

ORIGINAL

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

JUN 22 2011

By: JAMES W. HATTEN, Clerk  
Deputy Clerk

UNITED STATES OF AMERICA : CRIMINAL INDICTMENT  
 :  
 v. : NO. 1 : 11 - CR - 310  
 :  
 CHARLES MICHAEL VAUGHN :

THE GRAND JURY CHARGES THAT:

COUNTS ONE THROUGH FIVE  
(Wire Fraud)  
18 U.S.C. § 1343

Background

1. At all times relevant to this indictment:

a. Defendant CHARLES MICHAEL VAUGHN founded and operated CM Vaughn, LLC, a Georgia limited liability company based in multiple locations in and around Atlanta, Georgia, in the Northern District of Georgia, from in or about August 22, 2001 through September 4, 2010.

b. CM Vaughn, LLC, purported to provide securities brokerage, tax and financial consulting services. From at least July 2004 through March 2008, VAUGHN represented to potential clients that CM Vaughn, LLC, operated and sold interests in a pooled investment fund or "hedge fund" called "CM Vaughn Emerging Ventures Fund" (hereinafter "the Fund"). In fact, the Defendant was not a licensed NASD securities broker/dealer or Registered Investment Advisor.

c. The fund assets were held in multiple bank accounts at Bank of America, The Private Bank and Wachovia. CM Vaughn, LLC, obtained or maintained investments from at least twenty-five investors.

SCHEME TO DEFRAUD

2. It was part of and in furtherance of his scheme to defraud that the defendant, CHARLES MICHAEL VAUGHN, caused investors to invest in CM Vaughn Emerging Ventures Fund, and to maintain those investments, by way of a scheme and artifice to defraud, and false pretenses, misrepresentations and material omissions, as follows:

a. VAUGHN made material misrepresentations and material omissions to investors and prospective investors as to the amount of assets maintained by CM Vaughn, LLC, and as to the investment performance of the CM Vaughn Emerging Ventures Fund.

b. VAUGHN represented to investors and prospective investors that the Fund earned between two (2%) and three-and-a-half percent (3.5%) each month, and from fifteen (15%) to as much as fifty percent (50%) per year.

c. VAUGHN told prospective investors that their investments would be "insured." In addition, 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.

d. VAUGHN fabricated CM Vaughn, LLC, client statements that purported to reflect the current value of each of the investor's accounts. The numbers that were used in these statements were provided by the Defendant, who maintained control over the financial documents related to his clients' investments.

e. The statements that CM Vaughn, LLC, produced generally showed substantial investment gains by his clients. However, the performance numbers and account balance figures that the Defendant caused to be provided to his clients were false, as none of the monies provided to CM Vaughn, LLC, had actually been invested.

f. The Defendant concealed from his investors that he had not actually invested their funds, and had actually used their investments to pay his personal expenses and as payments to earlier investors.

g. During 2007 and 2008, investors in the Fund began to request redemptions of their investments. CM Vaughn, LLC, issued redemption checks to some of these investors; however, the checks were returned for insufficient funds. In other instances, no attempt was made by CM Vaughn, LLC, to return the investors' funds, despite their requests.

3. From in or about July 2004, through at least March 2008, in the Northern District of Georgia and elsewhere, the defendant, CHARLES MICHAEL VAUGHN, aided and abetted by others known and

unknown to the Grand Jury, for the purpose of executing and attempting to execute the aforesaid scheme and artifice to defraud, did cause to be transmitted in interstate commerce, by means of a wire communication, certain signs, signals and sounds; that is, wire transfers of monies into an account held by CM Vaughn, LLC, at Bank of America, account number XXXXXX8129, for the purpose of investing in the Fund, as more fully described below:

COUNT	DATE (on or about)	AMOUNT	DESCRIPTION
1	10/19/06	\$260,000	Investment by LA
2	5/10/07	\$99,693	Investment by LA
3	7/5/07	\$350,000	Investment by JR
4	7/6/07	\$48,967	Investment by JT
5	7/17/07	\$35,000	Investment by CH

all in violation of Title 18, United States Code, Sections 1343 and 2.

COUNTS SIX THROUGH FOURTEEN

(Mail Fraud)

18 U.S.C. § 1341

4. The Grand Jury incorporates and re-alleges Paragraphs One and Two above as if fully set forth herein.

5. From in or about July 2004, through at least March 2008, in the Northern District of Georgia and elsewhere, the defendant, CHARLES MICHAEL VAUGHN, aided and abetted by others known and unknown to the Grand Jury, for the purpose of executing and attempting to execute the aforesaid scheme and artifice to defraud,

did cause monies to be sent and delivered by the United States Postal Service and the United Parcel Service (UPS), a commercial interstate carrier, as more fully described below:

COUNT	DATE (on or about)	AMOUNT	DESCRIPTION
6	10/18/06	\$100,000	Investment by WH
7	1/5/07	\$174,866	Investment by WT
8	2/7/07	\$50,000	Investment by CH
9	3/15/07	\$60,833	Investment by RW
10	4/16/07	\$44,000	Investment by WT
11	4/24/07	\$50,000	Investment by JT
12	10/25/07	\$116,913	Investment by DW
13	10/25/07	\$36,392	Investment by DW
14	10/25/07	\$70,160	Investment by DW

all in violation of Title 18, United States Code, Sections 1341 and 2.

#### FORFEITURE PROVISION

Upon conviction of one or more of the offenses alleged in Counts One through Fourteen of this Indictment, defendant CHARLES MICHAEL VAUGHN shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property constituting or derived from proceeds obtained directly or indirectly as a result of the said violations, including but not limited to the following:

a. Money Judgment

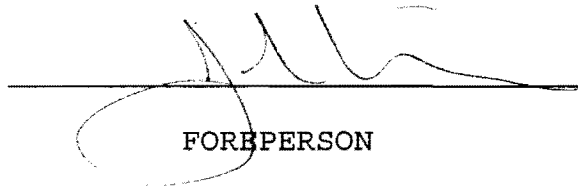
A sum of money representing the amount of proceeds obtained as a result of the offense.

If any of the above-described forfeitable property, as a result of any act or omission of the defendant(s):


- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p) as incorporated by Title 18, United States Code, Section 982(b), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

A True BILL

  
FOREPERSON

SALLY QUILLIAN YATES  
UNITED STATES ATTORNEY

  
SHANYA J. DINGLE  
ASSISTANT UNITED STATES ATTORNEY  
Georgia Bar No. 159277

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