

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Rel. No. 9118 / April 23, 2010

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 61966 / April 23, 2010

Admin. Proc. File No. 3-11626r

In the Matter of

JOHN A. CARLEY, EUGENE C. GEIGER,
THOMAS A. KAUFMANN, EDWARD H. PRICE, and
CHRISTOPHER H. ZACHARIAS

ORDER DISMISSING FRAUD AND REPORTING ALLEGATIONS

On January 31, 2008, we issued an opinion¹ making numerous findings, including, as relevant to this proceeding, that (i) John A. Carley and Christopher H. Zacharias, officers and directors of Starnet Communications International, Inc. ("Starnet"), and other respondents violated Section 5 of the Securities Act of 1933² by distributing unregistered Starnet stock to the public; and (ii) Carley and Zacharias violated the antifraud and reporting provisions of the Securities Act and the Securities Exchange Act of 1934³ by failing to disclose as a related-party transaction in Starnet's 1999 annual report the nature and extent of the plan to provide Starnet officers and employees with a way to exercise their options under Starnet's stock option plan as part of an illegal scheme to distribute unregistered stock. We ordered that Carley and Zacharias cease and desist from committing or causing any violations or future violations of the applicable

¹ *John A. Carley*, Securities Act Rel. No. 8888 (Jan. 31, 2008), 92 SEC Docket 1693.

² 15 U.S.C. § 77e.

³ Specifically, § 17(a) of the Securities Act (15 U.S.C. § 77q(a)); §§ 10(b) and 13(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78m(a)); and Exchange Act Rules 10b-5, 12b-20 and 13a-1 (17 C.F.R. §§ 240.10b-5, 240.12b-20, and 240.13a-1).

securities laws and further ordered that Carley disgorge \$2,489,740 plus prejudgment interest and Zacharias disgorge \$1,451,128.55 plus prejudgment interest.

Three of the respondents, including Carley and Zacharias, appealed to the United States Court of Appeals for the District of Columbia Circuit challenging our findings of violation and the sanctions imposed. On June 23, 2009, the Court of Appeals denied Carley's and Zacharias's petition for review with respect to the Section 5 violations and the cease-and-desist and disgorgement orders based on those violations. The Court granted the petition for review with respect to Zacharias and Carley's fraud and reporting violations, as well as the cease-and-desist orders based thereon. The Court concluded that we did not establish that the information about related-party transactions omitted from Starnet's 1999 annual report was material. The Court remanded the issue to the Commission.⁴

Given the remedial sanctions sustained against respondents, we have decided, in our discretion, to dismiss the remaining allegations against Carley and Zacharias for failing to disclose the stock option transactions in Starnet's 1999 annual report.⁵ As a result, we dissolve the cease-and-desist order with respect to these alleged violations. We do not express a view on the merits.

Accordingly, it is ORDERED that the proceeding against Carley and Zacharias with respect to the allegations that they violated Securities Act Section 17(a), Exchange Act Sections 10(b) and 13(a), and Exchange Act Rules 10b-5, 12b-20 and 13a-1 be, and it hereby is, DISMISSED.

By the Commission.

Elizabeth M. Murphy
Secretary

⁴ *Zacharias v. SEC*, 569 F.3d 458, 469 (D.C. Cir. 2009).

⁵ Zacharias also contends that the cease-and-desist order with respect to Securities Act Section 5 is unwarranted. However, the Court of Appeals affirmed the Commission's findings of violation and the sanctions imposed with respect to Section 5. We see no basis for reconsidering that order.