

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2011 FEB -2 P 12:02

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

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

EDWARD JOSEPH BARSANO (a.k.a. "ED
BARSANO") and JEANNE BARSANO,
husband and wife,

ROBERT COLEMAN STEPHENS (a.k.a.
"BOB STEPHENS") and JANE DOE
STEPHENS, husband and wife,

COOLTRADE, INC., an Arizona corporation,

Respondents.

DOCKET NO. S-20785A-11-0062

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents EDWARD JOSEPH BARSANO (a.k.a. "ED BARSANO"), ROBERT COLEMAN STEPHENS (a.k.a. "BOB STEPHENS"), and COOLTRADE, INC., are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

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Arizona Corporation Commission

DOCKETED

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I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. At all times relevant, Respondent EDWARD JOSEPH BARSANO (a.k.a. "ED BARSANO") ("BARSANO") has been a married man and an Arizona resident. At all times relevant, BARSANO has been offering and/or selling the investments discussed below within and from Arizona in his individual capacity, and on behalf of Respondent COOLTRADE, INC. ("COOLTRADE") as its co-owner, president, chief executive officer, director and investment salesman. On or about March 21, 1997, BARSANO filed an application with the Commission to become registered as a securities salesman, CRD#2870983. BARSANO's application was terminated on or about August 5, 1997, because he did not take and/or pass the required Series 63 exam. Thus, BARSANO has not been registered by the Commission as a securities salesman or dealer.

3. At all times relevant, Respondent ROBERT COLEMAN STEPHENS (a.k.a. "BOB STEPHENS") ("STEPHENS") has been a married man and an Arizona resident. At all times relevant, STEPHENS has been offering and/or selling the investments discussed below within and from Arizona in his individual capacity, and on behalf of COOLTRADE as its investment salesman. At all times relevant, STEPHENS has not been registered by the Commission as a securities salesman or dealer.

4. BARSANO incorporated COOLTRADE as an Arizona corporation on April 1, 2004. At all times relevant, COOLTRADE maintained its principal place of business in Scottsdale, Arizona, and it has been offering, selling and/or issuing the investments discussed below within and from Arizona. COOLTRADE's office address is presently located at 16009 North 81st Street,

1 Scottsdale, AZ 85260. COOLTRADE has not been registered by the Commission as a securities
2 dealer.

3 5. BARSANO, STEPHENS, and COOLTRADE, may be referred to collectively as
4 "Respondents."

5 6. Respondent JEANNE BARSANO has been at all relevant times the spouse of
6 BARSANO, and Respondent JANE DOE STEPHENS has been at all relevant times the spouse of
7 STEPHENS. JEANNE BARSANO and JANE DOE STEPHENS may be referred to as
8 "Respondent Spouse(s)." Respondent Spouses are joined in this action under A.R.S. § 44-2031(C)
9 solely for purposes of determining the liability of the marital communities.

10 7. At all relevant times, BARSANO and STEPHENS have been acting for their own
11 benefit and for the benefit or in furtherance of their marital communities with Respondent Spouses.

12 III.

13 FACTS

14 A. Respondents' Stock Trading Software Business

15 8. At all times relevant, Respondents have been representing to offerees and/or
16 investors within and from Arizona that Respondents are engaged in the business of designing,
17 manufacturing and selling an automated, or "robotic" stock trading computer program to the
18 general public called CoolTrade™ (the "Software").

19 9. As generally explained in an October 20, 2010, press release posted on
20 COOLTRADE's website at www.cooltrade.com (the "Website"):

21 COOLTRADE, Inc. is the premier provider of automated stock trading technology
22 with its groundbreaking point-and-click robotic trading system. Designed to
23 simplify, automate, and eliminate human error in the strategy-development and
24 stock trading processes, CoolTrade's automated solution has achieved popular
25 appeal with its Profit Protection, Profit Maximization, Real-time Simulation, and
26 Stealth Mode features. Headquartered in Scottsdale, Arizona, the company was
founded in 2004 by former Microsoft software design engineer, Ed Barsano.
COOLTRADE currently has subscribers in over 40 countries trading
through...[several securities brokerage firms].

10. As discussed below, Respondents have been offering and/or selling investments within and from Arizona to raise "capital" to fund their Software business operations including, without limitation, funds necessary to further market and sell the stock trading Software (the "Investment(s)").

B. Respondents' Advertising and/or Solicitation for Investment Investors

11. At all times relevant, Respondents have been engaged in public advertising and/or a general solicitation for Investment investors, in part, by presenting seminars to Arizona residents held at a Scottsdale, Arizona theater and bar (the "Seminar(s)").

The First Seminar and Potential Arizona Investors

12. On January 15, 2011, BARSANO and STEPHENS arranged for and held a free Seminar (the "First Seminar") personally attended by approximately twenty persons, with two persons listening to the First Seminar via a Skype video/telephone stream (the "Attendee(s)").

13. Many of the Attendees were "Invited" to attend the First Seminar via an "Evite" email sent to them by Respondents and/or their authorized agent that stated:

"You're Invited"

CoolTrade/The Project

Host:

The Project Group and
CoolTrade...

When:

Saturday, January 15 from 10:00 AM to
1:00 PM...

Hi Everyone,

Here is the invite for the CoolTrade presentation and The Project overview. If you are not familiar with CoolTrade, please visit the website at www.cool-trade.com.

The presentation will last about 1 hour and the rest will be question and answer and food will be served in a private area at the...[restaurant] connected to the theater.

If you are bringing a guest, please limit that to 1 – 2 people only, unless you have already RSVP'd. You can forward this to your guests if you like.

1 14. As noted, in part, by the emailed invitation set forth above, several of the Attendees
2 of the First Seminar had no pre-existing relationship with Respondents and/or were previously
3 unaware of Respondents' Software business operations.

4 15. According to an Attendee of the First Seminar who is an Arizona resident (the
5 "Arizona Attendee"), BARSANO and STEPHENS discussed the benefits of the Software for use in
6 stock trading. According to the Arizona Attendee, however, BARSANO and STEPHENS spent the
7 majority of their time during the First Seminar promoting, offering and/or attempting to generate
8 interest in the Investments rather than trying to sell Software subscriptions.

9 16. During the First Seminar, BARSANO and STEPHENS represented to Attendees
10 that:

- 11 a. No Attendees "could understand" the Investments or how the Software worked;
- 12 b. BARSANO and STEPHENS were "pitching" "sophisticated" Investments to be
13 managed by BARSANO and STEPHENS on behalf of the "unsophisticated
14 [Investment] investors";
- 15 c. The Investments cost a minimum of \$100,000 each;
- 16 d. The Investments would provide investors with returns of over one hundred percent
17 "at no risk" to Investment investors; and,
- 18 e. The Investments would only be sold to BARSANO and STEPHEN's "friends."

19 17. BARSANO and STEPHENS further represented to Attendees at the First Seminar
20 that the Investments would not be documented by contracts, and that investors would not be
21 allowed access to related financial information and/or COOLTRADE's "books." Rather,
22 BARSANO and STEPHENS stated that the Investments would be documented by a "handshake"
23 only.

24 18. During the First Seminar, BARSANO and STEPHENS indicated that the
25 Investments would involve, in part, investors' Investment funds being managed and invested by
26 Respondents using their propriety Software stock trading program.

1 19. BARSANO and STEPHENS further informed the Attendees that they were raising
2 money for "The Project" and/or "The Project Group," and/or a real estate development involving:
3 (a) a theme park; and/or (b) time-share condos.

4 20. When the Arizona Attendee asked BARSANO and STEPHENS questions regarding
5 the terms and conditions of the Investments, STEPHENS told the Arizona Attendee that he would
6 "have to write a check for \$100,000" to learn such information "at the next meeting."

7 21. During the First Seminar, an Attendee who admitted to "living paycheck-to-
8 paycheck" stated that he could not afford to pay BARSANO and STEPHENS \$100,000 to attend
9 the "next meeting." In response, STEPHENS represented to the Attendee that if he could write
10 STEPHENS a check in the amount of \$500, the Attendee would be allowed to attend "the next
11 meeting" regarding the Investments.

12 22. According to the Arizona Attendee, BARSANO and STEPHENS also offered to pay
13 Attendees a commission and/or finder's fee of approximately ten percent of the principal
14 Investment amounts purchased by investors who were introduced to Respondents by the Attendees.

15 23. When the Arizona Attendee asked BARSANO and STEPHENS additional questions
16 regarding the Investments, including how the Investments could produce such large profits with no
17 risk, BARSANO and STEPHENS asked the Arizona Attendee to leave the First Seminar.

18 **The Potential Arizona Investor**

19 24. On January 25, 2011, an Arizona resident and potential Investment investor (the
20 "PAI") who had heard about the existence of the First Seminar sent an email to Respondents at the
21 email address listed on the Website, corporate@cool-trade.com (the "First Email"). The PAI's
22 First Email indicated that the PAI was interested in purchasing an Investment from Respondents,
23 and that he had "\$100K" available to invest.

24 25. Prior to this time, the PAI had never met Respondents and was unaware of the
25 nature of the terms and conditions of the Investments being issued, offered and/or sold by
26 Respondents.

1 26. On January 25, 2011, BARSANO sent a response to the PAI via email in his
2 capacity as COOLTRADE's "CEO" that stated, "CoolTrade does have a small number of investors
3 and I can only assume that you have spoken with one of them. Please send me your telephone
4 number and we can discuss." At this time, the PAI had not spoken to any of Respondents' existing
5 investors.

6 27. On January 25, 2011, the PAI sent an email to BARSANO that provided
7 BARSANO with the PAI's telephone number. BARSANO called the PAI soon thereafter on
8 January 25, 2011 (the "Phone Call").

9 28. During the approximately thirty minute Phone Call the PAI stated that he and his
10 associates were interested in purchasing any available Investments from Respondents. During the
11 Phone Call, the PAI also told BARSANO that he had over \$100,000 available to purchase an
12 Investment.

13 29. In response, BARSANO represented to the PAI during the Phone Call, sometimes in
14 contradictory fashion, that:

- 15 a. There were "unbelievable" Investments that were available;
- 16 b. BARSANO is the founder, "CEO", and creator of the Software;
- 17 c. The First Seminar did not pertain to any "investments in COOLTRADE";
- 18 d. All of COOLTRADE's investors were "friends and family" and they invested with
19 Respondents via a "friends of friends kind of thing" all of whom BARSANO had
20 met and, as a result, before BARSANO could let the PAI invest in COOLTRADE,
21 BARSANO would have to meet with the PAI;
- 22 e. BARSANO was getting "ready to sweep the globe" and "rock the world" with his
23 stock trading Software;
- 24 f. The "whole idea" behind the January 15, 2011, First Seminar "was to get
25 investment capital" to create a "marketing campaign" involving television to further
26 promote the stock trading software;

- 1 g. As a result, now was the "absolute perfect time" for the PAI to invest with
2 Respondents;
- 3 h. BARSANO previously "took on some investors" about five and a half years ago
4 who invested approximately \$1,500,000 in COOLTRADE to motivate BARSANO
5 to improve his stock trading Software, in part, because his investors were depending
6 on him;
- 7 i. BARSANO has "never" had any SOFTWARE subscribers tell BARSANO that they
8 have "lost money" using his stock trading Software; rather, BARSANO has often
9 had SOFTWARE subscribers tell BARSANO that they have "consistently" made
10 money using the Software through good markets and bad;
- 11 j. COOLTRADE has "little overhead" so the majority of its profits will go to
12 investors;
- 13 k. Now is a "very good time" and the "perfect time" to invest with Respondents
14 because Respondents have not yet produced any television advertisements to
15 promote the Software;
- 16 l. BARSANO and COOLTRADE could have approximately \$99,000,000 in monthly
17 Software subscription revenue that could be "doled out" to Investment investors;
- 18 m. BARSANO and COOLTRADE have been working to obtain a patent on the
19 Software for the past five years;
- 20 n. BARSANO desired to meet with the PAI to get "him onboard," because
21 BARSANO has met everyone of his investors "face-to-face" on a "friends-of-
22 friends kind of thing";
- 23 o. BARSANO does not want to raise capital, for instance, through traditional venture
24 capital firms and that is why Respondents are attempting and/or are raising capital
25 in the manner set forth herein;
- 26 p. The software takes the "risk right out" of the stock market; and,

1 q. BARSANO and COOLTRADE have been visited by the S.E.C., apparently because
2 of the Software, and were found to have done nothing wrong.

3 30. During the Phone Call, BARSANO did not, without limitation: (a) ask the PAI
4 about the nature and extent of the PAI's investment experience or financial resources; (b) ask the
5 PAI whether he was a sophisticated and/or an accredited investor; or (c) state that the Investments
6 were not registered with the Commission as securities to be offered or sold within or from Arizona.

7 31. During the January 25, 2011, Phone Call, BARSANO further informed the PAI that
8 he was presenting the Investments at another seminar to be held on January 26, 2011 (the "Second
9 Seminar").

10 32. BARSANO concluded the Phone Call by requesting the PAI to meet with him on
11 January 28, 2011, at COOLTRADE's Scottsdale, Arizona office address (the "Meeting"). On
12 January 26, 2011, BARSANO sent the PAI an email confirming the Meeting with the PAI at
13 COOLTRADE's Scottsdale, Arizona office to take place in the morning on January 28, 2011.

14 33. On January 27, 2011, the PAI sent BARSANO an email asking if the Second
15 Seminar was a success. In response, BARSANO sent the PAI an email on January 27, 2011,
16 stating that the Second Seminar was "quite dynamic" and presented by BARSANO solely to sign-
17 up new Software subscribers, and for the PAI to:

18 Please know that I have never held meetings to attract investors, and every investor
19 in CoolTrade asked me if they could invest...

20 Now that the [Software] infrastructure has been created and is in full operation, it is
21 time to put this on TV and get the market-share that our industry-changing
technology has earned.

22 It is for that reason that I am open to additional investment capital. We've done
23 well with word-of-mouth advertising but to break-through and let CoolTrade
become a household name, we got to get into the households and TV is the only
24 way to do that. Our commercials will be BLOCK-BUSTER!

25 ///
26 ///

1 34. In response, the PAI sent BARSANO an email on January 27, 2011, asking
2 BARSANO whether BARSANO was going to use the Investment funds solely to market the
3 Software, or whether BARSANO was selling stock or equity in COOLTRADE itself.

4 35. In response, BARSANO sent the PAI an email on January 27, 2011, that included
5 detailed, Investment offering materials (the "BARSANO Email"), and stated:

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

8 I am actually raising \$3MM for the marketing. That will come from investors and
9 the funds raised for the training seminars.

10 Also note, we will be raising the price to \$99/mo. So, 1 million users (believed to
11 be easily achieved world-wide) will be \$99MM a month revenue with little
overhead.

12 Remember, the original investors subscribed in 2005-2006 and had to wait years for
13 the whole infrastructure to be completed and also wait for the top brokers to call.

14 Whereas, you are in a position to come onboard at a time when I have declared that
15 "2011 is going to be our breakout year!!!", and we still have a list of new brokers
clamoring to join us.

16 This is certainly details [sic] we can discuss when we meet, but if you really want to
be on-board, I will make it worth your while!

17 Since I declared that "2011 is our year", I have pulled out all of the stops. I'm
18 confident that it will pay off BIG TIME!

19 Let's make this OUR YEAR!!!

20 36. In response to the BARSANO email, the PAI sent an email to BARSANO on
21 January 27, 2011, inquiring whether Respondents were only raising \$3,000,000, and exactly how
22 much of the Investments were left for sale. In response, BARSANO sent an email to the PAI on
23 January 27, 2011, indicating that BARSANO would answer all of the PAI's questions during their
24 scheduled January 28, 2011 Meeting and stating that, "basically, if we are going to be paying out
25 dividend checks each month/quarter, I would rather do it for individuals/friends, than to some
26 corporation."

1 **C. Investment Offering Materials and Summary**

2 37. Attached to the BARSANO Email was an eight-page Investment "Executive
3 Summary." The cover-page of the Executive Summary includes the COOLTRADE logo, states
4 that BARSANO is COOLTRADE's "CEO/President" and Investment "Contact," and lists
5 Respondents' Scottsdale, Arizona business address.

6 38. The BARSANO Email does not include any restrictions regarding the PAI's
7 dissemination of the Executive Summary to third-parties.

8 39. The Executive Summary includes a summary of BARSANO and COOLTRADE's:
9 (a) Software business "Mission"; (b) information regarding the COOLTRADE "Company"; (c)
10 detailed information regarding the Software "Product"; (d) an analysis of the current and future
11 Software "Market"; (e) Software "Competition"; (f) "Current Partnerships" with third-party
12 vendors; and (g) an analysis of the Investment "Risk/Opportunity" that, in fact, does not disclose a
13 single risk.

14 40. The Executive Summary includes a section titled "Management Team" that details
15 how BARSANO's computer software "experience and knowledge of the financial markets will be
16 key factors in the success of..." the COOLTRADE Software and Investments. The "Management
17 Team" section of the Executive Summary further states that, "With the [Investment] funds obtained
18 herein, the Company [*i.e.*, COOLTRADE] seeks to recruit additional management staff to direct
19 the national marketing campaign of the product [*i.e.*, the "Software"].

20 41. The Executive Summary includes a paragraph titled "Goals and Objectives" that
21 states:

22 With only word-of-mouth buzz among internet communities, our groundbreaking
23 product has developed a user base of stock market traders all over the world. Our
24 plan now is to aggressively market the CoolTrade Robotic Trader in order to
25 significantly grow the company's recognition and subscription base. The company
26 has therefore initiated a round of financing to support these marketing efforts. As
part of our capital-raising initiative, we are seeking investors who recognize
emerging trends and the potential of CoolTrade's industry-changing technology.

1 42. The Executive Summary includes a section titled "Capital Requirements" that sets
2 forth that Respondents have already completed their "Phase I" Investment offering consisting of
3 sales of 1,000,000 shares of COOLTRADE stock at a price of \$1.00 per share, for a total "Phase I"
4 offering of \$1,000,000. The Capital Requirements section further states that Respondents used the
5 "Phase I" Investment funds to obtain office space and equipment and develop the Software.

6 43. The Capital Requirements section of the Executive Summary states that
7 Respondents are currently engaged in their "Phase II" Investment offering for the purpose of
8 raising capital for "Marketing and Expansion" of their Software customer base. The Capital
9 Requirements section sets forth that the "Phase II" "second round of financing" will involve
10 Respondents' offer and sale of 3,000,000 shares of COOLTRADE "Common Stock" at a price of
11 \$1.00 per share, for a total "Phase II" offering of \$3,000,000.

12 44. Finally, the Capital Requirements section of the Executive Summary states that
13 Respondents will engage in a "Phase III" Investment offering in 2011 to raise capital to be used to
14 modify the Software for use on various international securities brokerage exchanges.

15 45. The Executive Summary includes a section titled "Exit Strategies" stating that: (a)
16 COOLTRADE "may become a favorable target for acquisition in either the software, financial, or
17 brokerage industries"; and (b) that similar stock trading software companies have been acquired by
18 other companies for \$488,000,000 in 2000, \$1,300,000,000 in 2002, and for \$606,000,000 in 2009.
19 The Exit Strategies section of the Executive Summary also states that COOLTRADE may possibly
20 attempt "an Initial Public Offering (IPO)" at some point in the future.

21 46. The "Capital Structure of the Company" and "Conclusion" sections of the Executive
22 Summary state that: (a) COOLTRADE has 100,000,000 shares of stock "authorized," of which
23 fifty-nine percent is owned by BARSANO, and forty-one percent reserved for "the investment
24 community and employee-stock issuance"; and (b) that "CoolTrade Inc. seeks to implement Phase
25 II which encompasses an aggressive marketing campaign. We believe a national campaign will
26 drive the momentum in achieving our goal of 1,000,000 [Software] subscribers by 2013."

1 47. Finally, the Executive Summary includes an "Appendix A – Use of Proceeds" that
2 sets forth the proposed use of the Investment funds by Respondents including required acquisition
3 of computer equipment, legal and accounting fees, salaries and marketing expenses.

4 **D. The Meeting and the Second Potential Arizona Investor**

5 48. The PAI was unable to attend the scheduled January 28, 2011, Meeting with
6 BARSANO at Respondents' Scottsdale, Arizona office. Thus, the PAI asked his associate to
7 attend the Meeting on his behalf. The PAI's associate is an Arizona resident (the "Second PAI").

8 49. Prior to the Meeting, the Second PAI had reviewed all of the emails exchanged
9 between the PAI and BARSANO set forth above including, without limitation, the BARSANO
10 Email and attached Executive Summary. Prior to the Meeting, the Second PAI had never: (a) met
11 BARSANO; or (b) spoken to BARSANO for instance, via the telephone.

12 50. The Second PAI met with BARSANO on January 28, 2011, at Respondents'
13 Scottsdale, Arizona office for approximately two hours. During the Meeting, BARSANO
14 represented to the Second PAI that:

- 15 a. Respondents already have thirty Investment investors, and that the Second PAI
16 would be the last Investment investor;
- 17 b. BARSANO would use the Investment funds to pay for business expenses and/or
18 overhead, and market the Software including, without limitation, the possible
19 sponsorship of dragster or jet boat racing teams;
- 20 c. Investment investors would receive dividends and a free copy of the Software; and,
21 d. That BARSANO would sell the Second PAI 200,000 shares of COOLTRADE stock
22 for only \$100,000, or \$.50 per share.

23 51. As with the PAI, BARSANO did not ask the Second PAI during the Meeting
24 whether the Second PAI was a sophisticated and/or an accredited investor.

25 52. BARSANO provided the Second PAI with a ten-page "INVESTMENT KIT"
26 regarding the COOLTRADE "Restricted Common Stock" Investments consisting of a: (a)

1 "SHARE PURCHASE CHECKLIST"; (b) a "SUBSCRIPTION AGREEMENT"; (c) an
2 "ACCREDITED INVESTOR QUESTIONNAIRE – NOTICE TO INVESTORS" wherein
3 investors can indicate whether they believe they are or are not accredited; and (d) a "COMMON
4 STOCK" Investment purchase acknowledgement form (the "Acknowledgement Form") (emphasis
5 in originals).

6 53. The "SUBSCRIPTION AGREEMENT": (a) states that a minimum Investment
7 purchase costs \$25,000, or "25,000 Shares X \$1.00 Per Share = \$25,000"; (b) includes a space
8 where an investor can indicate how many shares of COOLTRADE stock being purchased; and (c)
9 directs the investor to make the Investment check payable to COOLTRADE.

10 54. The Acknowledgement Form requires an Investment investor to acknowledge and
11 agree, and it informed the Second PAI for the first time that: (a) the Investments have not been
12 reviewed or approved by the Securities and Exchange Commission or any state agency; (b) that the
13 Investments cannot be resold, and that there is no market for the Investments; (c) that the
14 Investments involve "Risk" such that Investment investors could lose their entire Investments; and
15 (d) that the Investment investors are accredited as defined by "17 CFR Sec. 230.501". The
16 Acknowledgement Form also states that there have been "**No Advertisements**" associated with the
17 Investments, and that the "Investor has not seen or received any advertisement or general
18 solicitation with respect to the sale of the [Investment] Securities" (emphasis in original).

19 **E. General Investment Allegations**

20 55. At all times relevant, Respondents have been representing to offerees and investors
21 that Respondents will manage the essential elements of the Software business and, without
22 limitation: (a) market the Software to individual subscribers and third-party securities brokerage
23 firms; and (b) provide training classes and support to existing and/or potential Software subscribers.

24 56. The Executive Summary further emphasizes that BARSANO, as the Software
25 developer, has extensive "technical knowledge and experience in implementing complex systems
26

1 [and] has been a key factor in the successful development of the company's ground breaking
2 product."

3 57. At all times relevant, Respondents have represented to Investment offerees and/or
4 investors verbally and in writing that Respondents' ability to repay investors their principal
5 Investments and/or projected profits is interwoven with and primarily dependent on the success of
6 the forthcoming Software marketing campaign, and BARSANO's "sophisticated" computer
7 software experience and expertise.

8 **F. The Misrepresentations and Omissions of Material Fact**

9 58. The "Management Team" section of the Executive Summary states that, after he
10 retired from working for a major software developer, "Ed [BARSANO] furthered his knowledge in
11 investing by obtaining Series 7 and 65 certifications and Investment Advisor registration in the
12 state of Arizona."

13 59. However, BARSANO did not obtain Series 7 and 65 "certifications" in Arizona.
14 Although BARSANO took and achieved passing scores after taking the Series 7 and 65 exams, the
15 Commission does not provide persons with any so-called Series 7 and/or 65 "certifications."

16 60. Also unbeknownst to Arizona offerees and/or investors, BARSANO has, in fact,
17 never been licensed by the Commission as an investment adviser or investment adviser
18 representative.

19 61. BARSANO represented to the PAI during the January 25, 2011, Phone Call that
20 BARSANO has "never" had any SOFTWARE subscribers tell BARSANO that they have "lost
21 money" using his stock trading Software.

22 62. However, an Arizona investor purchased 25,000 shares of COOLTRADE stock in
23 February 2006 at a cost of \$1.00 per share, for a total Investment of \$25,000 (the "2006 Investor").
24 In return, BARSANO provided the 2006 Investor with a lifetime subscription to the Software.
25 Thereafter, the 2006 Investor lost several thousand dollars by making stock trades through the
26 stock trading Software in 2007, after practicing with the Software for several months (the

1 "Losses"). The 2006 Investor informed BARSANO of the Losses both verbally and in writing in
2 2007.

3 **IV.**

4 **VIOLATION OF A.R.S. § 44-1841**

5 **(Offer and Sale of Unregistered Securities)**

6 63. From at least January 15, 2011, to the present, Respondents have been offering or
7 selling securities in the form of investment contracts and/or COOLTRADE stock, within or from
8 Arizona.

9 64. The securities referred to above are not registered pursuant to Articles 6 or 7 of the
10 Securities Act.

11 65. This conduct violates A.R.S. § 44-1841.

12 **V.**

13 **VIOLATION OF A.R.S. § 44-1842**

14 **(Transactions by Unregistered Dealers or Salesmen)**

15 66. Respondents are offering or selling securities within or from Arizona while not
16 registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

17 67. This conduct violates A.R.S. § 44-1842.

18 **VI.**

19 **VIOLATION OF A.R.S. § 44-1991**

20 **(Fraud in Connection with the Offer or Sale of Securities)**

21 68. In connection with the offer or sale of securities within or from Arizona, Respondents
22 are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue
23 statements of material fact or omitting to state material facts that are necessary in order to make the
24 statements made not misleading in light of the circumstances under which they are made; or (iii)
25 engaging in transactions, practices, or courses of business that operate or would operate as a fraud or
26 deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a. Misrepresenting to offerees and/or investors that BARSANO had obtained "Series 7 and 65 certifications and Investment Advisor registration in the state of Arizona," when BARSANO has never been registered or licensed by the Commission as a securities salesman or dealer, or as an investment adviser or investment adviser representative; and,

b. Misrepresenting to the PAI during the January 25, 2011, Phone Call that BARSANO has “never” had any SOFTWARE subscribers tell BARSANO that they have “lost money” using his stock trading Software, when the 2006 Investor informed BARSANO both verbally and in writing that the 2006 Investor had lost severally thousand dollars making stock trades while using the stock trading Software.

69. This conduct violates A.R.S. § 44-1991.

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3.	Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
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4. Order that the marital communities of BARSANO and STEPHENS and Respondent Spouses are subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and,

5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each respondent including Respondent Spouses may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. The requesting respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered.** After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order,

1 with written findings of fact and conclusions of law. A permanent Order may include ordering
2 restitution, assessing administrative penalties, or other action.

3 If a request for hearing is not timely made, the Division will request that the Commission
4 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
5 may include ordering restitution, assessing administrative penalties, or other relief.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
8 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
9 Requests should be made as early as possible to allow time to arrange the accommodation.

10 **X.**

11 **ANSWER REQUIREMENT**

12 Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing,
13 the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to
14 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
15 85007, within 30 calendar days after the date of service of this Temporary Order and Notice.
16 Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
17 Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

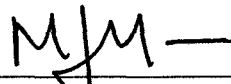
18 Additionally, the answering respondent must serve the Answer upon the Division.
19 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
20 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
21 Arizona, 85007, addressed to Mike Dailey.

22 The Answer shall contain an admission or denial of each allegation in this Temporary
23 Order and Notice and the original signature of the answering respondent or the respondent's
24 attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial
25 of an allegation. An allegation not denied shall be considered admitted.

1 When the answering respondent intends in good faith to deny only a part or a qualification
2 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
3 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

4 The officer presiding over the hearing may grant relief from the requirement to file an
5 Answer for good cause shown.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 2 day of
7 February, 2011.

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10 Matthew J. Neubert
11 Director of Securities
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