

Kenneth J. Guido
Assistant Chief Litigation Counsel
Division of Enforcement
Securities and Exchange Commission
450 5th Street N.W.
Washington, DC 20549
Mail Stop 9-11
(202) 942-7933 (direct)
(202) 942-9581 (fax)
guidok@sec.gov

Thomas M. Melton (4999)
District Trial Counsel
Securities and Exchange Commission
50 South Main Street, Suite 500
Salt Lake City, Utah 84144-0402
801-524-5796

FILED
CLERK U.S. DISTRICT COURT
-6 FEB 02 AM 9:58
DISTRICT OF UTAH
BY: _____
DEPUTY CLERK

UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GARY L. MOODY,
STEVEN R. MOODY,
VIRTUAL PRIVATE MARKETPLACE, LTD., and
BILLPAY SYSTEMS LLC,

Defendants.

Civil No.

2:02 CV - 0110 B

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against defendants Virtual Private Marketplace, Ltd. ("VPM"), Billpay Systems LLC ("Billpay"), Gary L. Moody ("G. Moody"), and Steven R. Moody ("S. Moody") (collectively referred to as defendants), alleges as follows:

1

NATURE OF THE ACTION

1. This case involves the offer and sale of securities in a fraudulent investment scheme called "Virtual PrivateMarketplace Ltd" ("VPM"). The scheme is run by convicted felon Gary Moody and his brother, Steven Moody. Defendants lured investors to send their money to VPM by promising them astronomical investment returns in a short time. One investor was promised that her investment of \$5,800 would grow to \$85,000 payable in coupons in approximately eight weeks. Another investor was told that his investment of \$1,000 would grow to \$25,000 in coupons after nine weeks. A third investor was promised that his \$1,000 investment would generate \$1,000 in coupons every eight weeks. None of these claims materialized. Investors were also told that the Moody brothers were experienced businessmen, had raised a billion dollars, and that Gary Moody was soon to receive four doctorate degrees from Harvard University. These claims were also false. The fraudulent scheme is ongoing and investors are currently being paid with bounced checks and empty promises that the scheme will eventually work.

2. Defendants are engaged in the ongoing scheme and have obtained investor funds exceeding \$500,000. The defendants sell their scheme to clients directly in presentations at seminars, over the telephone, through the mails, and over the internet at its websites. The defendants, including Billpay and Virtual Private Marketplace, have not registered any securities with the Commission for sale to the public through these means of interstate commerce.

3. The defendants have misrepresented to potential investors their professional credentials, present business activities, and financial net worth. In addition, they have failed to disclose to potential investors material facts, including, but not limited to, the fact that one of them has been enjoined by the Commission for past fraudulent conduct in the sale of securities and been criminally convicted for such activity, and the fact that the other has recently filed for bankruptcy.

4. It is presently unclear what has happened to the investors' funds. The bank accounts into which their investments were deposited have been depleted on a daily basis, and investors are being paid with checks that bounce because of insufficient funds.

5. The defendants, directly or indirectly, singly or in concert, (1) have engaged, are continuing to engage, and are about to engage in, transactions, acts, practices, and courses of business that constitute, and would constitute, violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5; Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); and Sections 5(a) and (c) Securities Act, 15 U.S.C. §§ 77e(a) and (c); and (2), are likely to repeat such violations in the future unless the Court enjoins them from doing so. Accordingly, the Commission seeks relief in the form of a temporary restraining order, freeze order, injunctions, disgorgement, civil penalties and other appropriate remedies.

JURISDICTION AND VENUE

6. The Commission brings this action pursuant to the authority conferred upon it by Section 22(a) of the Securities Act, 15 U.S.C. § 77u(a), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), to restrain and enjoin, temporarily, preliminarily and permanently, defendants VPM, Billpay, G. Moody, and S. Moody from future violations of the federal securities laws. The Commission also seeks disgorgement by defendants VPM, Billpay, G. Moody, and S. Moody of their ill-gotten gains plus prejudgment interest, and such other equitable relief as may be deemed appropriate. In addition, the Commission seeks civil penalties from each of the defendants pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d). The Commission also seeks specific ancillary relief as detailed in its Prayer for Relief.

7. The defendants, directly or indirectly, singly or in concert, made use of the means or instruments of transportation and communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices and courses of business alleged herein. Certain of the transactions, acts, practices and courses of business alleged herein took place in the District of Utah, including the offer, purchase and sale of securities, and acts and transactions involved in the misappropriation of investor funds and securities. Therefore, venue properly lies in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

DEFENDANTS

8. Gary L. Moody ("G. Moody"), 49 years old, is the self-described "Capitan" and trustee of the Virtual Private Marketplace ("VPM"). In February 1999, the Commission obtained a default judgment against Gary Moody arising out of a prime bank fraud and he was permanently enjoined from violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act. *SEC v. DeSimone, DeCabia and Moody*, Civil Action No. 97-CIV-9359 (S.D.N.Y.)(LBS). In connection with the same fraud, Gary Moody pled guilty in 1997 to a scheme to defraud in the first degree in New York State and was sentenced to six months in jail and five years probation. In a separate matter, he was also convicted of securities fraud by the state of Utah in 1997 (although that conviction may be dismissed if he makes full restitution).

9. Steven Moody ("S. Moody"), brother of Gary Moody, is the principal officer of Virtual Marketplace Ltd. and one of the promoters of the VPM's investment programs. Steven Moody also opened and controlled several bank accounts in connection with the VPM. In April 2000, he filed for Chapter 7 bankruptcy.

10. Virtual Private Marketplace Ltd (“VPM”) is the entity run by Gary and Steven Moody. VPM offers investment opportunities in the Real Value Coupon Exchange, the Many Mansions real estate project, and the Luxury Transport automobile project. There is no evidence that this entity has incorporated in any state.

11. BillPay Systems LLC (“Billpay”) is the entity used by the Moody brothers to collect funds from investors. On October 24, 2001, this entity was incorporated in the state of Nevada. The company’s Articles of Organization state that “[t]he company shall be managed by 2 members” who are listed as Steven Moody and Virtual Private Marketplace, Ltd.

FACTS

The Virtual Private Marketplace Program.

12. The defendants have solicited investors in VPM beginning sometime in 2001. The defendants promised investors astronomical returns that will be generated from the defendants’ unique expertise. VPM promises investors profits generated for them by defendants through three programs. The first program, known as the Real Value Coupon Exchange, invites investors to invest their money and then redeem their investment and profits for “coupons” that can be used at retail stores such as Home Depot. VPM’s other two programs are: (1) the Many Mansions Project, which offers investors the opportunity to purchase with their investment and profits “Undivided Interest Coupons” that purportedly give investors possession, but not ownership, of real estate; and (2) the Luxury Transport Project, which offers investors an opportunity to use their investment and profits to purchase a similar coupon that allows them to possess a luxury automobile for 10 percent of the cost.

13. The defendants have represented to some investors that as a result of their own banking system the investors’ money will increase substantially in value. Some investors have

been told that it will double after four to eight weeks, others have been told that their investment will double weekly, and still others have been told they will receive a ten-fold rate of return every week. Investors have been told that these rates of return are possible because of the unique nature of the Virtual Private Market run by the defendant Moody brothers.

14. The defendants have represented that at the end of the requisite time period, investors can either leave their investment in the program to double again, or redeem their original investment for “coupons.”

15. The written materials provided to investors purport to provide information as to how it is possible for the VPM program to provide such exorbitant returns to investors. For example, one document entitled “VPM -- IVCZone Memo dated November 13, 2001” states as follows:

We guarantee double coupons on all orders. Geometric growth is an addition and a privilege by performance. The programs were originally offered to the new and old members as part of phase I testing, as an incentive boost to there [sic] buying power. We are now in phase II testing, where more the [sic] financial systems will be revealed.

16. Another document entitled “Virtual Private Marketplace, Summary Letter,” also seeks to explain that it is the defendants’ methods that will generate a profit for investors:

Our network is based on the paradigm of ‘creative complication’ and ‘spending your way to wealth,’ for the good of all advertisers and businesses we reach worldwide. These are real mindset shifts for prosperity, eCommerce, privacy and business freedom. . . . Success comes quickly as we complete each of many test labs.

17. The defendants have represented to their investors that by pooling the investors’ funds they would have millions of dollars to invest and that therefore they can obtain a higher rate of return on the investors’ monies.

The Virtual Private Marketplace Has Not Been Registered With The Commission

18. The defendants have not filed any registration statements with the Commission to offer to the public the investments in the Virtual Private Marketplace, nor does any exemption apply to the defendants' scheme.

Defendants Misrepresented Their Investment Returns And Their Credentials When They Solicited Investments In The Virtual Private Marketplace

19. The defendants have knowingly or recklessly misrepresented that the VPM will generate astronomical returns, although there is no evidence that the investors' funds have been placed in income generating investments. Instead, investors' funds have been placed in bank accounts that have been drawn down to almost zero on a regular and consistent basis. Many investors also have been paid their alleged returns with checks that have bounced, and others have received just a fraction of what they invested.

20. The defendants have knowingly or recklessly misrepresented that Steven Moody is licensed as a Certified Public Accountant. Neither the California Board of Accounting nor Utah's state accounting board have a record that Steven Moody is a licensed Certified Public Accountant.

21. The defendants have knowingly or recklessly misrepresented that Gary Moody will receive four doctorate degrees from Harvard University for a thesis he has written explaining VPM's investment strategy. Neither Harvard University's Faculty of Arts & Sciences nor its Business School have any record of Gary Moody attending the University, much less receiving a degree.

22. The defendants have knowingly or recklessly misrepresented that they have \$1 billion, and that VPM has a team of lawyers working for them at a cost of \$1 million per month. Defendants also have knowingly or recklessly misrepresented that they did not need any additional

money for themselves and were instead promoting this scheme to help people. In fact, Steven Moody filed for personal bankruptcy in 2000 in order to protect himself from his creditors and there is no record that the Moody brothers have a net worth of \$1 billion. The defendants also have drawn down accounts in which investors' funds were deposited to almost zero on a regular and consistent basis. Furthermore, there is no evidence that there are multitudes of lawyers working for the defendants, much less at the rate of \$1 million per month.

23. Defendants also knowingly or recklessly misrepresented that Gary Moody had fourteen years of experience, had run similar companies that had been successful, and had worked on the inside at banks. These statements are not true. In 1992, Gary Moody testified in a prior Commission investigation to the contrary. Specifically, he testified that he did not graduate from college and was instead "self-educated." Between 1970 through 1975 he worked in construction, brick laying, clothing sales and fashion design. Between 1980 and 1990 he was a consultant to various companies that were seeking lenders or investors. However, Gary Moody conceded that he was "not successful at any time during that time [period]" in concluding any transactions for any companies. In fact, during the 1980's, Gary Moody admitted that he worked part-time jobs in sales "just to survive." In addition, from 1987 through 1992, he lived "on and off" with his mother.

24. The defendants also failed to disclose to investors that Gary Moody had been enjoined in an action filed by the Commission from violating the anti-fraud provisions of the securities laws, was convicted of a felony for the same actions, and has been convicted for another securities fraud violation in Utah.

The Defendants Have Raised At Least \$500,000 From Investors In The Virtual Private Marketplace

25. As of January 23, 2002, the Virtual Private Marketplace Ltd. and the Billpay Systems, LLC bank accounts had received deposits of over \$550,000. The defendants have made substantial withdrawals from the accounts, including one recent cash withdrawal of over \$100,000, and a check for approximately \$50,000 to purchase a Mercedes automobile. The account balances have been kept to a minimum by frequent withdrawals by the defendants.

The Defendants Are Continuing To Seek Investors In The Virtual Private Marketplace, And Have Lost and Destroyed Documents

26. As recently as January 30, 2002, defendant G. Moody arranged to meet with a new potential investor. Web sites affiliated with the defendants are still operating. The Virtual Private Marketplace is still receiving deposits.

27. VPM business records are being lost or destroyed, and some documents have been transferred out of the state of Utah to Evanston, Wyoming.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

**[Violations of Section 10(b) of
the Exchange Act and Rule 10b-5]**

28. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 27 above.

29. From in or about 2001 through the present, the defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in, or the means or instrumentalities of, interstate commerce, or of the mails, in connection with the purchase or sale of securities, knowingly or recklessly, have: (1) employed, and are about to

employ, devices, schemes and artifices to defraud; (2) made, and are about to make, untrue statements of material fact, or have omitted, and are about to omit, to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged, and are about to engage, in acts, transactions, practices and courses of business which have operated as a fraud or deceit upon purchasers of the securities and other persons.

30. By reason of the foregoing, the defendants, have, directly or indirectly, singly or in concert, violated, and unless temporarily, preliminarily and permanently restrained and enjoined, will again violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

SECOND CLAIM FOR RELIEF

**[Sale of Securities in Violation of
Section 17(a) of the Securities Act]**

31. The Commission realleges and incorporates by reference the allegations contained in Paragraphs 1 through 27 above.

32. By reason of the foregoing, defendants have, directly or indirectly, singly or in concert, violated, and unless temporarily, preliminarily and permanently restrained and enjoined, will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF

**[Offer and Sale of Unregistered Securities in Violation
of Sections 5(a) and (c) of the Securities Act]**

33. Paragraphs 1 through 27 are realleged and incorporated by reference.

34. The defendants' investment programs described above constituted investment

contracts, and hence securities, within the meaning of Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)].

35. No registration statement was ever filed with the SEC concerning the Virtual Private Marketplace's investment programs.

36. Defendants, respectively, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of a prospectus or otherwise when no registration statement was filed or was in effect as to such securities and when no exemption from registration was available.

37. By reason of the foregoing, defendants violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)].

RELIEF REQUESTED

WHEREFORE, Plaintiff respectfully requests that this court:

I.

Enter an Order temporarily restraining and preliminarily enjoining defendants VPM, Billpay, G. Moody, and S. Moody, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. §§ 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Sections 5(a) and (c) of the Securities Act, 15 U.S.C. §§ 77e(a) and (c).

II.

Grant a Final Judgment permanently enjoining defendants VPM, Billpay, G. Moody, S. Moody, their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 10(b) of the Exchange Act, 15 U.S.C. §§ 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Sections 5(a) and (c) of the Securities Act, 15 U.S.C. §§ 77e(a) and (c).

III.

Grant a Final Judgment requiring defendants VPM, Billpay, G. Moody, and S. Moody to disgorge an amount equal to the funds and securities they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount.

IV.

Grant a Final Judgment assessing civil penalties against the defendants VPM, Billpay, G. Moody and S. Moody pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

V.

Issue an order directing defendants VPM, Billpay, G. Moody, and S. Moody jointly and severally, to prepare and present to the Court and the Commission, within three business days from the service of the order, a sworn accounting of all of the proceeds collected by the defendants from the activities described in the Commission's Complaint.

VI.

Issue in a form consistent with Rule 65(e) of the Federal Rules of Civil Procedure, orders preliminarily and permanently enjoining defendants VPM, Billpay, G. Moody, and S. Moody, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the orders by personal service or otherwise, and each of them, from:

A. transferring, changing, wasting, dissipating, converting, concealing or otherwise disposing of, in any manner, any funds, assets, claims, or other property or assets owned or controlled by, or in the possession or custody of such defendants or;

B. transferring, assigning, selling, hypothecating, or otherwise disposing of any assets as of the date of the Order.

C. directing them to:

1. take such steps as are necessary to repatriate to the territory of the United States of America, in a manner directed by the Court, all funds and assets of investors in VPM and Billpay, or any affiliated entity, which are held under their direct or indirect control, jointly or singly; and

2. provide the Commission and the Court a written specification of the funds and assets so repatriated within three business days following service of the Order;

3. submit in writing to the Court and to the Commission, within three business days following service of the Order:

(a) an accounting of all securities, funds, and other assets held in their names or for their direct or indirect benefit, stating the location of the funds and assets;

(b) an identification of each account with any financial institution (including banks and securities and commodities brokerage firms) maintained in their names, under their control, or held for their direct or indirect benefit; and

(c) information identifying all business and residence addresses, postal box numbers, telephone numbers and facsimile numbers.

D. Destroying, mutilating, concealing, transferring, altering, or otherwise disposing of, in any manner, any books, records, computer programs, computer files, computer printouts, correspondence, memoranda, brochures, or any other documents of any kind, pertaining in any manner to the business of the defendants, including, without limitation, the sale of securities.

VII.

Grant such other and further relief as this Court may determine to be just, equitable and necessary.

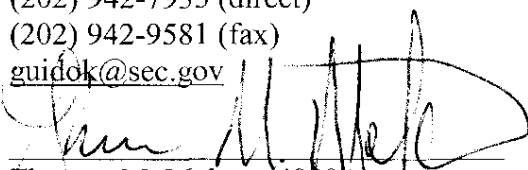
VIII.

Retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Dated: February 6, 2002

Respectfully Submitted,

Kenneth J. Guido
Assistant Chief Litigation Counsel
Division of Enforcement
Securities and Exchange Commission
450 5th Street N.W.
Washington, DC 20549
Mail Stop 9-11
(202) 942-7933 (direct)
(202) 942-9581 (fax)
guidok@sec.gov



Thomas M. Melton (4999)
District Trial Counsel
Securities and Exchange Commission
50 South Main Street, Suite 500
Salt Lake City, Utah 84144-0402
801-524-5796