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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

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SECURITIES AND EXCHANGE COMMISSION,
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)
Plaintiff
)
)
 v.)
)
MARKET TRADERS LLC
AND ARCANGELO CAPOZZOLO,
)
Defendants.
)

Civil Action No.

01CV10788DPW

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

PRELIMINARY STATEMENT

1. This action arises from false and misleading statements by Market Traders LLC ("Market Traders"), an operator of an Internet website providing trading strategies and stock picks, and its owner and president, Arcangelo Capozzolo ("Capozzolo"). From October 1999 through at least May 2000, Market Traders and Capozzolo solicited customers by misrepresenting the nature and operation of Market Traders' stock-picking system. Using the website and email messages, Market Traders and Capozzolo misrepresented that Market Traders: 1) executes the trades it recommends; 2) tracks stock purchases by institutional investors; 3) has achieved "90 percent accuracy over the past ten years" in predicting increases in the price of stock; and 4) has made millions of dollars. In reality, Market Traders does not execute the trades it recommends, cannot identify stock purchases by institutional investors, and has not made millions of dollars.

Moreover, its system has not been in existence for 10 years and derived its “results” by applying hypothetical trades to historical data.

2. By virtue of the above-described conduct, Market Traders and Capozzolo, directly and indirectly, engaged and, unless enjoined, will continue to engage in acts, practices and courses of business which constitute violations of the antifraud provisions of the federal securities laws—i.e., Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5]. The Commission seeks entry of an injunction prohibiting Market Traders and Capozzolo from violating the relevant provisions of the federal securities laws. The Commission also seeks the imposition of civil monetary penalties under Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

3. Market Traders and Capozzolo’s violations of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5] involved fraud, deceit or deliberate or reckless disregard of regulatory requirements, and resulted in substantial losses or significant risk of substantial losses to other persons.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

5. The Court has jurisdiction over this action pursuant to Sections 21 and 27 of the Exchange Act [15 U.S.C. §78aa].

6. Market Traders and Capozzolo have consented the Court’s jurisdiction over themselves and over the subject matter of this action.

THE DEFENDANTS

7. At all relevant times, Capozzolo, age 25, has been the owner and control person of Market Traders. Capozzolo does not hold any securities licenses and has never been registered with the Commission in any capacity. Capozzolo resides in Williamsville, New York.

8. Market Traders is a New York limited liability company with its principal place of business located at 300 International Drive in Williamsville, New York. Since October 1999, Market Traders has provided trading strategies and online stock-picking services in return for a subscription fee.

FACTS

Background

9. In June 1999, Capozzolo, a high school graduate with no experience in the financial industry, formed Market Traders. The company initially offered a course in currency trading in exchange for a subscription fee. In approximately September 1999, Capozzolo decided to change the company's business to providing stock-related services. Shortly thereafter, Capozzolo signed up for a free two week trial membership with a website that offered such a service. After observing the website's stock picks and market commentary, and reviewing the performance representations, Capozzolo retained John Kuja ("Kuja"), the website's operator, as an independent consultant for Market Traders.

10. Prior to contracting with Market Traders, Capozzolo did not speak with any of Kuja's previous employers and failed to conduct any independent investigation into Kuja's disciplinary history, credentials, past trading, or stock-picking success. Capozzolo also did not

conduct any investigation into how Kuja's stock-picking system worked, whether it was proprietary, or whether Kuja's performance representations were accurate.

11. In October 1999, Capozzolo created a website for Market Traders that incorporated Kuja's service. The site provides stock recommendations and trading strategies in return for a subscription fee of \$395.00 per month. As part of its service, Market Traders operates an interactive, real time chat room that allows subscribers to communicate with each other and Kuja, and to observe Kuja's stock recommendations. Market Traders also provides a nightly newsletter that contains general market commentary and an analysis of Kuja's stock picks.

12. The most important feature of Market Traders' service is a "proprietary indicator" that Kuja uses to pick stocks. Based on the indicator, Kuja announces that subscribers should consider buying recommended stocks when they reach a specific price or price range. When a stock reaches a designated sell price or price range, Kuja provides another recommendation advising subscribers to "consider" selling the stock. Kuja does not predict how long it will take for the stock to reach the target price, and the holding period can vary from one day to several weeks or months.

13. Subscribers can receive Kuja's recommendations by the chat room online, an email message, an alpha-numeric pager, or telephone call. As of April 2001, Market Traders had 185 paying subscribers.

14. Since at least October 1999, Market Traders and Capozzolo have solicited subscribers through false and misleading representations on Market Traders' website and through an aggressive campaign of bulk email messages. As set forth more fully below, Market Traders

and Capozzolo made false and misleading representations regarding Market Traders' execution of its recommended trades, performance record, and the nature and operation of its trading system.

The False and Misleading Statements Concerning Actual Trading

15. From at least October 1999 to May 1999, the Market Traders' website represented that Kuja executes the trades that he recommends and that Market Traders purchases Kuja's stock picks. Notwithstanding these representations, since the inception of Market Traders' service, neither Kuja, Capozzolo, nor Market Traders has executed any of the recommended trades. Market Traders and Capozzolo knew, or were reckless in not knowing, that these representations were materially false and misleading.

The False and Misleading Performance Claims

16. Via the Market Traders' website and in email messages to potential subscribers, Market Traders repeatedly represented that its stock-picking system has a long track record of successful stock picking. Market Traders' website stated that Kuja's indicator "has compiled a 90% accuracy over the past ten years" and has made millions of dollars. The website further stated that both large institutions and individual investors have made millions of dollars using a strategy similar to that employed by Market Traders. In addition, from at least March 2000 to April 2000, through one widely disseminated email, Market Traders claimed that, since October 12, 1999, Market Traders' trader is up "832% with no losses."

17. These representations were materially false and misleading. Kuja's indicator has not been in existence for ten years and neither the indicator nor a similar system has been used by Market Traders, individual investors, or institutional buyers to make millions of dollars. Capozzolo calculated the 832% return by adding together gains on each of Kuja's picks rather

and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers and sellers of such securities; as set forth above in violation of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

I.

Find that Defendants Market Traders and Capozzolo committed the violations charged and alleged herein.

II.

Enter a permanent injunction restraining Market Traders and Capozzolo and each of their officers, agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, including facsimile transmission or overnight delivery service, from directly or indirectly engaging in the conduct described above, or in conduct of similar purport and effect, in violation of: Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

III.

Order Market Traders and Capozzolo to pay appropriate civil monetary penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)]

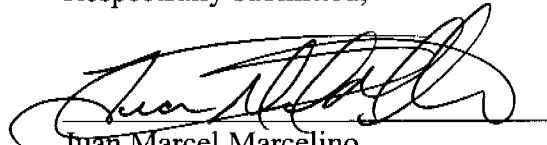
IV.

Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered.

V.

Award such other and further relief as the Court deems just and proper.

Respectfully submitted,



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District Administrator

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