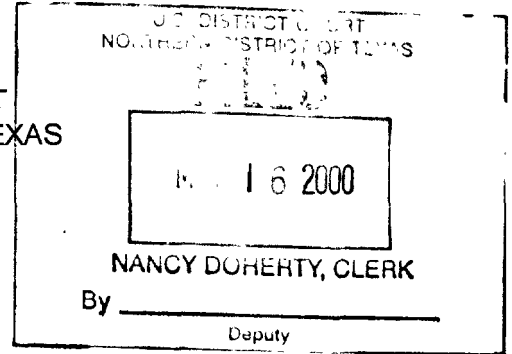


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UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION



SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LARRY W. ELLIS, individually and  
d/b/a ATM TECHNOLOGY SYSTEMS,

Defendant.

Civil Action No.

3 - 0 0 C V 1 0 4 0 - P

**COMPLAINT  
FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF**

Plaintiff Securities and Exchange Commission ("Commission"), for its claims against the Defendant, alleges as follows:

**SUMMARY**

1. From approximately February 1, 1996 through the present, Larry W. Ellis, individually and doing business as ATM Technology Systems ("the Defendant"), engaged in a securities fraud scheme by offering and selling promissory notes, that included a 20% to 25% profit sharing incentive, on investments in ATM machines. The Defendant raised approximately \$1 million from over thirty investors, many of which were elderly, in at least four states.

2. The Defendant personally marketed the notes, as well as through commissioned salesmen, in offering brochures and an internet website. The Defendant characterized the investment as lender participation agreements, which included a promissory note bearing a 12% interest rate for 36 or 48 months. Each promissory note was issued in \$10,000 increments.

3. The Defendant touted the investment as having "no risk," and claimed that the widespread use of ATM machines made the investment a "no brainer." He further boasted that he

had an unblemished track record in the ATM business, that he manufactured and owned hundreds of ATMs and that investors would be given security interests in the ATMs in which they invested. Ellis further claimed that the ATM business has made him wealthy and that, during his ten-year career, he has never had a dissatisfied investor. Ellis' representations are materially false and misleading.

4. In reality, Ellis has defaulted on many notes and his investors have lost or stand to lose a substantial portion of their investment. Ellis does not manufacture ATMs and may own only a minimal number of ATMs. For some investors, Ellis did not perfect legitimate security interests in the ATMs as he represented. Further, Affiliated Computer Services, Inc. ("ACS"), as well as several early investors, have obtained default judgments against him. ACS's judgment against Ellis, which was not disclosed to investors, is for \$250,000.

5. By engaging in the conduct described herein, the Defendant, directly and indirectly, engaged in and is engaging in transactions, acts, practices and courses of business that constitute violations of Sections 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§77q(a)], 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] thereunder.

#### **JURISDICTION AND VENUE**

6. The Commission is an agency of the United States of America established by Section 4(a) of the Exchange Act [15 U.S.C. §77d(a)]. 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 by Section 21(d) of the Exchange Act [15 U.S.C. §78u(d)].

7. The Court has jurisdiction of 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].

8. The Defendant will, unless restrained and enjoined, continue to engage in the transactions, acts, practices, and courses of business set forth herein and in transactions, acts, practices and courses of business of similar purport and object.

9. The transactions, acts, practices, and courses of business constituting the violations herein have occurred within the jurisdiction of the United States District Court for the Northern District of Texas and elsewhere.

10. The Defendant, directly and indirectly, has made and is making use of the mails, and of the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices and courses of business alleged herein in the Northern District of Texas and elsewhere.

#### **DEFENDANT**

11. Larry W. Ellis, age 47, resides in Plano, Texas. He is the sole proprietor of ATM Technology Systems, a company that purportedly places ATM machines at various retail locations. The Defendant's two previous corporations, Southwest ATM, Inc. and Texas ATM, Inc. are no longer active. In 1980, Ellis was convicted on two counts of felony theft and sentenced to ten years probation.

#### **STATEMENT OF FACTS**

12. In February 1996, Affiliated Computer Services, a Dallas company that owns, operates, and services over 14,000 ATM cash machines, needed to relocate approximately 100 ATMs. Ellis, claiming that he could place these machines in gentlemen's clubs and other retail establishments where there is a high demand for cash, entered into a contract with ACS to relocate its machines. ACS owned and serviced the machines, including supplying them with cash. For a percentage of the ATM usage fee, Ellis purportedly negotiated leases with various establishments and was responsible for any rent due under these leases. Ellis was to pay ACS a \$1,500 fee each

time he located, and placed an ATM machine. Ellis also collected the ATM transaction fees on the machines, a portion of which he was supposed to share with ACS.

13. In February 1996, at about the same time that he entered into the agreement with ACS, Ellis began pitching his investment and selling promissory notes. To date, he has raised approximately \$1 million from at least thirty investors located in four states.

14. The investment had two key components. First, each investment included a promissory note bearing interest at 12% per annum over a term of 36 or 48 months. The notes were issued in \$10,000 increments, with each investor receiving a secured interest in a specific ATM machine. Second, investors were promised a participation in 20%-25% of the profits of a particular machine.

15. Throughout his scheme, Ellis enticed prospective investors with promises of high interest rates, along with a substantial participation in the profits of a particular machine. Claiming that the widespread use of ATM machines makes this a "no brainer" way to make money, Ellis told investors that the ATM business had made him wealthy and that he no longer had to work. Ellis also touted the investment as a no risk investment and boasted that he has not had a disgruntled investor in ten years. Further, Ellis promised to file a UCC-1 with the Texas Secretary of State, giving each investor a security interest in a particular ATM machine.

16. From February 1998 through January 1999, Ellis disseminated a series of lulling letters to investors. Ellis told investors that he was involved in a dispute with ACS that caused him to fail to make timely principal, interest and profit payments to them. He falsely claimed that ACS had failed to perform under the contract and that he intended to file suit against ACS. In reality, in June 1998, ACS sued Ellis and sought to cover its damages and costs of \$250,000. In subsequent lulling letters, Ellis began proposing alternative solutions to repay investors, including new repayment plans and the appointment of an investors' committee. The investors rarely received any additional payments.

17. In addition, during this lulling period, Ellis was the subject of two adverse legal proceedings. First, the Internal Revenue Service filed a tax lien against him for over \$30,000. Second, in February 1998, just a day before his first lulling letter, Ellis filed a voluntary bankruptcy petition, which was later dismissed. These material events were not disclosed to investors.

18. After the ASC debacle, Ellis' fund raising activities appear to have stopped for nearly a year. In May and June 1999, however, Ellis, posing as "David Morgan," purchased two new ATM machines from GreenLink Technologies, Inc. ("GreenLink"), a Dallas-area ATM manufacturer. Almost immediately after the GreenLink purchases, Ellis resumed his fund raising activities. Between August 1999 and April 2000, Ellis raised at least \$220,000 from eight investors.

19. Ellis retained the basic tenants of his sales pitch to earlier investors, including the safety of the investment, the UCC filings, and his great wealth, but he also added several embellishments. These most recent investors report that Ellis claimed that he owned an ATM manufacturing company, and that he owned over 800 ATM machines. Moreover, using a new website, Ellis began to tout his company's presence on the Internet as well. In fact, Ellis included the Internet website address on offering brochures and on his letterhead.

20. As a final hook, Ellis told several recent prospective investors that he would soon merge his company with a public shell. Ellis made a future stock option, exercisable for \$.50 a share, part of the investment package. Ellis told several investors, including an undercover news reporter that a friend of his had recently done the same thing with his company, and had quickly driven the price of the stock up to \$7.00 per share. Claiming "press releases are what pump the stuff and get it going," Ellis boasted that he felt "for sure we can get [the price] to \$1.50 with one blurb."

21. Throughout the relevant period, Ellis made a number of material false representations, including that he manufactured ATMs, owned hundreds of ATM's, had an

unblemished track record in the ATM industry, and that each investor would be provided a secured interest in a specifically identified ATM machine.

22. Throughout the relevant period, Ellis failed to disclose a number of material facts, including that he was in default with respect to the ACS contract and a number of promissory notes, that he was not consistently filing appropriate UCC forms with the State of Texas as he had promised, that he had a tax lien issued against him and that he had filed for personal bankruptcy.

23. With respect to the few UCC filings he did make, Ellis typically claimed that he maintained them in a file at his office. Several recent investors, however, obtained UCC filings from Ellis that bear fictitious serial numbers.

24. In an April 7, 2000 letter to an investor, Ellis falsely told the investor that his ATM machine was located at an EZ Mart Convenience Store in San Antonio. There is no EZ Mart store at that location, and EZ Mart has never had any business dealings with Ellis.

**COUNT ONE**  
**Violations of Section 17(a) of the**  
**Securities Act [15 U.S.C. §77q(a)]**

25. Paragraphs 1 through 24 are hereby realleged and incorporated by reference herein.

26. From at least February 1, 1996 through the present, the Defendant, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, has employed, and is employing devices, schemes and artifices to defraud; made and is making untrue statements of material fact and has omitted and is omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged and is engaging in acts, practices and courses of business which has operated and is operating as a fraud and deceit upon purchasers and sellers of such securities.

27. The Defendant knew or was reckless in not knowing the facts and circumstances described herein.

28. By reason of the activities described herein, the Defendant violated and is violating Section 17(a) of the Securities Act [15 U.S.C. 77q(a)].

**COUNT TWO**  
**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] thereunder**

29. Paragraphs 1 through 24 are hereby realleged and incorporated by reference herein.

30. From at least February 1, 1996 through the present, the Defendant, in connection with the purchase and sale of securities, and by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, employed and is employing devices, schemes and artifices to defraud; made and is making untrue statements of material fact and has omitted and is omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged and is engaging in acts, practices and courses of business which has operated and is operating as a fraud and deceit upon purchasers and sellers of such securities.

31. The Defendant knew or was reckless in not knowing the facts and circumstances described herein.

32. By reason of the activities described herein, the Defendant violated and is violating 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.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff respectfully requests that this Court:

I.

Temporarily restrain and preliminarily and permanently enjoin the Defendant his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Section 17(a) of the Securities Act, 15 U.S.C. §77q(a), of 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.

II.

Order the Defendant to disgorge an amount equal to the funds and benefits he obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

III.

Order a civil penalty against the Defendant pursuant to Section 20(d) of the Securities Act, 15 U.S.C. §77t(d), and pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), for the violations alleged herein.

IV.

Order instanter a freeze of assets of the Defendant, and directing that all financial or depository institutions comply with the Court's Order.

V.

Order instanter that the Defendant file with the Court and serve upon Plaintiff, no later than ten (10) calendar days after entry of the freeze order, an accounting, under oath, detailing all of his assets and all funds or other assets received from investors, and the disposition of those funds and assets.



VI.

Order instanter that the Defendant be restrained and enjoined from destroying, removing, mutilating, altering, concealing or disposing of, in any manner, any of his books and records or documents relating to the matters set forth in the Complaint, or the books and records and such documents of any entities under his control, until further order of the Court.

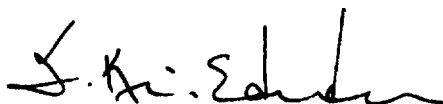
VII.

Order that the parties may commence discovery immediately, and that notice periods be shortened to permit the parties to require production of documents, answers to interrogatories and the deposition of any party or party-representative, on seventy-two (72) hours notice by facsimile or personal service.

VIII.

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

Dated this 15<sup>TH</sup> day of May, 2000.



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