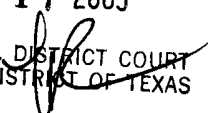


 ORIGINAL

FILED

IN THE UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

MAR 17 2005

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS
BY 
DEPUTY CLERK

:
SECURITIES AND EXCHANGE COMMISSION:
:
Plaintiff,
:
v. _____
:
ATM ALLIANCE CORP.,
:
ATM MANAGEMENT SERVICES CORP.,
:
MICHAEL T. GILOT,
:
Defendants,
:
and,
:
VERITAS UNLIMITED, LLC.,
:
Relief Defendant.
:

Civil Action No.

A05CA 190LY

COMPLAINT

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

SUMMARY

1. Since at least January 2004 to the present, ATM Alliance Corp., its CEO and president, Michael T. Gilot, and ATM Management Services Corp. (collectively, "Defendants"), have engaged in an unregistered and fraudulent securities offering involving automated teller machines ("ATMs"). The Defendants have raised at least \$1 million from several hundred investors throughout the nation, by making false and misleading representations, such as falsely claiming to be registered with the Securities and Exchange Commission and the Texas Attorney General.

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2. The Defendants employ an aggressive marketing campaign, soliciting potential investors through cold calling and an Internet website, offering a purported “turnkey” ATM program in which investors are told they can expect annual returns of between 30 and 100 percent.

3. Investors are routinely told that ATM Alliance has secured highly sought after locations, such as Las Vegas casinos, Citgo convenience stores, and Waffle House restaurants in which to place ATM machines. The investment amount varies based on the purported locations being offered.

4. ATM Alliance’s representations are false. ATM Alliance has not placed ATMs in the locations promised to investors and investors are not receiving their promised returns; many have received nothing at all.

5. Further, the Defendants are using fictitious contracts to deceive investors. For example, to convince investors that ATM Alliance had secured rights to place ATMs at a major Las Vegas casino, the Defendants created a bogus contract and provided it to investors.

6. The Commission, in the interest of protecting the public from further fraudulent activities, brings this action seeking an order permanently enjoining the defendants from further violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)] (“Securities Act”), Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] (“Exchange Act”), and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. The Commission also seeks an order requiring the defendants to disgorge all ill-gotten gains, plus prejudgment interest thereon, and to pay civil monetary penalties. Further, the Commission seeks an order of disgorgement, plus

prejudgment interest, against Relief Defendant Veritas Unlimited, LLC, which has received investor funds for no apparent consideration.

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]. 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 Western District of Texas.

DEFENDANTS

9. **ATM Alliance Corp.**, is a Texas corporation headquartered in Dripping Springs, Texas.

10. **ATM Management Services Corp.**, is a Nevada corporation and appears to operate from ATM Alliance's Dripping Springs office.

11. **Michael T. Gilot**, of Dripping Springs, Texas is the CEO and president of ATM Alliance and the president of ATM Management. He and his wife, MaryAnn T. Gilot, control Relief Defendant Veritas Unlimited. Gilot is involved in all aspects of ATM Alliance's operations, including the solicitation of investors, the dissemination of press information, and the control of bank accounts. On April 28, 2004, Gilot filed for Chapter 13 personal bankruptcy. Gilot has never been registered with the Commission in any capacity.

RELIEF DEFENDANT

12. **Veritas Unlimited, LLC**, is a Nevada limited liability company with no known office. Gilot instructed certain investors to wire their investment funds to Veritas's bank account. Veritas received at least \$640,000 of investors' funds.

THE FRAUDULENT SCHEME

A. The ATM Program

13. Beginning in January 2004, ATM Alliance began offering its ATM program to investors throughout the country. To date, the company has raised more than \$1 million from several hundred investors. The Defendants are continuing to offer this bogus investment opportunity.

14. To identify and attract potential investors, ATM Alliance uses an aggressive marketing campaign that includes boiler-room cold calling and Internet postings. Key terms of the investment are communicated to investors through various promotional materials, written contracts, and oral representations made by Gilot and company sales agents.

15. In return for their funds, investors are to be provided either a cashless or cash-dispensing ATM. Cashless ATM machines, also referred to as ATM script machines, operate in a manner similar to traditional cash dispensing ATMs, but instead of dispensing cash, the machine dispenses a receipt that can be used by the individual to make a purchase from the merchant.

16. In addition to the ATM machine(s), investors are told that the company provides all services necessary for the success of the investment, including the placement of the machines in "high traffic" locations, maintenance of the machines, and collection

and distribution of transaction fees. Therefore, because investors are not required to perform any role, the company refers to the investment as a “passive purchasers program.”

17. The required investment amount varies based on the type of ATM, placement location, and the corresponding projected return. The company has offered certain investors cashless ATMs to be placed in unnamed “high-traffic” locations for \$2,500 per machine, promising an annual yield of approximately 30 percent. Other investors have been offered a cash-dispensing ATM placed in a Citgo convenient store for \$4,800, with a projected 100 percent annual return. Another investor was charged \$40,000 per machine for six cash dispensing ATMs that were to be placed in a Las Vegas casino.

18. The transaction fees generated by the users of the ATMs are to be shared between the investors, the merchants and ATM Alliance.

19. Investors execute a Purchase Agreement with ATM Alliance for the purchase of the actual ATM, and also execute a Service and Processing Agreement with Defendant ATM Management for placement, service, and fee distribution.

20. ATM Alliance has failed to purchase ATMs that were paid for by investors, failed to place ATMs in the locations promised, and failed to distribute transaction fees to investors as represented.

21. Further, Gilot and ATM Alliance directly and indirectly, diverted investor funds to others, including the Relief Defendant, for no apparent consideration. Relief Defendant Veritas has received at least \$640,000 of investors’ funds.

22. ATM Alliance is not financially sound. During the second week of March, 2005, it was unable to meet its payroll obligations.

B. False and Misleading Statements and Omissions of Material Facts

23. In connection with the offer and sale of ATMs and the services described above, the Defendants have made false and misleading statements of material facts, and under the circumstances, omitted to state material facts that were necessary for investors to have a full understanding of ATM Alliance's flawed operations and its ATM program.

24. Defendants ATM Alliance and Gilot have falsely represented through press releases and Internet postings that "[w]e're registered with the Securities and Exchange Commission and the Texas Attorney General."

25. Defendants ATM Alliance and Gilot have falsely represented through press releases and Internet postings that "the U.S. Securities and Exchange Commission awarded ATM Alliance 680 investors who were taken for at least \$10 million by Cash Link, which the SEC recently shut down for fraudulent practices."

26. Defendants ATM Alliance and Gilot have falsely represented through press releases and Internet postings that an investor's equipment "[i]n most cases, can be delivered and installed in a matter of days."

27. ATM Alliance has failed to fulfill its obligations to investors. For example, in the Summer of 2004, an investor from Pennsylvania purchased an ATM from ATM Alliance for approximately \$40,000 after being advised that it would generate transaction fees of \$2,000 to \$4,000 per month. To date, the investor has received \$120.

28. In June 2004, an investor from Columbus, Ohio, purchased 10 ATMs from ATM Alliance for approximately \$29,300. To date, ATM Alliance has delivered only

one of the promised units.

29. In connection with the solicitation of the Ohio investor referred to in paragraph 28 above, Defendants ATM Alliance and Gilot falsely represented that ATM Alliance had agreements with Citgo for the placement of the investor's ATM machines.

30. In connection with the solicitation of the Ohio investor referred to in paragraph 28 above, Defendants Gilot and ATM Alliance provided to the investor a fictitious document that purported to be a contract between ATM Alliance and Citgo. Defendant Gilot subsequently admitted to this investor that the contract was not legitimate.

31. In January 2005, a Kentucky investor purchased 16 ATMs from ATM Alliance for approximately \$640,000. To date, ATM Alliance has not purchased or placed any of the promised machines. Rather, Defendant Gilot used the majority of the funds to reimburse an earlier investor and the remainder to pay ATM Alliance's operating expenses.

32. In connection with the solicitation of the Kentucky investor referred to in paragraph 31 above, Defendants ATM Alliance and ATM Management Services, falsely represented that one or both of them had entered into an agreement with the MGM Grand Hotel to place the investor's machines in that facility's casino.

33. In connection with the solicitation of the Kentucky investor referred to in paragraph 31 above, Defendants Gilot, ATM Alliance and ATM Management Services provided to the investor a fictitious document that purported to be a contract between ATM Alliance and the MGM Grand Hotel.

34. In connection with the solicitation of the Kentucky investor referred to in

paragraph 31 above, Defendants Gilot, ATM Alliance and ATM Management Services failed to disclose to the investor that upon receipt of the investor's \$640,000, the Defendants would immediately misappropriate the funds.

35. The Defendants have no basis in fact for their representations on the ATM Alliance Internet website that investors can expect annual returns ranging from 30 to 100 percent.

36. In addition to the investors specifically identified above, for the approximate period January 2004 through the present, ATM Alliance failed to purchase ATMs as represented and failed to secure "high traffic" locations as represented.

37. The Defendants failed to disclose to later investors that earlier investors had not received the investment returns that had been promised to them.

38. In fact, the Defendants failed to disclose to later investors that ATM Alliance had not purchased ATMs for earlier investors and that the company was not financially sound.

FIRST CLAIM
Violations of Section 17(a) of the Securities Act
[As to All Defendants]

39. Plaintiff Commission repeats and incorporates paragraphs 1 through 38 of this Complaint by reference as if set forth *verbatim*.

40. The Defendants, directly or indirectly, singly or in concert with others, in connection with 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.

41. As a part of and in furtherance of their scheme, the 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 38 above.

42. With respect to violations of Sections 17(a)(2) and (3) of the Securities Act, the 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, the Defendants made the above-referenced misrepresentations and omissions knowingly or with severe recklessness regarding the truth.

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

SECOND CLAIM
Violations of Section 10(b) of the Exchange Act and Rule 10b-5
[As to All Defendants]

44. Plaintiff Commission repeats and incorporates paragraphs 1 through 38 of this Complaint by reference as if set forth *verbatim*.

45. The 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.

46. As a part of and in furtherance of their scheme, the 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 38 above.

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

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

THIRD CLAIM
Violations of Section 5(a) and 5(c) of the Securities Act
[As to All Defendants]

49. Plaintiff Commission repeats and incorporates paragraphs 1 through 38 of this Complaint by reference as if set forth *verbatim*.

50. 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.

51. As described in paragraphs 1 through 38 the ATM Alliance ATM 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.

52. By reason of the foregoing, the 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)].

FOURTH CLAIM
Claim Against the Relief Defendant
As Custodian of Investor Funds

53. Plaintiff Commission repeats and realleges paragraphs 1 through 38 of this Complaint and incorporated herein by reference as if set forth verbatim.

54. As set forth in paragraphs 1 through 38 the Relief Defendant has received funds and property from one or more of the Defendants, which are the proceeds, or are traceable to the proceeds, of the unlawful activities of Defendants.

55. The Relief Defendant has obtained the funds and property alleged above under circumstances in which it is not just, equitable or conscionable for it to retain the funds and property. As a consequence, the Relief Defendant has been unjustly enriched.

RELIEF REQUESTED

Plaintiff respectfully requests that this Court:

I.

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 Exchange Act Rule 10b-5, thereunder.

II.

Order the Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount, and order the Relief Defendant to disgorge an amount equal to the investor funds it received unjustly from the Defendants, plus prejudgment interest on that amount.

III.

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

IV.

Order such further relief as this Court may deem just and proper.

Dated: 3/17/05

Respectfully submitted,



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