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## U.S. SECURITIES AND EXCHANGE COMMISSION

### Litigation Release No. 21459 / March 24, 2010

#### ***SEC v. Douglas F. Vaughan, The Vaughan Company, Realtors, Inc., and Vaughan Capital, LLC, United States District Court for the District of New Mexico, Civil Action No. 1:10-cv-00263-MCA-WPL***

The Securities and Exchange Commission yesterday filed fraud charges against a prominent New Mexico realtor and obtained an emergency court order to halt his \$80 million Ponzi scheme.

The SEC's complaint, filed in federal court in Albuquerque, alleges that Douglas F. Vaughan through his company — The Vaughan Company Realtors — issued promissory notes that he claimed would generate high fixed returns for investors. Vaughan also used another entity — Vaughan Capital LLC — to solicit investors for different types of real estate-related investments, such as buying residential properties at distressed prices. Vaughan relied entirely on new money raised from investors through both companies to fund Vaughan Company's ever-increasing obligations to note holders.

The SEC also charged both of Vaughan's companies in the enforcement action. Neither Vaughan nor his companies are registered with the SEC to offer securities under the federal securities laws.

The Honorable M. Christina Armijo for the U.S. District Court for the District of New Mexico granted the SEC's request for a temporary restraining order and asset freeze against Vaughan and his companies.

According to the SEC's complaint, Vaughan defrauded approximately 600 investors, promising them high, fixed interest payments ranging from 10 to 25 percent over one to three years. He misrepresented that the aggregate principal on the Vaughan Company notes would not exceed a certain limit. Vaughan falsely claimed that the notes were "secured" by certain real estate and his personal wealth, and that Vaughan Company used investor funds to generate profits well in excess of its obligations on the notes.

The SEC's complaint alleges that Vaughan's failing business accumulated losses totaling more than \$61 million, and the \$80 million in principal owed to investors is 20 times the claimed equity in the properties that were to secure the notes. The SEC also alleges that Vaughan's net worth, which was supposed to provide protection to investors, is negative in value. In direct violation of promises made, Vaughan transferred almost all of the money he raised from Vaughan Capital investors to Vaughan Company's operating account. He then used those funds to cover Vaughan Company's obligations to promissory note holders and its ordinary business costs.

The SEC's complaint charges the defendants with violating Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. Vaughan and Vaughan Company are also charged with violations of Section 15(a)(1) of the Exchange Act.

The SEC's investigation is ongoing.

**See Also:** [SEC Complaint](#)

<http://www.sec.gov/litigation/litreleases/2010/lr21459.htm>

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