

**Securities and Exchange Act of 1934**  
**Release No. 53680 / April 19, 2006**

**Investment Advisers Act of 1940**  
**Release No. 2509 / April 19, 2006**

**Administrative Proceeding**  
**File No. 3-12266**

**ADMINISTRATIVE PROCEEDINGS INSTITUTED AGAINST SHARON E. VAUGHN  
AND DIRECTORS FINANCIAL GROUP, LTD.**

The United States Securities and Exchange Commission (the “Commission”) announced the issuance of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 against Directors Financial Group, Ltd. (“DFG”) and DFG’s President and owner, Sharon E. Vaughn (DFG and Vaughn referred to collectively as “Respondents”). The proceedings are based on an injunction entered by the U.S. District Court for the Northern District of Illinois in *SEC v. Vaughn, et al.*, 06-C-1135.

The District Court action arose out of Vaughn’s and DFG’s investment of \$25 million held by Directors Performance Fund, LLC (the “Fund”), a hedge Fund that Vaughn and DFG managed, in a fraudulent trading program (the “Trading Program”) run by three individuals who marketed the investment to Vaughn. The Trading Program was, in reality, a “Prime Bank” scheme, in which promoters represent that they can make exorbitant guaranteed returns, with no risk to the investor’s principal, by complex trading in an exclusive (and often secret) market in unspecified (and, in reality, non-existent) bank instruments. In its Complaint in the District Court, the Commission alleged that, in the course of investing the Fund’s assets in the fraudulent Trading Program, DFG and Vaughn (a) made material misrepresentations to the Fund’s investors regarding the Fund’s trading strategy, permitted investments, and risk of loss, (b) did not properly investigate the Trading Program investment before committing the Fund’s assets, (c) failed to disclose material facts to investors regarding their investments, including the nature and structure of the Fund’s investment in the Trading Program, and (d) produced inaccurate records to, and withheld other records from, the Commission’s exam staff during the Commission’s examination of DFG. On March 2, 2006, the Court enjoined the Respondents from violating Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. The Court also enjoined DFG from violating, and Vaughn from aiding and abetting any violation of, Section 204 of the Advisers Act and Rule 204-2 thereunder. The Respondents consented to the entry of the order of permanent injunction.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide Respondents an opportunity to dispute these allegations, and to determine what sanctions, if any, are appropriate and in the public interest.

The order requires the Administrative Law Judge to issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.