

OPEN MEETING ITEM



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1/26/12

COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

ORIGINAL



DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007  
TELEPHONE: (602) 542-4242  
FAX: (602) 388-1335  
E-MAIL: securitiesdiv@azcc.gov

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Gary Pierce, Chairman  
Bob Stump  
Sandra D. Kennedy  
Paul Newman  
Brenda Burns

Arizona Corporation Commission  
DOCKETED

JAN 13 2012

FROM: Matthew J. Neubert  
Director of Securities

DOCKETED BY [Signature]

RECEIVED  
2012 JAN 13 A 8:25  
AZ CORP COMMISSION  
DOCKET CONTROL

DATE: January 9, 2012

RE: *In re Edward Joseph Barsano, et al.*, Docket No. S-20785A-11-0062

CC: Ernest G. Johnson, Executive Director

Attached for your consideration is a proposed "Order To Cease And Desist, Order For Administrative Penalties And Consent To Same" ("Order") executed by Respondents Edward Joseph Barsano and Cooltrade, Inc. (collectively "Respondents"), and Mr. Barsano's spouse Jeanne Barsano ("Spouse").

The Order finds that Respondents developed a computer program that subscribers can use to buy, sell and trade securities listed, for example, on national exchanges. The order finds that Respondents violated A.R.S. §§ 44-1841 and 44-1842 by offering and selling unregistered securities in the form of stock issued by Cooltrade to raise funds to further market the software.

The Order requires Respondents to permanently cease and desist from violating the Securities Act, and to pay a \$25,000 administrative penalty.

Respondents have provided the Division with a check in the amount of \$25,000 towards satisfaction of the penalty amount. If the Order is approved, the Order will also dismiss the Spouse from these proceedings. The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Mike Dailey



I.

FINDINGS OF FACT

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1. At all relevant times, BARSANO has been an Arizona resident. At all relevant times, BARSANO offered and sold stock issued by COOLTRADE within and from Arizona as its president and chief executive officer. BARSANO has not been registered by the Commission as a securities salesman or dealer.

2. BARSANO incorporated COOLTRADE as an Arizona corporation on April 1, 2004. At all relevant times, COOLTRADE maintained its principal place of business in Scottsdale, Arizona, and it issued and sold COOLTRADE stock within and from Arizona. COOLTRADE has not been registered by the Commission as a securities dealer.

3. Spouse was at all relevant times married to BARSANO. Spouse was joined in this action solely for the purpose of determining the liability of the BARSANO marital community.

A. The Software

4. At all relevant times, BARSANO and COOLTRADE have been engaged in the business of designing and selling a “CoolTrade™ Automated Trading Software” program that subscribers can use to buy, sell and trade securities listed, for example, on national exchanges (the “Software”).

5. According to BARSANO, the Software permits users to develop, select and implement personalized trading strategies including, for instance, the selection of stocks for analysis and the application of personalized trading rules and parameters from a pre-determined set of trading strategies available via the “robotic” stock trading Software.

6. At all relevant times, BARSANO charged subscribers a flat monthly fee to use the Software.

7. At all relevant times, BARSANO also provided subscribers with free Software training.

1           8.     In or around December 2010, Respondent ROBERT COLEMAN STEPHENS  
2 (a.k.a. "BOB STEPHENS", d.b.a. "THE PROJECT" and "THE PROJECT GROUP") ("Stephens")  
3 convinced BARSANO that they could both raise capital for their respective business endeavors by  
4 charging Software subscribers a fee to attend Software training classes taught by BARSANO.

5           9.     Stephens and BARSANO agreed to equally split the Software training class  
6 revenues, "50/50."

7           10.    BARSANO intended to use his share of the Software training class revenues to  
8 further market the Software.

9           **B.     The Potential Investor**

10          11.    On January 25, 2011, an Arizona resident and potential investor (the "PI") who had  
11 heard about the existence of Software training classes sent an email to COOLTRADE (the "First  
12 Email").

13          12.    The subject of the PI's First Email was "Investment" and simply stated that, "I have  
14 a \$100K that I'm looking to invest. Please let me know if there is an opportunity available."

15          13.    Prior to the First Email, the PI had never met BARSANO or spoken to any  
16 COOLTRADE employees. At this time, the PI was unaware of the nature of the terms and  
17 conditions of any investments being issued, offered and/or sold by COOLTRADE and BARSANO.

18          14.    On January 25, 2011, BARSANO sent a response to the PI via email in his capacity  
19 as COOLTRADE's "CEO" that stated, "CoolTrade does have a small number of investors and I  
20 can only assume that you have spoken with one of them. Please send me your telephone number  
21 and we can discuss." The PI had not spoken to any of BARSANO or COOLTRADE's investors.

22          15.    On January 25, 2011, the PI sent an email to BARSANO that provided BARSANO  
23 with the PI's telephone number. BARSANO called the PI soon thereafter on January 25, 2011.

24          16.    During the phone call, the PI stated that he and his associates were interested in  
25 purchasing any available investments from COOLTRADE and BARSANO. In response,  
26 BARSANO described Respondents' Software business, and informed the PI that Respondents had

1 investment opportunities available. BARSANO concluded the phone call after BARSANO and the  
2 PI agreed to meet in person on January 28, 2011, at COOLTRADE's Scottsdale, Arizona, office  
3 address (the "Meeting").

4 17. On January 26, 2011, BARSANO sent the PI an email that confirmed the Meeting  
5 place and time.

6 18. BARSANO also sent the PI an email on January 27, 2011, that stated:

7 I have attached an executive summary that details our upcoming projects and  
8 marketing.

9 I am actually raising \$3MM for the marketing. That will come from investors and  
the funds raised for [*i.e.*, from] the training seminars...

10 19. Attached to BARSANO's January 27, 2011 email to the PI was an eight page,  
11 multi-colored document titled "**EXECUTIVE SUMMARY**" that summarizes BARSANO and  
12 COOLTRADE's past and current COOLTRADE stock offering (the "Executive Summary")  
13 (emphasis in original). BARSANO's January 27, 2011 email and the attached Executive Summary  
14 do not include any restrictions regarding the PI's possible dissemination of the Executive Summary  
15 to third-parties.

16 C. COOLTRADE Stock

17 20. The Executive Summary includes a section titled "**Capital Requirements**" that  
18 states that BARSANO and COOLTRADE have already "**COMPLETED**" their "**Phase I**  
19 **(Buildout)**" offering consisting of the sale of approximately 1,000,000 shares of COOLTRADE  
20 stock (the "COOLTRADE Stock") to "accredited investors" at a price of "\$1.00 per share" for a  
21 total "**Phase I**" COOLTRADE Stock offering of \$1,000,000. (emphasis in original)

22 21. The "**Capital Requirements**" section of the Executive Summary next states that  
23 COOLTRADE and BARSANO were engaged in a new "**Phase II**" COOLTRADE Stock offering  
24 for the purpose of raising capital for the "**Marketing and Expansion**" of the Software customer  
25 base, including the production of "television commercials, seminar presentations in major cities,  
26 and visibility on top financial internet sites." (emphasis in original)

1           22.     The Executive Summary further included additional “**Capital Requirements**” and  
2 “**INVESTMENT OPPORTUNITY**” sections stating that the new “**Phase II**” or “second round of  
3 financing” would involve Respondents’ offer and sale of an additional 3,000,000 shares of  
4 COOLTRADE “Common Stock” at a price of \$1.00 per share, for a total “**Phase II**”  
5 COOLTRADE Stock offering of \$3,000,000. (emphasis in original)

6           **D.     The Meeting and Second Potential Investor**

7           23.     The PI was unable to attend the scheduled Meeting with BARSANO at  
8 COOLTRADE’s office in Scottsdale, Arizona. Thus, the PI asked his associate to attend the  
9 Meeting on his behalf. The PI’s associate is an Arizona resident (the “Second PI”).

10          24.     Prior to the Meeting, the Second PI had reviewed the emails exchanged between the  
11 PI and BARSANO set forth above including, without limitation, the COOLTRADE Stock  
12 Executive Summary. Prior to the Meeting, the Second PI had never: (a) met BARSANO; or (b)  
13 spoken to BARSANO, for instance, via the telephone.

14          25.     The Second PI met with BARSANO on January 28, 2011, at COOLTRADE’s office  
15 in Scottsdale, Arizona, for approximately one and a half hours.

16          26.     During the Meeting, BARSANO asked the Second PI how the Second PI had heard  
17 about BARSANO. The Second PI informed BARSANO that his “buddy” had informed the  
18 Second PI about COOLTRADE.

19          27.     During the Meeting, BARSANO described the benefits of the Software and his plan  
20 for growing the Software business. During the Meeting, BARSANO offered to sell the Second PI  
21 COOLTRADE Stock. BARSANO did not ask the Second PI during the Meeting whether the  
22 Second PI was a sophisticated and/or an accredited investor. BARSANO did ask the Second PI  
23 what the Second PI did for a living, and the Second PI informed BARSANO that the Second PI  
24 worked out of his home.

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1           **E.     The COOLTRADE Stock Investment Kit**

2           28.     During the Meeting, BARSANO gave the Second PI a ten-page “**INVESTMENT**  
3 **KIT**” regarding COOLTRADE “**Restricted Common Stock**” consisting of: (a) a “**SHARE**  
4 **PURCHASE CHECKLIST**”; (b) a “**SUBSCRIPTION AGREEMENT**”; (c) an “**ACCREDITED**  
5 **INVESTOR QUESTIONNAIRE – NOTICE TO INVESTORS**” wherein investors can indicate  
6 whether they believe they are, or are not accredited; and (d) a “**COMMON STOCK**” purchase  
7 acknowledgement form (the “**Acknowledgement Form**”) (emphasis in originals).

8           29.     The “**SUBSCRIPTION AGREEMENT**”: (a) states that a minimum COOLTRADE  
9 Stock investment is \$25,000, or “25,000 Shares X \$1.00 Per Share = \$25,000”; (b) includes a space  
10 where an investor can indicate how many shares of COOLTRADE stock the investor was  
11 purchasing; and (c) directs the investor to make the Investment check payable to COOLTRADE.

12           30.     The Acknowledgement Form requires an investor to acknowledge and agree that:  
13 (a) the COOLTRADE Stock offering had not been reviewed or approved by the Securities and  
14 Exchange Commission or any state agency; (b) that the COOLTRADE Stock cannot be resold, and  
15 that there is no market for the COOLTRADE Stock; (c) that the investments involve “**Risk**” such  
16 that Investment investors could lose their entire Investments; and (d) that the investors are  
17 accredited as defined by “17 CFR Sec. 230:501.”

18           **F.     The Sun City COOLTRADE Stock Investment Seminars**

19           31.     In or about 2006, BARSANO presented seminars to an investment club based in  
20 Sun City West, Arizona (the “**Sun City Seminar(s)**”). Prior to the Sun City Seminars, many of the  
21 Sun City Seminar attendees had no knowledge of either BARSANO or COOLTRADE, or their  
22 Software or business. Likewise, BARSANO did not have a pre-existing relationship with the  
23 majority of the Sun City Seminar attendees prior to the Sun City Seminars.

24           32.     During the seminars, BARSANO discussed the COOLTRADE Software and  
25 provided members of the Sun City investment club with trial copies of the Software for free.

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1           IT IS ORDERED, pursuant to A.R.S. § 44-2032, that BARSANO and COOLTRADE, and  
2 any of BARSANO and COOLTRADE's agents, employees, successors and assigns, permanently  
3 cease and desist from violating the Securities Act.

4           IT IS FURTHER ORDERED that BARSANO and COOLTRADE comply with the attached  
5 Consent to Entry of Order.

6           IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that BARSANO and  
7 COOLTRADE jointly and severally shall pay an administrative penalty in the amount of \$25,000.  
8 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona."  
9 Any amount outstanding shall accrue interest from the date judgment is entered at the rate of 10  
10 percent per annum.

11           IT IS FURTHER ORDERED, that upon entry of this Order, Spouse Jeanne Barsano shall  
12 be dismissed from this proceeding, with all parties to be responsible for their own attorneys' fees  
13 and costs.

14           IT IS FURTHER ORDERED, that if BARSANO or COOLTRADE fail to comply with this  
15 order, the Commission may bring further legal proceedings against that Respondent, including  
16 application to the superior court for an order of contempt.

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1 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this  
2 Order shall be deemed binding against any Respondent under this Docket Number who has not  
3 consented to the entry of this Order.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION  
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8 CHAIRMAN COMMISSIONER

9  
10 COMMISSIONER COMMISSIONER COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of  
16 Phoenix, this \_\_\_\_\_ day of  
17 \_\_\_\_\_, 2012.

18 ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20 \_\_\_\_\_  
21 DISSENT

22 \_\_\_\_\_  
23 DISSENT

24 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA  
25 Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondent EDWARD JOSEPH BARSANO (a.k.a. "ED BARSANO")  
3 ("BARSANO") and COOLTRADE, INC. ("COOLTRADE") (sometimes "Respondent(s)"), and  
4 BARSANO's spouse Jeanne Barsano ("Spouse") admit the jurisdiction of the Commission over the  
5 subject matter of this proceeding. Respondents and Spouse acknowledge that Respondents and  
6 Spouse have been fully advised of Respondents and Spouse's right to a hearing to present evidence  
7 and call witnesses, and Respondents and Spouse knowingly and voluntarily waive any and all  
8 rights to a hearing before the Commission and all other rights otherwise available under Article 11  
9 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents and Spouse  
10 acknowledge that this Order To Cease And Desist And Order For Administrative Penalties  
11 ("Order") constitutes a valid final order of the Commission.

12           2.       Respondents and Spouse knowingly and voluntarily waive any right under Article  
13 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary  
14 relief resulting from the entry of this Order.

15           3.       Respondents and Spouse acknowledge and agree that this Order is entered into  
16 freely and voluntarily and that no promise was made or coercion used to induce such entry.

17           4.       Respondents and Spouse have been represented by attorneys in this matter,  
18 Respondents and Spouse have reviewed this order with their attorneys, Robert J. Itri, Esq. and  
19 Barry Mitchell, Esq. of the firm Gallagher & Kennedy, P.A., and understand all terms it contains.  
20 Respondents and Spouse acknowledge that their attorneys have apprised them of their rights  
21 regarding any conflicts of interest arising from dual representation. Respondents and Spouse  
22 acknowledge that they have each given their informed consent to such representation.

23           5.       Respondents neither admit nor deny the Findings of Fact and Conclusions of Law  
24 contained in this Order. Respondents agree that Respondents shall not contest the validity of the  
25 Findings of Fact and Conclusions of Law contained in this Order in any present or future  
26 proceeding in which the Commission or any other state agency is a party concerning the denial or

1 issuance of any license or registration required by the state to engage in the practice of any business  
2 or profession.

3         6. By consenting to the entry of this Order, Respondents agree not to take any action or  
4 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
5 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
6 basis. Respondents will undertake steps necessary to assure that all of Respondents' agents and  
7 employees understand and comply with this agreement.

8         7. While this Order settles this administrative matter between Respondents and the  
9 Commission, Respondents understand that this Order does not preclude the Commission from  
10 instituting other administrative or civil proceedings based on violations that are not addressed by  
11 this Order.

12         8. Respondents understand that this Order does not preclude the Commission from  
13 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
14 that may be related to the matters addressed by this Order.

15         9. Respondents understand that this Order does not preclude any other agency or  
16 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
17 proceedings that may be related to matters addressed by this Order.

18         10. Respondents agree that Respondents will continue to cooperate with the Securities  
19 Division including, but not limited to, providing complete and accurate testimony at any hearing in  
20 this matter and cooperating with the state of Arizona in any related investigation or any other  
21 matters arising from the activities described in this Order.

22         11. Respondents and Spouse consent to the entry of this Order and agree to be fully  
23 bound by its terms and conditions.

24         12. Respondents acknowledge and understand that if Respondents fail to comply with  
25 the provisions of the order and this consent, the Commission may bring further legal proceedings  
26 against Respondent, including application to the superior court for an order of contempt.

1 13. Respondents understand that default shall render Respondents liable to the  
2 Commission for its attorneys' fees and costs incurred in enforcing this Order at the maximum legal  
3 rate.

4 14. BARSANO represents that at all relevant times, he has been the president and chief  
5 executive officer of COOLTRADE and has been authorized by COOLTRADE to enter into this  
6 Order for and on behalf of it.

7 15. BARSANO and Spouse understand that Spouse was joined in this action solely for  
8 the purposes of determining the liability of the BARSANO marital community. BARSANO and  
9 Spouse further understand and agree that Spouse is being dismissed from this action, with the  
10 parties each bearing their own attorneys' fees and costs.

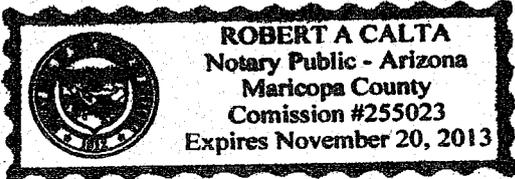
11   
12 Edward Joseph Barsano  
13

14 STATE OF ARIZONA )  
15 ) ss  
16 County of Maricopa )

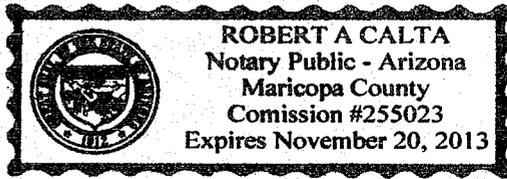
17 SUBSCRIBED AND SWORN TO BEFORE me this 8<sup>TH</sup> day of December, 2011.

18   
19 NOTARY PUBLIC

20 My commission expires:  
21 11/20/2013



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Cooltrade, Inc.

*Edward Joseph Barsano*

By Edward Joseph Barsano

Its president and CEO

STATE OF ARIZONA )  
County of Maricopa ) ss

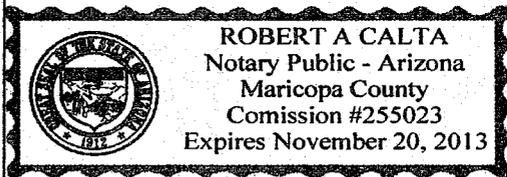
SUBSCRIBED AND SWORN TO BEFORE me this 8<sup>th</sup> day of December, 2011.

*Robert A. Calta*

NOTARY PUBLIC

My commission expires:

11/20/2013



*Jeanne Barsano*

Jeanne Barsano, spouse of Edward Joseph Barsano

STATE OF ARIZONA )  
County of Maricopa ) ss

SUBSCRIBED AND SWORN TO BEFORE me this 8<sup>th</sup> day of December, 2011.

*Robert A. Calta*

NOTARY PUBLIC

My commission expires:

11/20/2013

1 SERVICE LIST FOR: *In re Edward Joseph Barsano, et al.*, Docket No. S-20785A-11-0062

2 Robert J. Itri, Esq.  
Robert Mitchell, Esq.  
3 Gallagher & Kennedy, P.A.  
2575 East Camelback Road  
4 Phoenix, Arizona 85016  
*Attorneys for Respondents*  
5 *Edward Joseph Barsano,*  
*Jeanne Barsano,*  
6 *and Cooltrade, Inc.*

7 Dan W. Goldfine, Esq.  
Cory L. Braddock, Esq.  
8 Snell & Wilmer, L.L.P.  
One Arizona Center  
9 400 East Van Buren Street  
Suite 1900  
10 Phoenix, AZ 85004-2202  
*Attorneys for Respondent*  
11 *Robert Coleman Stephens*

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1 I hereby certify that I have this day served the foregoing document on all parties of record  
2 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

3 Robert J. Itri, Esq.  
4 Robert Mitchell, Esq.  
5 Gallagher & Kennedy, P.A.  
6 2575 East Camelback Road  
7 Phoenix, Arizona 85016  
*Attorneys for Respondents*  
*Edward Joseph Barsano,*  
*Jeanne Barsano,*  
*and Cooltrade, Inc.*

8 Dan W. Goldfine, Esq.  
9 Cory L. Braddock, Esq.  
10 Snell & Wilmer, L.L.P.  
11 One Arizona Center  
12 400 East Van Buren Street  
13 Suite 1900  
14 Phoenix, AZ 85004-2202  
15 *Attorneys for Respondent*  
16 *Robert Coleman Stephens*

17 Dated: 1/15/12

18 By:   
19 Emie R. Bridges, Executive Assistant