

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

_____)	
In the Matter of)	
)	
INDIGO INVESTMENT SYSTEMS, INC.)	DOCKET NO. C-4003
a corporation, and)	
)	
FRANK ALFONSO, individually and as an)	
officer of the corporation.)	
_____)	

COMPLAINT

The Federal Trade Commission, having reason to believe that Indigo Investment Systems, Inc., a corporation, and Frank Alfonso, individually and as an officer of the corporation ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Indigo Investment Systems, Inc. ("IISI") is a Florida corporation with its principal office or place of business at 8302 S. Tamiami Trail, Sarasota, Florida 34238. IISI was formerly known as MicroStar Research and Trading, Inc.
2. Respondent Frank Alfonso is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of the corporation, including the acts or practices alleged in this complaint. His principal office or place of business is the same as that of IISI.
3. Respondents have advertised, offered for sale, sold, and distributed investment trading programs and training to the public. Investment trading programs sold by respondents include the "Indigo" program for trading stocks. The Indigo program issues, on a daily basis, signals advising its users to buy, sell, or hold specific stocks. These signals are based upon data generated by software programs that look at historical data to determine what trading patterns would, in the past, have been profitable. Respondents have advertised Indigo on their Web sites, www.microstar-research.com, www.msindigo.com, and www.indigoinvestor.com, as well as through Internet banners and newspaper advertisements.

4. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

5. Respondents have disseminated or have caused to be disseminated advertisements for their investment trading programs and training, including but not necessarily limited to the attached Exhibits A through H. These advertisements contain the following statements:

A. ***“INDIGO CAPTURES HUGE PROFITS
INVESTING IN HOT STOCKS!!!***

9/22/99 Indigo's MSX1_M05 - Stock Model Performance

Year	Annual RoR MSX	Annual RoR Market	Annual Buy/Hold	Total # of trades	Maximum Risk
1990	52.43%	-8.22%	-30.86%	285	10.35%
1991	107.22%	27.84%	63.15%	215	16.16%
1992	42.86%	4.42%	50.90%	175	10.62%
1993	27.06%	7.16%	12.61%	160	20.95%
1994	67.24%	-1.36%	9.80%	145	2.89%
1995	27.51%	35.30%	48.00%	110	5.58%
1996	85.83%	19.33%	36.85%	165	6.78%
1997	147.41%	31.76%	16.34%	265	6.79%
1998	141.59%	26.14%	7.45%	275	15.74%
1999	24.58%	8.98%	-51.99%	225	10.38%

**PAST PERFORMANCE DOES NOT
GUARANTEE FUTURE RESULTS**

(Amounts listed assume an initial investment size of \$10,000)

* * * *

[Consumer endorser:] ‘I have been actually investing and making money with the Indigo program. I recently made a trade with the msx405.por, making \$4,000 in one trade.’ Mr. Suprenant, NY”

Exhibit A (Web page, www.microstar-research.com/home/index2.htm)

B. ***“Indigo Stock Test***

Here are some of Indigo’s recent positions:

Recent MSX Trades

ENTRY DATE	EXIT DATE	SYMBOL	POSITION	ENTRY PRICE	CURRENT PRICE	PROFIT
8/26/1999	08/30/99*	AMZN	SHORT	128.562	119.250	\$687
8/26/1999	08/30/99*	AOL	SHORT	100.438	93.250	\$682
8/27/1999	08/30/99*	BBY	SHORT	72.500	70.313	\$270
8/26/1999	08/30/99*	CMGI	SHORT	87.313	81.813	\$597
8/27/1999	08/30/99*	EBAY	SHORT	127.250	119.438	\$579
8/27/1999	08/30/99*	EXDS	SHORT	82.750	76.125	\$765
8/26/1999	08/30/99*	LU	SHORT	66.375	64.313	\$279

8/26/1999	08/30/99*	MSPG SHORT	31.563	28.939	\$800
8/26/1999	08/30/99*	YHOO SHORT	152.688	143.812	\$547

*CLOSED POSITIONS

\$10,000 INITIAL PURCHASE EACH OF 9 STOCKS
 (AMZN, AOL, BBY, CMGI, EBAY, EXDS, LU, MSPG, YHOO)
 1999 ANNUALIZED – PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

Enter your stock symbol below to learn how Indigo will maximize your profits and reduce your risk!"

Exhibit B (Web page, www.microstar-research.com/home/stocktest/msxquote.shtml)

C. **“Click, Click, You’re Rich?”**

It costs more than chump change, but Indigo - Blue Chip Investment Strategies, the investment management software program (actual cost: \$2,720) developed by Sarasota’s MicroStar Research & Trading, Inc., has done “phenomenally well” since it was introduced in 1995, says sales manager Greg Roper.

“With this program, you don’t shoot yourself in the foot by second-guessing,” he says. “It’s not emotional; it’s not greedy.” Click on its signal update, and Indigo instructs on which securities to buy and/or sell at what prices. “Those instructions are based on the internal research and analysis that the program does every day,” Roper says. “It gives the individual investor the same edge in terms of technical research and trading pattern analysis that the big brokers and large institutional traders have,” Roper says.

* * * *

MicroStar’s clients have seen their conservative portfolios jump “40 percent annually over the past three years, while most aggressive portfolios with hot internet stocks have gone up several hundred percent,” Roper says.”

Exhibit C (Web page, www.microstar-research.com/home/reviews/maddux.htm)

D. **“Real People . . . Real Results !!!**

Indigo . . . A powerful easy to use computer trading program designed for individual investors. Fully researched and ready-to-trade, the program provides you with 100% objective signals that consistently beat the market!

* * * *

Listen to what some of our customers have to say.

* * * *

[Consumer endorser:] “I began trading with about \$30,000. I have made approximately \$210,000 using the program in the past 5 months. Since 1/19/1999, I have made a 200% profit in about 80 days!!!! On occasion, I try to improve on the program by buying a stock earlier or later than the program would signal - this is almost always a bad decision. If you can just follow what the program tells you to do, you will make money.”

D. Heacock, VA

* * * *

Indigo will quickly update your stock and mutual fund data, automatically analyze the markets with scientifically tested investment methods, and get you into winning stocks and mutual funds. . .all in less than 10 minutes a day!

[Consumer endorser:] “I made \$2,100 with Indigo in the last 5 weeks. The technical support is excellent. Easy portfolio management. Research and testing is easy and complete. The staff is helpful and friendly, especially for beginners to Indigo.”

C. Brennman, FL”

Exhibit D (Web page, www.microstar-research.com/home/testimony/testimony.htm)

E. **“INDIGO ONLINE (*Which is representative of Indigo Investment Software*) IS NOW UP 193% ANNUALIZED IN 1999 !!!!! THAT IS BEATING THE S&P 500 INDEX WHICH IS UP ONLY 26% ANNUALIZED IN 1999 !!!!!”**

Exhibit E (Web page, www.microstar-research.com/cgi-local/marketprt.pl)

F. “\$10,000 to over \$10,000,000
with . . .
Indigo’s RSX Model

Imagine earning over **10 million dollars in profits** since 1990 on only a \$10,000 original investment. That’s what Indigo’s 10-Stock Relative Strength Model RSX could have produced for you . . . **an average annual return of over 115% per year!**

* * * *

HIGH
ANNUAL

RETURNS
LOW RISK”

Exhibit F (newspaper ad, Investor’s Business Daily)

G. ***“If you were using INDIGO’s RSX - TECH 5 PORTFOLIO you could now have \$539,329 IN PROFITS!!!***

* * * *

Indigo
Investment Software

Imagine your **\$10,000** account growing to over **\$539,329!** That’s what Indigo produced since 1994 trading 3 High Tech Industry stocks . . .”

Exhibit G (newspaper ad, Investor’s Business Daily)

H. **“Stock Performance Test**

Put Us To The Test!

This stock performance test will show you the past results trading with Indigo Investment Software. Please enter the stock of your choice

Here are a few dynamic performances from Indigo for 1999:

77.19% trading AOL (America Online)

71.99% trading BGEN (Biogen)

62.48% trading HD (Home Depot)”

[Stock test entry form follows, requiring entry of stock symbol, name, country, telephone number and e-mail address. Upon entering the stock symbol “LU,” completing the form and pushing the submit button, the consumer receives the following automated response:]

“Stock Performance Test Results for Lucent Technology - LU

The results shown below are based upon an initial investment size of \$10,000. The trading period is indicated by the dates below in the blue bar. The net profit includes interest and compounded equity.

Performance Summary

April 01, 1996 - December 31, 1999

Total Net Profit: \$82,235
 Total Trades: 19
 % Winning Trades: 78.95%
 Annual % Return: 80.83%
 Maximum Risk: 7.68%

Yearly Performance

Year	Indigo Annual % Return	Market Annual % Return	Number of Trades	Percentage of Wins	Maximum Risk
1996	62.72%	13.27%	4	100.00%	.00%
1997	59.60%	31.01%	3	66.67%	5.64%
1998	202.75%	25.57%	5	80.00%	4.27%
1999	17.16%	19.37%	7	71.43%	6.66%

To find out how you can start making PROFITS like this. . . .

CALL INDIGO INVESTMENT SYSTEMS NOW!!!

* * * *

Performance results listed above and in all marketing materials represent simulated computer results over past historical data, and not the results of an actual account. Hypothetical or simulated performance results have certain limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have under-or-over compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Testimonial or actual account results presented to not necessarily reflect the results of all users of the program. Past performance does not guarantee future results. Trading some indigo models represents a high risk speculative investment. Please read customer disclosure document before purchasing.”

Exhibit H (Web pages, www.msindigo.com/)

index.cfm?fuseAction=showStockTestForm, and
www.msindigo.com/index.cfm?fuseAction=
requestStockTest)

6. Through the means described in Paragraph 5, respondents have represented, expressly or by implication, that:

- a. The Indigo earnings data described in the ads represent trades that were actually made and that resulted in the profits stated in the advertisements;
- b. The annual returns for the years 1990 through 1999, as enumerated in the advertisements, were actually achieved by users of respondents' Indigo trading program; and
- c. Users of respondents' Indigo investment trading program can reasonably expect to trade with little financial risk.

7. In truth and in fact:

- a. The Indigo earnings data described on the site do not represent trades that were actually made and that resulted in the profits stated in the advertisements. The data represent results of hypothetical trading and are prepared with the benefit of hindsight using historical data.
- b. The annual returns for the years 1990 through 1999, as enumerated in the advertisements, were not actually achieved by users of respondents' Indigo trading program. The annual returns are based upon hypothetical trades using historical data. Indeed, respondents' Indigo trading program did not exist until 1995.
- c. Users of respondents' Indigo trading program cannot reasonably expect to trade with little financial risk. Consumers who trade in stocks risk a substantial loss of capital, and trading some Indigo models represents a high risk speculative investment.

Therefore, the representations set forth in Paragraph 6 were, and are, false or misleading.

8. Through the means described in Paragraph 5, respondents have represented, expressly or by implication, that:

- a. Most users of respondents' Indigo trading program who have invested in conservative portfolios have achieved an annual return of 40% over the past three years.
- b. Most users of respondents' Indigo trading program who have invested in aggressive portfolios with hot Internet stocks have achieved returns of several hundred percent.

- c. Testimonials appearing in the advertisements for respondents' Indigo trading program reflect the typical or ordinary experience of members of the public who use the program.
- d. Users of respondents' Indigo trading program can reasonably expect to achieve substantial profits on a consistent basis, whether pursuing a conservative or aggressive trading strategy.

9. Through the means described in Paragraph 5, respondents have represented, expressly or by implication, that they possessed and relied upon a reasonable basis that substantiated the representations set forth in Paragraph 8, at the time the representations were made.

10. In truth and in fact, respondents did not possess and rely upon a reasonable basis that substantiated the representations set forth in Paragraph 8, at the time the representations were made. Therefore, the representation set forth in Paragraph 9 was, and is, false or misleading.

11. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this seventh day of March, 2001, has issued this complaint against respondents.

By the Commission.

Donald S. Clark
Secretary

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