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SACRAMENTO COURTS  
DEPT. #54

PRESTON DuFAUCHARD  
California Corporations Commissioner  
WAYNE STRUMPFER  
Deputy Commissioner  
ALAN WEINGER  
Lead Corporations Counsel  
KIRK E. WALLACE (State Bar No. 129953)  
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Attorneys for the Plaintiff STATE OF CALIFORNIA,  
DEPARTMENT OF CORPORATIONS

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF SACRAMENTO

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

Plaintiff,

vs.

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

Case No.: 07AS03728

SETTLEMENT AGREEMENT  
AND STIPULATION TO ENTRY  
OF PERMANENT INJUNCTION  
AGAINST MICHAEL P.  
JOHNSTONE

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

It is hereby stipulated and agreed as follows:

Defendant, Michael P. Johnstone, and Plaintiff, The People of the State of California by  
and through the California Corporations Commissioner, ("settling parties") desire to resolve all  
issues and disputes between them underlying and related to the facts and circumstances that led to  
the above captioned action and have settled this case as between them pursuant to Code of Civil  
Procedure section 664.6 on the terms and conditions set forth below and agree that pursuant to that  
section the court retains jurisdiction to enforce the terms of this settlement.

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

10  
11 Defendant, Michael P. Johnstone admits jurisdiction of this Court over him and over the  
12 subject matter of this action. Defendant has entered a general appearance in this action.

13 Michael P. Johnstone also stipulates to the immediate entry of an order by the court  
14 permanently enjoining defendant Michael P. Johnstone, from directly or indirectly:

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

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

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

1 section 25401.

2 D. Violating California Corporations Code section 25210, by engaging in the business  
3 of effecting any transaction in, or attempting to induce the purchase of securities in this state,  
4 unless and until he has applied for and secured from the Commissioner a certificate authorizing  
5 him to act in that capacity.  
6

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

11 In exchange, the Department of Corporations will dismiss the complaint in the above  
12 entitled action with prejudice against Defendant Michael P Johnstone, except to the extent the  
13 court retains jurisdiction over defendant and the subject matter of the action in order to enforce the  
14 Order Granting the Permanent Injunction attached as exhibit A.

15 Each party shall bear their own costs and attorneys' fees relating to this action, this  
16 settlement agreement and the matters covered by this settlement agreement

17 Defendant acknowledge that the entry of the Order and dismissal of the remainder of the  
18 action pursuant to this Stipulation shall not preclude any other federal, state or county agency from  
19 initiating any other prosecution based upon the allegations contained in the Complaint in the  
20 above-entitled case or based on any other acts by the Defendant which may violate California or  
21 federal law. Defendant agrees and acknowledges that nothing in this Stipulation or in the Final  
22 Judgment in this matter, shall preclude the Commissioner, or his agents or employees, to the  
23 extent authorized by law, from referring any evidence or information regarding this matter to any  
24 district attorney or any other state or federal law enforcement official, or from assisting,  
25 cooperating, or co-prosecuting with regards to any investigation and/or action brought by any  
26 other federal, state or county agency. Defendant further agree and acknowledge that nothing in  
27 this Stipulation shall bind or otherwise prevent any other federal, state or county agency from the  
28 performance of its duties.

1 Plaintiff and Defendant stipulate and agree that if any paragraph, clause, or provision of  
2 this Stipulation or of the Order Granting Permanent Injunction entered thereto, or the application  
3 thereof, is held invalid or unenforceable, such decision shall affect only the paragraph, clause or  
4 provision so construed or interpreted, and the invalidity shall not affect the provisions or the  
5 application of this Stipulation, or of the Order Granting Permanent Injunction entered thereto,  
6 which can be given effect without the invalid provisions or application, and to this end, the  
7 provisions of the Stipulation, are declared by Plaintiff and by Defendant to be severable.

8 It is agreed and so stipulated

9 Date: 6-16-, 2008

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

Michael P. Johnstone, in pro per  
5425 Heidi Street, Apt 3F, La Mesa, CO,  
719-42-4817

10 Date: 6/19, 2008

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

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

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
2 WAYNE STRUMPFER  
Deputy Commissioner  
3 ALAN WEINGER  
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7 Attorneys for the Plaintiff STATE OF CALIFORNIA,  
DEPARTMENT OF CORPORATIONS

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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,

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15 vs.

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

Case No.: 07AS03728

ORDER GRANTING  
PERMANENT INJUNCTION  
AGAINST MICHAEL P.  
JOHNSTONE

19  
20  
21 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD

22 In the above-entitled action, Defendant, Michael P. Johnstone and Plaintiff, The People of the  
23 State of California by and through the California Corporations Commissioner, having settled this  
24 action as between them, stipulate to the entry of this Order Granting Permanent Injunction Against  
25 Michael P. Johnstone  
26

27 IT IS HEREBY ADJUDGED, ORDERED, AND DECREED  
28

A

1 Michael P. Johnstone is permanently restrained and enjoined from

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

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

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

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

21  
22 This court retains jurisdiction over defendant and the subject matter of the action to enforce  
23 the above referenced injunction.

24 IT IS SO ORDERED

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

26  
27 By: \_\_\_\_\_  
28 Judge of the Superior Court