

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

OPULENTICA, LLC,
ZARRAR SHEIKH, and
NASSER A. DAWOUD

Defendants,

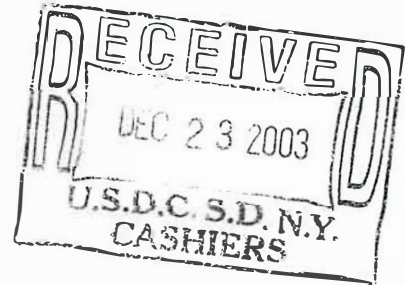
- and -

SAMIA SHAHZADI,

Relief Defendant.

JUDGE HOLWELL

03 ⁰³ CV. 10165



COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”), as and for its Complaint against Defendants Opulentica, LLC (“Opulentica”), Zarrar Sheikh (“Sheikh”), and Nasser A. Dawoud (“Dawoud”) (collectively the “Defendants”) and, as Relief Defendant, Samia Shahzadi (“Shahzadi”) (“Relief Defendant”), alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this emergency action to halt an ongoing securities fraud by Opulentica, a stock-trading firm that claims to manage “over \$1.2 million in assets” and invest in “short-term capital strategies.” On its website, www.opulentica.com, through advertisements in free newspapers widely distributed in the Pakistani-American community, and in other offering materials, Opulentica solicits investors to open accounts with Opulentica for periods of 3, 6, 9, and 12 months. Opulentica promises investors returns of 6% per month or, as

described in the offering, 72% returns annually. Opulentica's website boasts that it offers investors "the maximum gain with the minimum of risk exposure" and "extensive insurance coverage" over all its accounts. In its offering materials, Opulentica likewise lists numerous individuals, including Sheikh, who it claims constitute a "staff of dedicated, professional, and licensed financial analysts, [and] traders."

2. In truth, Opulentica is a blatant fraud. As of December 9, 2003, the Defendants have wrongfully obtained approximately \$538,000 in investor funds from approximately twenty investors. Opulentica has nowhere near the \$1.2 million in assets under management, as claimed. Approximately half of the money Opulentica has wrongfully obtained from investors, \$249,000 was never invested at all. The remaining \$289,000 was used for reckless day trading that has resulted in substantial losses. Opulentica has never produced profits of 6% per month, and in fact has lost over \$117,000 through day trading. Opulentica's trading accounts are not protected by any insurance coverage and an investment in Opulentica is most definitely not "risk-free."

3. Opulentica has failed to disclose its compensation to Sheikh and Dawoud on its website, newspaper advertisements, or offering materials; Sheikh and Dawoud appear to have used investor funds to pay their day-to-day living expenses. Beyond that, the Defendants recently wired some investor funds offshore to an account in Pakistan.

4. The fraud is continuing. Opulentica is currently soliciting investors through the Internet and newspaper advertisements. In November 2003, Opulentica purchased a year's worth of advertising space in two Pakistani-American newspapers. As recently as December 8, 2003, the Defendants accepted \$29,000 in new investor funds. Opulentica has deliberately

concealed from investors the fact that its trading has resulted in sustained losses in excess of \$117,000.

5. Opulentica, Sheikh, and Dawoud, directly or indirectly, have engaged, are engaging, and are about to engage, in transactions, acts, practices and courses of business that constitute or would constitute violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

6. Unless Opulentica, Sheikh, and Dawoud are temporarily restrained and preliminarily and permanently enjoined, they will continue to engage in the transactions, acts, practices, and courses of business alleged herein, and in transactions, acts, practices, and courses of business of a similar type and object.

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b), and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking to temporarily restrain, and preliminarily and permanently enjoin Opulentica, Sheikh, and Dawoud from engaging in the wrongful conduct alleged herein, and to obtain certain other relief; including disgorgement of ill-gotten profits plus prejudgment interest thereon; repatriation of investor funds that were transferred outside the United States; civil penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]; and such other and further relief as this Court may deem appropriate. The Commission also seeks equitable relief during the pendency of this

action, including an Order: (a) temporarily restraining, preliminarily, and permanently enjoining Opulentica, Sheikh, and Dawoud from future violations of the provisions of the Securities Act and the Exchange Act they are alleged to have violated; (b) freezing the assets of Opulentica, Sheikh, Dawoud, and Shahzadi; (c) directing Opulentica, Sheikh, Dawoud, and Shahzadi each to immediately provide verified written accountings, under penalty of perjury, of their assets and their transactions in securities in Opulentica; (d) prohibiting the destruction, alteration, or concealment of documents by Opulentica, Sheikh, Dawoud, and Shahzadi; (e) directing Opulentica, Sheikh, Dawoud, and Shahzadi to repatriate to the territory of the United States no later than within 48 hours, assets sent abroad; and, (f) granting expedited discovery.

8. This Court has jurisdiction over this action and venue lies in this District, pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 77u(e), and 78aa].

9. Opulentica, Sheikh, and Dawoud, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication in, or the means or instruments of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein.

10. Certain of the transactions, acts, practices, and course of business constituting the violations alleged herein occurred, and are occurring, within the Southern District of New York, including but not limited to, the use of a mail drop-box and a telephone answering service located in this District, the offer, purchase, and sale of unregistered securities to investors residing in this District, and maintaining telephone numbers in the (212) area code, which is in this District, by Opulentica, Sheikh, and Dawoud.

THE DEFENDANTS

11. **Opulentica** is a New York limited liability corporation that was formed on or about May 21, 2002, and whose purported office is located at 44 Wall Street, New York, New York. The 44 Wall Street address is actually a mail-drop box and telephone answering service Opulentica rents from a company called Prime Office Centers. As of December 18, 2003, Opulentica has operated a website, through which it offered, and continues to offer, to investors and potential investors a purported guaranteed return of 6% (which it claims would yield an annual return of 72%) on short-term investments. Opulentica has purchased regular advertisements in at least two free newspapers that are marketed to the Pakistani-American community, "Weekly Pakistan News" and "Pakistan Post." Apart from the proceeds derived from its fraudulent unregistered securities offerings, Opulentica has virtually no assets, and little or no operating revenue.

12. **Sheikh**, age 33, is a registered agent of Opulentica and is identified as the contact person in Opulentica's advertisements in the "Weekly Pakistan News" and the "Pakistan Post" and as the media relations contact in other offering materials. On June 7, 2002, Sheikh entered into a license agreement with Prime Office Centers on behalf of Opulentica for a mail-drop box and a telephone answering service. On occasion, Opulentica has reserved a conference room at Prime Office Centers, where Sheikh has met with investors. Sheikh resides in Queens, New York and his apartment appears to be Opulentica's offices. Sheikh is not a registered representative of any registered broker-dealer.

13. **Dawoud**, age 31, who resides in Brooklyn, New York, is a principal of Opulentica. Dawoud, like Sheikh, possesses an access card for the building at 44 Wall Street.

Dawoud is also the sole signatory of five Opulentica bank accounts. In an account opening statement filed with Citibank, N.A. ("Citibank"), Dawoud held himself out to be the president of Opulentica. Dawoud is not a registered representative of any registered broker-dealer.

THE RELIEF DEFENDANT

14. **Shahzadi** is Sheikh's wife and resides at the same Queens, New York address as Sheikh. Shahzadi made Opulentica's initial payment to rent services from Prime Office Centers. She was also issued an access card for the building at 44 Wall Street. Shahzadi has received at least \$56,200 in investor funds from Opulentica's bank accounts.

THE DEFENDANTS' UNREGISTERED AND FRAUDULENT OPULENTICA INVESTMENTS

A. The Defendants' Unregistered and Fraudulent Investments

15. From approximately May 2002 through the present, Opulentica, Sheikh, and Dawoud offered and sold, without ever filing a registration statement with the Commission, securities in Opulentica to at least 20 investors in at least 3 different states. The proceeds Opulentica wrongfully obtained from the offer and sale of such securities (which Sheikh and Dawoud claimed were guaranteed to earn 6% monthly returns and 72% annual returns) were in truth pooled into eight trading accounts. Sheikh and Dawoud caused certain investor funds to be recklessly traded and diverted other such funds for their personal benefit and that of Shahzadi. Opulentica's investment offerings were not registered with the Commission and do not qualify for any exemption from the registration requirements of the Securities Act. Opulentica, Sheikh and Dawoud conducted this unregistered offering and sale using the Internet, the telephone, newspaper advertisements and mail delivery services.

B. The Defendants' Material Misrepresentations and Omissions

Misrepresentations and Omissions About Rates of Return on Investment

16. The Defendants have solicited funds from investors by claiming that Opulentica engages in highly profitable "short-term capital strategies" that involve minimal risk to investors. In offering materials provided to at least one prospective investor, Opulentica falsely claims to have "\$1.2 million in assets under management from diverse offerings."

17. On its website, www.opulentica.com, in offering materials, and through advertisements in multiple successive editions of the "Weekly Pakistan News" and the "Pakistan Post," the Defendants solicit investors to open trading accounts with Opulentica, promising returns of 6% per month, with an option of investment periods ranging from 3, 6, 9, and 12 months. According to Opulentica's website, the offering materials, and newspaper advertisements, individuals who invest for a period of 12 months are promised a return of 72% on their investments.

18. Both the Opulentica website and offering materials include a chart that shows the amounts that will purportedly be earned on a month-by-month basis given the size of the initial deposit. The Opulentica website states: "For example, with 1,000 dollars you earn 60 dollars every month for the term of your investment. . . . At the end of a 12 month period, a 1,000 dollars becomes 1,720 and goes into your pocket." The offering materials also state that the only fee charged to investors is a one percent penalty for early withdrawal.

19. Opulentica claims it can promise these extraordinary returns because it "specializes in short term capital strategies [so that investors' funds are] never exposed to long-term market risks and volatility." In a solicitation letter, dated July 15, 2003, Sheikh represented

to a prospective investor that "Opulentica is a unique service geared towards helping you make the most of your money in the shortest time possible with no risk at all."

20. The representations described in paragraphs 16 through 19 are materially false and misleading because Opulentica has not produced a 6% monthly return on investor funds, nor has it produced a 72% annual return on investment. Moreover, in its continuing solicitations, Opulentica has failed to disclose its failure to produce the promised rates of return. As of December 9, 2003, Opulentica had raised approximately \$538,000 from investors. Approximately half of the money Opulentica has received from investors, approximately \$249,000, was never invested at all, and was simply deposited into Opulentica's bank accounts where much of it was used for personal expenses of the Defendants. The remaining approximately \$289,000 was deposited into on-line trading accounts at Ameritrade, E*Trade, and MB Trading. Approximately \$117,000 of investor funds have disappeared in the form of losses attributable to Opulentica's on-line trading.

Misrepresentations and Omissions about Investment Risks

21. In connection with the offer, purchase, and sale of securities, the Defendants promised investors "the maximum gain with the minimum of exposure" and claimed "an extensive insurance coverage is blanketed over all accounts at Opulentica." Similarly, in a July 15, 2003 solicitation letter to a potential investor, Sheikh represented that "Opulentica is a unique service geared towards helping you make the most of your money in the shortest time possible with no risk at all."

22. The offering materials likewise include a general terms and conditions section that purports to explain Opulentica's "extensive insurance coverage." Specifically, the offering materials provide, in pertinent part, that:

[s]ecurities held by iClearing LLC for your account are protected up to a total of \$10,500,000 per account. \$500,000 of this total coverage is provided by the Securities Investor Protection Corporation (SIPC), no more than \$100,000 of which may be used to cover cash awaiting reinvestment. The remaining \$10,000,000 of coverage in securities only is provided by iClearing LLC through a private insurer. The total indemnity provided by the private insurers cannot exceed \$100,000,000 in the aggregate under any/all circumstances in any given policy year. SIPC coverage and the additional coverage are provided is [sic] allowed certain protections against loss to customers resulting from broker-dealer failure. The account protection applies when SIPC member firms fail financially and are unable to meet obligations to securities customers.

23. The Defendants' promises that its investments are without risk and insured are materially false and misleading because (i) Opulentica has failed to disclose that its trading strategy is inherently risky day-trading, (ii) it has failed to disclose that its trading has in fact resulted in substantial losses, rather than the 6% gains it promises, and (iii) Opulentica does not in fact have insurance coverage against trading losses. The insurance described in paragraph 22 provided by iClearing and SIPC does not cover trading losses in Opulentica's accounts. Opulentica is not a member of SIPC, and the insurance it mentions does not cover trading losses in any case. Moreover, as of July 2003, when Sheikh provided the offering materials to a potential investor, iClearing was no longer providing insurance for any active Opulentica trading account. Opulentica did not open individual accounts in the name of or for the benefit of each investor, and furthermore, Opulentica's guaranteed investment contracts – which are not registered with the Commission – are ineligible for SIPC protection.

Misrepresentations and Omissions about Use of Investor Proceeds

24. Opulentica's website states that "Opulentica has no fees or hidden fees. The one fee that applies is the one percent penalty for early withdrawal of funds." This representation is materially false and misleading because it fails to disclose that Sheikh, Dawoud and Shahzadi are using investor funds for personal expenses, such as purchases from "Domino's Pizza," "Key Food," "Western Beef," "Old Navy," "New York Health and Racquet Club," and rent payments for an apartment, among other expenses. Moreover, Sheikh and Dawoud fail to disclose that at least \$55,000 in investor proceeds have been wired outside the United States since September 2003.

Misrepresentations and Omissions about Opulentica's Management

25. Opulentica offering materials provided to at least one potential investor claim that the firm has "a staff of dedicated, professional, and licensed financial analysts, traders and many individuals," including Sheikh. In total, the offering materials list fourteen individuals, in addition to Sheikh, that it claims are on its staff of "licensed" personnel. These representations are materially false and misleading. Opulentica is neither a brokerage firm, a mutual fund company nor registered securities dealer. Likewise, none of the Defendants are registered representatives or hold any professional securities licenses. The people listed in the offering materials as Opulentica's "licensed" staff are not registered employees of the firm.

C. Culpability of the Defendants and Relief Defendant

Zarrar Sheikh

26. Sheikh is Opulentica's registered agent and media relations contact, and holds himself out to be a licensed trader or analyst for Opulentica. He is also the administrative

contact for Opulentica's website. On July 14, 2003, Sheikh reserved a conference room at Prime Office Centers at 44 Wall Street to meet an investor, Sabhira Koser ("Koser"). On that day, Koser invested \$27,500 with Opulentica.

27. Sheikh has made oral and written misrepresentations to actual and prospective investors in Opulentica. For example, on July 15, 2003, a letter bearing Sheikh's signature was faxed to a potential investor, stating that: "Opulentica is a unique service geared towards helping you make the most of your money in the shortest time possible with no risk at all." During a series of telephone conversations with the potential investor, Sheikh held himself out as the public relations contact for Opulentica. Sheikh stated further that Opulentica was a profitable company and that its clients' funds were traded by a group of individuals employed by Opulentica. In response to questions with regard to Opulentica's "extensive insurance coverage," Sheikh claimed that a third-party company guaranteed all of the funds in a client's account and that if the stocks in which the client's funds were invested decreased in value, Opulentica would return the initial investment to the client. As recently as December 2 or 3, 2003, Sheikh had Opulentica's mail from Prime Office Centers at 44 Wall Street sent to his apartment in Queens, New York. Sheikh, like the other individual defendants, has access to the 44 Wall Street location of Prime Office Centers and the mail-drop box located therein.

Nasser A. Dawoud

28. Dawoud identified himself as the president of Opulentica on a Citibank account opening statement. Dawoud is responsible for the publication of Opulentica's false and misleading advertisements in the "Weekly Pakistan News" and the "Pakistan Post," and knew or recklessly disregarded the falsity of the statements in those advertisements. Dawoud is the sole

signatory on all the Opulentica bank accounts. As the sole signatory, Dawoud has deposited investors' funds into Opulentica's bank accounts and then caused those funds to be transferred into trading accounts at Ameritrade, E*Trade and MB Trading. Dawoud withdrew investor funds from Opulentica's bank accounts to pay for advertising fees to the "Weekly Pakistan News" and "Pakistan Post," the monthly fees for the internet provider that allows Opulentica to engage in day-trading activities, and the monthly fees to Prime Office Centers to use its facilities as well as the mail-drop box.

29. Dawoud withdrew funds from Opulentica accounts to pay for, among other things, payments to certain of the Opulentica investors and for personal expenses. Dawoud also has directed Citibank, Ameritrade, E*Trade, and MB Trading to send by mail all of the bank and brokerage account statements maintained in his name to Sheikh's Queens address.

Saima Shahzadi

30. Shahzadi made the initial payment to rent services from Prime Office Centers. She was also issued an access card for the building at 44 Wall Street. Shahzadi has received at least \$56,200 in investor funds from Opulentica's bank accounts. Shahzadi is Sheikh's wife and resides at the same Queens, New York address.

31. Dawoud and Sheikh knew or were reckless in not knowing, that (a) Opulentica had virtually no assets other than the investor funds that they fraudulently obtained through the sale of unregistered investment contracts; (b) the profit projections had no basis in fact when made and were inherently arbitrary because Opulentica had never realized returns of 6% per month but only net losses; (c) Opulentica's only source of funds was either a return of investor

capital or proceeds raised from more recent investors; and, (d) substantial investor funds have been diverted for the personal benefit of Sheikh, Dawoud, and Shazhadi.

FIRST CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act.
Section 10(b) of the Exchange Act and Rule 10b-5

32. The Commission repeats and realleges the allegations contained in Paragraphs 1 through 31 by reference as if fully set forth herein.

33. The Defendants, directly and indirectly, singly and in concert, knowingly or recklessly, by the use of the means and instruments of transportation or communication in, and the means or instrumentalities of, interstate commerce, or by the use of the mails, in the offer or sale and in connection with the purchase or sale of securities, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of, or otherwise made untrue statements of material facts or omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, acts, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities or other persons.

34. As part of and in furtherance of this violative conduct, the Defendants, directly or indirectly, made the representations and omitted to state the facts in paragraphs 1 through 31 above.

35. The false statements and omissions made by the Defendants, more fully described in paragraphs 1 through 31, above, were material.

36. The Defendants knew, or were reckless in not knowing, that the material misrepresentations, more fully described in paragraphs 1 through 31 above, were false or misleading.

37. By reason of the acts, omissions, practices, and courses of business set forth in herein, the Defendants have violated, are violating, are about to violate, and, unless restrained and enjoined, will continue violating, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

SECOND CLAIM FOR RELIEF

Violations of Sections 5(a) and 5(c) of the Securities Act

38. The Commission repeats and realleges the allegations contained in Paragraphs 1 through 31 by reference as if fully set forth herein.

39. The Defendants, directly and indirectly, singly and in concert, have made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer and sell securities through the use or medium of a prospectus or otherwise, or have carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, securities for the purpose of sale or for delivery after sale, when no registration statement has been filed or was in effect as to such securities and when no exemption from registration was applicable.

40. By reason of the foregoing, the Defendants violated, are violating, are about to violate, and, unless restrained and enjoined, will continue violating, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully requests that this Court issue:

I.

Orders temporarily and preliminarily, and final judgments permanently, restraining and enjoining the Defendants, their agents, servants, employees, attorneys-in-fact, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act and Sections 10(b) of the Exchange Act and Rule 10b-5 thereunder.

II.

An Order directing that the assets of the Defendants and the Relief Defendant be frozen.

III.

An Order directing the Defendants and the Relief Defendant to file with this Court and serve upon the Commission verified written accountings, signed by each of them under penalty of perjury.

IV.

An Order directing the Defendants and the Relief Defendant to repatriate investor funds that have been transferred outside the United States.

V.

An Order permitting expedited discovery.

VI.

An Order enjoining and restraining the Defendants and the Relief Defendant and any person or entity acting at their direction or on their behalf from destroying, altering, concealing, or otherwise interfering with the access of the Commission to relevant documents, books and records.

VII.

A final judgment requiring the Defendants and the Relief Defendant to disgorge their ill-gotten gains from the fraudulent conduct alleged herein, and to pay prejudgment interest thereon.

VIII.

A final judgment imposing against the Defendants civil penalties, pursuant to Section 20(d) of the Securities Act, and 21(d)(3) of the Exchange Act, for the violations alleged therein.

IX.

Such other and further relief as the Court may deem appropriate.

Dated: December 23, 2003
New York, New York

Respectfully submitted,



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