

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF FLORIDA

CASE NO. \_\_\_\_ -CIV-\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOSEPH J. MONTEROSSO, and LUIS E. VARGAS,

Defendants.

07-6160 CIV-LENARD FILED 11/21/07 11:00 AM U.S. DISTRICT COURT SOUTHERN DISTRICT OF FLORIDA

COMPLAINT

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

NATURE OF THE ACTION

1. From about July 2004, through September 2006, defendants Joseph J. Monterosso ("Monterosso"), and Luis E. Vargas ("Vargas"), engaged in a fraudulent scheme to generate fictitious revenue for GlobeTel Communications Corp. ("GlobeTel") by creating false invoices that reflected transactions between various telecommunication ("telecom") companies and three of GlobeTel's wholly-owned subsidiaries that never occurred. As a direct result of defendants' fraudulent scheme, GlobeTel issued periodic reports, Securities Act registration statements and press releases that misled investors because they materially overstated GlobeTel's financial results for at least the period from the third quarter of 2004 through the second quarter of 2006.

2. Defendants' fraudulent scheme caused GlobeTel to falsely report to its investors and auditors that between September 2004 and June 2006, the company and its wholly-owned subsidiaries generated revenue of \$119 million that was nonexistent. This so-called "off-net" revenue accounted for approximately 80 percent of the revenue GlobeTel reported between the third quarter of 2004 and the second quarter of 2006 – four out of every five dollars that the company reported.

3. For eight consecutive quarters, defendants created false invoices that made it appear that GlobeTel's three wholly-owned subsidiaries, Centerline Communications, LLC ("Centerline"), Volta Communications, LLC ("Volta"), and Lonestar Communications, LLC ("Lonestar") engaged in the buying and selling of telecom "minutes" with other wholesale telecom companies. In reality, there were no transactions under the program that Monterosso, Vargas and other GlobeTel executives described as the "off-net" revenue program. Two of GlobeTel's subsidiaries – Volta and Lonestar – actually did no business. The third subsidiary, Centerline, reported millions of dollars in business with Monterosso's and Vargas' own private company, Carrier Services Inc. ("CSI"), which did not occur.

4. Monterosso and Vargas created hundreds of false invoices from technical data they obtained from their friends in the telecom industry. Those invoices – and the technical data that Monterosso and Vargas provided to the company's auditors – caused GlobeTel to materially overstate its revenues for eight consecutive quarters and caused GlobeTel to fail to keep accurate books, records and accounts.

5. As a direct result of their fraudulent scheme, Monterosso and Vargas received hundreds of thousands of dollars in payments from GlobeTel – including about

\$300,000 in cash that Vargas withdrew from CSI's bank accounts and gave to Monterosso.

6. By engaging in the conduct described above, defendants violated the antifraud provisions of the federal securities laws, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder, and Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)]. Defendants also aided and abetted GlobeTel's violations of Sections 10(b), 13(a), and 13(b)(2)(A) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-13 [17 C.F.R. §§ 240.12b-20, 13a-1, and 13a-13], 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.13b-21 and 13b2-2] thereunder.

7. Unless enjoined, defendants will likely commit such violations in the future. Defendants should be enjoined from violating the aforesaid provisions and rules, ordered to disgorge any ill-gotten gains or benefits derived as a result of their violations, as well as prejudgment interest thereon, and ordered to pay appropriate civil money penalties. In addition, defendants should be prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Exchange Act Section 12 [15 U.S.C. § 78l] or that is required to file reports pursuant to Exchange Act Section 15(d) [15 U.S.C. § 78o(d)].

#### **JURISDICTION AND VENUE**

8. The 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]. The defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a

national securities exchange in connection with the acts, transactions, practices and courses of business alleged herein.

9. Venue is proper in this District 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].

**DEFENDANTS**

10. **Joseph J. Monterosso**, age 52, has his primary residence in Broward County, Florida. In the summer of 2004, Monterosso began working for GlobeTel as a contractor, and in about May 2005, was hired as president of Centerline. Throughout this time period, he reported directly to GlobeTel's chief executive officer ("CEO"), supervised Centerline's employees, negotiated all wholesale communications contracts, and ran the entire wholesale communications business. In July 2006, Monterosso began serving as GlobeTel's chief operating officer ("COO"), and he served in that position until he was terminated by GlobeTel in May 2007. Prior to beginning work for GlobeTel, Monterosso served as president and chairman of TotalAcess, a publicly-traded, wholesale telecommunications business in Los Angeles, California. At TotalAcess, Monterosso was involved in creating the company's filings with the SEC.

11. **Luis E. Vargas**, age 45, has his primary residence in Broward County, Florida. Vargas began working for GlobeTel in about June 2004 through CSI, a company in which he was the sole shareholder. Prior to operating CSI, Vargas worked as a bookkeeper for Monterosso. Vargas became a GlobeTel employee in or about April 2005 when he began to oversee the finances of GlobeTel's subsidiary, Centerline. He was terminated by GlobeTel in April 2007.

**ISSUER**

12. **GlobeTel Communications Corp.** ("GlobeTel") is a Delaware corporation with a headquarters in Fort Lauderdale, Florida. Until February 2007, its headquarters were in Pembroke Pines, Florida. The common stock of GlobeTel was registered pursuant to Section 12(g) of the Exchange Act. Its shares traded on the American Stock Exchange ("AMEX") from in or about May 2005 until the AMEX delisted the company on October 11, 2006. Before and after trading on the AMEX, GlobeTel's shares traded over-the-counter on the Pink Sheets.

13. As part of its efforts to join the AMEX, GlobeTel initiated a 1 for 15 reverse stock split on May 23, 2005.

14. On November 15, 2006, GlobeTel announced that it would not file its *Form 10-Q* for the third quarter of 2006 in light of issues raised by the Commission's investigation. GlobeTel has not filed an annual report or a quarterly report for the third quarter of 2006 or any subsequent period.

15. On May 8, 2007, the company announced in a *Form 8-K* filed with the Commission that it expected to restate its financial statements since 2004, including a restatement of revenue related to Centerline. On June 29, 2007, the company announced in a *Form 8-K* filed with the Commission that it expected the restatement to involve eliminating about \$120 million in revenue and \$9.9 million in intangible assets. On November 2, 2007, the company filed a restated *Form 10-KSB* for 2004 in which the company reduced its annual revenue by \$17.68 million.

**FACTS**

**I. MONTEROSSO AND GLOBETEL NEGOTIATED AN AGREEMENT UNDER WHICH CSI WOULD RECEIVE GLOBETEL STOCK IN EXCHANGE FOR GENERATING \$25 MILLION IN REVENUE**

16. Wholesale telecom companies make money by connecting people who want to make telephone calls or other electronic transmissions with companies whose networks have access to the location the customers wish to call. Using "switches" that are either large computer arrays or cable connections, wholesale telecom companies pay by the minute for the right to connect telephone calls to other companies' networks and sell that "termination" service to their customers. A wholesale telecom company's profit is based upon the spread between the price paid to the vendors who provide the termination service and the price it charges its customers for access to the termination service.

17. Prior to the summer of 2004, when they became involved with Centerline and GlobeTel, Monterosso and Vargas had extensive experience in the wholesale telecom business. Monterosso, along with his brother, owned and operated a telecom switch in Los Angeles, California, and Vargas worked as their bookkeeper.

18. In 2003, Monterosso shut down his telecom company, allegedly because it was unprofitable. At approximately the same time, Vargas started his own telecom company, CSI, utilizing Monterosso's switch. Monterosso handled all negotiations for CSI, often held himself out as the head of the company, and received hundreds of thousands of dollars from CSI.

19. In 2004, GlobeTel wished to expand the volume of telecom traffic Centerline carried and the amount of revenue it generated. In about June 2004, GlobeTel's CEO and Monterosso entered negotiations which resulted in a "joint venture" agreement between GlobeTel and CSI pursuant to which CSI would operate GlobeTel's subsidiary, Centerline. The purpose of this agreement was "to build telecommunications revenue and client base, utilizing each party's network and financial resources . . . ."

20. The agreement between GlobeTel and CSI provided that Centerline was to generate \$50 million in revenue per year and be profitable in its first year of operation, in return for which CSI would receive \$1 million of GlobeTel's publicly-traded stock. If Centerline generated \$50 million in revenue in the second year of operations, CSI would receive an additional \$1 million of GlobeTel's stock. The initial term of the agreement was for two years, and it was automatically renewable for an additional two years. Prior to entering this agreement, CSI only generated approximately \$50-60,000 in revenue per week.

21. Shortly after CSI entered the joint venture agreement with GlobeTel, Monterosso re-negotiated the agreement with GlobeTel's CEO to provide that CSI was only required to generate \$25 million in profitable revenue for Centerline, which would result in CSI receiving 5 million (333,333 post-split) shares of GlobeTel's publicly-traded stock. There was no provision in the agreement for compensating either Monterosso or Vargas if the minimum revenue goal of \$25 million was not achieved.

22. GlobeTel reported that CSI had achieved the joint venture agreement's \$25 million revenue goal in January 2005 and, therefore, was entitled to receive 5 million shares of GlobeTel's publicly traded stock.

23. In about March 2005, GlobeTel's CEO and Monterosso negotiated another agreement under which GlobeTel would receive one million shares of GlobeTel's restricted stock if it was able to generate \$10 million in revenue for Centerline. On May 15, 2005, Monterosso reported to GlobeTel that Centerline had achieved the \$10 million revenue goal.

**II. MONTEROSSO'S ATTEMPTS TO CONVINC OTHER TELECOM COMPANIES TO ENTER "PARTNER AND FINANCING" AGREEMENTS ONLY HAD LIMITED SUCCESS**

24. After CSI entered the joint venture agreement with GlobeTel, Monterosso ran GlobeTel's wholesale telecom business through Centerline and its two wholly owned subsidiaries, Volta and Lonestar. Initially, Monterosso ran these three companies from the office that he and Vargas rented near Oakland, California. Monterosso negotiated all deals on behalf of Centerline, Volta and Lonestar. Vargas reported to Monterosso throughout their work for GlobeTel.

25. Beginning in about July 2004, Monterosso tried to convince other telecom companies to enter into "Partner Incentive and Financing Agreements" and shift their *wholesale telecom traffic to Centerline*. Specifically, Monterosso sought to have other telecom companies route their telecom traffic through the switch in Los Angeles that he owned and which he allowed CSI to use. Monterosso stated to the telecom companies he solicited that "I want to make it clear that [Centerline's] goal in this project is to generate profitable revenue for the public company."



26. Monterosso's proposal involved creating a special subsidiary of Centerline for each potential partner, so that each partner would do business with its own so-called "baby" company, including Volta and Lonestar, which had no operations of their own.

27. In or about July 2004, Monterosso made his proposal to Ronald Hay, a California businessman who operated a wholesale telecom business called Mercury Telecom ("Mercury"), which also did business using the name, World Communications Carrier Services ("WCCS"). Hay declined Monterosso's offer to enter into an agreement with Centerline.

28. Although Hay declined Monterosso's offer, Hay did give Monterosso copies of invoices that WCCS sent to Codetel, a subsidiary of Verizon. Codetel was slow to pay its bills and Monterosso had proposed that GlobeTel may finance the accounts. Monterosso claimed that he needed copies of the Codetel invoices so that he could use them to discuss the proposed financing of the Codetel account with executives at GlobeTel. Hay provided Codetel invoices for a three to six month period in 2004 to Monterosso. In early 2005, Vargas contacted Mercury's chief financial officer ("CFO") and requested additional Codetel invoices for Monterosso. Mercury refused this request and did not provide any additional Codetel invoices to either Vargas or Monterosso. GlobeTel and Mercury never entered into an agreement for GlobeTel to provide financing for Codetel's account with WCCS.

29. In or about September 2004, Monterosso had discussions with a Texas businessman, Chuck Leblo, concerning the possibility that Leblo would enter an agreement with Centerline or its subsidiary, Lonestar, relating to the purchase and sale of wholesale telecom communications. At the time of these discussions, Leblo owned two companies, Telmetriks and XSTEL. However, neither Telmetriks nor XSTEL owned a

telecom “switch,” and neither of the companies was engaged in the wholesale telecom business. Neither Leblo nor his two companies ever entered a Partner Incentive and Financing Agreement with Centerline, Lonestar or any other GlobeTel subsidiary.

30. Monterosso did successfully negotiate three “Partner Incentive and Financing Agreements” for Centerline. In August 2004, enRoute Telecom, LLC entered a partner incentive and financing agreement with Centerline and its wholly owned subsidiary, EQ8. In September 2004, Russell Eddins and Associates entered a partner incentive and financing agreement with Centerline and its wholly owned subsidiary, G Link Solutions. Finally, in October 2004, Capital Six Telecom Ventures, LLC, entered a partner incentive and financing agreement with Centerline and its wholly owned subsidiary, Metone Communications, LLC. None of these “partners” ever did any “off-net” business with Centerline or any of its subsidiaries.

31. In March 2005, GlobeTel reported that Centerline and its subsidiaries had entered into “Partner Incentive and Financing Agreements” with other companies that provided wholesale telecom services “to produce profitable revenues using the Calling Services of the partners for an initial period of two (2) years.” However, GlobeTel also reported that only Volta and Lonestar had any operations during 2004.

**III. MONTEROSSO AND VARGAS CREATED FAKE INVOICES TO MAKE IT APPEAR THAT CENTERLINE WAS GENERATING REVENUE FROM TELECOM TRAFFIC**

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32. Because Centerline was unable to generate sufficient revenue through partner incentive and financing agreements, in about October 2004, Monterosso, Vargas and GlobeTel executives devised an “off-net” revenue program. The “off-net” program was different from the “Partner Incentive and Financing Agreements” that were part of the original “joint venture” agreement. The term “off-net” revenue indicated that the

revenue was generated from telecom traffic that did not pass through the switch in Los Angeles that was owned by Monterosso and controlled by Centerline.

33. On October 21, 2004, Monterosso sent an e-mail to GlobeTel's CEO, CFO and chief operating officer ("COO") to inform them that he had negotiated with "friends . . . outside the original scope of the deal" to create "off-net" revenue:

"I am no longer comfortable with paying for this revenue with GTEL money . . . For me to maintain the revenue I need the flexibility to do what I have to do to keep it. Especially since we have so little money to start new vendors and customers with. I have convinced my friends to allow us to use their revenue outside of the original scope of the deal. Solely to assist GTEL in achieving their revenue numbers."

34. In order to record revenue, GlobeTel's finance department required documents to substantiate the amount of sales and cost of goods sold. With respect to revenue generated by Centerline, the accountants who worked directly for GlobeTel and accountants who acted as consultants to GlobeTel asked Monterosso and Vargas for the invoices sent to customers and received from vendors and for "call detail records" ("CDRs"). CDRs are technical documents that record information, such as the date, length, origin and destination for each telephone call. In this respect, a CDR is similar to a large telephone bill that documents all the telephone calls that are placed through a "switch."

35. Monterosso and Vargas knew that GlobeTel could not record revenue generated by Centerline's "off-net" telecom business without invoices and CDRs to substantiate that Centerline and its wholly owned subsidiaries actually engaged in the telecom transactions that were the basis for the revenue they reported.

36. Between September 2004 and June 2006, Monterosso or Vargas, at Monterosso's direction, created hundreds of fake invoices that made it appear that

Centerline, Volta and Lonestar had generated \$119 million of "off-net" revenue. These fake invoices created the false impression that Centerline, Volta and Lonestar were buying and selling "minutes" to other wholesale telecom companies. In fact, Volta and Lonestar did not engage in any telecom business and Centerline engaged in no "off-net" business.

37. Between September 2004 and June 2006, Monterosso and Vargas also generated false CDRs to support the fictitious \$119 million in "off-net" revenue contained in the false invoices.

38. Monterosso or Vargas, at Monterosso's direction, provided the false invoices along with the false CDRs to GlobeTel. Monterosso and Vargas knew or were reckless in not knowing, that the \$119 million in non-existent "off-net" revenue would be recorded by GlobeTel in its books and records and included in the revenue GlobeTel reported in its public filings and in its press releases.

**A. Volta**

39. Between September 2004 and June 2006, GlobeTel recorded and reported revenue of about \$30.3 million purportedly generated by Volta as a result of "off-net" business it did with two companies: Mercury, Volta's purported customer; and WCCS, Volta's purported vendor.

40. Between September 2004 and June 2006, Monterosso or Vargas, at Monterosso's direction, submitted invoices to GlobeTel that gave the appearance that Volta bought telecom "minutes" worth about \$30.3 million from WCCS and sold an equivalent amount of telecom "minutes" to Mercury. All these invoices were false in that Mercury and WCCS were the same company, and in that Volta neither purchased "minutes" from WCCS nor sold "minutes" to Mercury.

41. Monterosso or Vargas, at Monterosso's direction, created the false Volta invoices by altering WCCS's invoices to Codetel that Hay had provided to Monterosso. On some occasions, Monterosso or Vargas, at Monterosso's direction, altered the invoices by changing the name of the customer from Codetel to Volta. On other occasions Monterosso or Vargas, at Monterosso's direction, changed the name of the customer on the invoice to Volta as well as the date, and the amount of the invoice. In addition, Monterosso or Vargas, at Monterosso's direction, created false invoices showing sales of "minutes" by Volta to Mercury.

42. In order to substantiate the fictitious revenue reported in the fake Volta invoices, Monterosso or Vargas, at Monterosso's direction, obtained CDRs that purported to document the calls that related to the invoices. Some of these CDRs were provided by Leblo. All of CDRs obtained were false in that the calls documented in the CDRs were not related in any way to any "minutes" bought or sold by Volta.

43. Monterosso, or Vargas, at Monterosso's direction, submitted the fake Volta invoices and corresponding CDRs to GlobeTel knowing that the invoices and CDRs did not represent business actually conducted by Volta. Neither Monterosso nor Vargas ever provided these invoices to Hay or anyone else at Mercury or WCCS.

44. *Monterosso and Vargas knew or were reckless in not knowing that the fake Volta invoices and corresponding CDRs they submitted to GlobeTel would be used by GlobeTel to record in the company's books and records that Volta generated \$30.3 million in revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries.*

**B. Lonestar**

45. Between September 2004 and June 2004, GlobeTel recorded and reported revenue of about \$55.15 million purportedly generated by Lonestar as a result of "off net" business it did with two companies: Telmetriks, Lonestar's purported customer, and XSTEL, Lonestar's purported vendor.

46. Between September 2004 and June 2006, Monterosso or Vargas, at Monterosso's direction, submitted invoices to GlobeTel that gave the appearance that Lonestar bought telecom "minutes" worth about \$55.15 million from XSTEL and sold an equivalent amount of telecom "minutes" to Telmetriks. All these invoices were false in that Telmetriks and XSTEL were not engaged in the wholesale telecom business and in that Lonestar neither purchased "minutes" from XSTEL nor sold "minutes" to Telmetriks.

47. Monterosso or Vargas, at Monterosso's direction, created the false invoices or obtained them from Leblo. The false invoices created the false impression that Lonestar was actually engaged in the purchase and sale of "minutes" with Telmetriks and XSTEL.

48. In order to substantiate the fictitious revenue reported in the fake Lonestar invoices, Monterosso or Vargas, at Monterosso's direction, obtained CDRs from Leblo that purported to document the calls that related to the invoices. The CDRs that Leblo provided were false in that the calls documented in the CDRs were not related in any way to any "minutes" bought or sold by Lonestar.

49. Monterosso, or Vargas, at Monterosso's direction, submitted the fake Lonestar invoices and corresponding CDRs to GlobeTel knowing that the invoices and CDRs did not represent business actually conducted by Lonestar.

50. Monterosso and Vargas knew or were reckless in not knowing that the fake Lonestar invoices and corresponding CDRs they submitted to GlobeTel, would be used by GlobeTel to record in the company's books and records that Lonestar generated \$55.15 million in revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries.

**C. Centerline**

51. Between September 2004 and June 2004, GlobeTel recorded and reported revenue of about \$34.31 million purportedly generated by Centerline as a result of "off net" business it did with CSI.

52. Between September 2004 and June 2006, Monterosso or Vargas, at Monterosso's direction, submitted invoices to GlobeTel that gave the appearance that Centerline bought telecom "minutes" worth about \$34.31 million from CSI and sold an equivalent amount of "minutes" to CSI. All these invoices were false in that, during this period, Centerline did no "off net" business with CSI, and in that Centerline neither bought "minutes" from CSI nor sold "minutes" to CSI.

53. Monterosso or Vargas, at Monterosso's direction, created the false invoices. In order to substantiate the fictitious revenue reported in the fake Centerline invoices, Monterosso or Vargas, at Monterosso's direction, obtained CDRs from Leblo that purported to document the calls that related to the invoices. The CDRs were false in that they were not related in any way to any "minutes" bought or sold by Centerline.

54. Monterosso, or Vargas, at Monterosso's direction, submitted the fake Centerline invoices and corresponding CDRs to GlobeTel knowing that they did not represent business actually conducted by Centerline.

55. Monterosso and Vargas knew or were reckless in not knowing that the fake Centerline invoices and corresponding CDRs they submitted to GlobeTel, would be used by GlobeTel to record in the company's books and records that Centerline generated \$34.31 million in revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries.

**IV. GLOBETEL'S MATERIALLY FALSE AND MISLEADING STATEMENTS AND DISCLOSURES**

56. As a direct result of Monterosso's and Vargas' fraudulent scheme, GlobeTel overstated its revenue during fiscal years 2004 through 2006 by approximately \$119 million -- about 80% of all revenue recognized by *GlobeTel* during that period. Consequently, GlobeTel's reported financial results for this period were materially misstated. GlobeTel overstated its revenue in its periodic filings and registration statements filed with the Commission and in the press releases GlobeTel issued between September 2004 and September 2006.

**A. *GlobeTel's* Materially False and Misleading Statements In Its Periodic Filings And Registration Statements**

57. *GlobeTel's* annual reports and registration statements for fiscal years 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2004, through June 30, 2006, contained materially false and misleading statements and disclosures as a direct result of the fraudulent scheme of Monterosso and Vargas to create and report fictitious revenue for Centerline and its wholly owned subsidiaries. Upon information and belief, the following chart describes the annual and quarterly reports filed by *GlobeTel* that contained false and misleading statements concerning the amount of *GlobeTel's* total revenue. The chart also describes the total revenue *GlobeTel* reported, the amount of fictitious "off-net" revenue included in the total revenue reported,



and the percentage of GlobeTel's total revenue represented by the fictitious "off-net"

revenue:

Period	Date of filing with the Commission	Total revenue GlobeTel reported	Total fictitious "off-net" revenue	Percentage of Total revenue created by off-net revenue
Q3 2004 Form 10-QSB	Nov. 15, 2004	\$7.50 million	\$3.27 million	44%
<b>FY 2004</b> Form 10-KSB	<b>Mar. 31, 2005</b>	<b>\$28.99 million</b>	<b>\$16.82 million</b>	<b>58%</b>
Q1 2005 Form 10-QSB	May 16, 2005	\$18.01 million	\$13.27 million	74%
Q2 2005 Form 10-Q	Aug. 12, 2005	\$19.70 million	\$17.03 million	86%
Q3 2005 Form 10-Q	Nov. 14, 2005	\$22.29 million	\$20.24 million	91%
<b>FY 2005</b> Form 10-K	<b>Mar. 31, 2006</b>	<b>\$81.14 million</b>	<b>\$63.85 million</b>	<b>79%</b>
Q1 2006 Form 10-Q	May 12, 2006	\$22.29 million	\$20.50 million	92%
Q2 2006 Form 10-Q	Aug. 14, 2006	\$21.62 million	\$18.56 million	86%
<b>Cumulative Eight Quarters</b>		<b>\$147.06 million</b>	<b>\$119.75 million</b>	<b>81%</b>

58. On June 9, 2006, GlobeTel filed amended versions of its Form 10-KSB for 2004 and its Form 10-K for 2005. Both filings contained the statements of revenue contained in the originally filed statements and, therefore, were materially false and misleading because they included the fictitious "off-net" revenue.

59. Upon information and belief, GlobeTel overstated its revenues in every filing, including an overstatement of 138% in its 2004 annual report and an overstatement of 369% in its 2005 annual report. During the entire eight quarters including the first half of 2006, GlobeTel overstated its revenue by 439%.

60. During 2005 and 2006, GlobeTel issued common stock pursuant to three registration statements filed in 2005, including a Form SB-2 filed on February 15, 2005, a

Form S-3 filed on June 23, 2005, and subsequently amended on June 24, 2005, and July 1, 2005, and a Form S-3 filed on December 5, 2005. Those statements registered the sale of more than 18 million shares. All three registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue included in GlobeTel's quarterly and annual reports

61. Monterosso and Vargas knew or were reckless in not knowing, that the fictitious "off-net" revenue of Centerline they reported to GlobeTel would be recorded by GlobeTel in its books and records, incorporated into the revenue reported by GlobeTel in the periodic reports and registration statements that GlobeTel filed between September 2004 and September 2006, and would result in a material misstatement of GlobeTel's financial results.

**B. GlobeTel's Materially False and Misleading Press Releases**

62. GlobeTel never made any significant profit from Centerline's wholesale telecom business, but its press releases regularly touted the revenue Centerline had generated and predicted record future revenue. Between September 2004 and September 2006, GlobeTel issued numerous press releases concerning its actual revenue and projected revenue. These press releases incorporated the fictitious "off-net" revenue created by Monterosso and Vargas.

63. On or about September 28, 2004, GlobeTel issued a press release that stated:

GlobeTel Communication Corp. (OTCBB:GTEL), today released expected revenues for the third quarter ending September 30, 2004 as well as a statement of expectations for the fourth quarter.

GTEL management is pleased to announce that it is expected to report that third quarter 2004 revenues will be in excess of \$5,000,000 and that based on the third quarter performance, GTEL will be on a \$20,000,000 annual

run rate. Annual run rate is revenue at the current rate projected over a 12-month period from that time forward.

Management believes that, based on product acceptance, accelerated product marketing and other positive business developments, GTEL should be generating revenues of \$4 million to \$5 million per month by the end of the fourth quarter ending December 31, 2004, producing an annual run rate of \$48,000,000 to \$60,000,000. These revenue numbers are consistent with management's previous statements and revenue forecasts and objectives.

64. The reported \$5 million in quarterly revenue GlobeTel reported in the September 28, 2004, press release for the third quarter of 2004 was overstated by about \$3.27 million because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

65. The "annual run rate" GlobeTel reported in the September 28, 2004, press release was also false because it also included the fictitious "off-net" revenue created by Monterosso and Vargas.

66. On or about October 13, 2004, GlobeTel issued a press release that stated:

GlobeTel Communications Corp. (OTCBB:GTEL), today released guidance on revenues in the fourth quarter which will end December 31, 2004.

GTEL management announced that revenue in the beginning of the fourth quarter has been exceeding \$900,000 per week. The company expects the traffic to average \$4,000,000 to \$5,000,000 per month for the fourth quarter 2004. If the company is successful in continuing this pattern, fourth quarter revenues will exceed \$12,000,000, meeting expectations as had been announced in the prior month.

67. The "\$900,000 per week" in revenue GlobeTel reported in the October 13, 2004, press release was materially overstated because it included the fictitious "off-net" revenue created by Monterosso and Vargas.

68. On or about March 31, 2005, GlobeTel issued a press release that stated: "GlobeTel Communications Corp. (OTCBB:GTEL), with its filing of its SEC Form 10-KSB, today announced that the Company had revenues of \$28,996,213 in fiscal year 2004 resulting in a net loss of \$13,166,869."

69. As described above, GlobeTel also filed its annual report on Form 10-KSB on or about March 31, 2005. In that report, GlobeTel reported about \$29.99 million in revenue for 2004, which included about \$14.48 million in revenue for the fourth quarter of 2004.

70. The annual revenue GlobeTel reported in the March 31, 2005, press release was materially overstated by about \$16.82 million for 2004 and the revenue it reported for the fourth quarter of 2004 was overstated by about \$13.54 million because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

71. On or about May 16, 2005, GlobeTel issued a press release that stated: "GlobeTel Communications Corp. (OTCBB:GTEL), reported today in its filing of SEC Form 10Q [sic], that during the quarter ended March 31, 2005, the company had revenues of \$18,010,643 resulting in a net loss of \$3,600,054." The press release also stated that GlobeTel had about \$14.48 million in revenue in the fourth quarter of 2004.

72. The quarterly revenue GlobeTel reported in the May 16, 2005, press release was overstated by about \$13.54 million for the fourth quarter of 2004 and about \$13.27 million for the first quarter of 2005 because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

73. On or about July 12, 2005, GlobeTel issued a press release that stated: "GlobeTel Communications Corp. (AMEX:GTE) announced today its revenues for the second quarter 2005 will be in excess of \$19 million with projected annual revenues in excess of \$80 million." The press release also stated that GlobeTel had about \$18.01 million in revenue for the first quarter of 2005 and \$14.48 million in revenue in the fourth quarter of 2004.

74. On or about August 11, 2005, GlobeTel issued a press release that stated:

GlobeTel Communications Corp. (AMEX:GTE), today reported in its filing of SEC Form 10Q that the company had revenues of \$19,700,531 during the second quarter ended June 30, 2005, compared to \$3,790,085 during the same period in 2004, an increase of 419%. Total revenues for the six months ended were \$37,711,175, compared to \$7,000,419 during the same period in 2004, an increase of 438%.

75. The quarterly and "six-month" revenue GlobeTel reported in the July 12, 2005, and August 11, 2005, press releases were overstated by about \$13.54 million for the fourth quarter of 2004, about \$13.27 million for the first quarter of 2005, and about \$17.03 million for the second quarter of 2005 because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

76. On or about September 23, 2005, GlobeTel issued a press release that stated: "GlobeTel Communications Corp. (AMEX:GTE) today announced it expects to achieve record revenue of approximately \$22 million for the third quarter ending September 30, 2005, an expected 193% increase from the third quarter last year."

77. The quarterly revenue GlobeTel reported in the September 23, 2005, press release was overstated by about \$20.24 million for the third quarter of 2005 because that figure included the fictitious "off-net" revenue created by Monterosso and Vargas.

78. On or about March 31, 2006, GlobeTel issued a press release that stated:

GlobeTel Communications Corp. (AMEX: GTE) reported its results for the fiscal year ended December 31, 2005.

For the year ended December 31, 2005, GlobeTel reported gross revenues of \$81,143,838, an increase of 179.8% over gross revenues of \$28,996,213 for the prior year ended December 31, 2004. The revenue increase is attributed primarily to increases in wholesale carrier traffic revenues (telecommunications minutes) and related network management fees from GlobeTel Communications Corp [sic] wholly owned [sic] subsidiary, Centerline Communications and its subsidiaries. Centerline and its subsidiaries recorded consolidated revenues of \$71,968,367 (or 88.7% of total revenues).

79. The annual revenue in the March 31, 2006, press release was overstated by about \$63.85 million for 2005 because that figure included the fictitious "off-net" revenue created by Monterosso and Vargas. The description of Centerline and its subsidiaries as conducting wholesale carrier traffic business was also false in that neither Volta, Lonestar nor Centerline engaged in any wholesale telecom business.

80. On or about May 12, 2006, GlobeTel issued a press release that stated:

GlobeTel Communications Corp. (AMEX:GTE) reported its results for the quarter ended March 31, 2006. During the quarter, the Company achieved revenue of \$22,294,725, or 24% more than revenue of \$18,010,643 reported for the first quarter 2005 and a 5.5% sequential rise over fourth quarter 2005 revenue of \$21,133,147.

81. The quarterly revenue GlobeTel reported in the May 12, 2006, press release was overstated by about \$13.27 million in the first quarter of 2005, about \$13.30 million in the fourth quarter of 2005 and about \$20.50 million in the first quarter of 2006 because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

82. On or about August 14, 2006, GlobeTel issued a press release that began:

GlobeTel Communications Corp. (AMEX:GTE) reported results today for its fiscal second quarter, which ended June 30, 2006.

Revenues for the second quarter of fiscal 2006 were \$21,628,623, an increase of 10% as compared with \$19,700,531 for the second quarter of fiscal 2005, and a 2% decrease as compared with \$22,294,725 for the first quarter of fiscal 2006. The year-over-year increase was driven predominantly by a proportional rise in Centerline wholesale traffic revenues (telecommunication minutes).

83. The quarterly revenue GlobeTel reported in the August 14, 2006, press release was overstated by about \$17.03 million for the second quarter of 2005, about \$20.50 million for the first quarter of 2006, and about \$18.56 million for the second quarter of 2006 because those figures included the fictitious "off-net" revenue created by Monterosso and Vargas.

84. Monterosso and Vargas knew or were reckless in not knowing, that the fictitious "off-net" revenue they created and reported to GlobeTel would be incorporated into the revenue GlobeTel reported in its press releases, and would result in a material misstatement of GlobeTel's financial results between about September 2004 and September 2006.

#### **V. GLOBETEL'S BOOKS AND RECORDS**

85. Monterosso's and Vargas' fraudulent scheme directly caused GlobeTel's books, records and accounts to falsely and inaccurately reflect the company's financial condition.

86. As a result of Monterosso and Vargas false reporting to GlobeTel that Centerline had generated fictitious "off-net" revenue between July 2004 and June 2006, GlobeTel's books and records overstated the company's revenue by about \$119 million. The books and records that were false include the "off-net" invoices, accounts in

GlobeTel's general ledgers that reflect revenue and liabilities, and GlobeTel's cash flow and balance sheets that summarize the information from the general ledgers.

**VI. GLOBETEL'S ACCOUNTANTS AND INDEPENDENT AUDITORS RELIED UPON THE FRAUDULENT INVOICES AND CDRs THAT MONTEROSSO AND VARGAS PROVIDED TO GLOBETEL**

**A. GlobeTel's Finance Department Relied Upon Invoices And CDRs Provided by Monterosso and Vargas To Record Revenue**

87. GlobeTel's general ledger was controlled by its finance department in Florida. In order to record revenue and cost of goods sold, the finance department made entries based upon invoices that they received from Monterosso or Vargas.

88. Between July 2004 and September 2006, GlobeTel's finance department requested CDRs from Monterosso and Vargas, to prove that Volta, Lonestar and Centerline had actually engaged in the telecommunications transactions for which invoices had been submitted. Monterosso or Vargas, at Monterosso's direction, provided those CDRs to personnel in GlobeTel's finance department.

89. Accountants who worked directly for GlobeTel and accountants that worked as consultants to GlobeTel made and reviewed entries in GlobeTel's general ledger in reliance upon the invoices and CDRs provided by Monterosso or Vargas.

90. Monterosso and Vargas knew that the fake invoices and CDRs relating to Centerline's "off-net" revenue were materially false and misleading and would be used by GlobeTel's accountants to make entries in GlobeTel's general ledger and other books and records.



**B. GlobeTel's Auditors Reviewed Copies of Invoices and CDRs Provided by Monterosso and Vargas**

91. In order to audit GlobeTel for 2004 and 2005, the company's independent auditors reviewed the false invoices and CDRs provided to GlobeTel by Monterosso or Vargas. The auditors compared a sample of the CDRs to corresponding invoices to confirm that they substantiated the revenue claimed in the invoices.

92. Monterosso and Vargas knew that GlobeTel's auditors had specifically requested CDRs so they could compare them to the invoices and confirm that Volta, Lonestar and Centerline actually bought and sold the telecom "minutes" claimed. Monterosso and Vargas knew that the invoices and CDRs they provided did not actually record transactions by Volta, Lonestar or Centerline and that GlobeTel's independent auditors would rely upon the invoices and CDRs concerning the "off-net" revenue of Centerline in connection with the 2004 and 2005 audits. Because the invoices and CDRs concerning Centerline's "off-net" revenue were false, GlobeTel's representations to its independent auditors concerning the amount of its revenue were materially false and misleading.

93. Monterosso and Vargas knew that the fake invoices and CDRs relating to Centerline's "off-net" revenue would be presented to GlobeTel's independent auditors. Therefore, Monterosso and Vargas made, or caused GlobeTel to make, materially false and misleading statements to its independent auditors in connection with the 2004 and 2005 audits.

**VII. MONTEROSSO AND VARGAS BENEFITED FROM THEIR FRAUDULENT SCHEME**

94. Monterosso and Vargas directly benefited from their fraudulent scheme to create fictitious "off-net" revenue for Centerline and its wholly owned subsidiaries.

95. Between about September 2004 and September 2006, GlobeTel paid CSI a net of about \$1 million – including a payment of at least \$180,000 for the \$25 million in revenue allegedly generated as part of the original “joint venture” agreement. In addition, as part of the final settlement of that agreement, GlobeTel permitted Monterosso to keep about \$100,000 owed by other companies to GlobeTel for “on-net” transactions.

96. The money GlobeTel paid to CSI was paid to Monterosso and Vargas. Between about September 2004 and September 2006, Vargas withdrew approximately \$300,000 from CSI’s account and gave the cash to Monterosso. Vargas also withdrew money from CSI’s account, which he kept. Vargas caused CSI to pay Monterosso’s personal credit cards, the rent on Monterosso’s residence and the rent on a storage unit where Monterosso keep his personal property.

**FIRST CLAIM FOR RELIEF**

**(Violations of Section 17(a) of the Securities Act)**

97. Paragraphs 1 through 96 are realleged and incorporated herein by reference.

98. As described above, Monterosso and Vargas, directly or indirectly, in the offer or sale of GlobeTel securities, by the use of means or instruments of transportation or communication in interstate commerce or by the use of the mails, knowingly, recklessly or negligently:

- (a) employed devices, schemes or artifices to defraud;
- (b) obtained money or property by means of untrue statements of material fact or by 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; or

(c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of GlobeTel securities.

99. The scheme of Monterosso and Vargas included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

a. Between September 2004 and July 2006, Monterosso and Vargas engaged in fraudulent acts by creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53.

b. Between September 2004 and July 2006, Monterosso and Vargas engaged in fraudulent acts and made material misstatements of fact by submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-net" business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company's books and records that Centerline, Volta and Lonestar generated millions of dollars in "off-net" revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

100. The fraudulent acts, untrue statements of material fact and material omissions of Monterosso and Vargas directly caused the following materially false and misleading statements of fact which operated, or would have operated, as a fraud or deceit upon purchasers of GlobeTel securities:

a. Between October 2004 and September 2006, GlobeTel's annual reports for fiscal years 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2004, through June 30, 2006, contained materially false and misleading statements and disclosures, as described in paragraphs 56, 57, 58, 59 and 61.

b. Between September 2004 and September 2006, GlobeTel issued numerous press releases concerning its actual revenue and projected revenue that contained materially false and misleading statements and disclosures, as described in paragraphs 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83 and 84.

c. During 2005 and 2006, GlobeTel issued common stock pursuant to three registration statements filed in 2005, including a Form SB-2 filed on February 15, 2005, a Form S-3 filed on June 23, 2005 and subsequently amended on June 24, 2005 and July 1, 2005, and a Form S-3 filed on December 5, 2005. Those statements registered the sale of more than 18 million shares of GlobeTel stock. All three registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue included in GlobeTel's quarterly and annual reports as described in paragraph 60.

101. By engaging in the conduct alleged, defendants Monterosso and Vargas violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

### **SECOND CLAIM FOR RELIEF**

#### **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5)**

102. Paragraphs 1 through 101 are realleged and incorporated herein by reference.

103. As described above, Monterosso and Vargas, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, knowingly or recklessly:

- (a) employed devices, schemes or artifices to defraud;
- (b) made untrue statements of material facts 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; or
- (c) engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon other persons.

104. Monterosso's and Vargas' scheme included, among others, the following fraudulent devices, fraudulent acts, untrue statements of material fact and material omissions:

- a. Between September 2004 and July 2006, engaged in fraudulent acts by creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53.
- b. Between September 2004 and July 2006, Monterosso and Vargas engaged in fraudulent acts and made material misstatements of fact by submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-net" business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company's books and

records that Centerline, Volta and Lonestar generated millions of dollars in "off-net" revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

105. The fraudulent acts, untrue statements of material fact and material omissions of Monterosso and Vargas directly caused the following materially false and misleading statements of fact which operated, or would have operated, as a fraud or deceit upon other persons:

a. Between October 2004 and September 2006, GlobeTel's annual reports for fiscal years 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2004, through June 30, 2006, contained materially false and misleading statements and disclosures as described in paragraphs 56, 57, 58, 59 and 61.

b. Between September 2004 and September 2006, GlobeTel issued numerous press releases concerning its actual revenue and projected revenue that contained materially false and misleading statements and disclosures as described in paragraphs 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83 and 84.

c. During 2005 and 2006, GlobeTel issued common stock pursuant to three registration statements filed in 2005, including a Form SB-2 filed on February 15, 2005, a Form S-3 filed on June 23, 2005 and subsequently amended on June 24, 2005 and July 1, 2005, and a Form S-3 filed on December 5, 2005. Those statements registered the sale of more than 18 million shares of GlobeTel's common stock. All three registration statements included and/or incorporated by reference the materially false and misleading

statements concerning GlobeTel's revenue in GlobeTel's quarterly and annual reports as described in paragraph 60.

106. By reason of the foregoing, Defendants Monterosso and Vargas violated 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].

**THIRD CLAIM FOR RELIEF**

**(Aiding or Abetting Violations of Section 10(b)  
of the Exchange Act and Rule 10b-5)**

107. Paragraphs 1 through 106 are realleged and incorporated herein by reference.

108. Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)] provides that any person that knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or any rule or regulation thereunder, shall be deemed to be in violation of such provision to the same extent as the person to who such assistance is provided.

109. As described above, between September 2004 and September 2006, defendants Monterosso and Vargas knowingly provided substantial assistance to GlobeTel's violation of Section 10(b) and Rule 10b-5 thereunder by:

a. creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53; and

b. submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-

net” business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company’s books and records that Centerline, Volta and Lonestar generated millions of dollars in “off-net” revenue and, consequently, would be incorporated into GlobeTel’s reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

110. The fraudulent scheme of Monterosso and Vargas permitted GlobeTel to make, among others, the following materially false and misleading statements of fact which operated, or would have operated, as a fraud or deceit upon other persons, in connection with the purchase or sale of GlobeTel’s securities:

a. Between October 2004 and September 2006, GlobeTel’s annual reports for fiscal years 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2004, through June 30, 2006, contained materially false and misleading statements and disclosures as described in paragraphs 56, 57, 58, 59 and 61.

b. Between September 2004 and September 2006, GlobeTel issued numerous press releases concerning its actual revenue and projected revenue that contained materially false and misleading statements and disclosures as described in paragraphs 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83 and 84.

c. During 2005 and 2006, GlobeTel issued common stock pursuant to three registration statements filed in 2005, including a Form SB-2 filed on February 15, 2005, a Form S-3 filed on June 23, 2005 and subsequently amended on June 24, 2005 and July 1, 2005, and a Form S-3 filed on December 5, 2005. Those statements registered the



sale of more than 18 million shares of GlobeTel's common stock. All three registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenues included in GlobeTel's quarterly and annual reports as described in paragraph 60.

111. By reason of the foregoing, Defendants Monterosso and Vargas aided and abetted GlobeTel's violation of 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].

**FOURTH CLAIM FOR RELIEF**

**(Aiding or Abetting Violations of Section 13(a) of the Exchange Act  
and Rules 12b-20, 13a-1, and 13a-13)**

112. Paragraphs 1 through 111 are realleged and incorporated by reference.

113. Between about October 2004 and September 2006, GlobeTel filed, with the Commission, annual reports for fiscal years 2004 and 2005, and quarterly reports for the fiscal quarters ended September 30, 2004, through June 30, 2006, that contained materially false and misleading statements and disclosures, including those described in paragraphs 56, 57, 58, 59, and 61.

114. As described above, between September 2004 and July 2006, defendants Monterosso and Vargas knowingly provided substantial assistance to GlobeTel's violation of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder by:

a. creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53; and

b. submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent “off-net” business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company’s books and records that Centerline, Volta and Lonestar generated millions of dollars in “off-net” revenue and, consequently, would be incorporated into GlobeTel’s reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

115. By reason of the foregoing, Defendants Monterosso and Vargas aided and abetted GlobeTel’s violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 thereunder [17 C.F.R §§ 240.12b-20, 240.13a-1 and 240.13a-13].

**FIFTH CLAIM FOR RELIEF**

**(Aiding and Abetting Violations of Section 13(b)(2)(A) of the Exchange Act)**

116. Paragraphs 1 through 115 are realleged and incorporated by reference.

117. Between about September 2004 to September 2006, GlobeTel maintained false and misleading books and records that failed, in reasonable detail, to accurately and fairly reflect the transactions and dispositions of its assets, including those described in paragraphs 56, 57, 58, 59, 60, 61, 85 and 86.

118. As described above, Defendants Monterosso and Vargas, knowingly provided substantial assistance to GlobeTel’s violation of Section 13(b)(2)(A) of the Exchange Act by:

a. creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53; and

b. submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-net" business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company's books and records that Centerline, Volta and Lonestar generated millions of dollars in "off-net" revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

119. As a consequence, Defendants Monterosso and Vargas aided and abetted GlobeTel's violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

#### **SIXTH CLAIM FOR RELIEF**

##### **(Violations of Exchange Act Rules 13b2-1 and 13b2-2)**

120. Paragraphs 1 through 119 are realleged and incorporated by reference.

121. Defendants Monterosso and Vargas, directly or indirectly, falsified or caused to be falsified books, records or accounts subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by:

a. creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net"

revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53; and

b. submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-net" business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company's books and records that Centerline, Volta and Lonestar generated millions of dollars in "off-net" revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, and 61.

122. As a result of the actions described above, Monterosso and Vargas, directly or indirectly, caused GlobeTel falsify its books and records, as described in paragraphs 85, 86, 87, 88, 89 and 90.

123. Between at least May 2005 and September 2006, Monterosso was an officer of GlobeTel. Defendant Monterosso, directly or indirectly, made or caused to be made, materially false or misleading statements or omitted to state, or caused another person to make or omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading to GlobeTel's accountants in connection with their review and/or audit of GlobeTel's financial statements and the preparation and filing of documents with the Commission.

124. Between at least May 2005 and September 2006, Monterosso was an officer of GlobeTel and Vargas was a person acting under his direction. During this period Monterosso and Vargas directly or indirectly, took action to manipulate, mislead

or fraudulently influence independent public or certified public accountants engaged in the performance of an audit or review of the financial statements of GlobeTel by the following actions:

125. Monterosso and Vargas committed the violation alleged by:

a. creating or obtaining fake invoices and CDRs that created the false appearance that Centerline, Volta and Lonestar had generated \$119 million in "off-net" revenue by buying and selling "minutes" to other wholesale telecom companies, as described in paragraphs 36, 37, 41, 42, 47, 48, and 53; and

b. submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors knowing that the invoices and CDRs did not represent "off-net" business activity actually conducted by Centerline, Volta and Lonestar. Monterosso and Vargas also knew that the invoices and CDRs would be used by GlobeTel to record in the company's books and records that Centerline, Volta and Lonestar generated millions of dollars in "off-net" revenue and that the invoices and CDRs would be used by GlobeTel's accountants and auditors in connection with audits, reviews of financial statements and the preparation and filing of documents with the Commission as described in paragraphs 38, 39, 40, 43, 44, 45, 46, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, 61, 85, 86, 87, 88, 89, 90, 91, 92 and 93.

126. By reason of the foregoing, Defendants Monterosso and Vargas each violated Exchange Act Rules 13b2-1 and 13b2-2 [17 C.F.R. §§ 240.13b2-1 and 13b2-2].

**PRAYER FOR RELIEF**

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

(a) permanently enjoining defendant Monterosso, and his agents, servants, employees, attorneys, and those in active concert or participation with them, who receive actual notice by personal service or otherwise, from (i) violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; (ii) violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder; (iii) violating Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-13 promulgated thereunder [17 C.F.R. § 240.12b-20, 240.13a-11, 240.13a-13 and 240.13a-14]; (iv) violating Rule 13b2-1 of the Exchange Act [17 C.F.R. § 240.13b2-1]; (v) violating Rule 13b2-2 of the Exchange Act [17 C.F.R. § 240.13b2-2]; and (vi) violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

(b) permanently enjoining defendant Vargas, and his agents, servants, employees, attorneys, and those in active concert or participation with them, who receive actual notice by personal service or otherwise, from (i) violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]; (ii) violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] promulgated thereunder; (iii) violating Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, and 13a-13 promulgated thereunder [17 C.F.R. § 240.12b-20, 240.13a-11, 240.13a-13 and 240.13a-14]; (iv) violating Rule 13b2-1 of the Exchange Act [17 C.F.R. § 240.13b2-1]; (v) violating Rule 13b2-2 of the Exchange Act [17 C.F.R. § 240.13b2-2]; and (vi) violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

(c) ordering defendants Monterosso and Vargas to disgorge, with prejudgment interest, all ill-gotten gains, compensation, and benefits by virtue of the conduct alleged herein;

(d) ordering defendants Monterosso and Vargas 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)];

(e) prohibiting defendants Monterosso and Vargas from serving as an officer or director of any issuer that has a class of securities registered pursuant to Exchange Act 12 [15 U.S.C. § 781] or that is required to file reports pursuant to Exchange Act Section 15d [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)];

(f) granting any equitable relief that may be appropriate or necessary for the benefit of investors pursuant to Exchange Act Section 21(d)(5) [15 U.S.C. § 78u(d)(2)];  
and

(g) granting such other relief as the Court may deem just and appropriate.

Date: *November 20, 2007*

Respectfully submitted,



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Of Counsel:  
Cheryl J. Scarboro

Attorneys for Plaintiff,  
Securities and Exchange Commission

JS 44 (Rev. 11/05)

**CIVIL COVER SHEET**

**07-616**

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.) **NOTICE: Attorneys MUST Indicate All Re-filed Cases Below.**

<p><b>I. (a) PLAINTIFFS</b> Securities and Exchange Commission</p> <p><b>(b) County of Residence of First Listed Plaintiff</b> (EXCEPT IN U.S. PLAINTIFF CASES)</p> <p><b>(c) Attorney's (Firm Name, Address, and Telephone Number)</b> Jeffery T. Infelise Securities and Exchange Commission 100 F Street, N.E., Washington, D.C. 20549-4010; (202) 551-4904</p>	<p><b>DEFENDANTS</b> <b>CIV-LENARD</b> Joseph J. Monterosso and Luis E. Vargas</p> <p><b>County of Residence of First Listed Defendant</b> <u>Broward</u> (IN U.S. PLAINTIFF CASES ONLY)</p> <p>NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT LAND INVOLVED.</p> <p>Attorneys (If Known) (See Attachment) <u>0:07CV 61693 JAL/EGJ</u></p>
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**(d) Check County Where Action Arose:**  MIAMI-DADE  MONROE  BROWARD  PALM BEACH  MARTIN  ST. LUCIE  INDIAN RIVER  OKLAHOOCHEE ISLANDS

<p><b>II. BASIS OF JURISDICTION</b> (Place an "X" in One Box Only)</p> <p><input checked="" type="checkbox"/> 1 U.S. Government Plaintiff <input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party)</p> <p><input type="checkbox"/> 2 U.S. Government Defendant <input type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)</p>	<p><b>III. CITIZENSHIP OF PRINCIPAL PARTIES</b> (Place an "X" in One Box for Plaintiff and One Box for Defendant)</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th></th> <th>PTF</th> <th>DEF</th> <th></th> <th>PTF</th> <th>DEF</th> </tr> <tr> <td>Citizen of This State</td> <td><input type="checkbox"/> 1</td> <td><input type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business In This State</td> <td><input type="checkbox"/> 4</td> <td><input type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td><input type="checkbox"/> 2</td> <td><input type="checkbox"/> 2</td> <td>Incorporated or Principal Place of Business In Another State</td> <td><input type="checkbox"/> 5</td> <td><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td><input type="checkbox"/> 3</td> <td><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td><input type="checkbox"/> 6</td> <td><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4	Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated or Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
	PTF	DEF		PTF	DEF																				
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4																				
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated or Principal Place of Business In Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5																				
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

IV. NATURE OF SUIT (Place an "X" in One Box Only)			
<p><b>CONTRACT</b></p> <p><input type="checkbox"/> 110 Insurance</p> <p><input type="checkbox"/> 120 Marine</p> <p><input type="checkbox"/> 130 Miller Act</p> <p><input type="checkbox"/> 140 Negotiable Instrument</p> <p><input type="checkbox"/> 150 Recovery of Overpayment &amp; Enforcement of Judgment</p> <p><input type="checkbox"/> 151 Medicare Act</p> <p><input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans)</p> <p><input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits</p> <p><input type="checkbox"/> 160 Stockholders' Suits</p> <p><input type="checkbox"/> 190 Other Contract</p> <p><input type="checkbox"/> 195 Contract Product Liability</p> <p><input type="checkbox"/> 196 Franchise</p>	<p><b>TORTS</b></p> <p><b>PERSONAL INJURY</b></p> <p><input type="checkbox"/> 310 Airplane</p> <p><input type="checkbox"/> 315 Airplane Product Liability</p> <p><input type="checkbox"/> 320 Assault, Libel &amp; Slander</p> <p><input type="checkbox"/> 330 Federal Employers' Liability</p> <p><input type="checkbox"/> 340 Marine</p> <p><input type="checkbox"/> 345 Marine Product Liability</p> <p><input type="checkbox"/> 350 Motor Vehicle</p> <p><input type="checkbox"/> 355 Motor Vehicle Product Liability</p> <p><input type="checkbox"/> 360 Other Personal Injury</p> <p><b>PERSONAL INJURY - Med. Malpractice</b></p> <p><input type="checkbox"/> 362 Personal Injury - Med. Malpractice</p> <p><input type="checkbox"/> 365 Personal Injury - Product Liability</p> <p><input type="checkbox"/> 368 Asbestos Personal Injury Product Liability</p> <p><b>PERSONAL PROPERTY</b></p> <p><input type="checkbox"/> 370 Other Fraud</p> <p><input type="checkbox"/> 371 Truth in Lending</p> <p><input type="checkbox"/> 380 Other Personal Property Damage</p> <p><input type="checkbox"/> 385 Property Damage Product Liability</p>	<p><b>FORFEITURE/PENALTY</b></p> <p><input type="checkbox"/> 610 Agriculture</p> <p><input type="checkbox"/> 620 Other Food &amp; Drug</p> <p><input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881</p> <p><input type="checkbox"/> 630 Liquor Laws</p> <p><input type="checkbox"/> 640 R.R. &amp; Truck</p> <p><input type="checkbox"/> 650 Airline Regs.</p> <p><input type="checkbox"/> 660 Occupational Safety/Health</p> <p><input type="checkbox"/> 690 Other</p> <p><b>LABOR</b></p> <p><input type="checkbox"/> 710 Fair Labor Standards Act</p> <p><input type="checkbox"/> 720 Labor/Mgmt. Relations</p> <p><input type="checkbox"/> 730 Labor/Mgmt. Reporting &amp; Disclosure Act</p> <p><input type="checkbox"/> 740 Railway Labor Act</p> <p><input type="checkbox"/> 790 Other Labor Litigation</p> <p><input type="checkbox"/> 791 Empl. Ret. Inc. Security Act</p>	<p><b>BANKRUPTCY</b></p> <p><input type="checkbox"/> 422 Appeal 28 USC 158</p> <p><input type="checkbox"/> 423 Withdrawal 28 USC 157</p> <p><b>PROPERTY RIGHTS</b></p> <p><input type="checkbox"/> 820 Copyrights</p> <p><input type="checkbox"/> 830 Patent</p> <p><input type="checkbox"/> 840 Trademark</p> <p><b>SOCIAL SECURITY</b></p> <p><input type="checkbox"/> 861 HIA (1395ff)</p> <p><input type="checkbox"/> 862 Black Lung (923)</p> <p><input type="checkbox"/> 863 DIWC/DIWW (405(g))</p> <p><input type="checkbox"/> 864 SSID Title XVI</p> <p><input type="checkbox"/> 865 RSI (405(g))</p> <p><b>FEDERAL TAX SUITS</b></p> <p><input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant)</p> <p><input type="checkbox"/> 871 IRS—Third Party 26 USC 7609</p>
<p><b>REAL PROPERTY</b></p> <p><input type="checkbox"/> 210 Land Condemnation</p> <p><input type="checkbox"/> 220 Foreclosure</p> <p><input type="checkbox"/> 230 Rent Lease &amp; Ejectment</p> <p><input type="checkbox"/> 240 Torts to Land</p> <p><input type="checkbox"/> 245 Tort Product Liability</p> <p><input type="checkbox"/> 290 All Other Real Property</p>	<p><b>CIVIL RIGHTS</b></p> <p><input type="checkbox"/> 441 Voting</p> <p><input type="checkbox"/> 442 Employment</p> <p><input type="checkbox"/> 443 Housing/Accommodations</p> <p><input type="checkbox"/> 444 Welfare</p> <p><input type="checkbox"/> 445 Amer. w/Disabilities - Employment</p> <p><input type="checkbox"/> 446 Amer. w/Disabilities - Other</p> <p><input type="checkbox"/> 440 Other Civil Rights</p>	<p><b>PRISONER PETITIONS</b></p> <p><input type="checkbox"/> 510 Motions to Vacate Sentence</p> <p><b>Habeas Corpus:</b></p> <p><input type="checkbox"/> 530 General</p> <p><input type="checkbox"/> 535 Death Penalty</p> <p><input type="checkbox"/> 540 Mandamus &amp; Other</p> <p><input type="checkbox"/> 550 Civil Rights</p> <p><input type="checkbox"/> 555 Prison Condition</p>	<p><b>OTHER STATUTES</b></p> <p><input type="checkbox"/> 400 State Reapportionment</p> <p><input type="checkbox"/> 410 Antitrust</p> <p><input type="checkbox"/> 430 Banks and Banking</p> <p><input type="checkbox"/> 450 Commerce</p> <p><input type="checkbox"/> 460 Deportation</p> <p><input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations</p> <p><input type="checkbox"/> 480 Consumer Credit</p> <p><input type="checkbox"/> 490 Cable/Sat TV</p> <p><input type="checkbox"/> 810 Selective Service</p> <p><input type="checkbox"/> 850 Securities/Commodities/Exchange</p> <p><input type="checkbox"/> 875 Customer Challenge 12 USC 3410</p> <p><input type="checkbox"/> 890 Other Statutory Actions</p> <p><input type="checkbox"/> 891 Agricultural Acts</p> <p><input type="checkbox"/> 892 Economic Stabilization Act</p> <p><input type="checkbox"/> 893 Environmental Matters</p> <p><input type="checkbox"/> 894 Energy Allocation Act</p> <p><input type="checkbox"/> 895 Freedom of Information Act</p> <p><input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice</p> <p><input type="checkbox"/> 950 Constitutionality of State Statutes</p>

**V. ORIGIN** (Place an "X" in One Box Only)

1 Original Proceeding  2 Removed from State Court  3 Re-filed- (see VI below)  4 Reinstated or Reopened  5 Transferred from another district (specify)  6 Multidistrict Litigation  7 Appeal to District Judge from Magistrate Judgment

**VI. RELATED/RE-FILED CASE(S).**

a) Re-filed Case  YES  NO      b) Related Cases  YES  NO

(See instructions second page): JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

**VII. CAUSE OF ACTION**

Cite the U.S. Civil Statute under which you are filing and Write a Brief Statement of Cause (Do not cite jurisdictional statutes unless diversity):

15 U.S.C. section 77q, and sections 78j, t and m. Violations of Securities Act of 1933 and Exchange Act of 1934

LENGTH OF TRIAL via 30 days estimated (for both sides to try entire case)

**VIII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23      DEMAND \$ \_\_\_\_\_

CHECK YES only if demanded in complaint: JURY DEMAND:  Yes  No

ABOVE INFORMATION IS TRUE & CORRECT TO THE BEST OF MY KNOWLEDGE

SIGNATURE OF ATTORNEY OF RECORD: Jeffery T. Infelise      DATE: 11/20/2007

FOR OFFICE USE ONLY

AMOUNT \_\_\_\_\_ RECEIPT # \_\_\_\_\_ IFP \_\_\_\_\_



**ATTACHMENT**  
**ATTORNEY FOR DEFENDANT, LUIS E. VARGAS**

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