

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
 )  
NORTHSTAR ENERGY, INC. )  
LARRY M. KOONCE ) ADMINISTRATIVE ORDER  
PAUL M. ESPOSITO ) NO. CO-2005-0053  
TEXAS SECURITIES PARTNERS, INC. )  
BRIAN ALAN GUINN )  
TONY EUGENE MORRISON )  
JAMES GREGORY RICE )  
CHRISTOPHER R. MADRID )  
 )  
\_\_\_\_\_  
RESPONDENTS )

LIMITED CONSENT ORDER FOR NORTHSTAR ENERGY, INC.,  
LARRY M. KOONCE, AND PAUL M. ESPOSITO

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. NORTHSTAR ENERGY, INC ("NORTHSTAR") is a Texas corporation with a business address of 740 Lexington Drive, Plano, Texas 75075.
2. LARRY M. KOONCE ("KOONCE"), at all times relevant, was President of NORTHSTAR, with a business address of 740 Lexington Drive, Plano, Texas 75075.
3. PAUL M. ESPOSITO ("ESPOSITO"), at all times relevant, was the Chief Executive Officer of NORTHSTAR, with a business address of 740 Lexington Drive, Plano, Texas 75075.

### STATEMENT OF FACTS

4. On August 18, 2004, NORTHSTAR filed a Form D 506 offering with the Commission for a private placement of securities for the Northstar Wallis Prospect #1 Joint Venture.

5. An Alabama resident claims to have visited the NORTHSTAR web site in October 2004 and following the instructions on the web site completed a questionnaire.

6. On January 6, 2005, NORTHSTAR filed a Form D 506 offerings with the Commission for a private placement of securities for the Northstar Exxon-Will O Joint Venture.

7. On December 14, 2005, the Commission issued Administrative Order CD-2005-0053, ordering all RESPONDENTS and others to cease and desist from any further violations of the Alabama Securities Act.

8. The RESPONDENTS requested informal hearings and through counsel have met with the Commission staff to resolve the issues enumerated herein, the last meeting having occurred on January 11, 2008.

### CONCLUSIONS OF LAW

The Commission makes the following Conclusions of Law without any admission or denial by any of the Respondents:

9. To qualify for an exemption from registration under Rule 506 of the Securities Act of 1933, offers and sales of securities must satisfy all terms and conditions of Rules 501 and 502. Rule 502(c) of the 1933 Act states "neither the issuer nor any person acting on its behalf shall offer for sale the securities by any form of general solicitation or general advertising." An issuer's use of an Internet web

site, without appropriate "gatekeeping" functionality, in connection with a purported private offering would constitute a "general solicitation" and therefore disqualify the offering as "private". The Commission has asserted that the securities offered and sold by RESPONDENTS were neither registered nor subject to a perfected exemption from registration in Alabama. Sale of securities in the state of Alabama, without benefit of registration or exemption from registration, is a violation of Section 8-6-4, Code of Alabama 1975. The RESPONDENTS have asserted that the issuance of the securities complied with Alabama law.

**WHEREAS**, RESPONDENTS neither admit nor deny that securities transactions were effected in the State of Alabama prior to registration or the perfection of any applicable exemption. Each of the RESPONDENTS states that the information and assertions presented to the Commission during its investigation of this matter by him or it are true and correct. The RESPONDENTS understand the Commission's reliance upon such information and assertions in its determination to accept this Order, and that should this information or these assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil, or criminal remedies that may be available to it under the provisions of the Act.

**WHEREAS**, RESPONDENTS have voluntarily waived all rights to a hearing upon entry of this Order, and have consented to the entry of this Order, and

**WHEREAS**, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act, and

**WHEREAS**, the Commission and RESPONDENTS are desirous of settling this matter as hereafter set forth and agree to the entry of this Order.

**ACCORDINGLY, IT IS HEREBY ORDERED:**

1. That RESPONDENTS, NORTHSTAR ENERGY, INC., LARRY M. KOONCE, and PAUL M. ESPOSITO shall, until such time as the securities are properly registered, or an appropriate exemption from registration has been perfected, refrain from effecting securities transactions into, within or from the State of Alabama.

2. That RESPONDENT, NORTHSTAR ENERGY, INC., shall not employ, or allow to act on its behalf, any broker-dealer or agent to effect securities transactions in this state who is not appropriately registered or exempt from registration under the Alabama Securities Act.

3. That RESPONDENT, NORTHSTAR ENERGY, INC., shall ensure that proper procedures are enacted to preclude any future non-compliance with the Act.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, RESPONDENT, NORTHSTAR ENERGY, INC., shall pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Four Thousand Five Hundred Dollars (\$4,500), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, , RESPONDENT, NORTHSTAR ENERGY, INC., shall pay to the **State of Alabama** an administrative assessment in the total sum of Four Thousand Five Hundred Dollars (\$4,500), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

6. That RESPONDENT NORTHSTAR ENERGY, INC., shall pay One Thousand Dollars (\$1,000) to the **Investor Protection Trust**, a non-profit corporation with such funds designated specifically for investor education and investor protection in the state of Alabama as directed by the Alabama Securities Commission in its sole discretion.

7. That the entry of this Order resolves the Cease and Desist Order, Administrative Order No. CD-2005-0053 issued December 14, 2005, only as it relates to RESPONDENTS NORTHSTAR, KOONCE, and ESPOSITO.

8. That the entry of this Order resolves the Show Cause Order, Administrative Order No. CD-2005-0054 issued December 14, 2005, only as it relates to RESPONDENTS NORTHSTAR, KOONCE, and ESPOSITO.

**AGREED AND CONSENTED** to on dates indicated:

RESPONDENTS:

NORTHSTAR ENERGY, INC.

BY: Larry M. Koonce  
TITLE: President  
DATE: 05-12, 2008

LARRY M. KOONCE

BY: Larry Koonce  
DATE: 05-12, 2008

PAUL M. ESPOSITO

BY: Paul M. Esposito  
DATE: 05-12, 2008

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APPROVED AND ORDERED this 14 day of May, 2008

ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700  
(334) 242-2984  
BY:



  
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JOSEPH P. BORG  
Director