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SCAMS

In Search of a Sure Thing

by [David Landis](#)

Brian Trainor first heard about Cash Link Systems while he was watching a History Channel documentary about financial moguls. During a break, he saw a commercial pitching investment in a "cashless" automated teller machine. Instead of dispensing currency, the machine spit out a receipt, which the user presented to a nearby cashier for payment. The device, which resembled a desktop adding machine, required none of the expensive infrastructure of armored, cash-dispensing ATMs. This was an opportunity within reach of the little guy. For \$12,858, you could own three machines and pocket about half of every \$2 transaction fee.

When Trainor called, the Cash Link salesman was reassuringly specific: At a minimum, 300 to 600 people would pass near each ATM location daily, and 5% to 8% of them, on average, would use the device, he said. Trainor did the math: The low end of those averages meant 15 customers and \$16.50 in revenues each day, or \$495 a month. Halving that number to account for hyperbole still left about \$250 a month, or \$3,000 a year, per machine. "I would have been more than ecstatic with that," says Trainor, 32, an aspiring screenwriter from Brooklyn.

So Trainor invested in 25 cashless ATMs. With volume discounts, his cost came to \$71,250, or \$2,850 per machine. If his assumptions panned out, the annual return on his investment would be more than 100%.

But, as Will Rogers once put it, sometimes it's better just to get a return of your investment.

Cash Link opened for business in the summer of 2003. By the time a Securities and Exchange Commission lawsuit shut it down in July 2004, nearly 700 investors had plowed \$10 million into a business that regulators say is simply a new twist on an old scam. In years past, naive investors bought snack- and soda-vending machines on the promise of high-traffic locations that turned out to be anything but. These dubious "business opportunities" later gave way to pay phones, prepaid-phone-card machines and Internet kiosks.

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Although the machinery has become more sophisticated, the pitch has a time-tested appeal: Be your own boss. "For someone who is not lucky or successful in corporate America, it is alluring," says Terrence McElroy, spokesman for the Florida Department of Agriculture and Consumer Services. The agency received 155 Florida-based complaints about Cash Link, which was based in Hollywood, Fla.

Not-so-funny claim

Cash Link's TV commercial asserted that a typical ATM handled 4,000 transactions a day. But the small print on its Web site noted that the figures were for bank ATMs. Leonard Needelman, a former back-office employee of Cash Link, told SEC lawyers in a deposition that most of his colleagues viewed the figure as "sort of an object of humor."

A key part of the pitch was that Cash Link would help place ATMs in high-traffic businesses, such as fast-food restaurants, which would be reimbursed by a third-party contractor who would process the transactions electronically. Investors were led to believe that their role was limited to installing the machines in locations secured by Cash Link. After investing their money, however, they discovered otherwise. The "in-house placement assistance" turned out to consist of a few dozen people cold-calling businesses from Cash Link's offices. The calls were merely intended to persuade business owners to meet with a Cash Link investor. It was up to the investor to seal the deal.

Alex Estrella, one of the cold callers, says that he searched for potential locations in the Yellow Pages or on the Internet. Under pressure to produce results, he says, he made little effort to measure potential foot traffic. "I was given the names of 40 to 50 investors who had three machines or more, and I had to find them locations," Estrella says. "They were all climbing walls because they were promised they'd get locations in a week or two and they had had their machines three to six months."

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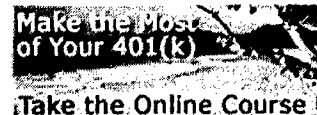
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SCAMS

In Search of a Sure Thing

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by David Landis

Trainer says that the only lead Cash Link provided was a sparsely trafficked kosher deli in New Jersey. When Trainer went to see the owner, he would not accept a machine, saying that he kept little extra cash on hand to fund ATM withdrawals. As if on cue, a customer paid for a \$28 order with two \$20 bills, and the owner struggled to make change.

Months after Cash Link set up shop, regulators started to suspect that the company wasn't legitimate. In December 2003, South Dakota ordered the company to stop doing business there. Gail Sheppick, the state's director of securities, says that her office first discovered Cash Link through a newspaper ad. The cease-and-desist order was issued after Cash Link didn't respond to a letter requesting information about the business. The Texas State Securities Board issued a similar order in February 2004. Regulators in both states say that because Cash Link was headquartered elsewhere, their primary concern was to keep it from victimizing residents of their own states.

The feds step in

When it appeared that state actions weren't slowing Cash Link down, the SEC came on the scene, filing suit last July in federal court in Texas. The agency alleged that Cash Link was engaged in a "fraudulent scheme," and it convinced a judge to freeze Cash Link's assets and appoint a receiver to help victims recover their money. "The SEC believed investors from virtually all 50 states were being defrauded," says Kevin Edmundson, the SEC lawyer in charge of the case.

At last word, the receiver, Dallas lawyer Michael Quilling, had recovered only about \$1 million in assets. Additional assets could be recovered as part of a settlement with Cash Link's owners, although their identities have been shrouded.

The person identified in the SEC complaint as Cash Link's president is Alan Levine, 71. But

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Needelman, in the deposition he gave in the SEC's suit against Cash Link and Levine, describes him as a figurehead, a view seconded by Levine's lawyer.

In the same deposition, Needelman says Cash Link was started by the backers of another firm, Ameri P.O.S., which also sold cashless ATMs and prepaid phone cards. Ameri P.O.S. filed for bankruptcy in mid 2004 after generating 94 complaints to Florida regulators. But bankruptcy filings and legal skirmishes with regulators are not necessarily a barrier to starting new or parallel ventures under different corporate guises. "There have been five or six companies that have opened and closed that look, smell and sound just like Cash Link," says Bob James, a compliance officer with the Florida Department of Agriculture and Consumer Services.

Offer of help

Not all cashless-ATM ventures are scams, insists Michael Gilot, president of ATM Alliance, an Austin, Tex., dealer in ATM and credit-card equipment. Many small firms would be happy to accept cashless ATMs and share in revenues they generate, he says. Typically, these businesses can't afford to accept credit-card payments (because of the fees they must pay to sponsoring banks) but want to offer customers a way to use credit and debit cards in their stores.

Gilot has offered to find a home for the machines owned by victims of Cash Link. The catch, though, is that ATM Alliance wants half the commissions investors were expecting under the terms of their Cash Link deals. That's fair, Gilot says, given that it costs \$600 to \$1,500 to place a machine. He says "several hundred" Cash Link victims have taken him up on his offer.

Trainor, who borrowed about half the money he invested with Cash Link, says he "hit a wall of depression" after realizing that he had been bilked. He expresses little interest in ATM Alliance's offer and hasn't decided what he'll do with his 25 machines. He says he has little hope of recovering more than a token amount of the money he lost. For Trainor, the whole experience has been a "faith breaker. I just don't know who to trust."

--Research: Amy Esbenshade Hebert

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