



ARIZONA CORPORATION COMMISSION

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CONTACT: Rebecca Wilder (602) 542-0844

Commission Orders Over \$4.94 Million for Defrauded Real Estate Investors, Penalizes Promoter of Unregistered Securities Offering in Software Company

PHOENIX, AZ—The Commission today ordered a Phoenix man to pay over \$4.94 million in restitution for defrauding real estate investors. Also, the Commission fined a Scottsdale man for offering and selling unregistered stock in a company that developed automated stock trading software.

The Commission ordered Terry L. Samuels of Phoenix to pay a \$90,000 administrative penalty and over \$4.94 million in restitution for fraudulently offering and selling unregistered membership interests in limited liability companies that were in the house-flipping business. The Commission found that, while not registered to offer and sell securities in Arizona, Samuels and his affiliated companies, 3-CG, LLC and Choice Property Group, LLC, sold the unregistered investments to over 50 investors, promising them 15% annual returns. The Commission found Samuels informed some of the investors that they could rollover their IRA funds to purchase the unregistered LLC membership interests. The Commission found Samuels promised investors that their money would be used to purchase real estate, but that he and his companies actually used the money for other purposes while borrowing funds from lenders to purchase the properties.

Additionally, the Commission found Samuels told investors that they would own an interest in a company with a secured interest in real property when, in fact, lenders held the first lien position on the properties. Thus, when the properties could not be sold, the lenders foreclosed, leaving the individual investors without any collateral. Moreover, the Commission found that Samuels failed to adequately disclose his companies' existing financial obligations and the foreclosure proceedings pending against properties owned by Choice Property Group, LLC and his other affiliated companies. In settling this case, Samuels admitted to the Commission's findings and agreed to the entry of the consent order.

In a separate case, the Commission ordered Edward Joseph Barsano and his affiliated company, CoolTrade, Inc., to pay a \$25,000 administrative penalty for offering and selling unregistered stock in a company that developed automated stock trading software. The Commission found that Barsano, who was the president and chief executive officer of CoolTrade, Inc., was not registered in Arizona as a securities salesman or dealer when he offered the unregistered stock investments. Additionally, the Commission found that, as a result of free investment seminars Barsano hosted in Sun City, three investors purchased CoolTrade stock. In settling this matter, Barsano neither admitted nor denied the Commission's findings, but agreed to the entry of the consent order.

More caution for investors:

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-0662 or toll free in Arizona, 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov.

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