

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 53943 / June 6, 2006**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2521 / June 6, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12266**

**In the Matter of**

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

**Respondents.**

**ORDER MAKING FINDINGS AND**  
**IMPOSING REMEDIAL SANCTIONS**

**I.**

On April 19, 2006, the Securities and Exchange Commission (the “Commission”) instituted public administrative proceedings 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 (“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.**

In response to the institution of these administrative proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, and the findings contained in Sections III.(3) and (5) below, which are admitted, Respondents consent to the entry of this Order Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offer, the Commission finds 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 was also a registered representative with a broker-dealer, Milestone Financial Services, Inc. from May 5, 1999 to April 2006.

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.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 203(e) of the Advisers Act, Respondent DFG's investment adviser registration is hereby revoked;

Pursuant to Section 203(f) of the Advisers Act, Respondent Vaughn is hereby barred from association with any investment adviser; and

Pursuant to Section 15(b)(6) of the Exchange Act, Respondent Vaughn is hereby barred from association with any broker or dealer.

Any reapplication for association by Vaughn will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Vaughn, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris  
Secretary