



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

STARNET TECHNOLOGIES, INC.	)	CEASE & DESIST ORDER
2880 W. Oakland Park Blvd.	)	Order No. CD-00-04
Suite 125-B	)	
Ft. Lauderdale, Florida 33311;	)	
	)	
DANIEL COLECHIO, SR.	)	
2880 W. Oakland Park Blvd.	)	
Suite 125-B	)	
Ft. Lauderdale, Florida 33311;	)	
	)	
VALERIE DREXLER	)	
2880 W. Oakland Park Blvd.	)	
Suite 125-B	)	
Ft. Lauderdale, Florida 33311;	)	
	)	
NEIL PINCUS	)	
2880 W. Oakland Park Blvd.	)	
Suite 125-B	)	
Ft. Lauderdale, Florida 33311; and	)	
	)	
CHARLES HORVATH	)	
2880 W. Oakland Park Blvd.	)	
Suite 125-B	)	
Ft. Lauderdale, Florida 33311,	)	
	)	
Respondents.	)	

Respondents offered to sell shares of stock in StarNet Technologies, Inc. to Missouri residents. The securities offered by Respondents were not registered in the State of Missouri. Respondents were not registered to sell securities in the State of Missouri. Respondents failed to disclose these facts to the Missouri residents.

The Missouri Commissioner of Securities is empowered to issue such orders as are necessary to protect the public interest. Section 409.408, RSMo 1994.

The Commissioner has received a Petition for a Cease and Desist Order and issues the following Findings of Fact and Conclusions of Law.

### FINDINGS OF FACT

1. StarNet Technologies, Inc. purports to be a British Virgin Islands corporation and has an address of 2880 West Oakland Park Blvd., Suite 125-B, Ft. Lauderdale, Florida 33311.
2. Daniel Colechio, Sr. purports to be the director of StarNet and has a business address of 2880 West Oakland Park Blvd., Suite 125-B, Ft. Lauderdale, Florida 33311.
3. Valerie Drexler is a sales agent for StarNet and has a business address of 2880 West Oakland Park Blvd., Suite 125-B, Ft. Lauderdale, Florida 33311.
4. Neil Pincus is a sales agent for StarNet and has a business address of 2880 West Oakland Park Blvd., Suite 125B, Ft. Lauderdale, Florida 33311.
5. Charles Horvath is a sales agent for StarNet and has a business address of 2880 West Oakland Park Blvd., Suite 125-B, Ft. Lauderdale, Florida 33311.
6. As used in this Cease and Desist Order, the term "Respondents" refers to StarNet, Colechio, Drexler, Pincus and Horvath.
7. On March 4, 1999, Drexler telephoned a Missouri resident ("MR1") and told MR1, among other things, the following:
  - a. StarNet was an Internet company in the pre-Initial Public Offering stage and was offering preferred stock at \$1 a share.
  - b. "It has a potential return between 75 and 125% within approximately the first twelve months and thereafter, right, it carries a yield of 9% dividends and a 40% profit sharing."
  - c. StarNet would charge households \$30 a month and a business \$60 a month for unlimited long distance calls. Communication would be clear and clean and would make other companies obsolete.
8. During this March 4, 1999 telephone conversation, MR1 asked if Drexler worked directly for StarNet. Drexler replied, "Yes, we work for StarNet Technologies."
9. On March 11, 1999, MR1 received a packet of promotional material from StarNet that included, in part, the following:

- a. A confidential prospective investor questionnaire.
  - b. A subscription agreement.
  - c. A StarNet informational magazine containing an overview of the company, an explanation of the company's market opportunity, a market analysis, deployment and business goals, market strategy and project highlights.
  - d. A confidential private placement memorandum dated January 1, 1999, which included, in part, a summary of the offering and information about Daniel Colechio, Sr., the director, officer and sole shareholder of StarNet.
  - e. A Federal Express return envelope addressed to StarNet.
10. On or about March 12, 1999, Pincus telephoned MR1's spouse ("MR2"). Pincus told MR2, among other things:
- a. StarNet was an advanced Internet communication system.
  - b. "We are offering investors at \$1 a share preferred stock with a 9% dividend return and after your money is received back, you will have 40% of the profit in a sharing plan. You guys have the ability now to be in with StarNet and take advantage of this in a pre-IPO."
11. During this March 12, 1999 telephone conversation, MR2 asked Pincus if StarNet's offering was registered with the state or the United States Securities and Exchange Commission ("SEC"). Pincus replied, "Yeah, this is under the guise of the SEC under Reg D, Rule 502(b). You can't sell stock unless you registered it in some form, but it is not tradable stock."
12. On or about March 29, 1999, Horvath telephoned MR1 and asked if MR1 had received the package of information from StarNet. Horvath told MR1, among other things, the following:
- a. Shares of StarNet stock were selling for \$1 a share.
  - b. "You make money two ways with this company. You make money on the front end and also on the back end with this company. We are a pre-IPO. . . . What happens is as soon as we start getting subscribers to use us for long distance, you start making money. And that's before we go up on the NASDAQ, before we get bought out by a larger company, or before we would even merge with another company. In other words, as soon as we get the first 15,000 customers to start using us for long distance, you would receive 90% of your investment back in your pocket. Okay? But you still own the same amount of shares in the company."

- c. "We are doing the same thing as Bill Gates did with Microsoft. The only difference is, we are not calling you from a garage. We are calling you from an office."
  - d. "Well, I tell you what. I'm not going to lie to you. I mean, it's right in our memorandum. It's a high-risk investment. . . . The only thing is, though, what we're doing here actually outweighs the risk. Do you follow what I'm saying? I mean, this is the twenty-first century. We're not trying to reinvent the wheel. I mean, telephones have been around for ages. The Internet has been around for ages. We are going to be the service provider for long distance calling. . . . If you knew that you were paying a flat rate of \$30 per month for long distance calls, would you make a lot more long distance calls? Then, I mean, you have basically answered your own question about the risk."
13. On or about March 29, 1999, Horvath again telephoned MR1 and asked if MR1 and MR2 were going to invest in StarNet. MR1 told Horvath that MR1 and MR2 were saving money to buy a house and would be devastated if MR1 and MR2 lost the money. Horvath replied, "Don't you think the risk outweighs, or what we are doing here, outweighs the risk? You are missing out on a great opportunity, a great opportunity. . . . People become rich when they take a risk. You don't become rich by sticking your money in IRA's, mutual funds, CD's. That's conservative. . . . I make people a ton of money."
  14. MR1 and MR2 did not invest in StarNet.
  15. On March 11, 1999 the Missouri Securities Division received information that indicated that Respondents had offered to sell securities in the State of Missouri.
  16. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration or granted exemption for the securities as offered by Respondents in the State of Missouri.
  17. A check of the records maintained by the Commissioner confirmed no registration for Drexler, Pincus and Horvath to sell securities in the State of Missouri.
  18. On April 2, 1999, the Missouri Securities Division sent letters of inquiry to Respondents at the above-listed address. These April 2, 1999 letters requested information about the above-addressed offer of securities. These letters also requested that Respondents file a claim of exemption from registration or exception from definition for the securities offered by Respondents in the State of Missouri. It was requested that responses to these letters be received on or before April 23, 1999.

19. The April 2, 1999 letters were received and signed for by a representative of StarNet. To date, the Division has received no response to these letters.
20. On April 29, 1999, second letters identical to the April 2, 1999 letters were sent to Respondents. It was requested that responses to these letters be received on or before May 12, 1999.
21. The April 29, 1999 letters were received and signed for on May 5, 1999. To date, the Division has received no response to these letters.
22. To date, Respondents have not filed a claim of exemption from registration or exception from the definition of a security upon which Respondents relied in offering unregistered securities in the State of Missouri.
23. In connection with the offer of the above-mentioned securities to Missouri residents, Respondents omitted to state the following material facts:
  - a. Drexler, Pincus and Horvath were not registered to sell securities in the State of Missouri.
  - b. The shares of StarNet stock were not registered in the State of Missouri.
24. In connection with the offer of the above-mentioned securities to Missouri residents, Drexler and Pincus omitted to state the material fact that an investment in StarNet was a high-risk investment.
25. In connection with the offer of the above-mentioned securities to Missouri residents, Horvath misrepresented the material fact that the potential return on an investment in StarNet outweighed the risks.
26. This Order is in the public interest.

#### CONCLUSIONS OF LAW

1. A security is defined as ". . . any note; **stock**; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; limited partnership interest; voting-trust certificate; certificate of deposit for a security; [or] certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease[.]" (Emphasis added.) Section 409.401, RSMo Cumulative Supp. 1998.

The shares of StarNet stock offered by Respondents constitute securities.

2. It is unlawful for any person to transact business in this state as an agent unless he is registered as an agent under Sections 409.101 to 409.419. Section 409.201(a), RSMo Cumulative Supp. 1998.

Respondents' conduct described in the Section entitled "Findings of Fact" constitutes a violation of Section 409.201(a), RSMo Cumulative Supp. 1998.

3. "It is unlawful for any person to offer or sell any security in this state unless (1) it is registered under this act; (2) the security or transaction is exempted under section 409.402; or (3) it is a federal covered security." Section 409.301, RSMo Cumulative Supp. 1998.

Respondents' offer of unregistered securities, as described in the above "Findings of Fact," constitutes a violation of Section 409.301, RSMo Cumulative Supp. 1998.

4. "It is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly

- (1) to employ any devise, scheme, or artifice to defraud,
- (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or
- (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person." Section 409.101, RSMo 1994.

Respondents' omissions of material facts in connection with the offer of securities, as described in the above "Findings of Fact," constitute violations of Section 409.101, RSMo 1994.

Horvath's misrepresentation of a material fact in connection with the offer of securities, as described in the above "Findings of Fact," constitutes a violation of Section 409.101, RSMo 1994.

5. The Commissioner may, if he believes from the evidence satisfactory to him that a person is engaged or about to engage in any fraudulent or illegal practice or transaction, issue an order prohibiting such person from engaging in or continuing such fraudulent or illegal practice. Section 409.408(b), RSMo 1994.

Transacting business as an unregistered agent constitutes an illegal practice under the statute.

Offering unregistered securities constitutes an illegal practice under the statute.

Omitting to state a material fact in connection with the offer of securities constitutes an illegal practice under the statute.

Misrepresenting a material fact in connection with the offer of securities constitutes an illegal practice under the statute.

6. "[T]he burden of proving an exemption or an exception from a definition is upon the person claiming it." Section 409.402(f), RSMo 1994.

Respondents have failed to sufficiently prove an exemption from registration or an exception from the definition of a security.

7. "The refusal to furnish information. . . within a reasonable time to be fixed by the commissioner, shall be proper ground for the entry of an order by the commissioner suspending the right to sell such security." Section 409.408(a), RSMo 1994.

Respondents' refusal to furnish information as required by the Commissioner constitutes proper grounds for the entry of this Order.

8. Sufficient evidence exists to conclude that Respondents have engaged in willful violations of Sections 409.101, RSMo 1994, and 409.201 and 409.301, RSMo Cumulative Supp. 1998.
9. Sufficient evidence exists to conclude that Respondents will continue such fraudulent and illegal practices.

**NOW, THEREFORE**, the Commissioner of Securities Orders that StarNet Technologies, Inc., Daniel Colechio, Sr., Valerie Drexler, Neil Pincus and Charles Horvath, their agents, employees and servants CEASE AND DESIST the offer of securities in violation of Sections 409.101, RSMo 1994, and 409.201 and 409.301, RSMo Cumulative Supp. 1998.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 15 DAY OF February, 2000.



REBECCA MCDOWELL COOK  
SECRETARY OF STATE

DOUGLAS F. WILBURN  
COMMISSIONER OF SECURITIES

**NOTICE:**

Respondents and any unnamed representatives aggrieved by this Order may request a hearing in this matter. Any request for a hearing should be sent, in writing to Douglas F. Wilburn, Commissioner of Securities, Office of the Secretary of State, Missouri State Information Center, Room 229, 600 West Main Street, Jefferson City, Missouri, 65102, within thirty (30) days of the receipt of this Order. Section 409.412(a), RSMo 1994 and MO 15 CSR 30-55.020.