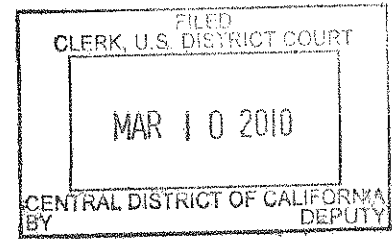


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6 Attorneys for Plaintiff VELTEX CORPORATION

7
8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION

11
12 VELTEX CORPORATION, a Utah
Corporation,
13
14 Plaintiff,
15
16 vs.
17 JAVEED AZZIZ MATIN, an individual;
18 TANZILA SULTANA, an individual;
19 SAASHA CAMPBELL, an individual;
20 MAZHAR HAQUE, an individual;
21 ALLEN E. BENDER, an individual;
22 VELTEX USA, INC., a California
corporation; VELTEX APPAREL, INC.,
23 a California corporation; VELTEX
INDUSTRIES, INC., a Delaware
24 corporation; VELTEX EXPLORER,
INC., a Canadian corporation; VELTEX
25 CANADA, INC., a Canadian
corporation; WILSHIRE EQUITY, INC.
26 aka WILSHIRE EQUITIES, INC., a
Colorado corporation; AMERICAN
27 REGISTER & TRANSFER CO., a Utah
corporation; PATRICK R. DAY, an
individual; RICHARD M. DAY, an
individual; MOORE & ASSOCIATES,
28 CHARTERED, a Nevada corporation;
MICHAEL J. MOORE, an individual;
CHISHOLM, BIERWOLF, NILSON &
MORRILL, CPA, a Utah limited liability
company; BRAD B. HAYNES, an
individual; ANNE TAHIM, an
individual; JAAK U. OLESK, an

CV10 1746 MRP P/WX
CASE NO.

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]

1 individual; and CARMINE J. BUA, an)
2 individual,)
3 Defendants.)

4
5
6 Plaintiff VELTEX CORPORATION (“Veltex,” “Plaintiff” and “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's 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's 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's 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's 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's
7 stock is publicly traded on the "Pink Sheets," an over-the-counter market, under
8 the symbol VLXC. Veltex is a non-reporting SEC company which was
9 reorganized on or about August 2009, following dissident shareholder litigation
10 being instituted in the State of Utah, seeking the ouster of Defendants JAVEED
11 AZZIZ MATIN, SAASHA CAMPBELL and MAZHAR HAQUE from Veltex's
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 sale
14 of wearing apparel in the United States and Canada. Its products had included t-
15 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's 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 is
28 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 California
22 corporation. Matin is also the President and sole shareholder of Veltex USA,
23 owning one hundred per cent (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 USA, 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 the
9 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 REGISTER & TRANSFER CO. ("American
16 Register") is corporation organized and existing under the laws of the State of
17 Utah with its principal place of business in Salt Lake City, Utah. American
18 Transfer is a corporate transfer agent engaged in facilitating the registry and
19 transfer of corporate shares. During the relevant times covered by this Complaint,
20 American Transfer was the transfer agent for Veltex, until its services were
21 terminated in or about the Summer of 2008, after legal proceedings were instituted
22 in the State of Utah and in federal court in the 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 American Transfer in 2008, and served in that capacity for a period of
26 time prior thereto post-2006. He was also a member of the Veltex Board of
27 Directors since 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 American Transfer, including President,
4 Vice-President and Director positions, along with other members of the Day
5 family. Richard Day was the majority owner of American Transfer at all relevant
6 times covered by this Complaint. In addition, Richard Day is an attorney licensed
7 to practice law in the State of Utah, with offices located in Sandy, Utah. In 2006,
8 he provided legal services to Veltex and acted as an outside securities attorney for
9 Veltex.

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

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

27 21. Defendant CHISHOLM, BIERWOLF, NILSON & MORRILL, CPA
28 (“Chisholm”) is a Utah limited liability company and certified public accounting

1 firm with offices in Bountiful, Utah. During the relevant times covered by this
2 Complaint, Chisholm performed accounting work and services for Veltex;
3 conducted an audit of Veltex's books and records; and prepared audited financial
4 statements for Veltex.

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

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

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

1 correct copy of that letter agreement dated June 27, 2005 (together with a copy of
2 the corresponding invoice and checks for initial payment, as found in Veltex’s
3 files), is attached hereto as Exhibit A.

4 25. Defendant CARMINE J. BUA (“Bua”) is an individual and citizen of
5 the State of California, with his primary residence, upon information and belief, in
6 the County of San Diego. He is an attorney licensed to practice law in the State of
7 California with offices in San Diego, California. During the relevant times
8 covered by this Complaint, Bua served as the outside “securities attorney” for
9 Veltex. In that capacity, he performed legal services for Veltex which included the
10 evaluation of and rendering a legal opinion approving the issuance of legend free
11 shares in Veltex common stock pursuant to Regulation D, Rule 504 of the
12 Securities Act of 1933 (sometimes referred to herein as “the 1933 Act”), among
13 other regulations and offering parameters, to Wilshire Equity, Inc., an entity
14 owned and controlled by Matin.

15 **III.**

16 **JURISDICTION AND VENUE**

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

21 27. This Court also has jurisdiction under 28 U.S.C. § 1331, 15 U.S.C. §
22 77v and 15 U.S.C. 78aa, on the basis that Plaintiff alleges violations of the
23 anti-fraud provisions of the Securities Act of 1933. Therefore, the United States
24 District Court has exclusive jurisdiction pursuant to Section 27 of the 1934 Act, 15
25 U.S.C. § 78aa, and 28 U.S.C. § 1331 under federal question jurisdiction. This
26 Court also has supplemental jurisdiction over the state law claims in that the state
27 law claims arise from the same nucleus of facts as the federal question claim.

28 28. Venue is proper in this District pursuant to 28 U.S.C. § 1391(a), 15

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

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

11 **IV.**

12 **FACTS COMMON TO ALL CLAIMS**

13 **A. The Management Defendants’ Wrongful Activities**

14 30. Since at least 2005, and until he was removed pursuant to Court Order
15 issued by the Honorable Kate A. Toomey on July 21, 2008, pursuant to an action
16 initiated by dissident Veltex shareholders in Utah State Court in the action
17 entitled: “ *Robert Fletcher, et al. v. Veltex corporation, et al.*,” Civil Action No.
18 080907145 (the “Utah action”), Matin functioned as the Chairman of Veltex’s
19 Board of Directors and its CEO without any oversight by the Veltex shareholders
20 or an independent Board of Directors. Campbell, Haque, Day and Bender have
21 been subject to Matin’s control and have not functioned as independent Directors.
22 Campbell and Haque were also removed from their positions as Directors and
23 Officers of Veltex on July 21, 2008, pursuant to the Order issued by Judge
24 Toomey on July 21, 2008.

25 31. The Management Defendants have engaged in a series of wrongful
26 activities, including but not limited to, the issuance of false statements as to the
27 revenues and profits of Veltex, the issuance of false statements as to the number of
28 outstanding shares of Veltex stock, the misrepresentation of the existence of

1 Veltex's purported manufacturing facilities, the misrepresentation of the sale of
2 Veltex's purported manufacturing facilities, and the diversion of Veltex's revenue
3 and assets, the dissipation of Veltex's assets. This was all done in furtherance of
4 the "pump and dump" scheme masterminded by Matin, and carried out with the
5 intent, knowledge and assistance of the other Management Defendants; the
6 Attorney Defendants; the Accountant Defendants; the stock transfer agents for
7 Veltex, American Register; and Matin's web of corporate entity Defendants.

8 **B. Misrepresentation Of Veltex Revenues And Profits**

9 32. Commencing in at least 2005, and continuing through all relevant times
10 in the Complaint, Matin and the other Management Defendants caused a series of
11 false representations of Veltex's revenues and profits to be disseminated to
12 Veltex's shareholders and the general investing public. These representations have
13 included the following press releases and announcements which were
14 disseminated by means and instrumentalities of interstate commerce, including the
15 posting on Veltex's website:

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

24 (b) A public announcement on September 29, 2005, of Veltex's
25 purported revenues and profits for the six months ending June 30, 2005. This
26 announcement stated that "sales were \$18,161,000 and pre-tax income was
27 \$1,356,000." It also claimed, "The June 30, 2005 unaudited Consolidated Balance
28 Sheet reflected total assets of \$41,818,000; total current assets of \$18,619,000

1 (verse total current liabilities of only \$3,871,000); as well as total shareholder
2 equity of \$28,935,000 (Ie. net worth).” A true and correct copy of this
3 announcement, which was linked to Veltex's website, is attached hereto as
4 Exhibit C.

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

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

15 A true and correct copy of this announcement, which was linked to Veltex's
16 website, is attached hereto as Exhibit D.

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

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

1 is attached hereto as Exhibit F.

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

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

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

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

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

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

26 **C. Misrepresentations Regarding The Outstanding Veltex Shares**

27 35. Matin and the other Management Defendants also knowingly and
28 intentionally made inconsistent and misleading representations as to the number of

1 outstanding shares of Veltex. Such inconsistent and misleading statements have
2 appeared as follows:

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

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

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

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

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

22 **D. Misrepresentations Concerning The Ownership Of**
23 **The Bangladesh Facilities**

24 38. It was represented by Matin and the other Management Defendants that
25 Veltex owned textile manufacturing facilities in Bangladesh. According to Matin,
26 he acquired looms from a mill in the southern United States that was about to go
27 out of business in 1996. He then had the equipment shipped to and installed at a
28 mill in Camilla, Bangladesh, which became Velvet Textile Mills. Subsequently,

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

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

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

19 **E. The Purported Sale Of The Bangladesh Facilities**

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

23 Sale of the manufacturing operations was completed as of December 31,
24 2007 and will be shown as a discontinued operation in the 2007 financials.
25 This sale will provide working capital for support and expansion of
26 remaining operations. Principal terms of the sale of the remaining assets are
27 assumption of liabilities, Credit of \$15 million to be used by Veltex as
28 partial offset against future purchases, preferred customer prices, and

1 favorable payment terms.... A gain/loss may be realized on the sale, but the
2 amount has yet to be determined by the audit.

3 A true and correct copy of this press release is attached hereto as Exhibit M.

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

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

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

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

27 46. Despite the representations made by Matin and Olesk about the receipt
28 of the \$4,000,000 in cash, there is no record of the purported cash proceeds from

1 the sale of the Bangladesh facilities *ever* making it to the United States; no record
2 of the transaction on Veltex's books and records; and no record of the payment
3 *ever* being deposited into Veltex's corporate bank account.

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

14 **F. The Purported Veltex Corporate Audit**

15 48. Throughout 2007, Matin represented to shareholders that Veltex was
16 having an audit performed of its financial affairs by a Certified Public Accounting
17 Firm. Matin reiterated this representation in the March 4, 2008 press release,
18 stating:

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

25 (*See Exhibit M*)

26 49. The true facts, however, were that Veltex's designated auditor, Moore,
27 and Moore & Associates, had actually resigned as of at least March 6, 2008, two
28 days after the press release was issued. Notwithstanding their resignation, Matin

1 and the other Management Defendants never informed the shareholders and
2 members of the investing public of this material fact and event.

3 50. Despite the false impression left by Matin's and the other Management
4 Defendants' repeated assertions, confirmed in the March 4, 2008 press release,
5 that Veltex was having audited financials prepared, this was blatantly untrue.
6 These were material facts which should have been affirmatively disclosed to
7 shareholders and the investing public, but were not.

8 **G. Conflicts Of Interest And Misappropriation Of Veltex**
9 **Corporate Assets**

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

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

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

1 54. Matin also sold off Veltex’s inventory at substantial discounts, and he,
2 Campbell and Hague used the proceeds personally and/or funneled them into other
3 entities or accounts over which Matin exercised control.

4 **H. The Orchestration Of The “Pump And Dump Scheme”**

5 55. The "pump and dump" scheme was operated primarily though Wilshire
6 Equity, the Colorado corporation owned entirely by Matin. Wilshire was the
7 vehicle that received the inflated, unrestricted and legend free Veltex common
8 stock shares which were then sold to unsuspecting investors through several
9 smaller, regional brokerage accounts in California and in Utah. The scheme was
10 perpetrated from 2005 through early 2008, through the sale of millions of shares in
11 Veltex, which at all relevant times in this Complaint was being falsely represented
12 to the general investing public as a highly successful, financially sound and
13 profitable company, when in fact it was financially strapped, debt-ridden and
14 mismanaged. The Management Defendants, together with Olesk, fraudulently
15 “pumped” the market for the sale of Veltex stock and by creating the false
16 impression of veltex as a thriving company, thus enabling Defendants to capitalize
17 on the ensuing market for the Veltex stock that was being sold.

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

24 57. For the past several years, Defendants Olesk and Bua (sometimes
25 collectively referred to herein as “Attorney Defendants”) knowingly and falsely
26 prepared such Rule 504 letters authorizing the issuance of legend free and
27 unrestricted Veltex shares by American Transfer which were then placed into the
28 accounts of Wilshire, all the time knowing of the affiliate relationship between

1 Veltex, Matin and Wilshire. Bua has recently been charged by the Securities and
2 Exchange Commission (the "SEC") with similar activity in Florida. In this case,
3 Bua charged Veltex and received as compensation as much as \$1,000.00 for each
4 such false "504 D" letter he prepared. A true and correct copy of one such "504D"
5 letter Bua prepared as the "Securities Attorney for Veltex", in January 2008, is
6 attached hereto as Exhibit O. Once the fraudulent "504D" letter was issued,
7 Matin, or one of other of the Management Defendants, would then send it to
8 American Register and request that the unrestricted stock shares be issued to
9 Wilshire Equity. A true and correct copy of the January 3, 2008 letter that Matin
10 sent to American Register, premised upon the "legal opinion" issued by Bua
11 above, is attached hereto as Exhibit P. Matin, or other of the Management
12 Defendants, knew or recklessly disregarded that the factual predicates for the
13 purported legal opinions upon which they were relying to request the share
14 issuance, were false and/or misleading.

15 58. American Transfer, which operated as Veltex's share transfer agent,
16 financially benefitted from each such transfer it effected. Defendant Patrick Day,
17 who is the President of American Transfer (and whose father, Richard Day, is the
18 majority owner of American Transfer, and had been one of Veltex's outside
19 securities attorneys), was also a Director of Veltex at the same time American
20 Transfer served as Veltex's share transfer agent. Upon receipt of the
21 "authorization letter" from Matin or other of the Management Defendants,
22 American Transfer would then issue the legend free and unrestricted shares to
23 Wilshire Equity (*See* Exhibit Q hereto), and they would then be sold directly on
24 the open market to unsuspecting members of the general investing public, or in
25 turn transferred to other nominees controlled by Matin and the other Management
26 Defendants, who then sold them to the public.

27 59. During the operation of this carefully orchestrated scheme over the past
28 2 - 5 years, Matin, Olesk and other Officers and Directors of Veltex caused

1 numerous false and misleading press releases to be issued and posted on the
2 internet in furtherance of the "pump and dump" scheme. For example, in a Veltex
3 press release issued on or about February 7, 2007, prepared by or at the direction
4 of Matin, Campbell and Haque, and with the knowledge and approval of Sultana
5 and Olesk, Veltex's revenue for the year 2006 was falsely and fraudulently
6 reported to be more than \$70,000,000.00 and its net income at more than
7 \$5,000,000.00. A true and correct copy thereof is attached hereto as Exhibit R.
8 That same press release also falsely reported that Veltex had assets in excess of
9 \$53,000,000.00. On or about August 27, 2007, another Veltex press release
10 falsely reported Veltex's sales for the first quarter of 2007 to be more than
11 \$18,000,000.00 and its net profit nearly \$2,000,000.00. A true and correct copy
12 thereof is attached hereto as Exhibit S. Matin, Campbell and Haque, with the
13 knowledge and approval of Sultana and Olesk, also issued false press releases at to
14 the number of outstanding Veltex shares, materially understating the true number
15 of such outstanding shares.

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

1 prepared for Plaintiff Veltex, contrary to the materially false representations being
2 made by Matin and the other Management Defendants, which the knowledge and
3 approval of Olesk and others.

4 61. The March 4, 2008 press release announced that Veltex was
5 restructuring the company and adopting a new business model. (See Exhibit M).
6 That press release represented that, in connection with the preparation of audits
7 and consolidated financial reports, Veltex was continuing to work diligently with
8 its “CPA firm” – Moore & Associates, and its “Independent Auditor, Mike More
9 [sic] CPA”, who is touted as a member of PCAOB. It also reported that Veltex’s
10 manufacturing facilities had been sold. In that same press release, Matin is quoted
11 as stating: “We are predicting revenues of \$10 to \$15 million in 2008.” Though
12 not disclosed in the press release, Matin and Olesk told a major investor that
13 Veltex had received \$4,000,000.00 in connection with the sale of that textile
14 manufacturing facility, when in fact no such money has ever been received. It was
15 also later discovered that the textile manufacturing facility located in Bangladesh
16 that Veltex purportedly owned, was never in fact owned by Plaintiff Veltex.
17 Moreover, two days after the March 4, 2008 press release was issued, Moore &
18 Associates resigned as Veltex's auditors, a fact never disclosed by Veltex's
19 management to its shareholders or to members of the investing public. These are
20 material facts that should have been affirmatively disclosed, but were not, and the
21 failure to do so by Matin, Campbell and/or Haque, misled shareholders and
22 members of the general investing public regarding the true status of Veltex’s
23 financial condition and stability. No effort whatsoever was made to correct the
24 misleading and blatantly inaccurate information disseminated in the Veltex press
25 releases. Olesk, as Veltex’s corporate counsel, was specifically charged with the
26 responsibility of reviewing and approving all Veltex’s press releases prior to
27 issuance. He, too, failed to assure that all material facts and the true status of
28 Veltex’s financial condition and stability were disclosed in all of Veltex’s press

1 releases.

2 62. Matin and Haque were complicit in the perpetration of a massive, and
3 illegal, check kiting scheme through the issuance of false and misleading bank
4 statements for Veltex, which Matin and Haque used to "verify" the revenues of
5 Veltex. The scheme consisted of shifting money back and forth between the two
6 banks at which Veltex maintained its corporate accounts, on an almost daily basis,
7 so as to create the impression that both banks had large Veltex deposits when in
8 fact the opposite was true.

9 63. No disclosure has ever been made by the Management Defendants, or
10 any of the other Defendants of the foregoing false and misleading facts and events
11 to the investing public, and no effort whatsoever was ever made to correct the
12 misleading and blatantly inaccurate information that had been provided in the
13 Veltex press releases and other offering materials over a several year period,
14 which was integral to the perpetration and success of the "pump and dump"
15 scheme.

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

25 65. Matin, Campbell and Haque have secreted and conveyed the assets of
26 Veltex to Sultana and possibly others, with the actual intent to hinder, delay and
27 defraud Veltex and others victimized by the "pump and dump" scheme or,
28 alternatively, they have transferred Veltex assets to Sultana without receiving

1 reasonably equivalent value in exchange for the transfer.

2 **V.**

3 **CLAIMS FOR RELIEF**

4 **FIRST CLAIM FOR RELIEF**

5 **Securities Fraud**

6 **(Against All Defendants)**

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

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

20 68. During the relevant time periods covered by this Complaint, Matin,
21 Campbell, Haque, Bender and Day, were Officers and/or Directors of Veltex, and
22 in charge of its financial information and its communication with the public
23 regarding the financial affairs and condition of Veltex. They acted with the advice,
24 consent and approval of Sultana, Olesk and Bua. The Attorney Defendants, Olesk
25 and Bua, provided legal services integral to the perpetration of the wrongful
26 scheme, as alleged herein. The Accountant Defendants, Moore, Moore &
27 Associates, Chisholm, Haynes and Tahim, provided accounting services integral to
28 the perpetration of the wrongful scheme, as alleged herein. Day and American

1 Register, which operated as Veltex's share transfer agent, played integral roles in
2 the issuance of the illegal shares, as alleged herein.

3 69. As part of the foregoing scheme, Matin, Campbell and Haque, acting
4 with the advice, consent and approval of Sultana and Olesk, knowingly and
5 intentionally entered into and engaged in the scheme to defraud the public by
6 issuing materially false and misleading statements concerning the financial affairs
7 and condition of Veltex to induce the public to buy the artificially inflated shares
8 of Veltex. In issuing press releases with materially false revenue and profit
9 figures, Defendants used instrumentalities of interstate commerce, including the
10 mails, interstate telephone, wire and the internet.

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

17 71. The conduct described above, including without limitation, the
18 dissemination of false revenue and profit figures by Matin, Campbell and Haque,
19 with the advice, consent and approval of Sultana and Olesk, as well as the failure
20 to disclose the true and correct sales and earnings of Veltex, constitutes a violation
21 of Section 12(2) and/or 17(a) of the Securities Act of 1933, 15 U.S.C. §§ 771(2),
22 77q(a).

23 72. Each of the Defendants herein were aware of the unlawful scheme and
24 plan, and actively, knowingly, intentionally, consciously and with scienter
25 participated in its accomplishment by playing a specific role in that process, as
26 alleged herein.

27 73. As a direct and proximate result of such violations of the federal
28 securities laws, the stock and going concern value of Veltex has been diminished

1 and eviscerated in an amount in excess of thirty-five million dollars (\$35,000,000)
2 to be proven at trial.

3 74. By engaging in the foregoing conduct in violation of the federal
4 securities laws, and acting for their own personal benefit and wealth enhancement,
5 Matin, Campbell, Haque, Sultana and Olesk have acted with oppression, fraud and
6 malice, entitling Veltex to exemplary and punitive damages, in an amount
7 sufficient to punish and make an example of them, in an amount to be determined
8 by the jury at the time of trial.

9 **SECOND CLAIM FOR RELIEF**

10 **Fraudulent Transfer and Conveyance**

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

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

14 76. Matin has secreted and conveyed his personal assets to his wife,
15 Sultana, a Defendant herein, and possibly others, with the actual and fraudulent
16 intent to hinder, delay and defraud Veltex and others victimized by the "pump and
17 dump" scheme or, alternatively, has transferred assets to Sultana without receiving
18 reasonably equivalent value in exchange for the transfer, in violation of Sections
19 4(a) and 5(b) of the Uniform Fraudulent Transfer Act ("UFTA"), California Civil
20 Code § 3439.04(a) and (b).

21 77. Matin, Campbell and Haque have secreted and conveyed the assets of
22 Veltex to Sultana, and possibly others, with the actual intent to hinder, delay and
23 defraud Veltex and others victimized by the "pump and dump" scheme or,
24 alternatively, they have transferred Veltex assets to Sultana without receiving
25 reasonably equivalent value in exchange for the transfer in violation of Sections
26 4(a) and 5(b) of UFTA, California Civil Code § 3439.04(a) and (b).

27 78. Under Section 7(a)(1) of UFTA, California Civil Code § 3439.07(a)(1),
28 the Court is authorized to void the fraudulent transfer of any assets of Veltex,

1 Matin, Campbell, Haque and Sultana. Plaintiff Veltex hereby requests that such
2 relief be granted.

3 **THIRD CLAIM FOR RELIEF**

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

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

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

8 80. In their capacity as the highest Officers and Directors of Veltex, Matin,
9 Campbell, Haque, Bender and Day, and each of them, owed to Veltex those
10 obligations owing in a fiduciary relationship founded on undivided loyalty,
11 honesty, independent judgment and conduct, to best represent and enhance the
12 interests of the corporate entity, Veltex.

13 81. As Directors, Matin, Campbell, Haque, Bender and Day stood in a
14 fiduciary relationship of trust and confidence with the corporation, Veltex, and its
15 shareholders. As a result, they owed fiduciary duties of diligence and fidelity in
16 performing their duties. They were required to serve in good faith, and in the best
17 interests of the corporation and its shareholders, and with such care, including
18 reasonable inquiry, as an ordinarily prudent person in a like position would use
19 under similar circumstances. They were specifically precluded from engaging in
20 intentional misconduct or knowing inculpable violations of the law; conduct that
21 was contrary to Veltex's or its shareholder's best interests or involved an absence
22 of good faith; transactions in which they derived an improper personal benefit;
23 reckless disregard for their duty to Veltex or its shareholders when they were
24 aware or should have been aware of the wrongful conduct by other officers,
25 directors or other professionals performing services on behalf of Veltex and the
26 risk of serious injury to Veltex and its shareholders being caused thereby;
27 inexcusable inattention, amounting to an abdication of duty to Veltex and its
28 shareholders; entering into or condoning transactions in which they or other

1 corporate officers or directors have a conflict of interest; and engaging in or
2 condoning prohibited corporate loans or distributions.

3 82. Concomitant with their fiduciary duty of care, as directors of Veltex,
4 Matin, Campbell, Haque, Bender and Day owed a fiduciary duty of loyalty to
5 Veltex. That meant they were obligated, among other things, to place Veltex's and
6 its shareholders' interests ahead of any other business or personal interests; being
7 a party to any false statement or entry in the corporate records or to any
8 exaggerated report or other document which would tend to give Veltex greater
9 value than it actually possesses; and knowingly and wilfully issuing shares in
10 violation of the law with the intent to defraud future shareholders or creditors.

11 83. As Officers of Veltex, who participated in corporate management,
12 Matin, Campbell and Haque also owed fiduciary duties of undivided care and
13 loyalty to Veltex.

14 84. Defendants Matin, Campbell, Haque, Bender and Day breached their
15 fiduciary duties by causing Veltex to engage in, submit to and/or approve the
16 conduct and transactions described in this Complaint with respect to actions which
17 caused the dilution of the stock of common shares and the value of Veltex as a
18 going concern, all to the detriment of Veltex, and for their sole and exclusive
19 benefit. Said Defendants, as members of the Veltex Board of Directors, and as
20 Officers of the corporation, suffered from egregious conflicts of interests and
21 engaged in self-dealing which prevented them from exercising independent
22 judgment. The conduct of said Defendants also did not comply with the
23 requirements of the business judgment rule. In diluting the value of Veltex shares,
24 raiding corporate assets and diminishing the overall value of the corporation, said
25 Defendant failed to act with the degree of diligence, care, loyalty and skill
26 ordinary prudent persons would exercise under similar circumstances in like
27 positions.

28 85. By combining and conspiring to engage in the conduct alleged herein,

1 specifically the conception and execution of the “pump and dump” scheme, and by
2 actually engaging in and implementing such a scheme, these Defendants breached
3 their respective fiduciary duties to Veltex and its shareholders.

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

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

14 88. The acts and conduct of said Defendants as alleged herein, constitute
15 despicable and malicious conduct, with the intention of damaging Veltex, and for
16 their own personal benefit and wealth enhancement. Matin, Campbell, Haque and
17 Bender have acted with oppression, fraud and malice, entitling Veltex to
18 exemplary and punitive damages, in an amount sufficient to punish and make an
19 example of them, in an amount to be determined by the jury at the time of trial.

20 **FOURTH CLAIM FOR RELIEF**

21 **Professional Negligence – Attorney Malpractice**

22 **(Against Defendants Olesk and Bua)**

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

25 90. In acting as corporate legal counsel for Veltex and outside securities
26 counsel for Veltex, respectively, Olesk and Bua, and each of them, had an
27 attorney-client relationship with Veltex. When Olesk and Bua handled Plaintiff’s
28 legal matters, they had a legal duty to exercise that degree of learning, and use the

1 degree of care and skill, ordinarily possessed by a reputable attorney or law firm,
2 practicing under similar circumstances. Said Attorney Defendants (a) had a duty
3 to use reasonable diligence and their best judgment in the exercise of skill and the
4 application of learning; (b) had a duty to use the skill, knowledge and care that a
5 reasonably careful attorney or law firm would have used in similar circumstances;
6 and (c) owed all customary professional and fiduciary duties to Plaintiff and owed
7 a duty of loyalty to Plaintiff not to act adversely to Plaintiff's interests, and to
8 refrain from taking any action or omitting to take any action which was likely to
9 result in loss, injury, damage, harm or detriment to Plaintiff Veltex.

10 91. By combining and conspiring to engage in the conduct hereinbefore
11 alleged, specifically the conception and execution of the "pump and dump"
12 scheme, and by actually engaging in and implementing such a scheme, Olesk and
13 Bua breached these legal duties to Veltex, including their respective duties to
14 Veltex imposed by the attorney-client relationship and decisional law and statutes.
15 The conduct of the Attorney Defendants fell far below the applicable standard of
16 care.

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

19 93. As a direct and proximate result of such professional negligence, and by
20 reason of these respective breaches by the Attorney Defendants, Olesk and Bua, of
21 their duties owing to Veltex, Plaintiff Veltex has suffered a diminution in the
22 value of its stock and going concern value in an amount in excess of thirty-five
23 million dollars (\$35,000,000) to be proven at trial.

24 94. The acts and conduct of said Defendants as alleged herein, constitute
25 despicable and malicious conduct, with the intention of damaging Veltex, and for
26 their own personal gain and benefit. The Attorney Defendants, Olesk and Bua,
27 have acted with oppression, fraud and malice, entitling Veltex to exemplary and
28 punitive damages, in an amount sufficient to punish and make an example of them,

1 in an amount to be determined by the jury at the time of trial.

2 **FIFTH CLAIM FOR RELIEF**

3 **Breach of Fiduciary Duty – Attorneys**

4 **(Against Defendants Olesk and Bua)**

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

7 96. In acting as corporate counsel for Veltex and outside securities counsel
8 for Veltex, respectively, Olesk and Bua, and each of them, owed to Veltex the
9 obligations owing in a fiduciary relationship founded on the trust and confidence
10 of the attorney-client relationship consisting of (a) the duty to exercise such skill,
11 prudence and diligence as lawyers of ordinary skill and capacity commonly
12 possess and exercise in the performance of tasks they undertake; (b) the duty to act
13 only in the best interest of Veltex and not with self-interest or motivated in the
14 case of conflict to represent the interests of Martin, Campbell, Haque over that of
15 Veltex; and (c) those obligations owing in a fiduciary relationship founded on the
16 trust and confidence necessary for an attorney-client relationship, including
17 undivided loyalty, zealous representation and independent judgment.

18 97. Olesk and Bua, by virtue of their respective attorney-client relationships
19 with Veltex, as alleged herein, owed Veltex a fiduciary duty, and by virtue of
20 Veltex having reposed trust and confidence in the fidelity, integrity and
21 competence of Olesk and Bua, a confidential relationship existed between Veltex
22 and said Defendants.

23 98. By combining and conspiring to engage in the conduct hereinbefore
24 alleged, specifically the conception and execution of the “pump and dump”
25 scheme, and by actually engaging in and implementing such a scheme, Olesk and
26 Bua breached these fiduciary duties to Veltex, including their respective duties to
27 Veltex imposed by the attorney-client relationship and decisional law and statutes.
28 The Attorney Defendants failed to act competently and failed diligently to

1 conform to the fiduciary obligations they owed to Veltex.

2 99. By reason of these respective breaches by Olesk and Bua of their duties
3 owing to Veltex, Plaintiff Veltex has suffered a diminution in the value of its stock
4 and going concern value in an amount in excess of thirty-five million dollars
5 (\$35,000,000) to be proven at trial.

6 100. The acts and conduct of said Defendants as alleged herein, constitute
7 despicable and malicious conduct, with the intention of damaging Veltex, and for
8 their own personal gain and benefit. Olesk and Bua have acted with oppression,
9 fraud and malice, entitling Veltex to exemplary and punitive damages, in an
10 amount sufficient to punish and make an example of them, in an amount to be
11 determined by the jury at the time of trial.

12 **SIXTH CLAIM FOR RELIEF**

13 **Professional Negligence – Accountant Malpractice**

14 **(Against Defendants Moore, Moore & Associates, Chisholm,**
15 **Haynes and Tahim)**

16 101. Plaintiff repeats and realleges all of the allegations in paragraphs 1 -
17 65 above, as though set forth fully herein.

18 102. In providing accounting/auditing and financial consulting services to
19 Veltex, and acting as Veltex's auditors/CPA's, Defendants Moore, Moore &
20 Associates, Chisholm, Haynes and Tahim owed to Veltex their undivided loyalty
21 as well as a duty to exercise such skill, prudence and diligence as
22 accountants/auditors of ordinary skill and capacity commonly possess and exercise
23 in the performance of the tasks they undertake. Said Accountant Defendants were
24 obligated to exercise their professional skill and talent on behalf of and/or for the
25 benefit of Veltex, in rendering professional accounting, auditing and related
26 consulting services to Veltex.

27 103. Defendants Moore, Moore & Associates, Chisholm, Haynes and
28 Tahim breached this duty of care and undivided loyalty, and failed to provide

1 Veltex with the professional accounting services to which Veltex was entitled.
2 Said Defendants operated for and on behalf of the interests of individual Officers
3 and Directors, who stood to gain from their malfeasance, as well as for their own
4 interests, which interests were contrary to and in conflict with the best interests of
5 Veltex, and for the purpose of increasing their own compensation for services.
6 Said Defendants breached their duties of due care and professional competence by,
7 among other things, failing to render services in accordance with professional
8 standards of care, including GAAS; preparing and/or approving financial
9 statements that were not prepared in accordance with GAAP; negligently failing to
10 disclose to Veltex material inaccuracies in its books and records and/or creating
11 such false and inaccurate entries; failing to exercise due diligence in its
12 examination, evaluation and verification of Veltex's assets, liabilities and financial
13 transactions; issuing "clean" audit or other opinions or letters purporting to verify
14 the accuracy of the financial condition and assets of Veltex; intentionally and/or
15 negligently rendering accounting services and advice to the Managing Defendants
16 which allowed them to perpetrate the securities fraud alleged herein and to raid
17 and misuse corporate assets for their own personal gain and financial benefit; and
18 by assisting the Managing Defendants in hiding the true facts as to Veltex's assets
19 and liabilities, and its inability to proceed as a going concern.

20 104. Defendants Moore, Moore & Associates, Chisholm, Haynes and
21 Tahim knew, or through the exercise of reasonable care, should have known, that
22 the Managing Defendants intended to and did misuse the imprimatur of
23 "legitimacy" of Veltex's financial statements and information created by their
24 retention and performance as the CPA's/auditors for the corporation. Yet they
25 failed to obtain complete and accurate information and/or failed to correct
26 overvalued, incomplete and false information regarding Veltex, which they knew
27 was being disseminated to the general investing public by the Managing
28 Defendants, and being relied on by members of the general investing public to

1 purchase stock in Veltex at artificially inflated prices. The Accountant Defendants
2 breached the duty of undivided loyalty and the duty of care they owed to Veltex.

3 105. As a result of the wrongful conduct of Defendants Moore, Moore &
4 Associates, Chisholm, Haynes and Tahim, and the breaches of their duties owing
5 to Veltex, Plaintiff Veltex has suffered a diminution in the value of its stock and
6 going concern value in an amount in excess of thirty-five million dollars
7 (\$35,000,000) to be proven at trial.

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

15 **SEVENTH CLAIM FOR RELIEF**

16 **Breach of Fiduciary Duty – Accountants**

17 **(Against Defendants Moore, Moore & Associates, Chisholm,**
18 **Haynes and Tahim)**

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

21 108. By virtue of their relationship, activities, and actions as Plaintiffs'
22 auditors and accountants, Defendants Moore, Moore & Associates, Chisholm,
23 Haynes and Tahim, set out to create and did in fact create a special relationship of
24 trust and confidence, and thereby owed Plaintiff Veltex a fiduciary duty. Plaintiff
25 placed trust undivided loyalty and confidence in the fidelity and integrity of said
26 Defendants in entrusting them with the auditing and accounting functions for
27 Veltex, a company whose stock is publicly traded. Defendants Moore, Moore &
28 Associates, Chisholm, Haynes and Tahim set out to induce and did induce Plaintiff

1 to rely upon on their advice and guidance with respect to certain financial
2 transactions; the proper accounting and auditing of Veltex's books and records;
3 and in the preparation of financial statements. A confidential and fiduciary
4 relationship existed at all times and the Accountant Defendants were required to
5 exercise independent judgment and use their utmost ability to act in a fair, just and
6 equitable manner and in furtherance of the best interests of Veltex so as to benefit
7 Veltex, and not to further their personal interests or their affiliates, or to further the
8 interests of individual Officers and Directors of Veltex.

9 109. By virtue of the structure and management of Veltex, their knowledge
10 concerning the financial condition of Veltex, and their role as independent
11 auditors/CPA's of Veltex, and their direct participation in the dissemination of
12 information, said Defendants acted with an awareness of their primary wrongdoing
13 and realized that their conduct would substantially assist the other Defendants,
14 including Matin, Haque and Campbell, in the perpetration of the pump and dump
15 scheme, and in their wrongful conduct, wrongful goals, and wrongdoing.

16 110. As a result of the actions, errors and omissions, set forth above,
17 Defendants Moore, Moore & Associates, Chisholm, Haynes and Tahim have
18 breached the fiduciary duties owing to Plaintiff Veltex.

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

24 112. The acts and conduct of said Defendants as alleged herein, constitute
25 despicable and malicious conduct, with the intention of damaging Veltex, and for
26 their own personal gain and benefit. Defendants Moore, Moore & Associates,
27 Chisholm, Haynes and Tahim have acted with oppression, fraud and malice,
28 entitling Veltex to exemplary and punitive damages, in an amount sufficient to

