

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF KANSAS
3 WICHITA DIVISION

4 SECURITIES AND EXCHANGE COMMISSION,

5 Plaintiff,

6 vs.

CIVIL ACTION NO. 08-1159-JTM

7 MICHAEL J. McNAUL, II, DALE C. LUCAS,
8 GREGG KRAUSE, LLOYD F. NUNNS,
9 RUSSELL W. KILGARIFF, STEVEN L.
10 TALLMAN, FREDDIE J. HEMBREE,
11 RAYMOND L. LEONARD, JR., MIDWESTERN
12 NATURAL GAS, INC., and MARK DuBOISE

13 Defendants,

14 and

15 ALLIANCE LEASING, LLC, CONSOLIDATED
16 MANAGEMENT GROUP, LLC, GOLDEN BELT
17 TRANSPORTATION, LLC, GARNER
18 MANAGEMENT, LLC, FORREST ENERGY,
19 LLC, WARREN DRILLING, LLC, WARRICK
20 DRILLING, LLC, PAWNEE IRON WORKS, LLC,
21 MID KAN OPERATING, LLC, T&D OIL
22 SERVICE, LLC, CONSUMER INFORMATION
23 NETWORK, INC., SANTA FE TRAILS
24 LEASING, LLC, SUMMIT LEASING, LLC, and
25 WARREN ENERGY, INC.

26 Relief Defendants.

27 STIPULATION AND ORDER THEREON

This matter comes before the Court in response to the Motion to Compel Turnover of Records [Docket

1 #169] and Motion to Disgorge [Docket #170]. And the parties, through undersigned counsel stipulate and
2 agree as follows:

- 3 1. Edward J Nazar is the duly appointed Receiver of the above-captioned case, appointed on May 29,
4 2008.
- 5 2. On or about May 28, 2008, the plaintiff, Securities Exchange Commission (“SEC”), filed a
6 complaint in the United States District Court for the District of Kansas captioned, *Securities and*
7 *Exchange Commission v. Michael M. McNaul, II, et al.*, Case No. 08-1159-JTM (the “SEC
8 Lawsuit”).
- 9 3. In the SEC Lawsuit on May 29, 2008, Edward J. Nazar (hereinafter “Receiver”) was appointed
10 Receiver of the assets of the defendants, the relief defendants and the various joint ventures
11 (hereinafter referred to as “Consolidated Entities”). Energy, Inc.
- 12 4. In the SEC Lawsuit, the Receiver’s duties provide for the overall management and operation of the
13 entities, the potential liquidation and sale of the entities, litigation and collection of assets, claims
14 and monies owed, and the analysis of the enterprise value and potential sale prospects.
- 15 5. Raymond L. Leonard, Jr. (the “Defendant” or “Leonard”), is a resident of the state of California, and
16 was served at 25468 Nellie Gail Rd., Laguna Hills, California 92653-6308.
- 17 6. Evan R. Leonard is the son of Raymond L. Leonard, Jr. and is the named President and a
18 shareholder of Consumer Information Network, Inc., a relief defendant in the SEC Lawsuit. Evan
19 R. Leonard was served, in his capacity as an officer of Consumer Information Network, Inc. at his
20 residence, 25468 Nellie Gail Rd., Laguna Hills, California 92653-6308 (the “Residence”).
- 21 7. Evan R. Leonard is a 24 year old son of Raymond L. Leonard, Jr. Evan R. Leonard is alleged to be
22 the nominee owner of Consumer Information Network, Inc. (“CIN”). CIN received sums of at least
23 \$4,353,477.08 from the defendants, relief defendants and joint ventures of this receivership. Evan
24 R. Leonard is also alleged to be the nominee owner of the Residence. The SEC and the Receiver
25 allege that Defendant Raymond L. Leonard, Jr. is the true owner of CIN and the Residence. Evan
26 R. Leonard neither admits nor denies said allegations but in the interest of justice and settlement of

1 outstanding claims agrees to relinquish any ownership rights in the assets of CIN or the Residence
2 and to assist the Receiver in the disposition of those assets and voluntarily turnover the proceeds
3 from those assets to the Receiver.

4 8. At the inception of the receivership, a sum of \$31,894.19 remained in the account(s) of CIN at Wells
5 Fargo Bank, NA and \$106.89 at Nevada State Bank.

6 9. The Receiver has requested information concerning the assets of CIN and Evan R. Leonard and all
7 entities or companies of which he participates, has known or has an actual interest. To date the
8 parties have conducted a telephone interview with Evan R. Leonard regarding the assets of CIN and
9 Evan R. Leonard. Evan R. Leonard has agreed to cooperate with the Receiver in providing financial
10 information concerning CIN and to assist the Receiver in liquidating CIN, or CIN related assets and
11 voluntarily turnover the proceed from the sale or liquidation of those assets to the Receiver.

12 THE PARTIES FURTHER STIPULATE AND AGREE

13 10. Evan R. Leonard without admitting or denying the allegations in the Complaint will produce the
14 following information and documents in his possession, custody and control:

- 15 a. All income statements and balance sheets of CIN from January 1, 2004 to the present;
- 16 b. All bank account records, including cancelled checks of CIN;
- 17 c. The trial balance, cash disbursement logs, and payable records of CIN from 2004 to the
18 present;
- 19 d. Copies of tax returns for CIN for 2004 to the present;
- 20 e. Copies of personal tax returns of Evan Leonard for the year 2004 to the present;
- 21 f. Completion of the attached information sheet utilized by the Securities and Exchange
22 Commission concerning the existence of assets and liabilities;
- 23 g. Copies of all financial statements granted by CIN to any financial institution for the years
24 2004 to the present;
- 25 h. Copies of all bank statements and canceled checks of CIN for the years 2004 to the
26 present;

- I. Copies of the Articles of Organization, Articles of Incorporation, Bylaws and Operating Agreements of CIN
- j. Copies of titles/registrations to all motor vehicles wherein CIN is/was an owner for the years 2004 to the present;
- k. Copies of titles/registrations to all motor vehicles wherein Evan R. Leonard is/was an owner for the years 2004 to the present;
- l. Copies of all insurance policies in which Evan R. Leonard is a named insured, beneficiary or hold an insurable interest for the years 2004 to the present, including, but not limited to all liability, casualty and property insurance, including riders and life insurance policies;
- m. Copies of all loans, security agreements and documents of perfection pertaining to any secured loan of Evan R. Leonard for the years 2004 to the present.
- n. The production of such items shall be produced within fourteen (14) days of the entry of this order.

THE UNDERSIGNED FURTHER STIPULATE AND AGREE:

- 11. Evan R. Leonard without admitting or denying the allegations in the Complaint will produce the following information and documents in his possession, custody and control:
 - a. The Residence shall be deemed to be property of the receivership estate and pursuant to a Grant Deed, substantially in the form of Exhibit A attached hereto, title shall be transferred under this Order in the name of a buyer approved by the Receiver, free and clear of any claim of Raymond L. Leonard Jr., Evan R. Leonard, Danette M. Leonard or any other claimant.
 - b. The Receiver shall be deemed to have custody, control and possession of the Residence legally described as Lot Number 254; Tract 9296; city/Municipal Township; Laguna Hills MPA; MO466 PG5-18 and shall pursuant to Order of the Court, sell the Residence in a commercially reasonable manner or allow Evan R. Leonard to convey the Residence. pursuant to an escrow approved by the Receiver.

1 c. All net proceeds of sale, after payment of liens and reasonable costs of sale, shall be
2 distributed at closing to the Receiver in satisfaction of any claim the Receiver may have
3 against Evan R. Leonard and CIN along with the automobile described in this
4 subparagraph.. The resulting equity from the sale of the Residence and surrender of the
5 automobile shall deemed a product of the activities of CIN and shall be found to be an
6 asset of the receivership estate and available to the 1,300+ investors, creditors, defendants
7 and relief defendants. Evan Leonard will further surrender to the Receiver and/or his
8 agents a 2005 M55 Mercedes motor vehicle, California License No. ENTIZY, VIN
9 WDDDJ76X76A057140 for liquidation and sale. Evan R. Leonard will convey the
10 vehicle by endorsing the title conveying the vehicle to the Receiver. Evan R. Leonard
11 represents and warrants that this vehicle is free and clear of liens and encumbrances to the
12 best of his actual knowledge.

13 d. Any alleged interest of Raymond L. Leonard, Jr. and/or Danette M. Leonard in the
14 Residence shall be found to be an asset of the receivership estate and available for
15 liquidation.

16 12. The SEC does not oppose this Stipulation and Order.

17 13. The parties further agree Evan Leonard will provide a statement to the Receiver at the offices of
18 Jerome Busch on either March 30, 2008 and/or March 31, 2008 or April 2, 2009 and/or April 3,
19 2009 or at such date(s) as the parties may subsequently agree.

20 IT IS SO ORDERED this 17th day of March, 2009.

21
22 s/ J. Thomas Marten
23 J. Thomas Marten
24 UNITED STATES DISTRICT JUDGE
25
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27

1 APPROVED AS TO FORM AND CONTENT BY:

2 REDMOND & NAZAR, L.L.P.

3 /s/Edward J. Nazar

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