

**UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION)	
)	
Plaintiff,)	Civil Action No. _____
)	
v.)	
)	
THOMAS J. CONNERTON and SAFETY TECHNOLOGIES, LLC,)	JURY TRIAL DEMANDED
)	
Defendants.)	
)	

COMPLAINT

Plaintiff, Securities and Exchange Commission (the “Commission”), for its complaint against Defendants Thomas J. Connerton (“Connerton”) and Safety Technologies, LLC (“Safety Tech”), alleges as follows:

SUMMARY

1. This case involves a decade-long unlawful offering of unregistered securities to investors who, together, have invested a total of over \$2.3 million in Safety Tech, a company that is purportedly developing a cut and puncture resistant surgical glove. Many of the investors do not have sufficient investing experience and/or the financial means to participate in a risky and speculative investment in an unproven company like Safety Tech. Further, since at least October 2013, Connerton has made material misstatements and omitted crucial information about Safety Tech’s business and prospects when soliciting new investments. Specifically, he has misrepresented that a lucrative deal to license or sell the company’s unproven technology is imminent, when in fact there is no such deal under negotiation.

2. In reality, Connerton has spent little money on research, development, and testing

that would be needed to develop the purported technology to the point of being ripe for any licensing or sale. Connerton has instead spent the majority of investor money on his own salary and personal expenses, such as rent and utilities for the apartment he shares with his fiancée. The trend has worsened in 2016—despite raising approximately \$132,500 from investors since January 1, 2016, Connerton has spent *nothing* on research, development, or testing of the purported technology, rendering illusory the prospect of any deal to license or sell the purported technology.

3. As a result of the conduct alleged herein, Defendants have violated, and unless restrained and enjoined will continue to violate, Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and 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. § 340.10b-5].

NATURE OF THE PROCEEDING AND RELIEF SOUGHT

4. 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 Section 21(d) of the Exchange Act [15 U.S.C. 78u(d)].

5. The Commission seeks emergency preliminary relief, including a temporary restraining order against further violations of the federal securities laws and an emergency asset freeze to preserve any assets necessary to satisfy any eventual judgment against Defendants. The Commission also requests an immediate accounting, expedited discovery, and an evidence preservation order to facilitate the prompt resolution of this matter on the merits.

6. The Commission also seeks a permanent injunction against Defendants, enjoining them from engaging in the transactions, acts, practices, and courses of business alleged in this

Complaint, disgorgement of all ill-gotten gains from the unlawful conduct set forth in this Complaint, together with prejudgment interest, 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)], and such other relief as the Court may deem appropriate.

JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. 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 acts, practices and transactions and courses of business alleged in this Complaint occurred within the District of Connecticut and elsewhere, and were effected, directly or indirectly, by making use of means or instrumentalities of transportation or communication in interstate commerce, or the mails.

DEFENDANTS

9. **Thomas J. Connerton**, age 64, is a Connecticut resident. He is the founder, president, and CEO of Safety Tech. He has no source of income other than money he receives from investors in connection with Safety Tech. Connerton also has substantial personal liabilities, including approximately \$150,000 in state and federal tax liens.

10. **Safety Technologies, LLC**, is a Connecticut limited liability company with its principal place of business in Simsbury, Connecticut.

FACTS

A. Safety Tech.

11. Safety Tech was founded in 2006 to develop the purported invention of a chemical engineer (“the chemical engineer”) who Connerton met in 2005. According to Safety

Tech's securities offering materials from 2006, the company's "first project is to develop, seek patent protection for and commercialize a highly durable puncture and cut resistant material for the surgical glove market and other related markets." Safety Tech's glove project is its only line of business. To date, Safety Tech has obtained no patents and has not sold or licensed any products or intellectual property. Its operating funds come entirely from raising money from investors.

12. The chemical engineer died in November 2008. Connerton, who has no formal education or training in chemical engineering, stated in testimony before the staff of the Commission that the chemical engineer's death left him "with notes which were un-legible and [which he] literally had to go back to [his] chemistry books to understand what it was that [the chemical engineer] was involved with." Since the chemical engineer's death, Connerton has been responsible for all of Safety Tech's business activities and fundraising.

B. Safety Tech Has Raised More Than \$2.3 Million from Approximately 55 Investors Through An Unlawful Offering of Unregistered Securities.

13. Safety Tech began raising money in 2006 by selling unregistered securities to individuals, most of whom Connerton personally solicited to invest in the Company. Safety Tech has raised more than \$2.3 million from about 55 investors since 2006, including about \$1.4 million since June 2011 and \$132,500 to date in 2016.

14. Under the federal securities laws, securities offered for sale to the public ordinarily must be registered with the Commission. In particular, the federal securities laws impose requirements that potential investors—especially investors who lack investing experience and/or the financial wherewithal to withstand a loss of their money—have full information upon which to base their investment decisions.

15. Of Safety Tech's approximately 55 investors, six (6) are women Connerton met

through a well-known Internet dating service and another 14 are family members or friends of those six women. Approximately 36% of Safety Tech's investors and about 51% of the money Connerton has raised tie back to Connerton's online dating activities.

16. Defendants have never registered Safety Tech's securities with the Commission.

17. On various occasions, Defendants instead claimed to have engaged in a "private offering" that is exempt from the registration requirements imposed by the federal securities laws. Defendants, however, have failed to comply with the rules that would permit such an exemption.

18. Among other failures, Defendants have failed to comply with the rules that, among other things, require the sellers of securities in an exempt offering to (i) limit certain offerings to \$1 million, (ii) provide audited financial statements to certain investors "at a reasonable time prior to the sale of securities," and (iii) ensure that potential and actual investors have the financial wherewithal or investing experience to participate in an unregistered securities offering. Connerton has raised more than \$1 million, does not maintain or provide the requisite financial information to investors, has failed to even inquire whether prospective investors have the financial wherewithal or investing experience to participate in an unregistered offering, and has sold securities to investors who do not meet these requirements. For these and other reasons, Defendants engaged in an unlawful unregistered offering.

C. Connerton's Pitch.

19. Since at least October 2013, Connerton has made a variant of the following pitch to prospective investors:

- Connerton claims in written and oral communications that Safety Tech's technology makes surgical gloves more cut and puncture resistant, and more durable;
- Connerton prepared a PowerPoint presentation which represents that the technology

- is “low cost” and an “easy addition to glove manufacturing”;
- In the same presentation, Connerton has represented that the technology is a “revolutionary” “patent pending polymer additive” that “addresses a costly, unmet need” in the surgical and exam glove markets; and
 - Connerton represents that multiple major glove manufacturers are interested in Safety Tech’s technology and that a lucrative licensing deal or sale of the company is imminent.

19. Connerton has also repeatedly touted outsized investment returns, including the following statements:

- Connerton has presented a document titled “Scenario Analysis” that predicts returns to the company over ten years ranging from \$33 million (“conservative estimate”) to \$1.7 billion (“optimistic estimate”). Connerton further represented that, “[t]his is total validation of the assumptions in the material development.” As Connerton knows, however, the scenarios were prepared by a consultant for illustrative purposes, relied on numerous assumptions, and were not meant to reflect actual predictions about the business.
- Connerton has also prepared a “Sell Sheet” that predicts a return between 9.1 to 36.4 times their investment
- Connerton has further stated that he was once offered \$30 million for the technology but turned it down; that the technology is worth \$60-200 million; and that one prospective investor could expect a return on investment between \$7 million and \$63 million.

D. Connerton Provides Outdated, Inadequate, and Incomplete Information to Investors.

20. Connerton provides to some investors a copy of an “Operating Agreement” dated November 20, 2006, which purports to govern the rights and responsibilities of Safety Tech’s management (*i.e.*, Connerton) and its investors. On its face, the Operating Agreement requires Safety Tech to maintain financial statements prepared in accordance with generally accepted accounting principles in the United States (often referred to as “U.S. GAAP”), and to make those financial statements available to investors on demand. In actuality, as Connerton well knows, Safety Tech does not maintain such financial information. Neither Safety Tech nor Connerton

provides any financial statements—much less U.S. GAAP-compliant financial statements—to prospective investors.

21. In soliciting prospective investors, Connerton has shown various individuals a document that purports to be a “Private Placement Memorandum” (“PPM”), and which includes a variety of representations about Safety Tech and its securities offering. There are two versions of the PPM, one dated in 2006 and the other in 2008. The PPM has not been updated since 2008, but Connerton still uses these eight- to ten-year-old documents to solicit some investors. Moreover, Connerton only showed some of his prospective investors a version of the PPM during his pitch, and he does not generally let investors keep a copy.

22. The 2006 and 2008 PPMs contain certain cautionary language about investing in the company, including statements to the effect that the investor could lose all of his or her money. Because he does not generally let investors keep a copy of a PPM, investors’ opportunity to review the approximately 82-page document is necessarily limited and Connerton effectively conceals critical information about the risk of investing in an unproven company such as Safety Tech. One investor who invested in the company on four occasions between 2012 and 2015 was never told that there was a chance she could lose her entire investment.

23. On various occasions, Connerton has shown prospective investors a document, dated August 2, 2006, which is appended to both the 2006 and 2008 PPMs. The document purports to be a law firm opinion letter concerning a patent application and states, “we believe the subject invention is useful and, based upon the results of our preliminary search, tentatively appears to be novel as well.” However, Safety Tech filed three patent applications in 2007, 2008, and 2015, respectively. The subject matter of the 2015 patent application is *different* from the subject matter analyzed in the 2006 opinion letter for which a patent was sought in the 2007

and 2008 applications. Both the 2007 and 2008 patent applications were rejected by the U.S. Patent and Trademark Office. Connerton, however, continues to show the 2006 and/or 2008 PPMs to investors, each of which includes the 2006 patent opinion letter.

24. Connerton has represented to various investors, by direct statement and by providing copies of the so-called Operating Agreement, that Safety Tech maintains and will provide investors with current and accurate financial information about the company. For example, in or about April 15, 2015, Connerton represented: “What I would really like to emphasize is that we are an open book company meaning that any investor can look at the books at any time. No Bernie Madof’s [sic] here!” In actuality, Connerton routinely denies investors’ requests for information about the financial condition of the company and, indeed, does not maintain current or accurate books for the company.

25. Other than its tax returns, Safety Tech does not keep financial records, and the records it does keep are inaccurate and/or incomplete. For example:

- ***No records of how investor money is spent.*** Connerton provides certain financial information to a Certified Public Accountant to prepare tax returns, but does not itemize how he spends investor money.
- ***No records of information provided to prospective investors.*** Connerton claims the company once maintained a log of PPM recipients, but he claims the log was kept in a box in the corner of a barn before being destroyed by water damage in fall of 2015.
- ***Incomplete and inaccurate investor list.*** Safety Tech’s list of its investors is incomplete and inaccurate, both as to the identities of investors and as to the amounts they have invested.
- ***Failure to properly record money received from investors.*** One investor gave Connerton an additional \$5,000 in October 2015, which Connerton claims was an undocumented loan with no agreed terms. The investor—a 73-year-old widow with limited investing experience—wrote “Investment” in the memo line of her check, however, and understood the payment to be an additional investment in Safety Tech.

E. The Company Has Spent Most Investor Money on Connerton’s Personal Expenses.

26. Connerton has solicited investment in Safety Tech by representing that money raised would be used to “fund the company . . . finish prototyping and demonstrations[, and] secure [its] first commercial agreement.” Connerton has fueled investors’ expectations that their money would be used to fund the business of the company by showing them the 2006 and 2008 PPMs, both of which reference a “use of proceeds” disclosure. In the 2008 PPM, however, the page containing the use of proceeds disclosure is missing.

27. The 2006 PPM’s use of proceeds disclosure purports to show the following estimated expenses for an 18-month period after the 2006 PPM issued:

DESCRIPTION	ESTIMATED COST
Base technical development, including laboratory fees, materials, facility rental fees and travel expenses	\$212,000
Retainer, consulting fees and bonus for the chemical engineer	\$120,000
Third party consulting and professional service fees incurred to date	\$110,000
Management fees for Thomas J. Connerton	\$220,000
Office rental, utilities and equipment	\$62,000
Miscellaneous administrative and travel expenses	\$46,000
Projected patent search and filing expenses, general legal and accounting services	\$55,000
Marketing/Trials	\$45,000
Repayment of Member Loan	\$50,000
Total	\$950,000

In actuality, the company’s use of investor funds is inconsistent with the use of proceeds disclosure in the 2006 PPM, Connerton’s representations to investors, and a reasonable investor’s expectations.

28. As Connerton well knew, Safety Tech’s spending since 2009 has differed materially from the use of proceeds reflected in the 2006 PPM. Notably, the 2006 PPM

represents that approximately 22% of offering proceeds would be used for development of the purported technology and 23% would be paid to Connerton. Safety Tech's actual use of proceeds from February 2009 through May 23, 2016, tells a different story:

SAFETY TECH SPENDING 2009-2016

Expense Category	Total (\$)	Total (%)
Connerton	\$ 814,410	43%
Consulting	350,533	19%
Apparent business expenses (office supplies, travel, website design, repayment of loan)	264,496	14%
Other expenses (meals, fuel, rent, utilities)	132,249	7%
Research and Development	122,417	7%
Personal	133,075	6%
Legal	63,584	3%
Investor	13,021	1%
Total	1,873,787	100%

Since 2009, Safety Tech has only spent about 7% of the money Connerton raised from investors on research and development of the company's purported technology, while Connerton has paid himself at least 43% directly, and has spent an additional 13% on personal and non-business expenses (including purchasing a car).

29. From January 1, 2016 to present, Connerton has taken an even greater share of investor money for himself. In that time, he has taken approximately \$92,553 (or 66%) of investor money for his own use:

SAFETY TECH SPENDING 2016

Expense Category	Total (\$)	Total (%)
Connerton	\$ 92,553	66%
Rent, restaurants, fuel, utilities	19,605	14%
Office professionals, office supplies, web design services, travel	12,379	9%
Personal	5,503	4%
Legal	5,400	4%
Consulting	4,000	3%
Debit transactions awaiting bank support	38	0%
Total	139,479	100%

Of the amounts paid to himself, Connerton spent \$20,000 in March 2016 on an engagement ring for his current fiancée. Connerton also withdrew an additional \$12,000 in April 2016 after learning that he and the company were under investigation. Most recently, Connerton accepted a \$30,000 investment from a new investor on May 13, 2016. Connerton paid himself \$8,000 of that amount between May 16 and 18, 2016, and spent an additional \$2,868 on personal expenses during the same timeframe. He then withdrew the remaining amount from Safety Tech's corporate bank account in a series of cashier's checks written to himself by May 23 after Safety Tech's bank notified him that it would "no longer provide banking services to [Safety Tech] . . . based on our costs for compliance, regulatory obligations and potential risks."

30. In 2016, other than paying preexisting liabilities to consultants and one investor, Connerton has not spent any investor money on testing, research, or development of the purported technology.

F. Connerton Has Made Materially False Statements about the Company's Business and Prospects.

31. When soliciting prospective investors, Connerton has made false and misleading statements and has omitted critical information concerning the status of his business discussions with glove manufacturers.

32. On various occasions, Connerton has represented to investors that Safety Tech is negotiating, or is on the verge of negotiating an imminent and lucrative licensing deal with major manufacturers of surgical and medical exam gloves. For example:

- In October 2013, Connerton emailed a supplier of synthetic latex that: "We are in the process of initial negotiations with a number of potential partners regarding the possible licensing of our technology . . ." Connerton forwarded the email to an investor on October 14, 2013, who subsequently gave Connerton more money.
- In September 2014, Connerton emailed a prospective investor who later invested in the company, that "[o]ur sale of this technology now involves

discussions with companies such as [Company A], 3.3 billion in annual sales and publically traded on the NYSE, Please Google them. They call me weekly many times.” Company A, however, is not a glove manufacturer and has never indicated interest in purchasing or licensing Safety Tech’ purported technology.

- In April 2016, Connerton forwarded an email to investors stating that “I am receiving phone calls, even today, from other interested parties and companies that I have offered . . . the right to sub-license . . . I am in a unique position in that I have no lack of interest regarding my technology.”
- In early May 2016, Connerton told another prospective investor who later put \$30,000 into the company on or about May 13, 2016, that four major glove manufacturers each indicated that “they want it,” referring to Safety Tech’ purported technology, and that the deal under negotiation “[is] going to be an exclusive license or a nonexclusive license.”

33. Connerton’s representations regarding purported negotiations with glove manufacturers were materially misleading. As Connerton well knew at the time he made these representations, there was no licensing deal under negotiation, much less was any purported deal imminent. None of the three glove manufacturers Connerton identified to investors has told Connerton that it currently seeks to license or buy Safety Tech’s purported technology. Several have communicated to Connerton that they *might* be interested in the purported technology, *provided* Connerton can demonstrate to their satisfaction that it works. Each has communicated to Connerton that independent testing of the purported technology—at Safety Tech’s expense—is a prerequisite to even discussing any potential licensing deal. To date, however, Connerton has not demonstrated to any of the glove manufacturers he identified to recent investors that the purported technology works at all, much less that it can be incorporated into a commercially viable product. At various times, Connerton has named a fourth glove manufacturer, but has represented to at least one investor that Safety Tech will not transact business with that company.

34. Connerton’s interactions with one of the major glove manufacturers that he has identified to investors (“Manufacturer A”) are typical. In July 2013, Connerton was informed

that Manufacturer A had told a Safety Tech consultant that “nothing ST [Safety Tech] disclosed to [Manufacturer A] was novel and that any test data [Safety Tech] provided was not compelling to the engineers.” Yet, after July 2013, Connerton continued to tell prospective investors that Manufacturer A is a company with which he is “in discussions” to license or sell the purported technology, and did so as recently as the first week of May 2016. Connerton unilaterally contacted Manufacturer A in early 2016 after nearly three years of silence, but has not provided any new information that would change its 2013 assessment. There has been no negotiation of any licensing “deal” between Safety Tech and Manufacturer A .

35. Similarly, two other major glove manufacturers that Connerton has identified to investors and with whom he has claimed to be in negotiations (“Manufacturer B” and “Manufacturer C”) have received insufficient information from Connerton to evaluate his claims about the purported technology. No “deal” to license or buy Safety Tech’s purported technology is under negotiation with either glove manufacturer

36. Connerton also falsely represented to one investor that he was offered \$30 million for Safety Tech’s purported technology, but turned the offer down. In fact, no potential licensee or buyer has offered Defendants any such sum to license or purchase the purported technology.

FIRST CLAIM FOR RELIEF

FRAUD IN THE OFFER OR SALE OF SECURITIES (Violations of Section 17(a) of the Securities Act)

Paragraphs 1 through 36 are re-alleged and incorporated by reference.

37. By reason of the conduct described above, Defendants, in connection with the offer or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, directly or indirectly, acting with the requisite degree of knowledge or state of mind (i) employed devices, schemes, or artifices to defraud; (ii) obtained money or property by means

of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities.

38. By reason of the conduct described above, Defendants violated Securities Act Sections 17(a) [15 U.S.C. § 77q(a)].

SECOND CLAIM FOR RELIEF
FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES
(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

Paragraphs 1 through 38 are re-alleged and incorporated by reference.

39. By reason of the conduct described above, Defendants, directly or indirectly, in connection with the purchase or sale of securities, by the use of the means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, knowingly or recklessly, (i) employed devices, schemes, or artifices to defraud; (ii) made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (ii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities.

40. By reason of the conduct described above, Defendants violated Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

THIRD CLAIM FOR RELIEF
UNREGISTERED OFFER AND SALE OF SECURITIES
(Violations of Sections 5(a) and 5(c) of the Securities Act)

Paragraphs 1 through 40 are re-alleged and incorporated by reference.

41. The Safety Tech investment contracts described herein constitute “securities”

within the meaning of Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

42. At all relevant times, the Safety Tech securities described herein were not registered in accordance with the provisions of the Securities Act.

43. By reason of the conduct described above, Defendants, directly or indirectly, violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)], by selling securities using the means or instruments of transportation or communication in interstate commerce or of the mails when no registration statement had been filed or was in effect as to such securities and when no exemption from registration was applicable.

PRAYER FOR RELIEF

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

A. Temporarily, preliminarily, and permanently restraining and enjoining the Defendants, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating 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], and Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

B. Ordering the Defendants to jointly and severally disgorge, with prejudgment interest, all ill-gotten gains obtained by reason of the unlawful conduct alleged in this Complaint;

C. Ordering the Defendants 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)]; and

D. Granting such other and further relief as this Court may deem just and proper.

JURY DEMAND

The Commission demands a jury in this matter.

DATED this 8th day of June, 2016.

Respectfully submitted,

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION**

By its attorneys,

s/ *Alfred A. Day*

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