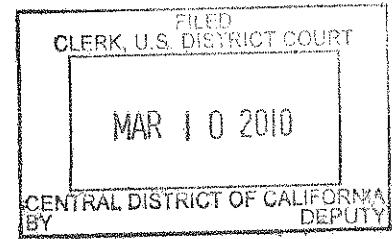


1 BLECHER & COLLINS, P.C.
Maxwell M. Blecher (State Bar No. 26202)
2 mblecher@blechercollins.com
Maryann R. Marzano (State Bar No. 96867)
3 mmarzano@blechercollins.com
515 South Figueroa Street, Suite 1750
4 Los Angeles, California 90071-3334
Telephone: (213) 622-4222
5 Facsimile: (213) 622-1656



6 Attorneys for Plaintiff VELTEX CORPORATION

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

11 **CV10 1746 MRP P/WX**

12 VELTEX CORPORATION, a Utah
Corporation,

13 Plaintiff,

14 vs.

15 JAVEED AZZIZ MATIN, an individual;
16 TANZILA SULTANA, an individual;
SAASHA CAMPBELL, an individual;
17 MAZHAR HAQUE, an individual;
ALLEN E. BENDER, an individual;
18 VELTEX USA, INC., a California
corporation; VELTEX APPAREL, INC.,
19 a California corporation; VELTEX
INDUSTRIES, INC., a Delaware
20 corporation; VELTEX EXPLORER,
INC., a Canadian corporation; VELTEX
21 CANADA, INC., a Canadian
corporation; WILSHIRE EQUITY, INC.
22 aka WILSHIRE EQUITIES, INC., a
Colorado corporation; AMERICAN
23 REGISTER & 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, a Utah limited liability
27 company; BRAD B. HAYNES, an
individual; ANNE TAHIM, an
28 individual; JAAK U. OLESK, an

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

