

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT ARKANSAS

JUN 01 2007

JAMES W. McCORMACK, CLERK
By: *[Signature]*

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

HAROLD S. LONGS, and
YOUR MONEY WORTH, INC.,

Defendants.

Case No.:

4, 07 • CV 0000 0537 SWW

COMPLAINT

This case assigned to District Judge *[Signature]*
and to Magistrate Judge *[Signature]*

Plaintiff, the United States Securities and Exchange Commission (the "Commission"), files this Complaint against Defendants Harold S. Longs and Your Money Worth, Inc., and would respectfully show the Court as follows:

SUMMARY

1. This emergency matter seeks to halt an ongoing fraudulent investment offering promising annual returns of 36% to 96% from a variety of high yield investments with guaranteed safety of principal. On a website registered to Harold S. Longs ("Longs") of Jacksonville, Arkansas, Your Money Worth, Inc. ("YMW"), describes itself as "a private membership of invested believers sharing in a new trend of higher finance." The Defendants are currently soliciting investors through the Internet and through teleconferences arranged by Longs claiming that investor funds are used to invest in "high growth investment products on all major markets of the world," including stocks, gold, private placement, spot trades and the world currency markets. In reality, however, records obtained by the Commission indicate that Longs is operating YMW as a *ponzi* scheme, enriching himself at the expense of his investors.

2. Since January 2006, YMW has offered prospective investors the opportunity to invest in at least eight separate investment programs, with a one-time minimum investment of as little as \$1,000. The programs claim to offer returns from three-percent a month up to eight-percent a month (36%-96% annually), although none of the programs describe in any substantial detail what the investment program entails. For example, YMW Opportunity M states that investors can earn between 3%-5% a month, that the returns are paid monthly, and at the end of one year, investors have the option of re-investing their principal. At no point do any of the YMW offering documents offer any meaningful explanation of how YMW achieves such returns.

3. According to records obtained from PayPal, the Internet payment service to which investors are directed to send money, investor funds have been used to pay Longs' personal and travel expenses, and have been sent to an account in Longs' name at an Arkansas bank. From January 2006 to the present, at least 67 investors in 11 states have invested over \$750,000 in the program. Even though payments based on purported "returns" have been made to some investors, the only source of incoming funds from which these payments were made is investments by new participants.

4. The Commission, in the interest of protecting the public from further such fraudulent activities, brings this action seeking a temporary restraining order and orders to preliminarily and permanently enjoin Defendants from further violations of the federal securities laws. The Commission further seeks an asset freeze order, an accounting and other emergency orders as well as disgorgement of Defendants' ill-gotten gains, plus prejudgment interest thereon, and civil monetary penalties as allowed by law.

JURISDICTION

5. The Court has jurisdiction over this action pursuant to Section 20(d) and 22(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77t(d) and § 77v(a)], and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e) and 78(aa)]. Venue is proper because many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Eastern District of Arkansas.

PARTIES

6. **Harold Stephen Longs**, age 53, of Jacksonville, Arkansas, is registered as the owner of the YMW Internet domain name and opened the PayPal account to which YMW directs that investor funds be sent. On PayPal opening documents he listed YMW as his business name. From May 1999 to February 2000 Longs was a registered representative of Mony Securities Corporation. Before that, he was a registered representative of Conseco from 1992 to 1999, and Primerica Financial Services from 1988 to 1992. In 2001, Longs pled guilty to an Arkansas felony criminal charge of committing a fraudulent insurance act.

7. **Your Money Worth, Inc.**, was organized in the Republic of Panama in May 2006. Longs used and continues to use the company to solicit investors over the Internet from his residence in Arkansas. The company has not registered any offering of securities under the Securities Act or any class of securities under the Exchange Act.

BACKGROUND FACTS

8. In July 2005, Longs opened an account with PayPal, an Internet payment service. In the space on the PayPal account opening form labeled "business information," Longs listed "Your Money Worth" as the business name, and identified www.yourmoneyworth.com as the

YMW business website. In addition, Longs provided his personal residence address in Jacksonville as YMW's address, and a North Little Rock post office box as a second address for YMW. The PayPal account opening documents also identified a bank account at First Arkansas Bank and Trust purportedly in the name of YMW. In January 2006, Longs registered the Internet domain name yourmoneyworth.com, providing a post office box in North Little Rock, Arkansas, as the contact address.

9. The YMW website contains a purported translation of a certificate of incorporation from the Public Registry of the Republic of Panama for Your Money Worth Inc., stating that it was recorded at the Public Registry Office on May 24, 2006. The public website maintained by the Registry confirms that a corporation filing for YMW was made on that date. Longs' name does not appear on the certificate of incorporation and no address or other contact information for the corporation is provided.

10. On its website, YMW represents that it is "a private Panama-based investment group operating in gold, private placement, spot trades, and the world currency markets. Having started as a small investment group operating only on the US stock market, we have gradually expanded our investment activities on all major financial markets of the world. Our representatives operate all over the globe thus providing us with a big picture view on the world of finance. Originally Your Money Worth was registered and operated from the US, but later moved to Panama for tax minimization purposes." YMW expressly represents that all investor funds are invested in legitimate investments from which investors will receive their *pro rata* share of the profits. The website represents that investor funds are "spread over our investment portfolio and managed by our investment group," and "diversified into these high growth instruments for maximum profits." Longs causes similar representations to be made in tele-

conferences arranged to pitch the YMW investments to unsuspecting victims. These representations are false.

11. In order to obtain more detailed information about the investment program, potential investors are required to register online and pay a “membership fee,” and must certify that they are not employees of any law enforcement or government agency. The registration form does not seek any information concerning the investor’s level of investment experience, sophistication, or financial resources. Before participating, potential investors must also click on-screen buttons indicating that they agree with a list of disclaimers, including that “under no circumstances should anything found on this site be considered or construed as an offer to sell securities or a solicitation to invest in any investment opportunity,” that “Your Money Worth disclaims any liability for performance of any investment which comes to your attention here on this website. You bear total responsibility for all decisions made. You also agree to invest money that you can afford to lose,” and that “all information you receive or find on Your Money Worth is of private nature and not available to the general public and is, therefore, exempt from the US Securities Act of 1933 and all amendments or any equivalent laws of any jurisdictions.” An additional disclaimer states that “Your Money Worth is an educational and financial training membership organization...Your Money Worth does not offer or attempt to sell any investment or registered securities. By virtue of membership, participating members are able to be introduced to qualified and registered practitioners of various disciplines who may be able to assist in specific cases.” These purported disclaimers are inconsistent with the language on the site expressly offering investments with stated returns, which clearly constitute securities.

12. Once the membership fee (trial, annual, or lifetime) is paid, YMW members may then “invest” in any of the programs offered. Investors are required to invest at least \$1,000 and

may not withdraw their principal for at least one year from the date of investment. Under the heading “How It Works,” the website states: “You fund your account and choose an opportunity to participate in. Once you have selected your participation opp, you then transfer sufficient funds from your account to Your Money Worth account which allows you to participate in your chosen opp. The funds are then placed into the various opportunities associated with our investment group.” The website includes a chart listing “YMW Community Opportunities,” with the required investment amount for each and the stated range of return. The promised returns range from 36% to 96% per year. The website represents that “[t]he interest that accumulates on your principal amount is called ‘Profits’—these are set to automatically go to your account balance when the set opp interval is over.” Investors are instructed to send their funds to a designated PayPal account, the same account Longs opened with PayPal in 2005.

13. YMW represents that there is no risk to investors’ principal. In a section of the website labeled “Most Frequently Asked Questions,” YMW includes the question, “Is there a guarantee?” and the response, “Yes, we guarantee every external deposit you make into Your Money Worth.” Although the YMW website contains an obscurely placed statement that investors should “invest money you can afford to lose,” it prominently represents that “[a]ll participation funds are guaranteed and kept in a safe stable environment until placed in the various instruments” and that the YMW program can provide such things as “a guaranteed college education for your loved ones with a small one-time deposit” and a “re-defined meaning of Social Security.” The website includes purported testimonials from investors identified only by initials and state of residence, all praising the program and stating that it has paid them the promised returns.

14. YMW expressly denies that its program operates as a *ponzi* scheme. The website includes the question, “Is this a HYIP [high yield investment program] like others I have seen?” and the response: “No—never! . . . Taking money from one to pay another is a highly illegal practice . . . Investing in HYIP systems is . . . a risk we do not take. . . The funds you place in Your Money Worth is [sic] genuinely invested and real returns are paid.”

15. From January 2006 to the present, at least 67 investors in 11 states have sent approximately \$755,000 to the PayPal account Longs opened in the name of YMW. According to PayPal records, investors have continued to send funds to the YMW account, as recently as May 18, 2007.

16. In its description of the use of investor funds, YMW specifically represents that “[e]ach passing day (working) we physically remove funds from the PayPal accounts to the Offshore Company Call Account where it becomes an auditable turnover. It is then distributed to high rate investments thru our investment group. Once the return (in bulk amounts) matures, it is returned to the company bank account and sent to PayPal for payment to investors like you.”

17. YMW’s representations concerning the use of investor funds are false. Contrary to representations made YMW, investor funds were not “kept in a safe stable environment until placed in the various investments” and were not removed from the account daily to be sent to be invested. The PayPal account to which YMW directed investors to send funds was opened and controlled by Harold Longs. Longs used at least \$27,000 in investor funds to make payments through a PayPal debit account, for his personal benefit. These include cash withdrawals totaling approximately \$15,000 from ATM machines, payments to restaurants, hotels, airlines, travel to Panama on at least three occasions, and stores such as Home Depot and Wal-Mart. Approximately \$5,900 was sent from the YMW PayPal account to another PayPal account in the

name of Longs. In addition, approximately \$75,000 in investor funds was transferred from the YMW PayPal account to the purported YMW bank account at First Arkansas Bank and Trust. Records obtained by the Commission, however, demonstrate that this account is a personal bank account for Longs.

18. The only apparent source of monies deposited into the YMW PayPal account is investor funds (with the exception of one \$19.95 payment from the site's webhost company). There are no deposits representing investment profits. While there is no source of investment income streaming into the YMW PayPal account, Longs had paid out approximately \$450,000 to investors. Therefore the approximately \$450,000 paid to investors came from more recent investors, not from investment profits as represented, and constitute nothing but *ponzi* payments. According to the PayPal transaction records, eight investors have received more than they have sent to the program, their purported profits together totaling \$56,000. The other 59 investors identified so far have received either no payments, or payments totaling far less than their original deposits. The remaining investors need to recover approximately \$352,000 to avoid a loss but only approximately \$185,000 of investor funds is left in the YMW PayPal account.

CLAIMS

FIRST CLAIM

Violation of Section 10(b) of the Exchange Act and Rule 10b-5

19. Plaintiff Commission repeats and incorporates paragraphs 1 through 18 of this Complaint by reference as if set forth *verbatim*.

20. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted 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 (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

21. As a part of and in furtherance of their scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth in Paragraphs 1 through 18 above.

22. Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

23. By reason of the foregoing, Defendants have violated and, unless enjoined, will continue to violate the provisions 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].

SECOND CLAIM
Violations of Section 17(a) of the Securities Act

24. Plaintiff Commission repeats and incorporates paragraphs 1 through 18 of this Complaint by reference as if set forth *verbatim*.

25. Defendants, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions 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 (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

26. As part of and in furtherance of this scheme, Defendants, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth in paragraph 1 through 18 above.

27. Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness with regard for the truth. Defendants were also negligent in their actions regarding the representations and omissions alleged herein.

28. By reason of the foregoing, Defendants have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM
Violations of Section 5(a) and 5(c) of the Securities Act

29. Plaintiff Commission repeats and incorporates paragraphs 1 through 18 of this Complaint by reference as if set forth *verbatim*.

30. Defendants, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of

transportation and communication in interstate commerce and of the mails to offer to sell such securities.

31. As described in paragraphs 1 through 18, the Defendants offered and sold securities to the public through a general solicitation of investors. No registration statements were ever filed with the Commission or otherwise in effect with respect to these securities.

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

RELIEF REQUESTED

33. The Commission seeks the following relief:

34. Emergency orders of the Court freezing the Defendants assets, prohibiting the destruction or alteration of documents relating to the actions alleged in the Complaint, expediting discovery, directing the Defendants to repatriate all investor funds or other assets transferred beyond the jurisdiction of this Court, and an order directing Defendant Longs to surrender his passport until this case is resolved on the merits.

35. An order of the Court directing Defendants to file with the Court and serve upon the Commission an accounting, under oath, detailing all commissions and other benefits received based upon their sales of the securities identified in this Complaint and an order directing Longs to surrender his passport until such time as he has filed the accounting with the Court.

36. Orders of the Court temporarily, preliminarily and permanently enjoining the Defendants, 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 Sections 5(a), 5(c) and 17(a) of the

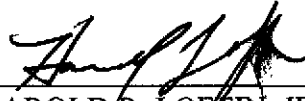
Securities Act, [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)], and Section 10(b) of the Exchange Act, [15 U.S.C. § 78j(b)], and of Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

37. An order of the Court directing Defendants to disgorge an amount equal to the funds and benefits obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

38. An order of the Court directing Defendants to pay civil monetary penalties in an amount determined as appropriate by the Court 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)] for their violations of the federal securities laws as alleged herein.

39. All further relief as the Court may deem just and proper.

Respectfully submitted,



HAROLD R. LOFTIN, JR.

Texas Bar No. 12487090

SECURITIES AND EXCHANGE COMMISSION

Burnett Plaza, Suite 1900

801 Cherry Street, Unit #18

Fort Worth, TX 76102-6882

(817) 978-6450

(817) 978-4927 (fax)

loftinh@sec.gov

MARSHALL GANDY

Texas Bar No. 07616500

SECURITIES AND EXCHANGE COMMISSION

Burnett Plaza, Suite 1900

801 Cherry Street, Unit #18

Fort Worth, TX 76102-6882

(817) 978-6464

(817) 978-4927 (fax)

gandym@sec.gov

DATED: June 1, 2007