

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
April 19, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12266

In the Matter of

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

Respondents.

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

I.

The Securities and Exchange Commission (the "Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Directors Financial Group, Ltd. ("DFG") pursuant to Section 203(e) of the Investment Advisers Act of 1940 (the "Advisers Act"), and against Sharon E. Vaughn pursuant to Section 15(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 203(f) of the Advisers Act (Vaughn and DFG referred to collectively as the "Respondents").

II.

After an investigation, the Division of Enforcement alleges that:

1. DFG is an investment adviser registered with the Commission since December 1998. DFG is an Illinois corporation organized in 1992, with its principal place of business in Lake Forest, Illinois. Vaughn is the sole owner of DFG which she operates out of her home. DFG also is the managing member of, and investment adviser to a private hedge fund, Directors Performance Fund, LLC (the "Fund").

2. Vaughn, age 63, resides in Lake Forest, Illinois. Vaughn is the President and sole owner of DFG which she runs out of an office in her home. 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 also has been a registered representative with a broker-dealer, Milestone Financial Services, Inc., since May 5, 1999.

3. On March 2, 2006, the Commission filed a Complaint in the United States District Court for the Northern District of Illinois against Vaughn and DFG captioned Securities

and Exchange Commission v. Sharon E. Vaughn and Directors Financial Group, Ltd., No. 06-C-1135.

4. The Commission's Complaint alleged, among other things, that, in the course of investing \$25 million of the Fund's assets in a fraudulent "Prime Bank" scheme, 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 fraudulent scheme, and (d) produced inaccurate records to, and withheld other records from, the Commission's exam staff during the Commission's examination of DFG. Based on those allegations, the Complaint asserted that Vaughn and DFG violated Section 17(a) of the Securities Act of 1933 (the "Securities Act"), Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. It also asserted that DFG, aided and abetted by Vaughn, violated Section 204 of the Advisers Act and Rule 204-2 thereunder.

5. On March 2, 2006, the Court entered an order that, among other things, permanently enjoined Vaughn and DFG from violating Section 17(a) of the Securities Act, 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's March 2 order 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. In a written consent, Vaughn and DFG agreed to the entry of the order of permanent injunction.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against DFG pursuant to Section 203(e) of the Advisers Act and against Vaughn pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondents shall each file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If a Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, that Respondent may be deemed in default and the proceedings may be determined against that Respondent upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall 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.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris
Secretary