

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOHN W. LAWTON, PARAMOUNT PARTNERS,  
LP, and CROSSROAD CAPITAL  
MANAGEMENT, LLC,

Defendants.

Civil No. 09-368 ADM/AJB

**ORDER OF PERMANENT INJUNCTION AND OTHER RELIEF AS TO DEFENDANTS  
JOHN W. LAWTON, PARAMOUNT PARTNERS, LP, AND CROSSROAD CAPITAL  
MANAGEMENT, LLC**

The Securities and Exchange Commission having filed a Complaint and Defendants John W. Lawton (Lawton), Paramount Partners, LP (Paramount) and Crossroad Capital Management, LLC (Crossroad) having entered a general appearance; consented to the Court's jurisdiction over Defendants and the subject matter of this action; consented to entry of this Order without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Order:

**I.**

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that **Defendants Lawton, Paramount and Crossroad**, and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15

U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

## II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that **Defendants Lawton, Paramount and Crossroad** and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
  - (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- or

- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

### III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that **Defendants Lawton and Crossroad** and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Sections 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) and (2)] by, while acting as an investment advisers, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly, employing devices, schemes, or artifices to defraud clients or engaging in transactions, practices, and courses of business which operate as a fraud or deceit upon clients.

### IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that **Defendants Lawton and Crossroad** and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from violating Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 promulgated thereunder [17 C.F.R. § 275.206(4)-8] by, while acting as an investment adviser to a pooled investment vehicle, by the use of the means or instrumentalities of interstate commerce or of the mails, making untrue statements of material fact or omitting to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading,

to any investor or prospective investor in the pooled investment vehicle or otherwise engage in acts, practices, or courses of business that are fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

**V.**

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that **Defendant Lawton** and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from aiding and abetting any violation of Sections 206(1) and (2) of the Advisers Act [15 U.S.C. § 80b-6(1) and (2)] by knowingly providing substantial assistance to any person who, while acting as an investment adviser, by the use of the means and instrumentalities of interstate commerce and of the mails, directly or indirectly, employs devices, schemes, or artifices to defraud clients or engages in transactions, practices, or courses of business which operate as a fraud or deceit upon clients.

**VI.**

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that **Defendant Lawton** and his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this Order by personal service or otherwise are permanently restrained and enjoined from aiding and abetting any violation of Section 206(4) of the Advisers Act [15 U.S.C. § 80b-6(4)] and Rule 206(4)-8 promulgated thereunder [17 C.F.R. § 275.206(4)-8] by knowingly providing substantial assistance to any person who, while acting as an investment adviser to a pooled investment vehicle, by the use of the means and instrumentalities of interstate commerce and of the mails, makes untrue statements of material

fact or omits to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to any investor or prospective investor in the pooled investment vehicle or otherwise engages in acts, practices, or courses of business that are fraudulent, deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

## VII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that, if awarded by this Court, **Defendants Lawton, Paramount and Crossroad** shall pay disgorgement of ill-gotten gains, prejudgment interest thereon, and Defendants Lawton and Crossroad shall pay a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)], Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 209(e) of the Advisers Act [15 U.S.C. § 80b-9(e)]. The Court shall determine the amounts of the disgorgement and civil penalty upon motion of the Commission, which motion the **Defendants Lawton, Paramount, and Crossroad** may oppose. If awarded, prejudgment interest shall be calculated from the date of receipt of investor funds, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendants will be precluded from arguing that they did not violate the federal securities laws as alleged in the Complaint; (b) Defendants may not challenge the validity of the Consent or this Order; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn

deposition or investigative testimony, and documentary evidence, without regard to the standards for summary Order contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

### **VIII.**

IT IS HEREBY ORDERED that until further order of this Court:

1. Except as otherwise noted below, all assets of Defendants Lawton, Paramount and Crossroad are hereby frozen.
2. Accordingly, Defendants Lawton, Paramount and Crossroad and their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with any one or more of them, and each of them, who receive notice of the Order or of the terms of the asset freeze provisions contained herein are hereby restrained from, directly or indirectly, withdrawing, transferring, selling, pledging, encumbering, assigning, dissipating, concealing or otherwise disposing of, in any manner, any funds, assets, accounts or other property belonging to any Defendant.
3. Any bank, broker, dealer, or other financial institution or other person or entity holding any such funds or other assets referred to in this Order, in the name of, for the benefit of, or under the control of Defendants Lawton, Paramount, and/or Crossroad, and which receives notice of this Order or of the terms of the asset freeze provisions contained herein, shall hold and retain within its control, and shall prohibit the withdrawal, removal, transfer, disposition, pledge, encumbrance, assignment, set off, sale, liquidation, dissipation, concealment, or other disposal of any such funds or other assets.

4. Any assets or income acquired by Defendant Lawton after June 1, 2009, are not frozen by this Order.

**IX.**

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

**X.**

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Order.

Dated: July 13, 2009

s/ Ann D. Montgomery  
ANN D. MONTGOMERY  
UNITED STATES DISTRICT JUDGE