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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

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| -----X | | |
| SECURITIES AND EXCHANGE COMMISSION, | : | |
| | : | |
| Plaintiff, | : | |
| | : | 08 Civ. _____ () |
| -against- | : | COMPLAINT |
| | : | |
| KAY SERVICES, LLC and | : | |
| MARCIA SLADICH, | : | |
| | : | |
| Defendants. | : | |
| -----X | | |

Plaintiff Securities and Exchange Commission, 3 World Financial Center, New York, N.Y. 10281, brings this action involving the unregistered and fraudulent offerings of securities by defendants Kay Services, LLC (“Kay Services”), 1455 Main Avenue, Clifton, NJ 07011, and Marcia Sladich (“Sladich”), 46 Myrtle Avenue, Clifton, NJ 07014 (collectively, “Defendants”), and alleges as follows:

SUMMARY

1. In or around late 2004 to September 2007 (the “relevant period”), Defendants raised more than \$10 million from at least a thousand investors through a Ponzi scheme. The

scheme was orchestrated by Sladich, Kay Services' sole owner and officer. Sladich told investors that their money would be invested in domestic and international real estate which would generate substantial returns. Sladich promised investors that they would receive between 50-100% guaranteed return on their investment in one year. She also promised investors additional payment for every investor they referred to the scheme.

2. Contrary to Sladich's representations to investors, Defendants did not invest investors' money as she claimed. Instead, Sladich used money received from investors (1) to meet Kay Services' obligations to existing investors; (2) to pay Sladich's personal expenses; and (3) to purchase real property and other assets in Brazil in the names of Sladich's relatives. In fact, throughout the scheme, Kay Services had no revenue-generating business or assets.

3. Defendants failed to disclose, among other things: (1) investors' money was being used to meet Kay Services' obligations to existing investors; (2) Kay Services had no revenue-generating assets and could not sustain paying returns of 50-100% per year; and (3) Sladich transferred money to Brazil to purchase properties titled in her relatives' names.

4. Defendants also failed to register the securities offered and sold in the scheme with the Commission.

5. By virtue of the conduct alleged herein, Kay Services and Sladich, directly or indirectly, singly or in concert, have engaged and are engaging in acts, practices and courses of business, that constitute violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c) and 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5 thereunder.

6. Unless permanently enjoined, Kay Services and Sladich will continue to engage in the acts, practices and courses of business set forth in this Complaint and in acts, practices and courses of business of similar type and object. By this action, the Commission seeks a final judgment permanently enjoining Defendants from future violations of the above-cited provisions of the federal securities laws, and requiring Defendants to disgorge their ill-gotten gains and to pay civil penalties.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to the authority conferred upon it by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d)(1) of the Exchange Act, 15 U.S.C. § 78u(d)(1), seeking to permanently enjoin the Defendants from engaging in the acts, practices and courses of business alleged herein.

8. The Commission also seeks final judgments ordering the Defendants to disgorge ill-gotten gains with prejudgment interest thereon, and ordering the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

9. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa. Venue is proper in the District of New Jersey as a substantial part of the events and omissions giving rise to the Commission's claims occurred in the District of New Jersey. The scheme was conducted from Sladich's Clifton, New Jersey home and from Kay Services' Clifton, New Jersey office. Many victims of the fraud were solicited in New Jersey. In addition, Sladich deposited the fraudulent proceeds in bank accounts located in this District.

10. In connection with the conduct alleged in this Complaint, Defendants made use of the telephone, mail, wires and other means of interstate commerce to offer and sell Kay Services' securities to investors in several states in the United States, including New Jersey, New York, Pennsylvania, Connecticut, Ohio, and California.

THE DEFENDANTS

11. **Kay Services** was incorporated under the laws of New Jersey in November 2006 and maintains its principal place of business in Clifton, New Jersey. Kay Services purports to be a real estate investment company that invests money obtained from investors in domestic and international real estate.

12. **Sladich**, age 50, is the sole owner and officer of Kay Services and a resident of Clifton, New Jersey. In addition to operating Kay Services, Sladich works as a ticket-taker and usher at the Meadowlands sports complex. Sladich is a member of the Family Federation for World Peace, formerly known as the Unification Church.

FACTS

The Origins of the Scheme and the Investment Contracts

13. In or around late 2004, Sladich began soliciting her friends and fellow members of the Unification Church in Clifton, New Jersey to invest with her. Sladich told investors that their money would be combined for investment in real estate.

14. As the number of investors increased, Sladich began requiring a minimum of \$3,000 investment. Sladich offered the investors a 100% return over the course of a year. In exchange for a \$3,000 investment, for example, she promised investors monthly payments of \$500 for one year, for a total of \$6,000.

15. Sladich also offered investors a \$100 monthly payment for every investor they recruited to invest in the scheme. By so doing, Sladich developed a network of investment group leaders who helped her recruit more investors.

16. Sladich developed a standard form investment contract entitled "Partnerships Agreement" to govern the investors' investments (the "Investment Contract"). The Investment Contract, which evolved over time, contemplated that the investors would give their funds to Kay Services to generate an investment return.

17. For example, an August 2006 version of the Investment Contract specifically provided that it was "for a partnership of Real Estate," and further provided that "[t]he agreement of booths (*sic*) parties covenants and agrees that the Shares will be to engage in a fund for of business this can generate from the investment." The August 2006 Investment Contract provided that the investor would invest \$3,000 for a period of twelve months and receive a monthly payment of \$500 which it referred to as "a commission of the investment."

18. In 2007, Kay Services and Sladich used other versions of the Investment Contract. One version, entitled "Partnership Agreement," reflected the amount invested and provided that it was "for a personal investment involved (*sic*) Real Estates (*sic*)." Another, entitled "Receipt," reflected the amount invested and provided: "The above mentioned fund (*sic*) will be used for a personal investment involving Real State (*sic*)."

19. Kay Services and Sladich did not file a registration statement with the Commission with respect to their sales and offerings of these securities. No exemption from such registration was otherwise in effect.

Defendants Misrepresented and Omitted Material Facts in Soliciting Investors

20. Kay Services and Sladich, directly and indirectly, made material oral and written misrepresentations and omitted material facts in soliciting investors to invest in Kay Services.

21. The central misrepresentations concerned Kay Services' business and the use of investment funds. Sladich told investors that Kay Services would use investor funds to invest in domestic and international real estate. She conveyed this representation orally and in writing through the Investment Contracts. Sladich also told investors that Kay Services had significant real estate holdings -- including residential properties and golf courses -- in the United States, Brazil, Ireland, Australia and elsewhere.

22. For example, in approximately April and May 2006, Sladich told a prospective investor that Kay Services invested in domestic and international real estate. Sladich offered the investor 100% return on her investment and assured her the investment was guaranteed. Sladich told the investor that she could offer 100% return because Kay Services received 1,000% return on its real estate investment. Based on Sladich's representations, the investor invested approximately \$190,000 in Kay Services.

23. In approximately June 2006, Sladich told another potential investor that the investor would receive 100% return on her investment. Sladich told the investor that her money would be invested in real estate and that Kay Services had construction projects underway in North Carolina and offshore. Based on Sladich's representations, the investor invested a total of \$63,000 for herself and on behalf of other investors.

24. Sladich's representations regarding Kay Services' business and the use of investors' funds were false and misleading. Kay Services did not use investors' money to invest in domestic and international real estate to generate returns to benefit investors. Kay Services

owned no properties in North Carolina, Florida, Australia or Brazil. In fact, Kay Services had no revenue-generating business or assets.

25. Sladich used much of the money she received from new investors to meet Kay Services' obligations to existing investors, in classic Ponzi scheme fashion. In some instances, Kay Services employees took cash from a new investor and used that same cash to make monthly payments to existing investors.

26. The phrase "Ponzi scheme" generally describes an investment scheme unsupported by any underlying business venture. Earlier investors are paid high rates of interest out of monies invested by later investors. These payments of apparently real returns on initial investments attract additional investors. The scheme requires increasing numbers of participants so that the growing number of investors can get paid. Often the person running the scheme takes some money for personal use. Ultimately the scheme collapses when the number of new investors and/or investments dwindles and many investors not only do not receive their anticipated profits, but also lose their principal.

27. Sladich used investor money to pay her personal expenses. In or around late 2004, Sladich placed money received from investors in personal bank accounts held in her name or in the names of family members. Sladich used the money received from investors to pay her personal expenses, including her personal credit card bills, the mortgage on her residence, and various other personal and family expenses.

28. Although Sladich used some of the investors' funds to purchase real estate, none of those properties were titled in Kay Services' name. For example, in December 2006, Sladich purchased a condominium in Orlando, Florida with proceeds from the scheme. The condominium was titled in her and her husband's names -- not in the name of Kay Services.

29. In addition, during the course of the scheme, Sladich sent more than \$400,000 to her relatives in Brazil. Although some of the money Sladich sent to Brazil was used to purchase real property, all of the property purchased was titled in the name of Sladich's relatives, including her mother. None of the properties purchased in Brazil by Sladich's relatives generated any income for Kay Services.

30. In addition to making the misrepresentations discussed above, Defendants failed to disclose material facts to investors including, but not limited to: (1) Kay Services had no revenue-generating business or assets; (2) Kay Services used new investors' money to meet its obligations to existing investors; (3) Sladich used money received from investors with other funds and using it to pay personal expenses; and (4) Sladich transferred investor money to her relatives in Brazil.

31. Sladich knew the truth about Kay Services' Ponzi scheme. As the only officer of Kay Services, Sladich knew that Kay Services was not investing investors' funds in domestic and international real estate to benefit investors and that Kay Services had no revenue-generating business or assets. Sladich also knew that Kay Services used new investors' money to meet Kay Services' obligations to existing investors and to pay her personal expenses. Finally, Sladich knew that she transferred investors' money to relatives in Brazil and that the properties they purchased with investors' money were titled in her relatives' names, not in the name of Kay Services.

The End of the Scheme

32. In early 2007, Defendants encountered difficulty in meeting Kay Services' obligations to existing investors. Sladich delayed the scheme's collapse by convincing some investors to "re-invest" the monthly payments that were owed to them instead of receiving the

payments when due. In addition, Sladich instructed a Kay Services employee to lie to investors about when they would receive their payments.

33. Defendants also tried to forestall the collapse in June 2007 by changing the terms of the scheme and reducing the promised return. By letter dated June 28, 2007, Kay Services informed investors that Kay Services had lost a large amount of money and that effective July 1, 2007, Kay Services required a \$12,000 minimum investment for a 50% rate of return over one year. The June 28, 2007 letter also stated that Kay Services would no longer pay investors commissions for bringing in new investors. Although the June 28, 2007 letter disclosed that Kay Services had lost money, it did not disclose (a) the nature of the investment scheme or (b) that Kay Services did not receive income from real estate investments or other business operations.

34. Kay Services continued to raise money from investors until September 2007. For example, an investor invested approximately \$100,000 in September 2007 after Sladich told him that Kay Services would offer him 50% return. Another investor invested \$50,000 in or around September 2007 based on representations that Kay Services invested in real estate. Sladich did not disclose to either of these investors that Kay Services had no revenue-producing business, new investor money was being used to meet Kay Services' obligations to existing investors, and Sladich had transferred hundreds of thousands of dollars to her relatives in Brazil.

35. The scheme finally collapsed in or around October 2007. By letter dated October 9, 2007, counsel for Kay Services informed investors that, "[a]s a result of unforeseen financial developments, including but not limited to volatility in real estate and other investment markets," Kay Services would no longer guarantee a return of earned income above the amount invested. The October 2007 letter asked investors to execute an agreement, releasing the Defendants from liability in exchange for the return of their principal. Some of the investors executed the release

but did not get a payment from the Defendants. Kay Services has since made no further payments to investors.

36. Throughout the scheme, Defendants raised more than \$10 million from at least 1,000 investors in several states of the United States and overseas.

FIRST CLAIM FOR RELIEF

Violations of Sections 5(a) and 5(c) of the Securities Act

37. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 36.

38. The Investment Contracts that the Defendants offered and sold to the general public constitute securities as defined in the Securities Act and the Exchange Act.

39. The Defendants, directly or indirectly, singly or in concert, have 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 has been filed or was in effect as to such securities and when no exemption from registration was available.

40. By reason of the foregoing, the Defendants have violated, are violating and, unless enjoined, will again violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act

41. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs paragraphs 1 through 40.

42. The Defendants, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in the offer or sale of securities issued by the Defendants, knowingly or recklessly, have, (a) employed, are employing or are about to employ, devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, are engaging and are about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities issued by the Defendants.

43. By reason of foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless enjoined will again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

THIRD CLAIM FOR RELIEF

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

44. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 43.

45. The Defendants, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities issued by the Defendants, knowingly or recklessly, have: (a) employed, are employing or are about to employ, devices, schemes and artifices to defraud; (b) made, are making or are about to make untrue statements of material fact, or have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they

were made, not misleading; and/or (c) engaged, are engaging and are about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities issued by the Defendants, including in marketing material, investment contracts, and other statements issued and made by the Defendants.

46. By reason of foregoing, the Defendants, singly or in concert, directly or indirectly, have violated, are violating, and unless 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, promulgated thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court grant the following relief:

I.

A Final Judgment permanently enjoining Kay Services and Sladich, their agents, servants, employees and 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), Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5 thereunder.

II.

A Final Judgment ordering the Defendants to disgorge their ill-gotten gains, plus prejudgment interest, and such other and further amount as the Court may find appropriate.

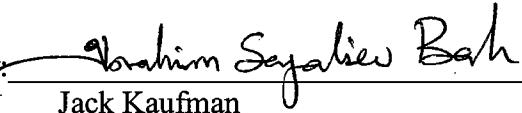
III.

A Final Judgment ordering each of the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

IV.

Such other and further relief as this Court deems just and proper.

Dated: New York, New York
August 12, 2008

By: 

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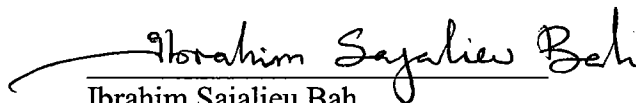
Kay Lackey

Certification

Pursuant to Local Rule 11.2, I certify that the matter in controversy alleged in the foregoing Complaint is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding except as follows:

The U.S. Attorney's Office for the District of New Jersey filed a criminal complaint against Marcia Sladich in the U.S. District Court, District of New Jersey in Newark on August 11, 2008, captioned, United States of America v. Marcia Sladich, Case No. 08-3135, but it is a criminal matter and the Commission is not a party to it.

Dated: August 12, 2008
New York, NY


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