UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

SHARON E. VAUGHN and DIRECTORS FINANCIAL GROUP, LTD.,

Defendants.

No.

Hon.

06C 1135
JUDGE KOCORAS
MAGISTRATE JUDGE ASHMAN

COMPLAINT

Plaintiff United States Securities and Exchange Commission (the "Commission") alleges as follows:

NATURE OF THE COMPLAINT

1. Sharon E. Vaughn is the owner and President of Directors Financial Group, Ltd. ("DFG"), a registered investment adviser. This case arises out of Vaughn's and DFG's conduct in making an investment on behalf of a private hedge fund that they manage, Directors Performance Fund, L.L.C. (the "Fund"), in a "Prime Bank" trading scheme (the "Trading Program"). The Trading Program was a sham created by Richard Warren and David Myatt to defraud investors like Vaughn, DFG, and the Fund.

JURISDICTION

2. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77v], Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78aa], Section 214

of the Investment Advisers Act of 1940 (the "Advisers Act") [15 U.S.C. § 80b-14], and 28 U.S.C. § 1331.

DEFENDANTS

3. Directors Financial Group, Ltd., an investment adviser registered with the Commission since December 1, 1998, is an Illinois corporation organized in 1992, with its principal place of business in Lake Forest, Illinois. DFG is a financial services firm that provides portfolio management, investment planning, and financial consulting services to high net worth individuals, pension funds and other institutional clients. DFG also is the managing member of, and investment adviser to, the Fund.

4. Sharon E. Vaughn, age 63, resides in Lake Forest, Illinois. Vaughn is the President and sole owner of DFG, and part owner, President, and director of Akela Capital, Inc. As President of DFG, Vaughn provides investment advice and portfolio management services to high net worth individuals and manages the investments of the Fund. Vaughn is also an investor in the Fund.

5. Directors Performance Fund, L.L.C., an Illinois limited liability company formed in March 2002, is a private hedge fund for high net worth individuals. DFG is the managing member of, and investment adviser to, the Fund; DFG and Vaughn are responsible for selecting and overseeing the Fund's investments. At its peak, in June 2005, the Fund had raised $28 million from 29 investors.

FACTS

Background of DFG and the Fund

6. At all times relevant to this Complaint, DFG was registered as an Investment Adviser pursuant to Section 203 of the Advisers Act.

7. At all times relevant to this Complaint, Vaughn was DFG's President and sole owner. Vaughn controls DFG, which she runs out of her home in Lake Forest, Illinois. DFG operates only through Vaughn and DFG's Chief Compliance Officer.

8. In March 2002, Vaughn and DFG created a private hedge fund, Directors Performance Fund, L.L.C. DFG is the managing member and investment adviser to the Fund. At all times relevant to the Complaint, Vaughn represented to investors that she was responsible for selecting and overseeing the Fund's investments.

9. For its management services, DFG was paid a monthly management fee of 1/6 of 1% of the Fund's net asset value, and a quarterly allocation of 20% of the "net new profits" earned by the Fund in that quarter. Some of those management fees and profit allocations were, in turn, paid from DFG to Vaughn for her investment advisory services to the Fund.

The Offering Memorandum

10. In marketing the Fund, Vaughn and DFG provided prospective investors with a copy of the Fund's Offering Memorandum (the "Memorandum").

11. Vaughn and DFG helped draft the Memorandum and approved its contents before distributing the Memorandum to investors.

12. From April 2003 through May 2005, Vaughn and DFG distributed the Memorandum to over 100 prospective investors. In that time period, several individuals invested in the Fund based, at least in part, on the representations in the Memorandum.

13. The Memorandum emphasized that investors should rely on its contents in making their investment decisions, telling prospective investors "[y]ou must rely solely on the information set forth herein and your own independent analysis of the investment."

14. The Memorandum explained that the Fund's overall investment objective was to "maximize total return . . . in a manner consistent with liquidity and conservation of capital."

15. At all times relevant to this Complaint, the Memorandum represented that the Fund earned its returns by applying a trading strategy called the "Beta Strategy," that "combines proprietary trading systems and active investment management."

16. At all times relevant to this Complaint, the Memorandum represented that "the Beta Strategy's investment methodology has produced consistent and impressive results over the past several years."

17. From April 2003 to May 2005, the Memorandum disclosed that the Fund's Beta Strategy "generally involves purchasing, directly from issuers, dealers and institutional bond desks, government and other high-quality debt of various maturities, determined to present minimal credit risk." The Beta Strategy section defined "high quality debt securities" as securities either "rated in one of the two highest rating categories by Standard and Poor's . . ., Moody's Investors Service, Inc. . . . or any other Nationally Recognized Statistical Rating Organization" or "considered to be of comparable quality as determined by [DFG]."

18. The Memorandum further disclosed that, to implement the Beta Strategy, "the Fund will contractually engage the services of 1 or 2 experienced traders . . . [with] proven expertise and consistent success" in using the Beta Strategy's methods.

19. In addition to stating the Fund's trading strategy, the Offering Memorandum listed the permitted investments for the Fund, including:

- "Obligations issued or guaranteed by the U.S. and foreign governments," such as U.S. Treasury bills;

- "Obligations of U.S. and non-U.S. banks," such as certificates of deposit or interest bearing accounts;
- "Commercial paper and other short-term debt obligations of U.S. and foreign companies";
- "Medium or long-term corporate debt securities"; and
- "When-issued and delayed delivery (forward commitment) securities."

20. Vaughn and DFG made only three significant investments on behalf of the Fund during the Fund's three-year existence: (1) a $9.6 million investment from June 2003 through November 2004 in a purported stock loan program operated by Argyll Equities, L.L.C., (2) a $300,000 loan to Liberty International Entertainment, Inc. ("Liberty") that paid 30% annual interest, and (3) Warren's and Myatt's fraudulent Trading Program.

21. None of those three investments fit within the scope of the Fund's "permitted investments" or the Beta Strategy as defined in the Memorandum.

22. At the time they distributed the Memorandum to investors, Vaughn and DFG knew, or recklessly disregarded, that they had placed the Fund's assets in investments that were (a) contrary to the Fund's disclosed trading strategy, and (b) were not included in the list of permitted investments disclosed in the Fund's offering materials.

23. At the time they distributed the Memorandum to investors, Vaughn and DFG knew, or recklessly disregarded, that they had not implemented the Beta Strategy and had no plan to invest the Fund's assets in a manner consistent with the Beta Strategy or the Memorandum's description of the Fund's permitted investments.

24. At the time they distributed the Memorandum to investors, Vaughn and DFG knew, or recklessly disregarded, that Vaughn was not conducting or overseeing any trading activity and that the Fund had not contracted, and had no plans to contract, with any other individuals to conduct trades pursuant to the Beta Strategy on the Fund's behalf.

25. At the time they distributed the Memorandum, Vaughn and DFG knew, or recklessly disregarded, that the Memorandum contained material misrepresentations to investors regarding the Fund's trading strategy, permitted investments, and oversight of trading activity.

26. In addition to providing investors with the Offering Memorandum, DFG made oral representations to investors about the Fund. During several meetings with prospective investors from April 2003 through May 2005, DFG represented to investors that (a) the Fund earned its returns through the active trading of bonds, (b) Vaughn would conduct, or at least oversee, the bond trades, and (c) investors' principal would not be at risk and would remain in a "non-depletion account" at the Fund's bank. DFG informed investors that their principal could not be "depleted" or moved from that account until withdrawn by the investor. DFG knew, or recklessly disregarded that those oral representations were inaccurate and that, in making those statements, DFG had made material misrepresentations to investors regarding their investments.

ATI's Fraudulent Trading Program

27. On or before March 1, 2005, David Myatt approached Vaughn and DFG with an investment opportunity.

28. Myatt represented to Vaughn and DFG that American Trade Industries, Inc. ("ATI") and its President, Richard Warren, ran a trading program that transacted in certain unidentified discounted fixed income instruments. Myatt represented that Warren would conduct the trades, claiming that Warren was able to purchase the unidentified instruments at a discount and then resell them at a substantial profit. Myatt provided no more specific information or documents regarding the trading activity underlying the Trading Program investment.

29. Myatt represented that Vaughn and DFG would likely earn a return in excess of 10% per month.

30. Myatt also represented that Vaughn's and DFG's invested principal would not be at risk, and that Vaughn would retain control over the invested assets.

31. Myatt represented further that the trading market underlying the Trading Program was overseen by "the Fed," that Warren was one of the few traders licensed to trade on that market, that the trading system was confidential, and that a portion of the profits generated by the Trading Program would be used to fund humanitarian and charitable projects around the world.

32. The ATI Trading Program promoted by Myatt was a sham designed to defraud investors like Vaughn, DFG, and the Fund. No trades ever took place and no profits were actually generated. The program described by Myatt was 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. Promoters typically represent that the trading program is supported by a government entity or an

established financial institution and that a certain percentage of profits will be diverted to support humanitarian causes.

Vaughn's and DFG's Investigation of the Fraudulent Trading Program

33. In evaluating whether to invest in the Trading Program, Vaughn and DFG did not properly investigate (a) whether the Trading Program was a suitable investment for the Fund, (b) the backgrounds of Myatt, Warren, or ATI, or (c) whether programs such as ATI's Trading Program are legitimate investments.

34. At the time they committed the Fund's assets to the Trading Program, Vaughn and DFG did not know several important details about the instruments being traded, the nature of the trading activity, and the Trading Program's purported profits.

35. Neither Vaughn nor DFG entered into any formal agreements with Myatt, Warren, or ATI memorializing Warren's or ATI's obligations to the Fund.

36. On or before April 1, 2005, Vaughn agreed to commit $20 million of the Fund's assets to the Trading Program.

37. The documents that Vaughn signed relating to the Trading Program investment made no mention of the Fund.

38. Vaughn and DFG did not disclose the facts discussed in paragraphs 28-38 to the Fund's investors. In failing to disclose those facts regarding the Trading Program investment, Vaughn and DFG knew, or recklessly disregarded, that they had withheld material facts from investors regarding their investment in the Fund. By committing the Fund's assets to the Trading Program investment without adequately investigating Myatt, Warren, ATI, or the Trading Program itself, Vaughn and DFG (a) recklessly, or

negligently, exposed the Fund's investors to the fraudulent Trading Program and (b) breached their fiduciary duties to the Fund's investors.

The Profit Sharing Agreement

39. At the time they committed the Fund's assets to the fraudulent Trading Program, Vaughn and DFG agreed to share the profits from the Fund's investment with David Myatt so that Myatt received 25% of the profits from the Fund's investment (the "Profit Sharing Agreement").

40. Vaughn and DFG did not disclose the Profit Sharing Agreement to the Fund's investors, or to prospective investors.

41. By failing to disclose the Profit Sharing Agreement, Vaughn and DFG knew, or were reckless in disregarding, that they had withheld material facts from the Fund's investors regarding their investment. By entering into the Profit Sharing Agreement, Vaughn and DFG knowingly, or recklessly breached their fiduciary duties to the Fund's investors.

The Transfer of the Fund's Assets to Akela

42. In furtherance of the fraud on DFG, Vaughn, and the Fund, Myatt advised Vaughn and DFG to form a new corporation, Akela Capital, Inc. ("Akela"), to hold the $20 million investment, to execute corporate documents relating to Akela, and to authorize certain corporate actions relating to Akela. He informed Vaughn that, once the Fund's assets were transferred to this new corporation, trading could begin. Myatt provided no further information as to why the Fund's investment had to be made through a separate entity.

43. Vaughn and Myatt incorporated Akela on March 24, 2005.

44. Akela's March 24, 2005 incorporation documents, signed by Vaughn, disclose that Vaughn and Myatt each owned 50% of Akela.

45. Vaughn and DFG appointed each of the promoters of the Trading Program to officer positions at Akela. Myatt was designated Akela's Vice President and Secretary. Warren was appointed Akela's Vice President and Account Administrator. Bino Giovanni Hogan, purportedly an associate of Warren's at ATI, was appointed Akela's Vice-President and "Account Administrator of European Operations."

46. Vaughn and DFG gave Myatt and Warren authority to enter into contracts on behalf of Akela, to conduct trades using the Fund's assets, and to open accounts in Akela's name.

47. On April 5, 2005, Vaughn transferred $20 million from the Fund's checking account to an account in Akela's name at another bank.

48. Vaughn did not enter into any agreements establishing any relationship between the Fund and Akela, or memorialize the Fund's interest in the assets transferred to Akela or the profits derived from the investment. Akela's incorporation documents do not mention the Fund.

49. Vaughn and DFG did not inform the Fund's investors of the facts in paragraphs 42-48 above. By failing to inform the Fund's investors of those facts, Vaughn and DFG knowingly, or recklessly, failed to disclose material facts to the Fund's investors regarding their investment.

50. By (a) transferring the Fund's assets to Akela, (b) sharing ownership in Akela with, and operational authority over Akela's affairs to, the Trading Program's promoters, and (c) failing to memorialize the Fund's interest in the $20 million

investment, Vaughn and DFG knowingly, or recklessly, defrauded the Fund's investors and breached their fiduciary duties to the Fund and its investors.

The Amended Instruction

51. In April 2005, in furtherance of the fraud on DFG, Vaughn, and the Fund, Myatt told Vaughn and DFG that Akela had to relocate its $20 million deposit to a bank account in Italy.

52. To that end, Bino Giovanni Hogan opened a bank account in Akela's name at Meliorbanca in Treviso, Italy.

53. On April 22, 2005, Vaughn transferred $20 million from Akela's U.S. account to the new Akela account at Meliorbanca.

54. Vaughn later received an additional $5 million investment in the Fund which she transferred to Akela's Meliorbanca account.

55. In June 2005, in furtherance of the fraud on Vaughn, DFG, and the Fund, Myatt informed Vaughn that Meliorbanca no longer wanted Akela's business and that, therefore, Akela's investment had to be moved to another Italian bank.

56. To that end, Myatt opened an account in Akela's name at Veneto Banca's Treviso branch and made arrangements with Hogan to have Akela's $25 million investment transferred from the Meliorbanca account.

57. Before the transfer, Vaughn signed an "Amended Instruction" that gave Hogan authority to (a) "enter into any financial transaction using [Akela's] accounts as may be required for the best benefit of Akela Capital, Inc.," (b) "send out funds from our accounts at Meliorbanca for our company purposes," and (c) "open sub accounts in our company name as may be required to conduct our company business." Contrary to

Vaughn's and DFG's intentions, Hogan used that Amended Instruction to gain sole control over Akela's accounts.

58. At the point Vaughn signed the "Amended Instruction," Vaughn had not met Hogan and had not investigated Hogan's background or experience. Hogan had no employment or other agency relationship with the Fund.

59. In August 2005, Hogan transferred the $25 million in Akela's Meliorbanca account to the new account that Myatt had opened at Veneto Banca. Hogan designated himself account manager with sole authority to move the assets on deposit; he did not include Vaughn as a signatory. At that point, contrary to their intentions, Vaughn and DFG lost control over Akela's assets.

60. Vaughn received notification on August 26, 2005 that Hogan had exclusive control over the Veneto Banca account.

61. Unbeknownst to Vaughn and DFG, in September 2005, Hogan emptied Akela's Veneto Banca account and transferred the Fund's $25 million investment to his own personal account and the accounts of several entities under his control. In addition, Hogan transferred some of the Fund's assets to Warren for his own personal use.

62. Vaughn and DFG knowingly, or recklessly, failed to inform the Fund's investors that the Fund's assets had been transferred to an overseas account in the name of an unrelated entity and that they had given authority over that account to someone that Vaughn did not know and had not vetted. In so doing, Vaughn and DFG knowingly, or recklessly, failed to disclose material facts to the Fund's investors regarding their investment.

63. By transferring the Fund's assets to a bank account in Akela's name in Italy and then granting authority over Akela's accounts, and the Fund's assets, to Hogan, Vaughn and DFG knowingly or recklessly breached their fiduciary duties to the Fund and its investors.

Recent Payments to Investors

64. By August 2005, Vaughn and DFG knew, or recklessly disregarded, that they no longer had control over the Fund's $25 million investment. They no longer had control over Akela's accounts and were unable to confirm the location of, or the amount of, Akela's assets.

65. From September 26, 2005 through October 5, 2005, in response to written requests from four investors, Vaughn and DFG allowed the four investors to redeem their principal in full. Those four redemptions totaled $2,510,316.68.

66. Vaughn and DFG did not inform other investors that (a) they no longer had control over Akela's accounts and the Fund's assets and (b) their redemption of principal for those few investors left the Fund unable to meet further redemption requests. In failing to disclose those facts, DFG and the Fund knew, or were reckless in disregarding, that they had failed to disclose material facts to the Fund's investors regarding their investment. By making those four redemptions, Vaughn and DFG recklessly, or negligently, breached their fiduciary duties to the Fund's investors.

The Commission's Examination of DFG

67. On September 19, 2005, exam staff from the Commission's Midwest Regional Office ("MRO") informed Vaughn and DFG that the MRO would be conducting an exam of DFG.

68. On September 20, 2005, MRO exam staff began the examination. MRO staff conducted field work for the examination at DFG through September 23, 2005.

69. During their field work at DFG, MRO exam staff discovered the Fund's Trading Program investment. MRO staff questioned Vaughn and DFG's Chief Compliance Officer about the Trading Program and requested that Vaughn and DFG provide them with documents related to the Trading Program.

70. At all times relevant to this Complaint, Vaughn and DFG were required – pursuant to Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 CFR § 275.204-2] – to (a) make and keep true and accurate copies of various categories of books and records, including all written agreements relating to DFG's investment adviser business, (b) provide such records to the Commission upon reasonable request, and (c) make such records available to examination by Commission representatives.

71. During the course of the examination, Vaughn and DFG failed to make certain records relating to the Trading Program available to the MRO exam staff, produced inaccurate copies of certain records, and failed to keep true and accurate copies of certain documents relating to the Trading Program.

Hogan's "Return" of the Fund's Assets

72. On November 10, 2005, in part as a result of assistance from Vaughn, the USAO filed a criminal complaint alleging that Myatt, Warren, and Frank L. Cowles, an associate of Warren's, had committed wire fraud in connection with this matter. On November 12, 2005, those three individuals were arrested by federal law enforcement authorities.

73. Two days after the arrests, Bino Giovanni Hogan wired $21.6 million to Akela's American account, claiming that the payment was a return of principal that had been sitting in Akela's overseas account. Hogan claimed that, in combination with two prior payments to Akela totaling $3.4 million, the $21.6 million payment represented a complete return of Akela's $25 million principal.

74. With the help of the Commission's Office of International Affairs and the Italian Commissione Nazionale per le Societa e la Borsa, the staff has been able to obtain records from Veneto Banca relating to that $21.6 million payment.

75. In reality, the $21.6 million did not sit in Akela's Italian account but rather came from other accounts under Hogan's control.

76. While some of the "returned" assets can be traced to the Fund's investment, some portion of that $21.6 million payment comes from another source, possibly other defrauded investors.

77. The Commission is attempting to determine the origin of the remaining funds.

COUNT I

Violations of Section 17(a)(1) of the Securities Act

78. Paragraphs 1 through 77 are realleged and incorporated by reference as though fully set forth herein.

79. By engaging in the conduct described above, Vaughn and DFG, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have employed devices, schemes and artifices to defraud.

80. Vaughn and DFG intentionally or recklessly made the untrue statements and omissions and engaged in the devices, schemes, artifices, transactions, acts, practices and courses of business described above.

81. By reason of the foregoing, Vaughn and DFG violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II

Violations of Sections 17(a)(2) and (3) of the Securities Act

82. Paragraphs 1 through 77 are realleged and incorporated by reference as though fully set forth herein.

83. By engaging in the conduct described above, Vaughn and DFG, in the offer and sale of securities, by the use of the means and instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have:

a. obtained money or property by means of untrue statements of material fact or by omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

b. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchasers of such securities.

84. Vaughn and DFG made the untrue statements and omissions of material fact and engaged in the devices, schemes, artifices, transactions, acts, practices and courses of business described above.

85. By reason of the foregoing, Vaughn and DFG have violated Sections 17(a)(2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(2)-(3)].

COUNT III

Violations of Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5

86. Paragraphs 1 through 77 are realleged and incorporated by reference.

87. As more fully described in paragraphs 10 through 63 above, Vaughn and DFG, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices and courses of business which operated or would have operated as a fraud and deceit upon purchasers and sellers and prospective purchasers and sellers of securities.

88. Vaughn and DFG knew, or were reckless in not knowing, of the facts and circumstances described in paragraphs 10 through 63 above.

89. By reason of the foregoing, Vaughn and DFG violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5].

COUNT IV

Violations of Advisers Act Sections 206(1) and 206(2)

90. Paragraphs 1 through 77 are realleged and incorporated by reference.

91. At all times relevant to this Complaint, Vaughn and DFG acted as investment advisers to the Fund and its investors.

92. As more fully described in paragraphs 6 through 77 above, at all times alleged in this Complaint, Vaughn and DFG, while acting as investment advisers, by use

of the mails, and the means and instrumentalities of interstate commerce, directly or indirectly, knowingly, willfully or recklessly: (i) employed devices, schemes or artifices to defraud its clients or prospective clients; and (ii) engaged in transactions, practices and courses of business which have operated as a fraud or deceit upon its clients or prospective clients.

93. By reason of the foregoing, Vaughn and DFG have violated Sections 206(1) and 206(2) of the Advisers Act. [15 U.S.C. §§ 80b-6(1) and 80b-6(2)].

COUNT V

Violation of Section 204 of the Advisers Act, and Advisers Act Rule 204-2 (Against DFG)

94. Paragraphs 1 through 77 are realleged and incorporated by reference.

95. As described in more detail in paragraphs 67 through 77 above, DFG (a) failed to make and keep true and accurate copies of records that DFG is required to keep by SEC rule (including, but not limited to, copies of all written agreements entered into by DFG relating to its business as an investment adviser); (b) failed to furnish to the Commission copies of records that DFG is required to keep by SEC rule; and (c) failed to make all of DFG's records available for examination by Commission representatives as required by Section 204 of the Advisers Act.

96. By reason of the foregoing, DFG violated Section 204 of the Advisers Act and Rule 204-2 thereunder.

COUNT VI

Aiding and Abetting DFG's Violations of Advisers Act Section 204 and Rule 204-2 Thereunder (Against Vaughn)

97. Paragraphs 1 through 77 are realleged and incorporated by reference.

98. As set forth more fully above in paragraphs 67 through 77, DFG violated Section 204 of the Advisers Act and Rule 204-2 thereunder, by falsifying copies of its records, providing those falsified documents to the Commission's exam staff, and withholding documents from the Commission's exam staff.

99. By engaging in the conduct described in paragraphs 67 through 77, Vaughn knowingly and substantially aided and abetted DFG's violations of Section 204 of the Advisers Act and Rule 204-2 thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

A. Find that Vaughn and DFG committed the violations alleged above;

B. Enter an Order permanently restraining and enjoining Vaughn and DFG from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 [17 CFR § 240.10b-5] thereunder, and Sections 206(1), and 206(2) of the Advisers Act [15 U.S.C. §§ 80b-6(1) and 80b-6(2)];

C. Enter an Order permanently restraining and enjoining DFG from violating Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 CFR § 275.204-2];

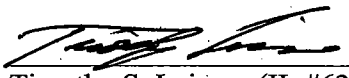
D. Enter an Order permanently restraining and enjoining Vaughn from aiding and abetting any violations of Section 204 of the Advisers Act [15 U.S.C. § 80b-4] and Rule 204-2 thereunder [17 CFR § 275.204-2];

E. Enter an Order, pursuant to Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)], Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)], requiring Vaughn and DFG to pay a civil penalty;

F. Enter an Order requiring Vaughn and DFG to disgorge any ill-gotten gains that they have received as a result of the acts complained of herein, plus prejudgment interest; and

G. Grant such other and additional relief as this Court deems just and proper.

Respectfully submitted,



Dated: March 2, 2006

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