

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA
CASE NO. 07-61693-CIV (LENARD/GARBER)**

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
JOSEPH J. MONTEROSSO, and)
LUIS E. VARGAS,)
)
Defendants.)

SECURITIES AND EXCHANGE COMMISSION,)
)
Plaintiff,)
)
v.)
)
GLOBETEL COMMUNICATIONS CORP.,)
THOMAS Y. JIMENEZ, and)
LAWRENCE E. LYNCH,)
)
Defendants.)

SECOND AMENDED COMBINED COMPLAINT

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

SECTION ONE: CLAIMS AGAINST MONTEROSSO AND VARGAS

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, began working for GlobeTel as a contractor in the summer of 2004, 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 TotalAxxess, a publicly-traded, wholesale telecommunications business in Los Angeles, California. At TotalAxxess, 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.

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

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 the 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 percent 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%
FY 2004 Form 10-KSB	Mar. 31, 2005	\$28.99 million	\$16.82 million	58%
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%
FY 2005 Form 10-K	Mar. 31, 2006	\$81.14 million	\$63.85 million	79%
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%
Cumulative Eight Quarters		\$147.06 million	\$119.75 million	81%

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 percent in its 2004 annual report and an overstatement of 369 percent in its 2005 annual report. During the entire eight quarters including the first half of 2006, GlobeTel overstated its revenue by 439 percent.

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.

SECTION TWO: CLAIMS AGAINST GLOBETEL, JIMENEZ AND LYNCH

NATURE OF THE ACTION

97. The Commission brings this action against GlobeTel Communications Corp. (“GlobeTel” or the “company”) and two former officers for securities violations that span more than five years and include fraud and the unregistered sale of more than \$1.6 million in stock. These violations involved two schemes to fraudulently inflate GlobeTel’s revenue and then hide millions of dollars in unpaid bills, and another scheme to sell GlobeTel stock in order to pay some of the individuals who were responsible for the fraudulent inflation of GlobeTel’s revenue.

98. In the first portion of the fraud, GlobeTel's former chief executive officer ("CEO") Timothy J. Huff ("Huff") and former chief financial officer ("CFO") Thomas Y. Jimenez ("Jimenez") created millions of dollars in fake invoices that appeared to reflect transactions between GlobeTel and telecommunication ("telecom") companies in Mexico, Brazil and the Philippines. These invoices falsely created the appearance that GlobeTel was buying and selling telecom "minutes." In reality, GlobeTel never bought or sold anything under those invoices. When GlobeTel's auditors requested technical documents, known as call detail records ("CDRs"), to confirm the transactions, Huff and Jimenez lied to the auditors and then created fake CDRs. When accounts receivable built up on GlobeTel's books, Huff and Jimenez created fictitious transactions to make the accounts receivable disappear.

99. In the second portion, the fraud continued from 2004 to 2006 during which time the two individuals, Joseph J. Monterosso ("Monterosso") and Luis E. Vargas ("Vargas"), who ran GlobeTel's wholesale telecommunications ("telecom") business, created \$119 million in fake invoices that appeared to reflect transactions between telecom companies and three of GlobeTel's wholly-owned subsidiaries. These invoices falsely created the appearance that GlobeTel's subsidiaries were buying and selling telecom "minutes" at no profit. In reality, GlobeTel and its subsidiaries never bought or sold anything under what was referred to as the "off-net" revenue program.

100. Neither GlobeTel nor its subsidiaries ever paid the invoices supposedly sent by the suppliers, and neither GlobeTel nor its subsidiaries ever received payment from the customers to whom invoices were supposedly sent.

101. As a result of the fake invoices that GlobeTel received, millions of dollars in unpaid bills accumulated on GlobeTel's books each quarter. If GlobeTel had permitted millions of dollars in unpaid accounts receivable and unpaid liabilities to remain on its books, it would have created the appearance that GlobeTel's customers had failed to pay their bills and that GlobeTel had never paid millions of dollars to its suppliers. GlobeTel never had enough cash to pay the "off-net" invoices.

102. GlobeTel never disclosed the unpaid bills accumulating on its books because two GlobeTel executives, Jimenez and Lawrence E. Lynch ("Lynch"), each of whom served as the company's CFO, eliminated the millions of dollars in unpaid bills by making, or causing to be made, entries in GlobeTel's general ledger that set off the receivables attributable to the "off-net" revenue program against the liabilities attributable to that program. The set off of the receivables and liabilities associated with the "off-net" revenue program was made without any basis, was inconsistent with generally accepted accounting principles ("GAAP") and had the effect of concealing the on-going fraud from investors. Additionally, Lynch and Jimenez were aware of numerous warning signs ("red flags") that alerted them that "off-net" invoices were suspicious.

103. As a direct result of defendants' scheme, GlobeTel issued periodic reports, registration statements and press releases that misled investors because they materially misstated GlobeTel's financial results for at least the period from the third quarter of 2002 through the second quarter of 2006. In order to pay Monterosso and Vargas for the fake invoices they created, GlobeTel sold about \$1.6 million in stock through unregistered sales. GlobeTel's CEO Huff accomplished these unregistered sales by causing one of GlobeTel's subsidiaries to sell

GlobeTel stock and transfer the proceeds to GlobeTel. Those sales violated the securities laws as discussed below.

104. The SEC brings this action based upon violations of the securities law that the defendants committed in furtherance of these schemes. In addition, GlobeTel also violated the securities laws by making false filings or by failing to make required filings from 2002 to 2006, including the failure to account properly for so-called sales of software and networks in 2002 and the failure to properly account for the purchase of private businesses in 2004 and 2005.

JURISDICTION AND VENUE

105. 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.

106. 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].

ISSUER AND CORPORATE DEFENDANT

107. GlobeTel Communications Corp. (“GlobeTel”) is a Delaware corporation with a headquarters in Fort Lauderdale, Florida. Until February 2007, its headquarters was located in Pembroke Pines, Florida. At all relevant times, the common stock of GlobeTel was registered pursuant to Section 12 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 were listed over-the-counter on the Pink Sheets.

108. GlobeTel purported to be in a number of businesses from 2002 to 2006, including the development of an airship to broadcast telecommunications to entire cities and the installation of \$600 million in wireless networks in Russia.

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

110. GlobeTel's independent auditor from 2002 through 2006 was Dohan & Co., a Miami firm that GlobeTel dismissed on January 4, 2007.

111. On October 6, 2006, GlobeTel issued a press release to announce that its audit committee had authorized an internal investigation concerning accounting issues raised by the Commission. GlobeTel hired a law firm to conduct the investigation, but by about December 2006, GlobeTel had stopped the investigation. GlobeTel later hired an accountant as its interim chief financial officer who resigned in March 2007.

112. On November 15, 2006, GlobeTel announced in a Form 12b-25 filed with the Commission 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.

113. On May 8, 2007, the company announced in a Form 8-K filed with the Commission that it expected to restate its financial statements from 2004 to 2006, including a restatement of revenue related to its wholly-owned subsidiary, Centerline Communications, LLC ("Centerline"). On June 29, 2007, the company announced in a Form 8-K filed with the

Commission that it expected the restatement would involve the elimination of about \$120 million in revenue and about \$9.9 million in intangible assets.

114. 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, reduced its assets by \$2.778 million, and increased its net loss by \$2.778 million. On December 5, 2007, the company filed a restated Form 10-K for 2005 in which the company reduced its annual revenue by \$70.99 million, reduced its assets by \$9.9 million, and increased its net loss by \$9.9 million.

INDIVIDUAL DEFENDANTS

115. Thomas Y. Jimenez, 48, has his primary residence in Broward County, Florida. He was chief financial officer (“CFO”) of GlobeTel and its predecessor from October 1999 until April 2006, when he retired. As CFO, he oversaw all accounting functions and GlobeTel’s financial reporting, including financial reports incorporated in GlobeTel’s filings with the Commission. Jimenez is a CPA licensed in New York, although the license has lapsed. Jimenez signed four quarterly reports and two annual reports filed with the Commission from August 2004 to March 2006.

116. Lawrence E. Lynch, 56, has his primary residence in Broward County, Florida. He was chief operating officer (“COO”) of GlobeTel from 2004 to March 31, 2006 when he became the company’s acting CFO. GlobeTel terminated him in October 2006 while Monterosso was GlobeTel’s COO after Lynch complained to the board of directors about Monterosso’s claims that GlobeTel was profitable. Lynch has an MBA with a focus in managerial accounting.

117. As COO, Lynch had responsibility for Centerline, including the financial reporting of transactions with vendors and customers. Lynch helped design the financial controls

at Centerline and implemented some controls on transactions in which telecom traffic was actually routed through a GlobeTel-controlled telecom switch, which some GlobeTel executives described as “on-net” transactions.

118. As CFO, Lynch oversaw all accounting functions and GlobeTel’s financial reporting, including financial reports included in GlobeTel’s filings with the Commission. Lynch signed two quarterly reports filed with the Commission in May and August 2006.

ADDITIONAL GLOBETEL OFFICERS

119. Timothy M. Huff, 42, presently has his primary residence in St. Louis, Missouri. From 2002 to 2007, Huff lived in Broward County, Florida. He was GlobeTel’s chief executive officer (“CEO”) and a director from April 2002 until September 2006, when he became the company’s chief technology officer. As CEO, Huff oversaw the operations of the entire company. Huff left GlobeTel in March 2007, although he continued to function as a consultant to the company. On May 15, 2008, the Court entered a consent judgment with respect to Huff based upon the allegation in the original complaint that Huff violated Section 5 of the Exchange Act, permanently restraining him from further violations of that Section and imposing a civil penalty upon him.

120. Joseph J. Monterosso, age 52, began working for GlobeTel as a contractor in the summer of 2004 running GlobeTel’s Centerline subsidiary, and in about May 2005, was hired as president of Centerline. Throughout this time period, he reported directly to GlobeTel’s CEO, supervised Centerline’s employees, negotiated all wholesale telecom contracts, and ran the entire wholesale telecom business. In July 2006, Monterosso began serving as GlobeTel’s COO, and he served in that position until he was terminated by GlobeTel in May 2007.

PART I – THE FIRST REVENUE FRAUD

A. GLOBETEL’S TELECOMMUNICATIONS BUSINESS

121. 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 (“margin”).

122. In 2002 GlobeTel was engaged in the business of providing telecommunication (“telecom”) services primarily involving Internet telephone services using Voice over Internet Protocol (“VoIP”) equipment. GlobeTel claimed that it provided these services on an international basis through “hubs” in New York, New York, Jersey City, New Jersey, Miami, Florida, Los Angeles, California, and in foreign countries in which it did business. GlobeTel reported that in 2002 it had “virtual” networks serving customers in Venezuela, Australia, China, Brazil, the Philippines and Malaysia, and physical networks serving customers in Jamaica and Mexico.

123. In its 2002 Annual Report filed with the Commission in April 2003, GlobeTel claimed that its “strategic plan” was to install a worldwide VoIP network, consisting of regional centers or “hubs” strategically located around the world.

124. In its 2002 Annual Report, GlobeTel stated that in 2002 it had entered a service provider agreement with Trans Global Ventures, Inc., (“TGVI”), related to the operation of

GlobeTel's telecom network in Brazil. GlobeTel reported that TGVI had existing telecom networks in Brazil with a capacity of three million minutes per month. GlobeTel reported that beginning in July 2002, its Brazilian network was operating at or near its maximum capacity of four million minutes per month.

125. GlobeTel also stated in its 2002 Annual Report that in June 2002 it entered a memorandum of understanding with Qualnet Telecom, LLC ("Qualnet") for a joint venture to build a VoIP telecom network in Mexico for call termination throughout the country with a capacity of eight million minutes per month. GlobeTel stated that later in 2002, it agreed that Qualnet would act as a service provider for GlobeTel's VoIP telecom network in Mexico. GlobeTel reported that, because Qualnet had an established customer base in Mexico, its telecom network was operating near capacity within several weeks of being installed.

B. HUFF AND JIMENEZ CREATED FAKE REVENUE IN ORDER TO SELL GLOBETEL STOCK

126. In or about May 2002, Huff approached Jimenez to discuss the revenue that GlobeTel was generating from its telecom business. At this time, GlobeTel's foreign telecom networks, including those in Mexico, Brazil and the Philippines, were generating only a small amount of revenue. Huff was not satisfied with the revenue that was being generated by these networks and told Jimenez that he wanted GlobeTel to be able to report steadily-increasing revenue. Huff told Jimenez that he needed additional revenue so that, when he met with investment bankers and other potential investors, he could show them strong financial reports.

127. Huff instructed Jimenez to create fake invoices that gave the appearance that GlobeTel was engaging in a greater volume of telecom transactions with customers and vendors in Mexico, Brazil and the Philippines than actually existed. Huff also identified the companies

for which Jimenez should create fake invoices. All the companies Huff identified were actual customers or vendors of GlobeTel in Mexico, Brazil or the Philippines.

128. At or near the end of each quarter from in or about May 2002 through in or about October 2004, Huff told Jimenez the total amount of revenue that Huff wanted GlobeTel to report.

129. From in or about May 2002 through in or about October 2004, Jimenez arbitrarily assigned a portion of the total amount of revenue Huff requested to GlobeTel's business in Mexico, Brazil and the Philippines. Once he had determined the amount of fake revenue to be attributed to each country, Jimenez created fake documents that appeared to be invoices from GlobeTel to its customers and from vendors to GlobeTel. The fake invoices generated by Jimenez created the false appearance that GlobeTel was billing its customers and being billed by its vendors on a weekly basis.

130. Jimenez filed the fake invoices at GlobeTel. However, he did not send the fake invoices to the companies that were identified in the invoices as either a customer or a vendor.

131. All the invoices relating to Brazil, Mexico and the Philippines that Jimenez created from in or about May 2002 through in or about October 2004, were false in that GlobeTel did not engage in the telecom purchases or sales described in the invoices.

C. GLOBETEL RECORDED REVENUE AND COST OF GOODS AS A RESULT OF THE FAKE INVOICES CREATED BY HUFF AND JIMENEZ

132. From in or about May 2002 through in or about October 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger based upon the fake invoices he created at Huff's direction.

133. In 2002, Jimenez made or caused to be made entries in GlobeTel's general ledger indicating GlobeTel received revenue of about \$8.2 million from the operation of its telecom networks in Brazil and Mexico. Upon information and belief, in excess of 50 percent of this revenue was based upon the fake invoices Jimenez created at the direction of Huff.

134. In 2003, Jimenez made or caused to be made entries in GlobeTel's general ledger indicating GlobeTel received revenue of about \$10.7 million from the operation of its telecom networks in Brazil, Mexico and the Philippines. Upon information and belief, in excess of 50 percent of this revenue was based upon the fake invoices Jimenez created at the direction of Huff.

135. In 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger indicating GlobeTel received revenue of about \$10.1 million from the operation of its telecom networks in Brazil, Mexico and the Philippines. Upon information and belief, in excess of 90 percent of this revenue was based upon the fake invoices Jimenez created at the direction of Huff.

136. No one paid the fake invoices Jimenez created. Therefore, in 2002, 2003 and 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger indicating GlobeTel owed money to vendors of telecom services in Brazil, Mexico and the Philippines and that the customers in these countries owed GlobeTel money. These amounts were recorded as accounts payable and accounts receivable in accordance with generally accepted accounting principles ("GAAP"), which are standards, rules and conventions that are established by the Financial Accounting Standards Board and other related bodies.

137. In 2002, 2003 and 2004, the amount of revenue GlobeTel recorded as a result of the fake invoices Jimenez created exceeded the cost of goods sold GlobeTel recorded as a result of the invoices Jimenez created. Therefore, in 2002, 2003 and 2004, GlobeTel's general ledger contains entries that show a margin as a result of the operations of its telecom networks in Brazil, Mexico and Brazil. For example, in 2003, GlobeTel's general ledger has entries indicating that the telecom operations in Brazil, Mexico and the Philippines had a margin of almost \$3 million. Upon information and belief, substantially all the margin GlobeTel supposedly made in 2002, 2003 and 2004 as the result of telecom operations in Brazil, Mexico and the Philippines was fictitious because it was based upon the fake invoices created by Jimenez at Huff's direction.

138. Huff and Jimenez knew or were reckless in not knowing that the fake invoices Jimenez created would be used by GlobeTel and its accountants to record revenue, cost of goods sold, accounts receivable and accounts payable in the company's books and records and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company.

D. GLOBETEL MISLEAD THEIR AUDITORS CONCERNING THE FAKE REVENUE CREATED BY HUFF AND JIMENEZ

139. From in or about May 2002 through in or about October 2004, Jimenez provided the fake invoices he created at Huff's direction to GlobeTel's auditors when they requested them as part of their reviews and audits of GlobeTel's financial statements. The auditors relied upon the invoices Jimenez provided in conducting their reviews and audits of GlobeTel's financial statements.

140. In 2003, as part of their review and auditing procedures, GlobeTel's auditor requested "call detail records" ("CDRs") to corroborate the invoices relating to GlobeTel's

telecom business in Brazil, Mexico and the Philippines they had been provided. 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 telecom switch.

141. GlobeTel could not produce CDRs for the fake invoices created by Jimenez because the telecom traffic the fake invoices represented was fictitious. However, Huff and Jimenez told GlobeTel's auditor that GlobeTel did not have CDRs for the 2002 invoices because of a technical issue with GlobeTel's telecom switches.

142. After the auditors requested CDRs, Huff directed Jimenez to contact an employee of GlobeTel whom Huff knew possessed a software program that could be used to create documents that looked like actual CDRs using randomly-generated telephone numbers and other information. Huff directed Jimenez to contact the employee and obtain a copy of the computer program so they could create fake CDRs to support the fake invoices that Jimenez had created.

143. In or about August, 2003, Jimenez contacted the employee identified by Huff and obtained a copy of the computer program. However, Jimenez was unable to determine how to use the computer program to create fake CDRs. Therefore, for a period of time in 2003, Huff created the fake CDRs for the fake invoices that Jimenez created. At some point in 2003, Huff instructed Jimenez how to use the CDR computer program and, after that date, Jimenez created fake CDRs for the fake invoices he created at Huff's direction.

144. The fake CDRs created by both Huff and Jimenez were provided to GlobeTel's auditor in 2003, 2004, and 2005 as evidence to corroborate the fake invoices Jimenez created.

GlobeTel's auditors relied upon those fake CDRs during their review and audit of GlobeTel's financial statements for the years 2003 and 2004.

145. When revenue from the fake invoices was recorded on GlobeTel's books, an equivalent amount of accounts receivable was also recorded to reflect money owed to GlobeTel's subsidiaries by their customers. This is standard accounting based upon GAAP. However, since the revenue from the fake invoices was fictitious, no one ever paid the accounts receivable attributable to the fake invoices and, as a result, hundreds of thousands of dollars of accounts receivables accumulated on GlobeTel's books each quarter. For example, on December 31, 2002, GlobeTel recorded over \$3 million in accounts receivable as a result of the operations of its telecom network in Mexico. Also, on June 30, 2003, GlobeTel recorded approximately \$1.77 million in accounts receivable as a result of the operations of its telecom network in Mexico, and approximately \$1.72 million in accounts receivable as a result of the operations of its telecom network in Brazil.

146. GAAP requires a company to create a reserve for accounts receivable that may not be paid ("bad debt"). The amount a company sets aside as a bad debt reserve reduces the company's net profit or increases its net loss.

147. In order to avoid creating a reserve, on one occasion in about August 2003, Huff and Jimenez mislead GlobeTel's auditors by stating that GlobeTel was working with customers to have them pay the overdue accounts receivable and that they would be made current within 90 days. This statement was false with respect to the accounts receivable attributable to the fake invoices for Mexico and Brazil because the fake invoices were never sent to GlobeTel's customers and they represented a fictitious debt.

148. Also, from about September 2003, to about January 1, 2005, Huff and Jimenez created fake transactions that made it appear that customers were paying the unpaid invoices.

149. In or about September, 2003, an officer of GlobeTel sold a relative's condominium, and the proceeds of about \$300,000 were deposited in a bank account for GlobeTel's subsidiary in Brazil that was controlled by Huff. Huff then transferred this money to GlobeTel and directed Jimenez to credit this amount to GlobeTel's accounts receivable attributable as if it were a payment by a customer who utilized GlobeTel's telecom network in Brazil. This payment was not from any customer that utilized GlobeTel's telecom network in Brazil, and the reduction of accounts receivable as a result of this payment mislead GlobeTel's auditors, was made without any basis and violated GAAP.

150. On another occasion, between about May 1, 2004 and about December 31, 2004, the proceeds from a loan or stock sale by GlobeTel's current chairman of about \$500,000 was deposited in the bank account for GlobeTel's subsidiary in Brazil. Huff transferred this money to GlobeTel and directed Jimenez to credit it to GlobeTel's accounts receivable as if it were a payment by a customer who utilized GlobeTel's telecom network in Brazil. This payment was not from any customer that utilized GlobeTel's telecom network in Brazil, and the reduction of accounts receivable as a result of this payment mislead GlobeTel's auditors, was made without any basis, and violated GAAP.

151. Huff and Jimenez also caused Globetel to make several false statements in its public filings with the Commission to make it appear to investors that the accounts receivable attributable to the fake invoices were actually being paid.

152. In an annual report for fiscal year 2002 (Form 10-KSB), filed on April 23, 2003, GlobeTel stated:

- a. During 2002, the Company recognized revenue of \$1,976,135 and included cost of revenues of \$916,628 (substantially all of which was paid directly to third party supplies by TGVI) in connection with the Brazil network; and
- b. During 2002, the company recognized revenue of \$3,198,502 and included in cost of revenues of \$2,674,552 (substantially all of which was paid directly to third-party suppliers by Qualnet), in connection with the Mexico network.

These statements were false in that there was no payment by anyone with respect to the revenue and cost of revenue stated in the fake invoices.

153. In a quarterly report for the second quarter of 2003 (Form 10-QSB), filed on August 19, 2003, GlobeTel stated:

In connection with the Mexico network, \$1,371,680 and \$2,577,880 during the three months and six months ended June 30, 2003, respectively, was paid by our Mexico network customer directly to a local provider of network termination services, and, accordingly, the accounts receivable due from the customer was reduced by the same amounts.

This statement was false in that there was no payment by anyone with respect to the revenue and cost of goods stated in the fake invoices.

154. In an annual report for fiscal year 2003 (Form 10-KSB), filed on April 27, 2004, GlobeTel stated:

- a. In connection with the Brazil network, \$1,955,818 and \$916,629 during years ended December 31, 2003 and 2002 respectively, was paid by our Brazilian network customer directly to a local provider of network terminations services, and, accordingly, the accounts receivable due from the customer was reduced by the same amounts; and
- b. In connection with the Mexico network, \$5,609,939 and \$2,674,552 during the years ended December 31, 2003 and 2002, respectively, was paid by our Mexico network customer directly to a local provider of

network termination services, and, accordingly, the accounts receivable due from the customer was reduced by the same amounts.

These statements were false in that there was no payment by anyone with respect to the revenue and cost of revenue stated in the fake invoices.

E. GLOBETEL MADE MATERIALLY FALSE AND MISLEADING STATEMENTS IN ITS FINANCIAL STATEMENTS

155. As a direct result of the 2002-04 scheme to create fictitious telecom revenue and the fake invoices and CDRs created by Huff and Jimenez at Huff's direction, GlobeTel overstated its revenue, cost of goods sold, net profit and assets during fiscal years 2002 through 2004 by millions of dollars. Consequently, GlobeTel overstated those items in its periodic filings and registration statements filed with the Commission and in press releases GlobeTel issued between November 2002 and December 2007.

156. Huff knew or was reckless in not knowing that the invoices and CDRs that were created by Jimenez and Huff were false and that the fictitious Mexican, Brazilian and Filipino purchases and sales they reported to GlobeTel would be recorded in GlobeTel's books and records and incorporated into the revenue, cost of goods sold, net profit and assets reported in GlobeTel's periodic reports, registration statements and press releases.

157. Specifically, Huff knew that GlobeTel's accountants and auditors would rely upon the invoices to record the revenue and cost of goods sold and would rely upon the CDRs to confirm that the invoices were authentic.

158. The fake invoices created by Jimenez at Huff's direction also caused GlobeTel to overstate its accounts receivable, its accounts payable and its cost of goods sold in all of the periodic filings and press releases discussed below. To the extent that the fictitious sales were

larger than the fictitious purchases, the fake invoices caused GlobeTel to overstate its profit or understate its loss in all of the periodic filings and press releases discussed below.

1. Globetel Overstated Its Revenue In Periodic Reports Filed From 2002 to 2007

159. As a direct result of the fraudulent scheme to create and report fictitious revenue related to Mexico, Brazil and the Philippines, GlobeTel’s annual reports (including amended annual reports) for fiscal years 2002, 2003 and 2004 and its quarterly reports for the fiscal quarters ended September 30, 2002 through September 30, 2004, contained materially false and misleading statements and disclosures. In addition, subsequent periodic reports include historical information, so the false information was included in periodic filings (including amended filings) for 2005 and 2006. GlobeTel’s periodic reports with materially false information were filed from November 14, 2002 through December 5, 2007.

160. 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. Where applicable, the chart also describes the amount of GlobeTel’s revenue related to telecom transactions in Brazil, Mexico and the Philippines:

Period	Date of filing with the Commission	Total revenue GlobeTel reported	Percentage of Total Revenue Related To Mexico, Brazil and/or the Philippines	CEO/CFO who signed the filing
Q3 2002 Form 10-QSB	Nov. 14, 2002	\$1.421 million	29% for quarter	Huff/Jimenez
FY 2002 Form 10-KSB	April 23, 2003	\$6.972 million	44.24% for year	Huff/Jimenez
Q1 2003 Form 10-QSB	May 16, 2003	\$3.097 million	94% for quarter	Huff/Jimenez

Q2 2003 Form 10-QSB	Aug. 19, 2003	\$2.995 million	91% for quarter	Huff/Jimenez
Q3 2003 Form 10-QSB	Nov. 20, 2003	\$2.812 million	99% for quarter	Huff/Jimenez
FY 2003 Form 10-KSB	April 27, 2004	\$11.351 million	93% for year	Huff/Jimenez
Q1 2004 Form 10-QSB	May 18, 2004	\$3.210 million	93% for quarter	Huff/Jimenez
Q2 2004 Form 10-QSB	Aug. 16, 2004	\$3.790 million	98% for quarter	Huff/Jimenez
Q3 2004 Form 10-QSB	Nov. 15, 2004	\$7.50 million	45% for quarter	Huff/Jimenez
FY 2004 Form 10-KSB	Mar. 31, 2005	\$28.99 million	35% for year	Huff/Jimenez
Q1 2005 Form 10-QSB	May 16, 2005	Included historical information about Q1 2004.		Huff/Jimenez
Q2 2005 Form 10-QSB	August 12, 2005	Included historical information about Q2 2004.		Huff/Jimenez
Q3 2005 Form 10-QSB	Sept. 14, 2005.	Included historical information about Q3 2004.		Huff/Jimenez
FY 2005 Form 10-K	March 31, 2006	Included historical information about 2003 and 2004.		Huff/Jimenez
FY 2004 Form 10-KSB/A	June 9, 2006	Amended filing included the same revenue as the original filing.		Huff/Jimenez
FY 2005 Form 10-K/A	June 9, 2006	Amended filing included the same false revenue as the original filing.		Huff/Jimenez
FY 2004 Form 10-KSB/A	Nov. 2, 2007	Amended filing included historical information about 2003 and 2004.		Jonathan Leinwand (both roles)
FY 2005 Form 10-K/A	Dec. 5, 2007	Amended filing included historical information about 2003 and 2004.		Jonathan Leinwand (both roles)

161. As discussed in the chart above, the revenue GlobeTel reported from Mexico, Brazil and the Philippines was a material portion of GlobeTel’s total revenue in every period from the third quarter of 2002 through at least the third quarter of 2004. Upon information and

belief, for six quarters, the purported revenue from the operation of GlobeTel's telecom networks in these three countries accounted for more than 90 percent of the revenue GlobeTel reported.

The percentage only dropped when the "off-net" fraud discussed below began in 2004.

162. Upon information and belief, the false invoices created by Jimenez at Huff's direction accounted for more than 50 percent of the revenue GlobeTel reported for Mexico, Brazil and the Philippines in fiscal years 2002 and 2003 and accounted for more than 90 percent of the revenue GlobeTel reported from these three countries in fiscal year 2004.

2. Globetel Overstated Its Revenue In Press Releases

163. In addition to the public filings, GlobeTel made materially false and misleading statements in every press release from 2002 to at least 2006 that announced the revenue numbers discussed above.

164. For example, GlobeTel issued a press release on or about April 23, 2003 that stated:

GlobeTel Communications Corp. (GTEL) GTEL, with the filing of its year 2002 Form 10-KSB, announced today that the company reported record revenues of \$11.69 million, up from \$3.38 million, in 2001.

165. The \$11.69 million in revenue GlobeTel reported in the April 23, 2003 press release was materially overstated because it was based, in at least in part, upon the fake invoices created by Jimenez at Huff's direction.

F. GLOBETEL FILED SEVEN REGISTRATION STATEMENTS THAT INCORPORATED ITS FALSE FINANCIAL STATEMENTS

166. Between about May 2002 and October 2004, GlobeTel filed the following seven registrations statements with the Commission registering the sale of its common stock that were signed by Huff:

Filing	Date	CFO Who Signed the Registration Statement	Number of Shares Registered
Form S-8	Dec. 10, 2002	Huff	2,500,000
Form SB-2	Dec. 16, 2002	Huff	65,000,000
Form S-8	July 31, 2003	Huff	21,000,000
Form S-8	Oct. 15, 2003	Huff	5,650,000
Form S-8	Jan. 8, 2004	Huff	33,000,000
Form S-8	Feb. 17, 2004	Huff	9,100,000
Form S-8	July 22, 2004	Huff	24,666,190

167. These statements registered the sale of approximately 161 million shares of GlobeTel’s common stock. All seven registration statements reported and/or incorporated by reference GlobeTel’s overstated revenue and, therefore, contained materially false and misleading statements and disclosures. In addition, other registration statements filed by GlobeTel in 2004 and 2005 reported and/or incorporated by reference GlobeTel’s overstated revenue for 2003 and 2004.

G. GLOBETEL’S BOOKS AND RECORDS FAILED TO PROPERLY REFLECT THE COMPANY’S REVENUE, ACCOUNTS RECEIVABLE AND LIABILITIES

168. GlobeTel’s books, records and accounts failed to properly reflect the company’s transactions including, but not limited to, the following:

(a) The fake invoices created by Jimenez, at Huff's direction indicated that GlobeTel engaged in sales and purchases in Brazil, Mexico and the Philippines that, in reality, did not occur. Huff created or directed Jimenez to create the false invoices and CDRs and to submit them to GlobeTel's finance department knowing they would cause GlobeTel to record revenue in its general ledger and financial statements.

(b) GlobeTel's general ledger falsely recorded that the accounts receivable from Brazil, Mexico and the Philippines had been paid or otherwise settled and that GlobeTel had either paid or otherwise settled its liabilities. Huff made or directed the improper general ledger entries that created those errors.

169. The books, records and accounts that were false include, but are not limited to, the fake invoices concerning Brazil, Mexico, and the Philippines, accounts in GlobeTel's general ledgers that reflect revenue, cost of goods sold, accounts receivable and liabilities, and GlobeTel's cash flow and balance sheets that summarize the information from the general ledgers.

170. From 2002 through 2004, Jimenez filed the fake invoices in GlobeTel's finance department. Jimenez did not send the customers copies of the invoices that appeared to record purchases by the customers. Jimenez did not send the vendor copies of the invoices that appeared to record purchases by the customers.

171. From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger based on the fake invoices. Huff and Jimenez knew or were reckless in not knowing that the fake invoices they submitted would be used by GlobeTel and its

accountants to record revenue in the company's books and records and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company.

172. Upon information and belief, the false invoices accounted for at least a majority of the revenue reported by GlobeTel resulting from operations in Brazil, Mexico and the Philippines.

PART II – THE “OFF-NET” REVENUE FRAUD

H. IN 2004, GLOBETEL ENTERED AN AGREEMENT WITH MONTEROSSO TO GENERATE ADDITIONAL WHOLESALE TELECOM REVENUE

173. In 2004, GlobeTel wished to expand the volume of telecom traffic Centerline carried and the amount of revenue it generated, and, to that end, Huff entered into negotiations with Monterosso, who had extensive experience in the wholesale telecom business. Monterosso and his brother owned and operated a telecom switch in Los Angeles, California, and Vargas, who was Monterosso's bookkeeper, had started his own telecom company, Carrier Services, Inc. (“CSI”), utilizing Monterosso's switch. Monterosso handled all negotiations for CSI and often held himself out as the head of the company.

174. 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.

175. Huff and Monterosso negotiated a “joint venture” agreement between GlobeTel and CSI pursuant to which CSI would operate Centerline. The purpose of this agreement was “to build telecommunications revenue and client base, utilizing each party’s network and financial resources”

176. 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.

177. Shortly after CSI entered the joint venture agreement with GlobeTel, Monterosso re-negotiated the agreement with Huff 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.

178. 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.

179. In or about March 2005, Huff and Monterosso negotiated another agreement under which CSI 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.

I. MONTEROSSO WAS UNSUCCESSFUL IN GENERATING REVENUE THROUGH “PARTNER AND INCENTIVE AGREEMENTS”

180. GlobeTel’s agreement with Monterosso and CSI envisioned that revenue would be generated for Centerline as a result of “Partner and Incentive Agreements” with other wholesale telecom companies. 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.

181. Monterosso did successfully negotiate three “Partner Incentive and Financing Agreements” for Centerline. However, none of these “partners” ever did any “off-net” business with Centerline or any of its subsidiaries.

182. In March 2005, GlobeTel reported that Centerline and its subsidiaries had entered into “Partner Incentive and Financing Agreements” with 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.”

J. THE “OFF-NET” REVENUE PROGRAM

183. Because Centerline was unable to generate sufficient revenue through partner incentive and financing agreements, in or 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. GlobeTel employees called this revenue “off-net” to distinguish it from “on-net” transmissions that actually passed through GlobeTel’s telecom switch in Los Angeles. However, GlobeTel never distinguished between “off-net” and “on-net” revenue in its filings with the Commission or in its press releases.

184. From 2004 to 2006, Monterosso and Vargas, at Monterosso’s direction, provided GlobeTel’s finance department with hundreds of invoices that purported to show \$119 million in “off-net” sales and an approximately equal amount of purchases. The hundreds of “off-net” invoices that GlobeTel’s finance department received from Monterosso and Vargas appeared to show transactions between three GlobeTel subsidiaries, Centerline, Volta Communications, LLC (“Volta”), and Lonestar Communications, LLC (“Lonestar”), and five other telecom companies.

185. The “off-net” sales were accompanied by hundreds of invoices supposedly showing “off-net” purchases from vendors, so the overall effect on GlobeTel’s net income or profit was generally negligible. However, GlobeTel touted its overall revenue in many press releases from mid-2004 to mid-2006, including press releases on Sept. 28, 2004, Oct. 13, 2004, March 31, 2005, and May 16, 2005.

186. 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 or as consultants for 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.”

187. 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.

K. ALL THE "OFF-NET" REVENUE WAS FICTITIOUS

188. GlobeTel's subsidiaries, Centerline, Volta, and Lonestar, conducted no business as part of these "off-net" transactions. They bought nothing and sold nothing. In fact, Volta and Lonestar never conducted any business at all. Therefore, all of Centerline's "off-net" revenue was fictitious.

189. All the "off-net" invoices Monterosso and Vargas, at Monterosso's direction, created from 2004 to 2006 were false. They were false because they created the false impression that Centerline, Volta and Lonestar were buying and selling "minutes" with other wholesale telecom companies. In total, these fake invoices appeared to record \$119 million in "off-net" revenue.

190. As part of this scheme, Monterosso and Vargas created invoices that appeared to have been generated by two private companies where they did not work, XSTEL and World Communication Carrier Services ("WCCS"). These invoices purported to record sales by those companies to Volta and Lonestar. They also created invoices on Volta and Lonestar letterhead that appeared to record sales to private companies, Mercury Telecom ("Mercury") and Telmetriks. Although Monterosso and Vargas knew who owned XSTEL, Mercury Telecom, WCCS and Telmetriks, they did not provide the owners with copies of the invoices that appeared to be sent by or to their companies.

191. 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. The CDRs were false because they did not record any calls that involved Centerline, Volta or Lonestar even though Monterosso and Vargas held them out as recording the calls listed in the “off-net” invoices.

192. Monterosso and Vargas, at Monterosso’s direction, provided the false invoices along with the false CDRs to GlobeTel’s accountants, knowing that those accountants would provide them to GlobeTel’s auditors. Although the invoices generally covered seven-day periods, it was Vargas’ regular practice to provide invoices for extended periods of time, on some occasions not until after, or near, the end of the quarter.

193. Between mid-2004 and mid-2006, Monterosso and Vargas, at Monterosso’s direction, submitted invoices to GlobeTel that gave the false appearance that Centerline bought telecom “minutes” worth about \$34.31 million from CSI and sold an equivalent amount of “minutes” to CSI.

194. Between mid-2004 and mid-2006, Monterosso and 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.

195. Between mid-2004 and mid-2006, Monterosso and Vargas, at Monterosso’s direction, submitted invoices to GlobeTel that gave the false appearance that Lonestar bought telecom “minutes” worth about \$55.15 million from XSTEL and sold an equivalent amount of telecom “minutes” to Telmetriks.

L. THE SET OFF OF ACCOUNTS RECEIVABLE AND LIABILITIES RELATED TO THE “OFF-NET” REVENUE PROGRAM

196. Jimenez and Lynch made or caused to be made entries in GlobeTel’s general ledger based on the “off-net” invoices provided by Monterosso and Vargas, at Monterosso’s direction, that caused GlobeTel to record and report about \$119 million in revenue and cost of goods sold. They did this despite their knowledge of the red flags discussed below.

197. Jimenez, Lynch and their employees in GlobeTel’s finance department used the fake “off-net” invoices that appeared to have been issued by Centerline, Volta and Lonestar to their customers to record revenue and the fake invoices that appeared to have been issued to Centerline, Volta and Lonestar from their vendors to record the cost of goods sold in GlobeTel’s books. They also used the fake invoices to enter the amount of the sale or purchase and the name of the company that bought from or sold to GlobeTel’s subsidiaries in GlobeTel’s books.

198. When GlobeTel’s finance department employees recorded the revenue on the company’s books, they also recorded an equivalent amount of accounts receivable to reflect money owed to GlobeTel’s subsidiaries by their customers. When GlobeTel’s finance department employees recorded the cost of goods sold on the company’s books, they also recorded an equivalent liability to reflect money owed by GlobeTel’s subsidiaries to their suppliers. These entries were standard accounting in accordance with GAAP.

199. Because the “off-net” invoices were fake, GlobeTel’s subsidiaries did not pay their supposed suppliers CSI, WCCS and XSTEL, and their supposed customers CSI, Mercury and Telmetriks did not pay GlobeTel’s subsidiaries. Consequently, at the end of every quarter between mid-2004 and mid-2006, GlobeTel’s books reflected millions of dollars in accounts receivable and an equal amount of liabilities.

200. If GlobeTel had reported that it had millions of dollars in unpaid accounts receivable and unpaid liabilities on its books, it would have created the appearance that GlobeTel's customers had failed to pay their bills and that GlobeTel had never paid millions of dollars to its suppliers. GlobeTel never had enough cash to pay the liabilities that it recorded as a result of the "off-net" invoices.

201. From in or about October 2004 until each man left the company, Jimenez and Lynch made, or caused to be made, entries in GlobeTel's general ledger that set off accounts receivable attributable to the "off-net" revenue program against liabilities attributable to the "off-net" revenue program. By making the off-setting entries at or after the end of each quarter, Jimenez and Lynch caused GlobeTel to report relatively steady accounts receivables and liabilities – never exceeding \$2.58 million and \$9.9 million respectively.

202. There was no contract with or correspondence from Centerline's "off-net" customers or vendors, or any other basis, that justified Jimenez's and Lynch set off of accounts receivable attributable to the "off-net" revenue program against liabilities attributable to the "off-net" revenue program.

203. In addition, the set off of entries related to the Volta and Lonestar transactions was inconsistent GAAP. Under Commission regulations, financial statements that are filed with the Commission must be prepared in conformity with GAAP.

204. GlobeTel was required to comply with Accounting Principles Board Opinion No. 10 (APB 10), the GAAP accounting standard pertaining to the set off of accounts receivable against liabilities. APB 10 provides that assets, such as accounts receivable, may only be set off against liabilities when four conditions are met:

- a. Each of two parties owes the other determinable amounts;

- b. The reporting party has the right to set off the amount owed with the amount owed by the other party;
- c. The reporting party intends to set off; and
- d. The right of set off is enforceable at law.

205. From in or about October 2004 until in or about September 2006, GlobeTel set off a total of approximately \$119 million in “off-net” accounts receivable against approximately \$119 million in “off-net” liabilities. About \$85 million of the off-setting entries related to the transactions supposedly done by Volta and Lonestar. Jimenez and Lynch relied upon the “off-net” invoices to account for those transactions. Those invoices indicated that the transactions involved three parties: a GlobeTel subsidiary (Volta or Lonestar); its supposed customer and its supposed vendor. The off-setting entries that Lynch and Jimenez made or caused to be made involved setting off money Volta allegedly owed WCCS against money Volta was allegedly owed by Mercury. The off-setting entries also included setting off money Lonestar allegedly owed XSTEL against money Lonestar was allegedly owed by Telmetriks.

206. The set off of entries related to the “off-net” transactions of Volta and Lonestar was inconsistent with GAAP because Jimenez and Lynch had previously recorded or caused GlobeTel to record the “off-net” invoices as bona fide transactions; GlobeTel’s subsidiaries did not have a legally enforceable right of set-off; and the debts involved three parties, not two. If Jimenez and Lynch had applied GAAP, as stated in APB 10 and FASB Interpretation No. 39, to the Volta and Lonestar transactions reported to them by Monterosso and Vargas, the amount of accounts receivable and liabilities GlobeTel would have reported would have each exceeded \$85 million by August 2006. The understatements for each reporting period were cumulative because no one ever paid the balances due. Consequently, the understatement in each quarter

was the sum of all past understatements plus the alleged new revenue from Lonestar and Volta in that quarter.

207. Lynch personally made the off-setting entries during 2004, and from 2005 until he was terminated, he directed finance department employees to make them. Lynch knew that, with respect to the “off-net” program, Centerline, Volta and Lonestar did not pay their vendors and did not get paid by their customers. Lynch discussed the entries relating to the “off-net” program with Jimenez, who was responsible for GlobeTel’s accounting as its CFO until March 31, 2006. However, neither Jimenez nor Lynch discussed the off-setting entries with GlobeTel’s auditors or with an accounting consultant who helped draft GlobeTel’s public filings.

208. In the summer of 2005, GlobeTel hired a controller, who reported to Jimenez. The controller discussed the off-setting entries with both Lynch and Jimenez. At some point, while he was still employed at GlobeTel, Lynch told the company’s controller that they needed to set off the liabilities and accounts receivables associated with the “off-net” revenue because GlobeTel was never going to receive payments. Lynch and Jimenez told the controller that the off-setting entries were consistent with industry practice. Upon information and belief, the entries were not consistent with industry practice or GAAP.

209. Because of actions by Jimenez and Lynch, GlobeTel never disclosed that neither its subsidiaries nor its subsidiaries’ alleged customers were paying the millions of dollars in bills associated with the “off-net” transactions. Therefore, the set off of accounts receivable against liabilities concealed from investors the existence of unpaid bills.

210. Jimenez and Lynch knew or were reckless in not knowing that the setting off of liabilities against accounts receivable attributable to the “off-net” revenue program was improper

because there was no basis for the set offs and because it was inconsistent with GAAP. Jimenez and Lynch knew that the off-setting entries in the general ledger would cause GlobeTel to report lower accounts receivables and liabilities in periodic reports and registration statements because it is general practice to use entries in the general ledger to create the financial statements in those reports and statements.

211. Upon information and belief, the following chart depicts the magnitude of the set offs made or caused to be made by Jimenez and Lynch and thus the magnitude of the unpaid bills hidden from investors in GlobeTel's filings with the Commission. The chart also depicts the revenue GlobeTel reported each quarter and the CFO who signed the filing:

Period	Date of filing with the Commission	CFO who signed the filing	Reported revenue (\$000,000)	Current quarter's set offs from Volta and Lonestar (\$000,000)	Cumulative total of set offs from Volta and Lonestar (\$000,000)
Q3 2004	Nov. 15, 2004	Jimenez	\$7.50	\$2.21	\$2.21
Q4 2004	Mar. 31, 2005	Jimenez	\$14.48	\$8.74	\$10.95
Q1 2005	May 16, 2005	Jimenez	\$18.01	\$10.58	\$21.53
Q2 2005	Aug. 12, 2005	Jimenez	\$19.70	\$11.28	\$32.81
Q3 2005	Nov. 14, 2005	Jimenez	\$22.29	\$13.51	\$46.32
Q4 2004	Mar. 31, 2006	Jimenez	\$21.13	\$13.39	\$59.61
Q1 2006	May 12, 2006	Lynch	\$22.94	\$13.52	\$73.13
Q2 2006	Aug. 14, 2006	Lynch	\$21.62	\$12.25	\$85.38

M. THROUGHOUT THE “OFF-NET” PROGRAM, GLOBETEL’S EXECUTIVES KNEW OF IRREGULARITIES IN THE “OFF-NET” INVOICES AND CDRS

212. During the existence of the “off-net” revenue program Jimenez and Lynch were aware – at a minimum – of red flags that alerted them that the invoices submitted by Monterosso and Vargas did not represent actual telecom business conducted by Centerline.

213. Jimenez and Lynch made and approved the journal entries that recorded revenue and the journal entries that concealed unpaid bills, as discussed above, even while they were aware of the following red flags concerning the “off-net” revenue program.

1. GlobeTel’s Subsidiaries Did Not Pay Their “Off-Net” Vendors Or Get Paid By Their “Off-Net” Customers

214. Jimenez and Lynch were responsible for monitoring collections and payments to vendors as well as managing GlobeTel’s cash. They knew that GlobeTel’s subsidiaries did not pay their “off-net” vendors or get paid by their “off-net” customers, and they knew that no one complained when they unilaterally wrote off millions of dollars in liabilities that GlobeTel’s subsidiaries supposedly owed its vendors.

215. The failure of GlobeTel’s subsidiaries to pay their vendors was extremely unusual in the wholesale telecom industry where companies, including GlobeTel and its subsidiaries, normally pre-pay for traffic or sign credit contracts. Although GlobeTel and its subsidiaries either pre-paid vendors or signed credit contracts in its “on-net” telecom business, they did neither in their “off-net” business.

2. In At Least One Quarter, Monterosso And Vargas Created Invoices And Revenues After The Quarter Had Closed

216. As part of the deal negotiated with GlobeTel in March 2005, Monterosso and Vargas were to deliver \$5 million in telecom revenue in the first quarter of 2005, which ended March 31, 2005.

217. GAAP requires that revenue be recognized when earned. Consequently, GlobeTel would violate GAAP if it recorded revenue in its first quarter based upon business conducted in April or May 2005.

218. Between April 5 and 21, 2005, Monterosso and Vargas sent multiple emails and reports to Huff and Lynch stating they would deliver \$5 million of revenue for the completed first quarter.

219. On or about April 27, 2005, a GlobeTel executive asked Monterosso whether he could provide an additional \$1.6 million worth of revenue for GlobeTel's first quarter. The GlobeTel executive who requested the extra revenue said that he wanted the \$1.6 million so GlobeTel could report what he believed were "proper revenue growth scales," because he believed that too much revenue was going to fall into the second quarter.

220. On or about April 27, 2005, Vargas sent Lynch and Jimenez a spreadsheet showing weekly revenue amounts purportedly from early February through March – totaling \$5.03 million under the heading "Original Revenue-Actual" and an additional \$1.6 million under the heading "Additional \$1.6 million."

221. In early May 2005, Monterosso notified Huff, Jimenez and Lynch that he would deliver extra revenue for the first quarter by creating invoices based upon CDRs that he had received from another carrier.

222. In May 2005, Vargas sent Lynch a set of invoices that appeared to report purchases and sales from early February to late March 2005. These additional invoices added up to about \$1.6 million.

223. GlobeTel recorded an additional \$1.6 million in revenue in the first quarter of 2005, based upon invoices GlobeTel requested in April 2005 that it did not receive until May 2005, even though the invoices purported to report purchases and sales in February and March 2005. The \$1.6 million accounted for almost nine percent of GlobeTel's revenue for the first quarter of 2005.

224. At least by May 2005, Jimenez knew that the "off-net" invoices did not record legitimate business. He knew that the invoices were not legitimate because Monterosso and Vargas could create \$1.6 million in extra invoices for the first quarter after the quarter had closed.

3. Monterosso And Vargas Provided "Off-Net" Invoices At The End Of Each Quarter

225. Jimenez and Lynch knew that Monterosso and Vargas usually provided GlobeTel off-net invoices for extended periods of time, on some occasions not until after, or near, the end of the quarter. In contrast, invoices related to "on-net" telecom transactions generally were created and provided to GlobeTel by Monterosso and Vargas within days of the transmission to be billed.

226. In August 2005, GlobeTel's controller asked Vargas for an estimate of off-net revenues to date for the third quarter of 2005. Vargas responded to the request by sending Lynch and the controller a list of revenue for the prior four weeks, stating that his list "does not take

into account should additional revenue be requested in which case these amounts will definitely change.”

227. In response to the August 2005 request for an estimate of off-net revenue, Monterosso sent an email to Jimenez, Lynch and the controller, suggesting that GlobeTel delay its requests for vendor invoices in case it wanted to add more revenue:

If we ask the vendors to provide exact invoices we will not be able to add to them later in the event that additional off-net revenue is needed. In the past we have provided invoices and CDRs at the end of the quarter. I am concerned that we will back ourselves into a corner before the end of the quarter.

4. Monterosso Said He Was Paying Other Companies For Their Invoices And CDRs

228. Monterosso repeatedly told Huff, Jimenez and Lynch that he was paying other companies to obtain invoices and CDRs – as opposed to paying them to transmit telecom communications. On October 4, 2004, Monterosso told Huff, Jimenez and Lynch that he had “assist[ed] the quarter’s revenues” by obtaining invoices from a California businessman, Ron Hay: “Ron Hay was gracious enough to let me use his invoices and customers the past few weeks to assist in the quarter's revenues.”

229. In July 2005, after Monterosso had become president of Centerline, Monterosso asked Jimenez about getting extra compensation for revenue that he provided. When Jimenez recommended against asking Huff for more money, Monterosso reminded Jimenez that he was “paying cash for the use of the customers and CDRs.”

5. The “Off-Net” Transactions Occurred Even While The Los Angeles Switch Was Disassembled And Being Moved to a New Location

230. Jimenez and Lynch knew that GlobeTel shut down the Los Angeles telecom switch near the end of 2004 to move it to a new building and that it did not become operational

again until about June 2005. They also knew that no telecom traffic was run on the Los Angeles switch during the months that it took to disassemble and move the computer and other equipment. During this same time period, Monterosso and Vargas reported “off-net” revenue that Jimenez and Lynch recorded for GlobeTel.

6. GlobeTel Treated The “Off-Net” Revenue Separately From Its Other Business

231. Throughout 2004 to 2006, the “off-net” revenue was discussed in separate reports sent to GlobeTel executives.

232. “Off-net” revenue was normally not recorded until after the end of a reporting period.

233. “Off-net” transactions generally involved no profit because identical revenue and cost of goods sold associated with these transactions were reported to GlobeTel.

N. GLOBETEL FALSELY CLAIMED THAT REVENUE WAS CREATED BY “PARTNER” AGREEMENTS AND FAILED TO DISCLOSE ITS SIGNIFICANT CUSTOMERS AND RELATED-PARTY TRANSACTIONS

234. As the “off-net” revenues rose, GlobeTel’s filings with the Commission explained the source of the revenue was “partner” agreements with other telecom companies. In a Form 10-KSB filed on March 31, 2005, and in a Form 10-K filed on March 31, 2006, GlobeTel explained that Centerline’s partners provided profitable revenue using “a proprietary call processing platform, technologies, software and other equipment.” Both filings were signed by Huff and Jimenez.

235. GlobeTel’s description of the deals that allegedly created revenue for Centerline were similar to the “partnership” agreements that Monterosso had attempted, with only limited success, to get other companies to sign when he first started working with GlobeTel in 2004.

However, GlobeTel was aware that no one ever did any business with GlobeTel's subsidiaries under any of those partnership agreements. GlobeTel implemented the "off-net" program after Monterosso's industry contacts rejected the partnership proposals. In the Form 10-K filed on March 31, 2006, GlobeTel acknowledged that all Centerline's "partner" agreements were terminated in February 2005.

236. Centerline's subsidiaries had no contract with Mercury, WCCS, XSTEL or Telmetriks, and Centerline had no contract with CSI for the purchase and sale of telecom minutes under the "off-net" program.

237. None of GlobeTel's filings disclosed that: the source of the bulk of GlobeTel's revenue was the "off-net revenue" program; Monterosso was paying for invoices and CDRs; or that Monterosso was creating some revenue after the end of a quarter. Further, none of the filings disclosed that GlobeTel was setting off accounts receivable related to the "off-net" program owed to its subsidiaries against liabilities related to the "off-net" program that its subsidiaries owed to their suppliers.

238. In addition, GlobeTel's disclosures never identified Centerline's "off-net" customers or its "off-net" vendors, even though those five companies accounted for the majority of GlobeTel's revenue in 2004 and 2005. CSI purported to have done millions of dollars in off-net business with Centerline even while CSI's owner, Vargas, and one of its executives, Monterosso, were agents and employees running Centerline.

239. Commission regulations required GlobeTel to discuss its significant customers in its annual reports. GlobeTel failed to make those required disclosures with respect to the customers involved in the "off-net" revenue program reported in its Form 10-KSB filed on

March 31, 2005, and reported in its Form 10-K filed on March 31, 2006. Jimenez signed both filings.

240. GAAP required GlobeTel to disclose related-party transactions in its annual reports. GlobeTel failed to make those required disclosures in its Form 10-K filed on March 31, 2006, when it failed to disclose the status of Monterosso and Vargas as the principals of one of Centerline's vendors and customers at the same time they served as agents and employees of Centerline.

O. GLOBETEL'S MATERIALLY FALSE AND MISLEADING STATEMENTS AND DISCLOSURES

241. As a direct result of the "off-net" scheme to create fictitious telecom revenue and Monterosso's and Vargas' fake documents, GlobeTel overstated its revenue during fiscal years 2004 through 2006 by approximately \$119 million – about 80 percent of all revenue recognized by GlobeTel during that period. Consequently, GlobeTel overstated its revenue in its periodic filings and registration statements filed with the Commission and in press releases GlobeTel issued between September 2004 and September 2006.

242. Monterosso, Vargas, Jimenez and Lynch knew or were reckless in not knowing that the invoices and CDRs were false and that the fictitious "off-net" purchases and sales they reported to GlobeTel in the false invoices and CDRs would be recorded by GlobeTel in its books and records and incorporated into the revenue reported by GlobeTel in periodic reports, registration statements and press releases.

243. Specifically, Monterosso and Vargas knew that GlobeTel's accountants would rely upon the invoices to record the revenue and would rely upon the CDRs to confirm that the

invoices were true. When GlobeTel’s accountants requested the documents from Monterosso and Vargas, they told them that the auditors had requested the CDRs to compare to the invoices.

244. At the same time they knew that Monterosso’s invoices were suspicious, Jimenez and Lynch made, or caused to be made, entries in GlobeTel’s general ledger that recorded the revenue based upon the “off-net” invoices. They then made, or caused to be made, entries in GlobeTel’s general ledger that set off the accounts receivable against liabilities. As a result, GlobeTel did not disclose that no one paid the invoices associated with the “off-net” revenue.

1. Globetel Overstated Its Revenue In Eight Periodic Filings

245. As a direct result of the fraudulent scheme to create and report fictitious revenue for Centerline, Volta and Lonestar, 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.

246. 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%
FY 2004 Form 10-KSB	Mar. 31, 2005	\$28.99 million	\$16.82 million	58%

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%
FY 2005 Form 10-K	Mar. 31, 2006	\$81.14 million	\$63.85 million	79%
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%
Cumulative Eight Quarters		\$147.06 million	\$119.75 million	81%

247. 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.

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

2. Globetel Overstated Its Revenue In Press Releases

249. 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.

250. 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.

251. The \$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.

252. 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.

253. 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.

254. 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.

255. 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.”

256. 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.

257. 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.

258. 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.

259. 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.

260. 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.

261. 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%.

262. 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.

263. 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.”

264. 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.

265. 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).

266. 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.

267. 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.

268. 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.

269. 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).

270. 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.

P. GLOBETEL FILED EIGHT REGISTRATION STATEMENTS THAT INCORPORATED ITS FALSE FINANCIAL STATEMENTS

271. Between December 2004 and January 2006, GlobeTel filed the following eight registrations statements with the Commission registering the sale of its common stock that were signed either by Jimenez or Lynch:

Filing	Date	CFO Who Signed the Registration Statement	Number of Shares Registered
Form S-8	Dec. 15, 2004	Jimenez	2,696,500
Form SB-2	Feb. 3, 20005	Jimenez	78,874,900
Form S-8	Mar. 8, 2005	Jimenez	32,400,000
Form S-3	June 23, 2005	Jimenez	3,198,199
Form S-8	Aug. 31, 2005	Jimenez	204,828
Form S-3	Dec. 5, 2005	Jimenez	98,983
Form S-8	Jan. 4, 2006	Jimenez	9,999,347
Form S-8	Aug. 4, 2006	Lynch	185,726

272. These statements registered the sale of approximately 127 million shares of GlobeTel’s common stock. All eight registration statements reported and/or incorporated by reference GlobeTel’s overstated revenue and, therefore, contained materially false and misleading statements and disclosures.

273. In addition, GlobeTel sold \$1.6 million in stock in 2005 through unregistered sales made by a subsidiary. At the time of these sales, GlobeTel's public statements about its finances were false because it had overstated revenue as described in Sections H through M.

PART III – BOOKS AND RECORDS / INTERNAL CONTROLS

Q. GLOBETEL'S BOOKS AND RECORDS FAILED TO PROPERLY REFLECT THE COMPANY'S REVENUE, ACCOUNTS RECEIVABLE AND LIABILITIES

274. GlobeTel's books, records and accounts failed to properly reflect the company's transactions including, but not limited to, the following:

(a) The fake invoices created by Jimenez, at Huff's direction, GlobeTel engaged in sales and purchases in Brazil, Mexico and the Philippines that, in reality, did not occur. Jimenez created and Huff created or directed him to create the false invoices and CDRs and to submit them to GlobeTel's finance department knowing that they would cause GlobeTel to record revenue in its general ledger and financial statements.

(b) GlobeTel's general ledger falsely recorded that the accounts receivable from Brazil, Mexico and the Philippines had been paid or otherwise settled and that GlobeTel had either paid or otherwise settled its liabilities. Jimenez and Huff made or directed the improper general ledger entries that created those errors.

(c) The "off-net" invoices and the subsequent entries in GlobeTel's general ledger falsely recorded that Centerline engaged in \$119 million in sales and purchases that, in reality, did not occur. Monterosso created or instructed Vargas to create the false invoices and CDRs and to submit them to GlobeTel's finance department knowing that they would cause GlobeTel to record revenue in its general ledger and financial statements.

(d) GlobeTel's general ledger falsely recorded that the accounts receivable had been paid or otherwise settled and that GlobeTel had either paid or otherwise settled its liabilities. Jimenez and Lynch made or approved the improper general ledger entries that created those errors.

275. The books, records and accounts that were false include, but are not limited to, the fake invoices concerning Brazil, Mexico, and the Philippines, the "off-net" invoices, accounts in GlobeTel's general ledgers that reflect revenue, cost of goods sold, accounts receivable and liabilities, and GlobeTel's cash flow and balance sheets that summarize the information from the general ledgers.

R. GLOBETEL FAILED TO IMPLEMENT CONTROLS

276. GlobeTel was required to maintain accounting controls sufficient to provide reasonable assurances that its transactions were recorded as necessary to permit preparation of its financial statements in conformity with GAAP.

277. From at least July 2004 until they left GlobeTel, Jimenez and Lynch were responsible for implementing GlobeTel's accounting controls. During this period they failed to implement controls sufficient to provide reasonable assurances that GlobeTel's transactions were recorded as necessary to permit preparation of its financial statements in conformity with GAAP. These failures included, but were not limited to, the following:

(a) GlobeTel's controls were insufficient because they allowed GlobeTel to overstate its revenue based upon false invoices created by Vargas that recorded purchases and sales that never occurred. No control existed to confirm that contracts existed with customers and suppliers comprising 80 percent of the business of GlobeTel and its subsidiaries.

(b) GlobeTel's lack of controls permitted Jimenez and Lynch to set off unpaid bills related to the "off-net" revenue program against each other without justifying why receivables owed by one company were set off against liabilities owed to another company, or why "off-net" customers failed to pay their bills.

PART IV – UNREGISTERED SALES OF STOCK

S. DURING 2003 AND 2004, GLOBETEL OBTAINED CONTROL OF AN AUSTRALIAN SHELL COMPANY

278. Beginning in September 2003, GlobeTel entered a series of agreements with an Australian shell company, Advantage Telecom, later renamed Consolidated Global Investments ("CGI"), whereby GlobeTel took control of CGI, which became a subsidiary of GlobeTel. The first agreement in this complex transaction was entered in September 2003 and gave GlobeTel the right to control CGI's board of directors.

279. By June 2004, GlobeTel owned a controlling stake of CGI's stock – 73.15 percent of the outstanding stock– in return for which GlobeTel gave CGI millions of shares of GlobeTel stock. Three of CGI's four directors were Huff, GlobeTel's chairman, Przemyslaw Kostro, and another GlobeTel executive, Leigh Coleman. Huff and Coleman also had trading authority for CGI's brokerage account.

T. HUFF AND GLOBETEL CAUSED CGI TO MAKE UNREGISTERED SALES OF GLOBETEL STOCK WORTH MORE THAN \$1.6 MILLION

1. In 2005 GlobeTel Owed Money To CSI And Monterosso

280. In early 2005, as a result of the \$25 million in "off-net" revenue allegedly generated by Centerline, GlobeTel owed stock to CSI, the company owned by Vargas and run by Monterosso.

281. Also, in February and April 2005, Huff negotiated contracts in which GlobeTel agreed to purchase Monterosso's Los Angeles telecom switch in return for which GlobeTel would pay Monterosso and CSI with GlobeTel stock.

2. Huff And Another GlobeTel Executive Directed The Sale Of CGI's GlobeTel Stock To Pay GlobeTel's Debts To CSI And Monterosso

282. Huff conceived a plan to have CGI sell its GlobeTel shares to satisfy GlobeTel's debt to Monterosso and CSI. As early as mid-January 2005, Huff told Monterosso that he could not give free-trading stock directly to Monterosso, but that he would pay GlobeTel's debt by directing GlobeTel's subsidiary CGI to sell stock.

283. Huff and Coleman then executed transactions, directing CGI's broker when and at what price to sell CGI's GlobeTel stock and where to transfer the proceeds. In January 2005, Coleman, who was also a CGI director, instructed the broker to wire the proceeds of CGI's stock sales to a GlobeTel bank account.

284. On three different occasions in February 2005, Huff instructed CGI's broker to sell one million (pre-split) shares of GlobeTel stock. Huff cautioned the broker to sell slowly so as not to put "pressure on the market," and also told him that GlobeTel planned to sell three million (pre-split) shares over the next month.

285. In late March 2005, Huff instructed CGI's broker to keep selling GlobeTel stock if he could sell it for 25 cents or more per share.

286. In addition to instructing CGI's broker to sell GlobeTel stock, Huff repeatedly instructed him to transfer the proceeds to GlobeTel's bank account.

287. During 2005, CGI sold a total of approximately 610,000 (post-split) shares of GlobeTel stock. Because some of these sales occurred before GlobeTel's 15:1 reverse split, the actual number of shares sold into the market actually numbered in the millions.

288. During 2005, CGI's broker transferred to GlobeTel more than \$1.6 million in proceeds from the CGI's sale of its GlobeTel stock. Huff caused GlobeTel to use these proceeds to pay the company's debt to CSI and Monterosso.

289. In general, Sections 5(a) and 5(c) of the Securities Act prohibit the offer or sale of securities in interstate commerce unless a registration statement is on file with the Commission or an exemption from registration applies. One exemption from registration is Section 4(1) of the Securities Act which provides that Section 5 shall not apply to transactions by any person other than an issuer, underwriter or dealer. However, a subsidiary of the issuer of the securities may not rely upon the Section 4(1) exemption to sell the securities issued by its parent because, in this context, a parent and its subsidiary are considered the same entity.

290. CGI purported to sell its GlobeTel shares in reliance upon the Section 4(1) exemption based upon its compliance with the safe harbor from being considered an underwriter in Rule 144 under the Securities Act. However, regardless whether CGI was an underwriter, it was considered an issuer and, therefore, could not rely upon Section 4(1) to avoid the requirements of Sections 5(a) and 5(c).

PART IV – REPORTING VIOLATIONS

U. IN 2002, GLOBETEL OVERSTATED ITS REVENUE FROM TRANSACTIONS WITH COMPANIES OWNED BY GLOBETEL EXECUTIVES AND AN AUSTRALIAN SHELL COMPANY

291. In early 2002, GlobeTel had less than \$21,000 in cash, and its auditors issued a “going concern” opinion for its 2001 financial statements. During this same period, GlobeTel

hired a stock promoter to promote the company's stock and issued two February 2002 press releases that quoted GlobeTel's chairman Przemyslaw Kostro predicting \$12 million in revenue and \$1.2 million in net income for 2002.

292. GlobeTel fulfilled Kostro's prediction, primarily, through three transactions that involved private companies run by Huff, Kostro and an Australian shell company called IP World. IP World stock had been suspended from trading on the Australian Stock Exchange in 1999 and did not trade on any public market.

293. In three 2002 transactions, GlobeTel purported to sell computer software and networks worth \$8 million to IP World, including one network sold through Huff's private company. IP World paid GlobeTel for the computer networks with shares of IP World stock.

294. At the time GlobeTel sold computer networks to IP World, GAAP provided that a company should recognize revenue when assets received are readily convertible to known amounts of cash and collectibility of such amounts is not in doubt.

295. The cash value of IP World stock that GlobeTel received for the computer networks was not known at the time of the sale and collectibility of the purported value of the stock was in doubt. Yet, GlobeTel – in violation of GAAP – recognized \$8 million in revenue from all three sales to IP World. In its quarterly filings, annual filing and registration statements, GlobeTel overstated its revenue by the amount of the sales to IP World.

296. Within weeks of reporting the third IP World "sale," GlobeTel tried to sell stock in a December 2002 offering. GlobeTel filed a Form SB-2 to register those sales, incorporating the \$8 million in revenue from the IP World "sales." However, shortly thereafter GlobeTel withdrew the Form SB-2.

297. In 2003, GlobeTel wrote off all of IP World's stock as worthless and recorded a loss of about \$4.8 million. Under GAAP, that stock should never have been recorded at that value in 2002, so GlobeTel should not have recorded such a loss in 2003. As a result, GlobeTel overstated its actual net loss for 2003 by the amount that it over-valued the IP World stock.

298. The overstatement of revenue in 2002 and the overstatement of net loss in 2003 were continued in the company's periodic filings in 2002, 2003 and 2004. On November 2, 2007, GlobeTel filed a restated Form 10-KSB for 2004 that continued to reflect the overstated loss for 2003.

V. IN 2004, GLOBETEL IMPROPERLY CAPITALIZED ASSETS IT PURCHASED FROM PRIVATE COMPANIES

1. The Sanswire Acquisition

299. In 2004, GlobeTel bought all the assets connected to Sanswire Technology's ("Sanswire") business of designing and building airships for \$2.8 million. GlobeTel capitalized almost the entire cost of Sanswire's airship business as an intangible asset.

300. What GlobeTel purchased from Sanswire was an "in process" research and development project. Therefore, GAAP required GlobeTel to record the entire amount it paid Sanswire at the time it acquired the "in process" research and development project as an expense rather than capitalizing it as an intangible asset in the financial statements.

301. Because GlobeTel improperly recorded the \$2.8 million purchase from Sanswire as an intangible asset, it overstated its assets and understated its expenses in its quarterly and annual filings with the Commission in violation of GAAP. In addition, GlobeTel failed to file financial statements for the Sanswire airship business as required by Form 8-K and Reg S-B. In

fact, Sanswire had no audited financial statements, and its accountants had said they could not audit the company's books.

302. If GlobeTel had filed Sanswire's financial statements as required, a reasonable investor would have known that GlobeTel had paid \$2.8 million for a business that had no revenue and whose books could not be audited.

303. On November 2, 2007, GlobeTel filed a restated Form 10-KSB for 2004 that reduced its assets and increased its net loss by \$2.778 million because it had not properly accounted for the Sanswire transaction in its original filing.

2. The Hotzone Acquisition

304. In 2005, GlobeTel bought all the assets of a private company, Hotzone, related to Hotzone's business of creating wireless networks for \$7.1 million. GlobeTel capitalized almost the entire cost of Hotzone's wireless network business as an intangible asset. This asset was, in actuality, an "in process" research and development project. Therefore, proper accounting under GAAP required that GlobeTel record the entire amount it paid Hotzone at the time it acquired the "in process" research and development project as an expense rather than capitalizing it as an intangible asset in the financial statements.

305. As a result of failing to properly account for the Hotzone transaction, GlobeTel overstated its assets and understated its expenses in its quarterly and annual filings with the Commission, in violation of GAAP.

306. In addition, GlobeTel failed to file financial statements for the Hotzone wireless business as required by Form 8-K and Reg S-B. In fact, Hotzone had no audited financial statements. If GlobeTel had filed Hotzone's financial statements as required, investors would

have known that GlobeTel had paid \$7.1 million for a business that had no revenue and no audited financial statements.

307. On December 5, 2007, GlobeTel filed a restated Form 10-K for 2005 that reduced its assets and increased its net loss by \$7,129,550, because it had not properly accounted for the Hotzone transaction in its original filing.

W. IN 2005, GLOBETEL FAILED TO DISCLOSE THAT IT HAD HIRED STEVEN KING AS ITS PRESIDENT

308. In November 2005, GlobeTel hired as its president, Steven King, who was subject to a permanent anti-fraud injunction issued by the District Court for the Middle District of Florida on January 20, 2000.

309. The securities laws require a company to file a Form 8-K disclosing the hiring of a president within four business days of the hiring. GlobeTel never filed a Form 8-K to disclose the hiring of King.

310. About a month after King was hired, Huff removed King as president. The securities laws require a company to file a Form 8-K disclosing the removal of a president within four business days of the removal. GlobeTel never filed a Form 8-K to disclose King's removal.

X. IN MARCH 2006, FILED AN ANNUAL REPORT THAT FAILED TO DISCLOSE THAT JIMENEZ AND HUFF HAD DISPOSED OF GLOBETEL STOCK

1. Huff And Jimenez Cashed In GlobeTel Stock Worth Millions of Dollars By Obtaining Non-Recourse Loans Secured By The Stock

311. In early 2005, Huff obtained loans totaling \$2.17 million as a result of two non-recourse loans for which he pledged about 643,000 (post-split) GlobeTel shares as the only collateral. One of these loans was a \$1.77 million loan from Argyll Equities ("Argyll"). At the

same time, Jimenez obtained \$991,965 by obtaining a similar loan from Argyll and delivering about 280,000 (post-split) GlobeTel shares as collateral. Under the terms of the loans it gave to Huff and Jimenez, Argyll had the right to sell the GlobeTel stock pledged as collateral if the loans went into default.

312. The amount of the loans that both Huff and Jimenez received was directly based upon the then-current market price for GlobeTel's stock.

2. In 2005, Jimenez Caused Globetel To File A False Annual Report That Concealed That He And Huff Had Defaulted On Their Loans

313. In July 2005, Argyll declared the loans to Jimenez and Huff to be in default because GlobeTel's share price had dropped and because both individuals had stopped paying interest on their loans.

314. Huff's and Jimenez's loans were in default at least until April 2006 when Jimenez and Huff signed amendments and agreed to pay the back interest due on them. The amendments were signed after the end of GlobeTel's 2005 fiscal year and after the March 31, 2006, filing date of GlobeTel's Form 10-K.

315. The Form 10-K requires a company to disclose the amount of stock beneficially owned by its officers, including its CEO and CFO. The Form 10-K also requires a company to disclose material events and material contingencies that occur between the end of the fiscal year and the filing of its annual report.

316. When GlobeTel filed its annual report for 2005, Jimenez caused GlobeTel to overstate by more than 25 percent the amount of stock owned by its CEO Huff and its CFO Jimenez because GlobeTel did not disclose that Jimenez and Huff had defaulted upon their loans

and lost control of more than one-quarter of the shares that they each claimed to own – 643,000 of 2.44 million (post-split) shares and 280,000 of 934,369 (post-split) shares respectively.

317. Because Huff's and Jimenez's loan defaults were never disclosed, GlobeTel's Form 10-K for 2005 made it appear to investors that GlobeTel's executives were holding all their stock when, in truth, Huff and Jimenez had cashed out a significant amount of their stock.

Y. GLOBETEL NEVER DISCLOSED THAT IN OR ABOUT JULY 2006, MONTEROSSO BEGAN SERVING AS GLOBETEL'S COO

318. In or about July 2006, Huff hired Monterosso to serve as GlobeTel's COO. From that date forward, Monterosso held himself out as the COO, including in communications with AMEX's chief regulatory officer.

319. The securities laws require a company to file a Form 8-K disclosing the hiring of a COO within four days of the hiring. GlobeTel did not file a Form 8-K disclosing that Monterosso was hired as COO until November 17, 2006.

FIRST CLAIM FOR RELIEF
(Monterosso and Vargas)
(Violations of Section 17(a) of the Securities Act)

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

321. 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.

322. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

323. 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 Section One, paragraphs 56-59 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 Section One, paragraphs 62-84.

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 Section One, paragraph 60.

324. 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
(Monterosso and Vargas)
(Violations of Section 10(b) of the Exchange Act and Rule 10b-5)

325. Paragraphs 1 through 96 and 320 to 324 are realleged and incorporated herein by reference.

326. 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.

327. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

328. 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 Section One, paragraphs 56-59 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 Section One, paragraphs 62-84.

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 Section One, paragraph 60.

329. 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
(Monterosso and Vargas)
(Aiding or Abetting Violations of Section 10(b)
of the Exchange Act and Rule 10b-5)

330. Paragraphs 1 through 96 and 320 to 329 are realleged and incorporated herein by reference.

331. 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.

332. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

333. 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 Section One, paragraphs 56-59 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 Section I, paragraphs 62-84.

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 Section One, paragraph 60.

334. 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
(Monterosso and Vargas)
(Aiding or Abetting Violations of Section 13(a) of the Exchange Act
and Rules 12b-20, 13a-1, and 13a-13)

335. Paragraphs 1 through 96 and 320 to 334 are realleged and incorporated by reference.

336. 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 Section I, paragraphs 56-59, and 61.

337. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

338. 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

(Monterosso and Vargas)

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

339. Paragraphs 1 through 96 and 320 to 338 are realleged and incorporated by reference.

340. 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 Section One, paragraphs 56-61, 85 and 86.

341. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

342. 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
(Monterosso and Vargas)
(Violations of Exchange Act Rules 13b2-1 and 13b2-2)

343. Paragraphs 1 through 96 and 320 to 342 are realleged and incorporated by reference.

344. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, and 61.

345. As a result of the actions described above, Monterosso and Vargas, directly or indirectly, caused GlobeTel falsify its books and records, as described in Section I, paragraphs 85-90.

346. 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.

347. 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:

348. 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 Section One, 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 Section One, paragraphs 38, 39, 40, 43-46, 49-52, 54-59, 61, and 85-93.

349. 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].

**SEVENTH CLAIM FOR RELIEF
(Jimenez and Lynch)
(Violations of Section 17(a) of the Securities Act)**

350. Paragraphs 97 through 319 are realleged and incorporated herein by reference.

351. As described above, Jimenez and Lynch 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.

352. The scheme of Jimenez included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

(a) From 2002 through 2004, Jimenez created fake invoices and CDRs that appeared to record purchases and sales in Mexico, Brazil and the Philippines. These allegations are described in the paragraphs in Section Two, sub-sections A-B.

(b) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger based upon the fake invoices that caused GlobeTel to record and report material overstatements in revenue, cost of goods sold, accounts receivable, accounts payable, and net profit. These allegations are described in the paragraphs in Section Two, sub-sections C and G.

(c) From 2002 through 2006, Jimenez caused GlobeTel to file periodic reports that included the false financial statements and other false statements about how GlobeTel recorded revenue and whether GlobeTel's customers paid directly to GlobeTel's vendors. These allegations are described in the paragraphs in Section Two, sub-sections D and E.

(d) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's books and records that falsely reported that customers had paid the accounts receivable associated with the Mexico, Brazil and Philippines traffic. These allegations are described in the paragraphs in Section Two, sub-section D.

353. The scheme of Jimenez and Lynch included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

(a) From about September 2004 until each man left the company, Jimenez and Lynch made or caused to be made entries in GlobeTel's general ledger based on the "off-net" invoices that caused GlobeTel to record and report \$119 million in revenue and cost of goods sold. These allegations are described in the paragraphs in Section Two, sub-sections H through M.

(b) From about September 2004 until each man left the company, Jimenez and Lynch knew that no one had paid the “off-net” invoices that GlobeTel used as the basis for recording millions of dollars in revenue. They knew that GlobeTel had millions of dollars in accounts receivable and liabilities on its books at the end of each quarter. These allegations are described in the paragraphs in Section Two, Sub-Section L, above.

(c) From about September 2004 until each man left the company, Jimenez and Lynch made or approved entries in GlobeTel’s general ledger that eliminated the accounts receivable and liabilities caused by the “off-net” revenue program. They had no basis for making the entries, and the entries were inconsistent with GAAP. These allegations are described in the paragraphs in Section Two, sub-section L.

(d) The offsetting entries made or approved by Jimenez and Lynch concealed from investors that neither GlobeTel’s subsidiaries nor its subsidiaries’ customers were paying the millions of dollars in bills associated with the “off-net” transactions. These allegations are described in the paragraphs in Section Two, sub-section L.

(e) Jimenez and Lynch made or approved the off-setting journal entries even while they were aware of red flags that – at a minimum – alerted them that the invoices Monterosso and Vargas were submitting did not represent actual telecom business conducted by Centerline. They knew that: 1) GlobeTel and its subsidiaries did not pay the invoices or get paid; 2) Monterosso and Vargas created invoices and revenue after the close of a quarter; 3) Monterosso and Vargas provided “off-net” invoices at the end of each quarter rather than at the time of the transaction as they did with the CSI’s normal business; 4) Monterosso

said he was paying other companies for invoices and CDRs; 5) the “off-net” transactions occurred even while GlobeTel’s telecom switch was disassembled; and 6) the “off-net” revenue was treated separately from GlobeTel’s other business. These allegations are described in the paragraphs in Section Two, sub-section M.

354. The fraudulent acts, untrue statements of material fact and material omissions of Jimenez and Lynch 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 November 2002 and December 2007, GlobeTel’s annual reports for fiscal years 2002, 2003, 2004 and 2005 and its quarterly reports for the fiscal quarters ended September 30, 2002, through September 2005, contained materially false and misleading statements and disclosures, as described in the paragraphs in Section Two, sub-section E.1. (Jimenez only)

(b) 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 the paragraphs in Section Two, sub-section O.1.

(c) Between in or about November 2002 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 the paragraphs in Section Two, sub-sections E.2. and O.2.

(d) Between December 2002 and January 2006, GlobeTel filed 15 registration statements with the Commission that registered the sale of approximately 288 million shares of GlobeTel stock. The registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue and cost of goods sold from GlobeTel's quarterly and annual reports. In addition, GlobeTel made \$1.6 million as the result of unregistered sales of stock. These allegations are described in the paragraphs in Section Two, sub-Sections F and P.

355. By engaging in the conduct alleged, defendants Jimenez and Lynch violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**EIGHTH CLAIM FOR RELIEF
(Jimenez and Lynch)
(Direct Violations of Section 10(b) of the Exchange Act and Rule 10b-5)**

356. Paragraphs 97 through 319 and Paragraphs 350 to 355 are realleged and incorporated herein by reference.

357. As described above, Jimenez and Lynch, 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.

358. The scheme of Jimenez included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

(a) From 2002 through 2004, Jimenez created fake invoices and CDRs that appeared to record purchases and sales in Mexico, Brazil and the Philippines. These allegations are described in the paragraphs in Section Two, sub-sections A-B.

(b) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger based on the "off-net" invoices that caused GlobeTel to record and report material overstatements in revenue, cost of goods sold, accounts receivable, accounts payable, and net profit. These allegations are described in the paragraphs in Section Two, sub-sections C and G.

(c) From 2002 through 2006, Jimenez caused GlobeTel to file periodic reports that included the false financial statements and other false statements about how GlobeTel recorded revenue and whether GlobeTel's customers paid directly to GlobeTel's vendors. These allegations are described in the paragraphs in Section Two, sub-sections D-E.

(d) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's books and records that falsely reported that customers had paid the accounts receivable associated with the Mexico, Brazil and Philippines traffic. These allegations are described in the paragraphs in Section Two, sub-section D.

359. The scheme of Jimenez and Lynch included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

(a) From about September 2004 until each man left the company, Jimenez and Lynch made or caused to be made entries in GlobeTel's general ledger based on the "off-net" invoices that caused GlobeTel to record and report \$119 million in revenue and cost of goods sold. These allegations are described in the paragraphs in Section Two, sub-sections H through M.

(b) From about September 2004 until each man left the company, Jimenez and Lynch knew that no one had paid the "off-net" invoices that GlobeTel had used as the basis for recording millions of dollars in revenue. They knew that GlobeTel had millions of dollars in accounts receivable and liabilities on its books at the end of each quarter. These allegations are described in the paragraphs in Section Two, sub-section L.

(c) From about September 2004 until each man left the company, Jimenez and Lynch made or approved entries in GlobeTel's general ledger that eliminated the accounts receivable and liabilities caused by the "off-net" revenue program. They had no basis for making the entries and the entries were inconsistent with GAAP. These allegations are described in the paragraphs in Section Two, sub-section L.

(d) The offsetting entries made or approved by Jimenez and Lynch concealed from investors that neither GlobeTel's subsidiaries nor its subsidiaries' customers were paying the millions of dollars in bills associated with the "off-net" transactions. These allegations are described in the paragraphs in Section Two, sub-section L.

(e) Jimenez and Lynch made or approved the offsetting journal entries even while they were aware of red flags that – at a minimum – alerted them that the invoices Monterosso and Vargas were submitting did not represent actual telecom business conducted by Centerline. They knew that: 1) GlobeTel did not pay the invoices or get paid; 2) Monterosso and Vargas created invoices and revenue after a quarter closed; 3) Monterosso and Vargas provided “off-net” invoices at the end of each quarter rather than at the time of the transaction as they did with the company’s normal business; 4) Monterosso said he was paying other companies for invoices and CDRs; 5) the “off-net” transactions occurred even while GlobeTel’s switch was disassembled; and 6) the “off-net” revenue was treated separately from GlobeTel’s other business. These allegations are described in the paragraphs in Section Two, sub-section M.

360. The fraudulent acts, untrue statements of material fact and material omissions of Jimenez and Lynch 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 November 2002 and December 2007, GlobeTel’s annual reports for fiscal years 2002, 2003, 2004 and 2005 and its quarterly reports for the fiscal quarters ended September 30, 2002, through September 2005, contained materially false and misleading statements and disclosures, as described in the paragraphs in Section Two, sub-section E.1. (Jimenez only)

(b) Between about November 2002 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 the paragraphs in Section Two, sub-section O.1.

(c) Between in or about November 2002 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 the paragraphs in Section Two, sub-sections E.2. and O.2.

(d) Between December 2002 and January 2006, GlobeTel filed 15 registration statements with the Commission that registered the sale of approximately 288 million shares of GlobeTel stock. The registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue and cost of goods sold from GlobeTel's quarterly and annual reports. In addition, GlobeTel made \$1.6 million as the result of unregistered sales of stock. These allegations are described in the paragraphs in Section Two, sub-sections F and P.

361. By reason of the foregoing, Defendants Jimenez and Lynch violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**NINTH CLAIM FOR RELIEF
(Jimenez and Lynch)
(Aiding or Abetting Violations of Section 10(b) of the Exchange Act
and Rule 10b-5)**

362. Paragraphs 97 through 319 and Paragraphs 350 to 361 are realleged and incorporated herein by reference.

363. 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.

364. As described above, Jimenez knowingly provided substantial assistance to GlobeTel's violation of Section 10(b) and Rule 10b-5 thereunder through the following efforts:

(a) From 2002 through 2004, Jimenez created fake invoices and CDRs that appeared to record purchases and sales in Mexico, Brazil and the Philippines. These allegations are described in the paragraphs in Section Two, sub-sections A-B.

(b) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's general ledger based on the "off-net" invoices that caused GlobeTel to record and report material overstatements in revenue, cost of goods sold, accounts receivable, accounts payable, and net profit. These allegations are described in the paragraphs in Section Two, sub-sections C and G.

(c) From 2002 through 2004, Jimenez caused GlobeTel to file periodic reports that included the false financial statements and other false statements about how GlobeTel recorded revenue and whether GlobeTel's customers paid directly to GlobeTel's vendors. These allegations are described in the paragraphs in Section Two, sub-sections D-E.

(d) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's books and records that falsely reported that customers had

paid the accounts receivable associated with the Mexico, Brazil and Philippines traffic. These allegations are described in the paragraphs in Section Two, sub-section D.

365. As described above, from about September 2004 until each man left GlobeTel, defendants Jimenez and Lynch knowingly provided substantial assistance to GlobeTel's violation of Section 10(b) and Rule 10b-5 thereunder by making or approving entries in GlobeTel's general ledger that eliminated the accounts receivable and liabilities caused by the "off-net" revenue program. Their efforts included:

(a) From about September 2004 until each man left the company, Jimenez and Lynch made or caused to be made entries in GlobeTel's general ledger based on the "off-net" invoices that caused GlobeTel to record and report \$119 million in revenue and cost of goods sold. These allegations are described in the paragraphs in Section Two, sub-sections H through M.

(b) From about September 2004 until each man left the company, Jimenez and Lynch knew that no one had paid the "off-net" invoices that GlobeTel had used as the basis for recording millions of dollars in revenue. They knew that GlobeTel had millions of dollars in accounts receivable and liabilities on its books at the end of each quarter. These allegations are described in the paragraphs in Section Two, sub-section L.

(c) From about September 2004 until each man left the company, Jimenez and Lynch made or approved entries in GlobeTel's general ledger that eliminated the accounts receivable and liabilities caused by the "off-net" revenue program. They had no basis for making the entries and the entries were

inconsistent with GAAP. These allegations are described in the paragraphs in Section Two, sub-section L.

(d) The offsetting entries made or approved by Jimenez and Lynch concealed from investors that neither GlobeTel's subsidiaries nor its subsidiaries' customers were paying the millions of dollars in bills associated with the "off-net" transactions. These allegations are described in the paragraphs in Section Two, sub-section L.

(e) Jimenez and Lynch made or approved the offsetting journal entries even while they were aware of red flags that – at a minimum – alerted them that the invoices Monterosso and Vargas were submitting did not represent actual telecom business conducted by Centerline. They knew that: 1) GlobeTel did not pay the invoices or get paid; 2) Monterosso and Vargas created invoices and revenue after a quarter closed; 3) Monterosso and Vargas provided "off-net" invoices at the end of each quarter rather than at the time of the transaction as they did with the company's normal business; 4) Monterosso said he was paying other companies for invoices and CDRs; 5) the "off-net" transactions occurred even while GlobeTel's switch was disassembled; and 6) the "off-net" revenue was treated separately from GlobeTel's other business. These allegations are described in the paragraphs in Section Two, sub-section M.

366. The fraudulent schemes of Lynch and Jimenez 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 November 2002 and December 2007, GlobeTel's annual reports for fiscal years 2002, 2003, 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2002, through June 30, 2006, contained materially false and misleading statements and disclosures, as described in the paragraphs in Section Two, sub-sections E.1. and O.1.

(b) Between November 2002 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 the paragraphs in Section Two, sub-sections E.2. and O.2.

(c) Between December 2002 and January 2006, GlobeTel filed 15 registration statements with the Commission that registered the sale of approximately 288 million shares of GlobeTel stock. The registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue and cost of goods sold from GlobeTel's quarterly and annual reports. In addition, GlobeTel made \$1.6 million as the result of unregistered sales of stock. These allegations are described in the paragraphs in Section Two, sub-sections F and P.

367. By reason of the foregoing, Defendants Jimenez and Lynch 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].

**TENTH CLAIM FOR RELIEF
(GlobeTel)
(Violations of Section 17(a) of the Securities Act)**

368. Paragraphs 97 through 319 and Paragraphs 350 to 367 are realleged and incorporated herein by reference.

369. GlobeTel is liable for the actions of its officers and employees, including Huff, Jimenez, Lynch and Monterosso. Jimenez and Lynch violated Section 17(a) of the Securities Act as described in the First Claim For Relief, above, which is incorporated by reference. In addition, Monterosso violated Section 17(a).

370. As described above, Huff, Jimenez, Monterosso and Vargas at Monterosso's direction, 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.

371. The fraudulent scheme of Huff and Jimenez included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

- (a) From 2002 through 2004, Huff and Jimenez created fake invoices and CDRs that appeared to record purchases and sales in Mexico, Brazil and the Philippines. These allegations are described in the paragraphs in Section Two, sub-sections A-B.
- (b) From 2002 through 2004, Huff and Jimenez made or caused to be made entries in GlobeTel's general ledger based upon the fake invoices that

caused GlobeTel to record and report material overstatements in revenue, cost of goods sold, accounts receivable, accounts payable, and net profit. These allegations are described in the paragraphs in Section Two, sub-sections C and G.

(c) From 2002 through 2006, Huff and Jimenez caused GlobeTel to file periodic reports that included the false financial statements and other false statements about how GlobeTel recorded revenue and whether GlobeTel's customers paid directly to GlobeTel's vendors. These allegations are described in the paragraphs in Section Two, sub-Sections D-E.

(d) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's books and records that falsely reported that customers had paid the accounts receivable associated with the Mexico, Brazil and Philippines traffic. These allegations are described in the paragraphs in Section Two, sub-section D.

372. Monterosso's scheme 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, at Monterosso's direction, 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 discussed in the paragraphs in Section Two, sub-sections H through M.

(b) Between September 2004 and July 2006, Monterosso and Vargas, at Monterosso's direction, engaged in fraudulent acts and made material misstatements of fact by submitting the fake invoices and corresponding CDRs to

GlobeTel, its accountants and auditors while knowing that the invoices and CDRs did not represent business activity actually conducted by Centerline, Volta and Lonestar. Monterosso 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 revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries. These allegations are discussed in the paragraphs in Section Two, sub-sections J and K.

373. The fraudulent acts, untrue statements of material fact and material omissions of Huff, Jimenez, Lynch, 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 November 2002 and December 2007, GlobeTel's annual reports for fiscal years 2002, 2003, 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2002, through September 2005, contained materially false and misleading statements and disclosures, as described in the paragraphs in Section Two, sub-sections E.1. and O.1.

(b) Between November 2002 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 the paragraphs in Section Two, sub-sections E.2. and O.2.

(c) Between December 2002 and January 2006, GlobeTel filed 15 registration statements with the Commission that registered the sale of approximately 288 million shares of GlobeTel stock. The registration statements

included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue and cost of goods sold from GlobeTel's quarterly and annual reports. In addition, GlobeTel made \$1.6 million as the result of unregistered sales of stock. These allegations are described in the paragraphs in Section Two, sub-Sections F and P.

374. By reason of the foregoing, GlobeTel violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**ELEVENTH CLAIM FOR RELIEF
(GlobeTel)
(Violations of Section 10(b) of the Exchange Act and Rule 10b-5)**

375. Paragraphs 97 through 319 and Paragraphs 350 to 374 are realleged and incorporated herein by reference.

376. GlobeTel is liable for the actions of its officers and employees, including Huff, Jimenez, Lynch and Monterosso. Jimenez and Lynch violated Section 10(b) of the Exchange Act and Rule 10b-5 as described in the Second Claim For Relief, above, which is incorporated by reference. In addition, Monterosso violated Section 10(b) and Rule 10b-5.

377. As described above, Huff, Jimenez, 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.

378. The fraudulent scheme of Huff and Jimenez included, among others, the following fraudulent acts, untrue statements of material fact and material omissions:

(a) From 2002 through 2004, Huff and Jimenez created fake invoices and CDRs that appeared to record purchases and sales in Mexico, Brazil and the Philippines. These allegations are described in the paragraphs in Section Two, sub-sections A-B.

(b) From 2002 through 2004, Huff and Jimenez made or caused to be made entries in GlobeTel's general ledger based upon the fake invoices that caused GlobeTel to record and report material overstatements in revenue, cost of goods sold, accounts receivable, accounts payable, and net profit. These allegations are described in the paragraphs in Section Two, sub-sections C and G.

(c) From 2002 through 2006, Huff and Jimenez caused GlobeTel to file periodic reports that included the false financial statements and other false statements about how GlobeTel recorded revenue and whether GlobeTel's customers paid directly to GlobeTel's vendors. These allegations are described in the paragraphs in Section Two, sub-sections D-E.

(d) From 2002 through 2004, Jimenez made or caused to be made entries in GlobeTel's books and records that falsely reported that customers had paid the accounts receivable associated with the Mexico, Brazil and Philippines traffic. These allegations are described in the paragraphs in Section Two, sub-section D.

379. Monterosso's scheme 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, at Monterosso's direction, 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 discussed in the paragraphs in Section Two, sub-sections H through M.

(b) Between September 2004 and July 2006, Monterosso and Vargas, at Monterosso's direction, engaged in fraudulent acts and made material misstatements of fact by submitting the fake invoices and corresponding CDRs to GlobeTel, its accountants and auditors while knowing that the invoices and CDRs did not represent business activity actually conducted by Centerline, Volta and Lonestar. Monterosso 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 revenue and, consequently, would be incorporated into GlobeTel's reports of revenue generated by the company and its wholly owned subsidiaries. These allegations are discussed in the paragraphs in Section Two, sub-sections J and K.

380. The fraudulent acts, untrue statements of material fact and material omissions of Huff, Jimenez, Lynch, 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 November 2002 and December 2007, GlobeTel's annual reports for fiscal years 2002, 2003, 2004 and 2005, and its quarterly reports for the fiscal quarters ended September 30, 2002, through September 2005, contained materially false and misleading statements and disclosures, as described in the paragraphs in Section Two, sub-sections E.1. and O.1.

(b) Between November 2002 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 the paragraphs in Section Two, sub-sections E.2. and O.2.

(c) Between December 2002 and January 2006, GlobeTel filed 15 registration statements with the Commission that registered the sale of approximately 288 million shares of GlobeTel stock. The registration statements included and/or incorporated by reference the materially false and misleading statements concerning GlobeTel's revenue and cost of goods sold from GlobeTel's quarterly and annual reports. In addition, GlobeTel made \$1.6 million as the result of unregistered sales of stock. These allegations are described in the paragraphs in Section Two, sub-sections F and P.

381. By reason of the foregoing, GlobeTel violated and, unless permanently enjoined, will continue to violate, 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].

TWELFTH CLAIM FOR RELIEF
(GlobeTel)
(Violations of Sections 5(a) and 5(c) of the Securities Act)

382. Paragraphs 97 through 319 and Paragraphs 350 to 381 are realleged and incorporated herein by reference.

383. Defendant GlobeTel, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell a security when no registration statement was in effect as to the security or carried or caused to be carried through the mails or in interstate commerce such security for the purpose of sale or for delivery after sale, as described in the paragraphs in Section Two, sub-sections S and T.

384. By reason of the foregoing, GlobeTel violated and, unless permanently enjoined, will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e].

**THIRTEENTH CLAIM FOR RELIEF
(GlobeTel, Jimenez and Lynch)
(Direct and Aiding and Abetting Violations of Section 13(a) of the Exchange Act and
Rules 12b-20, 13a-1, 13a-11, and 13a-13)**

385. Paragraphs 97 through 319 and Paragraphs 350 to 384 are realleged and incorporated by reference.

386. GlobeTel filed periodic reports with the SEC as described above that contained untrue statements of material fact or omitted to state material facts required to be stated therein or necessary to make the statements made not misleading. Those untrue statements or omitted material facts include:

- (a) the untrue statements about revenue and cost of goods sold and the omissions about unpaid “off-net” invoices related to the “off-net” transactions and the offsetting entries as described in the paragraphs in Section Two, sub-sections E.1. and O.1.;

(b) the omitted material facts about the significant customers and related-party transactions as described in the paragraphs in Section Two, sub-sections D and N; and

(c) the untrue statements and omitted material facts as described in the paragraphs in Section Two, sub-sections U through Y.

387. Jimenez and Lynch knowingly provided substantial assistance to GlobeTel's untrue statements about revenue and cost of goods sold and the omissions about unpaid "off-net" invoices related to the "off-net" transactions and the offsetting entries as described in the paragraphs in Section Two, sub-sections A-E, G-O and Q.

388. By reason of the foregoing, Defendant GlobeTel violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder [17 C.F.R §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13], and unless permanently enjoined will continue to violate those sections.

389. By reason of the foregoing, Defendants Jimenez and Lynch 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] in connection with the "off-net" transactions and the offsetting entries. Unless permanently enjoined, they will continue to violate those sections.

FOURTEENTH CLAIM FOR RELIEF
(GlobeTel, Jimenez and Lynch)
(Direct and Aiding and Abetting Violations of Sections 13(b)(2)(A) of the Exchange Act)

390. Paragraphs 97 through 319 and Paragraphs 350 to 389 are realleged and incorporated by reference.

391. From 2002 through 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 as described in the paragraphs in Section Two, sub-section Q.

392. Defendants Jimenez and Lynch, as set forth above, substantially assisted GlobeTel's failure to fail to make and keep the required books and records, as described in the paragraphs in Section Two, sub-sections A-E, G-O and Q.

393. By reason of the foregoing, Defendant GlobeTel violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] and unless permanently enjoined will continue to violate those sections.

394. By reason of the foregoing, Defendants Jimenez and Lynch aided and abetted GlobeTel's violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] and unless permanently enjoined will continue to violate those sections.

FIFTEENTH CLAIM FOR RELIEF
(GlobeTel, Jimenez and Lynch)
(Direct and Aiding and Abetting Violations of Sections 13(b)(2)(B) of the Exchange Act)

395. Paragraphs 97 through 319 and Paragraphs 350 to 394 are realleged and incorporated by reference.

396. GlobeTel failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that its transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP, as described in Section Two, sub-section R. Defendants Jimenez and Lynch substantially assisted GlobeTel's failure to devise and maintain the required controls, as described in the paragraphs in Section Two, sub-section R.

397. By reason of the foregoing, GlobeTel violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)], and unless permanently enjoined will continue to violate those sections.

398. By reason of the foregoing, Jimenez and Lynch aided and abetted GlobeTel's violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)], and unless permanently enjoined will continue to violate those sections.

**SIXTEENTH CLAIM FOR RELIEF
(Jimenez and Lynch)
(Direct Violations of Exchange Act Rule 13a-14)**

399. Paragraphs 97 through 319 and Paragraphs 350 to 398 are realleged and incorporated by reference.

400. Jimenez signed false certifications in seven of GlobeTel's quarterly reports and three of GlobeTel's annual reports. Among other things, Jimenez certified that he had reviewed each of these reports and, based on his knowledge, these reports, (i) did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading and (ii) included financial statements and other financial information which fairly presented, in all material respects, GlobeTel's financial condition, results of operations and cash flows. These representations were false, as Jimenez knew that the filings contained material misstatements and omissions concerning the amount of GlobeTel's revenue and cost of goods from the operation of its telecom networks in Brazil, Mexico and the Philippines, and the amount of revenue generated by Centerline and its subsidiaries as described in the paragraphs in Section Two, subsections E, G and H.

401. Lynch signed false certifications in two of GlobeTel's quarterly reports. Among other things, Lynch certified that he had reviewed each of these reports and, based on his knowledge, these reports, (i) did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading and (ii) included financial statements and other financial information which fairly presented, in all material respects, GlobeTel's financial condition, results of operations and cash flows. These representations were false, as Lynch knew that the filings contained material misstatements and omissions concerning the amount of revenue generated by Centerline and its subsidiaries and the amount of Centerline's cost of goods, as described in the paragraphs in Section Two, sub-sections H through P.

402. By reason of the foregoing, Defendants Jimenez and Lynch each violated Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14] and unless permanently enjoined will continue to violate those sections.

**SEVENTEENTH CLAIM FOR RELIEF
(Jimenez and Lynch)
(Direct Violations of Exchange Act Rule 13b2-1)**

403. Paragraphs 97 through 319 and Paragraphs 350 to 402 are realleged and incorporated by reference.

404. Defendants Jimenez and Lynch, as set forth above, directly or indirectly, falsified or caused to be falsified, GlobeTel's books, records or accounts subject to Section 13(b)(2)(A) of the Exchange Act by directly or indirectly causing entries in the general ledger that offset the accounts receivable and liabilities. Those entries are described, in part, in the paragraphs in Section Two, sub-section O. The effect of those entries are described, in part, in the paragraphs in Section Two, sub-sections L through O.

405. By reason of the foregoing, Defendants Jimenez and Lynch each violated Exchange Act Rule 13b2-1 [17 C.F.R. §§ 240.13b2-1] and unless permanently enjoined will continue to violate those sections.

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 prejudice 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

(h) permanently enjoining defendant GlobeTel, and its 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 5 of the Securities Act [15 U.S.C. §§ 77e]; (iv) violating Section 13(a)

of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 promulgated thereunder [17 C.F.R. § 240.12b-20, 240.13a-1, 240.13a-11, 240.13a-13 and 240.13a-14]; (v) violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]; and (vi) violating Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

(i) permanently enjoining defendant Jimenez, 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-1, and 240.13a-13]; (iv) violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]; (v) violating Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)]; (vi) violating Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14]; and (vii) violating Exchange Act Rule 13b2-1 [17 C.F.R. §§ 240.13b2-1].

(j) permanently enjoining defendant Lynch, 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-1, and 240.13a-13]; (iv) violating Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §

78m(b)(2)(A)]; (v) violating Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)]; (vi) violating Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14]; and (vii) violating Exchange Act Rule 13b2-1 [17 C.F.R. §§ 240.13b2-1].

(k) ordering defendants GlobeTel and Jimenez to disgorge all profits that resulted from violations of the federal securities, along with prejudgment interest;

(l) ordering defendants GlobeTel, Jimenez and Lynch to pay civil money penalties pursuant to Section 24 of the Securities Act [15 U.S.C. § 77x] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

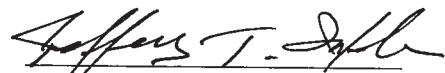
(m) permanently barring defendant Jimenez and barring defendant Lynch for a period of five years from serving as an officer or director of a publicly traded company pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]; and

(n) granting such other relief as this Court may deem just and appropriate.

Date: *June 5, 2009*

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on June 5, 2009 I electronically filed the foregoing Second Amended Complaint with the Clerk of the court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.


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