

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

**SECURITIES ACT OF 1933**  
**Release No. 8964 / September 29, 2008**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 28414 / September 29, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13255**

**In the Matter of**

**STARINVEST GROUP, INC.**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST AND EXEMPTION SUSPENSION PROCEEDINGS, MAKING FINDINGS, IMPOSING A CEASE-AND-DESIST ORDER, AND PERMANENTLY SUSPENDING THE REGULATION E EXEMPTION AS TO STARINVEST GROUP, INC. PURSUANT TO SECTION 9(f) OF THE INVESTMENT COMPANY ACT OF 1940 AND RULE 610(c) OF REGULATION E**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist and exemption suspension proceedings be, and hereby are, instituted pursuant to Section 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) and Rule 610(c) of Regulation E against StarInvest Group, Inc. (“StarInvest” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist and Exemption Suspension Proceedings, Making Findings, Imposing a Cease-and-Desist Order, and Permanently Suspending the Regulation E Exemption as to StarInvest Group, Inc., Pursuant to Section 9(f) of the Investment Company Act of 1940 and Rule 610(c) of Regulation E (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. Since electing to be regulated as a business development company ("BDC") on March 9, 2004, StarInvest has, among other things, issued rights to purchase securities without expiration to non-security holders, issued shares for services or property other than cash, and failed to establish a majority of disinterested directors on its board. As a result, StarInvest violated Sections 18(d), 23(a), and 56(a), respectively, of the Investment Company Act. In addition, StarInvest failed to obtain a fidelity bond as required under Section 17(g) of the Investment Company Act and Rule 17g-1 thereunder, and failed to implement a compliance program as required under Investment Company Act Rule 38a-1. Finally, StarInvest failed to comply with Rule 609 of Regulation E because it did not file certain offering-status reports on Form 2-E in connection with securities offerings under Regulation E commenced in March 2004, May 2005, and January 2007.

#### Respondent

2. StarInvest is a Nevada corporation with its principal offices located in Midland, Texas. It elected to be regulated as a BDC on March 9, 2004, and has filed a proxy to withdraw its election. Prior to its BDC election, StarInvest was an operating company known as Exus Global, which was purportedly in the business of providing satellite education courses to emerging-market countries. StarInvest's securities are registered under Section 12(g) of the Securities Exchange Act of 1934 and are quoted on the OTC Bulletin Board under the symbol STIV.

#### Issuing Convertible Securities

3. On December 3, 2003, StarInvest entered into a contract with a private consulting firm to assist StarInvest in becoming a BDC and in issuing stock pursuant to the securities-registration exemption under Regulation E of the Securities Act. Among other things, the contract obligated the consulting firm to prepare corporate-governance and other internal documents necessary for StarInvest to operate as a BDC. It likewise called for the consulting firm to prepare the Commission filings necessary for StarInvest to elect to be regulated as a BDC and to issue stock in an exempt offering under Regulation E. StarInvest agreed to pay the consulting firm, among other things, \$25,000 in cash, plus \$25,000 in convertible debentures for these services.

4. On January 15, 2004, StarInvest issued 2 million shares of Series-B preferred stock to individuals and 8 million shares of Series-B preferred stock to a company controlled by StarInvest's sole officer. The Series-B preferred stock had no voting rights, except that its owners

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

were entitled to elect a majority of StarInvest's board. These shares were convertible on a one-to-one basis into common stock at any time and would convert automatically upon liquidation. From January 1, 2004 to March 31, 2004, StarInvest issued \$325,000 in 8% to 12% convertible debentures, with varying terms from six to twelve months, convertible at a discount of 25%-50% of the closing bid price.

5. On March 9, 2004, StarInvest filed a Form-54-A election with the Commission to become a BDC. As of this date, 8 million shares of the Series-B preferred stock was outstanding and \$275,000 in convertible debentures. Under Section 61(b) of the Investment Company Act, a BDC must comply with Section 61 at the time it becomes subject to Sections 55 through 65 of the Investment Company Act ("the BDC provisions"), "as if it were issuing a security of each class which it has outstanding at such time." StarInvest became subject to the BDC provisions on March 9, 2004.

6. Section 18 of the Investment Company Act is made applicable to BDCs by Section 61(a) of the Investment Company Act, subject to certain exceptions. Section 18(d), as applicable to BDCs, generally prohibits them from issuing "any warrant or right to subscribe to or purchase a security of which such company is the issuer, except in the form of warrants or rights to subscribe expiring not later than one hundred and twenty days after their issuance and issued exclusively and ratably to a class or classes of such company's securities holders." The conversion feature on StarInvest's preferred stock and convertible debentures, which constituted rights to subscribe to or purchase securities, did not provide that the conversion feature would expire not later than 120 days after their issuance as required under Section 18(d).

7. Section 61(a)(3) allows a BDC, notwithstanding Section 18(d), to issue warrants, options, or rights to subscribe or convert to voting securities that are accompanied by securities if, among other things, the BDC's shareholders authorized, and a majority of the BDC's disinterested directors approve, the proposal to issue such securities the issuance. StarInvest's shareholders did not authorize the issuance of the preferred stock or convertible debentures.

### **Issuing Securities for Services**

8. Section 23(a) of the Investment Company Act, which Section 63 of the Investment Company Act makes applicable to BDCs, prohibits any closed-end company from issuing securities for services or for property other than cash or securities. On July 28, 2005, StarInvest issued 867,041 shares of stock to an entity for consulting services.

### **Failure to Establish a Majority of Disinterested Directors**

9. Section 56(a) of the Investment Company Act provides that a majority of a BDC's directors shall be persons who are not interested persons, as that term is defined in Section 2(a)(19) of the Investment Company Act. Between May 2006 and August 2007, StarInvest failed to have a board composed of a majority of persons who were not interested persons.

### **Failure to Adopt and Implement Compliance Policies and Procedures**

10. On December 17, 2003, the Commission adopted Rule 38a-1 under the Investment Company Act, which requires each registered investment company and BDC to adopt and implement written policies and procedures reasonably designed to prevent violations of federal securities laws. These policies and procedures must be approved by the BDC's board of directors (including a majority of disinterested directors) and reviewed annually. Furthermore, each BDC must appoint a chief compliance officer to administer the policies and procedures and fulfill certain reporting duties to the board. The compliance deadline for this new rule was October 5, 2004. StarInvest did not adopt and implement written policies and procedures reasonably designed to prevent violations of federal securities laws and did not appoint a chief compliance officer.

### **Failure to Provide and Maintain a Fidelity Bond**

11. Section 17(g) of the Investment Company Act and Rule 17g-1 thereunder, which Section 59 makes applicable to BDCs, require each BDC to provide and maintain a bond issued by a reputable fidelity insurance company against larceny and embezzlement by officers and employees of the BDC. From March 2004 to April 2005, StarInvest did not provide and maintain a fidelity bond.

### **Violations**

12. As a result of the conduct described above, StarInvest violated Sections 17(g), 18(d), 23(a), and 56(a) of the Investment Company Act and Rules 17g-1 and 38a-1 thereunder.

### **Failure to Comply with Rule 609 of Regulation E**

13. On March 15, 2004, May 13, 2005, and January 16, 2007, StarInvest filed Form 1-E notifications of stock issuance pursuant to the securities-registration exemption under Securities Act of 1933 Regulation E. The filings included a required offering circular, which provided certain disclosures regarding the offering. Rule 609 of Regulation E requires that, within 30 days after the end of each six-month period following the date of the original offering circular, or upon the termination of the offering, whichever is earlier, an issuer must file a report on Form 2-E, providing certain information regarding the status of the offering. StarInvest filed Form 2-Es for the March 15, 2004 Regulation E offering on January 3, 2005 and May 5, 2005. StarInvest filed a Form 2-E for the May 5, 2005 Regulation E offering on December 16, 2005. StarInvest failed to file a Form 2-E for the March 15, 2004 Regulation E offering within 30 days after September 15, 2004, failed to file any subsequent Forms 2-E for the May 13, 2005 Regulation E offering after December 29, 2005, and failed to file any Forms 2-E for the January 16, 2007 Regulation E offering. Therefore, StarInvest failed to comply with Rule 609.

14. Under Regulation E, Rule 610(c), the Commission may, at any time after notice of and opportunity for hearing, enter an order permanently suspending the Regulation E exemption, if the Commission has reason to believe, among other things, that any of the terms or conditions of

Regulation E have not been complied with, including failure to file any report as required by Rule 609.

### **Respondent's Remedial Efforts**

15. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

#### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent StarInvest's Offer.

Accordingly, pursuant to Section 9(f) of the Investment Company Act and Rule 610(c) of Regulation E, it is hereby ORDERED that:

A. Respondent StarInvest cease and desist from committing or causing any violations and any future violations of Sections 17(g), 18(d), 23(a), and 56(a) of the Investment Company Act and Rules 17g-1 and 38a-1 thereunder.

B. The Regulation E exemption as to Respondent StarInvest be, and hereby is, permanently suspended.

By the Commission.

Florence E. Harmon  
Acting Secretary