IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	3-06CV0594-K
vs.	**COMPLAINT**
UNLIMITED CASH, INC., DOUGLAS NETWORK ENTERPRISES, WAYNE DOUGLAS FLESHER, NANCY CAROL KHALIAL, SNEED FINANCIAL SERVICE, LLC., and CLIFTON CURTIS SNEED, Jr.,	Civil Action No.
Defendants.	

Plaintiff Securities and Exchange Commission alleges as follows:

SUMMARY

1. This is Ponzi scheme case. From at least April 2001 until at least May 2005, defendants Unlimited Cash, Inc. ("UCI") and Douglas Network Enterprises ("DNE") (together, "UCI/DNE"), through and at the direction of their respective principals Wayne Douglas Flesher and Nancy Carol Khalial (together, UCI, DNE, Flesher and Khalial are the "UCI Defendants"), raised at least $18 million from hundreds of investors nationwide through an unregistered offering of securities in the form of investment contracts involving "Ad Toppers." Ad Toppers are computer monitors that purportedly display advertisements and, according to UCI/DNE, are typically placed on vending machines or similar devices.

2. Using sales agents around the country, including defendants Clifton Curtis Sneed, Jr. and his company Sneed Financial Service, LLC ("SFS") (together, the "Sneed Defendants"), the UCI Defendants lured investors into the Ad Topper program through material misrepresentations and omissions. The UCI Defendants described the Ad Topper program as a lucrative and safe investment that would generate at least 16% annual returns, and characterized DNE and UCI as strong companies with successful track records. They also claimed that returns would come from revenue generated by sales of advertising that would be displayed on the Ad Toppers. They further represented that, after three years, investors could recover their original investment in the Ad Toppers by selling the machines back to DNE for the original purchase price.

3. These claims were false. Most importantly, virtually all "returns" paid to investors came from new investor funds, not from advertising sales. The UCI Defendants failed to disclose to investors that many Ad Toppers never were placed in their promised locations; that a single machine was often sold to multiple investors; that UCI had filed for bankruptcy protection during the offering; and that UCI paid sales agents undisclosed commissions ranging from 16% to 23%.

4. Like all Ponzi schemes, this one ultimately collapsed once new investor funds dried up. The UCI Defendants stopped paying investors in approximately May 2005. Nevertheless, they continued to lie to investors, first telling them that that the sudden cessation of payments was due to a computer glitch and then claiming that a complete buyout of the program by a mysterious angel investor – who supposedly would pay investors a handsome premium – was imminent. When that failed to materialize, the

UCI Defendants assured anxious investors that a second buyout was in the works, and would be completed with the blessing of the SEC.

5. The Sneed Defendants were the most prolific Ad Topper sales agents, raising at least $4.5 million. Holding themselves out as estate planning and senior investment specialists, the Sneed Defendants focused their efforts on elderly investors, luring in clients with advertisements and seminars containing assurances of the program's safety. The Sneed Defendants prepared slick offering materials that largely parroted the UCI Defendants' misrepresentations, but also contained their own representations regarding the Ad Topper program. In addition, the Sneed Defendants claimed to have thoroughly investigated the offering and found it completely reliable. In truth, the Sneed Defendants simply fabricated these additional claims, as they did virtually no due diligence into the Ad Topper program.

6. The Commission seeks to permanently enjoin all Defendants from further violations of the registration and antifraud provisions of the Securities Act of 1933 ("Securities Act") and the antifraud provisions of the Securities Exchange Act of 1934 ("Exchange Act"). The Commission also seeks to permanently enjoin the Sneed Defendants from violating the Exchange Act's broker-dealer registration provisions. The Commission further seeks against all Defendants civil penalties and disgorgement of ill-gotten gains, plus prejudgment interest thereon. Lastly, the Commission seeks an accounting from DNE and UCI for all investor proceeds.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action 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]. The Defendants have, directly and indirectly, made use of the means or instrumentalities of interstate commerce and/or the mails in connection with the transactions described in this Complaint.

8. Venue lies in this Court 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], because certain of the acts and transactions described herein took place in the Northern District of Texas.

THE DEFENDANTS

9. UCI is a California corporation headquartered in Camarillo, California. At all times relevant here, UCI shared office space with DNE.

10. DNE is a California corporation headquartered in Camarillo, California. At all times relevant here, DNE shared office space with UCI.

11. Wayne Douglas Flesher resides in Oxnard, California and is the president of UCI and a co-founder of DNE. Flesher manages UCI's day-to-day operations, including directing payments from UCI's bank accounts and approving and signing UCI checks and the agreements between UCI and investors.

12. Nancy Carol Khalial resides in Oxnard, California and is the president and a co-founder of DNE. She was UCI's secretary and treasurer until 2004. Khalial manages DNE's day-to-day operations and approved and signed agreements between DNE and investors. In addition, during the periods relevant here, Khalial also was employed by UCI and helped operate the company and manage its bookkeeping. Khalial also signed checks and directed payments from DNE's and UCI's bank accounts and received a salary from UCI.

13. UCI and DNE claimed to operate as separate businesses, but they in fact operated in tandem. The companies shared an office and had the same registered agent. Moreover, Flesher is UCI's president and co-founded DNE with Khalial. Khalial is DNE's president and during the offering period simultaneously served as UCI's secretary and bookkeeper, with control over UCI's bank accounts. Moreover, UCI routinely supplied funds to DNE to operate its business. Since 2001, UCI transferred to DNE millions of dollars, all derived from new Ad Topper sales, which DNE then paid out to investors as supposed returns and used to pay for its continuing operations. On at least one occasion, UCI obtained a bank line of credit in 2003 by using a certificate of deposit belonging to DNE as collateral. On this and other occasions, Khalial guaranteed UCI's indebtedness.

14. Sneed Financial Service, LLC is a Texas limited liability company based in Dallas, with offices in Atlanta, Georgia and Plantation, Florida.

15. Clifton Curtis Sneed, Jr., resides in Dallas, Texas and is the managing member and sole owner of SFS.

THE FRAUDULENT SCHEME

A. The UCI Defendant's Ad Topper program

16. Ad Toppers are essentially color computer monitors that, according to the UCI Defendants, can be placed on product displays, ATMs, vending machines and other fixtures in retail establishments. According to the UCI Defendants, Ad Topper machines can be programmed to run video advertisements.

17. By themselves, the Ad Topper machines had little or no value to the investors solicited by the UCI Defendants and their sales agents, since these investors

lacked experience or interest in buying the machines alone, finding and contracting retail locations to place them, learning how to program them to run advertisements, servicing and maintaining them, canvassing the market for paying advertisements, or billing for and collecting advertising revenues. Rather, investors wanted lucrative but safe ***passive*** investments that would guarantee them strong annual returns and the ability to get back their principal.

18. For this reason, the UCI Defendants marketed the Ad Topper program as a single package consisting of a machine (from UCI) and a servicing agreement (from DNE). Without both of these elements, investors would not have invested in the Ad Topper program.

19. The typical Ad Topper investment was $4,000 per machine. At the time of making the investment, investors simultaneously executed two distinct, yet interrelated contracts.

20. First, investors entered into a contract with UCI, called the UCI Advertising Topper Purchase Agreement ("UCI Agreement"), which was distributed by Flesher and promised investors ownership of an Ad Topper machine that UCI would build. Flesher routinely signed the UCI Agreements for UCI.

21. Second, investors entered into a service agreement with DNE, called the Operation and Maintenance Agreement ("DNE Agreement"), which was created by Khalial. Khalial signed the DNE Agreements for DNE. Under the DNE Agreement, DNE was to receive a percentage of the advertising revenues generated by each machine. The DNE Agreement also promised investors at least $54 per month per machine, which equaled a 16% annual return. The DNE Agreement represented that DNE would: receive

the purchased Ad Topper from UCI; place the Ad Topper at desirable locations; arrange to install the machine; provide all monitoring, repair and maintenance service; sell available advertising space on the machine; collect monthly advertising revenues; and distribute the promised returns to investors. The DNE Agreement also offered investors the opportunity (usually, but not always, at DNE's "sole discretion") to sell their machines back to DNE after three years at the original purchase price. With regard to the last provision, DNE on at least some occasions sent letters to investors near their three-year anniversary informing them that they could either sell their machines back to DNE or keep receiving the promised returns.

22. The investors' role in the investment was to be totally passive. Investors did not place, service or collect revenue from Ad Toppers and had no involvement in securing the advertising from which returns were to be generated. Investors relied entirely on the UCI Defendants' efforts to generate investment returns.

23. The UCI Defendants primarily utilized a nationwide network of sales agents to sell the Ad Topper investment. UCI, through Flesher, provided sales agents with the UCI and DNE Agreements. Flesher did not provide sales agents with names or agreements with any servicing agent other than DNE, further demonstrating the unitary nature of the investment DNE and UCI offered.

24. UCI, through Flesher, also gave certain sales agents an "Ad Topper Information Sheet," created by Flesher, which purported to outline the details of the Ad Topper investment. In many instances, this information sheet was also given or shown to investors. The information sheet proclaimed that "Ad Agencies, National and Regional Advertiser's [sic] as well as local retail merchants are standing in line to advertise on" the

Ad Toppers and that "[t]he income potential is very lucrative today!" This sheet repeated the $54/month/machine promised in the DNE Agreement and added that "your income potential can even go higher over the next three to five years." The information sheet then assured that "[y]our monthly return rate may go up and down over the next three to five years as advertiser's [sic] may come and go, **but your base return rate will not be less than 16% return**."

25. Once an investor chose to invest in the program, he or she completed the UCI and DNE Agreements and a UCI purchase order and gave them and a check to the sales agent. The sales agent then mailed the Agreements and purchase order to UCI. The investor's check usually was payable to a title company (although in many instances it was payable directly to UCI or DNE), which escrowed the funds for five days before forwarding them to UCI. The sales agents also faxed UCI a form containing the investor's name and address, the number of Ad Toppers purchased, the total purchase price and the commissions due to the sales agent.

26. Shortly after getting into the program, an investor would begin receiving monthly payments equal to $54 per machine (some investors received up to $60 per machine), together with a statement purporting to identify the advertisers who had placed ads on the investor's machines. The plain import of these statements was that the investor's machines were generating the promised advertising revenues.

B. The UCI Defendants' representations about the Ad Topper program were materially false and misleading

27. The UCI Defendants' representations about the Ad Topper investment were false. Most significantly, the monthly "returns" paid to investors came from new investor funds, not from advertising revenues. UCI received at least $18 million from investors

(either directly or via the title company) and then transferred at least $11.2 million of those funds to DNE, which then used those proceeds to make investors' return payments and for its continuing operations. UCI used the rest of the funds for operating expenses, commissions and other purposes. DNE also received an additional $1.4 million directly from the title company and from investor checks made payable to DNE or endorsed for deposit into DNE's accounts. These funds, too, were used to pay supposed returns to investors.

28. The UCI Defendants never received any significant advertising revenue from sales of advertising on the machines. Indeed, DNE and Khalial admitted in December 2005 submissions to the Commission that only "minimal advertising income" had ever been generated in the Ad Topper program.

29. The use of new investor funds to pay monthly "returns" to existing investors makes this a Ponzi scheme, which is inherently fraudulent. No investors were told that their investments would be used to pay "returns" to existing investors, or that their own "returns" would depend on new investors joining the program. To the contrary, the UCI Defendants misled investors at every turn – from the initial sales pitch and offering documents through the monthly statements – claiming that returns were being paid from advertising revenues generated by each Ad Topper machine. The monthly statements purporting to identify the advertisers were false.

30. DNE also did not place the Ad Toppers as promised, and many of those that were placed were not operational or did not run advertisements as represented to investors. In several instances, investors' supposed "ownership" of Ad Toppers was

wholly illusory, since UCI sold the same Ad Topper to multiple investors, and DNE purported to place the same Ad Topper at multiple locations at the same time.

31. Moreover, DNE was financially incapable of repurchasing Ad Toppers for the original purchase price. In contrast to the claims made to investors, UCI/DNE did not have a long track-record of success. Undisclosed to investors, UCI had filed bankruptcy in 2003 and DNE, as a Ponzi operation, only had money if UCI collected new investor funds. In fact, since approximately May 2005, DNE has not paid investors the promised monthly returns.

C. The UCI Defendants' lulling activities further prove their *scienter*

32. After DNE stopped paying investors their returns in May 2005, the company sent several lulling letters to investors.

33. The first letter claimed that DNE's computers had been infected by a virus, causing a delay in distributing investor checks.

34. The second letter stated that most of the damage caused by the computer virus had been repaired, and in addition sought to correct investors' "extremely concerning" misperceptions about the program. Using a question-and-answer format, DNE denied promising investors any minimum returns or to buy back investors' machines; denied that the program was an investment; and denied any relationship with UCI or UCI's "unscrupulous" sales agents, who DNE blamed for investors' "misconceptions" about the program. Remarkably, DNE continued to tout in this letter its "success in placing ads" and that advertising revenues were the sole source of payments to investors.

35. The third letter described an offer by an alleged national advertiser that supposedly wanted to buy the entire Ad Topper program. The letter claimed that the buyer would pay investors a one-time 25% premium for their machines, and invited investors to accept this "bonus payout" in lieu of further monthly payments. Investors who did not accept this offer allegedly would continue to receive normal payments. The purported buyout never occurred.

36. In its last letter, DNE claimed to have entered into an arrangement with another company that would lease the Ad Toppers from the investors for 24 months and at the end of the 24 months, the company would have the option to buy the leased Ad Topper. This lease arrangement never occurred.

D. The Sneed Defendant's sales activities

37. The Sneed Defendants offered and sold the Ad Topper program from June 2001 to August 2005, raising at least $4.5 million from at least 50 investors through personal solicitation of Sneed Defendant's existing client base, seminars, radio advertisements, newspaper advertisements, an Internet site and direct mail.

38. The Sneed Defendants held themselves out as estate planning and senior investment specialists, often touting their membership in the Society of Certified Senior Advisors. They focused their efforts on unsophisticated elderly investors, using the trust built through their past relationships to market the Ad Topper investment to their existing clients, and luring new clients with advertisements and seminars touting the Ad Topper program's high returns and safety.

39. The Sneed Defendants parroted the issuers' claims concerning the 16% annual returns, the 3-year repurchase provision, DNE's operation and management of the

Ad Toppers, UCI/DNE's track record of success and ad revenues being the source of investor returns.

40. In addition, the Sneed Defendants embellished the UCI Defendants' claims with their own written and oral assertions that the Ad Topper investment was "far superior to an annuity," thousands of their clients were receiving a minimum 16% return, they had over 20,000 clients who invested and it was a limited opportunity.

41. The Sneed Defendants also peppered written materials with purported quotes and testimonials ostensibly from other satisfied investors, expressing their gratefulness for the Sneed Defendants' advice to invest in the Ad Topper program.

42. To further quell concerns about the investment's safety, the Sneed Defendants also claimed to have extensively investigated the Ad Topper program by spending "days" visiting the issuers' office and production facilities.

43. The Sneed Defendants also told several investors that Sneed had purchased Ad Toppers for himself.

44. The Sneed Defendants' representations were materially false and misleading. Sneed did not conduct any meaningful due diligence into the investment; his only due diligence consisted of a two-hour visit to the UCI Defendants' office. He otherwise simply accepted whatever the UCI Defendants told him about the investment. His real motive for offering the investment was the lucrative commissions it offered.

45. Moreover, the slick offering brochure that Sneed used to entice investors was almost wholly deceptive. The claims about the investment's safety were wholly unfounded. The Sneed Defendants had approximately 50 clients invested in the Ad Topper program, not thousands. In addition, the names of the purported investors who

supplied the testimonials used by the Sneed Defendants do not appear on SFS's list of investors. There also was no support for Sneed's claims that the Ad Topper investment was superior to an annuity or that it was a limited opportunity. Lastly, Sneed himself did not invest in the Ad Topper program.

FIRST CLAIM
Violations of Section 17(a) of the Securties Act
[AS TO ALL DEFENDANTS]

46. Plaintiff repeats and incorporates paragraphs 1 through 45 of this Complaint by reference as if set forth *verbatim*.

47. Defendants directly or indirectly, singly or in concert with others, in the offer or 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.

48. 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 representations, 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 45 above.

49. With respect to violations of Sections 17(a)(2) and (3) of the Securities Act, Defendants were negligent in their actions regarding the representations and omissions alleged herein. With respect to violations of Section 17(a)(1) of the Securities Act, Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

SECOND CLAIM
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder
[AS TO ALL DEFENDANTS]

50. Plaintiff repeats and incorporates paragraphs 1 through 45 of this Complaint by reference as if set forth *verbatim*.

51. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or 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.

52. 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 representations, 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 45 above.

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

THIRD CLAIM
Violations of Section 5(a) and 5(c) of the Securities Act
[AS TO ALL DEFENDANTS]

54. Plaintiff repeats and incorporates paragraphs 1 through 45 of this Complaint by reference as if set forth *verbatim*.

55. 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.

56. As described in paragraphs 1 through 45, the Ad Topper program was offered and sold 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.

FOURTH CLAIM
Violations of Section 15(a)(1) of The Exchange Act
[AS TO THE SNEED DEFENDANTS]

57. Plaintiff Commission repeats and incorporates paragraphs 1 through 45 of this Complaint by reference as if set forth *verbatim*.

58. At the times alleged in this Complaint, the Sneed Defendants were in the business of effecting transactions in securities for the accounts of others.

59. The Sneed Defendants made use of the mails and of the means and instrumentalities of interstate commerce to effect transactions in and to induce or attempt to induce the purchase of securities.

60. At the times alleged in this Complaint the Sneed Defendants were not registered with the Commission as a broker or dealer, as required by Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

RELIEF REQUESTED

Plaintiff requests that this Court:

A. Permanently enjoin Defendants from violating Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5, thereunder;

B. Permanently enjoin the Sneed Defendants from violating Section 15(a) of the Exchange Act;

C. Order Defendants to disgorge an amount equal to the funds and benefits they obtained a result of the violations alleged herein, plus prejudgment interest on that amount;

D. Order civil penalties against 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)], for their securities law violations;

E. Order UCI and DNE to provide an accounting of the receipt, use and disposition of all investor funds obtained as a result of the violations alleged herein; and

F. Grant such further relief as is just and proper.

Date: April 3, 2006

Respectfully submitted,

STEPHEN J. KOROTASH
Oklahoma Bar No. 5102

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CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of April 2006, I served the foregoing *Complaint* on all adverse parties by causing a true and correct copy thereof to be delivered to Federal Express for delivery by priority mail, or process server and with air freight charges prepaid and addressed to:

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