

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No. 54304 / August 11, 2006

Administrative Proceeding File No. 3-12392

SEC INSTITUTES ADMINISTRATIVE PROCEEDING AGAINST PAUL E.
JOHNSON BASED ON ENTRY OF INJUNCTION

The Commission issued today an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Notice of Hearing (Order) against Paul E. Johnson (Johnson) to determine what remedial action, if any, is appropriate in the public interest. In the Order, the Division of Enforcement alleges that, on July 24, 2006, the United States District Court for the Southern District of New York entered a final judgment against Johnson in Securities and Exchange Commission v. Paul Johnson, 03 CV 0177 (JFK) (S.D.N.Y.) enjoining him for five years from violating the general antifraud provisions of the federal securities laws contained in Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder based on a jury verdict finding Johnson liable on four counts of securities fraud. The Division of Enforcement also alleged that the District Court, in its Opinion and Order, found that Johnson's fraudulent conduct had been recurrent, in that the instances of fraud "took place over a span of several years with regard to three different companies." The District Court noted that "the jury found Johnson liable for four violations of securities fraud." The District Court also found that "Johnson's occupation as a hedge fund manager makes it likely that future violations may occur."

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, and in connection therewith, to afford Johnson an opportunity to establish defenses to such allegations, and to determine what remedial action, if any, is appropriate in the public interest.

The Commission directed that an administrative law judge shall issue an initial decision in this matter within 210 days from the date of service of this Order.