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

12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 vs.

16 IMRAN HUSAIN and GREGG EVAN  
JACLIN,

17 Defendants.

**Case No. 2:16-cv-03250-ODW-E**  
**FIRST AMENDED COMPLAINT**

18  
19 Plaintiff Securities and Exchange Commission (the “SEC”) alleges as  
20 follows:

21 **JURISDICTION AND VENUE**

22 1. This Court has jurisdiction over this action pursuant to Sections 20(b),  
23 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
24 77t(b), 77t(d)(1) and 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of  
25 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
26 78u(d)(3)(A), 78u(e), and 78aa.

27 2. Defendants Imran Husain (“Husain”) and Gregg Evan Jaclin  
28 (“Jaclin”) have, directly or indirectly, made use of the means or instrumentalities

1 of interstate commerce or of the mails, in connection with the transactions, acts,  
2 practices and courses of business alleged in this Complaint.

3 3. Venue is proper in this district pursuant to Section 22(a) of the  
4 Securities Act, 15 U.S.C. § 77v(a) and Section 27 of the Exchange Act, 15 U.S.C.  
5 § 78aa, because certain of the transactions, acts, practices and courses of conduct  
6 constituting violations of the federal securities laws occurred within this district.  
7 In addition, venue is proper in this district because Husain resides in this district.

8 **SUMMARY**

9 4. This action concerns defendants' Husain's and Jaclin's fraudulent  
10 "shell factory" enterprise—a scheme they operated, acting in concert, to: (1) create  
11 public "shell" companies, which had virtually no assets or operations and had no  
12 legitimate business purpose, and (2) sell them to buyers who sought to trade the  
13 shell companies' stock publicly. As the defendants were aware, these shell  
14 companies were valuable because they allowed the people who acquired them to  
15 completely control the shares and corporate actions of the companies that  
16 otherwise appeared to be legitimate public companies.

17 5. The scheme was carried out by Husain, an undisclosed control person  
18 and promoter based in Los Angeles, and Jaclin, a corporate attorney who made his  
19 living representing companies like the ones created and sold in the shell factory. In  
20 his plea agreement in *U.S. v. Husain*, No. CR 14-149 RS (N.D. Cal.), which was  
21 unsealed after the SEC filed the initial complaint in this action, Husain admits how  
22 he and Jaclin carried out their shell factory enterprise.

23 6. From 2006 to 2013, Husain and Jaclin together created nine shell  
24 companies, seven of whose stock was subsequently sold for hundreds of thousands  
25 of dollars in sales proceeds and attorney fees as a result of the fraudulent scheme.

26 7. The shell factory scheme followed a routine pattern, which Jaclin  
27 devised and taught to Husain. First, Husain created a written "business plan" for a  
28 new company to be created and convinced a friend, friend of a friend, relative or

1 acquaintance of his to be the CEO but in name only. Husain would actually  
2 control the company and the CEO's activities, so the CEO was no more than  
3 Husain's "puppet." Husain then instructed the puppet CEO to engage Jaclin's law  
4 firm to incorporate the company, prepare the documents for a private offering of  
5 the company's shares of stock, take the company public, and obtain clearance for  
6 the company's stock to trade publicly.

7 8. After the company was incorporated, Husain then orchestrated a sham  
8 private placement offering of the company's shares to approximately 35 purchasers  
9 (the "Straw Shareholders"). Jaclin prepared the documents for the offering,  
10 including a subscription agreement, which documented the Straw Shareholder's  
11 purchase of shares, and an investor questionnaire, to give the appearance that the  
12 investor was bona fide. These Straw Shareholders, however, either did not exist,  
13 or they used cash supplied by Husain to "buy" the shares. Although this made it  
14 appear as if the company was owned by third parties, Husain maintained control of  
15 the company, and he and Jaclin maintained possession of the company's shares.

16 9. Once the company was established and its shares had been "sold" to  
17 the Straw Shareholders, Husain took the company public by having it file a  
18 registration statement (on Form S-1) with the SEC to register the shares  
19 purportedly held by the Straw Shareholders. Jaclin and his law firm, as company  
20 counsel, drafted and prepared the registration statement at Husain's direction.  
21 Husain reviewed and approved drafts of the registration statements. The  
22 registration statements contained materially false and misleading statements  
23 concerning the company's management, business plan, and Straw Shareholders.

24 10. After the registration statement became effective, Jaclin and his law  
25 firm, as company counsel, filed periodic reports, such as annual reports on Form  
26 10-K and quarterly reports on Form 10-Q, with the SEC that repeated many of the  
27 same false and misleading statements. Again, Husain directed the preparation of  
28 the filings, and reviewed and approved drafts of the periodic reports.

1           11. Husain and Jaclin collectively then provided materially false and  
2 misleading information to market makers to obtain clearance to enter quotes for the  
3 company's shares on the over-the-counter ("OTC") Bulletin Board or the OTC  
4 Link so that the company's shares could be purchased or sold on the public  
5 securities markets. Husain also provided materially false and misleading  
6 information to transfer agents affiliated with the market maker to obtain approval  
7 from the Depository Trust Company ("DTC") to settle trades in the company's  
8 stock electronically and thus at a lower cost. Clearance to enter quotes for public  
9 trading and electronic settlement of stock trades made the company more attractive  
10 to potential buyers.

11           12. Once the shell company was established as a publicly-traded  
12 company, Husain and Jaclin, acting in concert, would try and sell it. Husain sold  
13 seven shell companies to purchasers (the "Shell Company Purchasers"); Jaclin  
14 introduced Husain to the purchasers who bought six of those shell companies.  
15 Ultimately, Husain—under the guise of the Straw Shareholders—sold seven of the  
16 shell companies the factory created, reaping \$215,000 to \$425,000 of sale proceeds  
17 for each shell sold. In total, Husain obtained about \$2.25 million in sale proceeds.  
18 Jaclin, whose firm provided the legal services for each sale, earned nearly  
19 \$225,000 for his firm for this work.

20           13. For the sales of two of the shells, Jaclin, as company counsel, also  
21 filed a post-effective amendment to the registration statement or a Form 10-K  
22 shortly in advance of the sale. Husain directed, reviewed and approved these two  
23 filings, which falsely claimed that neither company had any plans or  
24 understandings to engage in a merger—even though portions of the sales proceeds  
25 had already been received into escrow at Jaclin's firm, Jaclin's firm had begun to  
26 prepare merger documents, and the due diligence process by the Shell Company  
27 Purchasers had begun.

28           14. Husain and Jaclin made concerted efforts to conceal their fraudulent

1 scheme, including: (1) communicating through email accounts Husain set up, at  
2 Jaclin's direction, that falsely appeared to be email accounts in the names of the  
3 puppet CEOs, rather than email accounts created and used by Husain; (2) using a  
4 computer consultant, hired by Husain at Jaclin's direction, to destroy emails  
5 between Husain and Jaclin or Jaclin's firm; and (3) collaborating to coach one of  
6 the puppet CEOs how to testify falsely in SEC investigative proceedings, to hide  
7 Husain's identity and role as the shell company's control person.

8 15. By this conduct:

9 (a) Husain and Jaclin each violated the registration provisions of  
10 Section 5(a) and 5(c) [15 U.S.C. §§ 77(e)(a), 77(e)(c)] and, alternatively, Husain  
11 and Jaclin each aided and abetted the Shell Company Purchasers' violations of  
12 these registration provisions, and Jaclin aided and abetted Husain's violations of  
13 these registration provisions;

14 (b) Husain and Jaclin each violated the antifraud provisions of  
15 Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and, alternatively, Husain  
16 and Jaclin each aided and abetted the shell companies' violations of these  
17 registration provisions, and Jaclin aided and abetted Husain's violations of these  
18 registration provisions;

19 (c) Husain and Jaclin each violated the antifraud provisions of  
20 Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(a) and (c)  
21 thereunder [17 C.F.R. § 240.10b-5(a), (c)] and, alternatively, Husain and Jaclin  
22 each aided and abetted the shell companies' violations of these antifraud  
23 provisions, Jaclin aided and abetted Husain's violations of these antifraud  
24 provisions, and Husain is liable for the shell companies' violations of these  
25 antifraud provisions under the control person provisions of Section 20(a) of the  
26 Exchange Act [15 U.S.C. §§ 78t(a)];

27 (d) Husain violated the antifraud provisions of Section 10(b) of the  
28 Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. §

1 240.10b-5(b)] and, alternatively, Husain and Jaclin each aided and abetted the shell  
2 companies' violations of these antifraud provisions, Jaclin aided and abetted  
3 Husain's violations of these antifraud provisions, and Husain is liable for the shell  
4 companies' violations of these antifraud provisions under the control person  
5 provisions of Section 20(a) of the Exchange Act [15 U.S.C. §§ 78t(a)]; and

6 (e) Husain and Jaclin each aided and abetted the shell companies'  
7 violations of the reporting provisions of Section 15(d) of the Exchange Act [15  
8 U.S.C. § 78o(d)], and Rules 12b-20, 15d-1 and 15d-13 thereunder [17 C.F.R. §§  
9 240.12b-20, 240.15d-1, 240.15d-13];

10 16. The SEC seeks, against both Husain and Jaclin, disgorgement of ill-  
11 gotten gains with prejudgment interest, civil penalties, penny stock bars, and,  
12 against Husain, an officer and director bar.

13 **THE DEFENDANTS**

14 17. **Imran Husain** resides in Santa Monica, California. Husain is in the  
15 business of starting companies, taking them public, and selling them to purchasers  
16 seeking to acquire public shell companies, in order to offer and sell their stock to  
17 the public. On March 20, 2014, Husain was charged with conspiracy and  
18 obstruction of justice relating to an SEC investigation of one of the companies in  
19 the shell factory scheme. *See U.S. v. Husain*, No. CR 14-149 RS (N.D. Cal.), Dkt.  
20 No. 1. On October 14, 2014, he pled guilty to one count of conspiracy to obstruct  
21 the proceedings of the SEC, naming Jaclin as one of two co-conspirators in his  
22 publicly-filed plea agreement. *See id.*, Dkt. No. 24.

23 18. **Gregg Evan Jaclin** resides in Princeton Junction, New Jersey, and is  
24 admitted to the bar in New York and New Jersey. Jaclin is a corporate securities  
25 attorney whose practice focuses on taking microcap companies public, preparing  
26 their periodic SEC reports, and serving as counsel when the shell companies are  
27 sold. During the majority of the relevant time period, Jaclin was a partner at the  
28 now-dissolved firm of Anslow & Jaclin, which was in Englishtown, New Jersey.

1 **THE SHELL COMPANIES**

2 19. As part of their fraudulent scheme, Husain and Jaclin, acting in  
3 concert, created a total of nine shell companies (collectively, the “shell  
4 companies”): (1) New Image Concepts, Inc. (“New Image”); (2) PR Complete  
5 Holdings, Inc. (“PR Complete”); (3) Cigarette Inc. (“Cigarette”); (4) Rapid  
6 Holdings, Inc. (“Rapid Holdings”); (5) Resume in Minutes, Inc. (“Resume in  
7 Minutes”); (6) Movie Trailer Galaxy (“Movie Trailer”); (7) Health Directory, Inc.  
8 (“Health Directory”); (8) Comp. Services, Inc. (“Comp. Services”); and (9)  
9 Counseling International, Inc. (“Counseling International”).

10 20. **New Image** was incorporated in Nevada on October 23, 2006.  
11 Located in Miami Beach, Florida, New Image claimed that it would offer personal  
12 style consultation services.

13 (a) On March 18, 2008, New Image filed a Form S-1 registration  
14 statement, in connection with an initial public offering of 997,855 shares of  
15 common stock at an offering price of \$0.05 per share, for a total offering amount  
16 of \$49,893. The registration statement was filed on March 18, 2008; was  
17 amended on April 1, 2008; became effective on April 4, 2008; and was amended  
18 post-registration on September 23, 2009, effective September 29, 2009.

19 (b) From May 13, 2008 through November 12, 2009, New Image  
20 filed periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act  
21 and related rules thereunder.

22 (c) On December 7, 2009, New Image was sold, through a reverse  
23 merger, for \$215,000.

24 (d) Following the merger, New Image changed its name to Car  
25 Charging Group, Inc. Common stock of Car Charging Group was offered and  
26 sold to the public beginning on December 14, 2009, under the symbol “CCGI.”  
27 Its common stock is currently quoted on OTC Link.

28 21. **PR Complete** was incorporated in Nevada on May 22, 2008.

1 Located in San Francisco, California, PR Complete claimed that it planned to be  
2 an online press release preparation service.

3 (a) On November 7, 2008, PR Complete filed a Form S-1  
4 registration statement in connection with an initial public offering of 914,000  
5 shares of common stock at an offering price of \$0.05 per share, for a total offering  
6 of \$45,700. The registration statement was filed on November 7, 2008; was  
7 amended on December 15, 2008 and January 5, 2009; became effective on  
8 January 16, 2009; and was amended post-registration on September 23, 2009,  
9 effective September 24, 2009.

10 (b) From March 23, 2009 through November 16, 2009, PR  
11 Complete filed periodic reports with the SEC pursuant to Section 15(d) of the  
12 Exchange Act and related rules thereunder.

13 (c) On December 4, 2009, PR Complete was sold, through a  
14 reverse merger, for \$240,000.

15 (d) Following the merger, PR Complete changed its name to  
16 YesDTC Holdings. Common stock of YesDTC Holdings was offered and sold to  
17 the public beginning on January 21, 2010, under the symbol "YESD."

18 (e) On November 17, 2014, the SEC suspended trading in YESD  
19 pursuant to Section 12(k) of the Exchange Act. *In re YesDTC Holdings, Inc.*,  
20 Release No. 34-73611 (Nov. 17, 2014). On December 15, 2014, each class of its  
21 registered securities was revoked pursuant to Section 12(j) of the Exchange Act,  
22 which became final on January 27, 2015. *In re YesDTC Holdings, Inc.*, Rel. No.  
23 34-74140 (Jan. 27, 2015). On February 25, 2015, a final judgment was entered as  
24 to YesDTC's CEO Joseph Noel, for a pump and dump scheme involving  
25 YesDTC's stock. *SEC v. Noel*, Case No. 14-cv-05054-VC (N.D. Cal.) (Dkt. No.  
26 27).

27 22. **Cigarette** was incorporated in Nevada on December 23, 2009.  
28 Located in New York, New York, Cigarette claimed that it would become an e-



1 cigarette marketer and distributor.

2 (a) On April 28, 2010, Cigarette filed a Form S-1 registration  
3 statement in connection with an initial public offering of 296,703 shares of  
4 common stock, at an offering price of \$0.05 per share, for a total of \$14,835. The  
5 registration statement was filed on April 28, 2010; was amended on May 18,  
6 2010, June 9, 2010, June 15, 2010, June 22, 2010, and June 24, 2010; and became  
7 effective on June 24, 2010.

8 (b) From July 20, 2010 through January 10, 2011, Cigarette filed  
9 periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act and  
10 related rules thereunder.

11 (c) On March 1, 2011, Cigarette was sold, through a reverse  
12 merger, for \$275,000.

13 (d) Following the merger, Cigarette changed its name to Kirin  
14 International Holding, Inc. Common stock of Kirin International Holding was  
15 offered and sold to the public beginning on March 14, 2011, under the symbol  
16 "KIRI." In December 2015, the company was the subject of a change in control  
17 transaction and in January 2016 was renamed Yangtze River Development  
18 Limited. Its common stock is quoted on OTC Link under the symbol "YERR."

19 23. **Rapid Holdings** was incorporated in Nevada on March 22, 2010.  
20 Located in Orlando, Florida, Rapid Holdings claimed that it made loans to  
21 individuals, secured by the borrowers' automobiles.

22 (a) On July 2, 2010, it filed a Form S-1 registration statement in  
23 connection with an initial public offering of 818,000 shares of common stock, at  
24 an offering price of \$0.05 per share, for a total of \$40,900. The registration  
25 statement was filed on July 2, 2010; was amended on August 9, 2010, August 19,  
26 2010, August 27, 2010, September 2, 2010, September 10, 2010, September 23,  
27 2010, October 1, 2010, and October 5, 2010; and became effective on October 8,  
28 2010.

1 (b) From August 31, 2010 through May 16, 2011, Rapid Holdings  
2 filed periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act  
3 and related rules thereunder.

4 (c) On May 11, 2011, Rapid Holdings was sold, through a reverse  
5 merger, for \$367,000.

6 (d) Following the merger, Rapid Holdings changed its name to  
7 Izea, Inc. Common stock of Izea was offered and sold to the public beginning on  
8 June 7, 2011, under the symbol "IZEA." Its common stock is currently traded on  
9 the Nasdaq Capital Market.

10 24. **Resume in Minutes** was incorporated in Nevada on May 22, 2008.  
11 Located in Irvine, California, Resume in Minutes claimed that it planned to offer  
12 online all-in-one resume-building services.

13 (a) On May 11, 2010, Resume in Minutes filed a Form S-1  
14 registration statement in connection with an initial public offering of 267,400  
15 shares of common stock, at an offering price of \$0.05 per share, for a total of  
16 \$13,370. The registration statement was filed on May 11, 2010; was amended on  
17 June 23, 2010, July 15, 2010, July 20, 2010, and July 23, 2010; and became  
18 effective on July 27, 2010.

19 (b) From August 31, 2010 through May 16, 2011, Resume in  
20 Minutes filed periodic reports with the SEC pursuant to Section 15(d) of the  
21 Exchange Act and related rules thereunder.

22 (c) On June 24, 2011, Resume in Minutes was sold through a  
23 reverse merger, for \$350,000.

24 (d) Following the merger, Resume in Minutes changed its name to  
25 MEDL Mobile Holdings, Inc. In October, the company changed its name once  
26 more to With, Inc. Its common stock is currently quoted on OTC Link under the  
27 symbol "WWTH."

28 25. **Movie Trailer** was incorporated in Nevada on April 27, 2010.

1 Located in Mississauga, Ontario, Canada, Movie Trailer claimed to be an online  
2 portal to preview the latest movie information.

3 (a) On October 15, 2010, Movie Trailer filed a Form S-1  
4 registration statement in connection with an initial public offering of 280,985  
5 shares of common stock, at an offering price of \$0.05 per share, for a total of  
6 \$14,049. The registration statement was filed on October 15, 2010; was amended  
7 on December 16, 2010, January 19, 2011, February 9, 2011, March 2, 2011, and  
8 March 18, 2011; became effective March 25, 2011; and was amended post-  
9 registration on September 4, 2012, effective September 12, 2012.

10 (b) From May, 9, 2011 through November 29, 2011, Movie Trailer  
11 filed periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act  
12 and related rules thereunder.

13 (c) On September 11, 2012, Movie Trailer was sold through a  
14 reverse merger, for \$370,000.

15 (d) Following the merger, it changed its name to Broadcast Live  
16 Digital Corp. Common stock of Broadcast Live Digital Corp. was offered and  
17 sold to the public beginning on October 23, 2012 under the symbol "BFLD." Its  
18 common stock was quoted on OTC Link. On March 7, 2014, the SEC suspended  
19 trading in the securities of Broadcast Live Digital Corp., citing questions  
20 regarding the accuracy of publicly available information concerning its business  
21 operations. *In re Broadcast Live Digital Corp.*, Rel. No. 34-71659 (Mar. 7, 2014).

22 26. **Health Directory** was incorporated in Nevada on September 29,  
23 2010. Located in San Jose, California, Health Directory claimed to be an online  
24 health-related directory website.

25 (a) On May 27, 2011, Health Directory filed a Form S-1  
26 registration statement in connection with an initial public offering of 759,400  
27 shares of common stock, at an offering price of \$0.05 per share, for a total of  
28 \$37,970. The registration statement was filed May 27, 2011; was amended July

1 14, 2011, August 12, 2011, September 21, 2011, and October 4, 2011; and became  
2 effective on October 19, 2011.

3 (b) From November 19, 2011 through June 28, 2012, Health  
4 Directory filed periodic reports with the SEC pursuant to Section 15(d) of the  
5 Exchange Act and related rules thereunder.

6 (c) On July 20, 2012, Health Directory was sold through a reverse  
7 merger, for \$425,000.

8 (d) Following the merger, Health Directory changed its name to  
9 Sollensys Corp. Common stock of Sollensys Corp. was offered and sold to the  
10 public beginning on October 15, 2012, under the symbol "SOLS." Its common  
11 stock is currently quoted on OTC Link.

12 27. **Comp Services** was incorporated in Nevada on June 17, 2011.  
13 Located in Turlock, California, Comp Services claimed to be an online computer  
14 parts and services provider.

15 (a) On December 20, 2011, Comp Services filed a Form S-1  
16 registration statement in connection with an initial public offering of 739,000  
17 shares of common stock, at an offering price of \$0.05 per share, for a total of  
18 \$36,950. The registration statement was filed December 20, 2011; was amended  
19 January 27, 2010, February 22, 2012, March 14, 2012, April 10, 2012, April 23,  
20 2012, April 26, 2012, and April 30, 2012; became effective on May 4, 2012; and  
21 was amended post registration on October 17, 2013, November 27, 2013, and  
22 December 18, 2013.

23 (b) From June 14, 2012 through September 23, 2013, Comp  
24 Services filed periodic reports with the SEC pursuant to Section 15(d) of the  
25 Exchange Act and related rules thereunder.

26 (c) Its common stock was quoted on the OTC Link under the  
27 symbol "CMPS." On April 23, 2014, while a post-effective amendment was  
28 pending, the SEC issued a stop order suspending the effectiveness of its

1 registration statement, citing the company’s failure to disclose its control  
2 person/promoter. *In re the Registration Statement of Comp Services, Inc.*, Rel.  
3 No. 33-9577 (Apr. 23, 2014).

4 28. **Counseling International** was incorporated in Nevada on September  
5 30, 2011. Located in Los Angeles, California, Counseling International  
6 purportedly engaged in the business of providing online access to providers of  
7 low-cost counseling services and mental health-related products.

8 (a) On August 8, 2012, Counseling International filed a Form S-1  
9 registration statement in connection with an initial public offering of 763,400  
10 shares of common stock, at an offering price of \$0.05 per share, for a total  
11 offering amount of \$38,170. The registration statement was filed August 8, 2012;  
12 and was amended September 25, 2012, November 19, 2012, December 19, 2012,  
13 and January 9, 2013.

14 (b) On August 22, 2013, the SEC issued a stop order suspending  
15 the effectiveness of Counseling International’s registration statement, citing the  
16 company’s failure to disclose its control person/promoter. *In re the Registration*  
17 *Statement of Counseling International*, Rel. No. 33-9444 (Aug. 22, 2013).

18 **THE FRAUDULENT AND ILLEGAL SCHEME**

19 **A. Jaclin’s “Self-Filing Model”**

20 29. In or about 2004, Jaclin met Husain, who sought advice about how to  
21 take a company public. Jaclin introduced Husain to what Jaclin termed his “self-  
22 filing model.”

23 30. Under Jaclin’s self-filing model, a company is first incorporated and  
24 conducts a private placement offering of its stock to a limited number of investors,  
25 such as friends and family.

26 31. Next, the company files a Form S-1 registration statement with the  
27 SEC to register a public offering of the private placement investors’ stock.

28 32. Once the registration statement becomes effective, the company files

1 periodic reports on Forms 10-K and 10-Q in accordance with SEC regulations.

2 33. The company then works with a market maker to obtain clearance  
3 from the Financial Industry Regulatory Authority (“FINRA”) to publish stock  
4 price quotations on the OTC Bulletin Board or OTC Link, thereby enabling the  
5 stock to be purchased or sold in the public securities market. Exchange Act Rule  
6 15c2-11, 17 C.F.R. § 240.15c2-11, requires a broker or dealer to obtain reasonably  
7 current information concerning a company before publishing a quotation for the  
8 company’s securities, often including the registration statement filed with the  
9 SEC.

10 34. Once FINRA provides quotation clearance, the company works with  
11 the market maker and a transfer agent to obtain DTC eligibility so that trades of its  
12 stock can be settled electronically and thereby reduce costs and time when a share  
13 of stock is traded.

14 35. At the outset of the scheme, Jaclin advised Husain to create small  
15 companies that Husain could control from start to finish, including control of both  
16 the private placement investors and the companies’ management.

17 36. Jaclin and Husain agreed that Husain should be considered as only a  
18 “consultant” to the shell companies, even though Husain created and exercised  
19 control over the companies.

20 37. Jaclin advised Husain to keep his name off of the corporate  
21 documents, including SEC filings made by the shell companies.

22 38. Jaclin advised Husain that the SEC would be unlikely to approve the  
23 registration statements if Husain’s name was disclosed as an officer, control  
24 person, or primary shareholder on numerous shell companies.

25 39. Husain understood that it would look suspicious to the SEC if he was  
26 listed as a control person for numerous shell companies.

27 **B. The Shell Factory Scheme and the False Statements**

28 40. Utilizing Jaclin’s self-filing model, Husain and Jaclin, acting

1 together, created the nine public shell companies, using the following series of  
2 recurring steps.

3 **1. Incorporating the Shell Companies and Hiring Puppet CEOs**

4 41. Jaclin directed Husain to locate “nominees” to serve as the CEOs of  
5 the shell companies.

6 42. Husain recruited the potential puppet CEO, such as a friend, friend of  
7 a friend, relative, or administrative assistant, to serve as a CEO in name only.

8 43. Husain directed the puppet CEO to form a shell company, explaining  
9 that Husain himself would handle all of the corporate, legal, and regulatory  
10 matters necessary to take the company public.

11 44. Husain typically selected a business plan for the shell company that  
12 related to the puppet CEO’s own background.

13 45. Jaclin advised Husain that the puppet CEOs should receive some  
14 salary to avoid raising suspicions.

15 46. Husain promised potential puppet CEOs a salary of between \$500  
16 and \$700 per month.

17 47. Husain introduced the puppet CEO to Jaclin, who sent the puppet  
18 CEO, directly or through Husain, an engagement letter for him and his firm to  
19 serve as the shell company’s counsel. The engagement letters typically explained  
20 that Jaclin and his firm would provide legal services to incorporate the company,  
21 conduct a private placement offering of the company’s stock, file a registration  
22 statement to take the company public, and help obtain quotation clearance by  
23 working with a market maker to file an application with FINRA on Form 211.

24 48. Jaclin and his firm incorporated the shell company.

25 49. Husain controlled the actions taken by the puppet CEOs.

26 50. Husain, rather than the puppet CEOs, communicated with Jaclin and  
27 his firm concerning decisions involving the companies.

28 51. The puppet CEOs did not exercise any actual control over the

1 companies, though their names appeared on the corporate documents prepared by  
2 Jaclin's firm as company counsel.

3 52. Husain and Jaclin knew, or were reckless or negligent in not  
4 knowing, that Husain had final authority on all matters involving the shell  
5 companies, even though Husain's name did not appear on any of the corporate  
6 documents prepared by Jaclin's firm.

## 7 **2. The Sham Private Offerings**

8 53. After incorporating the shell company, Husain organized a private  
9 offering of the shell company's stock to approximately 35 individuals who were  
10 shareholders in name only (the "Straw Shareholders").

11 54. Jaclin's firm, as company counsel, prepared a private placement  
12 memorandum, based on a fake business plan provided by Husain. Jaclin's firm  
13 also prepared the subscription agreement, which would document the purported  
14 sale of stock by the shell company to the Straw Shareholder, and an investor  
15 questionnaire to make it appear that the Straw Shareholder was a bona fide stock  
16 purchaser.

17 55. The private offerings were shams because Husain gave the Straw  
18 Shareholders cash to buy the stock, and, in some instances used the names and  
19 social security numbers of deceased individuals as the purported investors.

20 56. Husain enlisted several acquaintances to recruit Straw Shareholders,  
21 paying the recruiters commissions of between \$200 to \$400 for each investor they  
22 obtained.

23 57. The Straw Shareholders used Husain's cash either to write a personal  
24 check or to obtain a cashier's check payable to the shell company. Some Straw  
25 Shareholders paid with money orders from retail outlets such as CVS or Seven-  
26 Eleven. In some instances, Husain's recruiters obtained a cashier's check or  
27 money order for the Straw Shareholder, using the cash that Husain provided.

28 58. Jaclin advised Husain that the Straw Shareholders should submit



1 personal or cashier's checks, rather than money orders, to avoid raising regulators'  
2 suspicions.

3 59. The Straw Shareholder signed the documents that Husain gave the  
4 recruiter, namely a subscription agreement, investor questionnaire, and a blank  
5 stock power.

6 60. When Husain subsequently sold the shell company, he filled in the  
7 stock power to make it appear to the transfer agent that the Straw Shareholder was  
8 selling his or her stock.

9 61. Jaclin and Husain maintained possession of the stock certificates  
10 issued to the Straw Shareholders in the sham private offerings.

11 62. When the Straw Shareholders purportedly purchased shares in the  
12 shell companies, the shell companies were controlled by Husain, and no restrictive  
13 legend appeared on the stock certificates for the shares sold to the Straw  
14 Shareholders.

15 63. The fact that the companies' shares were purportedly sold to and held  
16 by the Straw Shareholders gave the appearance that third parties actually owned  
17 the companies, when, in fact, Husain retained ownership and control over them.

18 64. Husain and Jaclin knew, or were reckless or negligent in not  
19 knowing, that the private offerings were shams, that the Straw Shareholders, to the  
20 extent they were real people, were using Husain's money to purchase the shares,  
21 and that Husain owned and controlled the shares.

### 22 **3. The False and Misleading S-1 Registration Statements**

23 65. Husain and Jaclin, acting in concert, then took each shell company  
24 public through a Form S-1 registration statement filed with the SEC and  
25 amendments thereto, offering the shares from the sham private placement.

26 66. Husain and Jaclin, acting in concert, caused the registration  
27 statements and amendments listed in Appendix 1 hereto (each a "Registration  
28 Statement") to be filed on behalf of the nine shell companies.

1           67. For each shell company public offering, and the registration of the  
2 offering, Jaclin and his firm served as counsel for the shell company.

3           68. For each Registration Statement for each shell company, Husain  
4 controlled the efforts to prepare, review, file, and obtain a notice from the SEC  
5 declaring it effective, including providing to Jaclin's firm and to the shell  
6 company's auditor, information, documents, and puppet CEO signatures, as  
7 needed. Either Husain or Jaclin provided the auditor with the subscription  
8 agreements, investor questionnaires, and investor checks and money orders to  
9 make it appear as if the shell company was owned by the investors whose shares  
10 were the subject of the Registration Statement.

11           69. Husain reviewed and approved documents and served as the main  
12 point of contact for the shell companies with Jaclin's law firm and the auditor  
13 throughout the registration process.

14           70. Jaclin instructed his associates that Husain had the authority to  
15 approve documents for filing with the SEC.

16           71. Jaclin's associates emailed each draft Registration Statement,  
17 including any changes or edits, to Jaclin for his approval.

18           72. The draft Registration Statement was then sent to Husain and the  
19 shell company's outside auditor for review, before being filed with the SEC.

20           73. Jaclin permitted his associates to use his electronic signature for his  
21 firm's opinion letters that were attached to the registration statements, which  
22 stated that the shares in the offering had been duly authorized, legally issued, fully  
23 paid and were non-assessable.

24           74. Each of the shell companies' Registration Statements contained  
25 numerous materially false and misleading statements.

26           (a) Each Registration Statement falsely claimed that the puppet  
27 CEO was the officer, director, and employee of the shell company, and often the  
28 sole one of each. These statements were false and misleading because there was

1 no mention of Husain’s identity and role as the control person and promoter of the  
2 shell company, or that the puppet CEO was the CEO in name only. Husain was a  
3 “control person” because, as alleged above, he directly or indirectly, possessed the  
4 power to direct or cause the direction of the management and policies of each  
5 shell company. He was a “promoter” because he, in conjunction with Jaclin and  
6 others, directly or indirectly took the initiative in founding and organizing the  
7 business or enterprise of the shell companies.

8 (b) Each Registration Statement misrepresented the shell  
9 company’s business purpose by stating that the company would operate in  
10 accordance with its business plan. These statements were false and misleading  
11 because the actual operations of the shell companies consisted only of turning the  
12 shell company into a public shell that would then be sold.

13 (c) Each Registration Statement misrepresented that the Straw  
14 Shareholders: (1) purchased their shares in a private offering; (2) were selling the  
15 shares for their own account in the registered offering; and (3) were not affiliated  
16 with any of the shell company’s officers, directors, promoters, or any beneficial  
17 owner of 10% or more of the shell company’s securities. These statements were  
18 false and misleading because: (1) some of the Straw Shareholders did not exist,  
19 much less purchase or hold shares; (2) the majority of the remaining Straw  
20 Shareholders paid for the shares with cash that Husain supplied through the  
21 recruiters; (3) Husain and Jaclin held the shares rather than the Straw  
22 Shareholders; (4) the shares under the offering were for Husain’s account, not the  
23 Straw Shareholders’ accounts; and (5) each Straw Shareholder was affiliated with  
24 Husain, who was the shell company’s control person and promoter and controlled  
25 its securities.

26 75. Husain and Jaclin knew, or were reckless or negligent in not  
27 knowing, that representations alleged above in the Registration Statements were  
28 false and misleading. In addition, neither exercised reasonable care to ensure that

1 the Registration Statements were not false or misleading.

2 76. Husain and Jaclin knowingly or recklessly provided substantial  
3 assistance to the shell companies in issuing these false and misleading  
4 Registration Statements.

5 **4. The False and Misleading Information Provided to Transfer**  
6 **Agents and Market Makers**

7 77. Husain selected the transfer agent for each shell company and  
8 supplied the transfer agent with shareholder information, serving as the main point  
9 of contact. Husain however disclosed neither his role nor the investors' status as  
10 Straw Shareholders.

11 78. Once a shell company's Form S-1 registration statement was declared  
12 effective, Jaclin sent the transfer agent his firm's Form S-1 opinion letter.

13 79. Husain and Jaclin then worked together with a market maker to file a  
14 FINRA Form 211 application in order for the market maker to publish quotes for  
15 the shell company's stock and enable public trading in its stock.

16 80. As part of preparing the Form 211, the market maker reviewed the  
17 shell company's registration statement, which was incorporated into the Form  
18 211, including the materially false and misleading statements.

19 81. Also as part of the Form 211 process, Husain completed an  
20 information statement and officer and director questionnaire for each shell  
21 company. These documents repeated the false and misleading statements from the  
22 shell company's registration statement concerning Husain's identity and role, and  
23 the companies' business plans.

24 82. Husain had the puppet CEO for each shell company sign the  
25 information statement and questionnaire, or forged his or her signature.

26 83. Jaclin and his firm, as company counsel, provided information and  
27 documents to the market maker, such as copies of the subscription agreements and  
28 investor checks from the private placement. Jaclin also helped respond to

1 comments from FINRA about the shell companies' applications.

2 84. Once FINRA provided clearance, the market makers entered quotes  
3 for each shell company's stock on one of the over-the-counter quotation systems.

4 85. Husain then worked with the market maker and its affiliated transfer  
5 agent to obtain DTC eligibility for each shell company's stock, which allows for  
6 electronic settlement of the stock and therefore at a lower cost, thereby enhancing  
7 the value of the shell company for sale.

8 86. Trades on the open market in the stock of New Image, Health  
9 Directory and Move Trailer occurred after each company obtained quotation  
10 clearance by FINRA and DTC eligibility.

11 87. Husain and Jaclin knew, or were reckless or negligent in not  
12 knowing, that the information and documents given to the market makers and  
13 transfer agents in order to facilitate the commencement of trading repeated the  
14 false and misleading information contained in the registration statements. In  
15 addition, neither exercised reasonable care to ensure that these documents were  
16 not false or misleading.

17 88. Husain and Jaclin knowingly or recklessly provided substantial  
18 assistance to shell companies in providing this false and misleading information to  
19 the market makers and transfer agents to facilitate the commencement of public  
20 trading.

21 **5. The False and Misleading Periodic Reports**

22 89. Each of the shell companies except for Counseling International  
23 (specifically, New Image, PR Complete, Cigarette, Rapid Holdings, Resume in  
24 Minutes, Health Directory, Movie Trailer, and Comp Services) became public  
25 companies when their Form S-1 Registration Statements went effective, requiring  
26 them to file periodic reports with the SEC.

27 90. In order to maintain these companies' reporting status, Jaclin and his  
28 firm, as company counsel, filed periodic reports with the SEC on Forms 10-K and

1 10-Q listed in Appendix 2 (each a “Periodic Report”).

2 91. Jaclin’s associates emailed drafts of Periodic Reports to Jaclin for his  
3 approval.

4 92. Husain directed the preparation of the companies’ Periodic Reports  
5 and reviewed and approved drafts of the Periodic Reports. Jaclin’s associates also  
6 emailed the draft Periodic Reports to Husain, once they were ready for review by  
7 the company and the outside auditor.

8 93. Each of the Periodic Reports repeated the following false and  
9 misleading information contained in the registration statements:

10 (a) Each Periodic Report falsely claimed that the puppet CEO was  
11 the officer, director, and employee of the shell company, and often the sole one of  
12 each. These statements were false and misleading because there was no mention  
13 of Husain’s identity and role as control person and promoter or the puppet CEO’s  
14 *de minimis* role; and

15 (b) Each misrepresented the company’s business purpose by  
16 stating that the company would operate in accordance with its business plan,  
17 whereas the actual plans and operations consisted of turning the company into a  
18 public shell that subsequently would be sold.

19 94. Husain and Jaclin knew, or were reckless or negligent in not  
20 knowing, that representations alleged above in the Periodic Reports were false and  
21 misleading. In addition, neither exercised reasonable care to ensure that the  
22 Periodic Reports were not false or misleading.

23 95. Husain and Jaclin knowingly or recklessly provided substantial  
24 assistance to the shell companies in issuing these false and misleading Periodic  
25 Reports.

26 **6. The Sale of Seven Shell Companies and More Misrepresentations**

27 **a. The Sales**

28 96. Approximately one-and-a-half to two years after incorporation,

1 Husain sold seven of the shell companies (*i.e.*, New Image, PR Complete,  
2 Cigarette, Rapid Holdings, Resume in Minutes, Health Directory, and Movie  
3 Trailer, but not Comp Services or Counseling International).

4 97. These seven shell companies were sold for sales proceeds ranging  
5 from \$215,000 to \$425,000, totaling \$2.25 million. The sale prices and dates for  
6 the sales of these seven shell companies are listed in Appendix 3.

7 98. Jaclin's firm provided the legal services to the shell company for each  
8 sale and received attorneys' fees for each sale.

9 99. Jaclin introduced Husain to the purchasers for New Image, Cigarette,  
10 PR Complete, Rapid Holdings, Resume in Minutes, and Movie Trailer.

11 100. For each shell company sale, Jaclin advised Husain to appoint a  
12 shareholder representative to effect the sale, including the transfer of the Straw  
13 Shareholders' stock to the purchaser(s).

14 101. Husain appointed a shareholder nominee as a representative for the  
15 Straw Shareholders for each shell company sale.

16 102. For each sale, Jaclin's firm, as company counsel, prepared stock  
17 purchase agreements among the Shell Company Purchaser(s), the shell company,  
18 the puppet CEO, and each Straw Shareholder (on whose behalf the nominee-  
19 representative signed the agreement).

20 103. Also as part of each sale, Jaclin's firm prepared an escrow agreement  
21 among the nominee-representative, the Shell Company Purchaser(s), and an  
22 escrow agent.

23 104. For six of the sales, Jaclin's firm additionally served as the escrow  
24 agent to effect the transfer of the stock certificates and the funds for the shell  
25 company purchase.

26 105. Once the escrow agent received all of the funds for the sale, the  
27 signed agreements, the stock certificates, and the stock powers, the escrow agent  
28 wired the sales proceeds to the nominee-representative's bank account, less any

1 amounts owed for Jaclin’s firm’s legal fees.

2 106. Husain directed the nominee-representative to wire transfer portions  
3 of the sales proceeds to one or more of Husain’s bank accounts in the United  
4 States.

5 107. As a further part of each shell company sale, Jaclin’s firm provided  
6 opinion letters instructing the transfer agent to cancel the shares in the name of the  
7 Straw Shareholders and to reissue them in the names of the Shell Company  
8 Purchasers.

9 108. The sales were accomplished through “reverse merger” transactions  
10 with private purchasing entities, where the shareholders of the purchaser acquired  
11 a majority of the shares of the public shell company (*i.e.*, the Straw Shareholders’  
12 shares), and then the public shell company was merged into the purchasing entity.

13 109. For Movie Trailer and Health Directory, the nominee-representative  
14 held the shares in the nominee’s brokerage account. As part of the sales of these  
15 two companies, Husain instructed the nominee-representative to sell Husain’s  
16 shares in the open market, where the Shell Company Purchasers bought them.

17 110. After the sale of each shell company, the shell company’s puppet  
18 CEO resigned and new management was installed.

19 111. New management changed the shell company’s name and business  
20 model, as announced in Form 8-K reports publicly filed with the SEC.

21 **b. Additional Misleading SEC Filings**

22 112. In connection with the sales of Health Directory and Movie Trailer,  
23 Husain and Jaclin filed documents with the SEC that made false and misleading  
24 statements about the companies.

25 **i. The Health Directory Form 10-K**

26 113. Health Directory was sold to a purchaser on July 20, 2012 for  
27 \$425,000.

28 114. Several weeks prior to the sale, on June 28, 2012, Jaclin’s firm, as



1 company counsel, filed Health Directory's Form 10-K report with the SEC.

2 115. Husain been reviewed and approved the content of this Form 10-K.

3 116. At the time of the Form 10-K filing, Husain had agreed in principle to  
4 sell Health Directory, the two parties had begun to prepare merger documents, and  
5 the Shell Company Purchaser of Health Directory had paid \$25,000 of the  
6 \$425,000 purchase price to the escrow account at Jaclin's firm.

7 117. In addition to the false and misleading statements from its earlier  
8 SEC filings, the Health Directory Form 10-K falsely stated that the company had  
9 no plans, arrangement, or understanding to engage in a merger.

10 118. Husain and Jaclin knew or were reckless or negligent in not knowing,  
11 that Health Directory's Form 10-K was false and misleading. In addition, neither  
12 exercised reasonable care to ensure that the Form 10-K was not false or  
13 misleading.

14 **ii. The Movie Trailer Post Effective S-1 Amendment**

15 119. As set forth above, Movie Trailer was sold to a purchaser on  
16 September 11, 2012 for \$370,000.

17 120. One week before the sale, on September 4, 2012, Jaclin's firm, as  
18 company counsel, filed Movie Trailer's post-effective amendment to its Form S-1  
19 registration statement, which had been reviewed and approved by Husain.

20 121. At the time the Form S-1 amendment was filed, the Shell Company  
21 Purchaser had already sent Husain and Jaclin a closing checklist, requested  
22 documents to review, and deposited \$187,500 of the \$375,000 purchase price to  
23 the escrow account at Jaclin's firm.

24 122. In addition to the false and misleading statements from its earlier  
25 SEC filings, the Movie Trailer post-effective Form S-1 amendment falsely stated  
26 that the company had no plans, arrangement, or understanding to engage in a  
27 merger.

28 123. Husain and Jaclin knew, or were reckless or negligent in not

1 knowing, that Movie Trailer's post-effective Form S-1 amendment was false and  
2 misleading.

3 **7. Sales by Six Shell Company Purchasers to the Public**

4 124. The purchasers of the seven shell companies began to offer and sell  
5 six of those companies' stock to the public within 90 days of the reverse mergers.

6 125. The six shell companies, whose stock was publicly sold shortly after  
7 the companies were purchased by the Shell Company Purchasers were New  
8 Image, PR Complete, Cigarette, Rapid Holdings, Health Directory and Movie  
9 Trailer (*i.e.*, all but Resume in Minutes). Appendix 4 lists each of these six shell  
10 companies, the name of these companies after their reverse merger sales, the date  
11 of those mergers, and the first dates their shares were publicly offered after the  
12 mergers.

13 **C. The Unregistered Offers and Sales of Shell Companies' Shares**

14 126. Neither Husain's sales to the Shell Company Purchasers, nor the offer  
15 and sale of the shell companies' stock to the public after the reverse mergers, were  
16 registered with the SEC, and no exemption from registration applied.

17 **1. Sales by Husain to the Shell Company Purchasers**

18 127. The offers and sales by Husain of the shares of the seven shell  
19 companies listed in Appendix 3 (*i.e.*, New Image, PR Complete, Cigarette, Rapid  
20 Holdings, Resume in Minutes, Health Directory and Movie Trailer) to the Shell  
21 Company Purchasers were never registered with the SEC.

22 128. The Registration Statements for those seven shell companies  
23 registered the offer and sale of the shares supposedly belonging to the Straw  
24 Shareholders. The actual shares in those companies did not belong to the Straw  
25 Shareholders but to Husain.

26 129. In each shell company's sale, Husain was the issuer of the shell  
27 company's shares, because he had complete control over the shell companies at  
28 the time they were sold to the Shell Company Purchasers.

1           130. In each shell company's sale, the Shell Company Purchasers also  
2 acted as underwriters, because they obtained the shares from Husain, the issuer,  
3 with a view to distributing the shares to the public.

4           131. The Registration Statements did not register the offer or sale of shares  
5 by Husain to the Shell Company Purchasers. In fact, there was no registration  
6 statement filed to permit any offer or sale of Husain's shares. Also, the offer and  
7 sale of those shares were not subject to any exemption from registration because,  
8 for example, the shares were sold by an issuer (Husain) to underwriters (the Shell  
9 Company Purchasers).

10           132. The Shell Company Purchasers began offering and selling the  
11 companies' securities to the public in open market, over-the-counter transactions,  
12 within days or months of each of the reverse mergers for these six companies.

13           133. Husain was a necessary participant and a substantial factor in the  
14 offer and sale of the shares to the Shell Company Purchasers because he: founded  
15 the shell factory; created and secretly controlled the shell companies; registered  
16 the Straw Shareholders' purported offering of the shell companies' shares with the  
17 SEC; directed, reviewed and approved the companies' SEC filings; worked with  
18 the market makers and transfer agents to obtain quotation clearance and DTC  
19 eligibility; agreed to sell the shares he controlled to the Shell Company  
20 Purchasers; reviewed and approved the September 4, 2012 Movie Trailer post-  
21 effective amendment to the S-1 as part of the sale; and appointed shareholder  
22 representatives to help consummate the sale to the Shell Company Purchasers.  
23 But for Husain's acts, the unregistered sales to the Shell Company Purchasers  
24 would not have occurred.

25           134. Jaclin was a necessary participant and a substantial factor in the offer  
26 and sale of these shares to the Shell Company Purchasers because he: advised  
27 Husain how to create the shell companies; provided legal services to the shell  
28 companies from their inception through the reverse mergers; concealed Husain's

1 identity and role as the control person and promoter for the shell companies while  
2 registering the companies with the SEC; worked with the market makers and  
3 transfer agents to obtain quotation clearance and DTC eligibility; found the  
4 purchasers for six of the seven shell companies; had his law firm prepare stock  
5 purchase and escrow agreements; served as escrow agent for to receive and send  
6 the signed agreements, stock certificates, stock powers, and sales proceeds for all  
7 but one sale; and provided opinion letters instructing the transfer agent to cancel  
8 the shares in the names of the Straw Shareholders and reissue them in the names  
9 of the Shell Company Purchasers, thereby further facilitating their resale into the  
10 public market. But for Jaclin's acts, the unregistered sales to the Shell Company  
11 Purchasers would not have occurred.

12         135. Husain and Jaclin knew, or were reckless in not knowing, that they  
13 substantially assisted these unregistered offerings to the Shell Company  
14 Purchasers.

## 15         **2. Sales by the Shell Company Purchasers to the Public**

16         136. The offers and sales by the Shell Company Purchasers of the shares  
17 of the six shell companies listed in Appendix 4 (*i.e.*, New Image, PR Complete,  
18 Cigarette, Rapid Holdings, Health Directory and Movie Trailer) to the public  
19 were never registered with the SEC.

20         137. There were no registration statements filed for the offer and sale of  
21 shares by the Shell Company Purchasers to the public. Also, the public offer and  
22 sale of those shares were not subject to any exemption from registration because,  
23 for example, the shares were sold by the Shell Company Purchasers who were  
24 acting as underwriters who had obtained the shares from Husain with a view to  
25 distributing them to the public.

26         138. Husain was a necessary participant and a substantial factor in the  
27 offer and sale by the Shell Company Purchasers to the public because he: founded  
28 the shell factory; created and secretly controlled the shell companies; registered

1 the shell companies with the SEC; directed, reviewed and approved the  
2 companies' SEC filings; worked with the market makers and transfer agents to  
3 obtain quotation clearance and DTC eligibility; and agreed to sell the shares he  
4 controlled to the Shell Company Purchasers. But for Husain's acts, the  
5 unregistered sales to the Shell Company Purchasers would not have occurred.

6 139. Jaclin was a necessary participant and a substantial factor in the offer  
7 and sale of these shares by the Shell Company Purchasers to the public because  
8 he: advised Husain how to create the shell companies; provided legal services to  
9 the shell companies from their inception through the reverse mergers; concealed  
10 Husain's identity and role as the control person and promoter for the shell  
11 companies while registering the companies with the SEC; worked with the market  
12 makers and transfer agents to obtain quotation clearance and DTC eligibility;  
13 found the purchasers for six of the seven shell companies; had his law firm  
14 prepare stock purchase and escrow agreements; served as escrow agent for to  
15 receive and send the signed agreements, stock certificates, stock powers, and sales  
16 proceeds for all but one sale; and provided opinion letters instructing the transfer  
17 agent to cancel the shares in the names of the Straw Shareholders and reissue them  
18 in the names of the Shell Company Purchasers thereby further facilitating their  
19 resale into the public market. But for Jaclin's acts, the unregistered sales to the  
20 Shell Company Purchasers would not have occurred.

21 140. Husain and Jaclin knew, or were reckless in not knowing, that they  
22 substantially assisted these unregistered offerings by the Shell Company  
23 Purchasers to the public.

24 **D. Attempts to Obstruct Regulatory Oversight**

25 141. Acting in concert, Husain and Jaclin attempted to obstruct regulatory  
26 oversight of their shell factory scheme.

27 **1. False Appearance and Intentional Destruction of Emails**

28 142. Initially, Jaclin and his firm communicated with Husain using

1 Husain's email address.

2 143. In or about 2011, Jaclin advised Husain that, to avoid regulatory  
3 scrutiny, they should exchange fewer emails.

4 144. Jaclin suggested that Husain create and use email accounts in the  
5 names of the puppet CEOs to communicate with Jaclin and his firm.

6 145. Husain then created email accounts in the names of the puppet CEOs  
7 of Health Directory, Movie Trailer, Comp Services, and Counseling International,  
8 and used these email addresses to communicate with Jaclin and his firm.

9 146. In 2012, Jaclin asked Husain, and Husain agreed, to hire a computer  
10 consultant to "scrub" emails amongst Husain, Jaclin and Jaclin's firm.

11 147. The consultant then scrubbed Jaclin's and at least two of his  
12 associates' emails, resulting in the permanent deletion of their email  
13 correspondence with Husain.

14 **2. Obstruction of the SEC's Investigation of PR Complete**

15 148. In August 2012, the puppet CEO of PR Complete told Husain that  
16 she had been subpoenaed by the SEC, in investigative proceedings regarding PR  
17 Complete/YesDTC.

18 149. Husain contacted Jaclin regarding the subpoena to the puppet CEO.

19 150. Jaclin referred Husain to an attorney, whom Husain arranged to have  
20 represent the puppet CEO for purposes of her testimony.

21 151. In August and September 2012, by telephone and in person, Husain  
22 coached the puppet CEO on how to testify, and instructed her to testify falsely by  
23 leaving Husain's name out of her testimony.

24 152. Because he did not want the SEC to know about his involvement with  
25 PR Complete, Husain told the puppet CEO to withhold facts about his role.

26 153. Prior to the puppet CEO's testimony, Jaclin suggested to Husain that  
27 her testimony should be consistent with what was falsely disclosed in the  
28 registration statements Jaclin's firm had filed on behalf of PR Complete.

1           154. Jaclin gave Husain advice on how to best coach the puppet CEO  
2 before her testimony, including what she should say and how she should say it.

3           155. Jaclin and Husain agreed that the less the puppet CEO testified about  
4 Husain's involvement in PR Complete, the better.

5           156. Husain, Jaclin, and the puppet CEO agreed to obstruct the SEC's  
6 proceedings, by concealing the facts surrounding Husain's true involvement.

7 **E. Husain's and Jaclin's Roles in the Fraud and Registration Violations**

8 **1. Husain's Admissions in His Plea Agreement**

9           157. Husain has pled guilty in *U.S. v. Husain*, No. CR 14-149 RS (N.D.  
10 Cal.). As part of that plea he has admitted his role and Jaclin's role in the illegal  
11 scheme alleged above.

12           158. In his plea agreement, Husain admitted:

13           (a) Husain hired Jaclin to advise him regarding the formation of  
14 the shell companies and to help prepare the corporate documents, including SEC  
15 filings;

16           (b) from 2008 to at least 2011, Husain "controlled various publicly  
17 traded 'shell corporations,'" and he "directed CEOs to form many of these shell  
18 corporations and controlled the actions taken by the CEOs;"

19           (c) Jaclin and Husain "agreed that [Husain] should be considered  
20 as a 'consultant' only, even though [he] exercised control over the companies;"

21           (d) Husain kept his name off of the corporate documents because  
22 Jaclin told Husain that the SEC would be unlikely to approve the registration  
23 statements if he were disclosed to be an officer or controlling shareholder;

24           (e) under Jaclin's guidance, Husain recruited people whose  
25 "names appeared on the corporate documents and bank accounts as the company  
26 CEOs and officers but who did not exercise any actual control over the  
27 companies;"

28           (f) Jaclin was "fully aware" that Husain had "final authority on all

1 matters involving the companies;”

2 (g) Husain knew that “the shell companies [he] was creating were  
3 valuable because they allowed the people who acquired them to completely  
4 control the shares and corporate actions of the companies that otherwise appeared  
5 to be legitimate public companies;”

6 (h) Husain agreed with Jaclin and the nominee CEO of PR  
7 Complete to obstruct the proceedings of the SEC by concealing facts surrounding  
8 my true involvement in PR Complete; and

9 (i) specifically, with advice from Jaclin, Husain “coached” the  
10 nominee CEO of PR Complete “how to testify” in testimony before the SEC, and  
11 “instructed her to testify falsely by leaving my name out of it” and “to withhold  
12 facts about my involvement” with the company.

13 **2. Husain’s Role**

14 159. Husain knowingly, or at least recklessly or negligently, carried out  
15 deceptive acts and engaged in a course of business in furtherance of a scheme to  
16 defraud.

17 160. Husain was the architect and prime mover of the fraudulent scheme  
18 by running the shell factory, by overseeing, directing, and controlling each part of  
19 its operation, specifically:

20 (a) formulating the shell companies’ business plans, which would  
21 never be implemented, to give the appearance of a legitimate business;

22 (b) locating puppet CEOs to hide his shell factory activities,  
23 including his control of each shell company;

24 (c) paying the puppet CEOs a monthly salary to reduce regulatory  
25 scrutiny;

26 (d) conducting sham private placements, using cash payments,  
27 Straw Shareholders, and forged documents, to make it appear as if the shell  
28 companies had actual investors;



1 (e) working with Jaclin to create materially false and misleading  
2 Registration Statements and Periodic Reports;

3 (f) making and obtaining money by means of materially false and  
4 misleading information;

5 (g) providing materially false and misleading information,  
6 including documents from the sham public offering and forged background  
7 information documents, to the market makers and transfer agents for the FINRA  
8 Form 211 application process;

9 (h) using email accounts that Husain created to make it appear as if  
10 the puppet CEO was approving SEC filings;

11 (i) selling seven of the nine shell companies, through nominee-  
12 representatives, for profit, by selling all of the stock, to purchasers he knew would  
13 offer and sell the shares publicly;

14 (j) approving a post-effective Form S-1 amendment and a Form  
15 10-K that were materially false and misleading to facilitate the sale of two shell  
16 companies;

17 (k) attempting to obstruct regulatory oversight of the shell factory  
18 scheme by causing the deletion of emails and coaching a puppet CEO to lie in an  
19 SEC investigation; and

20 (l) failing to exercise reasonable prudence in preparing the shell  
21 companies' SEC filings.

22 161. Also, on behalf of the shell companies, Husain directed, reviewed and  
23 approved the content of the SEC filings that were false and misleading:

24 (a) The shell companies' Registration Statements: (1) falsely stated  
25 that the puppet CEOs were the officers, directors, and employees of the shell  
26 companies, whereas Husain was the undisclosed control person and promoter; (2)  
27 misrepresented the shell companies' business purpose by stating the companies  
28 would act in accordance with their business plans, whereas the actual operations

1 of the shell companies consisted only of turning the shell companies into public  
2 shells that could be sold; and (3) misrepresented that the Straw Shareholders  
3 purchased their shares in a private offering, were selling the shares for their own  
4 accounts in the registered offering, and were not affiliated with the shell  
5 companies' officers, directors, promoters, or beneficial owners, whereas the Straw  
6 Shareholders did not exist, or did not purchase or hold shares, or paid for the  
7 shares with cash that Husain provided, or were affiliated with Husain, on whose  
8 account the shares were actually offered.

9 (b) The Periodic Reports of the shell companies that became public  
10 reporting companies repeated the same misrepresentations found in the  
11 Registration Statements regarding Husain's role and the companies' sham  
12 business purposes.

13 (c) Additionally, the Health Directory Form 10-K and the Movie  
14 Trailer post-effective Form S-1 amendment falsely stated that each shell company  
15 had no plans, arrangement or understandings for a merger, whereas the purchasers  
16 had already paid portions of the purchase prices, and negotiations by Husain and  
17 Jaclin to sell the companies were underway.

18 162. Husain also provided false and misleading information to the market  
19 makers and transfer agents on behalf of the shell companies, for the filing of  
20 FINRA Form 211 applications, to enable market makers to publish quotes for the  
21 shell companies' stock, and in order to obtain DTC eligibility, to facilitate public  
22 trading.

23 (a) The Form 211 applications by the market makers incorporated by  
24 reference the companies' false and misleading Registration Statements.

25 (b) Husain completed, and submitted to the market maker,  
26 information statements and officer and director questionnaires for each shell  
27 company that repeated the false and misleading statements regarding his identity  
28 and role and the companies' sham business purposes.

1 (c) Husain had the puppet CEOs sign the information statement and  
2 questionnaire or forged their signatures.

3 163. Husain also substantially assisted the shell companies' fraud of giving  
4 the false appearance that they were legitimate companies going public and of  
5 issuing materially and false misleading statements and omissions. In short, he  
6 knew, or was reckless in not knowing, that the shell companies were committing  
7 fraud and issuing materially false and misleading Registration Statements and  
8 Periodic Reports, and he provided substantial assistance by: approving the private  
9 placements, Registration Statements, and Periodic Reports; providing the market  
10 makers with false and misleading information statements and officer and director  
11 questionnaires; and responding to FINRA requests for more information during the  
12 Form 211 process. Husain also provided substantial assistance by locating puppet  
13 CEOs; paying their salaries; conducting sham private placements; hiring counsel,  
14 accountants, and auditors; working with market makers and transfer agents;  
15 approving registration statements and periodic reports; and selling the shell  
16 companies.

17 164. Husain also substantially assisted the Shell Company Purchaser's  
18 unregistered offers and sales of the shell companies' stock. In short, he knew, or  
19 was reckless in not knowing, that six of the shell companies were, after their  
20 reverse mergers, offering and selling stock without an effective or filed registration  
21 statement. Husain knowingly or recklessly conducted purported private  
22 placements to enable him to subsequently file Form S-1 registration statements for  
23 shares held by the Straw Shareholders. He knew or was reckless in not knowing  
24 that because the shares had been placed in the names of Straw Shareholders,  
25 disguising his control over them, that the shares could appear to be eligible for  
26 subsequent sale without restrictive legends. Husain knowingly or recklessly  
27 provided substantial assistance to enable the shell company stock sales into the  
28 over-the-counter market. He approved the Registration Statements and worked

1 with market makers to obtain clearance from FINRA to publish quotes for the  
2 shares of stock of the shell companies publicly sold by the Shell Company  
3 Purchasers, thereby providing those purchasers access to the public markets to  
4 distribute the shares. He sold them shares that they subsequently offered and sold  
5 in an unregistered distribution. To do so, Husain filled in the stock powers signed  
6 by the Straw Shareholders and provided them to Jaclin so that he could in turn  
7 provide them to the transfer agent in connection with the reissuance of the share  
8 certificates without restrictive legends in the names of the Shell Company  
9 Purchasers. Husain found a shareholder representative to sign, on behalf of the  
10 Straw Shareholders, the documents for the sale of the shell companies. Husain  
11 approved the filing of a post-effective amendment for Movie Trailer as part of that  
12 sale. Husain also knew or was reckless in not knowing that the Shell Company  
13 Purchasers bought the shares from him with a view to engaging in a distribution.

14 165. Husain received between \$215,000 and \$425,000 for each shell  
15 company sale, and obtained that money through the fraudulent scheme and by  
16 means of the false statements alleged above.

### 17 **3. Jaclin's Role**

18 166. Jaclin knowingly, or at least recklessly or negligently, carried out  
19 deceptive acts and engaged in a course of business in furtherance of the fraudulent  
20 shell factory scheme. Jaclin's deceptive conduct consisted of him:

21 (a) advising Husain to secretly remain in control of the entire  
22 shell-making operation, including the puppet CEOs and Straw Shareholders, while  
23 preparing registration statements which described the shell companies as actual  
24 development stage companies with bona fide CEOs and which concealed Husain's  
25 identity and control over both company management and the Straw Shareholders;

26 (b) telling Husain to pay the puppet CEOs a salary to avoid  
27 regulatory scrutiny;

28 (c) instructing Husain to obtain personal and cashier's checks

1 rather than money orders to avoid regulatory scrutiny;

2 (d) approving materially false and misleading Registration  
3 Statements and Periodic Reports for filing;

4 (e) instructing his law firm to send the market makers the  
5 subscription documents, checks, and money orders from the sham private  
6 placements for their review and inclusion in their Form 211 applications to  
7 FINRA;

8 (f) locating Shell Company Purchasers for the shell companies and  
9 preparing merger documents for their purchase of the companies, knowing they  
10 would offer and sell the shares of the companies publicly;

11 (g) suggesting that Husain create email accounts that appeared to  
12 be those of the puppet CEOs but that Husain actually used, to hide Husain's  
13 identity and role as control person;

14 (h) approving a post-effective Form S-1 amendment and a Form  
15 10-K that were materially false and misleading to facilitate the sale of two shell  
16 companies; and

17 (i) attempting to obstruct regulatory oversight of the shell factory  
18 scheme by causing the deletion of emails and conspiring to have a puppet CEO of  
19 a shell company testify falsely; and

20 (j) failing to exercise reasonable prudence in preparing the shell  
21 companies' SEC filings.

22 167. Jaclin also substantially assisted the shell companies' and Husain's  
23 fraud of giving the false appearance that they were legitimate companies going  
24 public, and substantially assisted the shell companies' fraud of issuing materially  
25 and false misleading statements and omissions. In short, Jaclin knew, or was  
26 reckless in not knowing, that Husain and the shell companies were committing  
27 fraud, and that the shell companies were issuing materially false and misleading  
28 Registration Statements and Periodic Reports, and he provided substantial

1 assistance by approving the private placements, Registration Statements, and  
2 Periodic Reports; providing the market makers with documents from the sham  
3 private placements and responding to FINRA requests for more information during  
4 the Form 211 process; suggesting that Husain create email accounts that appeared  
5 to be those of the puppet CEOs but that Husain actually used, to hide Husain's  
6 identity and role as control person; locating potential Shell Company Purchasers;  
7 and providing legal and escrow services in the reverse mergers, including his role  
8 in preparing and filing the Movie Trailer post-effective amendment and the Health  
9 Directory Form 10-K.

10 168. Jaclin also substantially assisted Husain's and the Shell Company  
11 Purchasers' unregistered offers and sales of the shell companies' stock. In short,  
12 Jaclin knew, or was reckless in not knowing, that the shares of stock of the seven  
13 shell companies offered and sold by Husain to the Shell Company Purchasers, and  
14 the shares of stock of the six shell companies publicly offered and sold shortly  
15 thereafter by the Shell Company Purchasers, were offered and sold without an  
16 effective or filed registration statement. Jaclin knew or was reckless in not  
17 knowing that the purpose of the series of transactions in which he assisted Husain  
18 was to facilitate the sale of stock to the public. Jaclin approved the Registration  
19 Statements and worked with market makers to obtain clearance from FINRA to  
20 publish quotes for the shell companies' shares, thereby providing the Shell  
21 Company Purchasers access to the public markets to distribute the shares. Jaclin  
22 found six of the purchasers for the shell companies. Jaclin signed letters to the  
23 transfer agents to cancel the share certificates in the names of the Straw  
24 Shareholders and reissue the certificates without restrictive legends in the names of  
25 the Shell Company Purchasers. Jaclin prepared the documentation for the share  
26 sales and acted as escrow agent for each reverse merger. Jaclin filed a post-  
27 effective amendment for Movie Trailer as part of that sale.

28 169. Jaclin's law firm received nearly \$225,000 in attorneys' fees for his

1 role in the fraudulent scheme.

2 **F. Tolling Agreements**

3 170. Husain's and Jaclin's fraudulent scheme was an ongoing and  
4 continuing fraud that began in 2008 or earlier, and continued through at least 2013.  
5 Their continuing fraudulent scheme was still ongoing on and after March 1, 2011.

6 171. Husain and Jaclin entered into agreements with the SEC to toll the  
7 running of any statute of limitations for any action or proceeding against them,  
8 including any sanctions or relief that may be sought or imposed in such action or  
9 proceeding, from March 1, 2016 through May 12, 2016. This action was first  
10 commenced in that tolling period, on May 12, 2016.

11 **FIRST CLAIM FOR RELIEF**

12 **Unregistered Offer and Sale of Securities**

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

14 **(against Defendants Husain and Jaclin)**

15 172. The SEC realleges and incorporates by reference paragraphs 1  
16 through 171 above.

17 173. Husain and Jaclin created and operated a shell factory for the purpose  
18 of creating sham public companies that could be sold to purchasers who intended  
19 to distribute the companies' shares to the public markets.

20 174. The shares of stock of certain shell companies that Husain offered and  
21 sold to the Shell Company Purchasers and that the Shell Company Purchasers  
22 shortly thereafter sold in public sales, as alleged above and listed in Appendices 3  
23 and 4, were "securities" as defined by the Securities Act and the Exchange Act.

24 175. The offers and sales of stock in New Image, PR Complete, Cigarette,  
25 Rapid Holdings, Resume in Minutes, Health Directory and Movie Trailer to Shell  
26 Company Purchasers, and the public offers and sales shortly thereafter by those  
27 purchasers of the stock in New Image, PR Complete, Cigarette, Rapid Holdings,  
28 Health Directory and Movie Trailer, were not registered with the SEC. No valid

1 registration statement was filed or in effect for those sales, and no exemption from  
2 registration applied.

3 176. Because he was an undisclosed control person and promoter who  
4 controlled the shell companies' shares at the time of the mergers, Husain served as  
5 the issuer of the shell companies' shares when they were sold to the Shell  
6 Company Purchasers in reverse mergers or similar transactions. Because the Shell  
7 Company Purchasers obtained those shares with a view to distributing them  
8 publicly and began trading within days or months of the mergers, the Shell  
9 Company Purchasers served as underwriters when they obtained their shares from  
10 Husain, an issuer.

11 177. Although Husain and Jaclin filed the Form S-1 Registration  
12 Statements with the SEC for the shell companies, these Registration Statements  
13 purported to register securities transactions by the Straw Shareholders, not Husain.  
14 No registration statements were filed to register the sale of securities by Husain to  
15 the Shell Company Purchasers. Likewise, no registration statement or exemption  
16 applied to the Shell Company Purchasers' distribution of shares to the market  
17 within ninety days of the mergers. For example, (1) the regulation that exempts  
18 private transactions from registration did not apply to the sales to the Shell  
19 Company Purchasers because the shares were sold by an issuer (Husain) to  
20 underwriters (the Shell Company Purchasers) and (2) the regulation that exempts  
21 transactions for persons other than issuers, underwriters and dealers did not apply  
22 to the public offerings by the Shell Company Purchasers because they were acting  
23 as underwriters.

24 178. Husain and Jaclin were necessary participants and substantial factors  
25 in these unregistered offerings, because they created and operated the shell factory  
26 and took the steps necessary to enable the unregistered offer and sale of their  
27 shares to the Shell Company Purchasers and to the public markets. But for the  
28 conduct of Husain and Jaclin, the unregistered offerings of the shell companies'



1 shares would not have occurred.

2 179. Husain and Jaclin, and each of them, by engaging in the conduct  
3 described above, directly or indirectly, made use of means or instruments of  
4 transportation or communication in interstate commerce or of the mails, to offer to  
5 sell or to sell securities, or to carry or cause such securities to be carried through  
6 the mails or in interstate commerce for the purpose of sale or for delivery after  
7 sale.

8 180. By engaging in the conduct described above, defendants Husain and  
9 Jaclin have violated, and unless restrained and enjoined will continue to violate,  
10 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

11 **SECOND CLAIM FOR RELIEF**

12 **Aiding and Abetting Violations of**

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

14 **(against Defendants Husain and Jaclin)**

15 181. The SEC realleges and incorporates by reference paragraphs 1  
16 through 180 above.

17 182. As alleged above, the offers and sales of stock in New Image, PR  
18 Complete, Cigarette, Rapid Holdings, Resume in Minutes, Health Directory and  
19 Movie Trailer to Shell Company Purchasers were not registered with the SEC. No  
20 valid registration statement was filed or in effect for those sales, and no exemption  
21 from registration applied. Husain, as the issuer of these shares, thus violated  
22 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c), by  
23 offering and selling securities to the public in those unregistered transactions, for  
24 which no registration statement was on file or in effect.

25 183. In connection with those unregistered offerings, Jaclin knowingly or  
26 recklessly provided substantial assistance to Husain's violations of Sections 5(a)  
27 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c). Jaclin was aware or  
28 was reckless in not being aware that his conduct and the substantial assistance he

1 provided Husain in perpetrating the violations were improper.

2 184. As alleged above, the public offers and sales by the Shell Company  
3 Purchasers of the stock in New Image, PR Complete, Cigarette, Rapid Holdings,  
4 Health Directory and Movie Trailer, were not registered with the SEC. No valid  
5 registration statement was filed or in effect for those sales, and no exemption from  
6 registration applied. The Shell Company Purchasers thus violated Sections 5(a)  
7 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c), by offering and  
8 selling securities to the public in those unregistered transactions, for which no  
9 registration statement was on file or in effect.

10 185. In connection with those unregistered offerings, Husain and Jaclin  
11 knowingly or recklessly provided substantial assistance to the Shell Company  
12 Purchasers' violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§  
13 77e(a) and 77e(c). Husain and Jaclin were each aware or were each reckless in not  
14 being aware that their conduct and the substantial assistance they provided the  
15 Shell Company Purchasers in perpetrating the violations were improper.

16 186. By engaging in the conduct described above, defendants Husain and  
17 Jaclin aided and abetted and, unless enjoined, are reasonably likely to continue to  
18 aid and abet, violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C.  
19 §§ 77e(a) and 77e(c), pursuant to Section 15(b) of the Securities Act, 15 U.S.C. §  
20 77o(b).

21 **THIRD CLAIM FOR RELIEF**

22 **Scheme to Defraud in the Offer or Sale of Securities**

23 **Violations of Section 17(a)(1) and (a)(3) of the Securities Act**

24 **(against Defendants Husain and Jaclin)**

25 187. The SEC realleges and incorporates by reference paragraphs 1  
26 through 186 above.

27 188. Husain and Jaclin each engaged in a scheme to defraud by creating  
28 and operating a shell factory through which sham companies with no business

1 purpose and with materially misleading SEC filings were sold to purchasers, who  
2 intended to distribute the companies' shares publicly. Husain and Jaclin engaged  
3 in numerous deceptive acts to conceal the shell factory and to maintain the sham  
4 companies' false appearance to the public markets, regulators, market makers, and  
5 transfer agents, including by using puppet CEOs, sham private placements and  
6 shell company sales with Straw Shareholders, and fake email accounts, and by  
7 deleting emails and coaching a witness to lie under oath in SEC investigative  
8 testimony.

9 189. Husain and Jaclin, and each of them, by engaging in the conduct  
10 described above, directly or indirectly, in the offer or sale of securities by the use  
11 of means or instruments of transportation or communication in interstate  
12 commerce or by use of the mails: (a) with scienter, employed devices, schemes, or  
13 artifices to defraud; or (b) engaged in transactions, practices, or courses of business  
14 which operated or would operate as a fraud or deceit upon the purchaser.

15 190. By engaging in the conduct described above, defendants Husain and  
16 Jaclin violated, and unless restrained and enjoined, will continue to violate, Section  
17 17(a)(1) and (a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(1), (3).

18 **FOURTH CLAIM FOR RELIEF**

19 **Fraud in the Offer or Sale of Securities**

20 **Violations of Section 17(a)(2) of the Securities Act**

21 **(against Defendants Husain and Jaclin)**

22 191. The SEC realleges and incorporates by reference paragraphs 1  
23 through 190 above.

24 192. Husain and Jaclin each obtained money by means of material  
25 misrepresentations and omissions to investors and prospective investors, as well as  
26 to regulators, market makers and transfer agents, regarding, among other things,  
27 the sham companies' business purposes, Husain's identity and role as the control  
28 person and promoter of the companies, the Straw Shareholders' and puppet CEOs'

1 true nature, and in two instances, the existence of merger plans.

2 193. Husain and Jaclin, and each of them, by engaging in the conduct  
3 described above, directly or indirectly, in the offer or sale of securities by the use  
4 of means or instruments of transportation or communication in interstate  
5 commerce or by use of the mails, obtained money or property by means of untrue  
6 statements of a material fact or by omitting to state a material fact necessary in  
7 order to make the statements made, in light of the circumstances under which they  
8 were made, not misleading.

9 194. By engaging in the conduct described above, defendants Husain and  
10 Jaclin violated, and unless restrained and enjoined, will continue to violate, Section  
11 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

12 **FIFTH CLAIM FOR RELIEF**

13 **Aiding and Abetting Violations of Section 17(a) of the Securities Act**  
14 **(against Defendants Husain and Jaclin)**

15 195. The SEC realleges and incorporates by reference paragraphs 1  
16 through 194 above.

17 196. As alleged above, Husain engaged in a fraudulent scheme to defraud  
18 by creating and operating a shell factory through which sham companies with no  
19 business purpose and with materially misleading SEC filings were sold to  
20 purchasers, who intended to distribute the companies' shares publicly. Husain also  
21 obtained money by means of material misrepresentations and omissions to  
22 investors and prospective investors, as well as to regulators, market makers and  
23 transfer agents. Husain thus violated Section 17(a)(1), (a)(2) and (a)(3) of the  
24 Securities Act, 15 U.S.C. § 77q(a)(1), (2), (3).

25 197. Jaclin knowingly or recklessly provided substantial assistance to  
26 defendant Husain's violations of Section 17(a)(1), (a)(2) and (a)(3) of the  
27 Securities Act, 15 U.S.C. § 77q(a)(1), (2), (3). Jaclin was aware or was reckless in  
28 not being aware that his conduct and the substantial assistance he provided Husain

1 in perpetrating the violations were improper.

2 198. As alleged above, the shell companies themselves engaged in a  
3 fraudulent scheme to defraud by operating as sham companies with no business  
4 purpose and by issuing materially misleading SEC filings to purchasers, who  
5 intended to distribute the companies' shares publicly. The companies also  
6 obtained money by means of material misrepresentations and omissions to  
7 investors and prospective investors, as well as to regulators, market makers and  
8 transfer agents. The shell companies thus violated Section 17(a)(1), (a)(2) and  
9 (a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(1), (2), (3).

10 199. Husain and Jaclin knowingly or recklessly provided substantial  
11 assistance to defendant the shell companies' violations of Section 17(a)(1), (a)(2)  
12 and (a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(1), (2), (3). Husain and Jaclin  
13 were each aware or were each reckless in not being aware that their conduct and  
14 the substantial assistance they provided the shell companies in perpetrating the  
15 violations were improper.

16 200. By engaging in the conduct described above, defendants Husain and  
17 Jaclin aided and abetted and, unless enjoined, are reasonably likely to continue to  
18 aid and abet, violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a),  
19 pursuant to Section 15(b) of the Securities Act, 15 U.S.C. § 77o(b).

20 **SIXTH CLAIM FOR RELIEF**

21 **Scheme to Defraud in Connection with the Purchase or Sale of Securities**  
22 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (c)**  
23 **(against Defendants Husain and Jaclin)**

24 201. The SEC realleges and incorporates by reference paragraphs 1  
25 through 200 above.

26 202. Husain and Jaclin each engaged in a scheme to defraud by creating  
27 and operating a shell factory through which sham companies with no business  
28 purpose and with materially misleading SEC filings were sold to purchasers, who

1 intended to distribute the companies' shares publicly. Husain and Jaclin engaged  
2 in numerous deceptive acts to conceal the shell factory and to maintain the sham  
3 companies' false appearance to the public markets, regulators, market makers, and  
4 transfer agents, including by using puppet CEOs, sham private placements and  
5 shell company sales with Straw Shareholders, and fake email accounts, and by  
6 deleting emails and coaching a witness to lie under oath.

7 (a) Husain and Jaclin, by engaging in the conduct described above,  
8 directly or indirectly, in connection with the purchase or sale of a security, by the  
9 use of means or instrumentalities or interstate commerce, of the mails, or of the  
10 facilities of a national securities exchange, with scienter: (a) employed devices,  
11 schemes, or artifices to defraud; or (b) engaged in acts, practices or courses of  
12 business which operated or would operate as a fraud or deceit upon other persons.

13 203. By engaging in the conduct described above, defendants Husain and  
14 Jaclin violated, and unless restrained and enjoined, will continue to violate, Section  
15 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a) and (c)  
16 thereunder, 17 C.F.R. § 240.10b-5(a), (c).

17 **SEVENTH CLAIM FOR RELIEF**

18 **Fraud in Connection with the Purchase or Sale of Securities**

19 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)**

20 **(against Defendant Husain)**

21 204. The SEC realleges and incorporates by reference paragraphs 1  
22 through 203 above.

23 205. Husain made material misrepresentations and omissions to investors  
24 and prospective investors, as well as to regulators, market makers and transfer  
25 agents, regarding, among other things, the sham companies' business purposes,  
26 Husain's identity and role as the control person and promoter of the companies, the  
27 Straw Shareholders' and puppet CEOs' true nature, and in two instances, the  
28 existence of merger plans.



1 78j(b), and Rule 10b-5(a), (b) and (c) thereunder, 17 C.F.R. § 240.10b-5(a), (b),  
2 (c). Jaclin was aware or was reckless in not being aware that his conduct and the  
3 substantial assistance he provided Husain in perpetrating the violations were  
4 improper.

5 211. As alleged above, the shell companies themselves engaged in a  
6 fraudulent scheme to defraud by operating as sham companies with no business  
7 purpose and by issuing materially misleading SEC filings to purchasers, who  
8 intended to distribute the companies' shares publicly. The companies also made,  
9 in connection with the purchase or sale of securities, material misrepresentations  
10 and omissions to investors and prospective investors, as well as to regulators,  
11 market makers and transfer agents. The shell companies thus violated Section  
12 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a), (b) and (c)  
13 thereunder, 17 C.F.R. § 240.10b-5(a), (b), (c).

14 212. Husain and Jaclin knowingly or recklessly provided substantial  
15 assistance to defendant the shell companies' violations of Section 10(b) of the  
16 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(a), (b) and (c) thereunder, 17  
17 C.F.R. § 240.10b-5(a), (b), (c). Husain and Jaclin were each aware or were each  
18 reckless in not being aware that their conduct and the substantial assistance they  
19 provided the shell companies in perpetrating the violations were improper.

20 213. By engaging in the conduct described above, defendants Husain and  
21 Jaclin aided and abetted and, unless enjoined, are reasonably likely to continue to  
22 aid and abet, violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b),  
23 and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, pursuant to Section 20(e) of the  
24 Exchange Act, 15 U.S.C. § 78t(e).

25 **NINTH CLAIM FOR RELIEF**

26 **Aiding and Abetting Violations of Section 15(d) and**  
27 **Rules 12b-20, 15d-1, and 15d-13 of the Exchange Act**  
28 **(against Defendants Husain and Jaclin)**



1           214. The SEC realleges and incorporates by reference paragraphs 1  
2 through 213 above.

3           215. Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), requires the  
4 filing of annual and quarterly reports in conformity with the SEC's rules and  
5 regulations. Rule 15d-1 of the Exchange Act, 17 C.F.R. § 240.15d-1, requires the  
6 filing of accurate annual reports, and Rule 15d-13 of the Exchange Act, 17 C.F.R.  
7 § 240.15d-13, requires the filing of accurate quarterly reports. Rule 12b-20 of the  
8 Exchange Act, 17 C.F.R. § 240.12b-20, requires an issuer to include in its annual  
9 and quarterly reports material information as may be necessary to make the  
10 required statements, in light of the circumstances in which they were made, not  
11 misleading.

12           216. The shell companies New Image, PR Complete, Cigarette, Resume  
13 in Minutes, Rapid Holdings, Movie Trailer, Health Directory, and Comp Services  
14 filed annual and quarterly reports containing material misrepresentations and  
15 omissions regarding, among other things, the sham companies' business purposes,  
16 Husain's identity and role as the control person and promoter of the companies, the  
17 Straw Shareholders' and puppet CEOs' true nature, and in two instances, the  
18 existence of merger plans

19           217. The shell companies New Image, PR Complete, Cigarette, Resume  
20 in Minutes, Rapid Holdings, Movie Trailer, Health Directory, and Comp Services  
21 filed periodic reports under Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d)  
22 that violated Section 15(d) and Rules 12b-20, 15d-1, 15d-13 of the Exchange Act,  
23 15 U.S.C. § 78o(d) and 17 C.F.R. §§ 240.12b-20, 240.15d-1, and 240.15d-13.

24           218. Husain and Jaclin knowingly or recklessly provided substantial  
25 assistance to the shell companies' violations of Section 15(d) and Rules 12b-20,  
26 15d-1, and 15d-13 of the Exchange Act, 15 U.S.C. § 78o(d) and 17 C.F.R. §§  
27 240.12b-20, 240.15d-1, and 240.15d-13. Husain and Jaclin were each aware or  
28 were each reckless in not being aware that their conduct and the substantial

1 assistance they provided the shell companies in perpetrating the violations was  
2 improper.

3 219. By engaging in the conduct described above, defendants Husain and  
4 Jaclin aided and abetted and, unless enjoined, are reasonably likely to continue to  
5 aid and abet, violations of Section 15(d) and Rules 12b-20, 15d-1, and 15d-13 of  
6 the Exchange Act, 15 U.S.C. § 78o(d) and 17 C.F.R. §§ 240.12b-20, 240.15d-1,  
7 and 240.15d-13, pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e).

8 **TENTH CLAIM FOR RELIEF**

9 **Section 20(a) Control Person Violations of**  
10 **Section 10(b) of the Exchange Act and Rule 10b-5(a)-(c)**  
11 **(against Defendant Husain)**

12 220. The SEC realleges and incorporates by reference paragraphs 1  
13 through 219 above.

14 221. As alleged above, the shell companies engaged in a scheme to defraud  
15 by operating as sham companies with no business purpose and with materially  
16 misleading SEC filings, which were sold to purchasers who intended to distribute  
17 the companies' shares publicly. The shell companies also made, in connection  
18 with the purchase or sale of securities, material misrepresentations and omissions  
19 to investors and prospective investors, as well as to regulators, market makers and  
20 transfer agents. Certain shell companies also filed annual and quarterly reports  
21 containing material misrepresentations and omissions, and filed periodic reports  
22 that violated the securities laws and regulations.

23 222. Pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), as  
24 the person who, directly or indirectly, controlled the shell companies, Husain is  
25 liable jointly and severally with and to the same extent as the shell companies for  
26 the above-referenced violations of the Exchange Act and rules and regulations  
27 thereunder committed by the shell companies. Husain did not act in good faith,  
28 and directly or indirectly induced the act or acts that constituted the above-

1 referenced violations of the Exchange Act and the rules and regulations thereunder  
2 committed by the shell companies.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, the SEC respectfully requests that the Court:

5 **I.**

6 Issue findings of fact and conclusions of law that Defendants committed the  
7 alleged violations.

8 **II.**

9 Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently  
10 enjoining Defendants and their agents, servants, employees, and attorneys, and  
11 those persons in active concert or participation with any of them, who receive  
12 actual notice of the judgment by personal service or otherwise, and each of them,  
13 from violating Sections 5(a) and (c) and 17(a) of the Securities Act, 15 U.S.C. §§  
14 77e(a), 77e(c), and 77q(a), and Sections 10(b) and 15(d) of the Exchange Act, 15  
15 U.S.C. §§ 78j(b) and 78o(d), and Rules 10b-5, 15d-1, and 15d-3 thereunder, 17  
16 C.F.R. §§ 240.10b-5, 240.15d-1, and 240.15d-3.

17 **III.**

18 Order Defendants, jointly and severally, to disgorge all ill-gotten gains from  
19 their illegal conduct, together with prejudgment interest thereon.

20 **IV.**

21 Order Defendants to pay civil penalties under Section 20(d) of the Securities  
22 Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §  
23 78u(d)(3).

24 **V.**

25 Enter an order against defendant Husain, pursuant to Sections 20(e) and  
26 20(g) of the Securities Act, 15 U.S.C. § 77t(e), (g), and Sections 21(d)(2) and  
27 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(2), (6), prohibiting him from:  
28 (1) acting as an officer or director of any issuer that has a class of securities

1 registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 781 or that is  
2 required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. §  
3 78o(d); and (2) prohibiting him from participating in an offering of penny stock;  
4 and enter an order against defendant Jaclin, pursuant to Section 20(g) of the  
5 Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15  
6 U.S.C. § 78u(d)(6), prohibiting him from participating in an offering of penny  
7 stock.

8 **VI.**

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

13 **VII.**

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

16  
17 Dated: November 22, 2016

Respectfully Submitted,

18  
19 */s/Amy Jane Longo*

Amy Jane Longo

Roberto A. Tercero

Attorneys for Plaintiff

Securities and Exchange Commission

**APPENDIX 1:**  
**REGISTRATION STATEMENTS FILED BY THE SHELL COMPANIES**

Shell Company	Form S-1 Reg. Stmt.	Date Filed (Effective Date, if any)
New Image	S-1	3/18/08
	S-1/A #1	4/1/08 (4/4/08)
	POS AM	9/23/09 (9/29/09)
PR Complete	S-1	11/7/08
	S-1/A #1	12/15/08
	S-1/A #2	1/5/09 (1/16/09)
	POS AM	9/23/09 (9/24/09)
Cigarette	S-1	4/28/10
	S-1/A #1	5/18/10
	S-1/A #2	6/9/10
	S-1/A #3	6/15/10
	S-1/A #4	6/22/10
	S-1/A #5	6/24/10
	S-1/A #6	6/24/10 (6/24/10)
Resume in Minutes	S-1	5/11/10
	S-1/A #1	6/23/10
	S-1/A #2	7/15/10
	S-1/A #3	7/20/10
	S-1/A #4	7/23/10 (7/27/10)
Rapid Holdings	S-1	7/2/10
	S-1/A #1	8/9/10
	S-1/A #2	8/19/10
	S-1/A #3	8/27/10

Shell Company	Form S-1 Reg. Stmt.	Date Filed (Effective Date, if any)
	S-1/A #4	9/2/10
	S-1/A #5	9/10/10
	S-1/A #6	9/23/10
	S-1/A #7	10/1/10
	S-1/A #8	10/5/10 (10/8/10)
Health Directory	S-1	5/27/11
	S-1/A #1	7/14/11
	S-1/A #2	8/12/11
	S-1/A #3	9/21/11
	S-1/A #4	10/4/11 (10/19/11)
Movie Trailer	S-1	10/15/10
	S-1/A #1	12/16/10
	S-1/A #2	1/19/11
	S-1/A #3	2/9/11
	S-1/A #4	3/2/11
	S-1/A #5	3/18/11 (3/25/11)
	POS AM	9/4/12 (9/12/12)
Comp Services	S-1	12/20/11
	S-1/A #1	1/27/12
	S-1/A #2	2/22/12
	S-1/A #3	3/14/12
	S-1/A #4	4/10/12
	S-1/A #5	4/23/12
	S-1/A #6	4/26/12
	S-1/A #7	4/30/12 (5/4/12)

<b>Shell Company</b>	<b>Form S-1 Reg. Stmt.</b>	<b>Date Filed (Effective Date, if any)</b>
Counseling International	S-1	8/8/12
	S-1/A #1	9/25/12
	S-1/A #2	11/19/12
	S-1/A #3	12/19/12
	S-1/A #4	1/9/13

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**APPENDIX 2:**  
**PERIODIC FILINGS BY EIGHT OF THE SHELL COMPANIES**

<b>Shell Company</b>	<b>Periodic Report</b>	<b>Date Filed</b>
New Image	10-Q 1Q 08	5/13/08
	10-Q/A 1Q 08	6/23/08
	10-Q Q2 08	8/11/08
	10-Q/A 2Q 08	8/22/08
	10-K FY 08	3/23/09
	10-Q 2Q 09	8/3/09
	10-K/A FY08	9/30/09
	10-Q/A 2Q 09	9/30/09
	10-Q 3Q 09	11/12/09
PR Complete	10-K FY 08	3/23/09
	10-Q 1Q 09	5/11/09
	10-Q 2Q 09	8/6/09
	10-K/A FY 08	9/25/09
	10-Q/A 1Q 09	9/25/09
	10-Q/A 2Q 09	9/25/09
	10-Q 3Q 09	11/16/09
Cigarette	10-Q 1Q 10	7/20/10
	10-Q 2Q 10	11/4/10
	10-Q 3Q 10	1/10/11
Resume in Minutes	10-Q 2Q 10	8/31/10
	10-Q 3Q 10	11/15/10
	10-K FY 10	3/31/11
	10-Q 1Q 11	5/16/11
Rapid Holdings	10-Q 2Q 10	11/22/10
	10-Q 3Q 10	1/12/11
	10-Q 4Q 10	4/14/11



<b>Shell Company</b>	<b>Periodic Report</b>	<b>Date Filed</b>
Health Directory	10-Q 2Q 12	11/19/11
	10-Q/A 2Q 11	12/16/11
	10-Q 3Q 12	2/12/12
	10-K FY 12	6/28/12
Movie Trailer	10-Q Q2 11	5/9/11
	10-Q Q3 11	7/15/11
	10-K FY 11	11/29/11
Comp Services	10-Q 2Q 12	6/14/12
	10-Q 3Q 12	9/12/12
	10-K FY 12	1/29/13
	10-Q Q3 13	9/23/13

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**APPENDIX 3:**  
**THE SALES OF SEVEN OF THE SHELL COMPANIES**

<b>Shell Company</b>	<b>Sale Date</b>	<b>Sales Price</b>
New Image	12/7/2009	\$215,000
PR Complete	12/4/2009	\$240,000
Cigarette	3/1/2011	\$275000
Rapid Holdings	5/11/2011	\$367,000
Resume in Minutes	6/24/11	\$350,000
Health Directory	7/20/2012	\$425,000
Movie Trailer	9/11/2012	\$370,000

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**APPENDIX 4:**  
**PUBLIC OFFER AND SALE OF SIX**  
**OF THE SHELL COMPANIES' STOCK WITHIN NINETY DAYS**

<b>Shell Company Name Before Merger</b>	<b>Shell Company Name After Merger</b>	<b>Merger Date</b>	<b>Date of First Public Offer and Sale Following Merger</b>
New Image	Car Charging Group, Inc.	12/7/2009	12/14/2009
PR Complete	YesDTC Holdings, Inc.	12/4/2009	1/21/2010
Cigarette	Kirin International Holding, Inc.	3/1/2011	3/14/2011
Rapid Holdings	Izea Inc.	5/11/2011	6/7/2011
Health Directory	Sollensys Corp.	7/20/12	10/15/2012
Movie Trailer	Broadcast live Digital Corp.	9/11/2012	10/23/2012