Vaughan Foods, Inc.
Form DEFM14A
August 10, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

VAUGHAN FOODS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- o No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common stock, par value $0.001 per share, of Vaughan Foods, Inc. (the Vaughan Common Stock)

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

Form, Schedule or Registration Statement No.:

Filing Party:

Date Filed:

Vaughan Foods, Inc.
216 NE 12th Street
Moore, OK 73160

August 10, 2011

Dear Stockholder,

You are cordially invited to attend a special meeting of the stockholders of Vaughan Foods, Inc. to be held on Thursday, September 15, 2011, starting at 10:00 a.m. Central Time, at Vaughan s corporate offices, located at 216 NE 12 Street, Moore, Oklahoma 73160.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt, approve and ratify the Agreement and Plan of Merger, dated as of July 6, 2011, among Vaughan Foods, Inc., Reser s Fine Foods, Inc. and Reser s Acquisition, Inc., a wholly owned subsidiary of Reser s (the Merger Agreement). Pursuant to the terms of the Merger Agreement, Reser s Acquisition will merge with and into Vaughan and each outstanding share of Vaughan s common stock, other than shares held in treasury, shares held by Reser s, Vaughan and their and our respective subsidiaries and dissenting shares, will automatically be converted into the right to receive approximately $1.58 in cash, without interest and less any applicable withholding taxes, as more fully described in the enclosed proxy statement (the Merger). The exact amount of the per share merger consideration will depend on the total number of shares outstanding at the time of the Merger. You will also be asked to approve, by a non-binding, advisory vote, the severance benefits Vaughan s senior executive officers may receive following the Merger.

The attached proxy statement contains detailed information about the special meeting, the Merger Agreement and the Merger. A copy of the Merger Agreement is attached as Annex A to the proxy statement. We encourage you to read the proxy statement, including the Merger Agreement and all other attachments thereto, carefully and in their entirety. You may also obtain more information about Vaughan from documents we have filed with the Securities and Exchange Commission.

After careful consideration, the board of directors of Vaughan has, without dissent, approved the Merger Agreement and has determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to, advisable and in the best interests of Vaughan and its stockholders and unanimously recommends that you vote FOR the proposal to approve, adopt and ratify the Merger Agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and FOR the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

Whether or not you plan to attend the special meeting, please complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope or grant your proxy electronically over the Internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you hold your shares in street name, you should instruct your broker how to vote in accordance with the voting instruction form you will receive from your bank, broker or other nominee.

Your vote is very important, regardless of the number of shares of Vaughan common stock you own. We cannot consummate the Merger unless the Merger Agreement is adopted, approved and ratified by the affirmative vote of a majority of the outstanding shares of Vaughan common stock. Your failure to vote will have the same

effect as a vote AGAINST the proposal to adopt, approve and ratify the Merger Agreement. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote AGAINST the proposal to approve, adopt and ratify the Merger Agreement.

If you have any questions or need assistance voting your shares of our common stock, please contact Gene P. Jones, our Corporate Secretary, by calling 405.794.2530.

Thank you in advance for your continued support and your consideration of this matter.

Sincerely,

Herbert B. Grimes
Chairman of the Board and Chief Executive Officer
Moore, Oklahoma

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Merger, passed upon the merits or fairness of the Merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated August 10, 2011, and is first being mailed to stockholders on or about such date.

Vaughan Foods, Inc.
216 NE 12th Street
Moore, OK 73160

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Time:	10:00 a.m., Central Time, on Thursday, September 15, 2011
Place:	The corporate offices of Vaughan Foods, Inc., located at 216 NE 12th Street, Moore, Oklahoma 73160
Items of Business:	To consider and vote upon a proposal to approve, adopt and ratify the Agreement and Plan of Merger, dated as of July 6, 2011, by and among Vaughan Foods, Inc., Reser s Fine Foods, Inc. and Reser s Acquisition, Inc., a wholly owned subsidiary of Reser s, as it may be amended from time to time (the Merger Agreement). To consider and vote upon a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve, adopt and ratify the Merger Agreement if there are insufficient votes to approve, adopt and ratify the Merger Agreement. To approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger. To consider and vote on such other matters as may properly come before the special meeting or any adjournment thereof.
Record Date:	You may vote if you were a stockholder of record of Vaughan as of the close of business on August 9, 2011.

Whether or not you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card in the accompanying reply envelope or submit your proxy electronically over the Internet or by

telephone prior to the special meeting to ensure that your shares will be represented at the special meeting if you are unable to attend. If you fail to return your proxy card, submit your proxy electronically over the Internet or by telephone or vote by ballot in person at the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting. If you are a stockholder of record, voting in person by ballot at the special meeting will revoke any proxy that you previously submitted. If you hold your shares through a bank, broker or other nominee, you must obtain from the record holder a legal proxy issued in your name in order to vote in person at the special meeting.

Your vote is important. Properly executed proxy cards with no instructions indicated on the proxy card will be voted FOR the proposal to approve, adopt and ratify the Merger Agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and FOR the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger. If you hold your shares in street name, you should instruct your broker how to vote in accordance with the voting instruction form you will receive from your bank, broker or other nominee. Your prompt cooperation is greatly appreciated.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock is required to approve the proposal to approve, adopt and ratify the Merger Agreement. Approval of the proposal to adjourn the special meeting and the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger requires the affirmative vote of a majority of those shares of our common stock present or represented by proxy at the special meeting and entitled to vote thereon. If you are a stockholder of record and you fail to submit a signed proxy card, submit a proxy electronically over the Internet or by telephone or vote in person by ballot at the special meeting, it will have the same effect as a vote AGAINST the proposal to adopt, approve and ratify the Merger Agreement but will not have any effect on the proposal to adjourn the meeting or to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger. Similarly, if you hold your shares in street name, your failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote AGAINST the proposal to approve, adopt and ratify the Merger Agreement but will not have any effect on the proposal to adjourn the meeting or the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

Our board of directors recommends that you vote FOR the proposal to approve, adopt and ratify the Merger Agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and FOR the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

Under Oklahoma law, if the merger and other transactions contemplated by the Merger Agreement are completed, holders of Vaughan common stock who do not vote in favor of the proposal to approve, adopt and ratify the Merger Agreement will have the right to seek appraisal of the fair value of their shares of Vaughan common stock as determined by the Oklahoma District Court. In order to exercise appraisal rights, a stockholder must (i) submit a written demand for appraisal prior to the stockholder vote on the Merger Agreement, (ii) not vote in favor of the proposal to approve, adopt and ratify the Merger Agreement and (iii) comply with other Oklahoma law procedures explained in the accompanying proxy statement.

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Important Notice Regarding Internet Availability of Proxy Materials for the Special Meeting to Be Held on Thursday, September 15, 2011:

The Proxy Materials for the Special Meeting are available at *www.proxyvote.com*

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By Order of the Board of Directors,

Gene P. Jones
Secretary, Treasurer and Chief Financial Officer
Moore, Oklahoma

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SUMMARY

The following summary highlights information in this proxy statement and may not contain all the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. We sometimes make reference to Vaughan Foods, Inc. and its subsidiaries in this proxy statement by using the terms Vaughan, the company, we, our or us. Each item in this summary includes a page reference directing you to a more complete description of the item in this proxy statement.

Parties to the Merger; The Merger; The Merger Agreement (Page 15)

Pursuant to the terms of the Agreement and Plan of Merger, dated as of July 6, 2011, among Vaughan Foods, Inc., Reser s Fine Foods, Inc. and Reser s Acquisition, Inc., which we refer to in this proxy statement as the Merger Agreement , Reser s Acquisition, Inc., which we refer to in this proxy statement as Merger Sub , will merge with and into Vaughan. We refer to this transaction in this proxy statement as the Merger . The officers and directors of Vaughan immediately after the Merger will be the officers and directors of Merger Sub immediately before the Merger. As a result of the Merger, Vaughan will cease to be a publicly traded company and all outstanding shares of Vaughan s common stock, par value $.001 per share, which we refer to in this proxy statement as the Vaughan Common Stock (other than shares of Vaughan Common Stock held by Reser s or any of its subsidiaries, Vaughan or any of its subsidiaries or any Vaughan stockholder who has properly exercised appraisal rights with respect to such shares in accordance with the relevant provisions of the Oklahoma General Corporation Act, which we refer to in this proxy statement as the OGCA), will be canceled.

The time at which the Merger will become effective, which we refer to in this proxy statement as the Effective Time , will occur as soon as practicable following the closing of the Merger upon the filing of a Certificate of Merger with the Secretary of State of the State of Oklahoma (or at such later time as we and Reser s may agree and specify in the Certificate of Merger).

Upon consummation of the Merger, Vaughan, as the surviving corporation, will continue to do business as a wholly-owned subsidiary of Reser s Fine Foods, Inc., which we refer to in this proxy statement as Reser s , a privately-held company. Accordingly, the existing holders of Vaughan Common Stock will not have the opportunity to participate in the earnings and growth of Vaughan after the Merger and will not have the right to vote on any post-Merger matters. Similarly, the existing holders of Vaughan Common Stock will not face the risk of bearing any of the losses incurred by Vaughan or any decrease in its value after the Merger. After the Merger, holders of options and warrants to purchase shares of Vaughan Common Stock will not have the opportunity to purchase shares in the surviving corporation but will only have a right to receive the per share Merger Consideration in accordance with the terms of such options and warrants.

Merger Consideration (Pages 21; 39)

The aggregate amount that Reser s will pay to the holders of shares of Vaughan Common Stock and to holders of options and non-publicly traded warrants to purchase shares of Vaughan Common Stock at the Effective Time is $18,250,000 in cash, which amount is referred to in this proxy statement as the Merger Consideration. As of August 9, 2011, there were 9,408,334 shares of Vaughan Common Stock outstanding and options and non-publicly traded warrants (as described below) to purchase up to an additional 3,586,324 shares of Vaughan Common Stock. Assuming no options or warrants are exercised prior to the Effective Time, we estimate that holders of shares of Vaughan Common Stock (other than shares held by us or Reser s and our respective subsidiaries and shares held by stockholders who have perfected their appraisal rights under Oklahoma law) will receive $1.58 for each share of Vaughan Common Stock they own. We refer to this amount in this proxy statement as the per share Merger Consideration . In addition, each holder of an option or non-publicly traded warrant to acquire a share of Vaughan Common Stock would receive an amount equal to the excess of $1.58 over the exercise price of such option or warrant. However, to the extent that the options or non-publicly traded warrants are exercised for cash (and not pursuant to any cashless exercise or net exercise provisions) before the Effective Time, the per share Merger

Consideration would be reduced. For example, (a) if all options and non-publicly traded warrants were exercised for cash, we estimate that the per share Merger Consideration would be $1.40 or (b) if only options and non-publicly traded warrants whose underlying shares of Vaughan Common Stock issued upon exercise were immediately saleable pursuant to an effective registration statement filed under the Securities Act of 1933, as amended were exercised, we estimate that the per share Merger Consideration would be $1.43. We do not expect the holders of our publicly traded warrants to exercise their warrants because the exercise price of those warrants is higher than the per share Merger Consideration.

The Special Meeting (Page 16)

Date, Time and Place. A special meeting of the Vaughan stockholders will be held on Thursday, September 15, 2011 starting at 10:00 a.m. Central Time at our corporate offices, located at 216 NE 12th Street, Moore, Oklahoma 73160.

Purpose. At the special meeting, holders of Vaughan Common Stock will be asked to (i) approve, adopt and ratify the Merger Agreement, (ii) to approve the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to approve, adopt and ratify the Merger Agreement, (iii) to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger and (iv) to consider and vote on such other matters that properly come before the meeting.

Record Date and Quorum. You are entitled to vote at the special meeting if you owned shares of Vaughan Common Stock at the close of business on August 9, 2011, which we refer to in this proxy statement as the Record Date . You will have one vote for each share of Vaughan Common Stock that you owned on the Record Date. As of the Record Date, there were 9,408,334 shares of Vaughan Common Stock issued and outstanding and entitled to vote. A majority of the shares of Vaughan Common Stock issued, outstanding and entitled to vote at the special meeting constitutes a quorum for the purpose of the special meeting. In the event that a quorum is not present at the special meeting, the meeting may be adjourned to solicit additional proxies.

Vote Required. Approval of the proposal to approve, adopt and ratify the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of Vaughan Common Stock. Approval of the proposals to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding basis, the severance benefits Vaughan s senior executive officers may receive following the Merger requires the affirmative vote of the holders of a majority of the shares of Vaughan Common Stock present in person or represented by proxy at the special meeting and entitled to vote on the matter.

As of the Record Date, the directors and executive officers of Vaughan beneficially owned and were entitled to vote, in the aggregate, 1,982,400 shares of Vaughan Common Stock (excluding shares issuable upon the exercise of options and warrants to purchase shares of Vaughan Common Stock), representing 20.6% of the outstanding shares of Vaughan Common Stock on the Record Date. Each of our directors and executive officers has informed us that he or she currently intends to vote all of such holder s shares of Vaughan Common Stock (other than shares of Common Stock as to which such holder does not have discretionary authority) **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

Voting and Proxies. Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, via the Internet, by returning the enclosed proxy card by mail, or by voting in person at the special meeting. If you intend to submit your proxy by telephone or the Internet you must do so no later than 11:59 p.m. Central Time on the date prior to the date of the special meeting. If you do not return your proxy card, submit your proxy by phone or the Internet or attend the special meeting, your shares of Vaughan Common Stock will not be voted, which will have the same effect as a vote **AGAINST** the proposal to approve, adopt and ratify the Merger Agreement. Even if you plan to attend the special meeting, if you hold your shares of Vaughan Common Stock in your own name as the stockholder of record, please vote your shares by completing, signing, dating and returning the

enclosed proxy card or by using the telephone number printed on your proxy card or by using the Internet voting instructions printed on your proxy card.

If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies to approve, adopt and ratify the Merger Agreement and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

If your shares of Vaughan Common Stock are held in street name, you should either instruct your broker, bank, trust or other nominee on how to vote such shares using the instructions provided by your broker or nominee or obtain a legal proxy from such nominee in order to vote in person at the special meeting. If you fail to provide your nominee with instructions on how to vote your shares of Vaughan Common Stock, your nominee will not be able to vote such shares at the special meeting. Because the proposal to approve, adopt and ratify the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of Vaughan Common Stock for approval, the failure to provide your nominee with voting instructions will have the same effect as a vote **AGAINST** the proposal to approve, adopt and ratify the Merger Agreement.

Because the proposals to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger requires the affirmative vote of a majority of the shares of Vaughan Common Stock present in person or represented at the special meeting and entitled to vote thereon, and because your brokerage firm, bank, trust or other nominee does not have discretionary authority to vote on the proposal, if you fail to give your nominee voting instructions on how to vote, your shares will have no effect on the outcome of those proposals. However, if you instruct your broker to **ABSTAIN** it will have the same effect as if you voted **AGAINST** those proposals.

Revocability of Proxy. Any stockholder of record of Vaughan Common Stock may revoke his or her proxy at any time, unless noted below, before it is voted at the special meeting by any of the following actions:

delivering a signed written notice of revocation bearing a date later than the date of the proxy, stating that the proxy is revoked, to Vaughan s Corporate Secretary;

attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy -- you must vote in person at the meeting);

signing and delivering a new proxy, relating to the same shares of Vaughan Common Stock and bearing a later date; or

submitting another proxy by telephone or on the Internet before 11:59 p.m. Central Time on the date prior to the date of the special meeting (the latest telephone or Internet voting instructions will be followed).

Written notices of revocation and other communications with respect to the revocation of any proxies should be addressed to:

Vaughan Foods, Inc.
216 NE 12th Street
Moore, OK 73160
Attn: Corporate Secretary

If you are a street name holder of shares of Vaughan Common Stock, you may change your vote by submitting new voting instructions to your brokerage firm, bank, trust or other nominee. You must contact your nominee to obtain instructions as to how to change or revoke your proxy.

Reasons for the Merger (Page 24)

In evaluating the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the board of directors of Vaughan, which we refer to in this proxy statement as the Board , considered many factors, including: (i) the per share Merger Consideration represents a significant premium over the trading price of a share of Vaughan Common Stock; (ii) the receipt of a fairness opinion from an independent financial advisor that the Merger Consideration was fair to the Vaughan stockholders; (iii) the Merger Consideration is payable entirely in cash; (iv) there is no financing contingency to the Merger; (v) Reser s represented that it had sufficient cash and other readily available funds to consummate the Merger; (vi) the difficulty of predicting future prospects for Vaughan as an independent company; (vii) the cost of continuing to operate as a public reporting company; (viii) the Board could change its recommendation to the Vaughan stockholders if there has been a change in circumstances ; (ix) there is no termination fee payable by Vaughan in the event the Merger is not consummated for any reason; and (x) there are no regulatory approvals required to consummate the Merger. For a more detailed listing of the factors considered by the Board, see The Merger Reasons for the Merger; Recommendation of the Board below.

Recommendation of Vaughan Board of Directors (Page 24)

The Board, without dissent, recommends that Vaughan stockholders vote **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

Opinion of Vaughan s Financial Advisor (Page 27)

We engaged Burrill LLC, which we refer to in this proxy statement as Burrill , to provide us with various advisory services in connection with the Merger, including a fairness opinion . At a meeting of the Board on June 30, 2011, Burrill rendered its oral opinion, subsequently confirmed in writing, to the Board that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the Merger Consideration to be offered to the Vaughan stockholders in the Merger was fair to such stockholders.

The full text of the written opinion of Burrill, dated as of June 30, 2011, which sets forth among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Burrill in rendering its opinion, is attached as Annex B to this proxy statement. Burrill s opinion, the issuance of which was approved by its Fairness Opinion Committee, is addressed to the Board, addresses only the fairness, from a financial point of view, of the Merger Consideration to be offered to the Vaughan stockholders in the Merger and does not constitute a recommendation to any Vaughan stockholder as to how such stockholder should vote with respect to the Merger or any other matter. The summary of the opinion of Burrill set forth below under The Merger Opinion of Burrill LLC beginning on page 27, is qualified in its entirety by reference to the full text of the opinion.

We encourage you to read Burrill s opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken in connection with such opinion.

Financing the Merger (Pages 32; 45)

The Merger is not subject to a financing contingency. We anticipate that the total funds needed to complete the Merger, including the amount of the Merger Consideration ($18,250,000), will be funded out of Reser s freely available cash, lines of credit and other sources of available funds.

Treatment of Options and Warrants (Pages 34; 39)

Stock Options. At the Effective Time, each outstanding option to purchase a share of Vaughan Common Stock, whether vested or unvested, will be converted into the right to receive cash in an amount equal to the difference between the per share Merger Consideration and the option exercise price.

Non-publicly Traded Warrants. Prior to the Effective Time, we intend to enter into an agreement with the holders of our outstanding non-publicly traded warrants pursuant to which they will agree to cancel their warrants in exchange for a cash payment equal to the difference between the per share Merger Consideration and the warrant exercise price for each share of Vaughan Common Stock that they are entitled to purchase. A non-publicly traded warrant is a warrant that is neither listed on an exchange nor quoted on an automated quotation system.

*Publicly Traded Warrants***.** Each warrant to purchase a share or shares of Vaughan Common Stock that is not a non-publicly traded warrant will remain outstanding after the Effective Time until it expires, terminates or is cancelled in accordance with its terms. To the extent such warrants are exercised after the Effective Time, the holder will be entitled to receive a cash payment equal to the per share Merger Consideration for each share of Vaughan Common Stock for which such warrant is being exercised upon payment of the aggregate exercise prices for such shares. However, since the exercise prices of all of the publicly traded warrants are higher than the per share Merger Consideration, we do not expect them to be exercised.

Material U.S. Federal Income Tax Consequences of the Merger (Page 35)

The Merger will be a taxable transaction for U.S. federal income tax purposes to the Vaughan stockholders. In general, for U.S. federal income tax purposes, a holder of shares of Vaughan Common Stock will recognize gain or loss in an amount equal to the difference, if any, between (1) the portion of the Merger Consideration which such stockholder is entitled to receive in the Merger and (2) the holder s adjusted tax basis in the shares of Vaughan Common Stock held by such stockholder at the Effective Time. The material federal income tax consequences with respect to payments received in exchange for options or warrants may be different. You should consult your tax advisors to determine the particular tax consequences to you of the Merger (including the application and effect of any state, local or foreign income and other tax laws).

Interests of Vaughan s Directors and Executive Officers in the Merger (Page 32)

Vaughan s directors and senior executive officers have economic interests in the Merger that are different from, or in addition to, their interests as Vaughan stockholders. The Board was aware of and considered these interests, among other matters, in reaching its decision to adopt and approve, and declare advisable, the Merger Agreement, the Merger and the other transactions contemplated the Merger Agreement. First, Reser s has indicated that it will waive the closing condition that Vaughan s senior executive officers resign. As a result, they will continue to be employed by Vaughan after the Merger and retain their employment benefits, including the right to severance benefits in the event their employment is terminated without Cause or if they resign for Good Reason (as such terms are defined in the Management Agreements described on page 33). Second, Vaughan s officers and directors will continue to be covered by a Directors and Officers Liability insurance policy that will survive the consummation of the Merger. Third, certain officers and directors hold options to purchase shares of Vaughan Common Stock. Fourth, within 90 days after the closing date of the Merger, Vaughan, as the surviving corporation in the Merger, must either refinance certain indebtedness or obtain releases of any personal guarantees of Herbert B. Grimes, Vaughan s Chief Executive Officer and Chairman, and Mark E. Vaughan, Vaughan s President, with respect to such indebtedness. Also, within 30 days after the closing of the Merger, Vaughan, as the surviving corporation in the Merger, will repay a note held by Herbert B. Grimes in the amount of approximately $810,000 plus interest.

Conditions to the Merger (Page 47)

Conditions to Vaughan s Obligations. The obligation of Vaughan to consummate the Merger is subject to the satisfaction or waiver of further conditions, including:

- the representations and warranties made by Reser s and Merger Sub are accurate;
- Reser s and Merger Sub will have performed in all material respects their respective obligations;
- the Vaughan stockholders have approved, adopted and ratified the Merger Agreement;

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all required consents and governmental approvals have been obtained;

no binding order, injunction, decree, ruling or other action in effect restraining, enjoining or otherwise prohibiting the consummation of the Merger is in effect;

no law or regulation will have been adopted that makes the consummation of the Merger illegal or otherwise prohibited; and

Vaughan receives a certificate signed by a senior executive officer of Reser s that the first two conditions set forth above have been satisfied.

Conditions to Reser s and Merger Sub s Obligations. The obligation of Reser s and Merger Sub to consummate the Merger is subject to the satisfaction or waiver of further conditions, including:

the representations and warranties made by Vaughan are accurate;

Vaughan will have performed in all material respects its obligations under the Merger Agreement;

no fact, event, change, development or set of circumstances that has had or would reasonably be expected to have a material adverse effect on Vaughan has occurred;

the Merger Agreement has been approved by the Board without dissent;

the Vaughan stockholders have approved, adopted and ratified the Merger Agreement;

all required consents and governmental approvals to consummate the Merger have been obtained;

no binding order, injunction, decree, ruling or other action is in effect restraining, enjoining or otherwise prohibiting the consummation of the Merger;

no law or regulation will have been adopted that makes the consummation of the Merger illegal or otherwise prohibited;

no action, lawsuit, proceeding or the like is pending or threatened against any of the parties to the Merger Agreement regarding the Merger Agreement or the Merger;

all outstanding stock options and warrants, other than the warrants that are listed on an exchange or quoted on an automated quotation system, have either been exercised or terminated; and

Reser s receives a certificate signed by a senior executive officer of Vaughan as to the satisfaction of the conditions described in the first three bullets above.

Termination of the Merger Agreement (Page 48)

The Merger Agreement may be terminated as follows:

by mutual written consent at any time before the consummation of the Merger;

by either Vaughan or Reser s if:

(i) the Merger is not consummated before December 31, 2011, which we refer to as the End Date , provided, a party may not terminate the Merger Agreement if the failure to consummate the Merger is attributable to the failure of such party to perform any covenant or obligation that it is required to perform under the Merger Agreement;

(ii) any governmental entity or court of competent jurisdiction issues an order, decree, injunction or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the Merger and such order, decree, ruling or other action becomes final and non-appealable; or

(iii) the Vaughan stockholders do not approve, adopt and ratify the Merger Agreement;

by Vaughan if Reser s or Merger Sub materially breaches or fails to perform any of their representations, warranties or covenants contained in the Merger Agreement, or if any representation or warranty of Reser s or Merger Sub becomes materially inaccurate, in either case such that the conditions to the Merger relating to the accuracy of Reser s or Merger Sub s representations, warranties and covenants would not be satisfied as of the time of such breach or as of the time such representation and warranty became inaccurate and in either case such that breaches or inaccuracies are not curable by Reser s or Merger Sub within 30 days and prior to the End Date or Reser s or Merger Sub ceases to exercise commercially reasonable efforts to cure such breach or inaccuracy;

by Reser s if:

(i) the Board withdraws or modifies its recommendation that stockholders approve, adopt and ratify the Merger Agreement in a manner that is adverse to Reser s or Merger Sub;

(ii) Vaughan has entered into, or publicly announced its intention to enter into, a letter of intent, memorandum of understanding or other contract (other than an acceptable confidentiality agreement) relating to any alternative acquisition proposal;

(iii) Vaughan or any of its representatives has willfully and materially breached any of its obligations under the non-solicitation provisions in the Merger Agreement;

(iv) Vaughan materially breaches or fails to perform any of its representations, warranties or covenants contained in the Merger Agreement, or if any representation or warranty of Vaughan becomes inaccurate;

(v) In the opinion of Reser s, the cost of defending or responding to Vaughan stockholders who have exercised their appraisal rights will exceed $250,000;

(vi) any of Vaughan s plants have been damaged by fire or other casualty, whether or not insured, which damage, in the judgment of Reser s, would materially and adversely affect the conduct of Vaughan s business;

(vii) the expenses incurred by Vaughan associated with the transactions, including legal fees, the cost of preparing this proxy statement and soliciting proxies and the cost of the fairness opinion, exceed $350,000; or

(viii) any material litigation or claims shall be pending or threatened against Reser s or Merger Sub relating to the Merger.

No Solicitations (Page 43)

Until the earlier of the closing of the Merger or the date the Merger Agreement is terminated, we may not, directly or through third parties (A) solicit, initiate, participate or knowingly encourage any negotiations or discussions with respect to any offer or proposal to acquire all or any portion of our business, properties or capital stock, or effect any such transaction, (B) disclose any information to any person concerning our business or properties or afford any person access to our properties, books or records other than in the ordinary course of business, (C) assist or cooperate with any person to make any proposal regarding a transaction described in clause (A), or (D) enter into any agreement regarding a transaction described in clause (A).

Regulatory Approvals (Pages 37; 46)

We are not aware of any regulatory approvals required in connection with the Merger.

Consummation of the Merger (Page 32)

We currently anticipate that the Merger will be completed by September 30, 2011. However, because of all the conditions that must be satisfied before the Merger can be consummated, we cannot assure that the Merger will be consummated by that date, if at all.

Current Market Price of Common Stock (Page 53)

The closing sale price of Vaughan Common Stock on the Over-the-Counter Bulletin Board, which we refer to in this proxy statement as the OTCBB , on July 5, 2011, the day before the Merger was announced, was $0.40 per share. You are encouraged to obtain current market quotations for Vaughan Common Stock in connection with voting your shares. Please note that beginning July 15, 2011 shares of Vaughan Common Stock trade on the electronic interdealer quotation system operated by OTC Markets Group, Inc.

Appraisal Rights (Page 55)

Under Oklahoma law, Vaughan stockholders who do not vote in favor of the proposal to approve, adopt and ratify the Merger Agreement have the right to seek appraisal of the fair value of their shares as determined under Section 1091 of the OGCA, with respect to such shares if the Merger is completed, but only if they submit a written demand for such an appraisal prior to the vote on the Merger Agreement and comply with the other procedures set forth in the OGCA. See Annex C for a copy of Section 1091 of the OGCA.

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the Merger and the special meeting. These questions and answers may not address all questions that may be important to you as a holder of shares of Vaughan Common Stock. For important additional information, please refer to the more detailed discussion contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement. We sometimes make reference to Vaughan Foods, Inc. and its subsidiaries in this proxy statement by using the terms Vaughan, the company, we, our or us.

Q: What is the transaction?

A: Vaughan and Reser s have entered into the Merger Agreement pursuant to which, subject to the terms and conditions contained therein, Reser s will acquire Vaughan through the merger of Merger Sub, a wholly-owned subsidiary of Reser s, with and into Vaughan. Vaughan will be the surviving corporation in the Merger and will continue to operate as a wholly-owned subsidiary of Reser s.

Q: What will a Vaughan stockholder receive when the Merger occurs?

A: In the aggregate, the Vaughan stockholders, together with the holders of options and non-publicly traded warrants (as described below) to purchase shares of Vaughan Common Stock, will receive $18,250,000 in cash, which we refer to in this proxy statement as the Merger Consideration . Based on the current number of shares of Vaughan Common Stock, options and non-publicly traded warrants outstanding, we estimate that the Vaughan stockholders will receive $1.58 in cash, without interest and reduced by any applicable withholding taxes, for each share of Vaughan Common Stock he, she or it owns at the Effective Time. We refer to this amount in this proxy statement as the per share Merger Consideration . This does not apply to shares held by Vaughan stockholders, if any, who have perfected their appraisal rights under the OGCA.

Q: What will happen in the Merger to Vaughan s stock options and warrants?

A: At the Effective Time, each outstanding option to purchase shares of Vaughan Common Stock, whether vested or unvested, will be converted into the right to receive an amount equal to the excess of the per share Merger Consideration, estimated at $1.58 based on the current number of shares of Vaughan Common Stock, options and non-publicly traded warrants outstanding, over the exercise price of such option. Prior to the Effective Time, we plan to enter into agreements with the holders of our non-publicly traded warrants pursuant to which, at the Effective Time, each such warrant will be cancelled in exchange for the right to receive, with respect to each share of Vaughan Common Stock covered by such warrant, an amount equal to the excess of the per share Merger Consideration, over the exercise price of such warrants without interest and reduced by any applicable withholding taxes. Non-publicly traded warrants are warrants that are neither listed on an exchange nor quoted on an automated quotation system. The publicly traded warrants to purchase shares of Vaughan Common Stock (*i.e.,* warrants that are either listed on an exchange or quoted on an automated quotation system) will remain outstanding after the Merger until they expire, terminate or are cancelled in accordance with their terms. If they are exercised after the Effective Time, the holder will receive, with respect to each share of Vaughan Common Stock for which such warrant is being exercised, an amount equal to the per share Merger Consideration upon payment of the exercise price with respect to such share. Given the fact that the exercise price of the publicly traded warrants is significantly higher than the per share Merger Consideration, we do not expect any of those warrants to be exercised.

Q: How does the Merger Consideration compare to the market price of Vaughan Common Stock?

A: The estimated per share Merger Consideration of $1.58 represents approximately a 295% premium over the closing price of $0.40 per share of Vaughan Common Stock as reported on the OTCBB on July 5, 2011, the last trading day before the date the Merger was publicly announced. You are encouraged to obtain current market quotations for Vaughan Common Stock in connection with voting your shares. Please note that beginning July 15, 2011 shares of Vaughan Common Stock trade on the electronic interdealer quotation system operated by OTC Markets Group, Inc.

Q: When do you expect the Merger to be completed?

A: We expect the Merger to be completed by September 30, 2011. However, the Merger is subject to various closing conditions, including Vaughan stockholder approval, and it is possible that the failure to timely meet these closing conditions or other factors outside of our control could require us to complete the Merger at a later time or not at all.

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because you were a stockholder of Vaughan as of August 9, 2011, the Record Date for the special meeting of Vaughan stockholders at which they will vote on a proposal to approve, adopt and ratify the Merger Agreement. The Merger cannot be consummated unless the Merger Agreement is approved, adopted and ratified by stockholders owning a majority of Vaughan s Common Stock. A copy of the Merger Agreement is attached to this proxy statement as Annex A. You should read the section entitled The Special Meeting beginning on page 16 of this proxy statement.

Q: When and where will the special meeting of stockholders be held?

A: The special meeting of Vaughan stockholders will be held on Thursday, September 15, 2011, starting at 10:00 a.m. Central Time at Vaughan s Corporate offices, located at 216 NE 12th Street, Moore, Oklahoma 73160.

Q: What are the proposals that will be voted on at the special meeting?

A: You will be asked to consider and vote on (1) a proposal to approve, adopt and ratify the Merger Agreement, (2) a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve, adopt or ratify the Merger Agreement, (3) a proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger and (4) such other business as may properly come before the special meeting or any adjournments of the special meeting.

Q: Who is entitled to attend and vote at the special meeting?

A: If you own shares of Vaughan Common Stock as of the close of business on the Record Date, you are entitled to notice of, and to vote at, the special meeting or any adjournment of the special meeting. As of the Record Date, there were 9,408,334 shares of Vaughan Common Stock outstanding.

Q: How many votes are required to approve, adopt and ratify the Merger Agreement?

A: The proposal to approve, adopt and ratify the Merger Agreement requires the affirmative vote of a majority of the shares of the Vaughan Common Stock entitled to vote at the special meeting. All of our directors and executive officers, who in the aggregate own 1,982,400 shares of Vaughan Common Stock, or 20.6% of the total number of shares of Vaughan Common Stock entitled to vote at the special meeting, have stated that they will vote in favor of the proposal to approve, adopt and ratify the Merger Agreement.

Q: How many votes are required to adopt the proposals to adjourn the special meeting to a later time, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger?

A: The adoption of the proposals to adjourn the special meeting to a later time, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger requires the affirmative vote of a majority of shares of Vaughan Common Stock present in person or represented by proxy at the special meeting and entitled to vote thereon.

Q: How does the Board recommend that I vote?

A: The Board has determined that the Merger and the other transactions contemplated by the Merger Agreement are fair to, advisable and in the best interests of Vaughan s stockholders and unanimously recommends that you vote **FOR** the proposal to approve, adopt and ratify the Merger Agreement and **FOR** the other proposals as well. You should read the section entitled The Merger Reasons for the Merger; Recommendation of Vaughan s Board of Directors beginning on page 24 of this proxy statement.

Q: What happens if the Merger is not completed?

A: If the Merger Agreement is not approved, adopted and ratified by the Vaughan stockholders or if the Merger is not completed for any other reason, the Vaughan stockholders will not receive any payment for their shares of Vaughan Common Stock. Instead, Vaughan will remain an independent public company.

Q: How are votes counted? Why is my vote important?

A: Votes will be counted by the inspector of election appointed for the special meeting, who will separately count **FOR** , **AGAINST** and **ABSTAIN** votes. The affirmative vote of a majority of the outstanding shares of Vaughan Common Stock is required under the OGCA to approve the proposal to approve, adopt and ratify the Merger Agreement. As a result, the failure to vote or voting **ABSTAIN** will have the same effect as a vote **AGAINST** the proposal to approve, adopt and ratify the Merger Agreement.

Because the affirmative vote of a majority of the shares of Vaughan Common Stock present in person or represented by proxy at the special meeting is required to adopt the proposals to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger, an **ABSTAIN** will count as a vote **AGAINST** the proposal but the failure to vote your shares will have no effect on the outcome of the proposal.

Q: What if I fail to instruct my brokerage firm, bank, trust or other nominee how to vote?

A: Your brokerage firm, bank, trust or other nominee will not be able to vote your shares of Vaughan Common Stock unless you have properly instructed your nominee on how to vote. The proposal to approve, adopt and ratify the Merger Agreement requires an affirmative vote of a majority of the outstanding shares of Vaughan Common Stock for approval. Because your brokerage firm, bank, trust or other nominee does not have discretionary authority to vote on the proposal, your failure to provide your nominee with voting instructions will have the same effect as a vote **AGAINST** the proposal to approve, adopt and ratify the Merger Agreement.

The proposals to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger, requires the affirmative vote of a majority of the shares of Vaughan Common Stock present in person or represented by proxy at the special meeting and entitled to vote thereon. Because your brokerage firm, bank, trust or other nominee does not have discretionary authority to vote on these proposals, your failure to instruct your broker or other nominee on how to vote your shares will have no effect on the outcome of these proposals.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement, including the annexes and the other documents referred to in this proxy statement, please vote your shares as described below. You have one vote for each share of Vaughan Common Stock you own as of the Record Date.

Q: How do I vote if I am a stockholder of record?

A: You may vote:

by completing, signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;

by using the telephone number printed on your proxy card;

by using the Internet voting instructions printed on your proxy card; or

in person by appearing at the special meeting.

If you are voting by telephone or via the Internet, your voting instructions must be received by 11:59 p.m. Central Time on the date prior to the date of the special meeting.

Voting via the Internet, by telephone or by mailing in your proxy card will not prevent you from voting in person at the special meeting. You are encouraged to submit a proxy by mail, via the Internet or by telephone even if you plan to attend the special meeting in person to ensure that your shares of Vaughan Common Stock are present in person or represented at the special meeting.

If you return your signed proxy card, but do not mark the box showing how you wish to vote, your shares will be voted **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger. With respect to any other matter that properly comes before the special meeting, shares present represented by proxies will be voted with respect thereto in accordance with the judgment of the persons named as attorneys in the proxies.

Q: How do I vote if my shares are held by my brokerage firm, bank, trust or other nominee?

A: If your shares are held in a brokerage account or by another nominee, such as a bank or trust, then the brokerage firm, bank, trust or other nominee is considered to be the stockholder of record with respect to those shares. However, you are considered to be the beneficial owner of those shares, with your shares being held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the brokerage firm, bank, trust or other nominee how to vote their shares. Your brokerage firm, bank, trust or other nominee will only be permitted to vote your shares for you at the special meeting if you instruct it how to vote. Therefore, it is important that you promptly follow the directions provided by your brokerage firm, bank, trust or other nominee regarding how to instruct them to vote your shares. If you wish to vote in person at the special meeting, you must bring a proxy from your brokerage firm, bank, trust or other nominee authorizing you to vote at the special meeting.

In addition, because any shares you may hold in street name will be deemed to be held by a different stockholder than any shares you hold of record, shares held in street name will not be combined for voting purposes with shares you hold of record. To be sure your shares are voted, you should instruct your brokerage firm, bank, trust or other nominee to vote your shares held in street name. Shares held by a corporation or business entity must be voted by an authorized officer of the entity.

Q: What constitutes a quorum for the special meeting?

A: The presence, in person or by proxy, of stockholders representing a majority of the shares of Vaughan Common Stock entitled to vote at the special meeting will constitute a quorum for the special meeting. If you are a stockholder of record and you submit a properly executed proxy card, vote by telephone or via the Internet or vote in person at the special meeting, then your shares will be counted as part of the quorum. If you are a street name holder of shares and you provide your brokerage firm, bank, trust or other nominee with instructions as to how to vote your shares or obtain a legal proxy from such broker or nominee to vote your shares in person at the special meeting, then your shares will be counted as part of the quorum. All shares of Vaughan Common Stock held by stockholders that are present in person or represented by proxy and entitled to vote at the special meeting, regardless of how such shares are voted or whether such stockholders abstain from voting, will be counted in determining the presence of a quorum.

Q: What does it mean if I receive more than one proxy?

A: If you receive more than one proxy, it means that you hold shares that are registered in more than one account. For example, if you own your shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and you will need to sign and return, a separate proxy card for those shares because they are held in a different form of record ownership. Therefore, to ensure that all of your shares are voted, you will need to sign and return each proxy card you receive or vote by telephone or via the Internet by using the different control number(s) on each proxy card.

Q: Should I send in my stock certificates now?

A: No. After the Merger is completed, you will be sent a Letter of Transmittal with detailed written instructions for exchanging your shares of Vaughan Common Stock for the Merger Consideration. If your shares are held in street name by your brokerage firm, bank, trust or other nominee, you will receive instructions from your brokerage firm, bank, trust or other nominee as to how to surrender your street name shares in exchange for the Merger Consideration. **PLEASE DO NOT SEND IN YOUR CERTIFICATES NOW.**

Q: What happens if I sell my shares of Vaughan Common Stock before the special meeting?

A: The Record Date for stockholders entitled to vote at the special meeting is earlier than the date of the special meeting and the expected closing date of the Merger. If you transfer your shares of Vaughan Common Stock after the Record Date but before the special meeting, you will, unless special arrangements are made, retain your right to vote at the special meeting but will transfer the right to receive the Merger Consideration to the person to whom you transfer your shares. In addition, if you sell your shares prior to the special meeting or prior to the Effective Time, you will not be eligible to exercise your appraisal rights in respect of the Merger. For a more detailed discussion of your appraisal rights and the requirements for perfecting your appraisal rights, see Appraisal Rights on page 55 of this proxy statement and Annex C.

Q: Am I entitled to appraisal rights in connection with the Merger?

A: Stockholders are entitled to appraisal rights under Section 1091 of the OGCA, provided they satisfy the special criteria and conditions set forth in Section 1091 of the OGCA. For more information regarding appraisal rights, see Appraisal Rights on page 55 of this proxy statement. In addition, a copy of Section 1091 of the OGCA is attached as Annex C to this proxy statement.

Q: What are the material federal income tax consequences of the Merger to me?

A: The receipt of cash for shares of Vaughan Common Stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a holder of Vaughan Common Stock will recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received in the Merger and (ii) the holder s adjusted tax basis in the shares of Vaughan Common Stock cancelled in the Merger. The material federal income tax consequences with respect to payments received in exchange for options or warrants may be different. You should consult with your tax advisors to determine the particular tax consequences to you of the Merger (including the application and effect of any state, local or foreign income and other tax laws).

Q: Who can answer further questions?

A: For additional questions about the Merger, assistance in submitting proxies or voting shares of Vaughan Common Stock, or additional copies of the proxy statement or the enclosed proxy card, please contact us at:

Vaughan Foods, Inc.
216 NE 12th Street
Moore, OK 73160
405.794.2530
Attn: Corporate Secretary

If your brokerage firm, bank, trust or other nominee holds your shares in street name, you should also call your brokerage firm, bank, trust or other nominee for additional information.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, include forward-looking statements based on estimates and assumptions. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings Summary, The Special Meeting, The Merger, Opinion of Vaughan s Financial Advisor, Financial Projections, Regulatory Approvals, and in statements containing words such as believes, estimates, anticipates, continues, p potential, contemplates, expects, may, will, likely, could, should or would or other similar words or phrases. These sta subject to risks, uncertainties, and other factors, including, among others:

- the effect of the announcement of the Merger on Vaughan s business relationships, operating results and business generally;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- stockholders owning a majority of the shares of Vaughan Common Stock entitled to vote at the special meeting do not vote in favor of the proposal to approve, adopt and ratify the Merger Agreement or other conditions to the completion of the Merger may not be satisfied; and
- Vaughan s and Reser s ability to meet expectations regarding the timing and completion of the Merger.

In addition, we are subject to risks and uncertainties and other factors detailed in our annual report on Form 10-K for the fiscal year ended December 31, 2010, filed with the U.S. Securities and Exchange Commission, which we refer to in this proxy statement as the SEC , on March 30, 2011, and our quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2011, filed with the SEC on May 16, 2011, which should be read in conjunction with this proxy statement. See Where You Can Find More Information on page 59. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

PARTIES TO THE MERGER

Vaughan Foods, Inc.
216 NE 12th Street
Moore, Oklahoma 73160
405.794.2530

Vaughan, an Oklahoma Corporation, is an integrated manufacturer and distributor of value-added, refrigerated foods. We distribute fresh-cut produce items along with a full array of value-added refrigerated prepared foods. We sell to both food service and retail sectors. Our products consist of fresh-cut vegetables, fresh-cut fruits, salad kits, prepared salads, dips, spreads, soups, sauces and side dishes. Our primary manufacturing facility is in Moore, Oklahoma. Our soups and sauces are manufactured in our facility in Fort Worth, Texas.

Shares of Vaughan Common Stock are currently quoted on the electronic interdealer quotation system operated by OTC Markets Group, Inc., under the symbol FOOD .

Reser s Fine Foods, Inc.
P.O. Box 8
Beaverton, Oregon 97075-0008
503.643.6431

Reser s is a privately held, fourth generation family-owned company. It was founded in 1950 by Earl and Mildred Reser and is based in Beaverton, Oregon. Reser s has facilities located across the United States. Its brands are industry leaders in salads, side dishes, dips, Mexican foods, and specialty products. Reser s is the No. 1 national brand of deli salads and side dishes.

Reser s Acquisition, Inc.
P.O. Box 8
Beaverton, Oregon 97075-0008
503.643.6431

Merger Sub, an Oklahoma Corporation and a wholly-owned subsidiary of Reser s, was formed solely for the purpose of facilitating Reser s acquisition of Vaughan. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement. Merger Sub will merge with and into Vaughan and, as a result, will cease to exist immediately thereafter. Merger Sub s principal executive offices are located at 15570 SW Jenkins Road, Beaverton, Oregon 97006.

THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

The special meeting of Vaughan stockholders will be held at Vaughan s corporate offices, located at 216 NE 12th Street, Moore, Oklahoma 73160 on Thursday, September 15, 2011 at 10:00 a.m. Central Time. All references to the special meeting in this proxy statement include any adjournments thereof. At this special meeting, holders of shares of Vaughan Common Stock will be asked to consider and vote on proposals to approve, adopt and ratify the Merger Agreement, to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger. Vaughan s stockholders must approve, adopt and ratify the Merger Agreement in order for the Merger to occur. A copy of the Merger Agreement is attached to this proxy statement as Annex A. You are urged to read the Merger Agreement in its entirety.

Record Date and Quorum

We have fixed the close of business on August 9, 2011 as the Record Date for the special meeting, and only holders of record of Vaughan Common Stock on the Record Date are entitled to vote at the special meeting. You are entitled to receive notice of and to vote at the special meeting if you owned shares of Vaughan Common Stock on the Record Date. As of the Record Date, there were 9,408,334 shares of Vaughan Common Stock outstanding and entitled to vote. Each share of Vaughan Common Stock entitles its holder to one vote on all matters properly coming before the special meeting.

A majority of the shares of Vaughan Common Stock outstanding at the close of business on the Record Date and entitled to vote, present in person or by proxy, at the special meeting constitutes a quorum for the purpose of the special meeting. A quorum is necessary to transact business at the special meeting. Shares of Vaughan Common Stock present in person or represented by proxy at the special meeting but not voted, including shares of Vaughan Common Stock for which proxies have been received but for which stockholders have abstained, as well as broker non-votes , if any, will be counted as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. Once a share of Vaughan Common Stock is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting or any adjournment of the special meeting. However, if a new Record Date is set for the adjourned special meeting, then a new quorum will have to be established. In the event that a quorum is not present at the special meeting, it is expected that the special meeting will be adjourned to solicit additional proxies.

Attendance

Only stockholders of record or their duly authorized proxies have the right to attend the special meeting. To gain admittance, you must present valid photo identification, such as a driver s license or passport. If you hold shares of Vaughan Common Stock in street name (that is, in a brokerage account or through a bank or other nominee) and you would like to attend the special meeting, you will need to bring a valid photo identification and proof of ownership, such as a brokerage statement as of a recent date, a copy of your voting instruction form or a legal proxy from your broker, bank or other nominee. If you wish to vote in person at the special meeting, you must obtain a legal proxy from your broker, bank or other nominee. If you are the representative of a corporate or institutional stockholder, you must present valid photo identification along with proof that you are the representative of such stockholder. Please note that cameras, recording devices and other electronic devices will not be permitted at the special meeting.

Vote Required for Approval

Approval of the proposal to approve, adopt and ratify the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Vaughan Common Stock. All of Vaughan s officers and directors, owning an aggregate of 1,982,400 shares, or 20.6% of the shares of Vaughan Common Stock entitled to vote at the special meeting, have stated that they intend to vote their shares in favor of the proposal to approve, adopt and ratify the Merger Agreement.

For the proposal to approve, adopt and ratify the Merger Agreement, you may vote **FOR,** **AGAINST** or **ABSTAIN** . Votes to **ABSTAIN** will not be counted as votes cast in favor of the proposal to approve, adopt and ratify the Merger Agreement but will count for the purpose of determining whether a quorum is present. **If you fail to submit a proxy or vote in person at the special meeting, or abstain, it will have the same effect as a vote AGAINST the proposal to approve, adopt and ratify the Merger Agreement. If you hold your shares in street name, your failure to instruct your broker, bank or other nominee how to vote your shares will have the same effect as a vote AGAINST the proposal to approve, adopt and ratify the Merger Agreement**.

Approval of the proposals to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and to approve on a non-binding, advisory basis the severance benefits Vaughan s senior executive officers may receive following the Merger requires the affirmative vote of the holders of a majority of the shares of Vaughan Common Stock present in person or represented by proxy and entitled to vote on the matter at the special meeting. For these proposals, you may vote **FOR,** **AGAINST** or **ABSTAIN** . If your shares of Vaughan Common Stock are present at the special meeting but are not voted on these proposals, or if you have given a proxy and abstained from voting on these proposals, this will have the same effect as if you voted **AGAINST** the proposals. If you fail to submit a proxy or to vote in person at the special meeting, or if there are broker non-votes, your shares of Vaughan Common Stock not voted will not be counted in respect of, and will not have any effect on, these proposals.

If your shares of Vaughan Common Stock are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, which we refer to in this proxy statement as the Transfer Agent , you are considered, with respect to those shares, the stockholder of record. This proxy statement and proxy card have been sent directly to you by Vaughan. If your shares of Vaughan Common Stock are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of such shares held in street name. In that case, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your shares by following their instructions for voting.

If you are a stockholder of record, there are four ways to vote:

by completing, dating, signing and returning the enclosed proxy card in the accompanying prepaid reply envelope;

by visiting the Internet at *www.proxyvote.com*;

by calling toll-free (within the U.S. or Canada) 1.800.690.6903; or

by attending the special meeting and voting in person by ballot.

If you are a beneficial owner of common stock held in street name , you will receive instructions from your bank, brokerage firm or other nominee that you must follow in order to have your shares of Vaughan Common Stock voted. Those instructions will identify which of the above choices are available to you in order to have your shares voted.

Nominees, such as banks and brokerage firms who hold shares in street name for customers, have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms or other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposals to approve, adopt and ratify the Merger Agreement, to approve the adjournment of the special meeting and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger, and, as a result, absent specific instructions from the beneficial owner of such shares of Vaughan Common Stock, banks, brokerage firms or other nominees are not empowered to vote those shares on any of the proposals to be voted on at the special meeting. Broker non-votes, if any, will be counted for purposes of determining a quorum, but will have the same effect as a vote **AGAINST** each of the proposals.

Please note that if you are a beneficial owner of Vaughan Common Stock and wish to vote in person at the special meeting, you must obtain a legal proxy from your bank, brokerage firm or other nominee.

Please refer to the instructions on your proxy card to determine the deadlines for voting over the Internet or by telephone. If you choose to vote by mailing a proxy card, your proxy card must be received by our Transfer Agent by the time the special meeting begins. **Please do not send in your stock certificates with your proxy card.** When the Merger is completed, a separate Letter of Transmittal will be mailed to stockholders of record that will enable you to receive the Merger Consideration in exchange for your stock certificates.

If you vote by proxy, regardless of the method you choose to vote, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, will vote your shares of Vaughan Common Stock in the way that you indicate.

If you properly sign your proxy card but do not mark the boxes showing how your shares of Vaughan Common Stock should be voted on a matter, the shares of Vaughan Common Stock represented by your properly signed proxy card will be voted **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the proposal to adjourn the special meeting and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger.

IT IS IMPORTANT THAT YOU VOTE YOUR SHARES OF VAUGHAN COMMON STOCK PROMPTLY. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR OVER THE INTERNET.

Proxies and Revocation

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet or by returning a signed and dated proxy card by mail in the accompanying prepaid envelope or may vote in person at the special meeting. If you vote by telephone or over the Internet, your proxy must be received by 11:59 p.m. Central Time on Wednesday, September 14, 2011, the date prior to the date of the special meeting, in order for your shares to be voted at the special meeting as you indicate. If you return your proxy by mail your shares will be voted in accordance therewith as long as the proxy is received prior to the commencement of the special meeting. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the proposal to approve, adopt and ratify the Merger Agreement, **FOR** the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies and **FOR** the proposal to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger, and in accordance with the recommendations of the Board on any other matters properly brought before the special meeting, or at any adjournment thereof, for a vote.

If your shares of Vaughan Common Stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker. Brokers who hold shares of Vaughan Common Stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers are not allowed to exercise their voting discretion with respect to the approval of matters that are non-routine, such as the proposals to approve, adopt and ratify the Merger Agreement, to adjourn the meeting, if necessary or appropriate, to solicit additional proxies and to approve, on a non-binding, advisory basis, the severance benefits Vaughan s senior executive officers may receive following the Merger, without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker or other nominee that are present in person or represented at the meeting but with respect to which the broker or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. If your broker or other nominee holds your shares of Vaughan Common Stock in street name, your broker or other nominee will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this proxy statement. Because it is expected that

brokers and other nominees will not have discretionary authority to vote on any of the proposals, we do not anticipate that there will be any broker non-votes at the special meeting.

If you are a stockholder of record of shares of Vaughan Common Stock, you have the right to change or revoke your proxy at any time, unless noted below, before the vote is taken at the special meeting:

by delivering to Vaughan s Corporate Secretary, a signed written notice of revocation bearing a date later than the date of the proxy, stating that the proxy is revoked;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by signing and delivering a new proxy, relating to the same shares of Vaughan Common Stock and bearing a later date; or

if you voted by telephone or the Internet, by voting again by telephone or the Internet prior to 11:59 p.m. Central Time on the date prior to the date of the special meeting.

If you are a street name holder of Vaughan Common Stock, you may change your vote by submitting new voting instructions to your brokerage firm, bank, trust or other nominee. You must contact your nominee to obtain instructions as to how to change or revoke your proxy.

Written notices of revocation and other communications with respect to the revocation of any proxies should be addressed to:

Vaughan Foods, Inc.
216 NE 12th Street
Moore, OK 73160
Attn: Corporate Secretary

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies. Vaughan s bylaws provide that any adjournment may be made without notice if announced at the meeting at which the adjournment is taken and if the adjournment is to a date that is not more than 30 days after the original date fixed for the special meeting and no new record date is fixed for the adjourned meeting. Any signed proxies received by Vaughan prior to the date of the special meeting in which no voting instructions are provided will be voted **FOR** an adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies. Whether or not a quorum exists, holders of a majority of the shares of Vaughan Common Stock present in person or represented by proxy and entitled to vote at the special meeting may adjourn the special meeting. Since a majority of the votes present in person or represented at the meeting, whether or not a quorum exists, is required to approve the proposal to adjourn the meeting, a vote to **ABSTAIN** will have the same effect as a vote **AGAINST** the proposal. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow Vaughan s stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned.

Solicitation Expenses

We will bear all of the expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby. We may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares of Vaughan Common Stock for their expenses in forwarding soliciting materials to beneficial owners of Vaughan Common Stock and in obtaining voting instructions from those owners. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by email, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Questions and Additional Information

If you have questions about the Merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please contact our Corporate Secretary at 405.794.2530, or by electronic mail at *corporatesecretary@vaughanfoods.com*.

Availability of Documents

A list of the Vaughan stockholders entitled to vote at the special meeting will be available for inspection at our principal executive offices at least ten days prior to the date of the special meeting and continuing through the special meeting for any purpose germane to the meeting. The list will also be available at the meeting for inspection by any stockholder present at the meeting. See Where You Can Find More Information for more information regarding where you can access other information concerning Vaughan.

THE MERGER (PROPOSAL 1)

This discussion of the Merger is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as Annex A. You should read the entire Merger Agreement carefully as it is the legal document that governs the Merger.

The Merger

As contemplated by the Merger Agreement, Merger Sub will merge with and into Vaughan. Vaughan will be the surviving corporation in the Merger and will continue to do business following the Merger as a wholly owned subsidiary of Reser s. As a result of the Merger, Vaughan will cease to be a publicly traded company. You will not own any shares of the capital stock of Vaughan following the Merger.

Merger Consideration

The aggregate Merger Consideration that will be paid by Reser s to the holders of shares of Vaughan Common Stock and to holders of options and warrants to purchase shares of Vaughan Common Stock is $18,250,000 in cash, or approximately $1.58 per share based on 9,408,334 shares of Vaughan Common Stock outstanding on the Record Date. However, to the extent that outstanding options or non-publicly traded warrants are exercised for cash (and not pursuant to any cashless exercise or net exercise provisions) before the Effective Time, the per share Merger Consideration would be reduced. For example, (a) if all options and non-publicly traded warrants were exercised for cash, the per share Merger Consideration would be $1.40 or (b) if only options and non-publicly traded warrants whose underlying shares of Vaughan Common Stock issued upon exercise were immediately saleable pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, were exercised, the per share Merger Consideration would be $1.43. We do not expect the holders of our publicly traded warrants to exercise their warrants because the exercise price of those warrants is higher than the per share Merger Consideration.

Background of the Merger

The Board, together with Vaughan s senior management, continually reviews, considers and evaluates its market position and capital structure. The Board and senior management have continually considered whether or not the company could provide more value to its stockholders as a publicly-held company or as a private company. Vaughan s management believes that the incremental cost of operating as a public company is approximately $1.0 million per year.

Since its initial public offering in 2007, Vaughan has been unable to consistently produce acceptable stockholder value due to, among other things, inadequate capitalization and its inability to raise adequate capital on terms acceptable to the Board primarily at a valuation that would not significantly dilute the Vaughan stockholders. Since its initial public offering in July 2007, Vaughan has reported cumulative net losses of $4.8 million. Accordingly, the Board has stood willing to consider reasonable offers for the company.

Vaughan received an informal, non-written overture from a potential strategic party in late 2008 for an amount that was less than one half of the Merger Consideration and, despite some intense negotiations over an extended period of time, was unable to obtain a better value at that time.

Beginning with the third quarter of 2008 through the first quarter of 2011, Vaughan reported cumulative net losses of $3.5 million.

In the third quarter of 2009, the same potential strategic party made an informal offer to acquire newly issued shares of Vaughan Common Stock for an amount that would have resulted in an implied valuation that was less than 40 percent of the Merger Consideration. The potential investor withdrew the proposal before it could be acted upon by the Board.

Beginning with the third quarter of 2009 through the first quarter of 2011, Vaughan reported cumulative net losses of $827,000.

The estimated per share Merger Consideration of $1.58 represents a premium of approximately 301%, 293%, and 277% over the one, three and six month volume-weighted average prices of a share of Vaughan Common Stock, respectively, prior to market close on July 5, 2011, the last trading day prior to the execution of the Merger Agreement, and a premium of approximately 295% over the closing price of a share of Vaughan Common Stock on July 5, 2011, the last trading day prior to the date on which the Merger Agreement was executed.

In consideration of the continuing operating losses, management and the Board do not believe that Vaughan can materially increase its stockholder value without substantial additional capital or a merger with a strategic acquirer having significantly greater financial resources than Vaughan. Also, in consideration of the previous informal offers for the entire company, or for certain interests in the company and Vaughan s historical stock prices, the Board believes the probability of receiving materially greater value for the Vaughan stockholders than the Merger Consideration is highly remote.

Vaughan and Reser s sell certain complementary and competing products. The discussion of a possible combination of companies commenced on or about October 25, 2010, when Mark Vaughan, President and Chief Operating Officer of Vaughan, attended the Refrigerated Foods Association Board meeting at the Hilton Chicago O Hare Airport hotel in Chicago, Illinois. Mark Reser, Reser s President and Chief Executive Officer, approached Mr. Vaughan about a possible combination of the two companies. At this meeting, the two executives discussed their respective firms platforms, history and market opportunities. At the conclusion of the meeting, both individuals suggested that they continue discussions.

On or about December 20, 2010, Mr. Reser traveled to Vaughan s facilities in Moore, Oklahoma to meet with Mr. Vaughan and Herbert Grimes, Vaughan s Chairman and Chief Executive Officer. At the meeting, the participants discussed the potential strategic and cultural alignment between the two companies as well as potential areas in which the companies complement one another and potential cost synergies if they were to combine. Mr. Reser recommended that Vaughan and Reser s enter into a mutual non-disclosure agreement, which they did on March 8, 2011.

Mr. Reser and Paul Leavy, Reser s Chief Financial Officer met again with Mr. Grimes and Mr. Vaughan in Denver Colorado in March 2011. They continued to discuss a possible combination, but no financial or economic terms were discussed.

On April 6, 2011, Reser s presented a written offer to Vaughan to purchase 100 percent of the equity of Vaughan for $0.80 per share, plus nominal per share amounts for certain warrants, which would have resulted in a total purchase price of $8.1 million. However, certain equity components were excluded from the written offer letter.

On April 8, 2011, Vaughan responded by acknowledging receipt of the written offer and, citing certain of Vaughan s financial metrics and certain valuation multiples in recent industry transactions, requested Reser s to reevaluate their offer to determine whether it could increase the purchase price.

On April 12 and 18, 2011, the management of Vaughan and Reser s held conference calls to discuss the terms of Reser s offer.

On April 20, 2011, at the request of Reser s, Vaughan provided Reser s with additional information regarding its outstanding securities.

On April 22, 2011, Reser s presented a revised written offer increasing the proposed purchase price to $15.0 million, which would have resulted in per share Merger Consideration of approximately $1.31.

On April 28, 2011, the Board met telephonically to discuss Reser s April 22, 2011 offer. Management made a presentation to the Board at this telephonic meeting, advising the Board of the various steps and milestones in the negotiation process and of the progress of the negotiations. The Board agreed with management s position that the offer from Reser s was inadequate and instructed management to inform Reser s of the Board s determination and to continue negotiations with Reser s to increase the purchase price.

On May 5, 2011, management of Vaughan and Reser s held a conference call to discuss the status of the offer and related negotiations. Reser s requested additional non-public information, presumably for the purpose of re-evaluating its offer. The information requested included the following:

a summary of Vaughan s ten largest accounts, measured by revenue, for salads and produce and a comparison of those accounts between first quarter of 2011 and 2010, excluding the customer names;

a summary of Vaughan s ten highest revenue generating items, by SKU, for salads, produce and soups;

a summary of the first quarter 2011 financial statements, which were not public information as of this time; and

a list of the ten largest raw materials by cost, including delivery charges.

On May 5, 2011, Vaughan provided Reser s with a letter stating that Vaughan s senior management had met several times regarding Reser s offer and had presented the current offer and prior correspondence to the Board. The letter also stated that the independent directors had met separately i.e., without management present -- and determined not to accept Reser s latest offer.

On May 7, 2011, Vaughan sent a letter to Reser s that contained non-public information requested by Reser s on May 5, 2011 and additional non-public information, including the following:

information regarding Vaughan s net operating loss carryforwards for federal income tax purposes;

information regarding intangible assets, and

potential new business, without naming specific potential customers.

On May 9, 2011, Reser s presented a revised written offer for Vaughan, increasing the purchase price to $16,650,000, which would have resulted in per share Merger Consideration of approximately $1.45. Messrs. Grimes and Vaughan and Gene P. Jones, Vaughan s Chief Financial Officer, met to discuss the revised offer and determined that it was still inadequate and that a better offer could be obtained. Management estimated that a fair value for Vaughan was $18,250,000, which would be approximately $1.58 per share for the equity after settling all of the in-the-money options and warrants.

On May 10, 2011, Vaughan s management team presented Reser s with a written counter-offer with a proposed purchase price of $18,650,000, which would have resulted in per share Merger Consideration of approximately $1.61.

On May 11, 2011, Mr. Grimes and Mr. Reser held a telephone conversation and ultimately agreed to a purchase price of $18,250,000 and other terms of a possible transaction.

Throughout the process, Reser s management conducted a due diligence investigation of Vaughan and its business and financial position and was provided certain non-public information.

On May 12, 2011, the Board held a special telephonic meeting to review, discuss and vote on a resolution to authorize and direct management to negotiate definitive agreements for the sale of Vaughan to Reser s, subject to approval of such agreements by the Board and approval of the transaction by the Vaughan stockholders.

On May 13, 2011, Reser s submitted a non-binding Term Sheet to Vaughan highlighting the principal material terms on which it was willing to acquire all of the issued and outstanding shares of Vaughan Common Stock as well as the shares of Vaughan Common Stock underlying any outstanding in-the-money options and warrants for an aggregate purchase price of $18,250,000, subject to Reser s additional due diligence and other terms and conditions set forth in the Term Sheet. The form of the transaction was to be determined by Reser s after it had a chance to conduct further due diligence but, as of the Term Sheet date, was expected to be an all cash, taxable, reverse triangular merger.

After various negotiations, primarily by electronic mail, the Term Sheet was revised to the mutual satisfaction of Vaughan and Reser s and was fully executed by both parties on May 18, 2011.

On June 1, 2011, Messrs. Grimes, Vaughan and Jones met with Messrs. Reser and Leavy at the Hilton Garden Inn in Oklahoma City. The parties discussed various strategic issues and after the meeting Mr. Reser and Mr. Leavy toured Vaughan s facilities in the Oklahoma City area with Mr. Vaughan.

On June 6, 2011, Reser s delivered the first draft of the Merger Agreement to Vaughan. Negotiations primarily occurred by electronic mail between management, Vaughan s legal counsel, and Reser s legal counsel over the next several weeks.

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On June 16, 2011, the Board engaged Burrill to provide a written opinion to the Board as to the fairness of the proposed transaction to the Vaughan stockholders from a financial point of view (the Fairness Opinion).

A Burrill representative visited the company s facilities in Moore, Oklahoma on June 20, 2011.

On June 24, 2011, Burrill provided management with a draft of the Fairness Opinion and certain background material supporting the opinion. After internal review by management, the materials were made available to the Board on June 27, 2011, and these materials were updated by Burrill on June 28, 2011. The updated materials were also made available to the Board at that time.

On June 29, 2011, a draft of the Merger Agreement was made available to the Board.

On June 30, 2011, the Board held a special telephonic meeting to view a presentation of the Fairness Opinion and the overview rationale for the opinion from representatives of Burrill.

After the presentation by Burrill and a follow-up discussion among the members of the Board present at the meeting, the Board, without dissent, approved and declared advisable the Merger Agreement and the Merger and determined that the terms of the Merger are fair to and in the best interests of, Vaughan and its stockholders, and authorized management to enter into the Merger Agreement substantially in the form presented to the Board.

On July 6, 2011, Mr. Reser and Mr. Leavy met with Mr. Grimes, Mr. Vaughan and Mr. Jones at Vaughan s corporate offices in Moore, Oklahoma and the Merger Agreement was fully executed.

On July 6, 2011, at 4:00 PM Eastern Time, after the U.S. securities trading markets closed, Vaughan issued a press release announcing the execution of the Merger Agreement and informed its key employees, customers, vendors, the local Oklahoma City media, and others of the execution of the Merger Agreement.

On July 12, 2011, Vaughan filed a Current Report on Form 8-K with the SEC reporting that it had entered into a material definitive agreement with Reser s.

Reasons for the Merger; Recommendation of the Board

In evaluating the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, the Board consulted with senior management, outside legal counsel and independent financial advisors. In recommending that the Vaughan stockholders vote their shares of Vaughan Common Stock in favor of approving, adopting and ratifying the Merger Agreement, the Board also considered a number of factors, including the following:

Financial Terms; Fairness Opinion; Certainty of Value

The historic trading ranges of Vaughan Common Stock and the potential trading range of Vaughan Common Stock absent takeover speculation.

The fact that the per share Merger Consideration, estimated at $1.58, represents a premium of approximately 301%, 293% and 277% over the one, three and six month volume-weighted average prices of a share of Vaughan Common Stock, respectively, prior to market close on July 5, 2011, the last trading day prior to the execution of the Merger Agreement.

The fact that the per share Merger Consideration, estimated at $1.58, represents a premium of approximately 295% over the closing price of a share of Vaughan Common Stock on July 5, 2011, the last trading day prior to the date on which the Merger Agreement was executed.

Burrill s presentation to the Board of certain valuation analyses and its opinion that, as of June 30, 2011, and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, from a financial point of view, the consideration to be offered to the Vaughan stockholders in the Merger was fair to such stockholders. For more information about Burrill s opinion, see below under the heading Opinion of Burrill LLC.

The fact that the all-cash Merger Consideration will provide certainty of value and liquidity to the Vaughan stockholders, while eliminating long-term business and execution risk.

The availability of statutory appraisal rights to Vaughan stockholders who comply with certain procedures under Oklahoma law.

Appraisal rights allow Vaughan stockholders to have the fair value of their Vaughan Common Stock determined by the Oklahoma District Court.

Financial Condition and Prospects of the Company; Strategic Alternatives

The difficulty of predicting future prospects for Vaughan on a stand-alone basis.

The increasing challenges faced by Vaughan as an independent company pursuing organic growth.

The fact that Vaughan s ability to implement its growth strategy depends on identification of attractive acquisition targets and its ability to acquire them at acceptable valuations and to integrate them successfully.

The risks of continuing as a stand-alone company or pursuing other alternatives, including the sale or other disposition of our assets or a leveraged stock repurchase; the range of potential benefits to the Vaughan stockholders of these alternatives; the assessment that no other alternatives were reasonably likely to create greater value for the Vaughan stockholders taking into account risk of execution as well as business, competitive, industry and market risk, than the Merger; and the potential near-term impact on our business.

Market Check; Alternative Proposals

The Board s view that the Merger Consideration was the highest price reasonably attainable by the Vaughan stockholders in a sale of the company, considering potentially interested third parties and strategic opportunities.

The Board s view that Vaughan, with the assistance of its advisors, negotiated the highest price per share of Vaughan Common Stock that Reser s was willing and able to pay.

The Board s view that Vaughan, prior to Reser s offer, had communicated with a sufficient number of parties, including brokers and potential acquirers (both strategic and financial), to obtain the best value reasonably available to stockholders. Vaughan received an informal, non-written overture from a potential strategic party in 2009 for an amount that was less than one-half of the Merger Consideration and was unable to obtain a better value at that time. Since its initial public offering in 2007, Vaughan has reported cumulative net losses of $4.8 million, of which $575,000 has been incurred since the first quarter of 2010. In the first quarter of 2010, Vaughan completed an equity offering of securities that valued the company at approximately $3.8 million (compared to an imputed equity value of approximately $14.8 million in the current transaction).

The Board s view that, despite the fact that the Merger Agreement is binding on the parties, third parties are not likely to be unduly deterred from making a superior proposal for Vaughan.

The fact that the Board could change its recommendation to the Vaughan stockholders with respect to adoption of the Merger Agreement if there has been a change in circumstances (as defined in the Merger Agreement).

The fact that Vaughan is not required to pay a termination fee in the event the Merger Agreement is terminated.

Merger Agreement Terms

The Board s view that the Merger Agreement has customary terms and was the product of arms-length negotiations.

The fact that the Merger is not subject to a financing contingency.

The fact that the Merger is not subject to antitrust approvals.

The fact that we could incur up to $350,000 in expenses relating to the Merger Agreement and the Merger without triggering Reser s right to terminate.

The fact that Reser s has no right to terminate unless it reasonably believes that the cost of defending or responding to stockholders who have exercised their statutory appraisal rights (not including amounts to be paid in satisfaction of those rights) exceeds $250,000.

The fact that a majority of the members of the Board are independent and that no member of the Board would have an equity interest in the surviving company following the Merger.

Likelihood of Consummation

The fact that Vaughan s executive officers and directors, who collectively own 20.6% of the outstanding shares of Vaughan Common Stock, have stated that they intend to vote in favor of the proposal to approve, adopt and ratify the Merger Agreement at the special meeting of Vaughan stockholders called for that purpose.

The fact that there is no financing contingency to the consummation of the Merger and that Reser s has represented that it has sufficient cash, available lines of credit and other sources of readily available funds to consummate the Merger.

The fact that the Merger Agreement permits us to seek specific performance remedies against Reser s and Merger Sub.

The Board also considered a number of uncertainties and risks in its deliberations concerning the Merger and the other transactions contemplated by the Merger Agreement, including the following:

The fact that receipt of the all-cash Merger Consideration would be taxable to the Vaughan stockholders that are treated as U.S. holders for U.S. federal income tax purposes.

The fact that the Vaughan stockholders would forego the opportunity to realize the potential long-term value of the successful execution of the company s current strategy as an independent company.

The fact that under the terms of the Merger Agreement, Vaughan is unable to solicit other acquisition proposals during the pendency of the Merger.

The restrictions on Vaughan s conduct of business prior to completion of the Merger, which could delay or prevent it from undertaking business opportunities that may arise or taking certain other actions with respect to its operations.

The significant costs involved in connection with entering into and completing the Merger and the substantial time and effort of management required to consummate the Merger may disrupt Vaughan s business operations.

The fact that, while Vaughan expects the Merger to be consummated if approved by its stockholders, there can be no assurance that all conditions to the parties obligations to complete the Merger will be satisfied.

The risk that the Merger might not be completed and the effect of the resulting public announcement of termination of the Merger Agreement on the trading price of Vaughan Common Stock.

The fact that the failure to consummate the Merger could have adverse consequences, including on or more of the following: (1) Vaughan s business, sales operations and financial results could suffer in the event that the Merger is not consummated; (2) the perception that the reason or reasons for which the Merger Agreement was terminated and whether such termination resulted from factors adversely affecting the company; (3) the Merger Agreement, the marketplace would consider Vaughan to be an unattractive acquisition candidate; and (4) the possible sale of Vaughan Common Stock by short-term investors following an announcement that the Merger Agreement was terminated causing a significant decrease in the market price of the shares of Vaughan Common Stock.

The fact that the announcement and pendency of the Merger, or failure to complete the Merger, may cause substantial harm to Vaughan s relationships with its employees (including making it more difficult to attract and retain key personnel and the possible loss of key management, technical, sales or other personnel), vendors and customers and may divert employees attention away from Vaughan s day-to-day business operations.

The fact that Vaughan s directors and executive officers may have interests in the Merger that may be different from, or in addition to, those of the Vaughan stockholders. For more information about such interests, see below under the heading Interests of Certain Persons in the Merger.

The Board believed that, overall, the potential benefits of the Merger to the Vaughan stockholders outweighed the risks and uncertainties of the Merger.

The foregoing discussion of factors considered by the Board is not intended to be exhaustive, but includes the material factors considered by the Board. In light of the variety of factors considered in connection with its evaluation of the Merger, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Moreover, each member of the Board applied his own personal business judgment to the process and may have given different weight to different factors.

The Board recommends that you vote FOR the proposal to approve, adopt and ratify the Merger Agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies and FOR the proposal to approve, on a non-binding advisory basis, the severance benefits Vaughan s senior executives may receive following the Merger.

Opinion of Burrill LLC

Fairness of the Transaction

On June 30, 2011, Burrill rendered its oral opinion to the Board (which was subsequently confirmed in writing by delivery of Burrill s written opinion dated June 30, 2011) to the effect that, subject to the assumptions, qualifications and limitations set forth therein, as of June 30, 2011, the Merger Consideration to be received by the Vaughan stockholders in the Merger is fair, from a financial point of view, to the holders of shares of Vaughan Common Stock. Prior to the June 30, 2011 Board meeting, Burrill had provided the members of the Board with a draft of its opinion to review.

Burrill s opinion was for the information of the Board in connection with its evaluation of the proposed sale. It addressed only the fairness, from a financial point of view, of the Merger Consideration to be received by holders of

Vaughan Common Stock in the Merger pursuant to the Merger Agreement and did not address any other aspects or implications of the Merger. The summary of Burrill s opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this proxy statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Burrill in preparing its opinion. However, neither Burrill s written opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute, advice or a recommendation to any stockholder as to how such stockholder should act or vote with respect to any matter relating to the Merger.

In arriving at its opinion, Burrill:

- reviewed a draft of the Merger Agreement in substantially final form;
- reviewed certain internal financial analyses, historical financials, financial forecasts, reports, operating performance and other information we deemed relevant, all of which was provided by, or on behalf of, the management of Vaughan;
- held discussions with certain members of Vaughan s management concerning the historical and current business operations, financial condition and prospects of Vaughan, and such other matters Burrill deemed relevant;
- analyzed certain financial and industry data, stock market and other publicly available information relating to the businesses of other companies whose operations we considered relevant in evaluating those of Vaughan and considering, to the extent publicly available, the financial terms of certain other transactions which Burrill deemed relevant in evaluating the Merger; and
- conducted such other financial analyses, studies and investigations as Burrill deemed appropriate.

With the consent of Vaughan, Burrill relied upon and assumed, without independent verification, (a) the accuracy and completeness of all data, material and other information furnished, or otherwise made available to it, discussed with or reviewed by it, or publicly available, and did not assume any responsibility with respect to such data, material and other information, (b) there had been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of Vaughan since the date of the most recent financial statements provided to it that would be material to its analyses or the opinion, (c) there was no information or any facts that would make any of the information reviewed by it incomplete or misleading, (d) the representations and warranties of all parties to the Merger Agreement were true and correct, (e) each party to the Merger Agreement would fully and timely perform all of the covenants and agreements required to be performed by such party, (f) all conditions to the consummation of the Merger would be satisfied without waiver thereof, (g) the Merger Agreement would be consummated in a timely manner in accordance with the terms described in the Merger Agreement, without any amendments or modifications thereto, (h) the Merger would be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, (i) all governmental, regulatory, and other consents and approvals necessary for the consummation of the Merger would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an effect on Vaughan that would be material to Burrill s analyses or its opinion and (j) that the final form of the Merger Agreement would not differ from the draft of the Merger Agreement identified above in any respect material to its analyses.

Furthermore, in connection with Burrill s opinion, Burrill was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of Vaughan or any other party, nor was Burrill provided with any such appraisal or evaluation. Burrill did not estimate, and expressed no opinion regarding, the liquidation value of any entity or business. Burrill did not undertake independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Vaughan was or may be a party or was or

may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which Vaughan was or may be a party or is or may be subject.

Burrill s opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Burrill did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring after the date of its opinion.

Burrill s opinion does not constitute a recommendation to the Board or the Vaughan stockholders of how to vote or to take any action with regard to the Merger. Burrill s opinion should not be construed as creating any fiduciary duties. The opinion may not be quoted or referred to, in whole or in part, in any document, or used for any other purpose, without Burrill s written consent. Burrill has consented to the use of its opinion in this proxy statement.

Burrill s opinion only addresses the fairness to the holders of shares of Vaughan Common Stock, from a financial point of view, of the Merger Consideration and does not address any other aspect or implication of the Merger or any agreement, arrangement or understanding entered into in connection therewith or otherwise including, without limitation: (i) the underlying business decision of Vaughan or any other party to proceed with the Merger, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form or any other portion or aspect of, the Merger or otherwise (other than the consideration to the extent expressly specified herein) and whether such terms were the best attainable under the circumstances, (iii) the fairness of any portion or aspect of the Merger to the holders of any class of securities, creditors or other constituencies of Vaughan, or to any other party, (iv) the relative merits of the Merger as compared to any alternative business strategies that might exist for Vaughan or the effect of any other transaction in which Vaughan might engage, (v) the solvency, creditworthiness or fair value of Vaughan or any other party to the Merger, or any of such their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (vii) the fairness, financial or otherwise, of the amount, nature or any other aspect of any consideration received by Vaughan s officers, directors or employees or any class of such persons relative to the consideration to be received by the Vaughan stockholders in the Merger, if any, or with respect to the fairness of such compensation. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, Burrill relied, with the consent of Vaughan, on the assessments by Vaughan and its advisors, as to all legal, regulatory, accounting, insurance and tax matters with respect to Vaughan and the Merger. The issuance of this opinion was approved by a committee authorized to approve opinions of this nature.

In preparing its opinion to the Board, Burrill performed a variety of analyses, including those described below. The summary of Burrill s valuation analyses described below is not a complete description of the analyses underlying Burrill s opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytic methods employed and the adaptation and application of those methods to the unique facts and circumstances presented. As a consequence, neither Burrill s opinion nor the analyses underlying its opinion are readily susceptible to partial analysis or summary description. Burrill arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, analytic method or factor. Accordingly, Burrill believes that its analyses must be considered as a whole and that selecting portions of its analyses, analytic methods and factors, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In performing its analyses, Burrill considered business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. No company, transaction or business used in Burrill s analyses for comparative purposes is identical to Vaughan or the Merger. While the results of each analysis were taken into account in reaching its overall conclusion with respect to fairness, Burrill did not make separate or quantifiable judgments regarding individual analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which

businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond our control and the control of Burrill. Much of the information used in, and accordingly the results of, Burrill s analyses are inherently subject to substantial uncertainty.

The following is a summary of the material valuation analyses performed in connection with the preparation of Burrill s opinion rendered to the Board on June 30, 2011. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying and the assumptions, qualifications and limitations affecting each analysis, could create a misleading or incomplete view of Burrill s analyses.

Comparable Company Analysis

Burrill reviewed financial and stock market information of Vaughan and the following seven selected publicly traded companies with similar products, similar operating and financial characteristics and servicing similar markets:

J&J Snack Foods Corp.	John B Sanfilippo & Son Inc.
Cal-Maine Foods, Inc.	Overhill Farms Inc.
Seneca Foods Corp.	Inventure Foods, Inc.
Omega Protein Corp.	

Burrill reviewed, among other things, enterprise values of the selected companies, calculated as fully-diluted equity value based on closing stock prices on June 21, 2011, plus debt, minority interest and preferred stock, less cash and equivalents, as a multiple of latest 12 months (LTM) gross profit. Burrill then applied a selected range for LTM gross profit multiples of 3.1x to 4.9x, derived from the selected companies to corresponding data of Vaughan. This analysis indicated an implied equity value reference range for Vaughan of approximately $15.8 million to $30.4 million, as compared to the $18.25 million aggregate Merger Consideration.

Burrill reviewed enterprise values of the selected companies, calculated as fully-diluted equity value based on closing stock prices on June 21, 2011, plus debt, minority interest and preferred stock, less cash and equivalents, as a multiple of LTM and calendar year 2011 estimated EBITDA. Burrill then applied a selected range for LTM and calendar year 2011 estimated EBITDA multiples of 4.6x to 7.6x, and 5.5x to 7.6x, respectively, derived from the selected companies to corresponding data of Vaughan. Estimated financial data of the selected companies were based on publicly available research analysts estimates. Estimated financial data of Vaughan were based on estimates of Vaughan management. This analysis indicated an implied value reference range for Vaughan of approximately $0.1 million to $12.9 million, as compared to the $18.25 million aggregate Merger Consideration.

Burrill reviewed, among other things, share prices of the selected companies, based on closing stock prices on June 21, 2011 as a multiple of book value as of March 31, 2011. Burrill then applied a selected range for price-to-book value multiples of 0.8x to 2.1x, derived from the selected companies to corresponding data of Vaughan. This analysis indicated an implied equity value reference range for Vaughan of approximately $6.5 million to $17.1 million, as compared to the $18.25 million aggregate Merger Consideration.

Although the selected companies were used for comparison purposes, none of those companies is directly comparable to Vaughan. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies or Vaughan.

Burrill reviewed the transaction values of the following fifteen transactions involving similar businesses with disclosed financial metrics:

Acquiror	Target
Flowers Bakeries, LLC	Tasty Baking Co.
Danone	YoCream International, Inc.
SunOpta Inc.	Dahlgren & Company, Inc.
Premium Brands Holdings Corporation	SK Food Group, Inc.
Compañía de Galletas Noel S.A.	Fehr Foods, Inc.
John B Sanfilippo & Son Inc.	Orchard Valley Harvest, Inc.
Agricore United	Dakota Growers Pasta Company, Inc.
Pulmuone Wildwood, Inc.	Monterey Gourmet Foods, Inc.
Flavor House Products, Inc.	Harvest Manor Farms, LLC
Lifeway Foods Inc.	Fresh Made, Inc.
Nestlé S.A.	FoodTech International, Inc.
Dongwon Enterprise Co., Ltd.	Star-Kist Foods, Inc.
Flowers Bakeries, LLC	Southern Bakeries, Inc.
Flowers Bakeries, LLC	Holsum Bakery, Inc.
ABARTA, Inc.	Kahiki Foods, Inc.

Burrill reviewed, among other things, transaction values in the selected transactions, calculated as the purchase prices paid for the target companies, as a multiple of LTM gross profit. Burrill then applied a LTM gross profit range of multiples of 2.4x to 3.9x, derived from the selected transactions, to Vaughan s revenue for the corresponding period. Financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Financial data of Vaughan were based on publicly available information. This analysis indicated an implied per share equity value reference range for Vaughan of approximately $10.1 million to $22.3 million, as compared to the $18.25 million aggregate Merger Consideration.

Burrill reviewed, among other things, transaction values in the selected transactions, calculated as the purchase prices paid for the target companies, as a multiple of LTM EBITDA. Burrill then applied a LTM EBITDA range of multiples of 5.1x to 13.6x, derived from the selected transactions, to Vaughan s EBITDA for the corresponding period. Financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Financial data of Vaughan were based on publicly available information. This analysis indicated an implied per share equity value reference range for Vaughan of approximately $1.1 million to $18.6 million, as compared to the $18.25 million aggregate Merger Consideration.

Burrill reviewed, among other things, the premiums paid in the selected transactions at one month and one week periods. Burrill then applied the one month and one week premium ranges of 34.2% to 86.4% and 31.3% to 56.7%, respectively, derived from the selected transactions, to Vaughan s share price on June 21, 2011. This analysis indicated an implied per share equity value reference range for Vaughan of approximately $4.6 million to $6.6 million, as compared to the $18.25 million aggregate Merger Consideration.

Although the selected transactions were used for comparison purposes, none of those transactions is directly comparable to the Merger and none of the companies in those transactions is directly comparable to Vaughan. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical financial and operating characteristics of the companies involved and other factors that could affect the acquisition value of such companies or Vaughan.

Burrill reviewed, among other things, the estimated cash flow of Vaughan for the purposes of a discounted cash flow analysis. Using the perpetuity growth method and a discount rate of 11.8% to 13.8%, derived from the selected comparable companies, this analysis indicated an implied per share equity value reference range for Vaughan of approximately $6.3 million to $12.8 million, as compared to the $18.25 million aggregate Merger Consideration.

Terms of Engagement; Other Matters

Burrill is an investment banking firm based in San Francisco, California, that has substantial experience in the mid- and small-cap markets. As part of its investment banking activities, it is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes and other purposes. The Board selected Burrill based on its qualifications, reputation and experience in rendering fairness opinions in connection with merger and acquisition transactions generally, as well as substantial experience in transactions similar to the Merger. Burrill has not provided any other services to any of the other parties to the Merger.

As compensation for its services in connection with the Merger, Burrill is entitled to receive a fee of $100,000 for rendering its opinion, which is not contingent upon the successful completion of the Merger. Vaughan has agreed to reimburse certain of Burrill s expenses and to indemnify Burrill and certain related parties for certain potential liabilities arising out of its engagement.

Financing of the Merger

We anticipate that the total funds needed to complete the Merger, including the Merger Consideration (*i.e.*, $18,250,000) and related expenses, will be funded through Reser s freely available cash, available lines of credit and other sources of readily available funds.

Closing and Effective Time of Merger

The closing of the Merger will take place on a date to be designated by Reser s, which may not be later than the fifth business day following the satisfaction or waiver in accordance with the Merger Agreement of all of the conditions to closing of the Merger (as summarized under The Merger Agreement Merger Closing Conditions), other than conditions which by their terms are not capable of being satisfied until the closing of the Merger.

We are working towards completing the Merger as soon as possible. If the proposal to approve, adopt and ratify the Merger Agreement is approved at the special meeting then, assuming timely satisfaction of the other necessary closing conditions, we anticipate that the Merger will be completed by the end of the third calendar quarter of 2011. The Effective Time will occur as soon as practicable following the closing of the Merger upon the filing of a Certificate of Merger with the Secretary of State of the State of Oklahoma (or at such later time as we and Reser s may agree and specify in the Certificate of Merger).

Interests of Certain Persons in the Merger

In considering the recommendation of the Board that you approve, adopt and ratify the Merger Agreement, you should be aware that the Vaughan senior executive officers and directors may have interests in the Merger that are different from, or in addition to, the interests of Vaughan stockholders generally. The Board was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the Merger and making the recommendation that stockholders vote in favor of the proposal to approve, adopt and ratify the Merger Agreement. These interests are described below.

Employment Arrangements with the Surviving Corporation

We have entered into agreements, which we refer to in this proxy statement as Management Agreements , with each of Herbert B. Grimes, Mark E. Vaughan and Gene P. Jones, whom we refer to in this proxy statement as the named executive officers . The Management Agreements set forth the terms of their employment by Vaughan. The Merger Agreement provides that Vaughan will obtain and deliver to Reser s the resignation of each of its officers and directors as well as those of its subsidiaries prior to the Effective Time. Since the execution and delivery of the Merger Agreement, Reser s has agreed to waive that obligation with respect to the named executive officers. As a result, Messrs. Grimes, Vaughan and Jones will continue to be employed by Vaughan after the Merger in the same capacity as before the Merger. In addition, their Management Agreements will continue in full force and effect. As a result, the named executive officers will continue to be entitled to the benefits provided for in the Management Agreements, including base salary, bonuses and fringe benefits. There is no specific employment term provided for in the Management Agreements; employment continues indefinitely until either Vaughan or the executive terminates employment. The Management Agreements also contain covenants that the named executive officer will not disclose any company confidential information and will not solicit any company employees during the employment term and for an 18-month period following termination of employment.

Severance Benefits

The Management Agreements provide that if we terminate the named executive officer s employment without Cause or if the named executive officer terminates his employment for Good Reason , he would be entitled to a lump sum payment equal to the sum of his annual base salary at the time of termination plus the average annual bonus over the three-year period preceding the termination. In addition, he would also be entitled to continue to receive certain fringe benefits at the same level and on the same terms and conditions that existed at the time of termination. These benefits include health and dental insurance for the maximum period allowed by law and life insurance for three years. In addition, if the aggregate benefits constitute an excess parachute payment as defined in Section 280G of the Internal Revenue Code of 1986, as amended, he is entitled to a gross up payment to reimburse him for the additional taxes he would otherwise incur. Under the Management Agreements (A) Cause means (i) the willful failure by the executive to substantially perform his duties; (ii) if the executive willfully engages in illegal or dishonest conduct or gross misconduct that is materially and demonstrably injurious to Vaughan; or (iii) if the executive is convicted of or pleads guilty or nolo contender to a felony or any crime of moral turpitude and (B) Good Reason means (i) the executive is assigned duties that are materially inconsistent with his position; (ii) Vaughan fails to comply with any provision of the Management Agreement; or (iii) if the executive s office is relocated to a location more than 50 miles from its present location.

Assuming the employment of each named executive officer is terminated on August 1, 2011, they would receive the approximate amounts set forth in the table below. The amounts indicated below are estimates based on multiple assumptions that may or may not actually occur, including assumptions described in the footnotes to the table. Some of these assumptions are based on information currently available. As a result, the actual amounts, if any, to be received by an executive officer may differ in material respects from the amounts set forth below.

Named Executive Officer	Base Salary	Unused Vacation(1)	Health and Dental Insurance(2)	Life Insurance(3)	Cash Payment for Unvested Options(4)	Total Severance Benefits(5)
Herbert B. Grimes	$ 332,400	$ 25,569	$ 54,000	$ 36,000	$125,520	$573,489
Mark E. Vaughan	$ 272,000	$ 20,923	$ 54,000	$ 36,000	$123,470	$506,393
Gene P. Jones	$ 279,000	$ 21,462	$ 54,000	$ 36,000	$203,600	$594,062

(1) Assumes that four weeks of unused vacation would be available at termination.
(2) Assumes that benefits will be provided for 36 months at a cost of $1,500 per month, per individual.
(3) Assumes that life insurance coverage will be provided for 36 months, at a cost of $1,000 per month, per individual.
(4) In connection with the Merger, all options, vested and vested, will be cashed out. See table below under Treatment of Outstanding Equity Awards for details.
(5) Assumes that the total severance benefits do not qualify as an excess parachute payment .

Indemnification and Exculpation of Directors and Officers

The Merger Agreement permits us, prior to the closing of the Merger, to purchase an amendment to our existing Directors and Officers Liability Insurance policy that is commonly known as a tail or a discovery period amendment that would cover acts discovered after the Effective Time that occurred prior to the Effective Time, for a premium not to exceed $95,000. Prior to purchasing such insurance, Vaughan will consult with Reser s to determine the most cost effective coverage provided that such coverage must be as broad as the coverage under Vaughan s current Directors and Officers Liability Insurance policy.

Treatment of Outstanding Equity Awards

Each option to purchase a share of Vaughan Common Stock held by each executive officer and director, whether vested or unvested, outstanding at the Effective Time will be cancelled in exchange for an amount, in cash, equal to the excess, if any, of the per share Merger Consideration over the exercise price of such option, less any applicable withholding taxes.

The following table shows, for each executive officer and each director, as applicable, as of June 30, 2011, (1) the number of shares subject to vested options held by him or her, (2) the cash consideration that he or she will receive for such vested options upon completion of the Merger, (3) the number of shares subject to unvested options held by him or her, (4) the cash consideration that he or she will receive for such unvested options upon completion of the Merger and (5) the total cash consideration he or she will receive for all outstanding equity awards upon completion of the Merger.

	Number of Shares Subject to Vested Options	Cash Consideration to be Received for Vested Options	Number of Shares Subject to Unvested Options	Cash Consideration to be Received for Unvested Options	Cash Consideration to be Received for All Outstanding Equity Awards
Herbert B. Grimes	30,000	$ 24,600	117,000	$ 125,520	$ 150,120
Mark E. Vaughan	27,500	22,550	114,500	123,470	146,020
Gene P. Jones	40,000	35,600	180,000	203,600	239,200
Robert S. Dillon	5,000	4,450	25,000	26,800	31,250
Richard A. Kassar	5,000	4,450	25,000	26,800	31,250
Laura J. Pensiero	5,000	4,450	25,000	26,800	31,250

Repayment or Refinance of Indebtedness; Release of Personal Guarantees

Herbert B. Grimes and Mark Vaughan have personally guaranteed $6.9 million of indebtedness that we have incurred. Under the terms of the Merger Agreement, within 90 days following the closing of the Merger, we, as the surviving corporation in the Merger, will either refinance such indebtedness or obtain releases of their personal guarantees. In addition, within 30 days after the closing of the Merger, we, in our capacity as the surviving corporation in the Merger, will pay Herbert B. Grimes, approximately $810,000 plus accrued interest, in full satisfaction of a note he holds.

Accounting Treatment

The Merger will be accounted for as a purchase transaction for financial accounting purposes.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a summary of certain material U.S. federal income tax consequences of the Merger that are relevant to beneficial holders of Vaughan Common Stock whose shares will be converted to cash in the Merger and who will not own (actually or constructively) any shares of Vaughan Common Stock after the Merger. The following discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to beneficial holders of Vaughan Common Stock. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the Code , existing, proposed, and temporary regulations promulgated thereunder, and rulings, administrative pronouncements, and judicial decisions as in effect on the date of this proxy statement, changes to which could materially affect the tax consequences described below and could be made on a retroactive basis. The discussion applies only to beneficial holders of Vaughan Common Stock in whose hands the shares are capital assets within the meaning of Section 1221 of the Code and may not apply to beneficial holders who acquired their shares pursuant to the exercise of stock options or other compensation arrangements or who hold their shares as part of a hedge, straddle, conversion or other risk reduction transaction or who are subject to special tax treatment under the Code (such as dealers in securities or foreign currency, insurance companies, other financial institutions, regulated investment companies, tax-exempt entities, former citizens or long-term residents of the United States, S corporations, partnerships and investors in S corporations and partnerships, and taxpayers subject to the alternative minimum tax). In addition, this discussion does not consider the effect of any state, local or foreign tax laws.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds shares of Vaughan Common Stock, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Accordingly, partnerships that hold shares of Vaughan Common Stock and partners in such partnerships are urged to consult their tax advisors regarding the specific U.S. federal income tax consequences to them of the Merger.

For purposes of this discussion, the term U.S. holder means a beneficial owner of common stock that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created in or under the laws of the United States or of any state or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or a trust that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

For purposes of this discussion, the term non-U.S. holder means a beneficial owner of common stock that, for U.S. federal income tax purposes, is not a U.S. holder and is not a partnership or other entity classified as a partnership.

U.S. Holders

The receipt of cash in exchange for Vaughan Common Stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder who receives cash in exchange for shares of Vaughan Common Stock pursuant to the Merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amounts of cash received and the U.S. holder s adjusted tax basis in the shares surrendered for cash pursuant to the Merger. Gain or loss will be determined separately for each block of shares (*i.e.*, shares acquired at the same price per share in a single transaction) surrendered for cash pursuant to the Merger. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder s holding period for such shares is more than one year at the time of consummation of the Merger. For non-corporate taxpayers, long-term capital gains are generally taxable at a reduced rate. Deduction of capital losses may be subject to certain limitations.

Non- U.S. Holders

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized pursuant to the Merger unless one of the following applies:

- the gain is effectively connected with a non-U.S. holder s conduct of a trade or business within the United States and, if a tax treaty applies, the gain is attributable to a non-U.S. holder s U.S. permanent establishment. In such case, the non-U.S. holder will, unless an applicable tax treaty provides otherwise, generally be taxed on its net gain derived from the Merger at regular graduated U.S. federal income tax rates, and in the case of a foreign corporation, may also be subject to a branch profits tax equal to 30% of a portion of its effectively connected earnings and profits for the taxable year, as adjusted for certain items;
- a non-U.S. holder who is an individual holds common stock as a capital asset, is present in the United States for 183 or more days in the taxable year of the Merger, and certain other conditions are met. In such a case, the non-U.S. holder will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty) on the gain derived from the Merger (other than gain that is effectively connected with a U.S. trade or business), which may be offset by certain U.S. capital losses; or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes and the non-U.S. holder owned more than 5% of the common stock at any time during the shorter of the five years preceding the Merger, or the non-U.S. holder s holding period for our common stock.

We do not believe we are or ever have been a United States real property holding corporation for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

Cash payments made pursuant to the Merger will be reported to the recipients and the Internal Revenue Service to the extent required by the Code and applicable U.S. Treasury Regulations. In addition, certain non-corporate beneficial owners may be subject to backup withholding at a 28% rate on cash payments received in connection with the Merger. Backup withholding will not apply, however, to a beneficial owner who (1) furnishes a correct taxpayer identification number and certifies that he, she or it is not subject to backup withholding on the Form W-9 or successor form, (2) provides a certification of foreign status on Form W-8 or successor form or (3) is otherwise exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

The discussion set forth above is included for general information only. Each beneficial owner of shares of Vaughan Common Stock should consult his, her or its own tax advisor with respect to the specific tax consequences of the Merger to him, her or it, including the application and effect of state, local and foreign tax laws.

Regulatory Approvals and Notices

We are not aware of any regulatory approvals required in connection with the Merger.

Litigation Relating to the Merger

As of the date of this proxy statement, we are not aware of any litigation relating to the Merger.

THE MERGER AGREEMENT

This section describes the material terms of the Merger Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which is attached as Annex A and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read the Merger Agreement carefully and in its entirety. This section is not intended to provide you with any factual information about us. Such information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in the section entitled, Where You Can Find More Information .

Explanatory Note Regarding the Merger Agreement

The Merger Agreement is included to provide you with information regarding its terms. Factual disclosures about Vaughan contained in this proxy statement or in our reports filed with the SEC may supplement, update or modify the representations and warranties made by us contained in the Merger Agreement. The representations, warranties and covenants made in the Merger Agreement by us, Reser s and Merger Sub were qualified and subject to important limitations agreed to by us, Reser s and Merger Sub in negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the Merger Agreement may have the right not to consummate the Merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to reports and documents filed with the SEC and in some cases were qualified by the matters contained in the disclosure schedule that we delivered in connection with the Merger Agreement, which disclosures are not reflected in the Merger Agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the Merger Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement.

Effects of the Merger; Directors and Officers; Certificate of Incorporation; By-laws

The Merger Agreement provides that, subject to the terms and conditions of the Merger Agreement, and in accordance with the OGCA, at the Effective Time, Merger Sub will be merged with and into Vaughan with Vaughan surviving as a wholly owned subsidiary of Reser s. As a result, all of the properties, rights, privileges, powers and franchises of Vaughan and Merger Sub will vest in Vaughan, which will continue as the surviving corporation, and all of the debts, liabilities and duties of Vaughan and Merger Sub shall become the debts, liabilities and duties of Vaughan as the surviving corporation.

From and after the Effective Time, the board of directors and the officers of Merger Sub immediately prior to the Merger will constitute the board of directors and officers of the surviving corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the surviving corporation. At the Effective Time, the certificate of incorporation and bylaws of the surviving corporation will be the certificate of incorporation and bylaws of Merger Sub (except with respect to the name of the company), until amended in accordance with their terms or by applicable law.

Closing and Effective Time of the Merger

The closing of the Merger will take place on a date to be designated by Reser s but in no event later than the fifth business day following the satisfaction or waiver of all of the conditions to closing of the Merger (described below under Merger Closing Conditions), other than those conditions which are not capable of being satisfied until the closing. On the closing date of the Merger, the parties will file a Certificate of Merger with the Secretary of State for the State of Oklahoma in accordance with the OGCA. The Merger will become effective upon the filing of the Certificate of Merger, or at such later time as is agreed by the parties and specified in the Certificate of Merger.

Merger Consideration

Common Stock

At the Effective Time, each share of Vaughan Common Stock issued and outstanding immediately prior to the Effective Time, other than (1) any shares of Vaughan Common Stock held by Reser s or Merger Sub or by Vaughan in its treasury, (2) any shares of Vaughan Common Stock owned by any Vaughan subsidiary or by any subsidiary of Reser s other than Merger Sub and (3) any shares of Vaughan Common Stock held by stockholders who have perfected and not withdrawn a demand for appraisal rights pursuant to Section 1091 of the OGCA, will be converted into the right to receive the per share Merger Consideration, which we estimate will be $1.58 (assuming no exercise of options or warrants prior to the Effective Time) in cash, without interest and less any applicable withholding taxes. However, to the extent that options or non-publicly traded warrants are exercised for cash, and not pursuant to any cashless exercise or net exercise provisions, before the Effective Time, the per share Merger Consideration would be reduced. For example, (a) if all options and non-publicly traded warrants were exercised for cash, the per share Merger Consideration would be $1.40 or (b) if only options and non-publicly traded warrants whose underlying shares of Vaughan Common Stock issued upon exercise were immediately saleable pursuant to an effective registration statement filed under the Securities Act of 1933, as amended were exercised, the per share Merger Consideration would be $1.43. All shares converted into the right to receive the Merger Consideration will automatically be canceled.

Outstanding Equity Awards

All options and warrants to purchase shares of Vaughan Common Stock outstanding immediately prior to the Effective Time will be subject to the following treatment at the Effective Time:

Options. Each option to purchase a share of Vaughan Common Stock, whether vested or unvested, will be cancelled and, in exchange therefor, the holder will receive an amount, in cash, equal to the excess, if any, of the per share Merger Consideration over the aggregate exercise price of such option, less any applicable withholding taxes.

Non-publicly traded warrants. We expect to enter into agreements with the holders of non-publicly traded warrants to purchase shares of Vaughan Common Stock that will provide that each such warrant, to the extent outstanding, will be cancelled at the Effective Time and in exchange therefor the holder will receive an amount, in cash, equal to the excess, if any, of the per share Merger Consideration over the exercise price of such warrant, without interest and reduced by any applicable withholding taxes.

Publicly traded warrants. Each warrant to purchase a share of Vaughan Common Stock that is listed on an exchange or quoted on an automated quotation system will remain outstanding until it expires, terminates or is cancelled in accordance with its terms. To the extent such warrant is exercised after the Effective Time, the holder thereof, upon payment of the exercise price set forth in such warrant for the share or shares with

respect to which such warrant was exercised, in lieu of receiving shares of Vaughan Common Stock will receive an amount in cash equal to the per share Merger Consideration for each share so purchased.

Exchange and Payment Procedures

Before the Merger, Reser s will designate a bank or trust company, which we refer to in this proxy statement as the Paying Agent , to make payments of the Merger Consideration to Vaughan stockholders. Promptly after the Effective Time, Reser s will cause to be deposited with the Paying Agent, cash sufficient to pay the Merger Consideration.

Promptly after the Effective Time, the Paying Agent will send to each holder of Vaughan Common Stock a Letter of Transmittal and instructions advising stockholders how to surrender stock certificates and book-entry shares in exchange for the Merger Consideration. The Paying Agent will pay the Merger Consideration to the Vaughan stockholders, without interest, upon receipt of (1) surrendered certificates or book-entry shares representing shares of Vaughan Common Stock and (2) a signed letter of transmittal and such other documents as may be reasonably required pursuant to such instructions. The amount of any Merger Consideration paid to the stockholders may be reduced by any applicable withholding taxes.

If any cash deposited with the Paying Agent is not claimed within 270 days following the Effective Time, such cash will be returned to Reser s, upon demand, and any holders of Vaughan Common Stock who have not theretofore complied with the share certificate exchange procedures in the Merger Agreement shall thereafter look only to Reser s for payment of their claims for the Merger Consideration, without any interest thereon.

The Letter of Transmittal will include instructions if a stockholder has lost a share certificate or if it has been stolen or destroyed. If a stockholder has lost a certificate, or if it has been stolen or destroyed, then before such stockholder will be entitled to receive the Merger Consideration, such stockholder will have to make an affidavit of the loss, theft or destruction, and if required by Reser s, post a bond in a reasonable and customary amount as indemnity against any claim that may be made against it with respect to such certificate.

The Merger Consideration in respect of all stock options and non-publicly traded warrants that are cancelled in the Merger will be paid by the Paying Agent as soon as commercially practicable after the Effective Time and after the Paying Agent receives such documents as may reasonably be required in order to effect such payments.

Representations and Warranties

In the Merger Agreement, Vaughan has made customary representations and warranties to Reser s and Merger Sub that are subject, in some cases, to specified exceptions and qualifications contained in the Merger Agreement. These representations and warranties relate to, among other things:

due organization, corporate standing and qualification and power and authority to conduct business with respect to Vaughan and its subsidiaries;

Vaughan s organizational and corporate governance documents;

Vaughan s capital structure and ownership of its subsidiaries;

Vaughan s corporate authority to enter into and perform the Merger Agreement and the enforceability of the Merger Agreement;

inapplicability of the Oklahoma Take-Over Statute;

required consents and regulatory filings in connection with the Merger Agreement;

the absence of conflicts with laws, organizational documents and contracts;

Vaughan s compliance with laws and Vaughan s possession of necessary permits;

the accuracy, completeness and timely filing of Vaughan s SEC filings, financial statements and tax returns;

Vaughan s internal controls and procedures;

inventory and accounts receivable;

the absence of undisclosed liabilities;

the conduct of Vaughan s business in the ordinary course consistent with past practice and Vaughan s compliance with certain operating restrictions contained in the Merger Agreement, in each case since July 6, 2011;

employee benefit plans and stock options;

labor and employment matters;

existence and enforceability of material contracts;

litigation, investigations and orders;

major customers, suppliers and product warranties;

the absence of any material changes to Vaughan s business or the occurrence of any material events since December 31, 2010;

environmental matters;

intellectual property matters;

tax matters;

insurance matters;

real estate matters;

transactions with affiliates;

payment of fees to brokers in connection with the Merger Agreement; and

receipt of a fairness opinion.

In the Merger Agreement, Reser s and Merger Sub have made customary representations and warranties to Vaughan that are subject, in some cases, to specified exceptions and qualifications contained in the Merger Agreement. These representations and warranties relate to, among other things:

corporate existence, qualification to conduct business and corporate standing and power;

corporate authority to enter into and perform the Merger Agreement and enforceability of the Merger Agreement;

the absence of conflicts with laws, organizational documents and contracts;

required consents and regulatory filings in connection with the Merger Agreement;

the absence of litigation, investigations and orders;

matters with respect to the financing and sufficiency of funds; and

payment of fees to brokers in connection with the Merger Agreement.

None of the representations and warranties contained in the Merger Agreement survives the consummation of the Merger.

Conduct of Business Pre-Merger

The Merger Agreement provides that, except as (1) previously disclosed to Reser s in connection with the Merger Agreement, (2) otherwise permitted or contemplated by the Merger Agreement, (3) required by applicable law or (4) consented to in writing by Reser s (such consent not to be unreasonably withheld, conditioned or delayed) prior to the Effective Time, Vaughan will, and will cause each of its subsidiaries to:

conduct its business in the ordinary course consistent with past practice; and

use its commercially reasonable efforts to keep available the services of the current officers, key employees and consultants and to preserve current relationships with customers, suppliers and other persons with whom it has material business relations.

In addition, except as previously disclosed to Reser s, Vaughan will not take certain actions with respect to the following, subject to applicable law and except as consented to in writing by Reser s (such consent not to be unreasonably withheld, conditioned or delayed in certain circumstances) and the thresholds and exceptions specified in the Merger Agreement:

amend its organizational documents;

issue, deliver or sell any shares of capital stock or other securities other than upon the exercise of options or warrants outstanding as of July 6, 2011;

declare or pay dividends or make any other distributions to stockholders;

reclassify, combine, split, redeem or purchase its capital stock;

liquidate, dissolve, restructure or recapitalize, make acquisitions or be a party to any merger or business combination transaction;

make any loans, advances or capital contributions;

incur, modify or guarantee indebtedness;

grant any lien on its assets;

acquire, lease or license any right or asset from another person or sell, lease, assign or otherwise dispose of any assets to another person;

make capital expenditures;

grant stock options and equity or incentive awards, increase employee salaries or bonuses, hire new employees, make any retirement, bonus or other employee benefit payments not required by a company benefit plan, enter into or amend certain employment or compensation-related agreements, adopt any new benefit plan, or modify any existing benefit plan;

change accounting practices;

make or change tax elections or methods;

commence or settle litigation or claims;

enter into certain new agreements or modify, amend or terminate certain agreements; or

take actions that would result in any of the conditions to the Merger not being satisfied or materially impair consummation of the Merger.

Restrictions on Solicitations of Other Offers

Until the earlier of (i) the closing of the Merger or (ii) the date of termination of the Merger Agreement, referred to in this proxy statement as the Termination Date , none of Vaughan, its subsidiaries or any of their respective officers, directors, members, employees, stockholders, agents, representatives or affiliates, each of which is referred to in this proxy statement as a Vaughan Representative , may, directly or indirectly, take any of the following actions with any party (other than Reser s and its designees):

solicit, initiate, participate or knowingly encourage any negotiations or discussions with respect to any offer or proposal to acquire all or any portion of Vaughan s business or properties, or any equity interest in Vaughan or shares of Vaughan Common Stock or any rights to acquire any shares of Vaughan Common Stock or other equity interests in Vaughan, regardless of the form of transaction, or effect any such transaction, referred to in this proxy statement as a Competing Transaction ;

disclose any information to any person concerning the business or properties of Vaughan or afford to any person access to Vaughan s properties, books or records other than in the ordinary course of business;

assist or cooperate with any person to make any proposal regarding a Competing Transaction; or

enter into any agreement with any person providing for a Competing Transaction.

In the event that Vaughan or any Vaughan Representative receives, prior to the closing of the Merger or the Termination Date, any offer, proposal, or request, directly or indirectly, of the type referenced above, Vaughan will, or will cause the Vaughan Representative to, immediately terminate, suspend or otherwise discontinue any and all discussions or other negotiations with such person with regard to such offers, proposals, or requests and notify Reser s thereof, including information as to the identity of the person making any such offer or proposal and the specific terms of such offer or proposal, as the case may be, and such other information related thereto as Reser s may reasonably request, including, but not limited to a copy thereof or a summary of the principal terms of any such inquiry, offer or proposal that is not in writing.

In the Merger Agreement the parties agreed that, in the event that any of the foregoing terms are not performed in accordance with their specific terms or were otherwise breached, Reser s is entitled to an immediate injunction or

injunctions, without needing to prove the inadequacy of money damages as a remedy and without needing to post any bond or other security, to prevent such breaches and to enforce specifically the terms and provisions of the non-solicitation covenants set forth above in addition to any other remedy to which Reser s may be entitled at law or in equity.

The Board s Recommendation; Adverse Recommendation Changes

As described above, and subject to the provisions described below, the Board has recommended that the holders of shares of Vaughan Common Stock vote FOR the proposal to approve, adopt and ratify the Merger Agreement.

The Merger Agreement provides that the Board will not:

withdraw or modify in a manner adverse to Reser s or Merger Sub, or permit the withdrawal or modification in a manner adverse to Reser s or Merger Sub of, its recommendation;

recommend the approval, acceptance or adoption of, or approve, endorse, accept or adopt, any offer or proposal to acquire Vaughan from any other person;

approve or recommend, or cause or permit Vaughan to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement constituting or relating directly or indirectly to, or that contemplates or is intended or could reasonably be expected to result directly or indirectly in, an acquisition of Vaughan by any other person; or

resolve, agree or publicly propose to, or permit Vaughan or any Vaughan Representative to agree or publicly propose to, take any of the actions referred to above.

Notwithstanding the first bullet in the previous paragraph, at any time prior to the approval, adoption and ratification of the Merger Agreement by the Vaughan stockholders, the Board may withdraw or modify its recommendation if:

there is any change in circumstances affecting Vaughan that leads the Board to consider withdrawing or modifying its recommendation, such change in circumstances being referred to in this proxy statement as a Change in Circumstances ;

the Board reasonably determines in good faith, after having taken into account the advice of an independent financial advisor and the advice of Vaughan s outside legal counsel, that, in light of such Change in Circumstances, the withdrawal or modification of its recommendation is required in order for the Board to comply with its fiduciary obligations to the Vaughan stockholders under applicable Oklahoma law;

no less than 72 hours prior to any meeting of the Board at which the Board will consider and determine whether such Change in Circumstances requires the Board to withdraw or modify its recommendation, the Board delivers to Reser s written notice: (1) stating that a Change in Circumstances has arisen; (2) stating that it intends to withdraw or modify its recommendation in light of such Change in Circumstances and describing any intended modification of its recommendation; and (3) containing a reasonably detailed description of such Change in Circumstances;

throughout the period between the delivery of such notice and any withdrawal or modification of the Board s recommendation, Vaughan engages (to the extent requested by Reser s) in good faith negotiations with Reser s to amend the Merger Agreement in such a manner that no withdrawal or modification of the Board s recommendation would be legally required as a result of such Change in Circumstances; and

at the time of withdrawing or modifying the Board s recommendation, the failure to withdraw or modify its recommendation would constitute a breach of the fiduciary obligations of the Board to the Vaughan stockholders under applicable Oklahoma law in light of such Change in Circumstances (after taking into account any changes to the terms of the Merger Agreement proposed by Reser s).

Vaughan must ensure that any withdrawal or modification of the Board s recommendation: (i) does not change or otherwise affect the approval of the Merger Agreement by the Board or any other approval of the Board; and (ii) does not have the effect of causing any corporate takeover statute or other similar statute (including any moratorium, control share acquisition, business combination or fair price statute) of the State of Oklahoma or any other state to be applicable to the Merger Agreement or the Merger.

Financing

In the Merger Agreement, Reser s and Merger Sub have represented that Reser s will have sufficient cash, available lines of credit or other sources of readily available funds to enable it to pay all amounts required to be paid in connection with the Merger, including the Merger Consideration.

Employee Matters

Under the terms of the Merger Agreement, to the extent any employee notification or consultation requirements are imposed by applicable law with respect to the Merger, Vaughan and Reser s will consult to ensure that such notification or consultation requirements are complied with prior to the Effective Time. In addition, prior to the Effective Time, Vaughan will consult and cooperate with Reser s regarding, provide Reser s with the opportunity to review and comment on, and reasonably consider all comments made by Reser s with respect to communications with Vaughan s employees who will continue to be employed by the surviving corporation after the Merger regarding post-Merger employment matters, including post-Merger employee benefits and compensation.

Efforts to Close the Merger

In the Merger Agreement, Vaughan and Reser s agreed to use their reasonable best efforts to take, or cause to be taken, all actions reasonably necessary, proper or advisable under the Merger Agreement and applicable laws to cause the closing conditions to the Merger to be satisfied and to consummate and make effective the Merger and the other transactions contemplated thereby as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, approvals, registrations, authorizations, waivers, permits and orders necessary or advisable.

Indemnification and Insurance

The Merger Agreement permits Vaughan to purchase an amendment to its Directors and Officers Liability Insurance policy that is commonly known as a tail or a discovery period amendment that would cover acts discovered after the Effective Time that occurred prior to the Effective Time, for a premium not to exceed $95,000. Prior to purchasing such insurance, Vaughan will consult with Reser s to determine the most cost effective coverage provided that such coverage must be as broad as the coverage under Vaughan s current Directors and Officers Liability Insurance policy.

Other Covenants

Stockholders Meeting

In the Merger Agreement, Vaughan has agreed to duly call, give notice of and hold the special meeting as promptly as practicable following the date on which this proxy statement is cleared by the SEC for the purpose of approving, adopting and ratifying the Merger Agreement.

Stockholder Litigation

Vaughan will, as promptly as reasonably practicable (and in any event within two (2) business days), notify Reser s in writing of, and will give Reser s the opportunity to participate fully and actively in the defense and settlement of, any stockholder litigation relating to the Merger. Vaughan agreed not to compromise or settle any such litigation without Reser s prior written consent.

Repayment or Refinance of Certain Indebtedness

Within 90 days after the closing of the Merger, Vaughan, as the surviving corporation, will either refinance certain Vaughan Indebtedness or obtain the release of any personal guaranties of Mark E. Vaughan and Herbert B. Grimes of such indebtedness. Within 30 days after the closing of the Merger, Vaughan, as the surviving corporation, will pay in full the promissory note, dated September 8, 2010, payable to Herbert B. Grimes, which, as of June 30, 2011, was approximately $810,000 plus accrued interest.

Regulatory Approvals

Each party to the Merger Agreement agreed to use its reasonable best efforts to file, as soon as practicable after the date of the Merger Agreement, all notices, reports and other documents required to be filed by such party with any governmental entity with respect to the Merger, and to submit promptly any additional information requested by any such governmental entity. Other than the filing of this proxy statement with the SEC, no such filings are required.

Stock Trading and SEC Reporting

Prior to the closing of the Merger, Vaughan will cooperate with Reser s and use commercially reasonable efforts to take, or cause to be taken, all actions, and do, or cause to be done, all things reasonably necessary, proper or advisable on its part to cause the OTC Markets Group, Inc. to cease quoting trades of Vaughan Common Stock and to terminate or suspend its reporting obligations under the Securities Exchange Act of 1934, as amended, which we refer to in this proxy statement as the Exchange Act , as promptly as reasonably practicable after the Effective Time.

Notice of Certain Events

Each party to the Merger Agreement agreed to promptly notify the others in writing of:

any notice or other communication received by such party or any of its subsidiaries from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by the Merger Agreement;

any notice or other communication received by such party or any of its subsidiaries from any governmental entity in connection with the transactions contemplated by the Merger Agreement; and

any legal proceeding commenced or asserted or to its knowledge, threatened against, related to or involving or otherwise affecting any of Vaughan or its subsidiaries, Reser s or Merger Sub, that, if pending on the date of the Merger Agreement, would have been required to have been disclosed in the Merger Agreement or that relate to the consummation of the transactions contemplated by the Merger Agreement.

Resignation of Officers and Directors

The Merger Agreement provides that Vaughan will obtain and deliver to Reser s the resignation of each of its officers and directors as well as those of its subsidiaries prior to the Effective Time. Since the execution and delivery of the Merger Agreement, Reser s has agreed to waive that obligation with respect to Vaughan s senior executive officers Messrs. Grimes, Vaughan and Jones. As a result, Vaughan s senior executive officers will continue to be

employed by Vaughan after the Merger. In addition, their Management Agreements will continue in full force and effect. See The Merger (Proposal 1) Interests of Certain Persons in the Merger Severance Benefits at page 33 above and Merger-Related Compensation Arrangements (Proposal 3) at page 52 below.

Disclosure

Vaughan and Reser s will consult with each other before issuing any press release, having any communication with the press (whether or not for attribution), posting any information to any website that is generally available to the public, making any other public statement or scheduling any press conference or conference call with investors or analysts with respect to the Merger Agreement or the Merger and, except in respect of any public statement or press release as may be required by applicable legal requirements or any listing agreement with or rule of any national securities exchange or association, shall not issue any such press release or make any such other public statement or schedule any such press conference or conference call before such consultation.

Section 16 Matters

Prior to the Effective Time, Vaughan and Reser s will take such reasonable steps as are required to cause the disposition or acquisition of Vaughan Common Stock, or options and warrants to purchase Vaughan Common Stock in connection with the Merger, by each officer or director of Vaughan who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Vaughan, to be exempt from Section 16(b) of the Exchange Act pursuant to Rule 16b-3 under the Exchange Act.

Warrant Notices

Vaughan will provide any and all notices required to holders of warrants to purchase shares of Vaughan Common Stock.

Merger Closing Conditions

The obligations of Reser s and Merger Sub, on the one hand, and Vaughan, on the other hand, to complete the Merger are each subject to the satisfaction or (to the extent permitted by applicable law) the waiver of the following conditions:

holders of a majority of the outstanding shares of Vaughan Common Stock vote to approve, adopt and ratify the Merger Agreement;

consummation of the Merger is not restrained, enjoined or prohibited by any order of any court of competent jurisdiction or governmental entity or being made illegal by any law.

The obligations of Reser s and Merger Sub to complete the Merger are also subject to the satisfaction, or waiver by Reser s, of the following conditions:

the representations and warranties of Vaughan:

(i) regarding Vaughan s organization, capitalization, corporate authority, the inapplicability of any anti-takeover law, the absence of any undisclosed brokers fees, and certain provisions of the representation regarding the absence of certain changes with respect to Vaughan are true and correct in all respects as of the date of the Merger Agreement and as of the closing date of the Merger as though made on such date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure to be so true and correct has not resulted and would not reasonably be expected to result in a Material Adverse Effect (as defined in the Merger Agreement); and

(ii) all other representations and warranties are true and correct (without giving effect to any materiality or Material Adverse Effect qualifications) as of the date of the Merger Agreement and as of the closing date of the Merger as though made on such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect (as defined in the Merger Agreement);

Vaughan has complied in all material respects with all covenants required of it in the Merger Agreement;

Reser s receives a certificate of an executive officer of Vaughan confirming the satisfaction of the foregoing two conditions; and

since the date of the Merger Agreement, there has not been any change, event or occurrence that has had or would reasonably be expected to have a Material Adverse Effect.

The obligations of Vaughan to complete the Merger are also subject to the satisfaction or waiver of the following conditions:

the representations and warranties of Reser s and Merger Sub set forth in the Merger Agreement are true and correct in all material respects as of the date of the Merger Agreement and as of the closing date of the Merger as though made on such date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not prevent, materially delay or materially impede the performance by Reser s or Merger Sub of its obligations under the Merger Agreement;

Reser s and Merger Sub have each complied in all material respects with all covenants required of it in the Merger Agreement; and

Vaughan receives a certificate of an executive officer of Reser s confirming the satisfaction of the foregoing two conditions.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after the Vaughan stockholders have approved, adopted and ratified the Merger Agreement:

by mutual written consent of Reser s and Vaughan;

by either Reser s or Vaughan if:

(i) the Merger has not occurred by 11:59 p.m., New York City time, on December 31, 2011, or such later date as shall be mutually agreed to by the parties, which we refer to in this proxy as the End Date ;

(ii) any governmental entity has enjoined Vaughan, Reser s or Merger Sub from consummating the Merger in a final or nonappealable order or if any law makes the Merger illegal or otherwise prohibited; provided, however, termination will not be available to a party that has failed to use its reasonable best efforts to resist or appeal such order or law; or

(iii) the Vaughan stockholders fail to approve, adopt and ratify the Merger Agreement at the special meeting or any adjournment or postponement thereof;

by Vaughan if Reser s or Merger Sub has breached any of its representations, warranties, covenants or agreements set forth in the Merger Agreement, such that (1) certain closing conditions would not be satisfied and (2) such breach (i) is not capable of being cured before the End Date or (ii) is not cured within 30 calendar days of Reser s or Merger Sub receiving written notice of such breach. However, Vaughan does not have the right to terminate the Merger Agreement if it is then in material breach of any of its representations, warranties, covenants or agreements thereunder such that certain closing conditions would not be satisfied;

by Reser s if:

(i) at any time prior to the Vaughan stockholders approving, adopting and ratifying the Merger Agreement, any of the following events have occurred : (a) the Board withdraws or modifies its recommendation in a manner adverse to Reser s, or takes, authorizes or publicly proposes an alternative acquisition proposal; (b) Vaughan fails to include the Board s recommendation in this proxy statement; (c) the Board fails to reaffirm, unanimously and publicly, its recommendation within five business days after Reser s reasonably requests, in writing, that it do so; (d) a tender or exchange offer relating to shares of Vaughan Common Stock commences and Vaughan does not send to its security holders, within ten business days after the commencement of such tender or exchange offer, a statement disclosing that it recommends rejection of such tender or exchange offer and reaffirming its recommendation regarding the Merger; or (e) Vaughan or any of its directors or executive officers have breached in any material respect or taken any action materially inconsistent with any of the non-solicitation provisions of the Merger Agreement;

(ii) any of Vaughan s representations, warranties or covenants contained in the Merger Agreement are inaccurate either as of the date of the Merger Agreement or as of a subsequent date as if made on such subsequent date after giving effect to any right of Vaughan to cure;

(iii) if, in the opinion of Reser s, the cost (including reasonable attorney fees) of defending against or responding to the holders of outstanding shares of Vaughan Common Stock that are in a position to perfect appraisal rights under Section 1091 of the OGCA will exceed $250,000, not including the payment of such holders respective per share Merger Consideration as computed herein;

(iv) any material litigation or claims are pending or threatened against or substantially affecting Reser s or Vaughan or any of their respective assets, or the Merger, which, in the judgment of the Reser s board of directors, renders it inadvisable to proceed with the Merger;

(v) any of Vaughan s plants have been damaged by fire or other casualty, whether or not insured, which damage, in the reasonable judgment of Reser s, would materially and adversely affect the conduct of Vaughan s business; or

(vi) Vaughan s expenses relating to the Merger Agreement and the Merger, including legal fees, financial advisory fees and the cost of preparing and mailing this proxy statement and the cost of soliciting proxies and the cost of the special meeting, exceed $350,000.

If the Merger Agreement is terminated in accordance with its terms, the Merger Agreement will become null and void and, subject to certain designated provisions of the Merger Agreement that survive, there will be no liability or obligation on the part of Reser s, Merger Sub or Vaughan. No party is released from any liabilities or damages arising out of its willful breach of any provision of the Merger Agreement.

Termination Fees

The Merger Agreement does not provide for the payment of any termination fees if it is terminated. However, it does provide that Reser s is entitled to seek specific performance if Vaughan breaches its non-solicitation covenant.

Remedies

In the event of any breach or threatened breach by any party of any covenant or obligation contained in the Merger Agreement, Vaughan or Reser s is entitled to obtain, without proof of actual damages (and in addition to any other remedy to which such party may be entitled at law or in equity): (a) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation; and (b) an injunction restraining such breach or threatened breach. The parties waived any requirement for the securing or posting of any bond in connection with any such remedy.

Fees and Expenses

All fees and expenses incurred in connection with the transactions contemplated by the Merger Agreement will be paid by the party incurring such fees or expenses, whether or not the Merger is consummated.

Amendment

The Merger Agreement may be amended in writing at any time prior to the Effective Time. However, after the Merger Agreement is approved, adopted and ratified by the Vaughan stockholders, no amendment that requires further approval by such stockholders may be made without such further stockholder approval.

Governing Law

The Merger Agreement is governed by Oklahoma law.

ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL 2)

The Adjournment Proposal

We are asking you to approve a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in respect of the proposal to approve, adopt and ratify the Merger Agreement if there are insufficient votes to approve, adopt and ratify the Merger Agreement. If the Vaughan stockholders approve the adjournment proposal, we could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from stockholders that have previously returned properly executed proxies voting against the proposal to approve, adopt and ratify the Merger Agreement. Among other things, approval of the adjournment proposal could mean that, even if we had received proxies representing a sufficient number of votes against the proposal to approve, adopt and ratify the Merger Agreement such that the proposal to approve, adopt and ratify the Merger Agreement would be defeated, we could adjourn the special meeting without a vote on the proposal to approve, adopt and ratify the Merger Agreement and seek to convince the holders of those shares to change their votes to votes in favor of the proposal to approve, adopt and ratify the Merger Agreement. Additionally, we may seek to adjourn the special meeting if a quorum is not present at the special meeting.

Vote Required and Board Recommendation

Approval of the proposal to adjourn the special meeting requires the affirmative vote of a majority of the shares of Vaughan Common Stock present or represented by proxy at the special meeting and entitled to vote on the proposal, assuming a quorum is present.

The Board believes that it is in the best interests of the company and its stockholders to be able to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies in respect of the proposal to approve, adopt and ratify the Merger Agreement if there are insufficient votes to in favor of the proposal to approve, adopt and ratify the Merger Agreement.

The Board recommends that you vote FOR adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in respect of the proposal to approve, adopt and ratify the Merger Agreement if there are insufficient votes to approve, adopt and ratify the Merger Agreement.

MERGER-RELATED COMPENSATION ARRANGEMENTS (PROPOSAL 3)

Merger-Related Severance Benefits

Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street and Consumer Protection Act of 2010, requires that we provide our stockholders with the opportunity to approve, on an non-binding, advisory basis, the severance benefits our senior executive officers may receive following the Merger, as disclosed in the section of this proxy statement entitled The Merger Interest of Certain Persons in the Merger Severance Benefits.

In accordance with Section 14A of the Exchange Act, we are asking our stockholders to approve, on a non-binding, advisory basis, the severance benefits our senior executive officers may receive following the Merger. These benefits are described in greater detail in the section entitled The Merger Interests of Certain Persons in the Merger Severance Benefits appearing on page 33 of this proxy statement. These severance benefits are set forth in the Management Agreements that we entered into with each of our senior executive officers in 2009 and which were filed as exhibits to our Annual Report on Form 10K for the year ended December 31, 2008. These agreements were adopted and approved by the Compensation Committee of our Board, which is composed solely of non-management directors, and are believed to be reasonable and in line with marketplace norms.

You should note that this proposal calls for an advisory vote that will not be binding on us, the Board, Reser s or the surviving corporation. Furthermore, the Management Agreements are contractual by nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the vote, if the Merger is consummated, our senior executive officers will be eligible to receive these benefits in accordance with the applicable terms and conditions applicable to such payments.

Vote Required and Board Recommendation

The non-binding, advisory proposal regarding the severance benefits our senior executive officers may receive following the Merger requires the affirmative vote of the holders of a majority of the shares of Vaughan Common Stock present in person or by proxy and entitled to vote on the matter at the special meeting. The Board believes that it is in the best interests of the company and its stockholders to approve the non-binding, advisory vote regarding the severance benefits our senior executive officers may receive following the Merger.

The Board recommends that you vote FOR the following non-binding, advisory proposal:

RESOLVED, that the stockholders of Vaughan Foods, Inc., approve, solely on a non-binding, advisory basis, the severance benefits that may be paid to the company s senior executive officers in connection with the Merger, as disclosed pursuant to Item 402(t) of Regulation S-K in the section of the company s proxy statement for the special meeting in connection with the Merger entitled The Merger Interests of Certain Persons in the Merger Severance Benefits .

MARKET PRICE OF VAUGHAN COMMON STOCK

Shares of Vaughan Common Stock traded on the NASDAQ Capital Market from July 30, 2007 through March 24, 2010. From March 25, 2010 through July 14, 2011 they traded on the OTCBB. Since July 15, 2011 they have been trading on the electronic interdealer quotation system operated by OTC Markets Group, Inc. The stock symbol is FOOD . The following table sets forth, for the indicated fiscal periods, the reported high and low sale prices per share of our common stock as reported by Yahoo! Finance.

	High	Low
Year Ending December 31, 2011:		
Third Quarter (through August 8, 2011)[1]	$1.52	$0.40
Second Quarter	$0.42	$0.38
First Quarter	$0.49	$0.38
Year Ended December 31, 2010:		
Fourth Quarter	$0.52	$0.38
Third Quarter	$0.61	$0.48
Second Quarter	$0.78	$0.53
First Quarter	$0.75	$0.45
Year Ended December 31, 2009:		
Fourth Quarter	$0.94	$0.45
Third Quarter	$1.10	$0.63
Second Quarter	$1.15	$0.50
First Quarter	$0.75	$0.28

[1] The closing price of a share of our common stock on July 5, 2011, the last trading day immediately prior to the press release announcing that we entered into the Merger Agreement, as reported by the OTCBB, was $0.40.

We did not pay any dividends during any of the periods set forth in the table above. Under the terms of the Merger Agreement, we cannot establish a record date for, declare, set aside for payment or pay any dividend with respect to any shares of our common stock.

The closing price of a share of our common stock on August 8, 2011 on the OTCQB, was $1.47. You are encouraged to obtain current market quotations for our common stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information about the number of shares of our common stock beneficially owned as of July 1, 2011, by our directors and named executive officers, as well as all directors and executive officers as a group, and each person known to us who beneficially owned more than 5% of the outstanding shares of our common stock:

Name[1]	Shares Beneficially Owned[2]	Ownership Percentage[3]
Officers and Directors		
Herbert B. Grimes	1,005,200	10.0%
Mark E. Vaughan	1,009,700	10.0%
Gene P. Jones	65,000	*
Robert S. Dillon	5,000	*
Richard A. Kassar	5,000	*
Laura J. Pensiero	5,000	*
All Directors and Officers	2,094,900	20.8%
5% Stockholders		
Paulson Capital Corp.	573,825	5.7%

*Less than 1%.

(1) The address for all officers and directors is c/o Vaughan Foods, Inc., 216 NE 12th Street, Moore, Oklahoma 73160. The address for Paulson Capital Corp. is 811 S.W. Naito Parkway, Portland, Oregon 97204.

(2) Subject to applicable community property and similar laws, each named person has reported having the sole voting and investment power with respect to his or her shares, other than shares underlying options or warrants. The number of shares beneficially owned includes shares underlying options and warrants currently exercisable or exercisable within 60 days of the date of this proxy statement. Shares that underlie options that are either currently exercisable or exercisable within the next 60 days include the following:

Herbert B. Grimes	**30,000**
Mark E. Vaughan	27,500
Gene P. Jones	40,000
Robert S. Dillon	5,000
Richard A. Kassar	5,000
Laura J. Pensiero	5,000
All officers and directors as a group (6 persons)	112,500
Paulson Capital Corp.	573,825

(3) Based on 9,408,334 shares of our Common Stock outstanding on August 9, 2011. In addition, shares underlying options or warrants that are deemed to be beneficially owned by a person are also deemed outstanding for purposes of calculating such person s ownership percentage (but not the ownership percentage of any other person).

APPRAISAL RIGHTS

Under Oklahoma law, holders of Vaughan Common Stock that do not wish to accept their share of the Merger Consideration may elect to have the value of their shares of Vaughan Common Stock judicially determined and paid in cash, together with a fair rate of interest, if any. The valuation will exclude any element of value arising from the accomplishment or expectation of the Merger. A stockholder may only exercise such appraisal rights by complying with the provisions of Section 1091 of the OGCA.

The following summary of the provisions of Section 1091 of the OGCA is not a complete statement of the law pertaining to appraisal rights under the OGCA and is qualified in its entirety by reference to the full text of Section 1091 of the OGCA, a copy of which is attached to this document as Annex C and incorporated into this summary by reference. If you wish to exercise appraisal rights or wish to preserve your right to do so, you should carefully review Section 1091 of the OGCA and are urged to consult a legal advisor before electing or attempting to exercise these rights.

All references in Section 1091 of the OGCA and in this summary to a stockholder are to the record holder of the shares of Vaughan Common Stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of Vaughan Common Stock held of record in the name of another person, such as a bank, broker or other nominee, must act promptly to cause the record holder to follow properly the steps summarized below and in a timely manner to perfect appraisal rights.

Under Section 1091 of the OGCA, where a proposed merger is to be submitted for approval at a meeting of stockholders, as is the case in this instance, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that these appraisal rights are available and include in the notice a copy of Section 1091 of the OGCA. This document constitutes notice to the Vaughan stockholders of the availability of appraisal rights, and the applicable statutory provisions of the OGCA are attached to this document as Annex C.

Any Vaughan stockholder wishing to exercise the right to demand appraisal under Section 1091 of the OGCA must satisfy each of the following conditions:

The stockholder must deliver to Vaughan a written demand for appraisal of its shares before the vote on the Merger Agreement at the special meeting scheduled for Thursday, September 15, 2011. This demand will be sufficient if it reasonably informs Vaughan of the identity of the stockholder and that the stockholder intends by that writing to demand the appraisal of its shares.

The stockholder must not vote its shares of Vaughan Common Stock in favor of the proposal to approve, adopt and ratify the Merger Agreement. A proxy that does not contain voting instructions will, unless revoked, be voted in favor of the proposal to approve, adopt and ratify the Merger Agreement. Therefore, a Vaughan stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the proposal to approve, adopt and ratify the Merger Agreement or abstain from voting on the Merger Agreement. Neither voting against, abstaining from voting, nor failing to vote on the Merger Agreement will constitute a written demand for appraisal within the meaning of Section 1091 of the OGCA. The written demand for appraisal must be in addition to, and separate from, any failure to vote, abstention from voting, or any vote, in person or by proxy, cast against approval of the Merger Agreement.

The stockholder must continuously hold its shares of Vaughan Common Stock from the date of making the written demand through the completion of the Merger. A stockholder who is the record holder of shares of Vaughan Common Stock on the date the written demand for appraisal is made but who thereafter transfers those shares prior to the completion of the Merger will lose any right to appraisal in respect of those shares.

Only a Vaughan stockholder of record is entitled to assert appraisal rights for those shares of Vaughan Common Stock registered in that holder s name. A demand for appraisal should:

- be executed by or on behalf of the stockholder of record, fully and correctly, as its name appears on the stock transfer records of Vaughan;
- specify the stockholder s name and mailing address;
- specify the number of shares of Vaughan Common Stock owned by the stockholder; and
- specify that the stockholder intends thereby to demand appraisal of its Vaughan Common Stock.

If the shares are owned of record by a person in a fiduciary capacity, such as a trustee, guardian or custodian, the demand should be executed in that capacity. If the shares are owned of record by more than one person as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for such owner or owners. A record holder such as a bank or broker who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising these rights with respect to the shares held for one or more other beneficial owners. In this case, the written demand should set forth the number of shares as to which appraisal is sought, and where no number of shares is expressly mentioned the demand will be presumed to cover all shares held in the name of the record owner.

Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their nominees to determine appropriate procedures for the making of a demand for appraisal by such nominee.

A stockholder who elects to exercise appraisal rights pursuant to Section 1091 of the OGCA should mail or deliver a written demand to:

Vaughan Foods, Inc.
216 N.E. 12th Street
Moore, Oklahoma 73160
Attn: Corporate Secretary

Within ten days after the Effective Time, Vaughan must send a notice as to the completion of the Merger to each former Vaughan stockholder who has made a written demand for appraisal in accordance with Section 1091 of the OGCA and who has not voted in favor of, or consented to, adoption of the Merger Agreement. Within 120 days after the completion of the Merger, but not after that date, either Vaughan or any stockholder who has complied with the requirements of Section 1091 of the OGCA may file a petition in the Oklahoma District Court demanding a determination of the value of the shares of Vaughan Common Stock held by all stockholders demanding appraisal of their shares. Vaughan is under no obligation to, and has no present intent to file a petition for appraisal, and stockholders seeking to exercise appraisal rights should not assume that Vaughan will file a petition or that it will initiate any negotiations with respect to the fair value of the shares. Accordingly, Vaughan stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 1091 of the OGCA. Since Vaughan has no obligation to file a petition, the failure of affected Vaughan stockholders to do so within the period specified could nullify any previous written demand for appraisal. Under the Merger Agreement, Vaughan has agreed to give Reser s prompt notice of any demands for appraisal it receives. Vaughan has the right to participate in all negotiations and proceedings with respect to demands for appraisal. Vaughan will not, except with the prior written consent of Reser s, make any payment with respect to any demands for appraisal, offer to settle, or settle, any demands.

Within 120 days after the Effective Time, any stockholder that complies with the provisions of Section 1091 of the OGCA to that point in time will be entitled to receive from Vaughan, upon written request, a statement setting

forth the aggregate number of shares not voted in favor of the Merger Agreement and with respect to which Vaughan received demands for appraisal and the aggregate number of holders of those shares. Vaughan must mail this statement to the stockholder by the later of ten days after receipt of the request or ten days after expiration of the period for delivery of demands for appraisals under Section 1091 of the OGCA.

A stockholder who timely files a petition for appraisal with the Oklahoma District Court must serve a copy upon Vaughan. Vaughan must, within 20 days of receipt of the petition, file with the office of the court clerk of the district court in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares and who have not reached agreements with it as to the value of their shares. After notice to stockholders as may be ordered by the Oklahoma District Court, the Oklahoma District Court is empowered to conduct a hearing on the petition to determine which stockholders are entitled to appraisal rights. After determining what stockholders are entitled to an appraisal, the Oklahoma District Court will appraise the fair value of their shares. This value will exclude any element of value arising from the accomplishment or expectation of the Merger, but will include a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. The costs of the action may be determined by the Oklahoma District Court and taxed upon the parties as the Oklahoma District Court deems equitable. Upon application of a stockholder, the Oklahoma District Court may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding be charged pro rata against the value of all of the shares entitled to appraisal. These expenses may include, without limitation, reasonable attorneys fees and the fees and expenses of experts. Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined under Section 1091 of the OGCA could be more than, the same as, or less than the portion of the Merger Consideration they would be entitled to receive pursuant to the Merger Agreement if they did not seek appraisal of their shares. Stockholders should also be aware that investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 1091 of the OGCA. In determining fair value and, if applicable, a fair rate of interest, the Oklahoma District Court is to take into account all relevant factors.

Any stockholder may withdraw its demand for appraisal and accept the Merger Consideration by delivering to Vaughan, within 60 days after the Effective Time, a written withdrawal of the stockholder s demands for appraisal. Any attempt to withdraw made more than 60 days after the Effective Time will require written approval of Vaughan. Moreover, no appraisal proceeding before the Oklahoma District Court as to any stockholder shall be dismissed without the approval of the Oklahoma District Court, and such approval may be conditioned upon any terms the Oklahoma District Court deems just. If Vaughan does not approve a stockholder s request to withdraw a demand for appraisal when the approval is required or if the Oklahoma District Court does not approve the dismissal of an appraisal proceeding, the stockholder would be entitled to receive only the appraised value determined in any such appraisal proceeding. This value could be higher or lower than, or the same as, the value of the Merger Consideration.

Failure to follow the steps required by Section 1091 of the OGCA for perfecting appraisal rights may result in the loss of appraisal rights, in which event you will be entitled to receive the consideration with respect to your dissenting shares in accordance with the Merger Agreement. In view of the complexity of the provisions of Section 1091 of the OGCA, if you are a Vaughan stockholder and are considering exercising your appraisal rights under the OGCA, you should consult your own legal advisor.

OTHER MATTERS

Other Matters for Action at the Special Meeting

As of the date of this proxy statement, the Board knows of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement.

Stockholder Proposals and Nominations for 2011 Annual Meeting

Once the Merger is completed, there will be no public participation in any future meetings of the Vaughan stockholders. If the Merger is not completed, our public stockholders will continue to be entitled to attend and participate in our stockholder meetings, and we would expect to hold our 2011 annual meeting of stockholders prior to the end of 2011.

Inclusion of Proposals in the Company s Proxy Statement and Proxy Card under the SEC Rules

In light of the Merger and the special meeting to which this proxy statement relates, it is unlikely that we will have an annual meeting in 2011 unless the proposal to approve, adopt and ratify the Merger Agreement fails to receive the affirmative vote of stockholders owning a majority of our outstanding shares. In that event, we will notify you of the date of the 2011 annual meeting of stockholders and the deadlines for submitting shareholder proposals. If the annual meeting date is changed by more than 30 days from the anniversary of last year s annual meeting, which took place on August 5, 2010, then the deadline for such proposals is a reasonable time before we print and mail our proxy materials, which would be disclosed in our reports filed with the SEC. Neither our bylaws nor the OGCA have any specific provisions dealing with stockholder proposals.

Delivery of this Proxy Statement

The SEC has adopted rules that permit companies and intermediaries (such as brokers) to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, known as householding, potentially means extra convenience for stockholders and cost savings for companies. A number of brokers with customers who are our stockholders household our proxy materials unless contrary instructions have been received from the customers. We will promptly deliver, upon oral or written request, a separate copy of the proxy statement to any stockholder sharing an address to which only one copy was mailed. Requests for additional copies should be directed to Vaughan Foods, Inc., 216 NE 12th Street, Moore, Oklahoma 73160, Attn: Corporate Secretary or by calling 405.794.2530.

Once a stockholder has received notice from his or her broker that the broker will be householding communications to the stockholder s address, householding will continue until the stockholder is notified otherwise or until the stockholder revokes his or her consent. If, at any time, a stockholder no longer wishes to participate in householding and would prefer to receive separate copies of the proxy statement, the stockholder should so notify his or her broker. Any stockholder who currently receives multiple copies of the proxy statement at his or her address and would like to request householding of communications should contact his or her broker or, if shares are registered in the stockholder s name, our Investor Relations, at the address or telephone number provided above.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. This information is available free of charge at *www.sec.gov*, an Internet site maintained by the SEC that contains reports, proxy and information statements, and other information regarding issuers that is filed electronically with the SEC. Stockholders may also read and copy any reports, statements and other information filed by us with the SEC at the SEC public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC s website for further information on its public reference room. In addition, investors and stockholders may request free copies of our SEC documents by contacting Vaughan Foods, Inc., 216 NE 12th Street, Moore, Oklahoma 73160, Attn: Corporate Secretary or by calling 405.794.2530.

The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference herein.

Reser s and its affiliates have supplied all information in this proxy statement pertaining to Reser s and Merger Sub. We have supplied all information in this proxy statement pertaining to us.

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT TO VOTE YOUR SHARES AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED AUGUST 10, 2011. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO STOCKHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

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Important Notice Regarding Internet Availability of Proxy Materials for the Special Meeting to Be Held on Thursday, September 15, 2011:

The Proxy Materials for the Special Meeting are available at *www.proxyvote.com*

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ANNEX A

AGREEMENT AND PLAN OF MERGER

dated as of July 6, 2011

by and among

RESER S FINE FOODS, INC.,
an Oregon corporation;

RESER S ACQUISITION, INC.,
an Oklahoma corporation;

and

VAUGHAN FOODS, INC.,
an Oklahoma corporation

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