

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE
COMMISSION,

100 F Street, N.E.
Washington, D.C. 20549

Plaintiff,

v.

SEDONA SOFTWARE SOLUTIONS, INC.

AND

JOHN E. COOPER,

Defendants.

Case: 1:07-cv-02269
Assigned To : Roberts, Richard W.
Assign. Date : 12/19/2007
Description: General Civil

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

NATURE OF THE ACTION

1. This action involves violations of the registration provisions of the Securities Act of 1933 ("Securities Act") and the reporting provisions of the Securities Exchange Act of 1934 ("Exchange Act") by defendant Sedona Software Solutions, Inc. ("Sedona") and its former chairman, chief executive officer, and controlling shareholder, defendant John E. (Jack) Cooper ("Cooper"). The violations took place in 2003, when Cooper arranged the sale of 5.34 million Sedona shares, representing ninety-nine percent of Sedona's total shares outstanding, to two principals (the "Bermuda principals") of a Bermuda investment banking and brokerage firm (the "Bermuda firm"). All of the 5.34 million Sedona shares that Cooper sold were restricted, and no

registration statement was in effect as to the transaction. The Bermuda principals then directly or indirectly sold 159,300 of those restricted Sedona shares into the U.S. public markets on the OTC Bulletin Board ("OTCBB") from January 21 through January 27, 2003, without a valid registration statement in effect, and without any valid exemptions from registration. The Commission suspended trading in Sedona stock on January 30, 2003.

2. Sedona failed to file current reports on Form 8-K with the Commission to disclose the change in control from Cooper to the Bermuda principals that occurred on or about January 3, 2003. As chairman and chief executive officer of Sedona, Cooper aided and abetted Sedona's reporting violation. Cooper also failed to file an amended Schedule 13D with the Commission to report his sale of Sedona stock to the Bermuda principals, failed to file a Form 4 with the Commission to report the change in beneficial ownership of his Sedona shares, and failed to file an annual report of his Sedona holdings on Form 5 with the Commission.

3. By virtue of its conduct, defendant Sedona directly or indirectly violated, and unless restrained and enjoined will continue to violate, Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C. §§ 78m(a); 17 C.F.R. §§ 240.13a-11].

4. By virtue of his conduct, defendant Cooper directly or indirectly violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]; and Sections 13(d) and Section 16(a) of the Exchange Act and Rules 13d-2, 16a-2, and 16a-3 thereunder [15 U.S.C. §§ 78m(d) and 78p(a); 17 C.F.R. §§ 240.13a-11, 240.13d-2, 240.16a-2, and 240.16a-3]. In addition, defendant Cooper aided and abetted Sedona's violations of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11].

JURISDICTION

5. This Court has jurisdiction of this action pursuant to Sections 20 and 22(a) of the Securities Act [15 U.S.C. §§ 77t and 77v(a)], and Sections 20, 21(d), and 27 of the Exchange Act [15 U.S.C. §§ 78t; 78u(d), and 78aa].

6. Defendants, directly or indirectly, have made use of the means and instrumentalities of interstate commerce, or of the mails, in connection with the acts, practices, and courses of business alleged herein.

DEFENDANTS

7. **Sedona Software Solutions, Inc.** was at all relevant times a Nevada corporation based in Vancouver, British Columbia, which had no operations and nominal assets. Sedona's stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act, and was traded and quoted on the OTCBB under the ticker symbol "SSSI." On January 29, 2003, the Commission suspended trading in Sedona securities for ten days. On June 30, 2006, Sedona filed a Form 15 with the Commission to terminate its Exchange Act Section 12(g) registration.

8. **John E. Cooper**, age 68, is a Canadian citizen residing in Vancouver, British Columbia. During the relevant period, Cooper was the chairman and chief executive officer of Sedona.

FACTUAL ALLEGATIONS

9. Defendant Cooper formed Sedona in 1999, and served as Sedona's chairman and chief executive officer, while his two sons served as Sedona's directors. Cooper was Sedona's sole officer, and he and his sons were Sedona's sole directors.

10. Cooper and his sons owned four million restricted Sedona shares. Shortly after Sedona's inception, forty-three friends, associates, and relatives of Cooper received approximately 1.34 million Sedona shares in one or more private placements. Together, Cooper, his sons, and his friends, associates, and other relatives owned approximately 5.34 million shares of Sedona, which represented over ninety-nine percent of Sedona's total shares outstanding.

11. Prior to November 2002, in order to facilitate the sale of Sedona to a third party, Cooper instructed Sedona's U.S. transfer agent to consolidate the share certificates representing 1.34 million shares that were held by his forty-three friends, associates, and relatives. At Cooper's direction, the transfer agent consolidated the 1.34 million Sedona shares from forty-three share certificates into twelve share certificates, and those twelve share certificates were then issued in the names of seven friends, relatives, or associates of Cooper (the "Seven Shareholders"). By November 2002, all of the Seven Shareholders had given Cooper possession of their share certificates, along with signed stock powers, granting him permission to transfer their shares in a sale to a third party.

12. In or around mid-December 2002, Cooper began negotiations with one of the Bermuda principals ("Bermuda Principal No. 1") to sell Sedona. Cooper and Bermuda Principal No. 1 reached an agreement whereby Cooper would sell 5.34 million shares of Sedona stock (over ninety-nine percent of Sedona's total shares) to the Bermuda principals for a total purchase price of approximately \$380,000.

13. Cooper negotiated the sale of the 5.34 million Sedona shares (hereinafter, the "Sedona Shares"), to the Bermuda principals on behalf of all of Sedona's selling shareholders (himself, his sons, and the Seven Shareholders). Cooper arranged for the preparation of all of the share transfer documentation, negotiated the price for the Sedona Shares, and made all of the

payment arrangements. Cooper also determined how much money he and his sons would receive from the approximately \$380,000 purchase price, and how much money each of the Seven Shareholders would receive. To effectuate the sale of the Sedona Shares, Cooper instructed the Seven Shareholders to sign share purchase agreements transferring their collective 1.34 million shares to nominees used by the Bermuda principals, each in exchange for a small payment. As part of the same transaction, Cooper also arranged for the sale of the four million Sedona shares from himself and his sons to the Bermuda principals.

14. At all relevant times, Cooper was a control person of Sedona because he was its sole officer, its chief executive officer, its chairman, and he and his sons owned the majority of Sedona's outstanding shares. This also made Cooper an affiliate of Sedona. The Seven Shareholders were also affiliates of Sedona because Cooper exercised control over their shares, and over their decision-making regarding their shares. Cooper's sons were also affiliates because Cooper exercised control over them and their shares, and they, along with Cooper, owned the majority of Sedona's outstanding shares.

15. Although Cooper and the Bermuda principals treated the 1.34 million shares from the Seven Shareholders as unrestricted or "free-trading" shares, those shares were in fact restricted, because the Seven Shareholders were affiliates of Sedona, as described above, and Cooper sold those 1.34 million shares, along with the four million Sedona shares owned by Cooper and his sons, to the Bermuda principals in a single unregistered transaction.

16. On or about January 3, 2003, the transaction to sell the Sedona Shares closed, and the Bermuda principals committed to pay the approximately \$380,000 purchase price. Also on or about January 3, 2003, Cooper personally hand-delivered the share certificates representing the 1.34 million Sedona shares to the Bermuda principals' attorneys in Vancouver, British

Columbia, to be held by the law firm in escrow until full payment had been received from the Bermuda principals. Also at that time, Cooper retained one of the twelve share certificates for 245,000 shares ("Certificate A"), rather than giving it to the law firm to be held in escrow. On or about January 10, Cooper had the four million shares held by him and his sons delivered by mail to Bermuda principal No. 1 at his Bermuda firm.

17. On or about January 13, 2003, Cooper sent Certificate A directly to Bermuda Principal No. 1 at his Bermuda firm by overnight courier. Certificate A did not bear a restricted legend. The Bermuda principals received Certificate A on or around January 14, 2003, and on that day, Bermuda principal No. 1 instructed certain Bermuda firm employees to credit the Certificate A shares immediately to an account at the Bermuda firm that was jointly owned and controlled by the Bermuda principals ("the Bermuda Joint Account"). Bermuda principal No. 1 then instructed the Bermuda firm employees to immediately send Certificate A to the Bermuda firm's U.S. transfer agent, to be deposited into the Depository Trust and Clearing Corporation ("DTC"). DTC is a central securities repository for U.S. brokerage firms, and is used to settle securities transactions.

18. By January 16, 2003, the Bermuda principals had fully paid for the Sedona Shares, and by January 23, they had received the remaining 1.095 million Sedona shares from Cooper.

19. On January 21, 2003, the Bermuda principals began selling Sedona shares from the Bermuda Joint Account over the OTCBB, and continued selling Sedona shares from that account through January 27, 2003. By the end of the day on January 27, the Bermuda principals had sold or caused the sale of a total of 159,300 Sedona shares over the OTCBB, reaping profits of over \$1.5 million. No registration statement was in effect as to these sales. All of the shares sold from the Bermuda Joint Account originated from the Certificate A shares that had earlier been

deposited into DTC. On January 30, the Commission suspended trading in Sedona stock for ten days due to concerns about the accuracy of information that was being publicly disseminated at the time regarding Sedona's proposed merger with a private mining company, Renaissance Mining Corporation.

20. The Bermuda principals engaged in an illegal distribution of Sedona shares into the U.S. markets, directly and indirectly, when they sold 159,300 restricted Sedona shares on the U.S. public markets on January 21 and thereafter without a registration statement in effect. Cooper's initial sale of the Sedona shares to the Bermuda principals was a necessary part of the illegal distribution of these Sedona shares on the U.S. public markets.

21. Following the close of the sale of the Sedona Shares to the Bermuda principals on or about January 3, 2003, Sedona failed to file a Form 8-K with the Commission to disclose the Bermuda principals' acquisition of majority control of Sedona. Cooper aided and abetted Sedona's failure to file the Form 8-K.

22. Cooper also failed to file an amended Schedule 13D with the Commission to publicly disclose that, as part of a single transaction to sell the Sedona Shares, Cooper had sold shares of Sedona stock. Cooper also failed to file a Form 4 with the Commission to report the change in beneficial ownership of his Sedona shares, and failed to file an annual report of his Sedona holdings on Form 5 with the Commission.

CLAIM ONE
Violations of Section 5 of the Securities Act
[15 U.S.C. §§ 77e(a) and 77e(c)]

23. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.

24. Defendant Cooper, by engaging in the conduct described above, directly or indirectly, and without a registration statement in effect as to Sedona securities:

- a. Made use of the means or instrument of transportation or communication in interstate commerce or of the mails to sell securities through the use or medium of any prospectus or otherwise;
- b. Carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale; and
- c. Made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise securities, without a registration statement having been filed as to those securities.

25. By reason of the foregoing, defendant Cooper violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

CLAIM TWO
**Violations of Section 13(a) of the Exchange Act
and Rule 13a-11 Thereunder
[15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11]**

26. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.
27. Defendant Sedona, by engaging in the conduct described above, failed to file with the SEC current reports on Form 8-K.
28. By reason of the foregoing, defendant Sedona violated, and unless restrained and enjoined will continue to violate, Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C. § 78m(a); 17 C.F.R. § 240.13a-11].

CLAIM THREE

**Aiding and Abetting Violations of Section 13(a) of the Exchange Act
and Rule 13a-11 Thereunder**

[15 U.S.C § 78m(a); 17 C.F.R. § 240.13a-11]

29. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.

30. Defendant Cooper, by engaging in the conduct described above, knowingly provided substantial assistance to Sedona's violation of the periodic reporting provisions of the Exchange Act.

31. By reason of the foregoing, defendant Cooper aided and abetted, and unless restrained and enjoined will continue to aid and abet, Sedona's violation of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder [15 U.S.C § 78m(a); 17 C.F.R. § 240.13a-11].

CLAIM FOUR

**Violations of Section 13(d) of the Exchange Act
and Rule 13d-2 Thereunder**

[15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-2]

32. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.

33. Defendant Cooper, by engaging in the conduct described above, failed to file an amendment to Schedule 13D reporting a material change to his previously-filed Schedule 13D, including, but not limited to, failing to report a material decrease in the percentage of the class of Sedona securities he beneficially owned.

34. By reason of the foregoing, defendant Cooper violated, and unless restrained and enjoined will continue to violate, Section 13(d) of the Exchange Act and Rule 13d-2 thereunder [15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-2].

CLAIM FIVE
**Violations of Section 16(a) of the Exchange Act
and Rule 16a-3 Thereunder**
[15 U.S.C. § 78p(a); 17 C.F.R. § 240.16a-3]

35. Paragraphs 1 through 22 are hereby realleged and incorporated by reference.

36. Defendant Cooper, by engaging in the conduct described above, failed to file a Form 4 with the Commission reporting a change in beneficial ownership of Sedona securities, and failed to file an annual statement of beneficial ownership of Sedona securities on Form 5 with the Commission.

37. By reason of the foregoing, defendant Cooper violated, and unless restrained and enjoined will continue to violate, Section 16(a) of the Exchange Act and Rule 16a-3 thereunder [15 U.S.C. § 78p(a); 17 C.F.R. § 240.16a-3].

WHEREFORE, Plaintiff Securities and Exchange Commission requests that the Court:

i. Enjoin defendant Cooper from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act; Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-2 and 16a-3 thereunder, and from aiding and abetting violations of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder;

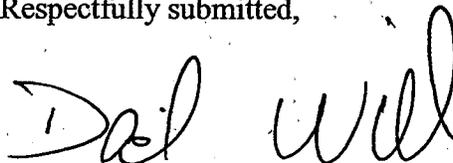
ii. Enjoin defendant Sedona from violating, directly or indirectly, Section 13(a) of the Exchange Act and Rule 13a-11 thereunder;

iii. Order defendant Cooper to pay civil penalties pursuant to Section 20(d) of the Securities Act and Section 21(d) of the Exchange Act; and

iv. Grant such other relief as this Court may deem just and proper.

Dated: *December 19, 2007*

Respectfully submitted,



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