

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **WHEREAS**, on August 8, 2005 Respondent **RUTTENBERG AND ASSOCIATES**
2 **MVP** was duly served with a true copy of the Order and Notice by United States Mail, first class
3 postage prepaid, addressed to Respondent **RUTTENBERG AND ASSOCIATES MVP** at the
4 following last known address: 1603 Visa Drive, Suite 4, Normal, Illinois 61761. This mailing
5 was not returned.

6 **WHEREAS**, on August 8, 2005 Respondent **RUTTENBERG AND ASSOCIATES**
7 **MVP** was duly served with a true copy of the Order and Notice by certified United States Mail
8 (Item #7004 1350 0000 5019 2216), postage prepaid, and addressed to Respondent
9 **RUTTENBERG AND ASSOCIATES MVP** at the following last known address: 1603 Visa
10 Drive, Suite 4, Normal, Illinois 61761. This mailing was returned to sender, marked "forwarding
11 order expired."

12 **WHEREAS**, on August 8, 2005 Respondent **RUTTENBERG** was duly served with a
13 true copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
14 Respondent **RUTTENBERG** at the following last known address: 1603 Visa Drive, Suite 4,
15 Normal, Illinois 61761. This mailing was not returned.

16 **WHEREAS**, on August 8, 2005 Respondent **RUTTENBERG** was duly served with a
17 true copy of the Order and Notice by certified United States Mail (Item #7004 1350 0000 5019
18 2193), postage prepaid, and addressed to Respondent **RUTTENBERG** at the following last
19 known address: 1603 Visa Drive, Suite 4, Normal, Illinois 61761. This mailing was returned to
20 sender, marked "forwarding order expired."

21 **WHEREAS**, on August 8, 2005 Respondent **GEBAROWSKI** was duly served with a
22 true copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
23 Respondent **GEBAROWSKI** at the following last known address: 22616 SE Morrison Street,
24 Gresham, Oregon 97030. This mailing was not returned.

25 **WHEREAS**, on August 8, 2005 Respondent **GEBAROWSKI** was duly served with a
26 true copy of the Order and Notice by certified United States Mail (Item #7004 1350 0000 5019

1 2179), postage prepaid, and addressed to Respondent **GEBAROWSKI** at the following last
2 known address: 22616 SE Morrison Street, Gresham, Oregon 97030. This mailing was returned
3 to sender, marked "unclaimed."

4 **WHEREAS**, on August 8, 2005 Respondent **COVELLI** was duly served with a true
5 copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
6 Respondent **COVELLI** at the following last known address: 7515 SW 208th Place, Aloha,
7 Oregon 97007. This mailing was returned to sender, marked "attempted not known."

8 **WHEREAS**, on August 8, 2005 Respondent **COVELLI** was duly served with a true
9 copy of the Order and Notice by certified United States Mail (Item #7004 1350 0000 5019
10 2186), postage prepaid, and addressed to Respondent **COVELLI** at the following last known
11 address: 7515 SW 208th Place, Aloha, Oregon 97007. This mailing was returned to sender,
12 marked "unclaimed."

13 **NOW THEREFORE**, after consideration of the Investigation Report and accompanying
14 exhibits submitted in this matter by David T. Weiss, Enforcement Officer, the Director, aware
15 that the period of time for these Respondents to request a hearing has passed, hereby issues the
16 following Findings of Fact, Conclusions of Law, and Final Order, to wit:

17 **FINDINGS OF FACT**

18 The Director **FINDS** that:

19 **Part One: The Respondents**

20 1. Respondents sold investments in "money voucher processors" (a machine similar to
21 an ATM) through a scheme in which investors purchased the equipment from Respondents and
22 concurrently retained Respondents to operate the machine on their behalf in exchange for a
23 monthly payment.

24 2. Respondents also sold investments in "ad toppers" (commercial advertising display
25 screens) through a scheme in which investors purchased the equipment from Respondents and
26

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1 concurrently retained Respondents to operate the machine on their behalf in exchange for a
2 monthly payment.

3 3. **UNLIMITED CASH** is a California for profit corporation that conducts business
4 from 130 Lombard Street, Oxnard, California 93012. **UNLIMITED CASH** manufactured
5 equipment and sold investments in “money voucher machine” and “ad topper” machines to
6 Oregon residents.

7 4. **UNLIMITED CASH** has never been registered with the Oregon Secretary of State as
8 an out of state corporation authorized to conduct business in the State of Oregon.

9 5. **UNLIMITED CASH** has never been licensed as a broker-dealer in this State, and
10 was not authorized to sell securities in Oregon.

11 6. **FLESHER** is the Chief Executive Officer and sole shareholder of **UNLIMITED**
12 **CASH**. **FLESHER** conducts business from 130 Lombard Street, Oxnard, California 93012.

13 7. **FLESHER** has never been licensed as a broker-dealer salesperson in this State, and
14 was not authorized to sell securities in Oregon.

15 8. **DOUGLAS NETWORK ENTERPRISES** is a California for profit corporation that
16 conducts business from 517 Calle San Pablo, Camarillo, California 93012. **DOUGLAS**
17 **NETWORK ENTERPRISES** sold investments in “money voucher machine” and “ad topper”
18 equipment to members of the public, and allegedly operated the machines on investors’ behalf.
19 On information and belief, **DOUGLAS NETWORK ENTERPRISES** is a corporate subsidiary
20 of **UNLIMITED CASH** and/or is controlled by **UNLIMITED CASH**.

21 9. **DOUGLAS NETWORK ENTERPRISES** has never been registered with the
22 Oregon Secretary of State as an out of state corporation authorized to conduct business in the
23 State of Oregon.

24 10. **DOUGLAS NETWORK ENTERPRISES** has never been licensed as a broker-
25 dealer in this State, and was not authorized to sell securities in Oregon.

26

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1 11. **KHALIAL** is the Chief Executive Officer and sole shareholder of **DOUGLAS**
2 **NETWORK ENTERPRISES**. On information and belief, **KHALIAL** is also an employee of
3 **UNLIMITED CASH**. **KHALIAL** conducts business from 517 Calle San Pablo, Camarillo,
4 California 93012.

5 12. **KHALIAL** has never been licensed as a broker-dealer salesperson in this State,
6 and was not authorized to sell securities in Oregon.

7 13. **RUTTENBERG AND ASSOCIATES MVP** is an Illinois for profit corporation
8 that conducts business from 1603 Visa Drive, Suite 4, Normal, Illinois 61761. **RUTTENBERG**
9 **AND ASSOCIATES MVP** recruited and managed the sales agents that sold investments in
10 “money voucher machine” business equipment to Oregon residents on behalf of **UNLIMITED**
11 **CASH** and **DOUGLAS NETWORK ENTERPRISES**.

12 14. **RUTTENBERG AND ASSOCIATES MVP** has never been registered with the
13 Oregon Secretary of State as an out of state corporation authorized to conduct business in the
14 State of Oregon.

15 15. **RUTTENBERG AND ASSOCIATES MVP** has never been licensed as a
16 broker-dealer in this State, and was not authorized to sell securities in Oregon.

17 16. **RUTTENBERG** is the Chief Executive Officer and sole shareholder of
18 **RUTTENBERG AND ASSOCIATES MVP**. **RUTTENBERG** conducts business from 1603
19 Visa Drive, Suite 4, Normal, Illinois 61761.

20 17. **RUTTENBERG** has never been licensed as a broker-dealer salesperson in this
21 State, and was not authorized to sell securities in Oregon.

22 18. **GEBAROWSKI** sold investments in the **UNLIMITED CASH** and **DOUGLAS**
23 **NETWORK ENTERPRISES** “money voucher machine” program to Oregon residents. He
24 conducts business from 22616 SE Morrison Street, Gresham, Oregon 97030.

25 19. **GEBAROWSKI** has never been licensed as a broker-dealer salesperson in this
26 State, and was not authorized to sell securities in Oregon.

1 20. **COVELLI** sold investments in the **UNLIMITED CASH** and **DOUGLAS**
2 **NETWORK ENTERPRISES** “money voucher machine” program to Oregon residents. He
3 conducts business from 7515 SW 208th Place, Aloha, Oregon 97007.

4 21. **COVELLI (CRD #2073441)** was licensed as a broker-dealer salesperson in this
5 State from June, 1990 – March, 1998, but was not authorized to sell securities in Oregon from
6 July, 2000 – March, 2001, the period of time during which he sold investments in the
7 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** “money voucher
8 machine” program.

9 22. **BOEDEKER** sold investments in the **UNLIMITED CASH** and **DOUGLAS**
10 **NETWORK ENTERPRISES** “ad topper” machine program to Oregon residents. He conducts
11 business from 2235 Broadway, Post Office Box 348, North Bend, Oregon 97459.

12 23. **BOEDEKER** has never been licensed as a broker-dealer salesperson in this
13 State, and was not authorized to sell securities in Oregon.

14 **Part Two: The “Money Voucher Machine” Program**

15 24. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold
16 investments in what Respondents called “money voucher machines”, also referred to as “money
17 voucher processors.” This machine, generically known as a “scrip machine” or “script machine”,
18 has the appearance of an ATM but, instead of dispensing currency, the unit issues vouchers that
19 may be used exclusively at a single merchant. A retail customer using the **UNLIMITED CASH**
20 “money voucher machine” pays a service charge of \$1.50 per transaction.

21 25. Prospective investors were told that **UNLIMITED CASH** manufactured and
22 sold the “money voucher machine” while **DOUGLAS NETWORK ENTERPRISES** located,
23 operated, and serviced the machine, and also remitted monthly payments to investors.

24 26. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** began
25 selling investments in “money voucher machines” in July, 2000. **UNLIMITED CASH** and
26

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1 **DOUGLAS NETWORK ENTERPRISES** instructed its sales agents to stop selling new
2 investments in “money voucher machines” in March, 2001.

3 27. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold the
4 **UNLIMITED CASH** “MVM-490” model “money voucher machine” to investors for four
5 thousand dollars (\$4,000.00) per unit.

6 28. The **UNLIMITED CASH** “MVM-490” model “money voucher machine” was a
7 complex machine to operate. Before garnering the ability to generate any transaction income, the
8 owner of a “money voucher machine” would have to, among other tasks, find and lease a retail
9 location for the unit, join – at substantial expense - an electronic banking network that would
10 allow the machine to deduct funds from consumers’ bank accounts, arrange for a financial
11 institution to process the transactions, and keep the unit clean and in good repair.

12 29. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** presented
13 prospective investors with two “options” for the management of their “money voucher machine.”
14 The investor was invited to either operate the machine themselves as a commercial enterprise or
15 hire a “service provider” such as **DOUGLAS NETWORK ENTERPRISES** to do so on their
16 behalf.

17 30. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** were fully
18 cognizant of the fact that their sales agents were selling investments in “money voucher
19 machines” to elderly investors in their seventies and eighties seeking a return on their money,
20 and not to those that wished to operate a business.

21 31. As a matter of economic reality, the **UNLIMITED CASH** and **DOUGLAS**
22 **NETWORK ENTERPRISES** “money voucher machine” was sold with the understanding that
23 it was part of a single, unified investment program that would require the immediate assignment
24 of the unit sold by **UNLIMITED CASH** to **DOUGLAS NETWORK ENTERPRISES** for
25 operation.
26

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1 32. None of the Oregon investors ever operated a “money voucher machine”
2 themselves (the roughly seventy five thousand dollar (\$75,000) cost of joining an electronic
3 banking network would have been a prohibitive barrier to doing so). None of the Oregon “money
4 voucher machine” investors has even visited the site at which their machine was allegedly
5 located. The **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** investor
6 engaged in no management tasks, and relied exclusively on Respondents to garner a return on
7 their investment for them. The investment in a “money voucher machine” was a completely
8 passive one.

9 33. At the time of purchase, the investor contracted with **DOUGLAS NETWORK**
10 **ENTERPRISES** to operate the “money voucher machine” on their behalf. **DOUGLAS**
11 **NETWORK ENTERPRISES** represented that it would select a retail location for the machine,
12 install the unit, retain a processing company to effect the transactions between the merchant,
13 consumer, and financial institution, instruct the merchant on the promotion of the money voucher
14 machine, relocate the machine if it was not generating eighty nine (89) transactions per month,
15 and clean and provide maintenance and repairs for the machine.

16 34. **DOUGLAS NETWORK ENTERPRISES** garnered its own compensation and
17 paid investors from the transaction fees generated every time a consumer accessed a “money
18 voucher machine”. The \$1.50 transaction charge was allocated between the investor (sixty
19 cents), **DOUGLAS NETWORK ENTERPRISES** (forty cents), and an escrow account
20 purportedly established by **DOUGLAS NETWORK ENTERPRISES** (fifty cents) for the
21 purpose of funding potential “buybacks”, the term employed by sales agents to describe the
22 repurchase guarantee **DOUGLAS NETWORK ENTERPRISES** gave investors (investors
23 could have their machines repurchased if, averaged over a calendar quarter, fewer than 89
24 transactions per month took place on their units).

25 35. **DOUGLAS NETWORK ENTERPRISES** informed prospective investors that
26 if their money voucher machine achieved an average of 89 transactions per month, the explicit

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1 goal, they could expect a payment of \$53.40 per unit per month. This translates to a sixteen
2 percent (16%) return per annum. The investor's actual return depended on the number of
3 transactions on their machine.

4 36. The "money voucher machine" investor had the contractual right to sell the
5 machines back to **DOUGLAS NETWORK ENTERPRISES** if *all the units owned by the*
6 *investor* did not average 89 transactions per month (if, put differently, they didn't receive an
7 average of \$53.40 per month on each \$4,000 investment). The service contract contained a
8 sliding schedule for the "buyback": if it occurred within 0-12 months of the purchase the investor
9 would receive 70% of the original purchase price; if it occurred within 13-24 months of the
10 purchase the investor would receive 80% of the original purchase price; if it occurred within 25-
11 36 months of the purchase the investor would receive 90% of the original purchase price; and if
12 it occurred within 37-39 months of the purchase the investor would receive 100% of the original
13 purchase price.

14 **Part Three: The "Money Voucher Machine Program" Sales Process**

15 37. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold the
16 "money voucher machines" to members of the public through independent insurance agents
17 recruited and managed by **RUTTENBERG AND ASSOCIATES MVP**.

18 38. **RUTTENBERG AND ASSOCIATES MVP**, a subsidiary of an Illinois based
19 insurance firm, was incorporated in April, 2000 for the exclusive purpose of developing a sales
20 force for the **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** "money
21 voucher machine" program.

22 39. **RUTTENBERG AND ASSOCIATES MVP** received a commission of twenty
23 percent (20%) for each "money voucher machine" sold, from which it compensated its sales
24 agents. As sales agents received a commission of between twelve (12%) and sixteen (16%) per
25 machine sold, **RUTTENBERG AND ASSOCIATES MVP** earned between one hundred sixty
26 dollars (\$160.00) and three hundred twenty dollars (\$320.00) per sale.



1 40. **RUTTENBERG AND ASSOCIATES MVP** recruited sales agents to sell the
2 “money voucher machine” program by placing advertisements emphasizing its commission
3 structure on a 3 x 5 inch “marketing card pack” sent to independent insurance agents by direct
4 advertising companies.

5 41. **RUTTENBERG AND ASSOCIATES MVP** acted as an intermediary in the
6 sales process, processing the requisite paperwork provided by sales agents and forwarding the
7 signed contracts and appurtenant funds to **UNLIMITED CASH** and **DOUGLAS NETWORK**
8 **ENTERPRISES**.

9 42. **RUTTENBERG AND ASSOCIATES MVP** did not provide sales agents with
10 any formal training or orientation prior to having them engage in sales of the “money voucher
11 machine” program.

12 43. **RUTTENBERG AND ASSOCIATES MVP** provided the sales agents with
13 written sales materials, furnished by **UNLIMITED CASH** and **DOUGLAS NETWORK**
14 **ENTERPRISES**, to pass on to potential investors. The materials, filled with “sales puffery”,
15 were devoid of any substantial information relating to the operating history, management
16 experience, financial status, or nature of competition in the industry in which **UNLIMITED**
17 **CASH** and **DOUGLAS NETWORK ENTERPRISES** operated in.

18 44. **RUTTENBERG AND ASSOCIATES MVP** maintained no compliance
19 function to ensure that the representations its sales agents made about the “money voucher
20 machine” investment were truthful.

21 45. **RUTTENBERG AND ASSOCIATES MVP** instructed its sales agents in
22 writing to tell prospective investors that the “money voucher machine” program was a “business
23 opportunity” and not an investment. **UNLIMITED CASH** and **DOUGLAS NETWORK**
24 **ENTERPRISES** understood full well that by retaining independent insurance agents to sell the
25 program the targeted market would be senior citizens and not legitimate businesspersons, who do
26 not purchase a business without financial statements and substantial information about its

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1 operating history. Furthermore, entrepreneurs do not purchase true commercial enterprises
2 through an independent insurance agent.

3 46. To begin the process of selling “money voucher machines” to investors,
4 **RUTTENBERG AND ASSOCIATES MVP**’s sales agents contacted individuals that they had
5 previously sold insurance to and that were in retirement - the type of client that would likely
6 have their savings in certificates of deposit or other cash equivalents - and asked them if they
7 would like to get a higher return than banks offered while maintaining the safety of their money.
8 If they received a reply in the affirmative, the sales agent asked to meet with them in their home
9 to discuss an “investment of \$4,000 that produces monthly income.”

10 47. During their in home sales presentation, **RUTTENBERG AND ASSOCIATES**
11 **MVP** sales agents made sunny comments about the promise of the “money voucher machine”,
12 heavily emphasizing the sixteen percent (16%) return **DOUGLAS NETWORK**
13 **ENTERPRISES** offered investors at a time when bank returns were one to four percent (1-4%).
14 The sales agents made no mention of the substantial risks of the “money voucher machine”
15 program including, specifically, the investor’s complete dependence on the success of
16 **DOUGLAS NETWORK ENTERPRISES** in placing and operating the machines in the
17 marketplace in a fashion successful enough to garner the revenue to pay investors promised
18 sums.

19 48. The three Oregon based sales agents for the “money voucher machine” program
20 were Jim Georgen, **KENNETH GEBAROWSKI**, and **RANDALL COVELLI**.

21 49. Georgen sold nine “money voucher machines” to an Oregon couple. Pursuant to
22 a Cease and Desist Order entered on December 18, 2003 (S-03-0044), Georgen’s securities
23 license was revoked by the Oregon Division of Finance and Corporate Securities for, *inter alia*,
24 activities relating to sales of the **UNLIMITED CASH** and **DOUGLAS NETWORK**
25 **ENTERPRISES** “money voucher machine” program. As such, he is not a named Respondent in
26 this Order.

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1 50. **GEBAROWSKI** has been a licensed Oregon insurance agent since 1970.
2 **GEBAROWSKI**, who is not a licensed attorney, engaged in the unlawful sale of “trust”
3 documents to members of the public, conduct for which he entered into an “Assurance of
4 Voluntary Compliance” with the Oregon Department of Justice on April 23, 2002. Many of the
5 individuals **GEBAROWSKI** sold “money voucher machine” investments to were clients of his
6 trust selling business.

7 51. **GEBAROWSKI** sold money voucher machines to approximately thirty Oregon
8 residents, nearly half in conjunction with **COVELLI**, with the pair splitting commissions on
9 joint sales.

10 52. **COVELLI** was a licensed Oregon insurance agent with an emphasis on long term
11 care insurance. Nearly all of the individuals **COVELLI** sold “money voucher machine”
12 investments to were clients of his insurance practice.

13 53. The Oregon Division of Finance and Corporate Securities issued a Cease and
14 Desist Order against **COVELLI** in 1999 for his role in an unlawful investment contract scheme
15 (In Re Paytele Communications, Order No. O-98-0003).

16 54. **COVELLI** sold money voucher machines to approximately thirty Oregon
17 residents, nearly half in conjunction with Kenneth **GEBAROWSKI**, with the pair splitting
18 commissions on joint sales.

19 55. **UNLIMITED CASH** and **RUTTENBERG AND ASSOCIATES MVP**
20 terminated their business relationship in March, 2001.

21 56. In April, 2001 **UNLIMITED CASH** and **DOUGLAS NETWORK**
22 **ENTERPRISES** abruptly ceased new sales of their “money voucher machine” program,
23 switching all of their efforts to the “ad topper” concept” described below.

24 **Part Four: Misrepresentations in the “Money Voucher Machine” Sales Process**

25 57. Respondents, as part of the process of selling the **UNLIMITED CASH** and
26 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to

1 members of the public through sales agents, represented to investors that the “money voucher
2 machine” program was a safe investment.

3 58. Respondents, as part of the process of selling the **UNLIMITED CASH** and
4 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
5 members of the public through sales agents, represented to investors that the “money voucher
6 machine” program was appropriate for an investor in retirement.

7 59. Respondents, as part of the process of selling the **UNLIMITED CASH** and
8 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
9 members of the public through sales agents, failed to provide investors with a detailed
10 description of the management background and operating experience of executives of
11 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**.

12 60. Respondents, as part of the process of selling the **UNLIMITED CASH** and
13 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
14 members of the public through sales agents, failed to provide investors with financial statements
15 or any other data that would allow investors to independently gauge the financial health of
16 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**.

17 61. Respondents, as part of the process of selling the **UNLIMITED CASH** and
18 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
19 members of the public through sales agents, failed to provide investors with any description of
20 the factors and methods used by **DOUGLAS NETWORK ENTERPRISES** to determine
21 where to locate the “money voucher machines” in the retail marketplace.

22 62. Respondents, as part of the process of selling the **UNLIMITED CASH** and
23 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
24 members of the public through sales agents, failed to inform investors that in the event that the
25 money voucher machines failed in the marketplace for lack of public appeal or because of newer,
26 less expensive technologies and there were, as a result, an insufficient number of transactions for



1 money voucher machines to produce the revenue to make monthly payments, all investors might
2 attempt to sell their “money voucher machines” back at the same time. In that event, there
3 would be insufficient funds to engage in the guaranteed “buybacks.”

4 63. Respondents, as part of the process of selling the **UNLIMITED CASH** and
5 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
6 members of the public through sales agents, failed to inform investors that **DOUGLAS**
7 **NETWORK ENTERPRISES**, an allegedly independent entity, was controlled by and/or was a
8 subsidiary of **UNLIMITED CASH**, and that the CEO of **DOUGLAS NETWORK**
9 **ENTERPRISES** was an employee of **UNLIMITED CASH**.

10 64. Respondents, as part of the process of selling the **UNLIMITED CASH** and
11 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
12 members of the public through sales agents, failed to inform investors that the “money voucher
13 machine” program was required to be registered with the Oregon Division of Finance and
14 Corporate Securities, and was not.

15 65. Respondents, as part of the process of selling the **UNLIMITED CASH** and
16 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
17 members of the public through sales agents, failed to inform investors that the “money voucher
18 machine” program’s sales agents were not, as was required by law, licensed by the Oregon
19 Division of Finance and Corporate Securities.

20 66. Respondents, as part of the process of selling the **UNLIMITED CASH** and
21 **DOUGLAS NETWORK ENTERPRISES** “money voucher machine” investment program to
22 members of the public through sales agents, failed to inform investors that sales agent
23 **COVELLI** had been ordered by the Oregon Division of Finance and Corporate Securities to
24 cease and desist from the sale of securities.

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1 **Part Five: The "Ad Topper" Program**

2 67. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold
3 investments in machines that Respondents called "ad toppers." The "ad topper" was represented
4 to be seventy feet high and twenty-four inches wide with a fifteen-inch, high resolution flat
5 screen, stereo sound, and full motion video. The "ad topper" is essentially a television set placed
6 in a retail environment that purportedly runs a repeating loop of commercials on behalf of
7 subscribing advertisers.

8 68. Prospective investors were told that **UNLIMITED CASH** (or its subsidiary, Xstream
9 Advertising, Inc.) manufactured and sold the "ad topper" machine, solicited advertising contracts
10 for the machine from large corporate accounts, and produced commercials and videos to run on
11 the machine. **DOUGLAS NETWORK ENTERPRISES** was to place the machine in a retail
12 location, operate and service the units, and remit monthly payments to investors.

13 69. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** began
14 selling the "ad topper" investment program in April, 2001.

15 70. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold each
16 "XU-1 Universal Ad Topper" to investors for four thousand dollars (\$4,000.00) per unit.

17 71. The **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** "ad
18 topper" investment program differed from the "money voucher machine" program's business
19 model. Unlike the "money voucher machine", which relied on transaction fees from consumers,
20 the "ad topper" derived revenue from businesses that purportedly paid to have advertising run on
21 the machine.

22 72. The **UNLIMITED CASH** "XU-1 Universal Ad Topper" was a complex machine to
23 operate. Before garnering the ability to generate revenue, the operator of an "ad topper" machine
24 would have to, among other tasks, find and lease a retail location for the machine, solicit
25 advertising for the machine from businesses at profitable rates, design and produce the
26

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1 advertising, program the machine to properly run commercials and videos, and keep the unit
2 clean and in good repair.

3 73. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** presented
4 prospective investors with two “options” for the management of their “ad topper” machine. The
5 investor was invited to either operate the machine themselves or hire a “service provider” such as
6 **DOUGLAS NETWORK ENTERPRISES** to do so on their behalf.

7 74. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** were fully
8 cognizant of the fact that its sales agents were selling investments in “ad topper” machines to
9 investors seeking a return on their money and not to those that wished to operate a business.

10 75. As a matter of economic reality, the **UNLIMITED CASH** and **DOUGLAS**
11 **NETWORK ENTERPRISES** “ad topper” machine was sold with the understanding that it was
12 part of a single, unified investment program that would require the immediate assignment of the
13 unit sold by **UNLIMITED CASH** to **DOUGLAS NETWORK ENTERPRISES** for operation.

14 76. None of the Oregon investors ever operated an “ad topper” themselves. None of the
15 Oregon “ad topper” investors has even visited the site at which their machine was allegedly
16 located. The **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** investor
17 engaged in no management tasks, and relied exclusively on Respondents to garner a return on
18 their investment for them. The investment in an “ad topper” was a completely passive one.

19 77. At the time of purchase, the investor contracted with **DOUGLAS NETWORK**
20 **ENTERPRISES** to operate the “ad topper” machine on their behalf. **DOUGLAS NETWORK**
21 **ENTERPRISES** represented that it would select a retail location for the machine, install the
22 unit, program the machine to run the advertising **UNLIMITED CASH**’s subsidiary had solicited
23 from advertisers, and provide maintenance and repairs for the machine. In exchange, the investor
24 was guaranteed a monthly payment.

25 78. **DOUGLAS NETWORK ENTERPRISES** assured “ad topper” investors of a
26 minimum return of \$54.00 per month per unit, and held out the possibility of a much higher

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1 amount: for every additional ad "placed" on that particular investor's "ad topper" machine the
2 investor would be paid an extra five dollars (\$5.00). **DOUGLAS NETWORK ENTERPRISES**
3 and **UNLIMITED CASH** heavily touted the minimum sixteen percent (16%) return per annum.

4 79. The "ad topper" investor could, at the sole option of **DOUGLAS NETWORK**
5 **ENTERPRISES**, sell their machine back to **DOUGLAS NETWORK ENTERPRISES**. The
6 service contract contained a sliding schedule for the "buyback": if it occurred within 6-12
7 months of the purchase the investor would receive 50% of the original purchase price; if it
8 occurred within 13-24 months of the purchase the investor would receive 60% of the original
9 purchase price; if it occurred within 25-36 months of the purchase the investor would receive
10 75% of the original purchase price; and if it occurred within 37-39 months of the purchase the
11 investor would receive 100% of the original purchase price.

12 **Part Six: The "Ad Topper" Program Sales Process**

13 80. **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES** sold the "ad
14 topper" machines to members of the public through Respondent **BOEDEKER**, an independent
15 insurance agent in North Bend, Oregon. This sales agent was managed by **UNLIMITED CASH**
16 but compensated by both **UNLIMITED CASH** and **DOUGLAS NETWORK**
17 **ENTERPRISES**.

18 81. **BOEDEKER** was originally recruited to sell investments in the "money voucher
19 machine" program by **RUTTENBERG AND ASSOCIATES MVP**. However, before he could
20 make any "money voucher machine" sales **UNLIMITED CASH** CEO **FLESHER** advised
21 **BOEDEKER** in April, 2001 that **UNLIMITED CASH** and **DOUGLAS NETWORK**
22 **ENTERPRISES** were transferring their efforts to the "ad topper" program, whose sales force
23 was to be managed directly by **UNLIMITED CASH**.

24 82. **BOEDEKER** received a commission of twenty percent (20%) from **UNLIMITED**
25 **CASH** for each "ad topper" machine he sold, which amounted to eight hundred dollars (\$800.00)

26

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1 per unit. In addition, **DOUGLAS NETWORK ENTERPRISES** paid **BOEDEKER** five dollars
2 (\$5.00) per month for every "ad topper" he had ever sold that it operated on investors' behalf.

3 83. **UNLIMITED CASH** did not provide **BOEDEKER** with any formal training or
4 orientation prior to having him engage in sales of investments in "ad topper" machines.

5 84. **UNLIMITED CASH** provided **BOEDEKER** with written sales materials to pass on
6 to potential investors. The materials, filled with "sales puffery", were devoid of any substantial
7 information relating to the operating history, management experience, financial status, or nature
8 of competition in the industry in which **UNLIMITED CASH** and **DOUGLAS NETWORK**
9 **ENTERPRISES** operated in.

10 85. **UNLIMITED CASH** maintained no compliance function to ensure that the
11 representations **BOEDEKER** made about the "ad topper" machine investment were truthful.

12 86. **BOEDEKER** contacted clients of his insurance firm to attempt to sell them
13 investments in the "ad topper" program.

14 87. **BOEDEKER** also placed an advertisement in a Coos Bay, Oregon newspaper, the
15 text of which read "*Are you earning 9 to 16% on your money? Call Bill or Rita to learn how you*
16 *can earn 9% to 16% return on your money.*" **BOEDEKER** solicited investments in the "ad
17 topper" program from members of the public that contacted his office in response to the
18 advertisement.

19 88. **BOEDEKER** invited interested persons to make an appointment to discuss the "ad
20 topper" program at his North Bend, Oregon office.

21 89. Once he was face to face with prospective investors, **BOEDEKER** made sunny
22 comments about the "ad topper" machine investment. **BOEDEKER** noted the cost of each unit
23 and heavily emphasized the sixteen percent (16%) return **UNLIMITED CASH** and **DOUGLAS**
24 **NETWORK ENTERPRISES** offered investors. He asserted that there was a thirty day period
25 after the purchase for the investor to change their mind, and stated that the investment was for a
26

1 three year period, after which the investor had the right to sell the "ad topper" machine back to
2 **UNLIMITED CASH** (in point of fact, no such right was contained in the applicable contract).

3 90. **UNLIMITED CASH** instructed **BOEDEKER** to tell prospective investors that the
4 "ad topper" machine investment program was a "business opportunity" and not an investment.
5 He did not heed their instructions.

6 91. **BOEDEKER** made no mention of the risks of the "ad topper" machine program or,
7 specifically, of the investor's complete dependence on the success of **UNLIMITED CASH** to
8 garner a sufficient amount of advertising to pay investors such a generous return.

9 92. At the conclusion of his presentation, **BOEDEKER** gave investors an **UNLIMITED**
10 **CASH** "Ad Topper Information Sheet" which noted that "[t]he income potential is very
11 *lucrative today! With just one ad you receive \$54.00 per month, \$648 each year. Your yearly*
12 *return base is 16% and your income potential (sic) can even go higher over the next three to*
13 *five years. As new ads are sold and placed on the unit you receive \$5.00 a month more. Your*
14 *monthly return rate may go up and down over the next three to five years as advertisers may*
15 *come and go, but your base return rate will not be less then (sic) 16% return."*

16 93. **BOEDEKER** sold investments in "ad topper" machines to at least twenty Oregon
17 residents.

18 **Part Seven: Misrepresentations in the "Ad Topper" Sales Process**

19 94. Respondents, as part of the process of selling the **UNLIMITED CASH** and
20 **DOUGLAS NETWORK ENTERPRISES** "ad topper" machine investment program to
21 members of the public through a sales agent, represented to investors that the "ad topper"
22 program was a safe investment.

23 95. Respondents, as part of the process of selling the **UNLIMITED CASH** and
24 **DOUGLAS NETWORK ENTERPRISES** "ad topper" machine investment program to
25 members of the public through a sales agent, represented to investors that the "ad topper"
26 machine investment program was appropriate for an investor in retirement.

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- 1 96. Respondents, as part of the process of selling the **UNLIMITED CASH** and
2 **DOUGLAS NETWORK ENTERPRISES** “ad topper” machine investment program to
3 members of the public through a sales agent, failed to provide investors with a detailed
4 description of the management background and operating experience of executives of
5 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**.
- 6 97. Respondents, as part of the process of selling the **UNLIMITED CASH** and
7 **DOUGLAS NETWORK ENTERPRISES** “ad topper” machine investment program to
8 members of the public through a sales agent, failed to provide investors with financial statements
9 or any other specific information that would allow investors to independently gauge the financial
10 health of **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**.
- 11 98. Respondents, as part of the process of selling the **UNLIMITED CASH** and
12 **DOUGLAS NETWORK ENTERPRISES** “ad topper” machine investment program to
13 members of the public through a sales agent, failed to provide investors with any description of
14 the factors and methods used by **UNLIMITED CASH** to garner advertising for the “ad topper”
15 machines.
- 16 99. Respondents, as part of the process of selling the **UNLIMITED CASH** and
17 **DOUGLAS NETWORK ENTERPRISES** “ad topper” machine investment program to
18 members of the public through a sales agent, failed to inform investors that **DOUGLAS**
19 **NETWORK ENTERPRISES**, an allegedly independent entity, was controlled by and/or was a
20 subsidiary of **UNLIMITED CASH**, and that the CEO of **DOUGLAS NETWORK**
21 **ENTERPRISES** was an employee of **UNLIMITED CASH**.
- 22 100. Respondents, as part of the process of selling the **UNLIMITED CASH** and
23 **DOUGLAS NETWORK ENTERPRISES** “ad topper” machine investment program to
24 members of the public through a sales agent, failed to inform investors that the “ad topper”
25 machine investment program was required to be registered with the Oregon Division of Finance
26 and Corporate Securities and was not.

1 statement of a material fact and/or an omission to state a material fact necessary in order to make
2 the statements made, in the light of the circumstances under which they were made, not
3 misleading, in violation of ORS 59.135 (2).

4 108. Respondents failed to provide investors with financial statements or any other
5 specific information that would allow investors to independently gauge the financial health of
6 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**, which was an untrue
7 statement of a material fact and/or an omission to state a material fact necessary in order to make
8 the statements made, in the light of the circumstances under which they were made, not
9 misleading, in violation of ORS 59.135 (2).

10 109. Respondents failed to provide investors with any description of the factors and
11 methods used by **DOUGLAS NETWORK ENTERPRISES** to determine where to locate the
12 “money voucher machines” in the retail marketplace so as to maximize the number of
13 transactions effected on the units, which was an untrue statement of a material fact and/or an
14 omission to state a material fact necessary in order to make the statements made, in the light of
15 the circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

16 110. Respondents failed to inform investors that in the event that the money voucher
17 machines failed in the marketplace most investors would attempt to sell their “money voucher
18 machines” back to **DOUGLAS NETWORK ENTERPRISES** at the same time, and that there
19 would be insufficient funds to effectuate the guaranteed “buybacks”, which was an untrue
20 statement of a material fact and/or an omission to state a material fact necessary in order to make
21 the statements made, in the light of the circumstances under which they were made, not
22 misleading, in violation of ORS 59.135 (2).

23 111. Respondents failed to inform investors that **DOUGLAS NETWORK**
24 **ENTERPRISES**, an allegedly independent entity, was controlled by and/or was a subsidiary of
25 **UNLIMITED CASH**, and that the CEO of **DOUGLAS NETWORK ENTERPRISES** was an
26 employee of **UNLIMITED CASH**, which was an untrue statement of a material fact and/or an

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1 omission to state a material fact necessary in order to make the statements made, in the light of
2 the circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

3 112. Respondents failed to inform investors that the “money voucher machine”
4 program was required to be registered with the Oregon Division of Finance and Corporate
5 Securities and was not, which was an untrue statement of a material fact and/or an omission to
6 state a material fact necessary in order to make the statements made, in the light of the
7 circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

8 113. Respondents failed to inform investors that the “money voucher machine”
9 investment program’s sales agents were not, as required by law, licensed by the Oregon Division
10 of Finance and Corporate Securities, which was an untrue statement of a material fact and/or an
11 omission to state a material fact necessary in order to make the statements made, in the light of
12 the circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

13 114. Respondents represented to investors that the “ad topper” machine investment
14 program was a safe investment, which was an untrue statement of a material fact and/or an
15 omission to state a material fact necessary in order to make the statements made, in the light of
16 the circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

17 115. Respondents represented to investors that the “ad topper” machine investment
18 program was appropriate for an investor in or nearing retirement, which was an untrue statement
19 of a material fact and/or an omission to state a material fact necessary in order to make the
20 statements made, in the light of the circumstances under which they were made, not misleading,
21 in violation of ORS 59.135 (2).

22 116. Respondents failed to provide investors with a detailed description of the
23 management background and “ad topper” industry operating experience of executives of
24 **UNLIMITED CASH** and **DOUGLAS NETWORK ENTERPRISES**, which was an untrue
25 statement of a material fact and/or an omission to state a material fact necessary in order to make
26

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1 the statements made, in the light of the circumstances under which they were made, not
2 misleading, in violation of ORS 59.135 (2).

3 117. Respondents failed to provide investors with any description of the factors and
4 methods used by **UNLIMITED CASH** to garner advertising for the “ad topper” machines,
5 which was an untrue statement of a material fact and/or an omission to state a material fact
6 necessary in order to make the statements made, in the light of the circumstances under which
7 they were made, not misleading, in violation of ORS 59.135 (2) .

8 118. Respondents failed to inform investors that the “ad topper” machine program was
9 required to be registered with the Oregon Division of Finance and Corporate Securities and was
10 not, which was an untrue statement of a material fact and/or an omission to state a material fact
11 necessary in order to make the statements made, in the light of the circumstances under which
12 they were made, not misleading, in violation of ORS 59.135 (2).

13 119. Respondents failed to inform investors that the “ad topper” machine program’s
14 sales agents were not, as required by law, licensed by the Oregon Division of Finance and
15 Corporate Securities, which was an untrue statement of a material fact and/or an omission to
16 state a material fact necessary in order to make the statements made, in the light of the
17 circumstances under which they were made, not misleading, in violation of ORS 59.135 (2).

18 ORDER

19 Therefore, the Director **ORDERS**

20 120. That Respondents shall cease and desist from offering or selling securities to
21 persons in the State of Oregon in violation of ORS Chapter 59, OAR Chapter 441, or the Oregon
22 securities law.

23 121. That Respondent **RUTTENBERG AND ASSOCIATES, MVP** is ordered to pay
24 the sum of **SEVENTY FIVE THOUSAND DOLLARS** (\$75,000.00) as a civil penalty for
25 violations of ORS 59.055, ORS 59.135, and ORS 59.165 described herein.

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