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9 **UNITED STATES DISTRICT COURT**
10 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
11 **WESTERN DIVISION**

12 SECURITIES AND EXCHANGE
13 COMMISSION,

14 Plaintiff,

15 vs.

16 JAVEED A. MATIN and WILSHIRE
EQUITY, INC.

17 Defendants.
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Case No. **EDCV 10-1686**
COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

VAP
(DTBx)

CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

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1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
8 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
9 the means or instrumentalities of interstate commerce, of the mails, or of the
10 facilities of a national securities exchange, in connection with the transactions,
11 acts, practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
14 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
15 constituting violations of the federal securities laws occurred within this district.

16 **SUMMARY**

17 3. This case involves a scheme to manipulate the stock of Veltex Corp.,
18 a Utah corporation (“Veltex”). During the relevant time, Veltex was an apparel
19 company with purported operations in the U.S., Canada, and Bangladesh. The
20 manipulation was in the nature of a “pump and dump” scheme in which insiders
21 acquired newly issued shares of stock of the entity, made false representations
22 about its business prospects, and then sold into the resulting market. Beginning in
23 at least 2006, while Javeed Matin (“Matin”) was CEO of Veltex, he implemented a
24 plan to funnel about 8.5 million Veltex shares in an unregistered offering to a
25 company he controlled, Wilshire Equity, Inc., a Colorado corporation (“Wilshire
26 Equity”), through Mazhar Ul Haque (“Haque”), a figurehead whom Matin had
27 enlisted in his scheme. Haque is not named as a Defendant in this action but has
28 separately consented by Offer of Settlement to the issuance by the Commission of

1 a Cease-and-Desist Order pursuant to Section 8A of the Securities Act in a matter
2 entitled: *In re Mazhar Ul Haque*, Admin. Proc. File No. 3-14103 (November 1,
3 2010).

4 4. To facilitate his scheme, Matin obtained false attorney opinion letters
5 written by a California attorney (“Attorney”) claiming exemptions from
6 registration under Rule 504 of Regulation D of the Securities Act. Attorney wrote
7 eleven legal opinion letters authorizing Veltex’s transfer agent to issue the shares
8 legend free. Attorney prepared the opinion letters, which advanced Matin’s pump
9 and dump scheme, even though Attorney encountered numerous red flags
10 indicating that Wilshire Equity was acquiring the shares for distribution to
11 members of the public. Once the transfer agent issued the shares legend free,
12 Wilshire Equity then immediately resold the stock to the public, thereby acting as
13 underwriters. Haque, as Wilshire Equity’s officer and director, signed subscription
14 agreements and other documents to facilitate the distribution of Veltex shares.
15 Matin and Wilshire Equity are sometimes referred to jointly as “Defendants.”

16 5. Matin contemporaneously touted Veltex by issuing a series of false
17 and misleading press releases grossly inflating Veltex’s revenues, embellishing its
18 overseas operations, and assuring investors that Veltex’s financial statements were
19 being audited. During this time, the stock price of Veltex fluctuated between \$0.33
20 and \$3.30, and Matin generated approximately \$6.5 million from the sale of about
21 10.5 million Veltex shares through Wilshire Equity during the relevant time frame.

22 THE DEFENDANTS

23 6. **Javeed Azziz Matin**, age 52, resides in Diamond Bar, California.
24 Until August 2008, he was the CEO and a director of Veltex. Matin does not hold
25 any securities licenses. He asserted his Fifth Amendment privilege with respect to
26 all matters in the Commission’s investigation. In connection with certain
27 fraudulent conduct in the Veltex offering, in February 2009, the Illinois Securities
28

1 Department issued an order temporarily prohibiting Matin from selling securities
2 in or from the State of Illinois. [Temporary Order of Prohibition, File No. 08-
3 00208 (Feb. 2, 2009)].

4 7. **Wilshire Equity, Inc.** is a Colorado corporation, with its principal
5 place of business is in Mira Loma, California. Wilshire Equity has been in
6 delinquent corporate status since February 2008 for failure to file its annual report
7 with the Colorado Secretary of State. Neither Wilshire Equity nor its securities are
8 registered under the Exchange Act.

9 STATEMENT OF FACTS

10 **A. Background**

11 8. In 1999, Matin acquired Coconino S.M.A., a public shell company,
12 for his purported apparel business and changed its name to Veltex. Veltex shares
13 are quoted on the Pink Sheets operated by Pink OTC Markets Inc. During the time
14 of the relevant conduct, the company's principal place of business was in the City
15 of Industry, California. Matin claimed that Veltex operated two subsidiaries –
16 Veltex Apparel and Veltex-Explorer (in Canada) – and a manufacturing facility in
17 Bangladesh. Matin was the CEO of Veltex and the signatory on company bank
18 accounts until August 2008.

19 9. In April 2008, Veltex shareholders initiated a state court lawsuit due
20 to Veltex's failure to conduct regular shareholder meetings. [Fletcher, et al. v.
21 Veltex Corp., No. 080907145 (Utah State Ct. filed Apr. 30, 2008).] As a result, the
22 court appointed a receiver over Veltex and in August 2008, Matin was ousted from
23 the company. In or about August 2009, Veltex was reorganized under new
24 management, implemented a new board of directors, and moved its offices to
25 Chicago, Illinois. Veltex presently has minimal assets. Neither Veltex nor its
26 securities are registered under the Exchange Act.

27 10. In 2002, Matin formed Wilshire Equity and maintained full control
28 over the company, although he was not named in any of the corporate documents.

1 He enlisted Haque, the accountant at Veltex, as a figurehead to serve as Wilshire
2 Equity's officer and director.

3 **B. Stock Transfers to Wilshire Equity and the Rule 504 Opinion Letters**

4 11. From about 2004 through mid-2008, Veltex transferred approximately
5 10.5 million shares of its stock to Wilshire Equity in separate and purportedly
6 exempt transactions. Under Section 5 of the Securities Act of 1933, a company
7 may not conduct an offering of securities without first registering the offering with
8 the Commission unless the company can prove that a valid exemption from
9 registration exists. With few exceptions, securities issued in an exempt transaction
10 are restricted, meaning, among other things, that these shares may not be resold by
11 the purchaser for at least one year from the date of acquisition. Veltex transferred
12 about 8.5 million of these shares to Wilshire Equity from about 2006 to mid-2008,
13 and during that same time period, Wilshire Equity sold all 10.5 million Veltex
14 shares.

15 12. Since its inception, Wilshire Equity's only operations have been
16 receiving and selling Veltex shares. Haque, at Matin's direction, signed
17 agreements on behalf of Wilshire Equity and became the signatory on Wilshire
18 Equity's bank and brokerage accounts. Matin directed Haque to sign numerous
19 subscription agreements on behalf of Wilshire Equity for the purchase of Veltex
20 shares, without naming Matin in any of the Wilshire Equity corporate documents.
21 For each transaction, Matin signed an authorizing Veltex board resolution and
22 Matin countersigned the subscription agreements on behalf of Veltex. The
23 subscriptions agreements represented that (a) the Veltex stock transfer was
24 pursuant to Regulation D, Rule 504 exemption; and (b) Wilshire Equity was not
25 acquiring the shares with a view to distribution. Matin knew that neither of these
26 representations was true.

27 13. From about February 2006 to January 2008, Attorney, acting on
28 behalf of Veltex and at the direction of Matin, issued eleven opinion letters to

1 Veltex's transfer agent claiming that Veltex's sales of 8.5 million shares to
2 Wilshire Equity were exempt from registration based on Regulation D, Rule 504 of
3 the Securities Act, 17 C.F.R. § 230.504. To obtain the opinion letters, Matin
4 falsely represented in the subscription agreements that (a) the stock transfer was
5 pursuant to Regulation D, Rule 504 exemption; and (b) Wilshire Equity was not
6 acquiring the shares with a view to distribution. The transfer agent issued Veltex
7 shares to Wilshire Equity free of any restrictive legend.

8 14. The oral and written representations made by Matin to Attorney in
9 connection with the attorney opinion letters were false. First, Matin owned 100%
10 of Wilshire Equity. However, for the purpose of the share transfers, Matin
11 manipulated and misrepresented the facts to make it appear that Wilshire Equity
12 was unrelated to Veltex and independently controlled by Haque. Second, Haque,
13 at Matin's express direction, signed stock subscription agreements that represented
14 and warranted that Wilshire Equity was acquiring the stock for investment
15 purposes.

16 15. Contrary to the representations in the subscription agreements, Matin
17 caused Wilshire Equity to sell Veltex shares into the market immediately upon
18 receiving them. In most instances, Wilshire Equity sold the shares within days
19 after delivery into its brokerage account. Four subscription agreements entered
20 into between Wilshire Equity and Veltex from about January to May 2006, allowed
21 Wilshire Equity to "purchase" two million unrestricted Veltex shares for a mere
22 \$0.10 per share. During this period, Wilshire Equity sold the two million shares on
23 the open market at prices ranging from about \$0.79 to \$1.05 per share, and Matin
24 received proceeds of about \$6.5 million from Wilshire Equity's sales of 10.5
25 million shares of Veltex stock from 2006 to mid-2008.

26 **C. The False Veltex Press Releases Issued by Matin and Veltex**

27 16. Beginning in March 2006, Matin caused Veltex to issue at least six
28 press releases in which he portrayed Veltex as a growing and prosperous company.

1 Among other things, he represented that Veltex had significant revenues generated
2 from its apparel manufacturing operations in Bangladesh. Most of the press
3 releases also touted operations of Veltex's divisions, KCA Garment and Velvet
4 Textile Mills, which specialized in the manufacture of garments and high quality
5 fabrics. These press releases were materially false and misleading.

6 17. Examples of some of the false statements contained in the press
7 releases included the following:

- 8 a. On March 20, 2006, Veltex reported record 2005 revenues of
9 \$68 million. A quote in the press release from Matin stated,
10 among other things, "KCA Garment and Velvet Textile Mills
11 continue producing at record rates and with ever increasing
12 efficiency."
- 13 b. On September 5, 2006, Veltex reported revenues of \$33 million
14 for the first half of 2006.
- 15 c. On February 7, 2007, Veltex announced that its revenues for
16 2006 topped "the \$70 million mark as expected."
- 17 d. On October 16, 2007, Veltex report revenues of \$35 million for
18 the first half of 2007. In the same release, Matin commented,
19 "We are on-track to exceed last year's record performance."

20 18. The foregoing and similar statements in the press releases were false.
21 In point of fact, the Velvet Textile Mills plant was never operational. Matin
22 intended to set up the factory in Bangladesh. However, despite his efforts from as
23 early as 1996, no equipment was ever assembled and the plant was never
24 operational. Second, Veltex's revenues were nowhere close to \$70 million, Veltex
25 ordered only one container of apparel from abroad between August 2007 through
26 February 2008, and Matin admitted to Veltex's CFO that inflated revenues were
27 derived through intercompany sales. On one occasion, Matin asked the CFO to
28 "fix" the company's financial statements to make the profits "look better." In

1 February 2008, Veltex's financial condition was such that it bounced payroll
2 checks and was in a very poor financial condition. Veltex would have needed
3 approximately 250 orders per day to meet Matin's purported revenue figure in
4 early 2008; in fact, it was averaging only two to five orders per day.

5 19. Additionally, in an October 2007 press release, Matin stated that
6 Veltex was undergoing an audit, which would be completed by the end of the
7 month. He referenced the audit again in a March 4, 2008 press release. In fact,
8 there was no true audit. A letter from Veltex's auditor to his Canadian counterpart,
9 in connection with an inventory audit, stated: "Take a few random spot checks and
10 indicate any discrepancies. Don't get too technical. [] This is mainly just for
11 show." Matin misled investors that a legitimate audit was underway, leaving them
12 with the false impression that the company's financial statements were reliable.

13 **D. The Impact on Stock Price and Subsequent Trading by Wilshire Equity**

14 20. From 2006 to June 2008, Wilshire Equity sold approximately 10.5
15 million shares of Veltex to the general public, reaping approximately \$6.5 million
16 for Matin. Of this, about \$2.29 million represented proceeds in the twelve month
17 period from February 2006 through January 2007. Matin directed Haque to
18 transfer the bulk of the \$6.5 million proceeds to Veltex, which eventually Veltex
19 transferred back to Wilshire Equity, which was at all times controlled by Matin.
20 For example, in July 2006, Veltex transferred \$1.7 million back to Wilshire Equity
21 through 36 separate checks.

22 21. Although some of the press releases may have impacted the trading
23 volume, none of them notably affected the share price of Veltex, which continued
24 to decline. From 2006 through mid-2008, Veltex's stock price fluctuated
25 downward between \$3.30 and \$0.03 per share. Since approximately August 2008,
26 trading in Veltex stock has been de minimis.

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1 **FIRST CLAIM FOR RELIEF**

2 **UNREGISTERED OFFER AND SALE OF SECURITIES**

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

4 **(Against Matin and Wilshire Equity)**

5 22. The Commission realleges and incorporates by reference paragraphs 1
6 through 21 above.

7 23. The Defendants, and each of them, by engaging in the conduct
8 described above, directly or indirectly, made use of means or instruments of
9 transportation or communication in interstate commerce or of the mails, to offer to
10 sell or to sell securities, or to carry or cause such securities to be carried through
11 the mails or in interstate commerce for the purpose of sale or for delivery after
12 sale.

13 24. No registration statement has been filed with the Commission or has
14 been in effect with respect to the offering alleged herein.

15 25. By engaging in the conduct described above, the Defendants, and each
16 of them, violated, and unless restrained and enjoined will continue to violate,
17 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

18 **SECOND CLAIM FOR RELIEF**

19 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

20 **Violations of Section 17(a) Of the Securities Act**

21 **(Against Matin and Wilshire Equity)**

22 26. The Commission realleges and incorporates by reference paragraphs 1
23 through 21 above.

24 27. The Defendants, and each of them, by engaging in the conduct
25 described above, directly or indirectly, in the offer or sale of securities by the use
26 of means or instruments of transportation or communication in interstate
27 commerce or by use of the mails, with scienter:

28 a. employed devices, schemes, or artifices to defraud;

- 1 b. obtained money or property by means of untrue statements of a
2 material fact or by omitting to state a material fact necessary in
3 order to make the statements made, in the light of the
4 circumstances under which they were made, not misleading; or
5 c. engaged in transactions, practices, or courses of business which
6 operated or would operate as a fraud or deceit upon the
7 purchaser.

8 28. By engaging in the conduct described above, the Defendants, and each
9 of them, violated, and unless restrained and enjoined will continue to violate,
10 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

11 **THIRD CLAIM FOR RELIEF**

12 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES**

13 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
14 **(Against Matin and Wilshire Equity)**

15 29. The Commission realleges and incorporates by reference paragraphs 1
16 through 21 above.

17 30. The Defendants, and each of them, by engaging in the conduct
18 described above, directly or indirectly, in connection with the purchase or sale of a
19 security, by the use of means or instrumentalities of interstate commerce, of the
20 mails, or of the facilities of a national securities exchange, with scienter:

- 21 a. employed devices, schemes, or artifices to defraud;
22 b. made untrue statements of a material fact or omitted to state a
23 material fact necessary in order to make the statements made, in
24 the light of the circumstances under which they were made, not
25 misleading; or
26 c. engaged in acts, practices, or courses of business which
27 operated or would operate as a fraud or deceit upon other
28 persons.

1 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15
2 U.S.C. § 78u(d)(3).


3 **VI.**

4 Retain jurisdiction of this action in accordance with the principles of equity
5 and the Federal Rules of Civil Procedure in order to implement and carry out the
6 terms of all orders and decrees that may be entered, or to entertain any suitable
7 application or motion for additional relief within the jurisdiction of this Court.

8 **VII.**

9 Grant such other and further relief as this Court may determine to be just and
10 necessary.

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13 DATED: November 1, 2010



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15 RONNIE B. LASKY
16 Attorneys for Plaintiff
17 Securities and Exchange Commission
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