

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 34-79117 / October 19, 2016**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17632**

**In the Matter of**

**JOHN M. LEONARD,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934, AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against John M. Leonard (“Respondent” or “Leonard”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

1.       From March 2010 through June 2011, Leonard offered and sold securities in the form of limited-partnership units (“LP units”) issued by Quest Energy Management Group, Inc. (“Quest”) in a limited partnership called Permian Advanced Oil Recovery Investment Fund I, L.P. (“PAOR”). Leonard served as a broker in these transactions, but he was neither registered with the Commission as a broker nor associated with a Commission-registered broker.

**B.     ENTRY OF THE INJUNCTION**

2.       On September 29, 2016, a final judgment was entered against Leonard, permanently enjoining him from future violations of Section 15(a) of the Exchange Act, in the civil action entitled Securities and Exchange Commission v. Paul R. Downey, Jeffrey P. Downey, and

John M. Leonard, Civil Action Number 1:14-CV-185-C, in the United States District Court for the Northern District of Texas.

3. The Commission alleged, and the Court specifically found, that from January 2010 through June 2011 Leonard: (i) solicited prospective investors in person, by phone, and by email; (ii) recommended the PAOR investment to investors; (iii) negotiated transactions in PAOR LP units and closed the sales; (iv) distributed, directly and indirectly, a PAOR private placement memoranda and other offering materials; and (v) received a 10-percent commission from Quest on each PAOR LP unit sale. No registration statement was filed with the Commission regarding the PAOR LP units.

4. The Court found that Leonard acted as a broker in sales of PAOR LP units (or fractions thereof) to 13 investors who collectively invested more than \$4 million. Leonard received \$405,698 in commissions on those sales. The Court found that Leonard – while not being registered as a broker – used means of interstate commerce to effect transactions in PAOR LP units in violation of Exchange Act Section 15(a). The Court further found that \$405,698 was a reasonable approximation of the ill-gotten gains causally connected to Leonard’s violations, and ordered Leonard to disgorge that amount.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act;

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission’s Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission’s Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as

provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 75 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields  
Secretary