

FILED

B2J

02 JAN 24 AM 11:09

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
(Tampa Division)

SECURITIES AND EXCHANGE COMMISSION,)

Plaintiff,)

v.)

TEL-ONE, INC., GEORGE CARAPELLA, ALAN)
S. LIPSTEIN, W. KRIS BROWN, MEDIA)
BROADCAST SOLUTIONS, INC. and GEORGE)
LAFACI,)

Defendants,)

CARAPPELL CAPITAL CORP., ATLAS GLOBAL)
VENTURES CORP., HANK VANDERKAM and)
LARRY EASTLAND,)

Relief Defendants.)

CASE NO. 8:02-CV-120-T-30TGW

FIRST AMENDED
COMPLAINT FOR
INJUNCTIVE AND
OTHER RELIEF

U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA, FLORIDA

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

I. INTRODUCTION

1. The Commission brings this action to enjoin Defendants from continuing to violate the federal securities laws in connection with their fraudulent touting and sales of stock of Tel-One, Inc. ("Tel-One"). Defendants W. Kris Brown and Tel-One, a Tampa-based company with limited business operations before September 11, 2001 but that now purports to be a "leader" in the video-conferencing industry, and two of Tel-One's present or former principals, Defendants George Carapella and Alan Lipstein, are engaged in an on-going "pump and dump" scheme to inflate artificially the value of and demand for Tel-One stock. Carapella and Lipstein have used Defendants Media Broadcast Solutions, Inc. ("Media Broadcast") and its owner,

George LaFauci, to disseminate false and misleading research reports that tout Tel-One to the public via facsimile and in advertisements in major newspapers, including The Wall Street Journal. At the same time, Carapella and Lipstein are dumping hundreds of thousands of their own Tel-One shares on the market, and already have reaped over \$1.7 million of dollars in illicit profits. Unless immediately restrained and enjoined, Defendants will continue to defraud the investing public and to place investor funds at serious risk of diversion and theft.

II. DEFENDANTS

2. **Tel-One** is a Florida corporation with its principal place of business in Tampa, Florida. In September 2001, the State of Florida administratively dissolved Tel-One's corporate registration because the company failed to file its annual report. Tel-One's common stock is quoted on the National Association of Securities Dealers Over-the-Counter Bulletin Board.

3. **George Carapella**, age 51, is a resident of Brandon, Florida. Carapella is a director of Tel-One, a beneficial owner of more than 10% of Tel-One's common stock, and the sole officer and director of Relief Defendant Carapell Capital Corp. Carapella is also the cousin of Defendant LaFauci.

4. **Alan Lipstein**, age 53, is a resident of Tampa, Florida. Lipstein is a former director of Tel-One, a beneficial owner of more than 10% of Tel-One's common stock, and the sole officer and director of Relief Defendant Atlas Global Ventures Corp.

5. **W. Kris Brown** ("Brown"), age 48, resides in Tampa, Florida and is the president of Tel-One.

6. **Media Broadcast**, is a Florida corporation with its headquarters in Tampa, Florida. Media Broadcast publishes two investment newsletters called the "Wall Street Examiner" and "The Stock Bulletin" that tout securities in return for compensation. Media Broadcast's website

currently touts only two securities, Tel-One and Asconi Corp., which is another company in which Carapella and Lipstein own or owned a substantial number of shares.

7. **LaFauci**, age 42, is a resident of Brandon, Florida. LaFauci is the president of Media Broadcast, and Carapella's cousin. Before starting Media Broadcast in September 2001, LaFauci was in the furniture business, and he has no experience in the financial industry.

III. RELIEF DEFENDANTS

8. **Carapell Capital Corp.** is a Florida corporation with Carapella as its sole officer and director. Carapella is using accounts in the name of Carapell Capital at various broker-dealers to sell his Tel-One shares, and has transferred shares from one or more of those accounts to Relief Defendants Larry Eastland and Hank Vanderkam. Media Broadcast stated in one of its newsletters that Carapell Capital had contracted to pay it a "research fee" in connection with its promotional services.

9. **Atlas Global Ventures, Corp.** ("Atlas Global Ventures") is a Florida corporation with Lipstein as its sole officer and director. Lipstein is using accounts in the name of Atlas Global Ventures at various broker-dealers to sell his Tel-One shares, and has transferred shares from one or more of those accounts to Eastland and Vanderkam. Media Broadcast also identified Atlas Ventures as having contracted to pay it a "research fee" in connection with its promotional services.

10. **Larry Eastland** ("Eastland") resides in Idaho. On or about January 19, 2002, Carapell Capital and Atlas Global Ventures each transferred 5,000 Tel-One shares to a brokerage account in Eastland's name. On January 22, 2002, Eastland sold at least 4,000 of those Tel-One shares.

11. **Hank Vanderkam** ("Vanderkam") resides in Texas. On or about January 19, 2002, Carapell Capital and Atlas Global Ventures each transferred 5,000 Tel-One shares to a brokerage account in Vanderkam's name. On January 22, 2002, Vanderkam sold at least 3,900 of those Tel-One shares.

IV. JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and, Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

13. The Middle District of Florida is the proper venue for this action. Certain actions and transactions alleged and stated herein constitute violations of the Securities Act and the Exchange Act and have occurred, and are occurring, within the Middle District of Florida. In addition, all the offices of Defendants Tel-One and Media Broadcast and Relief Defendants Carapell Capital and Atlas are located within the Middle District of Florida. Defendants Carapella, Lipstein, Brown, and LaFauci reside within the Middle District of Florida.

14. Defendants, directly and indirectly, have made, and continue to make, use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business complained of herein.

V. TEL-ONE'S PURPORTED BUSINESS

15. Before the terrorist attacks on New York and Washington, DC on September 11, 2001, Tel-One had limited business operations that were focused on offering standard telephone support services. For the six month period ended June 30, 2001, for example, Tel-One had only

\$7,000 in total revenues. It is a start-up company, and, as stated in Tel-One's Form 10QSB filed with the SEC in December 2001, the Company does not believe that it "will be able to generate substantial revenues during the current year to become profitable."

16. Since September 11, Tel-One appears to have repositioned itself as a purported leader in the videoconferencing industry. As described below, Tel-One has used Media Broadcast to distribute tout sheets that claim that Tel-One is ready to capitalize on the perceived need for videoconferencing services as a result of increased travel and security concerns. Despite its limited operating history and revenues, and the dim prospects for the Company as stated in its public filings with the SEC, these tout sheets claim that Tel-One is at the "forefront" of the videoconferencing business, and is "poised to break out" nationally.

VI. MEDIA BROADCAST AND ITS FRAUDULENT TOUT SHEETS

Media Broadcast's Background

17. Media Broadcast is an investor relations and public relations company that has been touting Tel-One since at least November 2001. At Carapella's direction, Media Broadcast has touted Tel-One through the distribution of two so-called investment newsletters it publishes, the "Wall Street Examiner" and "The Stock Bulletin." Media Broadcast sends its newsletter to prospective investors by spam facsimiles, posts its newsletters on its website, and publishes its newsletters (which are no more than single page tout sheets) through advertisements in national newspapers.

18. Although Media Broadcast ostensibly is operated by LaFauci (Carapella's cousin), Carapella and Lipstein control Media Broadcast and use it to tout stocks in which they have an ownership interest. The only companies promoted by Media Broadcast's website are companies affiliated with Carapella and Lipstein, including Tel-One.

Media Broadcast's Fraudulent Touting of Tel-One

19. Beginning on or about November 27, 2001, Media Broadcast spammed by facsimile copies of the Wall Street Examiner in which Media Broadcast placed a strong buy recommendation on Tel-One, urging investors that "the time to buy this stock is now." This spam facsimile, which was reviewed and approved by Carapella and Brown, and others, contained a number of material misrepresentations and omissions.

20. In contrast to the picture presented in Tel-One's quarterly filings, and despite Tel-One's limited operating history and financial position, Media Broadcast's November 27, 2001 facsimile described Tel-One as a leader in its field that was poised to "cash-in on its network of Fortune 2000 partners and suppliers." It also set a baseless price target for Tel-One's stock of \$21.00 (Tel-One was trading at the time at around \$3.00 per share).

21. Media Broadcast's November 27, 2001 newsletter also described Tel-One's prospects in the teleconferencing industry, which it stated had "skyrocketed over 600% since 9/11." Media Broadcast falsely stated that Tel-One was a "regional leader" in the videoconferencing industry and that the Company was poised to "break out nationally with the opening of its New York office." Brown, the president of Tel-One, falsely claimed in the November 27, 2001 newsletter that Tel-One was "at the forefront" of the videoconferencing business, which had increased dramatically after 9/11 due to travel and security concerns. Media Broadcast's almost exclusive emphasis on videoconferencing stands in stark contrast to Tel-One's business plan, which had been included in a registration statement Tel-One filed with the Commission in June 2001. The business plan mentioned videoconferencing as only one part of Tel-One's multi-faceted business plan.

22. Although Media Broadcast disclosed in a footnote to the November 27, 2001 facsimile that it had contracted to receive a \$100,000 research fee for its services, Media Broadcast did not disclose that Carapella and Lipstein paid this fee. Media Broadcast also failed to disclose its connection to Carapella and Lipstein and that Carapella and Lipstein would be dumping their Tel-One shares at the same time Media Broadcast was touting the company.

23. On January 16, 2002, Media Broadcast ran a copy of another newsletter touting Tel-One as an almost half-page advertisement in the Wall Street Journal. This newsletter, entitled The Stock Bulletin, was reviewed by Brown and Carapella, and others, and contained a number of material misrepresentations and omissions.

24. The Stock Bulletin tout of Tel-One placed a strong buy recommendation on Tel-One and provided baseless target prices for Tel-One's stock. Media Broadcast again falsely described Tel-One as being a "key player" in the videoconferencing industry whose growth had been fueled by "corporate and government travel cutbacks since 9/11," and falsely described Tel-One as a leading provider of telecommunications services to Fortune 2000 companies. In addition, Media Broadcast falsely represented that Tel-One's stock price had "soar[ed]" when the Company announced that it had entered into a contract to provide videoconferencing services to the University of Florida's College of Medicine. In fact, Tel-One's stock had hardly reacted when Tel-One issued a press release on January 4, 2002, announcing its contract with the University of Florida.

25. In a footnote to The Stock Bulletin advertisement, Media Broadcast disclosed that it had contracted to receive a \$100,000 research fee for its services from Atlas Global Ventures and Carapell Capital, but did not disclose that those companies are owned by Lipstein and Carapella, respectively. Media Broadcast also failed to disclose that it was in any way affiliated with

Carapella and Lipstein, Tel-One insiders, or that Carapella and Lipstein were selling their Tel-One stock while, at the same time, Carapella and Lipstein were using Media Broadcast to encourage investors to buy the Company's stock.

26. Tel-One's share price reacted positively to Media Broadcast's November 27th tout, rising to a high (intraday) of \$5.50, up 57% from its November 26th close of \$3.50 per share. Tel-One's stock price is currently quoted at approximately \$2.50 per share.

Carapella's and Lipstein's Dumping of Tel-One Stock

27. Carapella and Lipstein maintain brokerage accounts in the names of Carapell Capital and Atlas Global Ventures at a number of different broker-dealers in the New York area. Since late November 2001, Carapella and Lipstein have used these accounts to dump Tel-One shares on the market. Moreover, their trading is coordinated and timed to respond to Media Broadcast's touts of Tel-One.

28. At just one brokerage firm, between December 5, 2001 and January 9, 2002, Carapella and Lipstein sold approximately 200,000 shares of Tel-One common stock for total proceeds of almost \$1.3 million. Lipstein, through Atlas, has sold an additional \$473,000 worth of Tel-One stock at another New York-based brokerage firm during the time that Media Broadcast, at his direction, has been encouraging investors to buy Tel-One stock.

VII. ROLE OF THE RELIEF DEFENDANTS

29. Each of the Relief Defendants has received the proceeds from fraudulent Tel-One stock sales which were, and are continuing to be, received by them for no or inadequate consideration.

COUNT I

**FRAUD IN VIOLATION OF
SECTION 17(a)(1) OF THE SECURITIES ACT**

30. The Commission realleges and repeats its allegations set forth at paragraphs 1-26 of this Complaint as if fully restated herein.

31. Since a date unknown but since at least November 2001 through the present, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described herein, have been, knowingly, willfully or recklessly employing devices, schemes or artifices to defraud.

32. By reason of the foregoing, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT II

**FRAUD IN VIOLATION OF
SECTIONS 17(a)(2) AND 17(a)(3) OF THE SECURITIES ACT**

33. The Commission realleges and repeats its allegations set forth at paragraphs 1-26 of this Complaint as if fully restated herein.

34. Since a date unknown but since at least November 2001, through the present, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described herein, have been: (i) obtaining money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the

circumstances under which they were made, not misleading; and (ii) engaging in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

35. By reason of the foregoing, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

COUNT III

FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

36. The Commission realleges and repeats its allegations set forth at paragraphs 1-26 of this Complaint as if fully restated herein.

37. Since a date unknown but since at least November 2001 through the present, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails, and of any facility of any national securities exchange, in connection with the purchase or sale of the securities, as described herein, have been, knowingly, willfully or recklessly: (i) employing devices, schemes or artifices to defraud; (ii) making untrue statements of material facts and 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 (iii) engaging in acts, practices and courses of business which have operated, are now operating and will operate as a fraud upon the purchasers of such securities.

38. By reason of the foregoing, Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, directly or indirectly, 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, 17 C.F.R. § 240.10b-5, thereunder.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

A.

Declaratory Relief

Declare, determine and find that Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci committed the violations of the federal securities laws alleged herein.

B.

Temporary Restraining Order, Preliminary and Permanent Injunctive Relief

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (i) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a); (ii) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3); and (iii) 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.

C.

Disgorgement

Issue an Order requiring Tel-One, Carapella, Lipstein, Brown, Media Broadcast, LaFauci, Carapell Capital, Atlas Global Ventures, Eastland and Vanderkam to disgorge all profits or

proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

D.

Penalties

Issue an Order directing Defendants Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci to pay civil fines and/or penalties 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. § 78(d)(3).

E.

Asset Freeze and Accounting

Issue an Order temporarily freezing the assets of Tel-One, Carapella, Lipstein, Brown, Media Broadcast and LaFauci, and temporarily freezing the assets of Carapell Capital, Atlas Global Ventures, Eastland and Vanderkam insofar as those assets contain, or are derived from, funds raised from sales of Tel-One stock, until further Order of the Court, and requiring accountings by each of these persons and entities.

F.

Records Preservation and Expedited Discovery

Issue an Order requiring all Defendants and Relief Defendants to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

G.

Further Relief

Grant such other and further relief as may be necessary and appropriate.

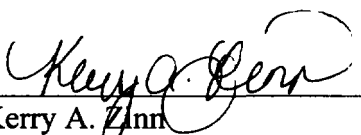
H.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

Dated: January 23, 2002


Kerry A. Zinn
Senior Trial Counsel
Florida Bar No. 118559
(Designated Trial Counsel Pursuant to
Local Rule 1.05(c))
Direct Dial No.: (305) 982-6379

Ivan P. Harris
Assistant Regional Director
Florida Bar No. 0085405
Direct Dial No.: (305) 982-6342

Harold E. Schimkat
Senior Counsel
New York Bar No. HES-0202

Attorneys for Plaintiff
THE UNITED STATES SECURITIES
AND EXCHANGE COMMISSION
1401 Brickell Avenue, Suite 200
Miami, Florida 33131
Telephone: (305) 536-4700
Facsimile: (305) 536-7465