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7 Attorneys for Plaintiff VELTEX CORPORATION

8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION

12 VELTEX CORPORATION, a Utah
corporation,

13 Plaintiff,

14 vs.

15 JAVEED AZZIZ MATIN, an individual;
16 TANZILA SULTANA, an individual;
17 SAASHA CAMPBELL, an individual;
18 MAZHAR HAQUE, an individual;
ALLEN E. BENDER, an individual;
19 VELTEX USA, INC., a Delaware
corporation; VELTEX APPAREL, INC.,
20 a California corporation; VELTEX
INDUSTRIES, INC., a Delaware
corporation; VELTEX EXPLORER,
21 INC., a Canadian corporation; VELTEX
CANADA, INC., a Canadian
corporation; WILSHIRE EQUITY, INC.
22 *aka* WILSHIRE EQUITIES, INC., a
Colorado corporation; AMERICAN
23 REGISTRAR & TRANSFER CO., a
Utah corporation; PATRICK R. DAY, an
24 individual; RICHARD M. DAY, an
individual; MOORE & ASSOCIATES,
25 CHARTERED, a Nevada corporation;
MICHAEL J. MOORE, an individual;
26 CHISHOLM, BIERWOLF, NILSON &
MORRILL, CPA, *aka* CHISHOLM,
27 BIERWOLF & NILSON, LLC, a Utah
limited liability company; BRAD B.
28 HAYNES, an individual; ANNE

CASE NO. CV10 1746 ABC (PJWx)

**FIRST AMENDED COMPLAINT
FOR DAMAGES AND EQUITABLE
RELIEF FOR:**

- (1) SECURITIES FRAUD;
- (2) FRAUDULENT TRANSFER AND CONVEYANCE;
- (3) CONSPIRACY TO BREACH AND BREACH OF FIDUCIARY DUTY;
- (4) PROFESSIONAL NEGLIGENCE-ATTORNEY MALPRACTICE;
- (5) BREACH OF FIDUCIARY DUTY-ATTORNEYS;
- (6) PROFESSIONAL NEGLIGENCE-ACCOUNTANT MALPRACTICE; and
- (7) BREACH OF FIDUCIARY DUTY- ACCOUNTANTS

[DEMAND FOR JURY TRIAL]

Complaint filed: March 10, 2010

BLECHER & COLLINS
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

1 TAHIM, an individual; JAAK U. }
2 OLESK, an individual; and CARMINE }
3 J. BUA, an individual, }
4 Defendants. }

5
6 Plaintiff VELTEX CORPORATION (“Veltex,” “Plaintiff” or “Plaintiff
7 Veltex”) hereby complains and alleges as follows:

8 I.

9 SUMMARY OF THE ACTION

10 1. This case involves a classic “pump and dump” securities claim conceived
11 and engaged in by, and for the primary benefit of, Defendants JAVEED AZZIZ
12 MATIN, SAASHA CAMPBELL, MAZHAR HAQUE, TANZILA SULTANA,
13 ALLEN E. BENDER and PATRICK R. DAY (sometimes collectively referred to
14 herein as the “Management Defendants”), with the active and conscious support
15 and participation by each of the other named individual and entity Defendants
16 herein. Under the scheme, the Management Defendants pumped up the value of
17 the stock in Veltex, a publicly traded company, with false and misleading data
18 causing the price of the shares to rise. Then, the insiders (those doing the
19 “pumping”) sold the inflated Veltex shares into the market (the “dumping”) to
20 unsuspecting investors who became, along with the corporation itself, victims of
21 the scheme. This unlawful scheme required planning and numerous participants,
22 including lawyers, accountants and transfer agents, who are named as party-
23 Defendants herein.

24 2. The Management Defendants, because of their positions of authority as
25 Officers and/or Directors of Veltex, were able to, and did, control the content of
26 press releases and other public statements pertaining to Veltex during the relevant
27 time periods. Each of the Management Defendants participated in the preparation
28 of and/or were provided copies of the documents alleged herein to be misleading

1 prior to or shortly after their issuance and/or had the ability and/or opportunity to
2 prevent their issuance or cause them to be corrected. By reason of their stock
3 ownership, positions and relations to Veltex, the Management Defendants were
4 controlling persons of Veltex and are liable under Section 20(a) of the Securities
5 and Exchange Act of 1934. Veltex' press releases, reports and communications to
6 shareholders were false and misleading. As Officers, Directors and/or controlling
7 persons of Veltex, a publicly held company, the Management Defendants had a
8 duty to disseminate promptly, truthfully and accurately information with respect to
9 the corporation's operations, business, products, markets, management, earnings,
10 and present and future business prospects, and to cause Veltex' financial
11 statements to present fairly and accurately its financial condition and results from
12 operations in conformity with generally accepted accounting principles ("GAAP").
13 The Management Defendants were also required to correct any previously issued
14 statements that had become untrue and to disclose any adverse trends that would
15 materially affect the present and future financial operating results of the
16 corporation, so that the market prices of Veltex' stock would be based upon
17 truthful and accurate information.

18 3. The Management Defendants owed fiduciary duties to Veltex such that
19 they were precluded from acting in their own self-interest and to the detriment of
20 Veltex. Their conduct directly caused and/or contributed to the artificial inflation
21 of the value of Veltex' shares. Further, the Management Defendants created a
22 massive web of interrelated corporate entities, some of which bore similar names
23 to "Veltex" which aided in the fraudulent and illegal actions they undertook,
24 and/or utilized corporate counsel and outside securities lawyers, accountants, and
25 transfer agents, who are named as Defendants herein, as part of their scheme to
26 perpetrate securities fraud and fraudulently transfer monies and assets of Veltex all
27 for their own personal benefit and in derogation of the corporate entity, Veltex.
28 These entities included Defendants VELTEX USA, INC., VELTEX APPAREL,

1 INC., VELTEX INDUSTRIES, INC., VELTEX EXPLORER, INC. and VELTEX
2 CANADA, INC.

3 II.

4 THE PARTIES

5 4. Plaintiff Veltex is a corporation organized and existing under the laws of
6 the State of Utah with its principal place of business in Chicago, Illinois. Veltex'
7 stock is publicly traded on the "Pink Sheets," an over-the-counter market, under
8 the symbol VLXC. Veltex is a nonreporting SEC company which was reorganized
9 on or about August 2009, following dissident shareholder litigation being
10 instituted in the State of Utah, seeking the ouster of Defendants JAVEED AZZIZ
11 MATIN, SAASHA CAMPBELL and MAZHAR HAQUE from Veltex'
12 management. Veltex was previously headquartered in the City of Industry,
13 California, where it leased office space and a warehouse. It had engaged in the
14 sale of wearing apparel in the United States and Canada. Its products had included
15 t-shirts, jackets, sweaters, sweatshirts, and baseball caps.

16 5. Defendant JAVEED AZZIZ MATIN ("Matin") is an individual and
17 citizen of the State of California, with his primary residence in Diamond Bar,
18 California. Matin was the founder, largest shareholder, and until recently removed
19 from that position, the Chief Executive Officer ("CEO") and Chairman of the
20 Board of Veltex. During all relevant times covered by this Complaint, Matin
21 controlled and directed Veltex' business and operations. Until he was ordered to
22 pledge and transfer three million (3,000,000) shares of Veltex common stock that
23 he owned to Wayne H. Hanson, by U.S. District Court Judge Florence-Marie
24 Cooper in the action entitled "*Wayne H. Hanson vs. Veltex Corporation, etc., et*
25 *al.*," Case No.: CV08-02149 FMC (MANx) (the "Hanson action"), Matin was the
26 largest single shareholder in Veltex.

27 6. Defendant TANZILA SULTANA ("Sultana") is the wife of Matin. She
28 is an individual and citizen of the State of California, with her primary residence,

1 together with her husband, in Diamond Bar, California. During all relevant times
2 covered by this Complaint, Sultana was intimately involved in the business and
3 operations of Veltex, and a shareholder in Veltex. The home in Diamond Bar,
4 California in which Main and Sultana reside, was purchased, in part, with
5 proceeds from the sale of artificially inflated Veltex shares by Sultana.

6 7. Defendant SAASHA CAMPBELL (“Campbell”) is an individual and
7 citizen of the State of California, with her primary residence within the Central
8 District of California. Campbell was at all relevant times covered by this
9 Complaint, the mistress of Matin; a member of the Veltex Board of Directors; and
10 the Secretary-Treasurer of Veltex.

11 8. Defendant MAZHAR HAQUE (“Haque”) is an individual and citizen of
12 the State of California, with his primary residence within the Central District of
13 California. Haque was at all relevant times covered by this Complaint, the Chief
14 Financial Officer (“CFO”) of Veltex, and a member of the Veltex Board of
15 Directors since at least 2007.

16 9. Defendant ALLEN E. BENDER (“Bender”) is an individual and citizen
17 of the State of Maryland. Bender was at all relevant times covered by this
18 Complaint, a member of the Veltex Board of Directors, and a shareholder in
19 Veltex. He became a member of the Veltex Board on February 29, 2008 and
20 resigned from the Board on May 11, 2008.

21 10. Defendant VELTEX USA, INC. (“Veltex USA”) is a Delaware
22 corporation. Matin is also the President and sole shareholder of Veltex USA,
23 owning one hundred percent (100%) of its stock.

24 11. Defendant VELTEX APPAREL, INC. (“Veltex Apparel”) is a
25 California corporation. Matin is also the President and sole shareholder of Veltex
26 USA, owning one hundred per cent (100%) of its stock. Campbell is also the
27 Secretary thereof.

28 12. Defendant VELTEX INDUSTRIES, INC. (“Veltex Industries”) is a

1 Delaware corporation. Matin is also the President and sole shareholder of Veltex
2 Industries, owning one hundred per cent (100%) of its stock.

3 13. Defendant VELTEX EXPLORER, INC. (“Veltex Explorer”) is a
4 Canadian corporation, incorporated and doing business in Ontario, Canada.
5 Defendant VELTEX CANADA, INC. owns one hundred per cent (100%) of its
6 stock. Matin is also the President and sole shareholder of Veltex Explorer.

7 14. Defendant VELTEX CANADA, INC. (“Veltex Canada”) is a Canadian
8 corporation, incorporated and doing business in Ontario, Canada. Matin is also
9 the President and sole shareholder of Veltex Canada, owning one hundred per cent
10 (100%) of its stock.

11 15. Defendant WILSHIRE EQUITY, INC. *aka* WILSHIRE EQUITIES,
12 INC. (“Wilshire Equity”) is a Colorado corporation. Matin is also the President
13 and sole shareholder of Wilshire Equity, owning one hundred per cent (100%) of
14 its stock. Haque is also the Secretary and Treasurer of Wilshire Equity.

15 16. Defendant AMERICAN REGISTRAR & TRANSFER CO. (“ARTCO”)
16 is corporation organized and existing under the laws of the State of Utah with its
17 principal place of business in Salt Lake City, Utah. ARTCO is a corporate transfer
18 agent engaged in facilitating the registry and transfer of corporate shares. During
19 the relevant times covered by this Complaint, ARTCO was the transfer agent for
20 Veltex, until its services were terminated in or about the Summer of 2008, after
21 legal proceedings were instituted in the State of Utah and in federal court in the
22 Central District of California.

23 17. Defendant PATRICK R. DAY (“Patrick Day”) is an individual and
24 citizen of the State of Utah, with his primary residence in Utah. He was the
25 President of ARTCO in 2008, and served in that capacity for a period of time prior
26 thereto post-2006. He was also a member of the Veltex Board of Directors since
27 at least 2006, until his resignation on August 27, 2007.

28 18. Defendant RICHARD M. DAY (“Richard Day”) is an individual and

1 citizen of the State of Utah, with his primary residence in Utah. He is the father of
2 Patrick Day. In 2006, and for a period of time prior thereto, Richard Day held a
3 variety of management positions with ARTCO, including President, Vice-
4 President and Director positions, along with other members of the Day family.
5 Richard Day was the majority owner of ARTCO at all relevant times covered by
6 this Complaint. In addition, Richard Day is an attorney licensed to practice law in
7 the State of Utah, with offices located in Sandy, Utah. In 2006, he provided legal
8 services to Veltex and acted as an outside securities attorney for Veltex.

9 19. Defendant MICHAEL J. MOORE is an individual and citizen of the
10 State of Nevada, with his primary residence in Las Vegas, Nevada. Moore was at
11 all relevant times covered by this Complaint, a certified public accountant
12 (“CPA”) licensed by the States of Nevada and Texas. Moore is the President and
13 majority owner of Defendant MOORE & ASSOCIATES CHARTERED. Moore
14 was the only CPA of Defendant MOORE & ASSOCIATES CHARTERED from
15 its inception through late 2008 and the auditor with final responsibility for all
16 audits performed by that firm during such time.

17 20. Defendant MOORE & ASSOCIATES CHARTERED (“Moore &
18 Associates”) is a Nevada corporation and public accounting firm headquartered in
19 Las Vegas, Nevada. Moore & Associates is registered with the Public Company
20 Accounting Oversight Board (“PCAOB”) to prepare and issue audit reports on the
21 financial statements of public reporting companies. During the relevant times
22 covered by the Complaint, Moore & Associates performed accounting work and
23 services for Veltex; purportedly conducted an audit of Veltex’ books and records;
24 and prepared audited financial statements for Veltex, and other “Veltex” named
25 entities.

26 21. Defendant CHISHOLM, BIERWOLF, NILSON & MORRILL, CPA
27 *aka* CHISHOLM, BIERWOLF & NILSON, LLC (“CBNM”) is a Utah limited
28 liability company and certified public accounting firm with offices in Bountiful,

1 Utah. CBNM performed accounting work and consulting services for Veltex since
2 at least 2004.

3 22. Defendant BRAD B. HAYNES (“Haynes”) is an individual and citizen
4 of the State of California, with his primary residence within the Central District of
5 California. Haynes was at all relevant times covered by this Complaint, a CPA
6 licensed by the State of California, and doing business in the County of Los
7 Angeles. Haynes performed accounting services for Veltex since at least 2005.

8 23. Defendant ANNE TAHIM (“Tahim”) is an individual and citizen of the
9 State of California, with her primary residence in the County of Orange. Tahim
10 was at all relevant times covered by this Complaint, a CPA licensed by the State of
11 California, and doing business in the Counties of Los Angeles and Orange, with
12 offices in the County of Orange. Tahim performed accounting work for Veltex
13 since at least 2001.

14 24. Defendant JAAK U. OLESK (“Olesk”) is an individual and citizen of
15 the State of California, with his primary residence in the County of Los Angeles.
16 He is an attorney licensed to practice law in the State of California with offices in
17 Beverly Hills, California. Olesk is also a CPA, licensed by the State of California.
18 Plaintiff is informed and believes, and thereon alleges, that Olesk’s California
19 CPA license is currently delinquent. During the relevant times covered by this
20 Complaint, Olesk served as corporate counsel for Veltex, and in that capacity,
21 performed legal services for Veltex, Matin and other of Veltex’ Officers, Directors
22 and personnel. Those services, as summarized in the written contract by Veltex to
23 employ Olesk, included the drafting, negotiation and review of contracts; advising
24 Matin and other of Veltex’ officers and personnel “regarding conforming their
25 conduct to act within the law”; and reviewing, recommending changes to and
26 approving all Veltex press releases prior to issuance. A true and correct copy of
27 that letter agreement dated June 27, 2005 (together with a copy of the
28 corresponding invoice and checks for initial payment, as found in Veltex’ files), is

1 attached hereto as Exhibit 1.

2 25. Defendant CARMINE J. BUA (“Bua”) is an individual and citizen of
3 the State of California, with his primary residence, upon information and belief, in
4 the County of San Diego. He is an attorney licensed to practice law in the State of
5 California with offices in San Diego, California. Bua has been an inactive
6 member of the State Bar of California since April 10, 2010. During the relevant
7 times covered by this Complaint, Bua served as the outside “securities attorney”
8 for Veltex and, beginning in at least October 2005, also served as “General
9 Counsel” for Veltex. In that capacity, he performed legal services for Veltex
10 which included issuing legal opinion letters stating that offerings were in
11 compliance with a private placement exemption under Regulation D, Rule 504 of
12 the Securities Act of 1933 (sometimes referred to herein as “the 1933 Act”) among
13 other regulations and authorized the transfer agent to issue shares in Veltex
14 common stock without a restrictive legend, facilitating their free transferability, to
15 affiliated entities such as Wilshire Equity, Inc., an entity owned and controlled by
16 Matin.

17 **III.**

18 **JURISDICTION AND VENUE**

19 26. Plaintiff’s claims arise under and pursuant to the Securities and
20 Exchange Act of 1934 (sometimes referred to herein as “the 1934 Act”), Sections
21 10(b) and 20(a), 15 U.S.C. §§ 78j(b), 78t(a), and rule 10b-5, 17 C.F.R. § 240.10b-
22 5 promulgated thereunder by the Securities and Exchange Commission (“SEC”).

23 27. This Court also has jurisdiction under 28 U.S.C. § 1331, 15 U.S.C. §
24 77v and 15 U.S.C. 78aa, on the basis that Plaintiff alleges violations of the
25 anti-fraud provisions of the Securities Act of 1933. Therefore, the United States
26 District Court has exclusive jurisdiction pursuant to Section 27 of the 1934 Act, 15
27 U.S.C. § 78aa, and 28 U.S.C. § 1331 under federal question jurisdiction. This
28 Court also has supplemental jurisdiction over the state law claims in that the state

1 law claims arise from the same nucleus of facts as the federal question claim.

2 28. Venue is proper in this District pursuant to 28 U.S.C. § 1391(a), 15
3 U.S.C. § 77v and 15 U.S.C. § 78aa, on the basis that the Defendants are residents,
4 inhabitants and/or are doing business in this District. Venue is also proper in this
5 District pursuant to 28 U.S.C. § 1391(b)(2) because during the relevant times
6 covered by the Complaint, Veltex maintained its principal place of business in this
7 District, currently transacts business in this District, and most of the Defendants'
8 actions and practices, and the events, omissions and transactions giving rise to the
9 claims in this action occurred in whole or substantial part in this District.

10 29. Venue is also proper in this District pursuant to 28 U.S.C. § 1391(b), in
11 that the claims arose in Los Angeles, California, located in the Central District of
12 California.

13 **IV.**

14 **FACTS COMMON TO ALL CLAIMS**

15 **A. The Management Defendants' Wrongful Activities**

16 30. Since at least 2004, and until he was removed pursuant to Court Order
17 issued by the Honorable Kate A. Toomey on July 21, 2008, pursuant to an action
18 initiated by dissident Veltex shareholders in Utah State Court in the action
19 entitled: "*Robert Fletcher, et al. v. Veltex corporation, et al.*," Civil Action No.
20 080907145 (the "Utah action"), Matin functioned as the Chairman of Veltex'
21 Board of Directors and its CEO without any oversight by the Veltex shareholders
22 or an independent Board of Directors. Campbell, Haque, Day and Bender have
23 been subject to Matin's control and have not functioned as independent Directors.
24 Campbell and Haque were also removed from their positions as Directors and
25 Officers of Veltex on July 21, 2008, pursuant to the Order issued by Judge
26 Toomey on July 21, 2008.

27 31. The Management Defendants have engaged in a series of wrongful
28 activities, including but not limited to, the issuance of false statements as to the

1 revenues and profits of Veltex, the issuance of false statements as to the number of
2 outstanding shares of Veltex stock, the misrepresentation of the existence of
3 Veltex' purported manufacturing facilities, the misrepresentation of the sale of
4 Veltex' purported manufacturing facilities, and the diversion of Veltex' revenue
5 and assets, the dissipation of Veltex' assets. This was all done in furtherance of
6 the "pump and dump" scheme masterminded by Matin, and carried out with the
7 intent, knowledge and assistance of the other Management Defendants; the
8 Attorney Defendants; the Accountant Defendants; the stock transfer agents for
9 Veltex, ARTCO; and Matin's web of corporate entity Defendants.

10 **B. Misrepresentation of Veltex Revenues and Profits**

11 32. During the relevant times covered by this Complaint, Matin and the
12 other Management Defendants caused a series of false representations of Veltex'
13 revenues and profits to be disseminated to Veltex' shareholders and the general
14 investing public. These representations have included the following press releases
15 and announcements which were disseminated by means and instrumentalities of
16 interstate commerce, including the posting on Veltex' website:

17 (a) A public announcement on May 16, 2005, of Veltex' purported
18 revenues and profits for the first quarter of 2005. The revenue of Veltex'
19 consolidated operations was for the three months ending March 31, 2005, was
20 reported as \$13,270,345 and the net profits for the period was reported as
21 \$1,739,537 or 22 cents per share. The first quarter revenue was purported to
22 represent a 30% increase over the comparable period in 2004. A true and correct
23 copy of this announcement, which was linked to Veltex' website, is attached
24 hereto as Exhibit 2.

25 (b) A public announcement on September 29, 2005, of Veltex'
26 purported revenues and profits for the six months ending June 30, 2005. This
27 announcement stated that "sales were \$18,161,000 and pre-tax income was
28 \$1,356,000." It also claimed, "The June 30, 2005 unaudited Consolidated Balance

1 Sheet reflected total assets of \$41,818,000; total current assets of \$18,619,000
2 (verse total current liabilities of only \$3,871,000); as well as total shareholder
3 equity of \$28,935,000 (Ie. net worth).” A true and correct copy of this
4 announcement, which was linked to Veltex’ website, is attached hereto as Exhibit
5 3.

6 (c) A public announcement on October 11, 2005, of Veltex’ revenues
7 and profits for the third quarter of 2005. This announcement reported revenue of
8 “\$16,740,888 for the third quarter and net pre tax income of \$3,318,177.” It also
9 reported:

10 First half revenue is restated at \$25,956,800 and included \$7,795,800 from
11 Velvet Textile Mills that was omitted from previous press release solely
12 based on the fact that those figures had not yet been finalized at the time of
13 publication. Net income from the Mill for the same period was \$1,637,118.
14 Revenue for the first three quarters of 2005 is \$42,697,688 and income of
15 \$6,311,295.

16 A true and correct copy of this announcement, which was linked to Veltex’
17 website, is attached hereto as Exhibit 4.

18 (d) A public announcement on June 16, 2006, of Veltex’ financial
19 results for the first quarter of 2006. Veltex’ gross revenue was reported as
20 \$14,620,319 and its gross profit was represented to be \$2,920,828. A true and
21 correct copy of this announcement, which was linked to Veltex’ website, is
22 attached hereto as Exhibit 5.

23 (e) A public announcement on December 12, 2006 of Veltex’
24 revenues and profits. It stated that revenues for the third quarter of 2006 were
25 \$19,211,913 and claimed, “Revenues have topped \$19 Million for the second
26 consecutive quarter.” It was also reported: “Revenues for the nine months ended
27 September 30, 2006, totaled \$53,155,810. Gross profit for the nine months ending
28 September 30, 2006, were \$15,689,013 with net income totaling \$5,781,594.” A

1 true and correct copy of this announcement, which was linked to Veltex' website,
2 is attached hereto as Exhibit 6.

3 (f) A public announcement on February 7, 2007, of Veltex' purported
4 revenues and profits for 2006. Specifically, Veltex claimed to have revenues for
5 the twelve months ending December 31, 2006, of \$70,131,941 and to have ended
6 that period with a net income of \$5,545,246. It also claimed to had earnings for
7 the year of twenty five cents (\$0.25) a share and to have over \$53,468,837 in
8 assets. A true and correct copy of this announcement, which was linked to Veltex'
9 website, is attached hereto as Exhibit 7.

10 (g) An announcement of Veltex' sales and profits for the first quarter
11 of 2007 on August 27, 2007. It stated that Veltex' "sales for the first quarter of
12 2007 were \$18,251,239 as compared to \$14,620,491 for the first quarter of 2006
13 for an increase of \$3,630,920 or almost 25%." It further reported that, "Net profit
14 was \$1,930,551." A true and correct copy of this announcement, which was
15 linked to Veltex' website, is attached hereto as Exhibit 8.

16 (h) An announcement on October 18, 2007, of Veltex' financial
17 results for the second quarter of 2007. It stated that second quarter revenue was
18 \$17,347,598 and second quarter profit was \$1,908,128. It further reported that,
19 "First half revenue was \$35,598,837 as compared to \$33,448,897 for the same
20 period in 2006." A true and correct copy of this announcement, which was linked
21 to Veltex' website, is attached as Exhibit 9.

22 33. The foregoing announcements and postings on Veltex' website of
23 Veltex' revenues and profit figures were false and known to be false by Matin, the
24 other Management Defendants and Olesk, at the time they were made. The figures
25 announced were achieved by a subterfuge whereby paper sales were arranged
26 between what were misrepresented to be Veltex' subsidiaries in Canada and the
27 United States. As alleged herein, Veltex USA, Veltex Apparel, Veltex Industries
28 and Veltex Explorer were all separate and independent corporations established

1 by, wholly owed by and under the exclusive control of Matin. Matin utilized these
2 “Veltex” named companies as part of the scheme. For instance, goods were
3 bought by Veltex from suppliers outside North America and shipped to Veltex’
4 “Canadian subsidiary” at a mark up. The purchases were recorded in Veltex’
5 books and records as a sale for purpose of Veltex’ revenue and as profit, even
6 though there was no disposition of the goods by Veltex or its “subsidiaries” and
7 the goods simply sat in Veltex’ inventory. On other occasions, intra-company
8 transactions between Veltex’ “Canadian subsidiary”, Veltex Canada, and its
9 United States “subsidiary”, Veltex Apparel, would be marked up at profit and
10 booked as sales, even though the goods remained in the subsidiary’s inventory.
11 Then, the same goods might be sold back and forth on multiple occasions in paper
12 transactions without ever being shipped from the warehouses of the purported
13 Veltex “subsidiaries.” Through these paper transactions back and forth between
14 the “subsidiaries”, the Management Defendants were able to report substantial
15 sales and profits on consolidated financial statements, when no real revenue and
16 profit was actually generated anywhere except on paper. None of these so-called
17 “Veltex” subsidiaries were ever actually owned by or affiliated with Plaintiff
18 Veltex.

19 34. Matin and the other Management Defendants made such false
20 announcements with the intent of misleading the existing Veltex shareholders, as
21 well as members of the general investing public, in order to induce them to
22 maintain and/or purchase stock. The announcements were intended to mislead
23 existing Veltex shareholders so that Matin would remain in control of Veltex and
24 also intended to induce members of the general investing public to acquire and bid
25 for Veltex’ common stock, which was then sold by Matin from Veltex authorized
26 shares for his own financial benefit.

27 **C. Misrepresentations Regarding the Outstanding Veltex Shares**

28 35. Matin and the other Management Defendants also knowingly and

1 intentionally made inconsistent and misleading representations as to the number of
2 outstanding shares of Veltex. Such inconsistent and misleading statements have
3 appeared as follows:

4 (a) In the announcement which was issued on December 12, 2006, with
5 respect to Veltex' earnings through the third quarter of 2006, it was represented:
6 "With approximately 20 million shares outstanding, Veltex is pleased to report
7 earnings per share of \$0.29 through the first nine months of 2006." (See Exhibit
8 6.)

9 (b) In announcement on September 14, 2007, it was stated that: "The
10 Company has about 18,000,000 shares outstanding with a \$70,000,000 gross
11 revenue and \$7 million profit." A true and correct copy of this announcement is
12 attached hereto as Exhibit 10.

13 (c) In announcement on October 15, 2007, it was stated that: "Our
14 outstanding share figure was misstated in the last press release and should have
15 read 28,647,309." A true and correct copy of this announcement is attached hereto
16 as Exhibit 11.

17 36. Such inconsistent and misleading statements about the number of
18 outstanding shares were made by Matin and the other Management Defendants
19 with knowledge of their falsity or in reckless disregard of the truth, so as to
20 mislead Veltex shareholders and members of the general investing public.

21 37. Such misstatements were material in that they induced shareholders to
22 retain Matin and the other Management Defendants in control of Veltex and
23 mislead the public to purchase Veltex common stock in the open market.

24 **D. Misrepresentations Concerning the Ownership of**
25 **the Bangladesh Facilities**

26 38. It was represented by Matin and the other Management Defendants that
27 Veltex owned textile manufacturing facilities in Bangladesh. According to Matin,
28 he acquired looms from a mill in the southern United States that was about to go

1 out of business in 1996. He then had the equipment shipped to and installed at a
2 mill in Camilla, Bangladesh, which became Velvet Textile Mills. Subsequently,
3 Matin claimed that Velvet Textile Mills was funded through a reverse merger in
4 1999, and then in 2004, he acquired KCA Garment Industries in Tongi,
5 Bangladesh, which manufactured actual garments. The Veltex “story” in which
6 this history appears was published on <http://www.emergingissurer.com> and was
7 linked to the Veltex website. A true and correct copy of the article is attached
8 hereto as Exhibit 12.

9 39. The truth is that no production facilities were actually owned by Veltex
10 in Bangladesh. While Matin had acquired some textile manufacturing equipment
11 from a velvet mill in South Carolina and had the equipment shipped to
12 Bangladesh, the mill never became operational. A third party purchased the
13 location for the establishment of the mill and obtained financing for the set up of
14 the equipment for a 50% interest in the business, but Matin spent the money for
15 the mill for his own personal expenses and a Bangladeshi bank holds a lien on the
16 unassembled equipment and other assets of Velvet Textile Mills.

17 40. Further, although Matin announced that KCA Garment Industries
18 purportedly employed 900 workers and produced \$29,000,000 of goods in 2004,
19 there is no record of either Veltex’ or Matin’s ownership of such manufacturing
20 entity in Tongi, Bangladesh.

21 **E. The Purported Sale of the Bangladesh Facilities**

22 41. On March 4, 2008, Matin issued a press release stating that Veltex was
23 restructuring and adopting a new business model. Among other things, it was
24 represented that:

25 Sale of the manufacturing operations was completed as of December 31,
26 2007 and will be shown as a discontinued operation in the 2007 financials.
27 This sale will provide working capital for support and expansion of
28 remaining operations. Principal terms of the sale of the remaining assets are

1 assumption of liabilities, Credit of \$15 million to be used by Veltex as
2 partial offset against future purchases, preferred customer prices, and
3 favorable payment terms.... A gain/loss may be realized on the sale, but the
4 amount has yet to be determined by the audit.

5 A true and correct copy of this press release is attached hereto as Exhibit 13.

6 42. Upon learning that Veltex was attempting to sell its manufacturing
7 facilities in Bangladesh, one of the Veltex shareholders, Walter Perich ("Perich"),
8 contacted Matin about submitting a bid for the facilities, but was informed on or
9 about December 5, 2007, by Veltex' corporate counsel, Defendant Olesk, that the
10 Veltex Board of Directors had already approved the sale of the factory.

11 43. Despite repeated requests for the terms and conditions of the sale,
12 neither Matin nor Olesk would provide Perich any information until January 19,
13 2008, when they finally advised him verbally of that the sale had been
14 consummated on December 31, 2007. Matin and Olesk advised Perich that the
15 consideration included \$4,000,000 in cash in addition to \$15,000,000 of product
16 over the next few years.

17 44. Matin told Perich that Veltex had received four bids on the textile
18 factory and promised to provide Perich with copies of the bids. Nevertheless,
19 Matin never provided Perich the purported bids.

20 45. In a telephone conversation in February 2008, Matin confirmed again to
21 Perich that Veltex had received \$4,000,000 in cash from the sale of the
22 manufacturing facilities in Bangladesh. When the March 4, 2008 press release
23 failed to disclose the receipt of the \$4,000,000 in cash from the sale, Perich
24 confronted Matin with this fact in an e-mail asking Matin if he had "lied" about
25 the payment. In response, Matin wrote back that he had not lied, but did not
26 mention the cash payment because an audit was being conducted at Veltex.
27 True and complete copies of the e-mail exchanged between Perich and Matin on
28 March 4, 2008, are attached hereto collectively as Exhibit 14.

1 46. Despite the representations made by Matin and Olesk about the receipt
2 of the \$4,000,000 in cash, there is no record of the purported cash proceeds from
3 the sale of the Bangladesh facilities *ever* making it to the United States; no record
4 of the transaction on Veltex' books and records; and no record of the payment *ever*
5 being deposited into Veltex' corporate bank account.

6 47. The purported sale of the Bangladesh manufacturing facilities was a
7 sham, and used to cover up the fact that Veltex did not own such facilities and
8 cover up the falsity of the representations and reports by Matin and the other
9 Management Defendants of the revenues and profits derived from the purported
10 facilities. The controlling interest in Velvet Textile Mills, the entity which was
11 established when the looms were purchased and transported to Bangladesh and
12 which Veltex purportedly owned, was actually owned by someone else. The
13 unassembled equipment and property of the corporation was also encumbered by
14 bank loans. Thus, Veltex lacked any authority or ability to sell Velvet Textile
15 Mills.

16 **F. The Purported Veltex Corporate Audits**

17 48. Commencing in at least 2004, and continuing through all relevant times
18 in the Complaint, Matin repeatedly represented to shareholders that Veltex was
19 having audits performed of its financial affairs. These representations have
20 included the following press releases and announcements which were
21 disseminated by means and instrumentalities of interstate commerce, including
22 posting on Veltex' website:

23 (a) A press release on January 14, 2004, announcing that Veltex had
24 "released its audited financial statements showing the company had Net Income of
25 \$1,653,494 on Revenues totaling \$13,902,120 for Fiscal Year 2002 representing
26 an increase of 26% over FY 2001 Net Income and 60% over FY 2001 Revenues.
27 Audited Net Income for FY 2001 was \$1,313,839 on Revenues of \$8,741,348."
28 The press release stated that the Audit Report was available on the company

1 website and that the company “plans to release preliminary financials for the First
2 and Second Quarters of 2003 shortly.” A true and correct copy of this
3 announcement, which was linked to Veltex’ website, is attached hereto as Exhibit
4 15. A true and correct copy of the Audit Report of the consolidated balance sheet
5 of Veltex Corporation and Subsidiary, as of the years ending December 31, 2002
6 and 2001, prepared by Tahim and dated January 6, 2004 (the “Tahim Audit
7 Report”), which was available on Veltex’ website, is attached hereto as Exhibit 16.

8 (b) A press release on September 24, 2004, stating that audited
9 financials for Veltex’ 2001 and 2002 results are available on the company’s
10 website. A true and correct copy of this announcement, which was linked to
11 Veltex’ website, is attached hereto as Exhibit 17.

12 (c) A public announcement on September 28, 2004, announcing the
13 hiring of a Utah based auditing firm. The announcement stated that the “firm is
14 being hired to audit the financials beginning in 2003 and going forward.” It
15 further stated that “[a]ll audited financials for years previous to 2003 can be found
16 at the company’s website.” Martin is quoted as stating that “we believe this is a
17 critical step in gaining investor confidence as well as helping with further
18 expansion of our Company.” A true and correct copy of this announcement,
19 which was linked to Veltex’ website, is attached hereto as Exhibit 18.

20 (d) A public announcement on October 5, 2004, announcing that the
21 2003 audit should be completed in the next 45-60 days and that the company plans
22 to post the audit on the Veltex website upon completion. It further stated that
23 “Veltex expects to have its 2004 audit done in the first quarter of 2005.” A true
24 and correct copy of this announcement, which was linked to Veltex’ website, is
25 attached hereto as Exhibit 19.

26 (e) A public announcement on October 25, 2004, announcing that
27 Veltex “plans to become a fully reporting Company upon the completion of its
28 2003 audit.” It further stated that Veltex “is currently undergoing the audit by a

1 SEC licensed auditor.” Matin stated that “larger investors and institutional traders
2 will be able to purchase shares of Veltex once the Company is listed on a major
3 exchange and is filing SEC statements.” Matin further stated that “[d]uring the
4 first six months of 2004, we have produced over \$20 million in revenues and \$3
5 million in profits.” A true and correct copy of this announcement, which was
6 linked to Veltex’ website, is attached hereto as Exhibit 20.

7 (f) A public announcement on November 12, 2004, announcing that
8 Veltex “is currently undergoing its audit for 2003.” It further stated that, upon
9 completion of the 2003 audit, “the company plans on becoming fully reporting
10 with the SEC and moving to a larger exchange.” A true and correct copy of this
11 announcement, which was linked to Veltex’ website, is attached hereto as Exhibit
12 21.

13 (g) A public announcement on November 22, 2004, announcing that
14 “Veltex is currently undergoing its 2003 audit and it is expected to be completed
15 in December. The Company then plans on becoming fully reporting and looks to
16 be listed on the American Stock Exchange (AMEX).” A true and correct copy of
17 this announcement, which was linked to Veltex’ website, is attached hereto as
18 Exhibit 22.

19 (h) A public announcement on December 9, 2004, again announcing
20 that “Veltex is currently undergoing its 2003 audit, which the company expects to
21 be completed by years end.” It further stated that the “2004 audit will begin as
22 soon as the year is finished. Veltex plans on using the 2004 audit to become fully
23 reporting and move off the Pink Sheets and onto a major exchange.” A true and
24 correct copy of this announcement, which was linked to Veltex’ website, is
25 attached hereto as Exhibit 23.

26 (I) A public announcement on December 27, 2004, announcing that
27 Veltex had “completed its acquisition of KCA Garment Industries.” It further
28 reiterated that “Veltex is currently undergoing its 2003 audit, which the company

1 expects to be completed in the near future.” It further stated that the “2004 audit
2 will begin in early 2005 and upon its conclusion, Veltex plans on using the audit
3 to become fully reporting and move off the Pink Sheets and onto a major
4 exchange.” A true and correct copy of this announcement, which was linked to
5 Veltex’ website, is attached hereto as Exhibit 24.

6 (j) A public announcement on January 5, 2005, again stating that
7 Veltex is undergoing its 2003 audit, which it expects to be completed by February
8 1, 2005. Matin further stated that, “[a]s soon as our 2004 audit is completed, we
9 plan to become fully reporting and make application to move off the Pink Sheets
10 and onto a major exchange, which will give our company much greater visibility
11 amongst the investment community.” A true and correct copy of this
12 announcement, which was linked to Veltex’ website, is attached hereto as Exhibit
13 25.

14 (k) A public announcement on January 14, 2005, again stating that
15 “Veltex is undergoing its 2003 audit, which the company expects to be completed
16 by February to be immediately followed by the commencement of the 2004 audit.”
17 A true and correct copy of this announcement, which was linked to Veltex’
18 website, is attached hereto as Exhibit 26.

19 (l) A public announcement on February 16, 2005, announcing
20 “preliminary, unaudited, consolidated financial results for Calendar Year Ending
21 December 31, 2004.” It further stated that, “[a]s far as 2005, Mr. Matin
22 commented, “[w]e anticipate our completed US GAAP quality audit for 2003 will
23 be issued approximately March 15, 2005. The 2004 audit is expected to be issued
24 approximately April 15, 2005.” A true and correct copy of this announcement,
25 which was linked to Veltex’ website, is attached hereto as Exhibit 27.

26 (m) A public announcement on March 17, 2005, announcing that
27 Veltex “received a draft of its 2003 audit to be reviewed by executive officers,
28 attorney and others.” It further stated that “Veltex expects to release the audit next

1 week.” A true and correct copy of this announcement, which was linked to
2 Veltex’ website, is attached hereto as Exhibit 28.

3 (n) A public announcement on March 23, 2005 on the Veltex website
4 titled, “Note to Accompanying Audited Consolidated Financial Statements.” The
5 Note reported:

6 The accompanying audited financial statements have been consolidated in
7 order to assist the reader in gaining an understanding of the totality of the
8 operations of Veltex Corporation and its wholly-owned subsidiary Velvet
9 Textile Mills, Ltd.

10 The financial statements of Veltex Corporation as of December 31, 2003
11 were audited by the accounting firm of Chisholm, Bierwolf & Nilson, LLC
12 in accordance with accounting principles generally accepted in the United
13 States of America. Chisholm, Bierwolf & Nilson provided an audit report,
14 dated February 10, 2005.

15 The financial statements of Velvet Textile Mills, Ltd. as of December 31,
16 2003 were audited by M.N. Islam & Company, who provided an audit
17 report.

18 The consolidated financial statements have been prepared to show the
19 combined financial position and results of operations of the two above-
20 mentioned entities. In the opinion of management, they include all of the
21 adjustments which are necessary for a fair presentation. Any inter-company
22 activities have been eliminated in the consolidation. The consolidated
23 financial statements have not, in the aggregate, been audited. However,
24 each of the entities’ financial statements was audited individually. These
25 consolidated financial statements are presented for clarification and
26 discussion purposes only and should not be read without reading the
27 separate financial statements and the attached auditor reports.

28 A true and correct copy of this “Note to Accompanying Audited Consolidated

1 Financial Statements,” which appeared on Veltex’ website, is attached hereto as
2 Exhibit 29. A true and correct copy of Chisholm, Bierwolf & Nilson’s
3 Independent Auditor’s Report of the unconsolidated balance sheet of Veltex as of
4 December 31, 2003, dated February 10, 2005 (the “CBNM Audit Report”), which
5 was directly accessible on Veltex’ website, is attached hereto as Exhibit 30.

6 (o) A public announcement on March 30, 2005, announcing that
7 Veltex’ “independent auditors and certified public accountants have completed an
8 audit of the company financial statements for fiscal 2003.” It further states that
9 the audit is available on the Veltex website. The announcement reported that
10 Veltex “reported a net loss of \$1,781,342 for the year, with \$1,537,840 of the loss
11 pertaining to the Company’s trucking operations, which were disposed of during
12 the year.” It further reported that Veltex “has assembled basic condensed
13 consolidated financial statements for the year ended December 31, 2003. These
14 consolidated financial statements report the combined results of Veltex
15 Corporation, and its wholly-owned subsidiary, Velvet Textile Mills, Ltd.” It
16 further stated that the “consolidated revenues generated by the Company and its
17 subsidiary for the year totaled \$15,002,031, with a gross profit of \$2,400,196.
18 Consolidated net loss totaled \$451,164.” Matin further commented that “the
19 audited financial results for fiscal 2003 came in substantially the same as
20 originally reported.” A true and correct copy of this announcement, which was
21 linked to Veltex’ website, is attached hereto as Exhibit 31.

22 (p) A public announcement on May 18, 2005, in which Matin stated
23 that “[w]e are disappointed by the delay in the completion of our 2004 audit. We
24 had been previously advised by our auditor to expect the 2004 document by end of
25 Q’2, 2005 and as Veltex Corporation has informed its shareholders of the delay
26 and we have endeavored to inform the investing public of the same unfortunate
27 delay in our press release.” Matin further stated that “[s]ubsequently to the
28 original date of Q’2, 2005, the auditors have informed us that due to a backlog in

1 their office regarding previous commitments they would not complete the audit for
2 several additional months.” A true and correct copy of this announcement, which
3 was linked to Veltex’ website, is attached hereto as Exhibit 32.

4 49. The Tahim Audit Report of the consolidated balance sheet of Veltex
5 Corporation and its Bangladesh Subsidiary, Velvet Textile Mills, Ltd., as of the
6 years ending December 31, 2002 and 2001, dated January 6, 2004, was available
7 to the public on the Veltex website. The Tahim Audit Report states that the audit
8 was conducted in accordance with generally accepted auditing standards. (See
9 Exhibit 16.) However, the audit failed to conform to GAAP and was substantially
10 deficient.

11 50. Among other things, Tahim was not in a position to be principal auditor
12 and by serving as principal auditor and relying on the work of the Bangladesh
13 audit, Tahim violated AU Section 543 and the duty of due care. See AU § 543,
14 Part of Audit Performed by Other Independent Auditors, (auditor must consider
15 whether his participation is sufficient to serve as principal auditor and to report on
16 the financial statements and whether to make reference in his report to another
17 auditor’s work or report). The Tahim Audit Report states that they did not audit
18 the statements of Velvet Textile Mills. The Report explains that the statements of
19 Velvet Textile Mills “were compiled by other auditors whose reports [were]
20 furnished to [them], and [their] opinion, in so far as it relates to the amounts
21 included for Velvet Textile Mills, is based solely on the reports of other auditors.”
22 According to the Report, the vast majority of the reported revenue came from
23 Velvet Textile Mills. Specifically, “[s]ales for the year ended December 31, 2002
24 totals \$13, 902, 120, of which \$261,878 is US and \$13,640,242 is from the
25 Bangladesh operation.” Moreover, the Report states that “[f]or the year ending
26 December 31, 2001, the sales of \$8,741,348 all came from the Bangladesh
27 operation.” (See Exhibit 16.) Accordingly, Tahim audited about 1% of the
28 financial statements included in the Tahim Audit Report - 99% of the revenues

1 came from the Bangladesh operation - and Tahim had an affirmative duty to, at
2 minimum, make inquiries concerning the professional reputation and
3 independence of the auditors who provided the reports for Velvet Textile Mills,
4 and at a minimum to re-perform some or all of their work in significant audit
5 areas. Tahim did not have the ability to assess the fairness of the financial
6 statements due to the reasons mentioned above and would not have been able to
7 opine on the financial statements by referencing to the work performed by the
8 other auditor under the generally accepted auditing standards. Additionally, the
9 financial statements did not fairly present the financial condition of the company
10 as was represented by Tahim. Tahim knew or but for her reckless disregard
11 should have known that the financial statements for the fiscal years 2001 and 2002
12 were materially misstated and not presented in conformity with GAAP.

13 51. CBNM was engaged to perform accounting and consulting services and
14 serve as an independent auditor for Veltex on or about September 2004 (*See*
15 Exhibit 18), and continued their engagement with Veltex through at least
16 September 2005. True and correct copies of billing statements for CBNM's
17 consulting/advisory services, dated April 5, 2005, July 8, 2005 and September 13,
18 2005 are attached hereto as Exhibit 33.

19 52. In or about September 2004, CBNM was contacted to perform an audit
20 for the financial statements of Veltex Corporation as of December 31, 2003. (*See*
21 Exhibit 18.) In or about 2004-2005, CBNM did perform an audit. The CBNM
22 Audit Report states that CBNM "conducted [their] audit in accordance with
23 auditing standards generally accepted in the United States of America." (*See*
24 Exhibit 30.) The CBNM Audit Report further states

25 Those standards require that we plan and perform the audit to obtain
26 reasonable assurance about whether the financial statements are free of
27 material misstatement. An audit includes examining, on a test basis,
28 evidence supporting the amounts and disclosures in the financial statements.

1 An audit also includes assessing the accounting principles used and
2 significant estimates made by management, as well as evaluating the overall
3 financial statement presentation. We believe that our audit provides a
4 reasonable basis for our opinion.

5 In our opinion, the unconsolidated financial statements referred to above
6 present fairly, in all material respects, the financial position of Veltex
7 Corporation as of December 31, 2003 and the results of their unconsolidated
8 operations and its cash flows for the year then ended, in conformity with
9 accounting principles generally accepted in the United States of America.

10 (See Exhibit 30.)

11 53. CBNM's audit of Veltex' 2003 unconsolidated financial statements
12 violated numerous generally accepted auditing standards and was substantially
13 deficient. Among other things, CBNM violated the GAAP non-consolidation
14 policy, SFAS 94, which requires auditors to audit a parent company's consolidated
15 financial statements and include subsidiaries if the parent company has majority
16 control with a voting interest, such as here, where Velvet Textile Mills is a wholly
17 owned subsidiary of Veltex. CBNM's disclaimer does not absolve it from
18 liability. Under GAAP, CBNM should have audited Veltex' consolidated
19 financial statements or refused the engagement. In addition, the CBNM Audit
20 Report fails to sufficiently disclose the business risks associated with Veltex
21 shutting down its trucking industry. Further, the organization of Veltex' business
22 activities is highly deficient in that the CBNM Audit Report only includes
23 information regarding Veltex' trucking operations, but the press releases indicate
24 that Veltex was engaged in numerous other business activities.

25 54. CBNM also failed to comply with AICPA Standards relating to
26 communications with the prior auditor. See AU § 315, Communication Between
27 Predecessor and Successor Auditors, at .03, .07 &.09 (auditor should not accept an
28 engagement until after "necessary procedure" of inquiring with predecessor

1 auditors about integrity of management, disagreements with management
2 regarding accounting principles or auditing procedures, communications with the
3 audit committee regarding client fraud or illegal acts, and the reason for change of
4 auditors); .11 (auditor should request permission to review predecessor's work
5 papers). CBNM never communicated with Veltex' former auditors.

6 55. Under GAAP, in order to complete the audit, CBNM would have had to
7 meet with Veltex' senior management. This would have included Olesk who, in
8 addition to being general counsel to Veltex during the relevant period, is also a
9 Certified Public Accountant and was in charge of approving all press releases
10 issued by the company. The press releases issued by the Management Defendants
11 during the period in which CBNM was performing the audit and providing
12 consulting services for Veltex repeatedly indicated that Veltex was in the process
13 of becoming a fully reporting company and moving off the Pink Sheets and onto a
14 major exchange. Moreover, the Management Defendants informed CBNM that
15 they intended to make Veltex fully reporting. Accordingly, CBNM knew that the
16 Management Defendants intended to make Veltex fully reporting and thus CBNM
17 was under an obligation to look back at Veltex' 2001-2002 financials. If CBNM
18 did review Veltex' prior audit reports, as they were required to do under AU §
19 315, CBNM would have been aware of the inconsistencies between the financial
20 information being provided to them by the Management Defendants and the
21 financials that were reported in prior press releases.

22 56. Moreover, although CBNM purported to audit the unconsolidated
23 financial statements of Veltex Corporation, the Utah corporation, for the year
24 2003, CBNM relied, at least in part, upon the financial statements of Veltex USA,
25 a wholly unrelated Delaware corporation owned entirely by Matin.

26 57. Moreover, Matin and the Management Defendants issued numerous
27 press releases informing the general investing public of the audit in an attempt to
28 establish the financial credibility of the company. In the course of the audit,

1 CBNM became aware or should have become aware that Veltex was not a going
2 concern and that providing Veltex with an audited financial would allow Matin
3 and the Management Defendants to give the appearance to the general investing
4 public that the company was bona fide.

5 58. Throughout 2007, Matin again represented to shareholders that Veltex
6 was having an audit performed of its financial affairs by a Certified Public
7 Accounting Firm. Matin reiterated this representation in the March 5, 2008 press
8 release, stating:

9 [T]he time, cost, and effort for completing separate audits for the US
10 Canada, and Bangladesh and then preparing consolidated financial reports
11 have proved much greater than anticipated. We continue to work diligently
12 with our CPA firm to complete the task. Our Independent Auditor, Mike
13 More [sic], CPA is a member of the Public Companies Accounting
14 Oversight Board (PCAOB).

15 (*See Exhibit 13.*)

16 59. The true facts, however, were that Veltex' designated auditor, Moore
17 and Moore & Associates, had actually resigned as of at least March 6, 2008, two
18 days after the press release was issued. Notwithstanding their resignation, Matin
19 and the other Management Defendants never informed the shareholders and
20 members of the investing public of this material fact and event.

21 60. Despite the false impression left by Matin's and the other Management
22 Defendants' repeated assertions that Veltex was having audited financials
23 prepared, this was blatantly untrue. These were material facts which should have
24 been affirmatively disclosed to shareholders and the investing public, but were
25 not.

26 61. Starting in 2004, and thereafter, millions of Veltex shares were sold,
27 due, at least in part, to the press releases issued by Matin and the Management
28 Defendants regarding the Audit Reports prepared by Tahim and CBNM, which

1 helped create the false impression of a viable, thriving company. Beginning in
2 2004, after the announcement of Veltex' audited financials by Tahim, millions of
3 shares of Veltex stock were sold generating in excess of \$30 million, and allowing
4 Matin and the Management Defendants, with the assistance of the attorneys,
5 accountants and transfer agents, who are named as party-Defendants herein, to
6 perpetrate the "pump and dump" scheme.

7 **G. Conflicts of Interest and Misappropriation of Veltex**

8 **Corporate Assets**

9 62. Matin and the other Management Defendants have diverted assets and
10 revenue of Veltex, and engaged in egregious self-dealing and malfeasance as is
11 alleged herein. Matin has admitted in judicial proceedings against him in
12 California that he used Veltex funds to purchase three homes for himself,
13 including a 15,000 square foot residence in Diamond Bar, California. This use of
14 the corporate funds of Veltex was neither approved by an independent Board of
15 Directors, nor was it ever disclosed to Veltex' shareholders or members of the
16 general investing public.

17 63. Funds and assets belonging to Veltex were also transferred from time to
18 time to Wilshire Equity, a company wholly owned by Matin. Wilshire Equity has
19 neither supplied Veltex with goods nor provided it with any services. The
20 transactions with Wilshire Equity have never been approved by an independent
21 Board of Directors, and never disclosed to Veltex' shareholders or members of the
22 general investing public.

23 64. Matin's wife, Sultana, has also received payments from time to time
24 from Veltex, even though she performed no services for the corporation. Again,
25 payments to her were never authorized or approved by an independent Board of
26 Directors nor disclosed to shareholders or members of the general investing
27 public.

28 65. Matin also sold off Veltex' inventory at substantial discounts, and he,

1 Campbell and Hague used the proceeds personally and/or funneled them into other
2 entities or accounts over which Matin exercised control.

3 **H. The Orchestration of the “Pump and Dump Scheme”**

4 66. The “pump and dump” scheme was operated primarily through Wilshire
5 Equity, the Colorado corporation owned entirely by Matin. Wilshire was the
6 vehicle that received the inflated, unrestricted and legend free Veltex common
7 stock shares which were then sold to unsuspecting investors through several
8 smaller, regional brokerage accounts in California and in Utah. The scheme was
9 perpetrated from 2004 through early 2008, through the sale of millions of shares in
10 Veltex, which at all relevant times in this Complaint was being falsely represented
11 to the general investing public as a highly successful, financially sound and
12 profitable company, when in fact it was financially strapped, debt-ridden and
13 mismanaged. The Management Defendants, together with Olesk, fraudulently
14 “pumped” the market for the sale of Veltex stock and by creating the false
15 impression of Veltex as a thriving company, that enabled Defendants to capitalize
16 on the ensuing market for the Veltex stock that was being sold.

17 67. Because Wilshire Equity was wholly owned by Matin, who was also the
18 CEO and Chairman of the Board of Veltex, he was deemed to be an “affiliate” of
19 Veltex, and under applicable law, *i.e.*, the 1933 Act, the Veltex shares transferred
20 to Wilshire were required to bear a restrictive legend by the transfer agent at the
21 time the shares were issued, unless an attorney certifies that under Regulation D,
22 Rule 504 of the 1933 Act, the proposed shares are “legend free shares”.

23 68. For the past several years, Defendants Olesk and Bua (sometimes
24 collectively referred to herein as “Attorney Defendants”) knowingly and falsely
25 prepared such Rule 504 letters authorizing the issuance of legend free and
26 unrestricted Veltex shares by ARTCO which were then placed into the accounts of
27 Wilshire Equity or another affiliated or related entity. Bua has recently been
28 charged by the Securities and Exchange Commission (the “SEC”) with similar

1 activity in Florida.

2 69. From January 21, 2005 to January 8, 2008, Bua authored at least thirty-
3 three (33) "504 D" letters on behalf of Veltex, authorizing the transfer of
4 approximately seventeen million (17,000,000) shares of unrestricted, legend free
5 Veltex common stock. True and correct copies of a sampling of ten of the "504
6 D" letters Bua prepared as the "Securities Attorney for Veltex" are attached hereto
7 as Exhibit 34. A true and correct copy of Form D, dated October 7, 2005, which
8 Bua prepared as "General Counsel" to Veltex and submitted to ARTCO along
9 with his "504 D" letters, is attached hereto as Exhibit 35. Bua charged Veltex and
10 received as compensation as much as \$1,000.00 for each such false "504 D" letter
11 he prepared. True and correct copies of various billing statements submitted by
12 Bua to Veltex and checks issued by Veltex to Bua are attached hereto as Exhibit
13 36.

14 70. Once the fraudulent "504D" letter was issued, Matin, or one of the
15 other Management Defendants, would then send it to ARTCO and request that the
16 unrestricted stock shares be issued to Wilshire Equity or one of the other entities
17 involved in the scheme. (See Exhibit 34.) Matin, or other of the Management
18 Defendants, knew or recklessly disregarded that the factual predicates for the
19 purported legal opinions upon which they were relying to request the share
20 issuance, were false and/or misleading.

21 71. Bua knew, or consciously and recklessly disregarded, that no securities
22 law exemption was available in these offerings; that the 504D letters he issued
23 were false and misleading; and that he was instrumental in drafting the documents
24 that resulted in the fraudulent issuance of the unrestricted Veltex shares at the
25 heart of the scheme.

26 (a) At the time Bua authored his opinion letters, he knew of, or
27 consciously and recklessly disregarded, the affiliate relationship between Veltex,
28 Matin and Wilshire Equity. Haque, in his capacity as CFO of Veltex, signed each

1 check Bua received for the “legal services” he provided to Veltex. (See Exhibit
2 36.) Haque also signed the Securities Purchase Agreements, in his capacity as
3 President of Wilshire Equity, upon which Bua necessarily relied in issuing his
4 opinion letters. True and correct copies of two (2) Securities Purchase
5 Agreements executed by Haque on behalf of Wilshire Equity are attached hereto
6 as Exhibit 37. Accordingly, Bua knew of, or consciously and recklessly
7 disregarded, the affiliate relationship based on the fact that he knew that Haque
8 was CFO and a Board member of Veltex and also President of Wilshire Equity,
9 and should have known or had good reason to know that the facts provided to him
10 by Martin and the Management Defendants were inaccurate.

11 (b) Richard Day of ARTCO faxed Bua numerous letters informing
12 him that many of the representations in his 504D letters were inaccurate. For
13 instance, on July 1, 2005, Richard Day faxed Bua a letter in response to his request
14 that ARTCO issue 300,000 shares of Veltex stock pursuant to Rule 504 and based
15 upon Bua’s opinion letter in respect thereof. The letter further states that Bua’s
16 “opinion letter is based (in pertinent part) on a representation by Veltex that it has
17 not utilized Rule 504 within the last 12 months. . . .However, we have certain
18 knowledge that Veltex has utilized Rule 504 within the last 12 months, and in fact
19 on numerous occasions and based on opinions provided by you.” In support of his
20 assertion, Richard Day attached copies of 18 transmittals reflecting issuance of
21 Veltex shares in reliance on Rule 504 within the last 12 months and requested that
22 Bua provide a revised opinion based thereon. A true and correct copy of this
23 faxed letter from Richard Day, dated July 1, 2005, is attached hereto as Exhibit 38.

24 (c) A fax from Richard Day dated September 30, 2005 points out
25 numerous inconsistencies in another opinion letter issued by Bua, including the
26 fact that the Veltex officers listed on the Form D filed with the SEC are not, and
27 were not as of the date of the form, officers of Veltex. Moreover, one of the
28 officers listed was long deceased. A true and correct copy of this faxed letter from

1 Richard Day, dated September 30, 2005, is attached hereto as Exhibit 39.

2 (e) In addition, Bua responded to another letter from Richard Day
3 requesting the basis for the share purchase discount per Bua's earlier opinion letter
4 of August 7, 2007 in support of Veltex' request to issue 1,000,000 free trading
5 shares to Wilshire Equity pursuant to Regulation D, Rule 504. A true and correct
6 copy of this faxed letter from Bua, dated August 24, 2007, is attached hereto as
7 Exhibit 40.

8 (f) On August 5, 2005, Bua sent a letter to Martin and Jay Fung
9 ("Fung"), managing member of Wan Tsing Enterprises, LLC and Max Capital
10 Holdings, LLC, two of the entities Veltex issued unrestricted securities to based
11 on Bua's 504D letters. (See Exhibit 34.) In this letter, Bua informed Martin and
12 Fung that,

13 [T]he [Pennsylvania Division of Corporate Finance (the "DOF")], has
14 changed its policy with respect to Section 203(t) in that as a part of its
15 review process it will now require that a legend be placed on all
16 disclosure documents, the Subscription Agreement and the actual share
17 certificate that states that the shares may **only be sold during the first**
18 **12 months to another accredited investor.**

19 This legend requirement eliminates the original Rule 504 "free trading"
20 shares that were able to be sold on the open market.

21 Please note that the Texas Rule 504 share issuance exclusively to
22 accredited investors is still available to create "free trading" shares.

23 A true and correct copy of this letter from Bua, dated August 5, 2005, is attached
24 hereto as Exhibit 41 (emphasis in original).

25 (g) Significantly, prior to Bua's sending this letter, the 504D
26 opinion letters were issued to "Pennsylvania Residents," Wilshire Equity and Max
27 Capital Holdings, LLC, at the same address in Berwyn, Pennsylvania. (See
28 Exhibit HH.) After August 5, 2005, Bua issued 504D letters in support of requests

1 to transfer shares to, among others, “Texas Residents,” Wilshire Equity and Wan
2 Tsing Enterprises, LLC. (See Exhibit 34.) Four (4) other entities that Veltex
3 issued unrestricted shares to based on Bua’s 504D letters, Golden Gate Investors,
4 Inc., Cumbuco Beach, Inc., Vigilant Traders, Inc., and One Equity Group Corp.,
5 share the exact same Austin, Texas address as Wilshire Equity. (See Exhibit 34.)
6 Moreover, the Securities Purchase Agreements entered into between Veltex and
7 Vigilant Traders, Inc., and Veltex and One Equity Group Corporation were both
8 executed by Haque in his capacity as President of both entities. True and correct
9 copies of the Securities Purchase Agreements entered into between Veltex and
10 Vigilant Traders, Inc., and Veltex and One Equity Group Corporation are attached
11 hereto as Exhibit 42.

12 72. ARTCO, which operated as Veltex’ share transfer agent, financially
13 benefitted from each such transfer it effected. Defendant Patrick Day, who is the
14 President of ARTCO (and whose father, Richard Day, is the majority owner of
15 ARTCO, and had been one of Veltex’ outside securities attorneys), was also a
16 Director of Veltex at the same time ARTCO served as Veltex’ share transfer agent.
17 Upon receipt of the “authorization letter” from Matin or other of the Management
18 Defendants, ARTCO would then issue the legend free and unrestricted shares to
19 Wilshire Equity or one of the other entities, and they would then be sold directly
20 on the open market to unsuspecting members of the general investing public, or in
21 turn transferred to other nominees controlled by Matin and the other Management
22 Defendants, who then sold them to the public.

23 73. During the operation of this carefully orchestrated scheme, Matin,
24 Olesk and other Officers and Directors of Veltex caused numerous false and
25 misleading press releases to be issued and posted on the internet in furtherance of
26 the “pump and dump” scheme. For example, in a Veltex press release issued on or
27 about February 7, 2007, prepared by or at the direction of Matin, Campbell and
28 Haque, and with the knowledge and approval of Sultana and Olesk, Veltex’s

1 revenue for the year 2006 was falsely and fraudulently reported to be more than
2 \$70,000,000.00 and its net income at more than \$5,000,000.00. A true and correct
3 copy thereof is attached hereto as Exhibit 43. That same press release also falsely
4 reported that Veltex had assets in excess of \$53,000,000.00. On or about August
5 27, 2007, another Veltex press release falsely reported Veltex' sales for the first
6 quarter of 2007 to be more than \$18,000,000 and its net profit nearly \$2,000,000.
7 A true and correct copy thereof is attached hereto as Exhibit 44. Matin, Campbell
8 and Haque, with the knowledge and approval of Sultana and Olesk, also issued
9 false press releases as to the number of outstanding Veltex shares, materially
10 understating the true number of such outstanding shares.

11 74. Moore, Moore & Associates, CBNM, Haynes and Tahim (sometimes
12 collectively referred to herein as the "Accountant Defendants"), each, at varying
13 times, expressed views as Veltex' auditors and accountants, as to the accuracy of
14 its revenue, profit, asset and outstanding shares, knowing that Veltex' publicly
15 stated information was false and misleading. The verification of false financial
16 results by independent third parties is an important component of the "pump and
17 dump" scheme because it leads unsuspecting investors to believe that false
18 financials are, in fact, legitimate, accurate and true. Matin persistently stated
19 publicly that audited financials were being prepared for Veltex, and despite having
20 so stated over a number of years, no such audited statements were actually
21 produced. In actuality, an audit was being prepared for two completely different
22 entities – Veltex Apparel and Veltex USA – both of which are entities owned and
23 controlled by Matin, and named as Defendants herein. In truth, no audit was being
24 prepared for Plaintiff Veltex, contrary to the materially false representations being
25 made by Matin and the other Management Defendants, which the knowledge and
26 approval of Olesk and others.

27 75. The March 4, 2008 press release announced that Veltex was
28 restructuring the company and adopting a new business model. That press release

1 represented that, in connection with the preparation of audits and consolidated
2 financial reports, Veltex was continuing to work diligently with its “CPA firm” –
3 Moore & Associates, and its “Independent Auditor, Mike More [sic] CPA”, who
4 is touted as a member of PCAOB. It also reported that Veltex’ manufacturing
5 facilities had been sold. In that same press release, Matin is quoted as stating:
6 “We are predicting revenues of \$10 to \$15 million in 2008.” Though not
7 disclosed in the press release, Matin and Olesk told a major investor that Veltex
8 had received \$4,000,000 in connection with the sale of that textile manufacturing
9 facility, when in fact no such money has ever been received. It was also later
10 discovered that the textile manufacturing facility located in Bangladesh that
11 Veltex purportedly owned, was never in fact owned by Plaintiff Veltex.
12 Moreover, two days after the March 4, 2008 press release was issued, Moore &
13 Associates resigned as Veltex’ auditors, a fact never disclosed by Veltex’
14 management to its shareholders or to members of the investing public. These are
15 material facts that should have been affirmatively disclosed, but were not, and the
16 failure to do so by Matin, Campbell and/or Haque, misled shareholders and
17 members of the general investing public regarding the true status of Veltex’
18 financial condition and stability. No effort whatsoever was made to correct the
19 misleading and blatantly inaccurate information disseminated in the Veltex press
20 releases. Olesk, as Veltex’ corporate counsel, was specifically charged with the
21 responsibility of reviewing and approving all Veltex’ press releases prior to
22 issuance. He, too, failed to assure that all material facts and the true status of
23 Veltex’ financial condition and stability were disclosed in all of Veltex’ press
24 releases.

25 76. Matin and Haque were complicit in the perpetration of a massive, and
26 illegal, check kiting scheme through the issuance of false and misleading bank
27 statements for Veltex, which Matin and Haque used to “verify” the revenues of
28 Veltex. The scheme consisted of shifting money back and forth between the two

1 banks at which Veltex maintained its corporate accounts, on an almost daily basis,
2 so as to create the impression that both banks had large Veltex deposits when in
3 fact the opposite was true.

4 77. No disclosure has ever been made by the Management Defendants, or
5 any of the other Defendants of the foregoing false and misleading facts and events
6 to the investing public, and no effort whatsoever was ever made to correct the
7 misleading and blatantly inaccurate information that had been provided in the
8 Veltex press releases and other offering materials over a several year period,
9 which was integral to the perpetration and success of the “pump and dump”
10 scheme.

11 78. Matin has secreted and conveyed his personal assets to his wife,
12 Sultana, and possibly others, with the intent to hinder, delay and defraud Veltex
13 and others victimized by the “pump and dump” scheme or, alternatively, has
14 transferred assets to Sultana without receiving reasonably equivalent value in
15 exchange for the transfer. This included the use of such funds by Sultana to
16 purchase a multimillion dollar home in Diamond Bar, California. Matin, Campbell
17 and Haque also used proceeds from the illegal sales of Veltex stock to pay their
18 personal expenses, including, among other things, travel expenses, living
19 expenses, taxes and car payments.

20 79. Matin, Campbell and Haque have secreted and conveyed the assets of
21 Veltex to Sultana and possibly others, with the actual intent to hinder, delay and
22 defraud Veltex and others victimized by the “pump and dump” scheme or,
23 alternatively, they have transferred Veltex assets to Sultana without receiving
24 reasonably equivalent value in exchange for the transfer.

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V.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Securities Fraud

(Against All Defendants)

80. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65, as though fully set forth herein.

81. Defendants, and each of them, conceived and carried out a systematic plan, scheme and course of conduct during the time periods covered by the Complaint, which was intended to and did (a) deceive the investing public, including purchasers of Veltex stock; (b) cause Veltex stock to be wrongfully issued, obtained and sold; (c) manipulate, artificially inflate and maintain the price of Veltex stock; (d) cause investors to purchase Veltex stock at such artificially inflated prices; and (e) diminish and largely eviscerate the value of Veltex' stock and Veltex as a going concern. They did so by knowingly making material misrepresentations of fact as alleged herein, with scienter, in connection with the sale of securities, causing severe economic loss and harm to Veltex and its shareholders.

82. During the relevant time periods covered by this Complaint, Matin, Campbell, Haque, Bender and Day, were Officers and/or Directors of Veltex, and in charge of its financial information and its communication with the public regarding the financial affairs and condition of Veltex. They acted with the advice, consent and approval of Sultana, Olesk and Bua. The Attorney Defendants, Olesk and Bua, provided legal services integral to the perpetration of the wrongful scheme, as alleged herein. The Accountant Defendants, Moore, Moore & Associates, CBNM, Haynes and Tahim, provided accounting services integral to the perpetration of the wrongful scheme, as alleged herein. The Accountant Defendants knew, or consciously and recklessly disregarded, that the

1 Management Defendants intended to and did misuse the imprimatur of
2 “legitimacy” of Veltex’ financial statements and information created by their
3 retention and performance as the CPA’s/auditors for the corporation. Yet they
4 failed to obtain complete and accurate information and/or failed to correct
5 overvalued, incomplete and false information regarding Veltex, which they knew
6 was being disseminated to the general investing public by the Managment
7 Defendants, and being relied on by members of the general investing public to
8 purchase stock in Veltex at artificially inflated prices. Day and ARTCO, which
9 operated as Veltex’ share transfer agent, played integral roles in the issuance of the
10 illegal shares, as alleged herein.

11 83. As part of the foregoing scheme, Matin, Campbell and Haque, acting
12 with the advice, consent and approval of Sultana and Olesk, knowingly and
13 intentionally entered into and engaged in the scheme to defraud the public by
14 issuing materially false and misleading statements concerning the financial affairs
15 and condition of Veltex to induce the public to buy the artificially inflated shares
16 of Veltex. In issuing press releases with materially false revenue and profit
17 figures, Defendants used instrumentalities of interstate commerce, including the
18 mails, interstate telephone, wire and the internet.

19 84. The conduct described above, including without limitation, the
20 dissemination of materially false revenue and profit figures by Matin, Campbell
21 and Haque, with the advice, consent and approval of Sultana and Olesk, as well as
22 the failure to disclose the true and correct sales and earnings of Veltex, constitutes
23 a violation of Section 10b-5 of the Securities Act of 1934, 15 U.S.C. § 78j(b) and
24 Rule 10(b)-5 promulgated thereunder, 17 C.F.R. § 240, 10b-5.

25 85. The conduct described above, including without limitation, the
26 dissemination of false revenue and profit figures by Matin, Campbell and Haque,
27 with the advice, consent and approval of Sultana and Olesk, as well as the failure
28 to disclose the true and correct sales and earnings of Veltex, constitutes a violation

1 of Section 12(2) and/or 17(a) of the Securities Act of 1933, 15 U.S.C. §§ 771(2),
2 77q(a).

3 86. Each of the Defendants herein were aware of the unlawful scheme and
4 plan, and actively, knowingly, intentionally, consciously and with scienter
5 participated in its accomplishment by playing a specific role in that process, as
6 alleged herein.

7 87. As a direct and proximate result of such violations of the federal
8 securities laws, the stock and going concern value of Veltex has been diminished
9 and eviscerated in an amount in excess of thirty-five million dollars (\$35,000,000)
10 to be proven at trial.

11 88. By engaging in the foregoing conduct in violation of the federal
12 securities laws, and acting for their own personal benefit and wealth enhancement,
13 Matin, Campbell, Haque, Sultana and Olesk have acted with oppression, fraud and
14 malice, entitling Veltex to exemplary and punitive damages, in an amount
15 sufficient to punish and make an example of them, in an amount to be determined
16 by the jury at the time of trial.

17 **SECOND CLAIM FOR RELIEF**

18 **Fraudulent Transfer and Conveyance**

19 **(Against Defendants Matin, Campbell, Haque and Sultana)**

20 89. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65,
21 as though fully set forth herein.

22 90. Matin has secreted and conveyed his personal assets to his wife,
23 Sultana, a Defendant herein, and possibly others, with the actual and fraudulent
24 intent to hinder, delay and defraud Veltex and others victimized by the “pump and
25 dump” scheme or, alternatively, has transferred assets to Sultana without receiving
26 reasonably equivalent value in exchange for the transfer, in violation of Sections
27 4(a) and 5(b) of the Uniform Fraudulent Transfer Act (“UFTA”), California Civil
28 Code § 3439.04(a) and (b).

1 91. Matin, Campbell and Haque have secreted and conveyed the assets of
2 Veltex to Sultana, and possibly others, with the actual intent to hinder, delay and
3 defraud Veltex and others victimized by the “pump and dump” scheme or,
4 alternatively, they have transferred Veltex assets to Sultana without receiving
5 reasonably equivalent value in exchange for the transfer in violation of Sections
6 4(a) and 5(b) of UFTA, California Civil Code § 3439.04(a) and (b).

7 92. Under Section 7(a)(1) of UFTA, California Civil Code § 3439.07(a)(1),
8 the Court is authorized to void the fraudulent transfer of any assets of Veltex,
9 Matin, Campbell, Haque and Sultana. Plaintiff Veltex hereby requests that such
10 relief be granted.

11 **THIRD CLAIM FOR RELIEF**

12 **Conspiracy to Breach and Breach of Fiduciary Duty**

13 **(Against Defendants Matin, Campbell, Haque, Bender and Day)**

14 93. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65,
15 as though fully set forth herein.

16 94. In their capacity as the highest Officers and Directors of Veltex, Matin,
17 Campbell, Haque, Bender and Day, and each of them, owed to Veltex those
18 obligations owing in a fiduciary relationship founded on undivided loyalty,
19 honesty, independent judgment and conduct, to best represent and enhance the
20 interests of the corporate entity, Veltex.

21 95. As Directors, Matin, Campbell, Haque, Bender and Day stood in a
22 fiduciary relationship of trust and confidence with the corporation, Veltex, and its
23 shareholders. As a result, they owed fiduciary duties of diligence and fidelity in
24 performing their duties. They were required to serve in good faith, and in the best
25 interests of the corporation and its shareholders, and with such care, including
26 reasonable inquiry, as an ordinarily prudent person in a like position would use
27 under similar circumstances. They were specifically precluded from engaging in
28 intentional misconduct or knowing inculpable violations of the law; conduct that

1 was contrary to Veltex' or its shareholder's best interests or involved an absence
2 of good faith; transactions in which they derived an improper personal benefit;
3 reckless disregard for their duty to Veltex or its shareholders when they were
4 aware or should have been aware of the wrongful conduct by other officers,
5 directors or other professionals performing services on behalf of Veltex and the
6 risk of serious injury to Veltex and its shareholders being caused thereby;
7 inexcusable inattention, amounting to an abdication of duty to Veltex and its
8 shareholders; entering into or condoning transactions in which they or other
9 corporate officers or directors have a conflict of interest; and engaging in or
10 condoning prohibited corporate loans or distributions.

11 96. Concomitant with their fiduciary duty of care, as directors of Veltex,
12 Matin, Campbell, Haque, Bender and Day owed a fiduciary duty of loyalty to
13 Veltex. That meant they were obligated, among other things, to place Veltex' and
14 its shareholders' interests ahead of any other business or personal interests; being
15 a party to any false statement or entry in the corporate records or to any
16 exaggerated report or other document which would tend to give Veltex greater
17 value than it actually possesses; and knowingly and wilfully issuing shares in
18 violation of the law with the intent to defraud future shareholders or creditors.

19 97. As Officers of Veltex, who participated in corporate management,
20 Matin, Campbell and Haque also owed fiduciary duties of undivided care and
21 loyalty to Veltex.

22 98. Defendants Matin, Campbell, Haque, Bender and Day breached their
23 fiduciary duties by causing Veltex to engage in, submit to and/or approve the
24 conduct and transactions described in this Complaint with respect to actions which
25 caused the dilution of the stock of common shares and the value of Veltex as a
26 going concern, all to the detriment of Veltex, and for their sole and exclusive
27 benefit. Said Defendants, as members of the Veltex Board of Directors, and as
28 Officers of the corporation, suffered from egregious conflicts of interests and

1 engaged in self-dealing which prevented them from exercising independent
2 judgment. The conduct of said Defendants also did not comply with the
3 requirements of the business judgment rule. In diluting the value of Veltex shares,
4 raiding corporate assets and diminishing the overall value of the corporation, said
5 Defendant failed to act with the degree of diligence, care, loyalty and skill
6 ordinary prudent persons would exercise under similar circumstances in like
7 positions.

8 99. By combining and conspiring to engage in the conduct alleged herein,
9 specifically the conception and execution of the “pump and dump” scheme, and by
10 actually engaging in and implementing such a scheme, these Defendants breached
11 their respective fiduciary duties to Veltex and its shareholders.

12 100. The conduct of said Defendants, as alleged herein, constitutes a
13 common law breach of fiduciary duty under the laws of the States of California
14 and Utah. Such conduct also in violation of specific statutes of the States of
15 California and Utah related to corporate governance and management, including
16 but not limited to, Section 300 *et seq.* of the California Corporations Code and the
17 Utah Revised Business Corporation Act, Utah Code Ann. § 16-10a-101 *et seq.*

18 101. As a direct and proximate result of Defendants’ breaches of their
19 fiduciary duties, Veltex has suffered a diminution in the value of its stock and
20 going concern value, and suffered damages, in an amount in excess of thirty-five
21 million dollars (\$35,000,000) to be proven at trial.

22 102. The acts and conduct of said Defendants as alleged herein, constitute
23 despicable and malicious conduct, with the intention of damaging Veltex, and for
24 their own personal benefit and wealth enhancement. Matin, Campbell, Haque and
25 Bender have acted with oppression, fraud and malice, entitling Veltex to
26 exemplary and punitive damages, in an amount sufficient to punish and make an
27 example of them, in an amount to be determined by the jury at the time of trial.
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FOURTH CLAIM FOR RELIEF

Professional Negligence – Attorney Malpractice

(Against Defendants Olesk and Bua)

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4 103. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65,
5 as though fully set forth herein.

6 104. In acting as corporate legal counsel for Veltex and outside securities
7 counsel and general counsel for Veltex, respectively, Olesk and Bua, and each of
8 them, had an attorney-client relationship with Veltex. When Olesk and Bua
9 handled Plaintiff's legal matters, they had a legal duty to exercise that degree of
10 learning, and use the degree of care and skill, ordinarily possessed by a reputable
11 attorney or law firm, practicing under similar circumstances. Said Attorney
12 Defendants (a) had a duty to use reasonable diligence and their best judgment in
13 the exercise of skill and the application of learning; (b) had a duty to use the skill,
14 knowledge and care that a reasonably careful attorney or law firm would have
15 used in similar circumstances; and (c) owed all customary professional and
16 fiduciary duties to Plaintiff and owed a duty of loyalty to Plaintiff not to act
17 adversely to Plaintiff's interests, and to refrain from taking any action or omitting
18 to take any action which was likely to result in loss, injury, damage, harm or
19 detriment to Plaintiff Veltex.

20 105. By combining and conspiring to engage in the conduct hereinbefore
21 alleged, specifically the conception and execution of the "pump and dump"
22 scheme, and by actually engaging in and implementing such a scheme, Olesk and
23 Bua breached these legal duties to Veltex, including their respective duties to
24 Veltex imposed by the attorney-client relationship and decisional law and statutes.
25 The conduct of the Attorney Defendants fell far below the applicable standard of
26 care.

27 106. As a result of the actions, errors and omissions, set forth above, Olesk
28 and Bua have breached such legal duties, and have been professionally negligent.

1 111. Olesk and Bua, by virtue of their respective attorney-client
2 relationships with Veltex, as alleged herein, owed Veltex a fiduciary duty, and by
3 virtue of Veltex having reposed trust and confidence in the fidelity, integrity and
4 competence of Olesk and Bua, a confidential relationship existed between Veltex
5 and said Defendants.

6 112. By combining and conspiring to engage in the conduct hereinbefore
7 alleged, specifically the conception and execution of the “pump and dump”
8 scheme, and by actually engaging in and implementing such a scheme, Olesk and
9 Bua breached these fiduciary duties to Veltex, including their respective duties to
10 Veltex imposed by the attorney-client relationship and decisional law and statutes.
11 The Attorney Defendants failed to act competently and failed diligently to
12 conform to the fiduciary obligations they owed to Veltex.

13 113. By reason of these respective breaches by Olesk and Bua of their
14 duties owing to Veltex, Plaintiff Veltex has suffered a diminution in the value of
15 its stock and going concern value in an amount in excess of thirty-five million
16 dollars (\$35,000,000) to be proven at trial.

17 114. The acts and conduct of said Defendants as alleged herein, constitute
18 despicable and malicious conduct, with the intention of damaging Veltex, and for
19 their own personal gain and benefit. Olesk and Bua have acted with oppression,
20 fraud and malice, entitling Veltex to exemplary and punitive damages, in an
21 amount sufficient to punish and make an example of them, in an amount to be
22 determined by the jury at the time of trial.

23 **SIXTH CLAIM FOR RELIEF**

24 **Professional Negligence – Accountant Malpractice**

25 **(Against Defendants Moore, Moore & Associates, CBNM,**
26 **Haynes and Tahim)**

27 115. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65,
28 as though fully set forth herein.

1 116. In providing accounting/auditing and financial consulting services to
2 Veltex, and acting as Veltex' auditors/CPAs, Defendants Moore, Moore &
3 Associates, CBNM, Haynes and Tahim owed to Veltex their undivided loyalty as
4 well as a duty to exercise such skill, prudence and diligence as
5 accountants/auditors of ordinary skill and capacity commonly possess and exercise
6 in the performance of the tasks they undertake. Said Accountant Defendants were
7 obligated to exercise their professional skill and talent on behalf of and/or for the
8 benefit of Veltex, in rendering professional accounting, auditing and related
9 consulting services to Veltex.

10 117. Defendants Moore, Moore & Associates, CBNM, Haynes and Tahim
11 breached this duty of care and undivided loyalty, and failed to provide Veltex with
12 the professional accounting services to which Veltex was entitled. Said
13 Defendants operated for and on behalf of the interests of individual Officers and
14 Directors, who stood to gain from their malfeasance, as well as for their own
15 interests, which interests were contrary to and in conflict with the best interests of
16 Veltex, and for the purpose of increasing their own compensation for services.
17 Said Defendants breached their duties of due care and professional competence by,
18 among other things, failing to render services in accordance with professional
19 standards of care, including GAAS; preparing and/or approving financial
20 statements that were not prepared in accordance with GAAP; negligently failing to
21 disclose to Veltex material inaccuracies in its books and records and/or creating
22 such false and inaccurate entries; failing to exercise due diligence in its
23 examination, evaluation and verification of Veltex' assets, liabilities and financial
24 transactions; issuing "clean" audit or other opinions or letters purporting to verify
25 the accuracy of the financial condition and assets of Veltex; intentionally and/or
26 negligently rendering accounting services and advice to the Managing Defendants
27 which allowed them to perpetrate the securities fraud alleged herein and to raid
28 and misuse corporate assets for their own personal gain and financial benefit; and

1 by assisting the Managing Defendants in hiding the true facts as to Veltex' assets
2 and liabilities, and its inability to proceed as a going concern.

3 118. Defendants Moore, Moore & Associates, CBNM, Haynes and Tahim
4 knew, or through the exercise of reasonable care, should have known, that the
5 Managing Defendants intended to and did misuse the imprimatur of "legitimacy"
6 of Veltex' financial statements and information created by their retention and
7 performance as the CPAs/auditors for the corporation. Yet they failed to obtain
8 complete and accurate information and/or failed to correct overvalued, incomplete
9 and false information regarding Veltex, which they knew was being disseminated
10 to the general investing public by the Managing Defendants, and being relied on
11 by members of the general investing public to purchase stock in Veltex at
12 artificially inflated prices. The Accountant Defendants breached the duty of
13 undivided loyalty and the duty of care they owed to Veltex.

14 119. As a result of the wrongful conduct of Defendants Moore, Moore &
15 Associates, Chisholm, Haynes and Tahim, and the breaches of their duties owing
16 to Veltex, Plaintiff Veltex has suffered a diminution in the value of its stock and
17 going concern value in an amount in excess of thirty-five million dollars
18 (\$35,000,000) to be proven at trial.

19 120. The acts and conduct of the Accountant Defendants as alleged herein,
20 constitute despicable and malicious conduct, with the intention of damaging
21 Veltex, and for their own personal gain and benefit. Defendants Moore, Moore &
22 Associates, Chisholm, Haynes and Tahim have acted with oppression, fraud and
23 malice, entitling Veltex to exemplary and punitive damages, in an amount
24 sufficient to punish and make an example of them, in an amount to be determined
25 by the jury at the time of trial.

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SEVENTH CLAIM FOR RELIEF

Breach of Fiduciary Duty – Accountants

**(Against Defendants Moore, Moore & Associates, CBNM,
Haynes and Tahim)**

121. Plaintiff repeats and realleges all of the allegations in paragraphs 1-65, as though fully set forth herein.

122. By virtue of their relationship, activities, and actions as Plaintiffs' auditors and accountants, Defendants Moore, Moore & Associates, CBNM, Haynes and Tahim, set out to create and did in fact create a special relationship of trust and confidence, and thereby owed Plaintiff Veltex a fiduciary duty. Plaintiff placed trust undivided loyalty and confidence in the fidelity and integrity of said Defendants in entrusting them with the auditing and accounting functions for Veltex, a company whose stock is publicly traded. Defendants Moore, Moore & Associates, CBNM, Haynes and Tahim set out to induce and did induce Plaintiff to rely upon on their advice and guidance with respect to certain financial transactions; the proper accounting and auditing of Veltex' books and records; and in the preparation of financial statements. A confidential and fiduciary relationship existed at all times and the Accountant Defendants were required to exercise independent judgment and use their utmost ability to act in a fair, just and equitable manner and in furtherance of the best interests of Veltex so as to benefit Veltex, and not to further their personal interests or their affiliates, or to further the interests of individual Officers and Directors of Veltex.

123. By virtue of the structure and management of Veltex, their knowledge concerning the financial condition of Veltex, and their role as independent auditors/CPAs of Veltex, and their direct participation in the dissemination of information, said Defendants acted with an awareness of their primary wrongdoing and realized that their conduct would substantially assist the other Defendants, including Matin, Haque and Campbell, in the perpetration of the pump and dump

1 scheme, and in their wrongful conduct, wrongful goals, and wrongdoing.

2 124. As a result of the actions, errors and omissions, set forth above,
3 Defendants Moore, Moore & Associates, CBNM, Haynes and Tahim have
4 breached the fiduciary duties owing to Plaintiff Veltex.

5 125. As a direct and proximate result of such fiduciary breaches, and by
6 reason of these respective breaches by Defendants Moore, Moore & Associates,
7 CBNM, Haynes and Tahim of their duties owing to Veltex, Plaintiff Veltex has
8 suffered a diminution in the value of its stock and going concern value in an
9 amount in excess of thirty-five million dollars (\$35,000,000) to be proven at trial.

10 126. The acts and conduct of said Defendants as alleged herein, constitute
11 despicable and malicious conduct, with the intention of damaging Veltex, and for
12 their own personal gain and benefit. Defendants Moore, Moore & Associates,
13 CBNM, Haynes and Tahim have acted with oppression, fraud and malice, entitling
14 Veltex to exemplary and punitive damages, in an amount sufficient to punish and
15 make an example of them, in an amount to be determined by the jury at the time of
16 trial.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiff prays for judgment against Defendants, as follows:

19 **On the First Claim for Relief**

- 20 1. For general damages according to proof at the time of trial in an amount
21 in excess of \$35,000,000; and
22 2. For punitive and exemplary damages in an amount deemed by the trier of
23 fact to be sufficient to punish, deter and make an example of Defendants.

24 **On the Second Claim for Relief**

- 25 1. For an Order requiring restoration of the fraudulently transferred Veltex
26 assets;
27 2. For general damages according to proof at the time of trial in an amount
28 in excess of \$35,000,000; and

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On All Claims for Relief

- 1. For attorneys' fees, expenses and costs of suit incurred by Plaintiff in prosecuting this action;
- 2. For such other and further relief as the Court may deem just and proper.

Dated: July 16, 2010

BLECHER & COLLINS, P.C.
MAXWELL M. BLECHER
MARYANN R. MARZANO
KRISTEN M. PETERS

By: K. Peters
KRISTEN M. PETERS
Attorneys for Plaintiff
VELTEX CORPORATION

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DEMAND FOR JURY TRIAL

Pursuant to the Federal Rules of Civil Procedure, Rule 38(b), Plaintiff
VELTEX CORPORATION hereby demands a jury trial on all issues so triable.

Dated: July 16, 2010

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