

INITIAL DECISION RELEASE NO. 1397
ADMINISTRATIVE PROCEEDING
FILE NO. 3-19146

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

In the Matter of	:	INITIAL DECISION
	:	MAKING FINDINGS AND
THE REGISTRATION STATEMENT OF	:	IMPOSING SANCTION BY DEFAULT
STARKOT CORP.	:	March 17, 2020

APPEARANCE: David D. Whipple for the Division of Enforcement,
Securities and Exchange Commission

BEFORE: Carol Fox Foelak, Administrative Law Judge

SUMMARY

This Initial Decision suspends the effectiveness of the registration statement of Starkot Corp. The basis for this “stop order” is that the registration statement includes material misstatements or omissions and that Starkot failed to cooperate with an examination by the staff of the Securities and Exchange Commission.

I. INTRODUCTION

A. Procedural Background

The Commission initiated this proceeding by an Order Instituting Proceedings (OIP) on April 17, 2019. The proceeding is a stop order proceeding, authorized pursuant to Section 8(d) of the Securities Act of 1933. The OIP ordered Starkot to file an Answer within ten days after service of the OIP and ordered that a hearing on the allegations commence at 9:30 a.m. on May 6, 2019, in Hearing Room 2 at the Commission’s offices at 100 F Street, N.E., Washington, DC 20549. OIP at 4. Starkot, a Nevada corporation, was served with the OIP by personal service on its Nevada Registered Agent, Business Filings Incorporated, on April 22, 2019. *See* Securities Act Section 8(d); 17 C.F.R. § 201.141(a)(2)(ii), (v). Starkot did not file an Answer, due on May 2, 2019, did not appear at the hearing, and was ordered to show cause by May 20, 2019, why the effectiveness of the registration statement it had filed should not be suspended. *Starkot Corp.*, Admin. Proc. Rulings Release No. 6564, 2019 SEC LEXIS 1028, at *1-2 (A.L.J. May 6, 2019). Starkot did not respond to the Order to Show Cause. Thus, Starkot has failed to file an Answer; appear at the hearing of which it had been notified; or otherwise to defend the proceeding within the meaning of 17 C.F.R. § 201.155(a)(1), (2). Accordingly, Starkot is in default, and the undersigned

finds that the allegations in the OIP are true as to it. *See* OIP at 4; 17 C.F.R. §§ 201.155(a), .220(f), .310. Additionally, twenty-three exhibits admitted at the May 6, 2019, hearing provide support for the truth of the allegations in the OIP.¹ Official notice has been taken of the Commission's public official records concerning Starkot, pursuant to 17 C.F.R. § 201.323.

B. Allegations and Arguments of the Parties

This proceeding concerns a registration statement filed by Starkot on June 15, 2017. The Division of Enforcement seeks a stop order pursuant to Securities Act Section 8(d), alleging that the registration statement contains material misrepresentations and omissions within the meaning of Section 8(d) and that Starkot failed to cooperate and obstructed the Commission's examination to determine whether a stop order should issue within the meaning of Section 8(e). Section 8(e) empowers the Commission "to make an examination . . . to determine whether a stop order should issue under subsection (d)" and provides that "the Commission or any officer or officers designated by it shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the issuer, underwriter, or any other person, in respect of any matter relevant to the examination, and may . . . require the production of [financial statements of the issuer]."

II. FINDINGS OF FACT

The Commission's public official records, of which official notice is taken pursuant to 17 C.F.R. § 201.323, disclose that Starkot filed a registration statement under the Securities Act on June 15, 2017, and filed amendments on July 25, August 10, and September 13, 2017 (collectively, Registration Statement).² The registration statement and amendments, filed on Forms S-1 and S-1/A, respectively, represent that Starkot is organized under the laws of Nevada. The Registration Statement identifies Ravi Kiran Inturi as Starkot's President, Treasurer, Secretary, and sole Director. The documents provide a United States phone number, an email address, and a postal mailing address for Starkot in India and for an attorney in the United States and identify Starkot's Nevada registered agent.

¹ The undersigned held a one-day hearing on May 6, 2019, in Washington, D.C. The Division of Enforcement appeared and offered twenty-three exhibits, which were admitted into evidence. Following the hearing, the Division filed a Motion and Memorandum of Law Supporting Entry of Default.

² The filings may be viewed on the Commission's EDGAR database: <https://www.sec.gov/Archives/edgar/data/1699144/000169914417000002/0001699144-17-000002-index.htm>; <https://www.sec.gov/Archives/edgar/data/1699144/000169914417000004/0001699144-17-000004-index.htm>; <https://www.sec.gov/Archives/edgar/data/1699144/000169914417000006/0001699144-17-000006-index.htm>; <https://www.sec.gov/Archives/edgar/data/1699144/000169914417000008/0001699144-17-000008-index.htm>. They are also in evidence as Division Exhibits 1-4.

On October 10, 2017, Commission staff in the Division of Enforcement issued a document subpoena to Starkot, which made productions on November 7 and 16, 2017. Div. Exs. 5-6. Thereafter, starting on January 12, 2018, the Division attempted to arrange voluntary testimony by Mr. Inturi through Starkot's attorney, who explained that he was attempting to ascertain whether he still represented Starkot and eventually, on July 10, 2018, told the Division that he did not. Div. Exs. 7-12, 15. On June 28, 2018, the Division issued a subpoena for Mr. Inturi's testimony, which it served on Starkot through its Nevada registered agent and also provided to the attorney, who agreed to forward it to Mr. Inturi. Div. Ex. 13-14. He declined to appear, stating that Starkot did not have enough funds to pay for a trip to the United States, that Starkot "was forced to suspend its growth in activities and stopped the business process," and that it "gets more difficult to keep our head above water day by day." Div. Ex. 16. On November 5, 2018, the Division sent a letter to Starkot by email and to its registered agent by UPS stating that the staff intended to recommend to the Commission that it file an enforcement action leading to a stop order against Starkot and advising that Starkot could make a presentation to the Commission to present reasons or arguments why it should not do so. Div. Ex. 19. Starkot did not respond to the invitation.

As part of its document production, Starkot produced statements from its JP Morgan Chase Bank, N.A., bank account. Div. Ex. 20. The Division also subpoenaed and received bank records directly from the bank. Div. Ex. 21. The bank statements as produced by Starkot contain discrepancies when compared with those produced by the Chase Bank. For example, the account received wires of \$2,085 on March 13, 2017, and \$4,000 on May 17, 2017. The statements as produced by Starkot show customer Shivam Heritage of Bangalore, India, as the source of the funds. Div. Ex. 20 at SEC-STARKOT-LW-E-955, 957.³ This differs from the sources shown on the bank statements produced by the bank: a trading company in Dubai, United Arab Emirates for the March 13 wire, and a trading company in Tallinn, Estonia, for the May 17 wire. Div. Ex. 21 at SEC-JPMCB-E-9, 15. The fact that the statements produced by Starkot represent Shivam Heritage as the source of the funds is significant because the Registration Statement represents that Shivam Heritage is Starkot's one customer. Div. Exs. 1 at 4; 2 at 4; 3 at 4; 4 at 6.

The Registration Statement contains representations that are at odds with other documents emanating from Starkot. The Registration Statement states, "we have only one employee Ravi Kiran Inturi, who is also our sole officer and director." Div. Exs. 1 at 9; 2 at 9; 3 at 8; 4 at 12. However, Starkot's list of officers and directors filed with the Nevada Secretary of State lists Olga Beinars as Secretary. Div. Ex. 22. Olga Beinars also opened Starkot's Chase Bank account; she is described as "Secretary" on the account opening document and signature card, which lists her as the only authorized signer on the account. Div. Ex. 21 at SEC-JPMCB-E-4, 6.

In addition, the Registration Statement represents that, as of June 30, 2017, Mr. Inturi loaned Starkot a total of \$7,089, which included \$5,000 in proceeds from related party loans

³ Leading zeros are omitted from the numerical portion of page references.

during the three month period ended June 30, 2017, as listed on Starkot's statement of cash flows and its unaudited balance sheet.⁴ Div. Ex. 4 at 22 and F-2, -4. The balance sheet showed related party loans of \$7,089 as of June 30 and \$2,089 as of March 31, 2017. Div. Ex. 4 at F-2. However, the bank statements contradict the representation that Mr. Inturi made loans. The only deposits in Starkot's bank account during that period were a \$5,000 wire on April 3, ascribed to the same Dubai, UAE, trading company that was the source of the March 13 wire, and the \$4,000 May 17 wire ascribed by Starkot to customer Shivam Heritage and by Chase to a Talinn, Estonia, trading company. Div. Ex. 21 at SEC-JPMCB-E-13, 15; Div. Ex. 20 at SEC-STARKOT-LW-E-957.

The original Form S-1 represented that Starkot had "identified just one customer Shivam Heritage" and attached a February 26, 2017, contract with the customer. Div. Ex. 1 at 8 and Exhibit 10.3. The amendments also represent Shivam Heritage as the sole customer. Div. Exs. 2 at 8; 3 at 7; 4 at 11. Revenues of \$2,085 are ascribed to the customer as of March 31. Div. Ex. 1 at 1; Div. Ex. 2 at 1; Div. Ex. 3 at 1. Revenues of \$6,085 are ascribed to the customer as of June 30. Div. Ex. 4 at 10. The \$4,000 increase during the three month period ties to the May 17 \$4,000 wire ascribed by Starkot to Shivam Heritage but by the Chase Bank to a Talinn, Estonia, trading company. The Chase Bank statements do not show any incoming funds from Shivam Heritage between March 31 and June 30, 2017. Div. Ex. 21.

III. CONCLUSIONS OF LAW

It is concluded that Starkot included untrue statements of material facts or omitted to state material facts that were required to be included in its registration statement within the meaning of Securities Act Section 8(d) and obstructed the Commission's examination within the meaning of Section 8(e). Therefore, a stop order will be issued.

The record shows that Starkot included untrue statements of material facts or omitted to state material facts that were required to be included in its registration statement. A material fact within the meaning of Securities Act Section 8(d) is one to which "there is a substantial likelihood that a reasonable investor would attach importance in determining whether to purchase the security." 17 C.F.R. § 230.405. If an untrue material fact is included in a registration statement or a material fact is omitted, the registrant's good faith or scienter does not influence whether a stop order should issue. *Kiwago Gold Mines Ltd.*, Securities Act Release No. 3278; 27 S.E.C. 934, 943; 1948 SEC LEXIS 7, at *21 (Mar. 29, 1948)⁵; *U.S. Molybdenum Corp.*, Securities Act Release No. 2743; 10 S.E.C. 796; 804, 1941 SEC LEXIS 237, at *18-19

⁴ The original Form S-1 and first two amendments represented that Mr. Inturi had loaned Starkot a total of \$2,089 as of March 31, 2017, the amount shown as related party loans on its March 31, 2017, audited balance sheet. Div. Exs. 1 at 22 and F-3; 2 at 23 and F-3; 3 at 22 and F-3.

⁵ The date is reported as March 29 in S.E.C. Reports (Volume 27, published in 1953) and as March 31 in SEC LEXIS.

(Dec. 19, 1941)⁶ (citing *Herman Hanson Oil Syndicate*, Securities Act Release No. 1555; 2 S.E.C. 743, 746; 1937 SEC LEXIS 879, at *6 (Sept. 15, 1937)). Representing that Mr. Inturi was the sole officer, director or employee was untrue since Starkot had represented to the Nevada Secretary of State and to the Chase Bank that Olga Beinars was its Secretary and was also the sole authorized signer on the Chase Bank account.

Securities Act Section 8(e) provides that failing to cooperate or obstructing an examination to determine whether a stop order should issue is grounds for issuance of a stop order. Mr. Inturi affirmatively declined to appear for testimony, citing financial reasons, and evinced a disinterest in continuing to pursue registration, stating that Starkot “was forced to suspend its growth in activities and stopped the business process,” and that it “gets more difficult to keep our head above water day by day.” This constitutes a failure to cooperate with the examination within the meaning of Section 8(e). See *Blimpie Corp. of Am.*, Securities Act Release No. 5146, 1971 SEC LEXIS 470, at *2 (May 6, 1971). Mr. Inturi’s disinterest in continuing to pursue registration was underlined by Starkot’s failure to respond to the invitation to make a presentation to the Commission as to why it should not initiate an enforcement proceeding. The evidence of discrepancies concerning revenues from Shivam Heritage among the Registration Statement and two versions of the Chase Bank statements provide evidence of obstruction of the examination within the meaning of Section 8(e) as well as material misstatements or omissions within the meaning of Section 8(d).

IV. SANCTION

The Division requests a stop order suspending the effectiveness of Starkot’s registration statement. This sanction will serve the public interest and the protection of investors, pursuant to Section 8(d) of the Securities Act, and accords with Commission precedent.

V. RECORD CERTIFICATION

Pursuant to Rule 351(b) of the Commission’s Rules of Practice, 17 C.F.R. § 201.351(b), it is certified that the record includes the items set forth in the record index issued by the Secretary of the Commission on February 27, 2020.

VI. STOP ORDER

IT IS ORDERED, pursuant to Section 8(d) of the Securities Act of 1933, 15 U.S.C. § 77h(d), that the EFFECTIVENESS of the REGISTRATION STATEMENT filed by STARKOT CORP. IS SUSPENDED.

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission’s Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days

⁶ The date is reported as December 19 in S.E.C. Reports (Volume 10, published in 1944) and as December 20 (a Saturday) in SEC LEXIS.

after service of the Initial Decision. A party may also file a motion to correct a manifest error of fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then a party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.⁷

/S/ Carol Fox Foelak
Carol Fox Foelak
Administrative Law Judge

⁷ A respondent may also file a motion to set aside a default pursuant to 17 C.F.R. § 201.155(b). See *Alchemy Ventures, Inc.*, Exchange Act Release No. 70708, 2013 SEC LEXIS 3459, at *13 & n.28 (Oct. 17, 2013); see also *David Mura*, Exchange Act Release No. 72080, 2014 SEC LEXIS 1530 (May 2, 2014).