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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

FEB - 2 2012

COMMISSIONERS

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

DOCKETED BY [Signature]

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

DECISION NO. 72804

ORDER TO CEASE AND DESIST AND ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY RESPONDENTS:

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

COOLTRADE, INC.

-AND-

ORDER TO DISMISS RESPONDENT JEANNE BARSANO

Respondents EDWARD JOSEPH BARSANO (a.k.a. "ED BARSANO") ("BARSANO") and COOLTRADE, INC. ("COOLTRADE") ("Respondent(s)"), and Respondent JEANNE BARSANO ("Spouse") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 et seq. ("Securities Act") with respect to this Order To Cease And Desist And Order For Administrative Penalties ("Order"). Respondents and Spouse admit the jurisdiction of the Arizona Corporation Commission ("Commission"); Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and Respondents and Spouse consent to the entry of this Order by the Commission.

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
10 the funds raised for [*i.e.*, from] the training seminars...

11 19. Attached to BARSANO's January 27, 2011 email to the PI was an eight page,
12 multi-colored document titled "**EXECUTIVE SUMMARY**" that summarizes BARSANO and
13 COOLTRADE's past and current COOLTRADE stock offering (the "Executive Summary")
14 (emphasis in original). BARSANO's January 27, 2011 email and the attached Executive Summary
15 do not include any restrictions regarding the PI's possible dissemination of the Executive Summary
16 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.

26

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.

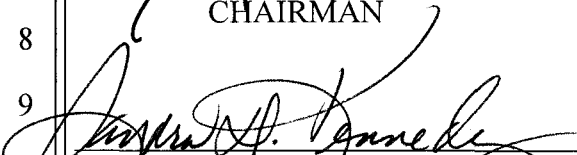
4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRMAN


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10 COMMISSIONER

EXCUSED
COMM. NEWMAN

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13 COMMISSIONER

14 COMMISSIONER


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16 COMMISSIONER

17 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
18 Executive Director of the Arizona Corporation Commission,
19 have hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of
21 Phoenix, this 2nd day of FEBRUARY, 2012.


22
23 ERNEST G. JOHNSON
24 EXECUTIVE DIRECTOR

25 _____
26 DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

CONSENT TO ENTRY OF ORDER

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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.

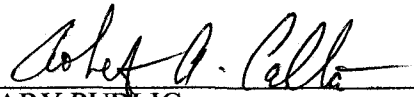
4 14. BARSANO represents that at all relevant times, he has been the president and chief
5 executive officer of COOLTRADE and has been authorized by COOLTRADE to enter into this
6 Order for and on behalf of it.

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.

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12 
13 Edward Joseph Barsano

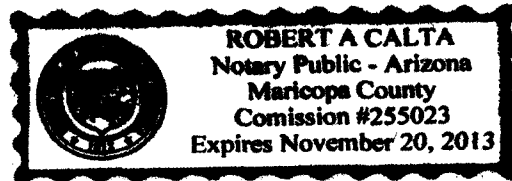
14 STATE OF ARIZONA)
15) ss
16 County of Maricopa)

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

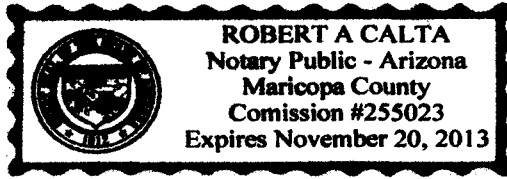
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19 NOTARY PUBLIC

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

1 STATE OF ARIZONA)
2)
3) ss
4 County of Maricopa)

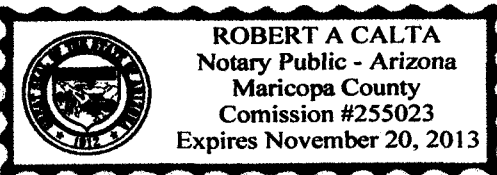
5 SUBSCRIBED AND SWORN TO BEFORE me this 8TH day of December, 2011.

Robert A. Calta

NOTARY PUBLIC

6 My commission expires:

7 11/20/2013



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11 *Jeanne Barsano*
12 Jeanne Barsano, spouse of Edward Joseph
13 Barsano

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

18 SUBSCRIBED AND SWORN TO BEFORE me this 8TH day of December, 2011.

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20
21 *Robert A. Calta*
22 NOTARY PUBLIC

23 My commission expires:

24 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.
3 Robert Mitchell, Esq.
4 Gallagher & Kennedy, P.A.
5 2575 East Camelback Road
6 Phoenix, Arizona 85016
Attorneys for Respondents
Edward Joseph Barsano,
Jeanne Barsano,
and Cooltrade, Inc.

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

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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3 COMMISSIONERS

4 GARY PIERCE, Chairman
5 BOB STUMP
6 SANDRA D. KENNEDY
7 PAUL NEWMAN
8 BRENDA BURNS

9 In the matter of:)
10 EDWARD JOSEPH BARSANO (a.k.a. "ED)
11 BARSANO") and JEANNE BARSANO, husband)
12 and wife,)
13 ROBERT COLEMAN STEPHENS (a.k.a. "BOB)
14 STEPHENS") and JANE DOE STEPHENS,)
15 husband and wife,)
16 COOLTRADE, INC., an Arizona corporation,)
17 Respondent.)

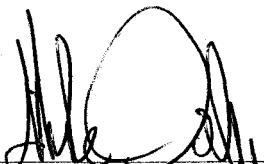
DOCKET NO. S-20785A-11-0062

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

18 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached Order to Cease
19 and Desist and Order for Administrative Penalties and Consent to Same by Respondents was filed
20 with the Arizona Corporation Commission's Docket Control.

21 Dated: 1/13/12

22 By:

23 
24 Mike Dailey
25 Attorney for the Securities Division of the
26 Arizona Corporation Commission

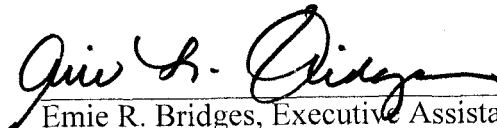
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I hereby certify that I have this day served the foregoing document on all parties of record in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

Robert J. Itri, Esq.
Robert Mitchell, Esq.
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016
Attorneys for Respondents
Edward Joseph Barsano,
Jeanne Barsano,
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Dan W. Goldfine, Esq.
Cory L. Braddock, Esq.
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One Arizona Center
400 East Van Buren Street
Suite 1900
Phoenix, AZ 85004-2202
Attorneys for Respondent
Robert Coleman Stephens

Dated: 1/19/12

By: 
Emie R. Bridges, Executive Assistant