

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GLOBAL TELECOM SERVICES L.L.C. d/b/a
MEDICAL DISPOSAL DEVICES,
ALBERT D. LATOUCHE and SALVATORE J.
CARTELLI, JR.,

Defendants.

03 CV _____
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U.S. DISTRICT COURT
NEW HAVEN, CONNECTICUT
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FILED

COMPLAINT

March 11, 2003

Plaintiff, Securities and Exchange Commission (the "Commission"), alleges the following against defendants Global Telecom Services L.L.C. d/b/a Medical Disposal Devices ("Medical Disposal"), Albert D. LaTouche ("LaTouche") and Salvatore J. Cartelli, Jr. ("Cartelli") (collectively, the "Defendants"):

SUMMARY

1. Between January 1997 and July 2000, Medical Disposal, LaTouche, the President of Medical Disposal, and Cartelli, a *de facto* officer of Medical Disposal, conducted a fraudulent offering of securities, selling investment contracts and notes to at least 47 investors, and defrauding them of at least \$742,000.

2. Medical Disposal claimed to manufacture and sell the "Needlyzer," a device which purportedly destroyed hypodermic needles safely. Medical Disposal, however, never successfully commercially manufactured or sold the Needlyzer.

3. Moreover, Medical Disposal, LaTouche and Cartelli made numerous materially false and misleading statements to induce investors to purchase investment contracts and notes. For example, the Defendants told investors that the United States Food and Drug Administration ("FDA") approved the Needlyzer, when, in fact, the FDA had not. The Defendants told investors that a company in New York manufactured the Needlyzer for Medical Disposal, when, in fact, no company was manufacturing the Needlyzer for Medical Disposal. The Defendants told investors that Medical Disposal had negotiated contracts with foreign companies to purchase the Needlyzer, when, in fact, no such contracts existed. The Defendants also told investors they would use their funds to manufacture Needlyzers, when, in fact, LaTouche and Cartelli used investors' funds for personal purposes and to operate Medical Disposal's other purported business, selling "900" telephone numbers.

4. Through this conduct, and that detailed below, Medical Disposal, LaTouche and Cartelli violated Section 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 thereunder, 17 C.F.R. § 240.10b-5.

JURISDICTION AND VENUE

5. The Commission brings this action pursuant to authority conferred by Section 20(b) of the Securities Act, 15 U.S.C. § 77t(b), and Section 21(d)(1) of the Exchange Act, 15 U.S.C. § 78u(d), for permanent injunctive relief, and disgorgement plus prejudgment interest thereon. The Commission seeks officer and director bars against LaTouche and Cartelli pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange

Act, 15 U.S.C. § 78u(d)(2). The Commission also seeks civil penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), against Medical Disposal, LaTouche and Cartelli. Finally, the Commission seeks all other just and appropriate relief.

6. This Court has subject matter 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.

7. 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. Certain of the transactions, acts, practices and courses of business occurred within the District of Connecticut. For instance, Medical Disposal maintained its principal place of business in Old Lyme, Connecticut, and LaTouche and Cartelli reside, respectively, in Haddam and Portland, Connecticut. The Defendants also sold securities to persons who reside in Connecticut.

8. Medical Disposal, LaTouche and Cartelli, directly and indirectly, singly and in concert, made use of the means or instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

THE DEFENDANTS

9. Medical Disposal is a Connecticut company, which purportedly had two businesses: (1) the manufacture and sale of the Needlyzer; and (2) the sale of "900" telephone numbers.

10. LaTouche is 66 years old and resides in Haddam, Connecticut. LaTouche was the President of Medical Disposal.

11. Cartelli is 52 years old and resides in Portland, Connecticut. Cartelli worked as LaTouche's partner and as a *de facto* officer of Medical Disposal.

FACTS

Background: The Defendants Planned to Manufacture and Sell the Needlyzer

12. In approximately 1996, LaTouche and Cartelli agreed to attempt to manufacture and sell the Needlyzer, a device that purportedly destroyed hypodermic needles safely. (The Needlyzer's slogan was "Don't get stuck with someone else's problem.")

13. To manufacture the Needlyzer, the Defendants planned to retain a manufacturing company ("Company DTB") in Bohemia, New York. Company DTB, however, neither entered into a contract with Medical Disposal to manufacture the Needlyzer, nor otherwise agreed to manufacture the Needlyzer.

14. Cartelli and LaTouche created a brochure for Medical Disposal which described the Needlyzer. Among other things, the brochure stated that the Needlyzer was FDA approved. This statement was false. In fact, the FDA had not approved the Needlyzer.

The Defendants Made Numerous False And Misleading Statements to Investors

15. Purportedly to raise funds for Medical Disposal, Latouche and Cartelli solicited individuals to invest in Medical Disposal by purchasing investment contracts and notes.

16. LaTouche solicited his friends and co-workers to purchase investment contracts and notes. LaTouche distributed to investors Medical Disposal's brochure that claimed that the

FDA had approved the Needlyzer. LaTouche also orally told investors that the FDA had approved the Needlyzer. For example, in approximately August 1997, LaTouche told Investor A, after meeting Investor A's wife at church, that the FDA had approved the Needlyzer. As discussed above, this representation was false because the FDA never approved Medical Disposal's Needlyzer.

17. LaTouche also told investors that Medical Disposal owned the Needlyzer's patent rights. For example, in approximately September 1999, LaTouche told Investor B at Investor B's house, that LaTouche had purchased the patent rights to the Needlyzer. This representation was false. Medical Disposal never acquired the patent rights for the Needlyzer.

18. LaTouche also told investors that a company in New York was manufacturing the Needlyzer for Medical Disposal and that Medical Disposal was raising capital to pay the manufacturing costs of producing the Needlyzer. For example, in approximately July 1999, LaTouche told Investor C at Investor C's residence, that the Needlyzer was currently being manufactured in Long Island, New York. These representations were false. Medical Disposal never manufactured the Needlyzer, and Medical Disposal never entered into a contract with any company to manufacture the Needlyzer.

19. Cartelli also solicited investors to purchase Medical Disposal's investment contracts. To facilitate these efforts, Cartelli gave investors Medical Disposal's brochure which falsely claimed that the FDA had approved the Needlyzer.

20. Cartelli also attended investor meetings with LaTouche and made false representations to investors. For example, in approximately August 1997, Cartelli told Investor

D that the Needlyzer was FDA approved and that a company in New York was manufacturing the Needlyzer. As discussed above, these representations were false.

21. Cartelli also told investors about numerous purchase orders for the Needlyzer. For example, Cartelli told Investor D over the telephone about orders from companies in England and India. These representations were false. Medical Disposal never entered into any contract with any company to purchase Needlyzers.

22. Between April 1998 and October 1999, based on information that Cartelli provided, LaTouche drafted and sent monthly newsletters to investors. The newsletters falsely described Medical Disposal's efforts to sell the Needlyzer. In particular, the newsletters discussed a firm offer for Needlyzers, and numerous potential orders, from foreign companies. For example, a newsletter dated June 3, 1999, stated: "India has an order in place for 5000 [Needlyzer] units and we are presently building their units for them." These representations were false. In fact, as discussed above, Medical Disposal never entered into any contract with any company to purchase Needlyzers, and Medical Disposal never "built" any Needlyzers.

23. In late 1999, Cartelli fabricated at least three documents purportedly describing a company's offer to acquire Medical Disposal for \$100 million in cash, and Cartelli gave these documents to LaTouche.

24. Thereafter, to induce investors to purchase notes, LaTouche told investors about the planned acquisition of Medical Disposal for \$100 million. LaTouche also told investors that Medical Disposal needed additional money to pay the costs associated with completing the acquisition. These representations, however, were false. No company ever offered to acquire

Medical Disposal.

The Defendants Used Investors' Funds For Personal Purposes, As Well As Other Undisclosed Purposes

25. From approximately January 1997 through July 2000, Medical Disposal, LaTouche and Cartelli raised approximately \$742,000 from investors. Although the Defendants told investors that they would use their funds to manufacture the Needlyzer, instead, the Defendants used the funds for other undisclosed purposes. For example, Cartelli used approximately \$352,000 to pay for personal expenses. LaTouche and Cartelli also used investor funds to operate Medical Disposal's other business, selling "900" telephone numbers.

The Investment Contracts and Notes were Securities

26. At least forty-two investors purchased investment contracts from Medical Disposal, which were securities. According to these contracts, individuals agreed to invest a specific sum, and Medical Disposal agreed to pay these investors royalties based on the number of Needlyzers the company then sold. The amount of the royalty varied depending on the amount of the investment.

27. At least five investors purchased notes from Medical Disposal, which were securities. The notes promised "limited investors" high interest rates to be paid within a short period of time (e.g. 50% interest within 45 days).

CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

28. The Commission repeats and realleges each and every allegation contained in paragraphs 1 through 27, as if fully set forth herein.

29. The investment contracts the Defendants sold are securities.

30. The notes the Defendants sold are securities.

31. Defendants, directly and indirectly, singly and in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in the offer or sale, and in connection with the purchase or sale, of Medical Disposal securities, have: (a) employed devices, schemes and artifices to defraud; (b) obtained money or property by means of, and otherwise made, untrue statements of material fact, or omitted 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 (c) engaged in acts, practices, transactions and courses of business which operated as a fraud or deceit upon the purchasers of Medical Disposal securities, and upon other persons.

32. As part of, and in furtherance of the violative conduct, Medical Disposal, LaTouche and/or Cartelli made the false and misleading statements described in paragraphs 2, 3, 14, and 16 through 25.

33. The false and misleading statements described in paragraphs 2, 3, 14, and 16 through 25 were material.

34. Medical Disposal, LaTouche and Cartelli knew, or were reckless in not knowing, that the material misrepresentations in paragraphs 2, 3, 14, and 16 through 25 were false and misleading.

35. By reason of the acts, omissions, practices and courses of business set forth in this complaint, Medical Disposal, LaTouche and Cartelli have violated, and unless enjoined, will

again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), 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.

PRAYER FOR RELIEF

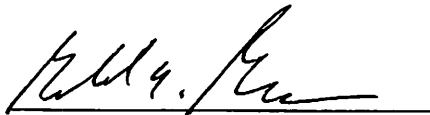
WHEREFORE, Plaintiff Commission respectfully requests that this Court enter a Final Judgment:

- A. Permanently enjoining Medical Disposal, LaTouche and Cartelli, from, directly or indirectly, singly or in concert, violating Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and 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;
- B. Ordering Medical Disposal, LaTouche and Cartelli, jointly and severally, to disgorge all ill-gotten gains, derived directly or indirectly, from their violative conduct plus prejudgment interest on that amount;
- C. Ordering Medical Disposal, LaTouche and Cartelli to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3);
- D. Permanently barring LaTouche and Cartelli from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2); and

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

Dated: March 11, 2003 ✓
New York, New York

Respectfully submitted,



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