

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 12, 2014

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2013-00042

BIO-FUEL DEVELOPMENT COMPANY, LLC

and

RICHARD W. STARNES,

Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Bio-Fuel Development Company, LLC ("Bio-Fuel") and Richard W. Starnes ("Starnes") (collectively, "Defendants") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code").

Based on the Division's investigation, Bio-Fuel was formed in December 2005 to support development projects in the ethanol industry in the United States and Germany. Starnes was the manager of Bio-Fuel and oversaw its activities pursuant to the company's operating agreement. As part of its business, Bio-Fuel, through Starnes and George Tuma ("Tuma"), offered and sold membership interests in the company to at least 32 individuals from September 2006 through December 2012.

Following its review of information obtained during the investigation, the Division alleges that the membership interests in Bio-Fuel are "securities" subject to regulation under the Act. The Division further alleges that the membership interests neither were registered with the Division, nor were the membership interests exempt from registration. Similarly, the Division

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alleges that neither Bio-Fuel, Starnes nor Tuma were registered with the Division, and were not exempt from registration.

Based on the investigation, the Division alleges that Bio-Fuel violated: (i) § 13.1-504 B of the Act by employing an unregistered agent in the offer and sale of securities; and (ii) § 13.1-507 of the Act by offering or selling securities that were not registered under the Act or exempt from registration. In addition, the Division alleges that Starnes violated: (i) § 13.1-504 A of the Act by transacting business in the Commonwealth of Virginia without duly being registered with the Division as an agent of the issuer; and (ii) violated § 13.1-507 of the Act by offering or selling securities that were not registered under the Act or exempt from registration.

If the provisions of the Act are violated, the Commission is authorized by § 13.1-506 of the Act to revoke a defendant's registration, by § 13.1-519 of the Act to issue temporary or permanent injunctions, by § 13.1-518 A of the Act to impose costs of investigation, by § 13.1-521 A of the Act to impose certain monetary penalties, by § 13.1-521 C of the Act to order a defendant to make rescission and restitution, and by § 12.1-15 of the Code to settle matters within its jurisdiction.

The Defendants neither admit nor deny these allegations but admit to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

(1) Within one (1) year of the date of entry of this Order, Bio-Fuel will pay to the Treasurer of the Commonwealth of Virginia ("Treasurer") the amount of Five Thousand One Hundred Dollars (\$5,100) in monetary penalties.

(2) Within one (1) year of the date of entry of this Order, Starnes will pay to the Treasurer the amount of Two Thousand Six Hundred Dollars (\$2,600) in monetary penalties.

(3) The Defendants will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Four Thousand Two Hundred Dollars (\$4,200) to defray the costs of the investigation.

(4) Within thirty (30) days of the date of entry of this Order, the Defendants will mail a copy of this Order to each member of Bio-Fuel.

(5) The Defendants will not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendants.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Division, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall fully comply with the aforesaid terms and undertakings of this settlement.

(3) The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding, or taking such other action it deems appropriate, on account of the Defendants' failure to comply with the terms and undertakings of the settlement.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Richard W. Starnes, Operating Manager, Bio-Fuel Development Company, LLC, 13141 North
Enon Church Road, Chester, Virginia 23836; and a copy shall be delivered to the Commission's
Office of General Counsel and Division of Securities and Retail Franchising.

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STATE CORPORATION COMMISSION

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BIO-FUEL DEVELOPMENT COMPANY, LLC
and
RICHARD W. STARNES,
Defendants

ADMISSION AND CONSENT

Bio-Fuel Development Company, LLC and Richard W. Starnes (collectively, "Defendants"), admit to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order ("Order").

The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

Bio-Fuel Development Company, LLC

Date: 4/29/14

By: Richard W. Starnes
Richard W. Starnes
Operating Manager

Date: 4/29/14

By: Richard W. Starnes
Richard W. Starnes