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3 STATE OF OREGON  
4 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
5 DIVISION OF FINANCIAL REGULATION

6 Case No. S-16-0206

7 In the Matter of:

8 THOMAS EARL VAUGHAN,  
9 Respondent.

10 FINAL ORDER TO CEASE AND  
11 DESIST, FINAL ORDER  
12 ASSESSING CIVIL PENALTY  
13 AND CONSENT TO ENTRY OF  
14 ORDER

15 The Director of the Department of Consumer and Business Services for the State  
16 of Oregon (“Director”), acting in accordance with the Oregon Securities Law, Oregon  
17 Revised Statutes (“ORS”) 59.005 to 59.451, 59.991 and 59.995, and Oregon  
18 Administrative Rules (“OAR”) chapter 441, has investigated the securities salesperson  
19 license application, and the amendments thereto, of Thomas Earl Vaughan  
20 (“Respondent”).

21 Respondent has cooperated with the Director’s investigation and wishes to resolve  
22 this matter with the Director;

23 Now, therefore, as evidenced by the signature subscribed herein, Respondent  
24 hereby CONSENTS to the entry of this Order.

25 FINDINGS OF FACT

26 The Director FINDS that:

- 27 1. Respondent is licensed in Oregon to work as a salesperson for a broker-dealer.  
28 The Central Registration Depository (“CRD”) number for Respondent is #1721660.
- 29 2. In order to become licensed as a salesperson in Oregon, Respondent was  
30 required to complete the CRD Uniform Application for Securities Industry Registration

Division of Finance and Corporate Securities  
Labor and Industries Building  
350 Winter Street NE, Suite 410  
Salem, OR 97301-3881  
Telephone: (503) 378-4387





1 or Transfer (“Form U-4”). The Form U-4 includes Disclosure Reporting Pages (“DRP”),  
2 wherein Respondent was required to disclose certain information identified therein,  
3 including, but not limited to, the information set forth in Question 14K(1) and Question  
4 14M of the Financial Disclosure section of the form. Respondent has a responsibility to  
5 provide complete and accurate information in his license application, including the  
6 information in the DRP, and to keep the information continually updated.

7 3. As part of the licensing process in Oregon, Respondent completed a Form U-  
8 4, including the Financial Disclosure section of the form, on or around February 20,  
9 1997. Respondent became licensed in Oregon as a salesperson on or around February 20,  
10 1997.

11 4. Question 14K(1) of the Form U-4 asks, in relevant part: “Within the past 10  
12 years, have you made a compromise with creditors, filed a bankruptcy petition or been  
13 the subject of an involuntary bankruptcy petition?”

14 5. On or around October 25, 1989, Respondent filed a chapter 13 bankruptcy  
15 petition. Respondent did not disclose the bankruptcy on his license application in  
16 response to Section 14K(1) of the Form U-4, until October 2, 2015, more than 30 days  
17 from the date of occurrence.

18 6. Question 14M of the Form U-4 asks, in relevant part: “Do you have any  
19 unsatisfied judgments or liens against you?”

20 7. On or around November 17, 1992, the Internal Revenue Service (“IRS”)  
21 obtained a tax lien against Respondent in the amount of \$20,267.78. The lien remained  
22 unsatisfied until it was released on or around April 17, 1998. Respondent did not  
23 disclose such judgment on his license application in response to Section 14M of the Form  
24 U-4, until October 2, 2015, more than 30 days from the date of occurrence.

25 8. On or around May 27, 1997, the IRS obtained a tax lien against Respondent in  
26 the amount of \$16,302.08. The lien remained unsatisfied until it was released on or

1 around April 17, 1998. Respondent did not file an amendment to his Oregon license  
2 application, including disclosure of such judgment, in response to Section 14M of the  
3 Form U-4, until October 2, 2015, more than 30 days from the date of occurrence.

#### 4 5 CONCLUSIONS OF LAW

6 The Director CONCLUDES that:

7 9. At all times material to this Order, Respondent was licensed as a salesperson  
8 in Oregon, as defined by ORS 59.015(18)(a).

9 10. In accordance with ORS 59.245(4), if the director has reason to believe that  
10 any person has engaged, is engaging or is about to engage in any violation of the Oregon  
11 Securities Law, may issue an order directed to the person to cease and desist from the  
12 violation or threatened violation.

13 11. In accordance with ORS 59.205(6), the Director may deny, suspend or revoke,  
14 or impose conditions or restrictions on a salesperson if the applicant or licensee has filed  
15 an application for a license which was incomplete in any material respect or contained a  
16 statement which was false or misleading with respect to any material fact.

17 12. Respondent's failure to disclose on the Form U-4 the bankruptcy discussed in  
18 Paragraph 5 above resulted in his application being false or misleading with respect to  
19 Question 14K(1).

20 13. Respondent's failure to disclose on the Form U-4 the unsatisfied tax lien  
21 discussed in Paragraph 7 above resulted in his application being false or misleading with  
22 respect to Question 14M.

23 14. Respondent, as a licensed salesperson, is required to amend his license  
24 application on the Form U-4 when there are material changes in the information  
25 contained in the original application. ORS 59.175(6); OAR 441-175-0105(3)(c).  
26





1 15. In accordance with OAR 441-175-0105(2), Respondent is required to amend  
2 his Oregon license application within 30 days of the occurrence of any material changes  
3 in the information contained in the original application or previous amendments.

4 16. The unsatisfied tax lien discussed in Paragraph 8 above constitutes a “material  
5 change” of the information contained in Respondent’s original application, as that term is  
6 used in ORS 59.175(6) and OAR 441-175-0105(2).

7 17. Respondent failed to timely file an amendment to his Oregon salesperson  
8 license application within 30 days of the occurrence of a material change, in violation  
9 ORS 59.175(6) and OAR 441-175-0105(2).

10 18. In accordance with ORS 59.995, the Director may assess CIVIL PENALTIES  
11 in an amount not to exceed \$20,000 per violation against persons who violate the Oregon  
12 Securities Law. In the case of a continuing violation, each day’s continuance is a separate  
13 violation, but the maximum penalty for any continuing violation shall not exceed  
14 \$100,000.

15  
16 ORDERS

17 The Director issues the following ORDERS:

18 Final Order to Cease and Desist

19 19. In accordance with ORS 59.245(4), Respondent is hereby ORDERED to  
20 CEASE AND DESIST from:

21 A. Failing to timely file a required amendment to his Oregon salesperson license  
22 application after a material change to the information contained in the application, as  
23 required by ORS 59.175(6) and OAR 441-175-0105(2); and

24 B. Violating any provision of Oregon Revised Statutes chapter 59 or Oregon  
25 Administrative Rules chapter 441.  
26

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Final Order Assessing Civil Penalty

20. In accordance with ORS 59.995(1), the Director hereby ORDERS Respondent to pay a CIVIL PENALTY in the total amount of \$5,000 for violations of ORS 59.175(6) and OAR 441-175-0105(2).

21. The Director SUSPENDS the collection of \$4,000 of the total CIVIL PENALTY assessed above, so long as Respondent complies with all terms and conditions of this Order and all requirements of the Oregon Securities Law. If Respondent complies with the terms of this Order and the Director has not initiated an enforcement action for new violations of the Oregon Securities Law during the three-year period from the effective date of this Order, the Director WAIVES the collection of the suspended CIVIL PENALTY assessed herein.

22. The \$1,000 CIVIL PENALTY assessed above that is not suspended is due and payable at the time this Order is returned to the Division.

23. The Director reserves the right to immediately take enforcement action, pursuant to the procedures set forth in ORS 183.745, to impose the suspended CIVIL PENALTY if Respondent violates any term of this Order.

24. This Order is a Final Order under ORS 183.310(6)(b). Subject to that provision, the entry of this Order does not limit other remedies that are available to the Director under Oregon law.

SO ORDERED this 13<sup>th</sup> day of June, 2016.

PATRICK M. ALLEN, Director  
Department of Consumer and Business Services

/s/ David Tatman  
David C. Tatman, Chief of Enforcement  
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Thomas Earl Vaughan, state that I am a resident of the State of California, that I have read the foregoing Order and that I know and fully understand the contents hereof; that the factual allegations stated herein are true and correct; that I have been advised of my right to a hearing, and that I have been advised of my right to be represented by counsel in this matter; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law by me; and that I will fully comply with the terms and conditions stated herein.

I understand that this Order is a public document.

/s/ Thomas Earl Vaughan

Signature

State of California

County of Santa Clara

Signed or attested before me on this 7<sup>th</sup> day of June, 2016

by Thomas Earl Vaughan.

/s/ Nichelle Russien

Notary Public

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