

6. On October 21, 2019, the Hearing Officer accepted Mr. Mushkin's withdrawal and requested that Respondents advise whether they would be retaining replacement counsel and that Respondents confirm that they would be attending the November 13, 2019 hearing. (Hearing Officer Ex. 9, Tr. at 9.)
7. Through a series of electronic communications between the Hearing Officer, Respondents' Texas counsel, and the Department on October 23, October 24, and November 4, 2019, Respondents' Texas counsel communicated that Respondents would neither be engaging replacement Connecticut counsel nor traveling to attend the hearing, which would proceed on November 13, 2019. (Hearing Officer Exs. 10-15; Tr. at 9-10.)
8. Subsequent to such date and prior to the hearing, no additional communications were received from Respondents. (Tr. at 10.)
9. The hearing was held on November 13, 2019. (Tr. at 4.)
10. Attorney Elena Zweifler appeared at the hearing on behalf of the Department. (Tr. at 4-5.)
11. Respondents failed to appear at the hearing. (Tr. at 5.)
12. Brown Well 1 Joint Venture ("Brown 1A") is a Texas joint venture whose address last known to the Commissioner is 3101 Premier Drive, Plano, Texas 75075. (Hearing Officer Ex. 1.)
13. Brown Well 1A Joint Venture ("Brown 1") is a Texas joint venture whose address last known to the Commissioner is 3101 Premier Drive, Plano, Texas 75075. (Hearing Officer Ex. 1.)
14. Brazelton Well 2A Joint Venture ("Brazelton 2A") is a Texas joint venture whose address last known to the Commissioner is 3101 Premier Drive, Plano, Texas 75075. (Hearing Officer Ex. 1.)
15. Brown 1, Brown 1A, and Brazelton 2A are collectively known hereafter as the "Joint Ventures."
16. North American Drilling Corporation ("NADC") is a Texas corporation whose address last known to the Commissioner is 1417 Gables Court, Suite 101, Plano, Texas 75075. NADC was the managing venture of the Joint Ventures. (Hearing Officer Ex. 1.)
17. Larry Michael Koonce ("Koonce") is an individual whose address last known to the Commissioner is 1417 Gables Court, Suite 101, Plano, Texas 75075. Koonce is the control person and President of NADC and the control person of the Joint Ventures. (Hearing Officer Ex. 1.)
18. Koonce formed the Joint Ventures to invest in oil and gas wells in Texas. Koonce formed NADC to serve as the Managing Venturer of the Joint Ventures. NADC solicited investors to invest in the respective Joint Ventures through the purchase of "Joint Venture Interests" and become "Joint Venturers." (Hearing Officer Ex. 1.)
19. Investor A is a Connecticut resident. In April 2013, Investor A was solicited by a representative of NADC to purchase Joint Venture Interests, which he did for a total of approximately \$32,000. Investor A was told by a representative of NADC that the investment had "little risk" and that Investor A would start receiving revenue within 90 days of his investment. In making the investment, Investor A relied on the representations made to him by the representative of NADC

and Investor A played no role whatsoever in the management of the Joint Ventures. To date, Investor A has only received approximately \$17 as a return on his investment in the Joint Venture Interests. (Hearing Officer Ex. 1; Dept. Exs. 1-3; Tr. at 15-19.)

20. Each of the Joint Ventures issued a Private Placement Memorandum (“PPM”) which stated that “[t]here will be no commingling of funds between the Venture and NADC or any Affiliate thereof.” (Hearing Officer Ex. 1.)
21. After the Joint Venturers purchased Joint Venture Interests, their investment proceeds were initially deposited into an account owned by the respective Joint Venture. However, the Joint Venturers’ investment proceeds were then immediately transferred by Koonce or another representative of NADC to a separate account owned by the entity Wildcat Resources, LC (the “Wildcat Account”). Wildcat Resources, LC (“Wildcat”) is a Texas limited liability company and affiliate of NADC and was formed by Koonce in approximately 2000. (Hearing Officer Ex. 1.)
22. NADC is wholly owned by Koonce. (Hearing Officer Ex. 1.)
23. Essentially, all of the Joint Venturers’ investment proceeds were commingled in the Wildcat Account after being deposited in that account. This commingling of funds directly contradicted the PPMs’ representations that there would be no commingling of funds between the Joint Venturers’ funds “and NADC or any Affiliate thereof.” (Hearing Officer Ex. 1.)
24. From approximately March 2013 to approximately October 2016, approximately \$613,000 was withdrawn from the Wildcat Account and at least a portion of this amount was not used for legitimate expenses related to the Joint Ventures. In addition, approximately, \$32,000 was withdrawn from the Wildcat Account either by checks made out to “Cash” and endorsed by Koonce and/or wires and checks to Koonce and his relatives. The PPMs failed to disclose that Koonce and/or his relatives would be receiving such salaries or compensation out of, at least in part, the Joint Venturers’ investment proceeds. (Hearing Officer Ex. 1.)
25. On March 1, 2016 and May 6, 2016, the Department sent Koonce letters (“Department’s Letters”) requesting a response to a complaint written by Investor A regarding his investment in the Joint Ventures. In two letters dated March 9, 2016 (“March Letter”) and May 26, 2016 (“May Letter”), Koonce, on behalf of NADC, responded to the Department’s Letters and made at least one misleading statement to the Department. (Hearing Officer Ex. 1.)
26. In the May Letter, Koonce represented to the Department that he “never received compensation from any of the Joint Ventures” and was paid “wholly by NADC.” This is a misleading statement. Although the Joint Venturers’ investment proceeds were first deposited into a Joint Venture bank account, the funds were immediately transferred and deposited into the Wildcat Account. Koonce received at least \$32,000 in cash directly from the Wildcat Account, which held the Joint Venturers’ investment proceeds. Therefore, it was misleading for Koonce to represent that he did not receive any compensation from the Joint Ventures and that he was paid wholly from NADC, when he received monies from the Wildcat Account. (Hearing Officer Ex. 1.)
27. To date, Investor A has only received a return of \$17.53 on his approximately \$32,000 investment. (Dept. Ex. 3; Tr. at 19-20.)

28. The Department requested that a fine of \$100,000 be imposed upon each Respondent. (Tr. at 13 and 21.)
29. The Department also requested that Respondents pay restitution to Investor A in the amount of \$32,039.97, which represents the amount of Investor A's total investment in the Joint Ventures minus the \$17.53 he has received to date. (Tr. at 13 and 20.)

CONCLUSIONS OF LAW

The Commissioner is charged with the administration of Chapter 672a of the Connecticut General Statutes, the Connecticut Uniform Securities Act ("Act"), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies promulgated under the Act.

Section 36a-1-31(b) of the Regulations of Connecticut State Agencies provides, in pertinent part, that:

When a party fails to appear at a scheduled hearing, the allegations against the party may be deemed admitted. Without further proceedings or notice to the party, the presiding officer shall submit to the commissioner a proposed final decision containing the relief sought in the notice, provided the presiding officer may . . . receive evidence from the department . . . concerning the appropriateness of the amount of any . . . fine . . . sought in the notice.

Pursuant to Section 36a-1-31(b) of the Regulations of Connecticut State Agencies, the allegations made in the Notice against each Respondent are deemed admitted.

There is sufficient evidence to find that the conduct of Respondents constitutes, in connection with the offer, sale or purchase of any security, directly or indirectly employing a device, scheme, or artifice to defraud, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in violation of Section 36b-4(a) of the Act, which forms a basis for an order to cease and desist to be issued against Respondents under Section 36b-27(a) of the Act, an order that Respondents make restitution under Section 36b-27(b) of the Act, and for the imposition of a fine upon Respondents under Section 36b-27(d) of the Act.

There is sufficient evidence to find that the statements made in the May Letter by Koonce on behalf of NADC were, at the time and in light of the circumstances under which they were made, false or misleading in a material respect, in violation of Section 36b-23 of the Act, which forms a basis for an order to cease and desist to be issued against NADC and Koonce under Section 36b-27(a) of the Act and for the imposition of a fine upon NADC and Koonce pursuant to Section 36b-27(d) of the Act.

There is sufficient evidence to find that the issuance of an order to cease and desist, an order to make restitution and order imposing a fine is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of Sections 36b-2 to 36b-34, inclusive, of the Act.

There is sufficient evidence to find that I have complied with Sections 36b-27(a), 36b-27(b), 36b-27(d), 36b-31(b), and 4-177 of the Connecticut General Statutes.

ORDER

Having read the record, I hereby **ORDER**, pursuant to Sections 36b-27(a), 36b-27(b) and 36b-27(d) of the Connecticut General Statutes, that:

1. The Order to Cease and Desist issued against North American Drilling Corporation, its affiliates, and successors in interest on March 27, 2019 be made **PERMANENT** with respect to violations of Sections 36b-4(a) and 36b-23 of the Act;
2. The Order to Cease and Desist issued against Brown Well 1 Joint Venture, its affiliates, and successors in interest on March 27, 2019 be made **PERMANENT** with respect to violations of Section 36b-4(a) of the Act;
3. The Order to Cease and Desist issued against Brown Well 1A Joint Venture, its affiliates, and successors in interest on March 27, 2019 be made **PERMANENT** with respect to violations of Section 36b-4(a) of the Act;
4. The Order to Cease and Desist issued against Brazelton Well 2A Joint Venture, its affiliates, and successors in interest on March 27, 2019 be made **PERMANENT** with respect to violations of Section 36b-4(a) of the Act;
5. The Order to Cease and Desist issued against Larry Michael Koonce on March 27, 2019 be made **PERMANENT** with respect to violations of Sections 36b-4(a) and 36b-23 of the Act;
6. A **FINE** of One Hundred Thousand Dollars (\$100,000) be imposed upon North American Drilling Corporation, to be remitted to the Department by cashier's check, certified check or money order, made payable to "Treasurer, State of Connecticut," no later than thirty (30) days from the date the Order is mailed;
7. A **FINE** of One Hundred Thousand Dollars (\$100,000) be imposed upon Brown Well 1 Joint Venture, to be remitted to the Department by cashier's check, certified check or money order, made payable to "Treasurer, State of Connecticut," no later than thirty (30) days from the date the Order is mailed;
8. A **FINE** of One Hundred Thousand Dollars (\$100,000) be imposed upon Brown Well 1A Joint Venture, to be remitted to the Department by cashier's check, certified check or money order, made payable to "Treasurer, State of Connecticut," no later than thirty (30) days from the date the Order is mailed;
9. A **FINE** of One Hundred Thousand Dollars (\$100,000) be imposed upon Brazelton Well 2A, to be remitted to the Department by cashier's check, certified check or money order, made payable to "Treasurer, State of Connecticut," no later than thirty (30) days from the date the Order is mailed;
10. A **FINE** of One Hundred Thousand Dollars (\$100,000) be imposed upon Larry Michael Koonce, to be remitted to the Department by cashier's check, certified check or money order, made payable to "Treasurer, State of Connecticut," no later than thirty (30) days from the date the Order is mailed;

11. The Order to Make Restitution issued against Respondents on March 27, 2019 be made **PERMANENT** as follows: Respondents shall pay Investor A the sum of Thirty-Two Thousand Thirty-Nine and 97/100 Dollars (\$32,039.97) no later than thirty (30) days from the date the Order is mailed; and
12. This Order shall become effective when mailed.

Dated at Hartford, Connecticut,
this 7th day of February 2020.

Jorge L. Perez
Banking Commissioner

This Order was sent by certified mail, return receipt requested, to Larry Michael Koonce on behalf of all respondents and hand delivered to Elena Zweifler, Staff Attorney, State of Connecticut Department of Banking on February 7, 2020.

Larry Michael Koonce
1417 Gables Court, Suite 101
Plano, Texas 75075

Certified Mail No.