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SACRAMENTO COURTS  
DEPT. #54

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
2 WAYNE STRUMPFER  
Deputy Commissioner  
3 ALAN WEINGER  
Lead Corporations Counsel  
4 KIRK E. WALLACE (State Bar No. 129953)  
Corporations Counsel  
5 71 Stevenson Street, Suite 2100  
San Francisco, California 94105  
6 Telephone: (415) 972-8546

7 Attorneys for the Plaintiff STATE OF CALIFORNIA,  
DEPARTMENT OF CORPORATIONS

8  
9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 FOR THE COUNTY OF SACRAMENTO

11 THE PEOPLE OF THE STATE OF  
CALIFORNIA, by and through the  
12 CALIFORNIA CORPORATIONS COMMISSIONER,

13 Plaintiff,

14  
15 vs.

16  
17 DIAMOND "S" OIL, INC., MASADA PETROLEUM  
LLC, PETE LIPPINCOTT, MICHAEL P. JOHNSTONE  
18 Defendants.

Case No.: 07AS03728

SETTLEMENT AGREEMENT  
AND STIPULATION TO ENTRY  
OF PERMANENT INJUNCTION  
AGAINST DIAMOND "S" OIL,  
INC., MASADA PETROLEUM  
LLC, AND PETE LIPPINCOTT

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20  
21 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

22 It is hereby stipulated and agreed as follows:

23 Defendants, Diamond "S" Oil, Inc., Masada Petroleum LLC, and Pete Lippincott, and  
24 Plaintiff, The People of the State of California by and through the California Corporations  
25 Commissioner, ("settling parties") desire to resolve all issues and disputes between them  
26 underlying and related to the facts and circumstances that led to the above captioned action and  
27 have settled this case as between them pursuant to Code of Civil Procedure section 664.6 on the  
28

1 terms and conditions set forth below and agree that pursuant to that section the court retains  
2 jurisdiction to enforce the terms of this settlement.

3 This Settlement Agreement and Stipulation to Injunction Against Diamond "S" Oil, Inc.,  
4 Masada Petroleum LLC, and Pete Lippincott is made with reference to the facts, transactions,  
5 allegations, claims, and defenses underlying, relating to, or arising from the Complaint, in the  
6 above-captioned lawsuit. The settling parties wish to avoid the delay, expense, inconvenience and  
7 uncertainty of litigation and now desire to finally compromise, settle and discharge all claims,  
8 controversies, demands, actions, or causes of action asserted in this action as between them.  
9 Accordingly, to resolve their differences and to avoid the uncertainty and expense of further  
10 litigation, these settling parties have agreed to the following settlement agreement and stipulations.  
11

12 Defendants admit jurisdiction of this Court over them and over the subject matter of this  
13 action. Defendants have entered a general appearance in this action.  
14

15 Defendants, Diamond "S" Oil, Inc., Masada Petroleum LLC, and Pete Lippincott agree to  
16 pay to the Department of Corporations the total sum of \$25,000 to be paid by cashiers check made  
17 out to the Department of Corporations and delivered on or before June 18, 2008.  
18

19 Diamond "S" Oil, Inc., Masada Petroleum LLC, and Pete Lippincott also stipulate to the  
20 immediate entry of an order by the court permanently enjoining defendants Diamond "S" Oil, Inc.,  
21 Masada Petroleum LLC, Pete Lippincott, and each of them, their officers, directors, successors in  
22 interest, agents, employees, attorneys in fact, and all persons acting in concert or participating with  
23 them, or any of them, from directly or indirectly:

24 A. Violating California Corporations Code section 25110, by offering to sell, selling,  
25 arranging for the sale of, issuing, engaging in the business of selling, negotiating for the sale of,  
26 or otherwise in any way dealing or participating in the offer or sale of, any security of any kind,  
27 including but not limited to the securities described in this Complaint to a California resident or in  
28 California.

1 B. Violating California Corporations Code section 25401 by offering to sell or selling any  
2 security of any kind, to a California Resident or in California, including but not limited to, the  
3 securities described in the Complaint in this action, by means of any written or oral  
4 communication which includes any untrue statement of material fact or omits or fails to state any  
5 material fact necessary in order to make the statements made, in the light of the circumstances  
6 under which they are made, not misleading.

7 C. Violating any Desist and Refrain Order issued by the Commissioner including the  
8 orders issued on May 18, 2006, and July 17, 2007 by offering and selling unqualified, non-exempt  
9 securities in violation of California Corporations Code section 25110 and doing so by means of  
10 misrepresentations or omissions of material fact in violation of California Corporations Code  
11 section 25401.

12 D. Violating California Corporations Code section 25210, by engaging in the business  
13 of effecting any transaction in, or attempting to induce the purchase of securities in this state,  
14 unless and until they have applied for and secured from the Commissioner a certificate  
15 authorizing them to act in that capacity.  
16

17 The Order Granting the Permanent Injunction is attached as Exhibit "A". Pursuant to the  
18 term of the settlement, the Order attached as Exhibit A may be entered by the Court immediately  
19 without further notice to the parties or hearing and is to remain in effect regardless of the dismissal  
20 of the remaining action against them by Plaintiffs.

21 In exchange, the Department of Corporations will dismiss the complaint in the above  
22 entitled action with prejudice, except to the extent the court retains jurisdiction over defendants  
23 and the subject matter of the action in order to enforce the Order Granting the Permanent Injunction  
24 attached as exhibit A. By agreeing to this settlement and complying with the terms of the payment  
25 of the \$25,000, defendants do not admit or deny any wrongdoing or violations of law.  
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1 Each party shall bear their own costs and attorneys' fees relating to this action, this  
2 settlement agreement and the matters covered by this settlement agreement

3 Defendants acknowledge that the entry of the Order and dismissal of the remainder of the  
4 action pursuant to this Stipulation shall not preclude any other federal, state or county agency from  
5 initiating any other prosecution based upon the allegations contained in the Complaint in the  
6 above-entitled case or based on any other acts by the Defendants which may violate California or  
7 federal law. Defendants agree and acknowledge that nothing in this Stipulation or in the Final  
8 Judgment in this matter, shall preclude the Commissioner, or his agents or employees, to the  
9 extent authorized by law, from referring any evidence or information regarding this matter to any  
10 district attorney or any other state or federal law enforcement official, or from assisting,  
11 cooperating, or co-prosecuting with regards to any investigation and/or action brought by any  
12 other federal, state or county agency. Defendants further agree and acknowledge that nothing in  
13 this Stipulation shall bind or otherwise prevent any other federal, state or county agency from the  
14 performance of its duties.

15 Plaintiff and Defendants stipulate and agree that if any paragraph, clause, or provision of  
16 this Stipulation or of the Order Granting Permanent Injunction entered thereto, or the application  
17 thereof, is held invalid or unenforceable, such decision shall affect only the paragraph, clause or  
18 provision so construed or interpreted, and the invalidity shall not affect the provisions or the  
19 application of this Stipulation, or of the Order Granting Permanent Injunction entered thereto,  
20 which can be given effect without the invalid provisions or application, and to this end, the  
21 provisions of the Stipulation, are declared by Plaintiff and by Defendants to be severable.

22 It is also agreed amongst the parties that this agreement may be executed and returned by

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facsimile and that the facsimile signature of each party will be fully binding on the parties as if it were an original signature.

It is agreed and so stipulated

Date: 6/17, 2008

By: \_\_\_\_\_

~~Pete Lippincott~~, for himself and on behalf of  
Diamond "S" Oil, Inc., Masada Petroleum  
LLC,

Date: 7/3, 2008

By: \_\_\_\_\_

Kirk Wallace  
Corporations Counsel,  
Enforcement Division, State of California  
Department of Corporations

Date: \_\_\_\_\_, 2008

Approved as to form

By: \_\_\_\_\_

Jonathan Schwartz Esq.  
Attorney for Defendants Diamond "S" Oil, Inc.,  
Masada Petroleum LLC, and Pete Lippincott



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Date: \_\_\_\_\_, 2008

By: \_\_\_\_\_  
Kirk Wallace  
Corporations Counsel,  
Enforcement Division, State of California  
Department of Corporations

Date: 7.7.08 2008

Approved as to form  
By: \_\_\_\_\_  
Jonathan Schwartz Esq.  
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California Corporations Commissioner  
2 WAYNE STRUMPFER  
Deputy Commissioner  
3 ALAN WEINGER  
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10 THE PEOPLE OF THE STATE OF  
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16 DIAMOND "S" OIL, INC., MASADA PETROLEUM  
17 LLC, PETE LIPPINCOTT, MICHAEL P. JOHNSTONE  
18 Defendants.  
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Case No.: 07AS03728

ORDER GRANTING  
PERMANENT INJUNCTION  
AGAINST DIAMOND "S" OIL,  
INC., MASADA PETROLEUM  
LLC, AND PETE LIPPINCOTT

20  
21 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

22  
23 In the above-entitled action, Defendants, Diamond "S" Oil, Inc., Masada Petroleum LLC, and  
24 Pete Lippincott, and Plaintiff, The People of the State of California by and through the California  
25 Corporations Commissioner, having settled this action as between them, stipulate to the entry of  
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A

1 this Order Granting Permanent Injunction Against Diamond "S" Oil, Inc., Masada Petroleum  
2 LLC, and Pete Lippincott

3 IT IS HEREBY ADJUDGED, ORDERED, AND DECREED

4 Diamond "S" Oil, Inc., Masada Petroleum LLC, Pete Lippincott and all other persons  
5 acting in concert or participating with any of them, and each of them, are permanently restrained  
6 and enjoined from

7  
8 A. Violating Section 25110, by offering to sell, selling, arranging for the sale of, issuing,  
9 engaging in the business of selling, negotiating for the sale of, or otherwise in any way dealing or  
10 participating in the offer or sale of, any security of any kind, including but not limited to the  
11 securities described in this Complaint to a California resident or in California.

12 B. Violating Section 25401 by offering to sell or selling any security of any kind, to a  
13 California Resident or in California, including but not limited to, the securities described in the  
14 Complaint in this action, by means of any written or oral communication which includes any  
15 untrue statement of material fact or omits or fails to state any material fact necessary in order to  
16 make the statements made, in the light of the circumstances under which they are made, not  
17 misleading.

18 C. Violating any Desist and Refrain Order issued by the Commissioner including the  
19 orders issued on May 18, 2006, and July 17, 2007 by offering and selling unqualified, non-exempt  
20 securities in violation of California Corporations Code section 25110 and doing so by means of  
21 misrepresentations or omissions of material fact in violation of California Corporations Code  
22 section 25401.

23 D. Violating California Corporations Code section 25210, by engaging in the business  
24 of effecting any transaction in, or attempting to induce the purchase of securities in this state,  
25 unless and until they have applied for and secured from the Commissioner a certificate  
26 authorizing them to act in that capacity.  
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This court retains jurisdiction over defendants and the subject matter of the action to enforce the above referenced injunction.

IT IS SO ORDERED

Date: \_\_\_\_\_, 2008

By: \_\_\_\_\_  
Judge of the Superior Court