct Rule 2110.

THIRD CAUSE OF COMPLAINT

[NASD Conduct Rule 2110, Harassment of NASD Staff and Witness]

11. Paragraph numbers 1 through 3, 5 through 8, and 10, above, are realleged and incorporated herein by reference.
12. In or about November, 2002, NASD commenced an investigation regarding Respondent Vaughey's alleged violations of securities laws and regulations and NASD Rules. SEC, a Compliance Specialist in the NASD's Seattle District Office, was assigned to that investigation and spoke to Respondent Vaughey in the course of the investigation.
13. On or about May 11, 2004, at or about 11:20 p.m., Respondent Vaughey placed a telephone call to SEC's residence. When SEC's husband answered the telephone, Respondent Vaughey hung up.
14. Respondent Vaughey made the telephone call to SEC's residence with the purpose and intent to harass and intimidate an NASD staff member in connection with the performance of her duties.
15. On or about May 11, 2004, at or about 11:15 p.m., Respondent Vaughey placed a telephone call to the residence of RWF, a witness in the NASD investigation. When RWF answered the telephone, Respondent Vaughey hung up.
16. Respondent Vaughey made the telephone call to RWF's residence with the purpose and intent to harass and intimidate a witness in an NASD investigation.

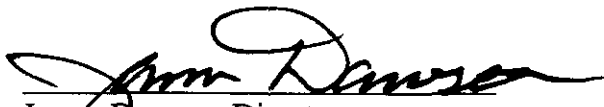
17. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rule 2110.

PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests:

- A. Findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. An order imposing sanctions upon the Respondent in accordance with NASD Rule 8310;
- C. An order requiring Respondent to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- D. An order imposing such costs of any proceeding as are deemed fair and appropriate under the circumstances in accordance with NASD Rule 8330; and
- E. An order imposing any other fitting sanction.

Date: _____


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