



product sold by Spectrum Brands could "wipe out surface germs in less than 5 seconds, including anthrax." In press releases, e-mails, faxes, and other communications to potential investors in late 2001, the stock promoters controlling Spectrum Brands issued false and misleading statements touting the company's success in the war on "bio-terrorism" and made unfounded predictions of dramatic increases in the stock price.

2. Throughout the relevant period, Spectrum Brands was secretly managed and controlled by a group of stock promoters in Hicksville, New York, led by Saverio Galasso III ("the Hicksville promoters"), some of whom were convicted felons. To conceal its true ownership from the investing public, on or about October 31, 2001, Spectrum Brands stated in a document filed with the SEC (Form 8-K) that a Michael J. Burns was the sole officer and director of the company and that the corporate address was in Hauppauge, New York. In truth, Burns had little or no management responsibility for Spectrum Brands and the Hauppauge address was a mail drop. Spectrum Brands was actually controlled and managed by the Hicksville promoters.

3. Defendant Robert J. Cassandro participated in drafting the false and misleading statements in the Form 8-K while knowing that the statements were false and misleading. Defendants Michael Cardascia and Stephen E. Apolant helped promote the Spectrum Brands stock via internet, radio, bulk e-mail, and fax while knowing that these communications

contained false and misleading statements regarding the identity of the persons controlling and managing Spectrum Brands.

4. Relief defendant Joan Cardascia unjustly benefited from the fraudulent activities of the Hicksville promoters by selling, at inflated prices, shares of Spectrum Brands stock bought at a discount by Michael Cardascia.

#### **JURISDICTION AND VENUE**

5. The Court has jurisdiction over this action pursuant to Sections 21 and 27 of the Exchange Act, 15 U.S.C. §§ 78u and 78aa. Venue in this Court is appropriate under Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

#### **DEFENDANTS**

6. Robert J. Cassandro ("Cassandro") is an attorney with the law firm of Abelow & Cassandro, LLP, in Jericho, New York. He is a member of the bar in New York and Connecticut, and lives in Woodbury, New York.

7. Michael C. Cardascia is a former registered representative who has been barred from the securities industry. Matter of Michael Cardascia, SEC Exch. Act. Rel. No. 15714 (April 21, 1998). Nevertheless, he has continued to engage in stock promotions. See SEC v. Cardascia, Lit. Rel. No. 16103 (April 2, 1999) (SEC suit against Cardascia for touting stocks without disclosing payments from the issuers). Michael C. Cardascia lives in Naples, Florida.

8. Stephen E. Apolant ("Apolant") is a former registered representative who has been barred by state authorities in Georgia and New Jersey from participating in the sale of securities in those states, based on prior securities law violations. He is believed to live in Port Washington, New York.

9. Joan Cardascia, the wife of defendant Michael Cardascia, lives in Naples, Florida. Joan Cardascia is sued solely as a relief defendant.

### **The Spectrum Brands Fraud**

#### **A. False Statements Regarding Control Of Spectrum Brands**

10. As of September 2001, Spectrum Brands was an inactive, publicly-traded shell corporation headquartered in Boca Raton, Florida.

11. In October 2001, control of Spectrum Brands was transferred to a group of stock promoters working at 33 Tec Street in Hicksville, New York. The principal figure in this group was Saverio Galasso III ("Galasso"), who pled guilty in August 2001 to racketeering charges arising from other frauds. Galasso exercised pervasive control over Spectrum Brands from October through at least mid-December, 2001.

12. Also participating in the control and management of Spectrum Brands during this period were David Hutter

("Hutter"), who pled guilty to unrelated money laundering charges in August 2001, and Charlie Dilluvio ("Dilluvio").

13. To conceal the roles of Galasso, Hutter, and Dilluvio from the investing public and regulatory agencies, Spectrum Brands held out Michael J. Burns ("Burns") as its president and its only officer and director. On October 31, 2001, Spectrum Brands filed a Form 8-K with the SEC stating that all former officers and directors had resigned, "leaving Mr. Burns as the Sole Officer and Director." This Form 8-K was signed by Burns as president of Spectrum Brands. In fact, Burns exercised little or no management authority within Spectrum Brands, and the operations of the company were actually controlled by Galasso.

14. The Hicksville promoters also set up a sham corporate address in Hauppauge, New York. The Form 8-K filed by Spectrum Brands on October 31, 2001, listed this address in Hauppauge as the company's address.

#### B. The Stock Manipulation

15. By the end of October 2001 Galasso had obtained distribution rights to a hand-held ultra-violet lighting device known as the "DeGERMinator." On or about November 5, 2001, Spectrum Brands stated on its website that the "DeGERMinator" was capable of "wip[ing] out surface germs in less than 5 seconds, including anthrax."

16. Spectrum Brands used its website, press releases, faxes, and e-mails to tout its alleged success in combating "bio-terrorism" and "cyber-terrorism," and to predict dramatic increases in the stock price. These promotional materials falsely indicated that Burns was in charge of the company and did not disclose that Spectrum Brands was controlled by Galasso.

17. The price of Spectrum Brand's stock rose from approximately \$4 per share on November 1, 2001, to \$11.75 on November 5, with an intra-day high of \$14 on November 5.

18. As of December 11, 2001, Galasso had placed approximately one million shares of Spectrum Brands stock in an offshore account he controlled. However, before Galasso was able to dump this stock on unsuspecting investors, Galasso, Hutter, and Dilluvio were arrested on criminal fraud charges.

C. Proceedings Against Galasso, Hutter, Dilluvio, and Burns

19. Galasso, Hutter, and Dilluvio were charged criminally with securities fraud in December 2001. The criminal proceedings against these three individuals are still pending.

20. Burns was also charged criminally in December 2001. On April 19, 2004, Burns pled guilty to making materially false statements to the SEC in connection with

its investigation of the Spectrum Brands fraud, in violation of 18 U.S.C. § 1001.

21. In December 2001 the SEC filed civil fraud claims against Galasso, Hutter, Dilluvio, Burns, and Spectrum Brands. SEC v. Spectrum Brands Corp. et al, CV 01-8257 (E.D.N.Y.)(Judge Spatt)(Mag. Judge Boyle). A default judgment was entered against Galasso and Hutter in May 2002. This civil action was stayed with regard to the remaining defendants pending resolution of the criminal charges.

D. Cassandro's Role In The Fraud

22. In late 2001 Cassandro served as an attorney for Spectrum Brands and knew that Galasso controlled the company. Indeed, Cassandro helped Galasso acquire the pre-existing corporate shell and install Burns as nominal president. Cassandro also helped Galasso obtain the distribution rights to the DeGERMinator and incorporate a wholly-owned subsidiary to market the DeGERMinator.

23. In October 2001 Cassandro helped prepare a Form 8-K on behalf of Spectrum Brands. On or about October 27, 2001, a former owner of the Spectrum Brands shell e-mailed Cassandro a draft Form 8-K. The draft stated that Burns was the "sole director" of the company. Spectrum Brands' corporate address was not identified.

24. On October 30, 2001, Dilluvio e-mailed Cassandro a revised draft of the Form 8-K. The revised draft stated

that Burns was the sole officer and director of the company, and that the corporate address was in Hauppauge.

25. Cassandro then reviewed and revised the portions of the draft Form 8-K relating to corporate management, inserting language identifying specific corporate actions that allegedly left "Mr. Burns as the Sole Officer and Director." Cassandro made no change to the provisions identifying Hauppauge as the corporate address.

26. Cassandro knew when he reviewed and revised the draft Form 8-K that Spectrum Brands was controlled by Galasso, not by Burns, and that the Hauppauge address was a sham. Cassandro also knew that Galasso was a convicted felon.

27. Cassandro received 25,000 shares of Spectrum Brands stock as compensation for his work for Spectrum Brands. He subsequently sold 500 shares for \$1.90 per share.

E. Participation Of Cardascia and Apolant In The Fraud

28. Michael Cardascia recommended to Galasso that Burns be installed as a figurehead and was aware throughout the relevant period that Spectrum Brands was actually controlled by Galasso. Nevertheless, in late 2001 Michael Cardascia participated in the preparation of a corporate profile of Spectrum Brands that indicated that Burns directed the activities of Spectrum Brands. This false and



misleading profile was distributed via fax and e-mail to hundreds of thousands of potential investors.

29. Apolant also participated in the preparation of the false and misleading corporate profile discussed in Paragraph 28 above, while knowing that Spectrum Brands was actually controlled and managed by Galasso. Apolant also drafted numerous press releases, provided content for the company's website, and put together investor packages. None of these communications disclosed that Spectrum Brands was controlled and managed by Galasso.

30. At all relevant times Michael Cardascia and Apolant knew that Galasso was a convicted felon, that he controlled and managed Spectrum Brands, and that his role in Spectrum Brands had not been disclosed to potential investors.

31. As compensation for his role in the Spectrum Brands fraud, Michael Cardascia was permitted to acquire Spectrum Brands stock at a discount in private transactions. He paid approximately \$50,000 for approximately 250,000 shares of this stock, which was issued in the name of Joan Cardascia, his wife. Between October 31 and December 20, 2001, Joan Cardascia sold 250,000 shares of Spectrum Brand stock for approximately \$80,000, and was thereby unjustly enriched by approximately \$30,000.

32. Apolant was also compensated for his role in the fraud with stock. On or about October 29, 2001, Apolant received 100,000 shares of Spectrum Brands stock.

**FIRST CLAIM**

**(Cassandro Violated Section 10(b) of  
the Exchange Act and Rule 10b-5)**

33. Paragraphs 1 through 32 are realleged and incorporated by reference.

34. Section 10(b) of the Exchange Act and Rule 10b-5 make it unlawful for any person, in connection with the purchase or sale of a security and by use of any means or instrumentality of interstate commerce, the mails, or a national securities exchange, to (i) employ any device, scheme, or artifice to defraud, (ii) make an untrue statement of a material fact or omit a material fact necessary to make a statement not misleading, or (iii) engage in any act, practice, or course of business which operates as a fraud or deceit.

35. As described above, in connection with the purchase or sale of securities issued by Spectrum Brands and by use of the means and instrumentalities of communication in interstate commerce and the mails, Cassandro knowingly or recklessly made materially false and misleading statements, and failed to disclose material facts relating to the identity of the persons controlling and managing Spectrum

Brands, and with regard to the Spectrum Brands corporate address.

36. By reason of the foregoing, Cassandro violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act and Rule 10b-5.

**SECOND CLAIM**

**(Cassandro, Cardascia, and Apolant Aided and Abetted  
Spectrum Brands Violations of Section 10(b)  
and Rule 10b-5 of the Exchange Act)**

37. Paragraphs 1 through 32 are realleged and incorporated by reference.

38. Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), provides that whoever "knowingly provides substantial assistance" to another person in connection with a violation of the Exchange Act, or any regulation thereunder, is deemed to be "in violation of such provision to the same extent as the person to whom such assistance is provided."

39. Spectrum Brands violated Section 10(b) and Rule 10b-5 by misrepresenting to the investing public (i) the true identify of the persons controlling and managing the company, and (ii) the correct corporate address.

40. As described above, Cassandro, Michael Cardascia, and Apolant knowingly provided substantial assistance to Spectrum Brands in its violations of Section 10(b) and Rule 10b-5.

41. By reason of the foregoing, Cassandro, Michael Cardascia, and Apolant aided and abetted Spectrum Brands violations of Section 10(b) and Rule 10b-5 within the meaning of Section 20(e) of the Exchange Act. These violations are likely to continue unless Cassandro, Michael Cardascia, and Apolant are enjoined from further violations.

**THIRD CLAIM**

**(Joan Cardascia as a Relief Defendant)**

42. Paragraphs 1 through 32 are realleged and incorporated by reference.

43. Joan Cardascia was unjustly enriched in the amount of approximately \$30,000 as a consequence of her sale of the Spectrum Brands stock obtained by her husband for his role in the Spectrum Brands fraud. She has no just claim to these ill-gotten gains.

**PRAYER FOR RELIEF**

WHEREFORE, the SEC respectfully requests that the Court:

(i) permanently enjoin Cassandro, Michael Cardascia, and Apolant from violating Section 10(b) of the Exchange Act or Rule 10b-5 thereunder;

(ii) order that Cassandro, Michael Cardascia, and Apolant each provide an accounting identifying all gains resulting from the violations alleged herein and requiring

the disgorgement of all such gains, with prejudgment interest;

(iii) order Cassandro, Michael Cardascia, and Apolant to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3);

(iv) order relief defendant Joan Cardascia to disgorge the amount by which she was unjustly enriched, with prejudgment interest; and

(v) grant such other relief as this Court may deem just and appropriate.

Dated: \_\_\_\_\_, 2004

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