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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 **SECURITIES AND EXCHANGE**
12 **COMMISSION,**

13 Plaintiff,

14 vs.

15 **IMRAN HUSAIN and GREGG EVAN**
16 **JACLIN,**

17 Defendants.
18

Case No. 2:16-cv-03250

COMPLAINT

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 have, directly or indirectly, made use of the means or
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1 instrumentalities of interstate commerce or of the mails, in connection with the
2 transactions, acts, 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 one of the defendants resides in
8 this district.

9 **SUMMARY**

10 4. This action concerns the defendants' fraudulent "shell factory"
11 enterprise—a scheme to create and sell public "shell" companies to people who,
12 for whatever reason, need publicly-traded companies that have no real business or
13 purpose. The scheme was carried out by defendant Imran Husain ("Husain"), an
14 undisclosed control person and promoter based in Los Angeles, and defendant
15 Gregg Evan Jaclin ("Jaclin"), a corporate attorney who made his living
16 representing entities like the ones created and sold in the shell factory. From 2006
17 to 2013, Husain and Jaclin created nine shell companies, seven of whose stock was
18 subsequently sold for hundreds of thousands of dollars in sale proceeds and
19 attorney fees as a result of their scheme.

20 5. The defendants' shell factory scheme followed a routine pattern.
21 Husain created a "business plan" and convinced a friend, friend of a friend, relative
22 or acquaintance to be a puppet CEO. Husain and Jaclin then incorporated a
23 company, and Husain orchestrated a sham private placement offering of the
24 company's shares to approximately 35 purchasers (the "Straw Shareholders").
25 These Straw Shareholders either did not exist, or they used cash supplied by
26 Husain to "buy" the shares. Although this made it appear as if the company was
27 owned by third parties, Husain and Jaclin maintained control of the company and
28

1 its shares.

2 6. Once the company was established and its shares had been “sold” to
3 the Straw Shareholders, Husain worked with Jaclin to file a Form S-1 registration
4 statement with the SEC, registering a public offering of the company’s shares held
5 by the Straw Shareholders. The registration statements made materially false and
6 misleading statements concerning the companies’ management, business plan, and
7 Straw Shareholders.

8 7. After the registration statement became effective, Husain and Jaclin
9 filed periodic reports with the SEC that repeated many of the same false and
10 misleading statements. Husain and Jaclin also provided materially false and
11 misleading information to market makers, to obtain clearance to enter quotes for
12 the company’s shares on the over-the-counter (“OTC”) Bulletin Board or the OTC
13 Link.

14 8. Once the shell company was established as a publicly-traded
15 company, Husain and Jaclin would try and sell it. Ultimately, they sold seven of
16 the nine public shell companies they created, reaping \$215,000 to \$425,000 of sale
17 proceeds for each shell they sold. In total, Husain obtained about \$2.25 million in
18 sale proceeds, and Jaclin and his firm received nearly \$225,000 for their legal
19 services.

20 9. For two of the shells, Husain and Jaclin also filed a post-effective
21 amendment to the registration statement or a Form 10-K shortly in advance of the
22 sale. These filings repeated many of the false and misleading statements and also
23 falsely claimed that neither company had any plans or understandings to engage in
24 a merger.

25 10. By this conduct:

26 (a) Husain and Jaclin have violated the registration provisions of
27 Section 5(a) and 5(c) and the antifraud provisions of Section 17(a) of the Securities
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1 Act, 15 U.S.C. §§ 77(e)(a), 77(e)(c), 77q(a);

2 (b) Husain has violated the antifraud provisions of Section 10(b)
3 and the control person provisions of Section 20(a), of the Exchange Act, 15 U.S.C.
4 §§ 78j(b), 78t(a), and Rule 10b-5(a)-(c) thereunder, 17 C.F.R. § 240.10b-5(a)-(c);

5 (c) Jaclin has violated the antifraud provisions of Section 10(b) of
6 the Exchange Act, 15 U.S.C. §§ 78j(b) and Rule 10b-5(a) and (c) thereunder, 17
7 C.F.R. § 240.10b-5(a) and (c);

8 (d) Husain and Jaclin have aided and abetted the public shell
9 companies' violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a);
10 the antifraud provisions of Sections 10(b) and 15(d) of the Exchange Act, 15
11 U.S.C. §§ 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §§ 240.10b-5, and the
12 reporting provisions of the Exchange Act, 15 U.S.C. § 78o(d), and Rules 12b-20,
13 15d-1 and 15d-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.15d-1, and 240.15d-
14 13;

15 (e) Jaclin has aided and abetted Husain's violations of Section
16 17(a) of the Securities Act, 15 U.S.C. §§ 77q(a), and Section 10(b) of the
17 Exchange Act, 15 U.S.C. §§ 78j(b) 78o(d), and Rule 10b-5 thereunder, 17 C.F.R. §
18 240.10b-5; and

19 (f) Husain and Jaclin have aided and abetted the shell company
20 purchasers' violations of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§
21 77(e)(a), 77(e)(c).

22 11. The SEC seeks disgorgement of defendants' ill-gotten gains,
23 prejudgment interest, civil penalties, and penny stock bars, and, against Husain,
24 seeks an officer and director bar.

25 **THE DEFENDANTS**

26 12. **Imran Husain** resides in Santa Monica, California. Husain is in the
27 business of starting companies, taking them public, and selling them to purchasers
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1 seeking to acquire public shell companies. On March 20, 2014, Husain was
2 charged with conspiracy and obstruction of justice relating to an SEC
3 investigation of one of his shell companies. *U.S. v. Husain*, Case No. CR 14-149
4 RS (U.S. District Court, N.D. Cal.) (Dkt. No. 1). On October 14, 2014, he pled
5 guilty to one count of conspiracy to obstruct the proceedings of the SEC (Dkt. No.
6 24).

7 13. **Gregg Evan Jaclin** is an attorney residing in Princeton Junction,
8 New Jersey, and is admitted to the bar in New York and New Jersey. Jaclin is a
9 corporate securities attorney whose practice focuses on taking microcap
10 companies public, preparing their periodic SEC reports, and serving as the shell
11 company's counsel when the company is sold. During the majority of the relevant
12 time period, Jaclin was a partner at the now-dissolved law firm of Anslow &
13 Jaclin, which was located in Englishtown, New Jersey.

14 **THE SHELL COMPANIES**

15 14. **New Image Concepts, Inc., nka Car Charging Group, Inc.** (“**New**
16 **Image**”) is one of the nine shell companies created by defendants as part of their
17 fraudulent scheme, and one of the seven that was subsequently sold:

18 (a) New Image was incorporated in Nevada on October 23, 2006.
19 Located in Miami Beach, Florida, New Image claimed that it would offer personal
20 style consultation services.

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

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

3 (d) On December 7, 2009, New Image was sold, through a reverse
4 merger, for \$215,000.

5 (e) Following the merger, New Image changed its name to Car
6 Charging Group, Inc. Common stock of Car Charging Group was offered and
7 sold to the public beginning on December 14, 2009 under the symbol "CCGI."
8 Its common stock is currently quoted on OTC Link.

9 15. **PR Complete Holdings, Inc., nka YesDTC Holdings, Inc. ("PR**
10 **Complete"**) is one of the nine shell companies created by defendants as part of
11 their fraudulent scheme, and one of the seven that was subsequently sold:

12 (a) PR Complete was incorporated in Nevada on May 22, 2008.
13 Located in San Francisco, California, PR Complete claimed that it planned to be
14 an online press release preparation service.

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

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

25 (d) On December 4, 2009, PR Complete was sold, through a
26 reverse merger, for \$240,000.

27 (e) Following the merger, PR Complete changed its name to
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1 YesDTC Holdings. Common stock of YesDTC Holdings was offered and sold to
2 the public beginning on January 21, 2010 under the symbol “YESD.”

3 (f) On November 17, 2014, the SEC suspended trading pursuant to
4 Section 12(k) of the Exchange Act. *In re YesDTC Holdings, Inc.*, Release No. 34-
5 73611 (Nov. 17, 2014). On December 15, 2014, each class of its registered
6 securities was revoked pursuant to Section 12(j) of the Exchange Act, which
7 became final on January 27, 2015. *In re YesDTC Holdings, Inc.*, Rel. No. 34-
8 74140 (Jan. 27, 2015). On February 25, 2015, a final judgment was entered as to
9 YesDTC’s CEO Joseph Noel, for a pump and dump scheme involving Yes DTC’s
10 stock. *See SEC v. Noel*, Case No. 14-cv-05054-VC (N.D. Cal.).

11 **16. Cigarette, Inc., nka Kirin International Holding, Inc.**

12 (“**Cigarette**”) is one of the nine Shell companies created by defendants as part of
13 their fraudulent scheme and one of the seven that was subsequently sold:

14 (a) Cigarette was incorporated in Nevada on December 23, 2009.
15 Located in Beijing, China, Cigarette claimed that it would become an e-cigarette
16 marketer and distributor.

17 (b) On April 28, 2010, Cigarette filed a Form S-1 registration
18 statement in connection with an initial public offering of 296,703 shares of
19 common stock, at an offering price of \$0.05 per share, for a total of \$14,835. The
20 registration statement was filed on April 28, 2010; was amended on May 18,
21 2010, June 9, 2010, June 15, 2010, June 22, 2010, and June 24, 2010; and became
22 effective on June 24, 2010.

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

26 (d) On March 1, 2011, Cigarette was sold, through a reverse
27 merger, for \$275,000.

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1 (e) Following the merger, Cigarette changed its name to Kirin
2 International Holding, Inc. Common stock of Kirin International Holding was
3 offered and sold to the public beginning on March 14, 2011 under the symbol
4 “KIRI.” Its common stock is quoted on OTC Link.

5 17. **Resume In Minutes, Inc., nka MEDL Mobile Holdings, Inc.**
6 (“**Resume**”) is one of the nine shell companies created by defendants as part of
7 their fraudulent scheme and one of seven that was subsequently sold:

8 (a) Resume was incorporated in Nevada on May 22, 2008.
9 Located in Fountain Valley, California, Resume claimed that it planned to offer
10 online all-in-one resume-building services.

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

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

20 (d) On June 24, 2011, Resume was sold through a reverse merger,
21 for \$350,000.

22 (e) Following the merger, Resume changed its name to MEDL
23 Mobile Holdings, Inc. Its common stock is currently quoted on OTC Link.

24 18. **Rapid Holdings, Inc., nka Izea, Inc. (“Rapid”)** is one of the nine
25 shell companies created by defendants as part of their fraudulent scheme and one
26 of seven that was subsequently sold:

27 (a) Rapid Holdings was incorporated in Nevada on March 22,
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1 2010. Located in Orlando, Florida, Rapid claimed that it made loans to
2 individuals secured by their automobiles.

3 (b) On July 2, 2010, it filed a Form S-1 registration statement in
4 connection with an initial public offering of 818,000 shares of common stock, at
5 an offering price of \$0.05 per share, for a total of \$40,900. The registration
6 statement was filed on July 2, 2010; was amended on August 9, 2010, August 19,
7 2010, August 27, 2010, September 2, 2010, September 10, 2010, September 23,
8 2010, October 1, 2010, and October 5, 2010; and became effective on October 8,
9 2010.

10 (c) From August 31, 2010 through May 16, 2011, Rapid filed
11 periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act and
12 related rules thereunder.

13 (d) On May 11, 2011, Rapid was sold, through a reverse merger,
14 for \$367,000.

15 (e) Following the merger, Rapid changed its name to Izea, Inc.
16 Common stock of Izea was offered and sold to the public beginning on June 7,
17 2011 under the symbol "IZEA." Its common stock is currently quoted on OTC
18 Link.

19 **19. Movie Trailer Galaxy, nka Broadcast Live Digital Corp. ("Movie**
20 **Trailer")** is one of the nine shell companies created by defendants as part of their
21 fraudulent scheme and one of seven that was subsequently sold:

22 (a) Movie Trailer was incorporated in Nevada on April 27, 2010.
23 Located in Mississauga, Ontario, Canada, Movie Trailer claimed to be an online
24 portal to preview the latest movie information.

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

5 (c) From May, 9, 2011 through November 29, 2011, Movie Trailer
6 filed periodic reports with the SEC pursuant to Section 15(d) of the Exchange Act
7 and related rules thereunder.

8 (d) On September 11, 2012, Movie Trailer was sold through a
9 reverse merger, for \$370,000.

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

17 **20. Health Directory, Inc., nka Sollensys Corp. ("Health Directory")**
18 is one of the nine shell companies created by defendants as part of their fraudulent
19 scheme and one of seven that was subsequently sold:

20 (a) Health Directory was incorporated in Nevada on September 29,
21 2010. Located in Newport Beach, California, Health Directory claimed to be an
22 online health-related directory website.

23 (b) On May 27, 2011, Health Directory filed a Form S-1
24 registration statement in connection with an initial public offering of 759,400
25 shares of common stock, at an offering price of \$0.05 per share, for a total of
26 \$37,970. The registration statement was filed May 27, 2011; was amended July
27 14, 2011, August 12, 2011, September 21, 2011, and October 4, 2011; and became
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1 effective on October 19, 2011.

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

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

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

11 21. **Comp Services, Inc. ("Comp Services")** is one of the nine shell
12 companies created by defendants as part of their fraudulent scheme:

13 (a) Comp Services was incorporated in Nevada on June 17, 2011
14 and located in Turlock, California. Comp Services claimed to be an online
15 computer parts and services provider.

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

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

27 (d) Its common stock was quoted on the OTC Link under the
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1 symbol “CMPS.” On April 23, 2014, while a post-effective amendment was
2 pending, the SEC issued a stop order suspending the effectiveness of its
3 registration statement, because of the company’s failure to disclose its control
4 person/promoter. *In re the Registration Statement of Comp Services, Inc.*, Rel.
5 No. 33-9577 (Apr. 23, 2014).

6 22. **Counseling International, Inc. (“Counseling International”)** is
7 one of the nine shell companies created by defendants as part of their fraudulent
8 scheme:

9 (a) Counseling International was incorporated in Nevada on
10 September 30, 2011. Located in Los Angeles, California, Counseling
11 International purportedly engaged in the business of providing online access to
12 providers of low-cost counseling services and mental health-related products.

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

19 (c) On August 22, 2013, the SEC issued a stop order suspending
20 the effectiveness of its registration statement, because of the company’s failure to
21 disclose its control person/promoter. *In re the Registration Statement of*
22 *Counseling International*, Rel. No. 33-9444 (Aug. 22, 2013).

23 23. New Image, PR Complete, Cigarette, Resume, Rapid, Movie Trailer,
24 Health Directory, Comp Services, and Counseling International are collectively
25 referred to as the “shell companies.”

26 **THE FRAUDULENT SCHEME**

27 24. From 2006 to 2013, Husain and Jaclin ran a shell factory where they
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1 manufactured nine shell companies, subsequently selling seven of them in
2 fraudulent unregistered public offerings.

3 25. The factory included a typical pattern of conduct repeated by Husain
4 and Jaclin for each shell company, as alleged below.

5 **A. Jaclin's "Self-Filing Model"**

6 26. In or about 2004, Jaclin met Husain, who sought advice about how to
7 take a company public. Jaclin introduced Husain to what Jaclin termed his "self-
8 filing model."

9 27. Under this self-filing model, a company first is incorporated and
10 conducts a private placement offering of its stock to a limited number of investors,
11 such as friends and family. Then, the company files a Form S-1 registration
12 statement with the SEC to register a public offering of the private placement
13 investors' stock.

14 28. Once the registration statement becomes effective, the company files
15 periodic reports on Forms 10-K and 10-Q in accordance with SEC regulations.

16 29. The company then works with a market maker to obtain clearance
17 from FINRA to publish stock price quotations on the OTC Bulletin Board or OTC
18 Link. Exchange Act Rule 15c2-11, 17 C.F.R. § 240.15c2-11, requires a broker or
19 dealer to obtain reasonably current information concerning a company before
20 publishing a quotation for the company's securities, often including the
21 registration statement filed with the SEC.

22 30. Once FINRA provides clearance, the company works with the market
23 maker and a transfer agent to obtain Depository Trust Clearing ("DTC") eligibility
24 so that trades of its stock can be settled electronically and thereby reduce costs and
25 time when a share of stock is traded.

26 31. To best utilize the self-filing model, Jaclin advised Husain to create
27 small companies that Husain could control from start to finish, including control
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1 of both the private placement investors and the companies' management.

2 **B. The Shell Factory**

3 32. Utilizing this self-filing model, Husain and Jaclin proceeded to create
4 nine public shell companies, seven of which they sold. This fraudulent shell
5 factory proceeded using the following series of recurring steps.

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

7 33. First, Husain would identify a potential puppet, such as a friend,
8 friend of a friend, relative, or administrative assistant, to serve as a CEO in name
9 only.

10 34. Jaclin advised Husain that the puppet CEOs should receive some
11 salary to avoid raising suspicions.

12 35. Husain promised potential puppet CEOs a salary of between \$500
13 and \$700 per month, explaining that Husain himself would handle all of the
14 corporate, legal, and regulatory matters necessary to form the shell company and
15 take it public.

16 36. Husain typically selected a business plan for the shell company that
17 related to the puppet CEO's own background.

18 37. Husain then introduced the puppet CEO to Jaclin, who sent the
19 puppet CEO, directly or through Husain, an engagement letter for he and his firm
20 to serve as the shell company's counsel.

21 38. As counsel, the work Jaclin and his firm did included incorporating
22 the shell company; preparing private placement documents; preparing a
23 registration statement and handling the SEC comment process; and helping to
24 provide information to a market maker to obtain FINRA clearance to quote the
25 shell company's stock.

26 **2. The Sham Private Offerings**

27 39. After incorporating the shell company, Husain organized a private
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1 offering of the shell company's stock to approximately 35 Straw Shareholders.

2 40. Jaclin's law firm prepared a private placement memorandum, based
3 on a business plan provided by Husain.

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

7 42. Husain enlisted several acquaintances to recruit Straw Shareholders,
8 paying the recruiters a commission of between \$200 to \$400 for each investor they
9 obtained.

10 43. The Straw Shareholders used Husain's cash either to write a personal
11 check or to obtain a cashier's check payable to the shell company. Some Straw
12 Shareholders paid with money orders from retail outlets such as CVS or Seven-
13 Eleven.

14 44. Jaclin advised Husain that the Straw Shareholders should submit
15 personal or cashier's checks, rather than money orders, to avoid raising regulators'
16 suspicions.

17 45. The Straw Shareholder signed the documents that Husain gave the
18 recruiter, namely a subscription agreement, investor questionnaire, and a blank
19 stock power.

20 46. Husain subsequently filled in the stock power when selling the shell
21 company to a Straw Shareholder, to make it appear to the transfer agent that the
22 Straw Shareholder was selling his or her stock.

23 47. Jaclin or Husain maintained possession of the stock certificates issued
24 to the Straw Shareholders in the sham private offering.

25 48. When the Straw Shareholders purportedly purchased shares in the
26 shell companies, the shell companies were controlled by Husain, and no restrictive
27 legend appeared on the stock certificates for the shares sold to the Straw
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1 Shareholders.

2 49. The fact that the companies' shares were purportedly sold to and held
3 by the Straw Shareholders gave the appearance that third parties actually owned
4 the companies, when, in fact, Husain retained control over them.

5 50. Husain and Jaclin knew, or were reckless or negligent in not
6 knowing, that the private offerings were shams, that the Straw Shareholders were
7 using Husain's money to purchase the shares, and that Husain controlled the
8 shares.

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

10 51. Husain and Jaclin then took each shell company public through a
11 Form S-1 registration statement filed with the SEC, and when necessary,
12 amendments thereto, offering the shares from the sham private placement.

13 52. For each shell company public offering, and the registration of the
14 offering, Jaclin and his law firm served as counsel for the shell company.

15 53. For the registration statement for each of the nine shell companies,
16 Husain controlled the efforts to prepare, review, file, and obtain a notice from the
17 SEC declaring it effective, including providing to Jaclin's firm and to the auditor
18 information, documents, and puppet CEO signatures, as needed.

19 54. Husain approved documents and served as the main point of contact
20 for the shell companies throughout the registration process.

21 55. Jaclin instructed his associates that Husain had the authority to
22 approve documents for filing with the SEC.

23 56. Jaclin's associates emailed each draft registration statement,
24 including any changes or edits, to Jaclin for his approval.

25 57. The draft registration statement was then sent to Husain and the shell
26 companies' outside auditors for review, before being filed with the SEC.

27 58. Jaclin permitted his associates to use his electronic signature for his
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1 law firm's opinion letters that were attached to the registration statements, which
2 stated that the shares in the offering had been duly authorized, legally issued, fully
3 paid and were non-assessable.

4 59. Each of the shell companies' registration statements contained
5 numerous materially false and misleading statements.

6 (a) Each shell company registration statement falsely claimed that
7 the puppet CEO was the officer, director, and employee of the shell company, and
8 often the sole one of each. These statements were false and misleading because
9 there was no mention of Husain's role as the control person and promoter of the
10 shell company, or that the puppet CEO was the CEO in name only.

11 (b) Each shell company registration statement misrepresented the
12 shell company's business purpose by stating that the company would operate in
13 accordance with its business plan. These statements were false and misleading
14 because the actual operations of the shell companies consisted only of turning the
15 shell company into a public shell that would then be sold.

16 (c) Each shell company registration statement misrepresented that
17 the Straw Shareholders: (1) purchased their shares in a private offering; (2) were
18 selling the shares for their own account in the registered offering; and (3) were not
19 affiliated with any of the shell company's officers, directors, promoters, or any
20 beneficial owner of 10% or more of the shell company's securities. These
21 statements were false and misleading because: (1) some of the Straw
22 Shareholders did not exist, much less purchase or hold shares; (2) the majority of
23 the remaining Straw Shareholders paid for the shares with cash that Husain
24 supplied; (3) Husain and Jaclin held the shares rather than the Straw Shareholders;
25 (4) the shares under the offering were for Husain's account, not the Straw
26 Shareholders' accounts; and (5) each Straw Shareholder was affiliated with
27 Husain, who controlled each shell company and its securities.
28

1 60. Husain and Jaclin knew, or were reckless or negligent in not
2 knowing, that the statements alleged above and in the registration statements for
3 each of the nine shell companies were false and misleading.

4 61. The false and misleading statements appeared in the following Form
5 S-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 | 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 |

| Shell Company | Form S-1 Reg. Stmt. | Date Filed (Effective Date, if any) |
|------------------|------------------------|--|
| | 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 |
| | 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 |
| 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 |

| Shell Company | Form S-1 Reg. Stmt. | Date Filed (Effective Date, if any) |
|---------------|--------------------------|-------------------------------------|
| | 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) |
| | Counseling International | S-1 |
| 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 |

4. False and Misleading Information Provided to Transfer Agents and Market Makers

62. Husain selected the transfer agents for each of the shell companies and supplied them with shareholder information, serving as the main point of contact for the transfer agents. Husain however disclosed neither his role nor the investors' status as Straw Shareholders.

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

64. Husain and Jaclin then worked with a market maker to file a FINRA Form 211 application in order for the market maker to publish quotes for the shell company's stock.

65. As part of preparing the Form 211, the market maker reviewed the shell company's registration statement, which was incorporated into the Form

1 211, including the materially false and misleading statements.

2 66. Also as part of the Form 211 process, Husain completed an
3 information statement and officer and director questionnaire for each shell
4 company. These documents repeated the false and misleading statements from the
5 shell company's registration statement (except the statements regarding the Straw
6 Shareholders).

7 67. Husain had the puppet CEO for each shell company sign the
8 information statement and questionnaire, or forged his or her signature.

9 68. Jaclin provided information and documents to the market maker, such
10 as copies of the subscription agreements and investor checks from the private
11 placement. Jaclin also helped respond to comments from FINRA about the shell
12 companies' applications.

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

15 70. Husain then worked with the market maker and its affiliated transfer
16 agent to obtain DTC eligibility for each shell company's stock, enhancing the
17 value for sale.

18 71. Husain and Jaclin knew, or were reckless or negligent in not
19 knowing, that the information and documents given to the market makers and
20 transfer agents repeated the false and misleading information contained in the
21 registration statements.

22 **5. False and Misleading Periodic Reports Filed By Eight of the Shell**
23 **Companies**

24 72. Eight of the nine shell companies—*i.e.*, all of them except
25 Counseling International—became public reporting companies under SEC
26 regulations, which required them to file periodic reports with the SEC.

27 73. In order to maintain these eight shell companies' status as reporting
28

1 companies, Husain and Jaclin filed periodic reports with the SEC on Forms 10-K
2 and 10-Q.

3 74. Jaclin's associates emailed draft periodic filings for these eight shell
4 companies to Jaclin for his approval.

5 75. Husain also received draft periodic filings for the eight shell
6 companies from Jaclin's associates, once the filings were ready for review by the
7 company and the outside auditor.

8 76. The periodic reports repeated the following false and misleading
9 information contained in the registration statements:

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

15 (b) They 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 77. Husain and Jaclin knew, or were reckless or negligent in not
20 knowing, that the statements alleged above in the periodic reports for the eight
21 shell companies were false and misleading.

22 78. The false and misleading statements appeared in the following
23 periodic reports filed by the eight shell companies with the SEC:

| Shell Company | Periodic Report | Date Filed |
|---------------|-----------------|------------|
| New Image | 10-Q 1Q 08 | 5/13/08 |

| Shell Company | Periodic Report | Date Filed |
|------------------|-----------------|------------|
| | 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 |
| 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 | 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 |
| Health Directory | 10-Q 2Q 12 | 11/19/11 |
| | 10-Q/A 2Q 11 | 12/16/11 |

| Shell Company | Periodic Report | Date Filed |
|---------------|-----------------|------------|
| | 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 |

C. The Sales of Seven of the Shell Companies

79. Approximately one-and-a-half to two years after incorporation, Husain and Jaclin sold seven of the nine shell companies for sale proceeds ranging from \$215,000 to \$425,000, for a total of \$2.25 million.

80. Jaclin introduced Husain to the purchasers for at least six of the shell companies that were sold: New Image, Cigarette, PR Complete, Rapid Holdings, Resume, and Movie Trailer.

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

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

83. For each sale, Jaclin's law firm prepared stock purchase agreements among the shell company purchaser(s), the shell company, the puppet CEO, and each Straw Shareholder (on whose behalf the nominee-representative signed the agreement).

84. Also as part of each shell company sale, Jaclin's law firm prepared an

1 escrow agreement among the nominee-representative, the shell company
2 purchaser(s), and an escrow agent. For six of the shell company sales (*i.e.*, all
3 except Cigarette), Jaclin's firm served as the escrow agent to effect the transfer of
4 the stock certificates and the funds for the shell company purchase.

5 85. Once the escrow agent received all of the funds for the sale, the
6 signed agreements, the stock certificates, and the stock powers, the escrow agent
7 wired the sales proceeds to the nominee-representative's bank account, less any
8 amounts owed for Jaclin's firm's legal fees.

9 86. Husain directed the nominee-representative to wire transfer portions
10 of the funds to one or more of Husain's bank accounts in the United States.

11 87. As a further part of each shell company sale, Jaclin's firm provided
12 opinion letters instructing the transfer agent to cancel the shares in the name of the
13 Straw Shareholders and to reissue them in the names of the shell company
14 purchasers.

15 88. The sales of the shell companies were accomplished through "reverse
16 merger" transactions with private purchasing entities, where the shareholders of
17 the purchaser would acquire a majority of the shares of the public shell company
18 (*i.e.*, the Straw Shareholders' shares), and then the public shell company would
19 then be merged into the purchasing entity.

20 89. For two of the shell companies, Movie Trailer and Health Directory,
21 the nominee-representative held the shares in the nominee's brokerage account.
22 As part of the sale of these two shell companies, Husain instructed the nominee-
23 representative to sell his shares in the open market, where the shell company
24 purchasers bought them.

25 90. After the sale of each shell company, the shell company's puppet
26 CEO resigned and new management was installed.

27 91. New management changed the shell company's name and business
28

1 model, as announced in Form 8-K reports publicly filed with the SEC.

2 92. Following quotation clearance by FINRA and the establishment of
3 the stock's DTC eligibility, the stock in at least three shell companies – New
4 Image, Health Directory and Movie Trailer – were publicly traded before these
5 three were sold to the shell company purchasers.

6 93. The sales of the seven shell companies occurred on the following
7 dates, and generated the following sale proceeds:

| 8 Shell Company | Sale Date | Sales Price |
|---------------------|-----------|-------------|
| 9 New Image | 12/7/2009 | \$215,000 |
| 10 PR Complete | 12/4/2009 | \$240,000 |
| 11 Cigarette | 3/1/2011 | \$275,000 |
| 12 Rapid | 5/11/2011 | \$367,000 |
| 13 Resume | 6/24/11 | \$350,000 |
| 14 Health Directory | 7/20/2012 | \$425,000 |
| 15 Movie Trailer | 9/11/2012 | \$370,000 |

16 **D. The Movie Trailer Post-Effective Form S-1 Amendment and the Health**
17 **Directory Form 10-K**

18 94. In connection with the sales of Health Directory and Movie Trailer,
19 Husain and Jaclin filed documents with the SEC that made false and misleading
20 statements about the companies.

21 95. As set forth above, Health Directory was sold to a purchaser on July
22 20, 2012 for \$425,000.

23 96. On June 28, 2012, Husain and Jaclin caused Health Directory to file a
24 Form 10-K annual report with the SEC.

25 97. At the time of the Form 10-K filing, Husain had agreed in principle to
26 sell Health Directory, the two parties had begun to prepare merger documents, and
27 the Health Directory shell company purchaser had paid a down payment of
28

1 \$25,000 of the \$425,000 purchase price to the escrow account at Jaclin's firm.

2 98. As set forth above, Movie Trailer was sold to a purchaser on
3 September 11, 2012 for \$370,000.

4 99. One week before the sale was consummated, on September 4, 2012,
5 Husain and Jaclin caused Movie Trailer to file with the SEC a post-effective
6 amendment to its Form S-1 registration statement.

7 100. At the time the Form S-1 amendment was filed, the purchaser of
8 Movie Trailer had paid \$187,500, representing half of the \$375,000 purchase
9 price, to the escrow account at Jaclin's firm.

10 101. The Health Directory Form 10-K and the Movie Trailer post-effective
11 Form S-1 amendment repeated the same false and misleading statements from
12 these shell companies' earlier SEC filings:

13 (a) They falsely claimed that the puppet CEO was the officer,
14 director, and employee of the shell company, and often the sole one of each.
15 These statements were false and misleading because there was no mention of
16 Husain's role as control person and promoter or the puppet CEO's *de minimis*
17 role; and

18 (b) They misrepresented the company's business purpose by
19 stating that the company would operate in accordance with its business plan,
20 whereas the actual plans and operations consisted of turning the company into a
21 public shell that subsequently would be sold.

22 102. These filings further falsely stated that each shell company had no
23 plans, arrangement, or understanding to engage in a merger. The shell company
24 purchasers for each of the two shell companies, however, had already sent Husain
25 and Jaclin closing checklists; requested documents to review; and the shell
26 company purchasers had already deposited funds covering portions of the
27 purchase prices into Jaclin's firm's escrow account.

28

1 103. Husain and Jaclin knew, or were reckless or negligent in not
 2 knowing, that Health Directory's Form 10-K filed with the SEC was false and
 3 misleading, because: (1) Husain had already agreed to sell the shell company; (2)
 4 Husain and Jaclin were actively working with the shell company purchasers'
 5 counsel for the sale; and (3) Jaclin's firm had already received a portion of the
 6 purchase price for the sale.

7 104. Husain and Jaclin knew, or were reckless or negligent in not
 8 knowing, that Movie Trailer's post effective Form S-1 amendment filed with the
 9 SEC was false and misleading, because: (1) Husain had already agreed to sell the
 10 shell company; (2) Husain and Jaclin were actively working with the shell
 11 company purchasers' counsel for the sale; and (3) Jaclin's firm had already
 12 received a portion of the purchase price for the sale.

13 **E. The Unregistered Offer and Sale of Six Shell Companies' Stock**

14 105. After seven of the nine shell companies were sold by the defendants
 15 in the reverse merger transactions, the stock of six of those companies was offered
 16 and sold to the public in the over-the-counter market.

17 106. The offer and sale of these six companies' shares through the over-
 18 the-counter market each occurred within three months of the defendants selling
 19 the companies in reverse mergers, as set forth below. The table that follows sets
 20 forth the name of the shell company that defendants created and sold, the name of
 21 the company that the purchasers gave the company after buying it from the
 22 defendants, the date of that sale or reverse merger, and the date the stock in that
 23 newly named company was sold to the public:

| Shell Company Name Before Merger | Shell Company Name After Merger | Merger Date | Date of First Public Offer and Sale Following Merger |
|---|--|-------------|--|
|---|--|-------------|--|

| Shell Company Name Before Merger | Shell Company Name After Merger | Merger Date | Date of First Public Offer and Sale Following Merger |
|----------------------------------|-----------------------------------|-------------|--|
| 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 |

107. These transactions were not registered with the SEC, as no registration statement was in effect, and no exemption from registration existed.

108. For each of these six offerings, Husain was the issuer of the shell company's shares because he had complete control over the shell companies at the time the shell companies were sold to the shell company purchasers.

109. For each of these six offerings, the purchasers of the shell companies were the underwriters of the public offerings of their stock, because the purchasers had obtained the stock with a view to subsequently distributing the shares to the public.

110. Husain and Jaclin were necessary participants and substantial factors in the offer and sale of these shares to the public, *inter alia*, because:

(a) Husain's shell factory business was for the creation and sale of shell companies to third parties who intended to resell in open market

1 transactions. He set up the sham private placements, and he sold the stock to the
2 shell purchasers, using the stock powers from the Straw Shareholders.

3 (b) Jaclin taught Husain how to use the self-filing model; he
4 prepared the legal documentation at each step of the shell factory; and he
5 instructed the transfer agent to issue shares without restrictive legends.

6 (c) Both worked with market makers to facilitate quotes, so the
7 shell purchasers could have access to the public markets to distribute the shares.

8 (d) Both worked to bring about the shell company sales, including
9 negotiating the price; preparing the necessary agreements; instructing the transfer
10 agents to cancel the stock certificates in the names of the Straw Shareholders and
11 reissue in the name of the shell purchasers; and Jaclin additionally acted as the
12 escrow agent for the sales.

13 111. Husain and Jaclin knew or were reckless in not knowing that they
14 substantially assisted having these six offerings of the shell companies' stock to
15 the public take place without registration with the SEC.

16 **F. Husain's and Jaclin's Attempts to Obstruct Regulatory Oversight**

17 112. Husain and Jaclin also attempted to obstruct regulatory oversight of
18 the offerings of the stock of their shell companies.

19 113. Initially, Husain and Jaclin communicated via email using Jaclin's
20 email address at his law firm, and Husain's email address.

21 114. Several years into the shell factory scheme, in or about 2011, Jaclin
22 advised Husain that, to avoid regulatory scrutiny, they should exchange fewer
23 emails. Jaclin suggested that Husain instead utilize email accounts in the names
24 of the puppet CEOs to communicate with Jaclin and his law firm.

25 115. Following Jaclin's suggestion, Husain, for at least four shell
26 companies (Health Directory, Movie Trailer, Comp Services, and Counseling
27 International), then communicated with Jaclin under the guise of each shell
28

1 company's puppet CEO.

2 116. In 2012, Jaclin asked Husain, and Husain agreed, to hire a computer
3 consultant to "scrub" emails amongst Husain, Jaclin and Jaclin's firm. A
4 consultant was retained and did scrub Jaclin's and at least two of his associates'
5 emails. As a result, the emails were permanently deleted from Jaclin's law firm's
6 email servers.

7 117. Husain also instructed the puppet CEOs for two of the shell
8 companies to make false statements during investigative testimony before the
9 SEC.

10 **G. Husain's and Jaclin's Roles in the Fraud and Registration Violations**

11 118. Husain knowingly, or at least recklessly or negligently, carried out
12 deceptive acts and engaged in a course of business in furtherance of a scheme to
13 defraud.

14 119. Husain was the architect and prime mover of the fraudulent scheme
15 by running the shell factory, by overseeing, directing, and controlling each part of
16 its operation, specifically:

17 (a) formulating the shell companies' business plans, which would
18 never be implemented, to give the appearance of a legitimate business;

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

21 (c) paying the puppet CEOs a monthly salary to reduce regulatory
22 scrutiny;

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

26 (e) working with Jaclin to create materially false and misleading
27 registration statements and periodic filings;

28

1 (f) making and obtaining money by means of materially false and
2 misleading information;

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

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

9 (i) selling seven of the nine shell companies, through nominee-
10 representatives, for profit, by selling all of the stock;

11 (j) approving a post-effective Form S-1 amendment and a Form
12 10-K that were materially false and misleading to facilitate the sale of two shell
13 companies;

14 (k) attempting to obstruct regulatory oversight of the shell factory
15 scheme by causing the deletion of emails and instructing two puppet CEOs to
16 make false statements in SEC investigative testimony; and

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

19 120. Husain also substantially assisted the shell companies' fraud of giving
20 the false appearance that they were legitimate companies going public and of
21 issuing materially and false misleading statements and omissions. In short, he
22 knew, or was reckless in not knowing, that the shell companies were committing
23 fraud and issuing materially false and misleading public statements; and he
24 provided substantial assistance by locating puppet CEOs; paying their salaries;
25 conducting sham private placements; hiring counsel, accountants, and auditors;
26 working with market makers and transfer agents; approving registration statements
27 and periodic reports; and selling the shell companies.

1 121. Husain also substantially assisted the shell companies' failure to
2 register their public offerings. In short, he knew, or was reckless in not knowing,
3 that six of the shell companies were, after their reverse mergers, offering and
4 selling stock without an effective registration statement. Husain knowingly or
5 recklessly conducted purported private placements to enable him to subsequently
6 file Form S-1 registration statements for shares held by the Straw Shareholders.
7 He knew or was reckless in not knowing that because the shares had been placed in
8 the names of Straw Shareholders, disguising his control over them, that the shares
9 could appear to be eligible for subsequent sale without restrictive legends. Husain
10 knowingly or recklessly provided substantial assistance to enable the shell
11 company stock sales into the over-the-counter market. Husain also knew or was
12 reckless in not knowing that the shell company purchasers bought the shares from
13 him with a view to engaging in a distribution.

14 122. Husain had motive to engage in this conduct because he earned
15 between \$215,000 and \$425,000 for each shell company sale.

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

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

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

26 (c) instructing Husain to obtain personal and cashier's checks
27 rather than money orders to avoid regulatory scrutiny;

28

1 (d) approving materially false and misleading registration
2 statements and periodic reports for filing;

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

7 (f) suggesting that Husain create email accounts that appeared to
8 be those of the puppet CEOs but that Husain actually used, to hide Husain's role
9 as control person;

10 (g) approving a post-effective Form S-1 amendment and a Form
11 10-K that were materially false and misleading to facilitate the sale of two shell
12 companies; and

13 (h) attempting to obstruct regulatory oversight of the shell factory
14 scheme by causing the deletion of emails; and

15 (i) failing to exercise reasonable prudence in preparing the shell
16 companies' SEC filings.

17 124. Jaclin also substantially assisted the shell companies' and Husain's
18 fraud of giving the false appearance that they were legitimate companies going
19 public, and substantially assisted the shell companies' fraud of issuing materially
20 and false misleading statements and omissions. In short, Jaclin knew, or was
21 reckless in not knowing, that Husain and the shell companies were committing
22 fraud, and that the shell companies were issuing materially false and misleading
23 periodic reports, and he provided substantial assistance by approving the private
24 placements, registration statements, and periodic reports; providing the market
25 makers with documents from the sham private placements and responding to
26 FINRA requests for more information during the Form 211 process; suggesting
27 that Husain create email accounts that appeared to be those of the puppet CEOs but
28

1 that Husain actually used, to hide Husain's role as control person; locating
2 potential shell company purchasers; and providing legal and escrow services in the
3 reverse mergers, including his role in preparing and filing the Movie Trailer post-
4 effective amendment and the Health Directory Form 10-K.

5 125. Jaclin also substantially assisted the shell companies' failure to
6 register their public offerings. In short, Jaclin knew, or was reckless in not
7 knowing, that six of the shell companies were offering and selling stock without an
8 effective registration statement. Jaclin knew or was reckless in not knowing that
9 the purpose of the series of transactions in which he assisted Husain was to
10 facilitate the sale of stock to the public. Jaclin approved the S-1 registration
11 statements and worked with market makers to obtain clearance from FINRA to
12 publish quotes for the six shell companies' shares, thereby providing the shell
13 company purchasers access to the public markets to distribute the shares. Jaclin
14 found six of the purchasers for the shell companies. Jaclin signed letters to the
15 transfer agents to cancel the share certificates in the names of the Straw
16 Shareholders and reissue the certificates without restrictive legends in the names of
17 the shell purchasers. Jaclin prepared the documentation for the share sales and
18 acted as escrow agent for each reverse merger. Jaclin filed a post-effective
19 amendment for Movie Trailer as part of that sale.

20 126. Jaclin had motive to engage in this conduct because his law firm
21 earned nearly \$225,000 in attorneys' fees from these representations.

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

25 128. Husain and Jaclin have each entered into tolling agreements to toll the
26 running of any statute of limitations for any action or proceeding against them,
27 including any sanctions or relief that may be sought or imposed in such action or
28

1 proceeding, from March 1, 2016 through May 12, 2016. This action was first
2 commenced in that tolling period, on May 12, 2016.

3 **FIRST CLAIM FOR RELIEF**

4 **Unregistered Offer and Sale of Securities**

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

6 **(against all Defendants)**

7 129. The SEC realleges and incorporates by reference paragraphs 1
8 through 128 above.

9 130. The stock of the shell companies that Defendants offered and sold to
10 U.S. customers as alleged herein constitute “securities” as defined by the Securities
11 Act and the Exchange Act.

12 131. Defendants Husain and Jaclin, and each of them, by engaging in the
13 conduct described above, directly or indirectly, made use of means or instruments
14 of transportation or communication in interstate commerce or of the mails, to offer
15 to sell or to sell securities, or to carry or cause such securities to be carried through
16 the mails or in interstate commerce for the purpose of sale or for delivery after
17 sale.

18 132. For the offers and sales of stock by the shell company purchasers of
19 shell companies New Image, PR Complete, Cigarette, Rapid Holdings, Health
20 Directory, and Movie Trailer, no valid registration statement was in effect and no
21 exemption from registration applied.

22 133. For the offers and sales of stock by defendant Husain of shell
23 companies New Image, PR Complete, Cigarette, Resume, Rapid Holdings, Health
24 Directory, and Movie Trailer, no valid registration statement was in effect and no
25 exemption from registration applied.

26 134. By engaging in the conduct described above, defendants Husain and
27 Jaclin have violated, and unless restrained and enjoined will continue to violate,
28

1 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

2 **SECOND CLAIM FOR RELIEF**

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

4 **Violations of Section 17(a) of the Securities Act**

5 **(against all Defendants)**

6 135. The SEC realleges and incorporates by reference paragraphs 1
7 through 128 above.

8 136. Defendants Husain and Jaclin, and each of them, by engaging in the
9 conduct described above, directly or indirectly, in the offer or sale of securities by
10 the use of means or instruments of transportation or communication in interstate
11 commerce or by use of the mails:

12 (a) with scienter, employed devices, schemes, or artifices to
13 defraud;

14 (b) obtained money or property by means of untrue statements of a
15 material fact or by omitting to state a material fact necessary in order to make the
16 statements made, in light of the circumstances under which they were made, not
17 misleading; or

18 (c) engaged in transactions, practices, or courses of business which
19 operated or would operate as a fraud or deceit upon the purchaser.

20 137. By engaging in the conduct described above, defendants Husain and
21 Jaclin violated, and unless restrained and enjoined, will continue to violate, Section
22 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

23 **THIRD CLAIM FOR RELIEF**

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

25 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a)-(c)**

26 **(against Defendant Husain)**

27 138. The SEC realleges and incorporates by reference paragraphs 1
28

1 through 128 above.

2 139. Defendant Husain, by engaging in the conduct described above,
3 directly or indirectly, in connection with the purchase or sale of a security, by the
4 use of means or instrumentalities or interstate commerce, of the mails, or of the
5 facilities of a national securities exchange, with scienter:

6 (a) employed devices, schemes, or artifices to defraud;

7 (b) made untrue statements of a material fact or omitted to state a
8 material fact necessary in order to make the statements made, in the light of the
9 circumstances under which they were made, not misleading; or

10 (c) engaged in acts, practices or courses of business which operated
11 or would operate as a fraud or deceit upon other persons.

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

16 **FOURTH CLAIM FOR RELIEF**

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

18 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (c)**
19 **(against Defendant Jaclin)**

20 141. The SEC realleges and incorporates by reference paragraphs 1
21 through 128 above.

22 142. Defendant Jaclin, by engaging in the conduct described above,
23 directly or indirectly, in connection with the purchase or sale of a security, by the
24 use of means or instrumentalities or interstate commerce, of the mails, or of the
25 facilities of a national securities exchange, with scienter:

26 (a) employed devices, schemes, or artifices to defraud; [] or

27 (b) engaged in acts, practices or courses of business which operated
28

1 or would operate as a fraud or deceit upon other persons.

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

6 **FIFTH CLAIM FOR RELIEF**

7 **Aiding and Abetting Violations of Section 17(a) of the Securities Act**
8 **(against all Defendants)**

9 144. The SEC realleges and incorporates by reference paragraphs 1
10 through 128 above.

11 145. By their conduct described above, the shell companies violated
12 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

13 146. Defendants Husain and Jaclin knowingly or recklessly and
14 substantially assisted the shell companies' violations of Section 17(a) of the
15 Securities Act, 15 U.S.C. § 77q(a), and defendant Jaclin knowingly or recklessly
16 and substantially assisted defendant Husain's violations of Section 17(a) of the
17 Securities Act, 15 U.S.C. § 77q(a).

18 147. Defendants were aware or were reckless in not being aware that their
19 conduct and the substantial assistance they provided the shell companies in
20 perpetrating the violations was improper.

21 148. By reason of the foregoing, Husain and Jaclin aided and abetted the
22 shell companies' violations of Section 17(a) of the Securities Act, 15 U.S.C. §
23 77q(a), and Jaclin aided and abetted Husain's violations of Section 17(a) of the
24 Securities Act, 15 U.S.C. § 77q(a).

25 **SIXTH CLAIM FOR RELIEF**

26 **Aiding and Abetting Violations of Section 10(b)**
27 **of the Exchange Act and Rule 10b-5(a)-(c)**

1 **(against all Defendants)**

2 149. The SEC realleges and incorporates by reference paragraphs 1
3 through 128 above.

4 150. By their conduct described above, the shell companies violated
5 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder,
6 17 C.F.R. § 240.10b-5.

7 151. Defendants Husain and Jaclin knowingly or recklessly and
8 substantially assisted the shell companies' violations of Section 10(b) of the
9 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
10 240.10b-5, and Jaclin knowingly or recklessly and substantially assisted the shell
11 companies' violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b),
12 and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

13 152. Defendants were aware or were reckless in not being aware that their
14 conduct and the substantial assistance they provided the shell companies in
15 perpetrating the violations was improper.

16 153. By reason of the foregoing, Husain and Jaclin aided and abetted the
17 shell companies' violations of Section 10(b) of the Exchange Act, 15 U.S.C. §
18 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5, and Jaclin aided and
19 abetted Husain's violations of Section 10(b) of the Exchange Act, 15 U.S.C. §
20 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

21 **SEVENTH CLAIM FOR RELIEF**

22 **Aiding and Abetting Violations of Section 15(d) and**
23 **Rules 12b-20, 15d-1, and 15d-13 of the Exchange Act**

24 **(against all Defendants)**

25 154. The SEC realleges and incorporates by reference paragraphs 1
26 through 128 above.

27 155. Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d), requires the
28

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

9 156. By their conduct described above, shell companies New Image, PR
10 Complete, Cigarette, Resume, Rapid, Movie Trailer, Health Directory, and Comp
11 Services filed periodic reports under Section 15(d) of the Exchange Act, 15 U.S.C.
12 § 78o(d) that violated Section 15(d) and Rules 12b-20, 15d-1, 15d-13 of the
13 Exchange Act, 15 U.S.C. § 78o(d) and 17 C.F.R. §§ 240.12b-20, 240.15d-1,
14 and 240.15d-13.

15 157. Husain and Jaclin knowingly or recklessly and substantially assisted
16 the shell companies' violations of Section 15(d) and Rules 12b-20, 15d-1, and 15d-
17 13 of the Exchange Act, 15 U.S.C. § 78o(d) and 17 C.F.R. §§ 240.12b-20,
18 240.15d-1, and 240.15d-13.

19 158. Defendants were aware or were reckless in not being aware that their
20 conduct and the substantial assistance they provided the shell companies in
21 perpetrating the violations was improper.

22 159. By reason of the foregoing, defendants Husain and Jaclin aided and
23 abetted and, unless enjoined, are reasonably likely to continue to aid and abet,
24 violations of Section 15(d) and Rules 12b-20, 15d-1, and 15d-13 of the Exchange
25 Act, 15 U.S.C. § 78o(d) and 17 C.F.R. §§ 240.12b-20, 240.15d-1, and
26 240.15d-13.

1 companies, Husain is liable jointly and severally with and to the same extent as
2 the shell companies for the above-referenced violations of the Exchange Act and
3 rules and regulations thereunder committed by the shell companies.

4 167. As the person who, directly or indirectly, controlled the shell
5 companies, Husain did not act in good faith, and directly or indirectly induced the
6 act or acts that constituted the above-referenced violations of the Exchange Act
7 and the rules and regulations thereunder committed by the shell companies.

8 168. By reason of the foregoing, Husain violated, and, unless enjoined, is
9 reasonably likely to continue to violate, Section 20(a) of the Exchange Act, 15
10 U.S.C. § 78t(a).

11 **PRAYER FOR RELIEF**

12 WHEREFORE, the SEC respectfully requests that the Court:

13 **I.**

14 Issue findings of fact and conclusions of law that Defendants committed the
15 alleged violations.

16 **II.**

17 Issue orders, in a form consistent with Fed. R. Civ. P. 65(d), permanently
18 enjoining Defendants and their agents, servants, employees, and attorneys, and
19 those persons in active concert or participation with any of them, who receive
20 actual notice of the judgment by personal service or otherwise, and each of them,
21 from violating Sections 5(a) and (c) and 17(a) of the Securities Act, 15 U.S.C. §§
22 77e(a), 77e(c), and 77q(a), and Sections 10(b) and 15(d) of the Exchange Act, 15
23 U.S.C. §§ 78j(b) and 78o(d), and Rules 10b-5, 15d-1, and 15d-3 thereunder, 17
24 C.F.R. §§ 240.10b-5, 240.15d-1, and 240.15d-3.

25 **III.**

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

1 **IV.**

2 Order Defendants to pay civil penalties under Section 20(d) of the Securities
3 Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. §
4 78u(d)(3).

5 **V.**

6 Enter an order against defendant Husain, pursuant to Sections 20(e) and
7 20(g) of the Securities Act, 15 U.S.C. § 77t(e), (g), and Sections 21(d)(2) and
8 21(d)(6) of the Exchange Act, 15 U.S.C. § 78u(d)(2), (6), prohibiting him from:
9 (1) acting as an officer or director of any issuer that has a class of securities
10 registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 781 or that is
11 required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. §
12 78o(d); and (2) prohibiting him from participating in an offering of penny stock;
13 and enter an order against defendant Jaclin, pursuant to Section 20(g) of the
14 Securities Act, 15 U.S.C. §.77t(g), and Section 21(d)(6) of the Exchange Act, 15
15 U.S.C. § 78u(d)(6), prohibiting him from participating in an offering of penny
16 stock.

17 **VI.**

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

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VII.

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

Dated: May 12, 2016

Respectfully Submitted,

/s/Amy Jane Longo

Amy Jane Longo
Roberto A. Tercero
Attorneys for Plaintiff
Securities and Exchange Commission

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