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 DISTRICT COURT  
 DISTRICT OF NEVADA  
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UNITED STATES DISTRICT COURT  
 DISTRICT OF NEVADA

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 SECURITIES AND EXCHANGE COMMISSION, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 EXOTICS.COM, INC., L. REX ANDERSEN, )  
 MARLIN R. BRINSKY, DANIEL G. CHAPMAN, )  
 STEPHEN P. CORSO JR., BARRY F. DUGGAN, )  
 JAMES L. ERICKSTEEN, SEAN P. FLANAGAN, )  
 FIROZ JINNAH, INGO W. MUELLER, )  
 BRIAN K. RABINOVITZ, EDWARD JAMES )  
 WEXLER, GARY THOMAS a/k/a GARY )  
 THOMAS VOJTESAK, )  
 )  
 Defendants, )  
 )  
 and )  
 )  
 FLANAGAN & ASSOCIATES, LTD., )  
 )  
 Relief Defendant. )  
 \_\_\_\_\_

CV-S-05-0531-PMR-RJJ

COMPLAINT

## JURISDICTION

1. Defendant Exotics.com, Inc. (“Exotics-Nevada”) and twelve individual defendants, variously, participated in an accounting fraud and stock manipulation scheme involving Exotics-Nevada during the period 1999 through 2002. Exotics-Nevada is a Nevada corporation, whose stock was registered with the Securities and Exchange Commission (“SEC” or “Commission”) and traded on the Over-the-Counter Bulletin Board (“OTCBB”). The defendants have violated the Securities Act of 1933 (“Securities Act”), the Securities Exchange Act of 1934 (the “Exchange Act”), and/or rules thereunder. The Court has jurisdiction over this action pursuant to Section 20(d) and 22(a) of the Securities Act [15 U.S.C. §§77t(d), 77v(a)] and Sections 21(e) and 27 of the Exchange Act. [15 U.S.C. §§78u(e), 78aa]. Defendants have directly or indirectly made use of the means or instrumentalities of interstate commerce or of the mails in connection with the purchase or sale of securities and other transactions, acts, practices and courses of business alleged herein.

2. Defendants L. Rex Andersen, Marlin R. Brinsky, Daniel G. Chapman, Stephen P. Corso, Jr., Barry F. Duggan, Sean P. Flanagan, Firoz Jinnah, Ingo W. Mueller, and Brian K. Rabinovitz were involved in the preparation of false and misleading books and records of Exotics-Nevada that were incorporated in the company’s public filings with the Commission and/or were involved in false and misleading public announcements by Exotics-Nevada and/or false and misleading Commission filings made by the company. Exotics-Nevada made a number of false filings with the Commission during the period February 2000 through August 2002, including: a registration statement filed on Form 10SB12G (“Form 10SB”) on February 10,

2000; a Form 10-KSB for 1999 filed on March 29, 2000; a Form 10-KSB for 2000 filed on April 5, 2001; an amended Form 8-K filed on September 24, 2001; a Form 10-QSB filed on November 26, 2001; and a Form 10-KSB for 2001 filed on August 2, 2002. Exotics-Nevada also issued a false and misleading press release on March 19, 2001 and caused false and misleading spam faxes and e-mails to be disseminated during December 2001.

3. Defendants Daniel G. Chapman, Barry F. Duggan, James L. Ericksteen, Sean P. Flanagan, Firoz Jinnah, Ingo W. Mueller, Edward James Wexler, Gary Thomas a/k/a Gary Thomas Vojtesak participated in a scheme to manipulate the stock of Exotics-Nevada designed to artificially inflate the price of the stock and/or make it appear as if there was an active market for the stock. The manipulation scheme involved a combination of manipulative trading and the dissemination of a false press release, e-mail and fax spams. It began on or before the first day that the company's stock was publicly traded, March 20, 2001, and continued through at least the beginning of 2002. Fraudulent trading activity was conducted, and in some respects, coordinated out of the Las Vegas, Nevada office of the law firm of Chapman & Flanagan, Ltd.

4. Relief defendant Flanagan & Associates, Ltd., formerly the law firm of Chapman & Flanagan, Ltd., received certain of the proceeds of defendants' fraudulent scheme to which it has no just claim. The Court has jurisdiction of this action against the relief defendant on the basis of the jurisdictional statutory provisions cited above and pursuant to Section 1367(a) of the Judicial Improvements Act of 1990 [28 U.S.C. §1367(a)].

#### **DEFENDANTS**

5. **Exotics.com, Inc. ("Exotics-Nevada")** is a Nevada corporation. In or about

February 2000, Exotics-Nevada, which was then a shell corporation known as Hardrock Mines, Inc. ("Hardrock"), registered its stock with the Commission pursuant to Section 12(g) of the Exchange Act. Its stock was approved for quotation on the OTCBB in December 2000 and removed in May 2002 for failing to make required filings with the Commission. Hardrock changed its name to Exotics.com, Inc. (referred to herein as "Exotics-Nevada") in February 2001, in connection with a change in control, and its principal office was moved from Salt Lake City, Utah, to Vancouver, British Columbia. Exotics-Nevada then entered into a reverse merger deal with Exotics.com, Inc., a Delaware corporation ("Exotics-Delaware") that was documented in March 2001 and finalized in July 2001 (the "Reverse Merger"). Prior to the Reverse Merger, Exotics-Nevada had no operations. After the Reverse Merger through at least 2002, Exotics-Nevada derived substantially all of its revenues from its subsidiary, Exotics-Delaware, which owned, operated and licensed adult Web sites from facilities in California. On or about May 28, 2004, Exotics-Nevada voluntarily terminated its registration with the Commission. During 1999 through 2002, Exotics-Nevada maintained a resident office in Las Vegas, Nevada at which its false filings were available for public inspection. As of its most recent filing with the Commission, in March 2003, there were approximately 8 million shares of Exotics-Nevada common stock outstanding.

6. **L. Rex Andersen ("Andersen")**, of Draper, Utah, was a principal of Andersen, Andersen & Strong, L.C. ("AA&S"), a Salt Lake City-based accounting firm. Andersen, a CPA in Utah since 1958, served as AA&S's lead auditor for the audits of Hardrock's financial statements for 1999 and 2000, and he signed the false audit reports submitted by Hardrock to the

Commission as part of its public filings.

7. **Ingo W. Mueller (“Mueller”)**, of West Vancouver, B.C., and a Canadian citizen, was, during the period of at least 2000 through 2002, the president and sole owner of St. George Capital Corp. (“St. George”), a Vancouver-based entity that purports to be a management consulting and finance firm. Mueller was Exotics-Nevada’s de facto top officer beginning in at least February 2001, when he started to take control of Exotics-Nevada through direct stock ownership, control of stock held by nominees and his influence over Firoz Jinnah, a St. George employee installed as the sole officer and director of Exotic-Nevada. In or about September 2001, Mueller became a director of Exotics-Delaware and, in or about November 2002, he became its president and sole officer and director.

8. **Firoz Jinnah (“Jinnah”)**, of Burnaby, B.C., and a Canadian citizen, was, during the period of May 2001 through at least March 2003, Exotics-Nevada’s president, secretary, treasurer and sole director. During the same time period, he was also the general manager of St. George.

9. **Barry F. Duggan (“Duggan”)**, of Vancouver, B.C., and a Canadian citizen, was the CEO and a member of the board of directors of Exotics-Delaware during the period of September 2001 through November 2002. He is a Certified General Accountant in Canada.

10. **Stephen P. Corso, Jr. (“Corso”)**, of Ridgefield, Connecticut, was, during 1995 through at least June 2002, an officer and shareholder of Merdinger, Fruchter, Rosen & Corso, P.C. (“MFRC”), a public accounting firm headquartered in New York City. MFRC was hired in the summer of 2001 to audit Exotics-Nevada’s financial statements, and Corso was MFRC’s

senior auditor on the engagement. Corso oversaw the audits of Exotics-Delaware's financial statements for 1999 and 2000 that were incorporated into Exotics-Nevada's filings and publicly reported by Exotics-Nevada. Corso also oversaw MFRC's quarterly review of Exotics-Nevada's financial statements for the period ended September 30, 2001 (the "2001 Third Quarter Review"). He has been a Certified Public Accountant ("CPA") since 1990.

11. **Brian K. Rabinovitz ("Rabinovitz")**, of Los Angeles, California, was an accountant working for MFRC on the audits of Exotics-Delaware's financial statements for 1999 and 2000 that were publicly reported by Exotics-Nevada and incorporated into Exotics-Nevada's filings, as well as the audit of Exotics-Nevada's financial statements for 2001 and MFRC's 2001 Third Quarter Review. Rabinovitz supervised defendant Marlin R. Brinsky and, in turn, reported to defendant Corso. Rabinovitz has been a CPA since 1995.

12. **Marlin R. Brinsky ("Brinsky")**, of Santa Monica, California, was an accountant working for MFRC on the audits of Exotics-Delaware's financial statements for 1999 and 2000 that were publicly reported by Exotics-Nevada and incorporated into Exotics-Nevada's filings, as well as the audit of Exotics-Nevada's financial statements for 2001 and MFRC's 2001 Third Quarter Review. Brinsky reported to defendants Rabinovitz and Corso.

13. **Sean P. Flanagan ("Flanagan")**, of Las Vegas, Nevada, was a principal in the law firm of Chapman & Flanagan, Ltd. ("Chapman & Flanagan") and represented Exotics-Nevada in its merger with Exotics-Delaware and in its Commission filings. Flanagan asserted his Fifth Amendment privilege against self-incrimination during investigative testimony before the Commission staff regarding his personal involvement in and knowledge of the matters

detailed in this compliant.

14. **Daniel G. Chapman (“Chapman”)**, of Las Vegas, Nevada, was a principal at Chapman & Flanagan and also represented Exotics-Nevada in its merger with Exotics-Delaware and in its Commission filings. Chapman asserted his Fifth Amendment privilege against self-incrimination during investigative testimony before the Commission staff regarding his personal involvement in and knowledge of the matters detailed in this compliant.

15. **E. James Wexler (“Wexler”)**, of Scottsdale, Arizona, was a stock promoter and engaged in manipulative trading of Exotics-Nevada stock.

16. **James L. Ericksteen (“Ericksteen”)**, of Kamloops, B.C., and a Canadian citizen, was purportedly a consultant to Exotics-Nevada and placed numerous manipulative trades in Exotics-Nevada stock.

17. **Gary Thomas a/k/a Gary Thomas Vojtesak (“Thomas”)**, of Playa Del Rey, California, was one of the founders and principal shareholders of Exotics-Delaware prior to the Reverse Merger with Exotics-Nevada in or about July 2001. Following the merger, Thomas was the CEO and a director of Exotics-Delaware until September 2001, when he resigned and became a consultant to the company. Thomas asserted his Fifth Amendment privilege against self-incrimination during investigative testimony before the Commission staff regarding his personal involvement in and knowledge of the matters detailed in this compliant.

## **RELIEF DEFENDANT**

18. **Flanagan & Associates, Ltd. (“Flanagan & Associates”)**, formerly known as Chapman & Flanagan, Ltd., is a Nevada professional corporation through which Flanagan presently conducts his law practice. It received certain of the proceeds of defendants’ fraudulent scheme.

## **RELATED ENTITIES & INDIVIDUALS**

19. **Merdinger, Fruchter, Rosen & Company, P.C. (“MFRC”)**, f/k/a Merdinger, Fruchter, Rosen & Corso, P.C., an audit firm headquartered in New York City, conducted audits of Exotics-Nevada’s financial statements, of which Exotics-Delaware’s financial statements were a part, for the fiscal years ended December 31, 1999, December 31, 2000 and December 31, 2001. MFRC also conducted Exotics-Nevada’s quarterly review for the period ended September 30, 2001. MFRC formerly had a Los Angeles-based branch office that handled the Exotics-Nevada engagements.

20. **St. George Capital Corporation** is a Vancouver-based management consulting and finance firm owned by Mueller that purports to have raised more than \$1.3 million for Exotics-Delaware. It was a major shareholder in Exotics-Delaware before the Reverse Merger between Exotics-Nevada and Exotics-Delaware.

## **DEFENDANTS’ FRAUDULENT SCHEMES**

### **Exotics-Delaware Becomes a Public Company**

21. In 1999, Exotics-Delaware was a privately-held company. At the end of 1999, Exotics-Delaware had liabilities of approximately \$700,000 and assets of approximately



\$300,000, and a net loss of income during 1999 of approximately \$750,000 on revenues of approximately \$270,000. In or about December 1999, Exotics-Delaware entered into a written agreement with St. George in an attempt to raise capital through private funding.

22. In or about April 2000, Mueller, St. George's CEO, suggested that Exotics-Delaware become a publicly-traded company by merging with a public shell corporation. The Exotics-Delaware board of directors approved Mueller's plan. Mueller retained Chapman & Flanagan, a Las Vegas-based law firm, to locate such a corporation and to arrange the transaction.

23. Flanagan and Chapman located Hardrock and arranged for Mueller to acquire the company and merge it with Exotics-Delaware. This process started in early 2001 and was finished in July 2001.

#### **Hardrock's Fraudulent Existence**

24. In 1999, Hardrock created fraudulent corporate records in order to restore the corporation to good standing with the state of Nevada. In the summer of 1999, Hardrock arranged for two individuals to become nominee officers and directors of the company (the "Nominee Officers"). The Nominee Officers had no understanding of what Hardrock was or did and merely executed corporate documents without completely reading or understanding them. The Nominee Officers performed no other functions as Hardrock's purported sole officers and directors and were never compensated by anyone for serving in such roles.

#### **Andersen's False Audit Reports for Hardrock's 1999 and 2000 Audits**

25. In or about late 1999 or early 2000, Hardrock engaged Andersen, Andersen &

Strong, L.C. (“AA&S”), a small Salt Lake City-based accounting firm, to audit Hardrock’s financial statements, which were a complete sham. Andersen, a principal at AA&S, performed audits of Hardrock’s 1999 and 2000 year-end financial statements that were not conducted in accordance with generally accepted auditing standards (“GAAS”), and issued audit opinions, which falsely stated that Hardrock’s financial statements were presented in conformity with generally accepted accounting principles (“GAAP”). The audit of the 1999 financial statements occurred in or about January or February 2000 and the audit of the 2000 financial statements occurred in or about April 2001.

26. During the 1999 and 2000 audits, Andersen prepared most of Hardrock’s books and records, including its trial balances, its financial statements and most of the notes to its financial statements. As such, Andersen did not act as an independent auditor during the 1999 and 2000 audits of Hardrock.

27. In addition to inappropriately creating the company’s books and records, Andersen did so in reliance upon documents which he knew, or was reckless in not knowing, were fraudulent. For example, Hardrock provided Andersen with a set of board minutes during the 1999 audit that indicated one of Hardrock’s Nominee Officers had recommended Andersen based on the officer’s previous experience with Andersen. The minutes were false because, among other things, the meeting never occurred and Andersen never worked with the officer. Similarly, Hardrock provided Andersen a January 15, 2000 letter purportedly written by one of Hardrock’s Nominee Officers that contained a facially false summary of Hardrock’s expenditures through 1999. The letter falsely stated that Hardrock had purportedly raised and expended

*exactly* \$10,000 (including \$1,800 in accounting fees). Another facially fraudulent document provided by Hardrock to Andersen during the 2000 audit work was an April 4, 2001 letter, in which a Hardrock nominee officer claims to have personally paid office rent on Hardrock's behalf. Andersen knew, however, that Hardrock was a shell company with no office space. Andersen either knowingly or recklessly disregarded these facially false documents and others and took no substantive steps to investigate their authenticity. Andersen never spoke to the Nominee Officers, the company's only purported management, at any point during his conduct of the audits of Hardrock's 1999 or 2000 financial statements.

28. Hardrock made several false Commission filings, including: (1) a Form 10SB12G (Form 10SB) registration statement (filed on or about February 10, 2000); (2) a Form 10-KSB for fiscal year 1999 (filed on or about March 29, 2000); and (3), a Form 10-KSB for fiscal year 2000 (filed on or about April 5, 2001). These filings contained material misstatements and omissions which, among other things, misleadingly suggested that Hardrock was guided by a functioning management and that it had bona fide shareholders who voted on corporate matters. The filings materially omitted to disclose, among other things, that Hardrock was actually controlled by a single individual. In addition, the filings contained audit reports signed by Andersen for AA&S that falsely stated that the financial statements had been audited by independent certified public accountants and that the audits had been conducted in accordance with GAAS. However, Andersen was not independent during the 1999 and 2000 audits and Andersen did not complete the audits in accordance with GAAS. Therefore, the audit reports were false and should not have been issued and included in Hardrock's filings.

**The Sale of Hardrock's/Exotics-Nevada's Stock and the Exotics-Delaware Reverse Merger**

29. In February 2001, Flanagan and Chapman caused Exotics Acquisition Corporation ("EAC") to be incorporated in Nevada as a vehicle to effect the purchase of Hardrock by Mueller. At Mueller's request, Jinnah was appointed as EAC's sole officer and director. Mueller and Jinnah nominated business associates and/or family members to become EAC shareholders, however, no EAC stock was ever issued and Mueller retained effective control of the company. On February 9, 2001, Hardrock changed its name to Exotics.com, Inc. ("Exotics-Nevada").

30. In or about February 2001, Flanagan and Chapman negotiated EAC's purchase of Exotics-Nevada's stock via a "Share Exchange Agreement" dated February 13, 2001. The Share Exchange Agreement was purportedly an exchange of shares between Exotics-Nevada's shareholders and EAC's shareholders, and was so described in Exotics-Nevada's Commission filings. In fact, Mueller, acting through EAC, simply acquired Exotics-Nevada's corporate records and control of more than 90% of its stock from its sole shareholder for a promise to pay approximately \$575,000 in cash.

31. During the period of February through June 2001, Mueller, acting through EAC, obtained control of Hardrock (which had changed its name to Exotics-Nevada) stock certificates representing approximately 8 million purportedly unrestricted shares. Each of the certificates was purportedly endorsed by the original shareholder so that it was transferable. Flanagan and Chapman, acting on behalf of Exotics-Nevada and/or Mueller, delivered the stock certificates to Exotics-Nevada's transfer agent, with instructions that they be cancelled and that new Exotics-

Nevada certificates representing approximately 8 million purportedly unrestricted shares be issued to persons and in amounts as directed. The shares, however, were not registered with the Commission prior to being re-issued and distributed.

32. Most of the funds that EAC used to acquire control of Exotics-Nevada's stock came from two sources rather than EAC's purported shareholders. First, during February through May 2001, Mueller obtained approximately \$300,000 through purported loans to his company, St. George, from three of his business associates, who received large quantities of purportedly unrestricted Exotics-Nevada stock as collateral. St. George defaulted on those "loans," the purported lenders retained the stock that had been pledged as collateral and much of it was sold into the market in manipulative trading. The purported loan transactions were, therefore, essentially unregistered sales of Exotics-Nevada stock by Exotics-Nevada, EAC and/or Mueller to the purported lenders.

33. Second, Mueller, Flanagan and Chapman sold approximately 237,000 of the Exotics-Nevada shares ("the Escrow Shares") in an escrow brokerage account operated by Chapman & Flanagan into the market and used the proceeds (approximately \$326,000) to pay the balance of Exotics-Nevada's purchase price. After generating proceeds sufficient to complete the Exotics-Nevada purchase, Flanagan and Chapman transferred the remaining shares and the excess proceeds (approximately \$23,000) to Mueller.

34. From February 2001 to at least early 2002, Mueller used the new Exotics-Nevada shares to, among other things, obtain purported "loans" on behalf of Exotics-Nevada and to otherwise engage in the manipulation scheme described herein.

35. After Mueller acquired Exotics-Nevada, the Reverse Merger between Exotics-Nevada and Exotics-Delaware was consummated pursuant to a written agreement signed and publicly announced in March 2001. The transaction formally closed in July 2001 with Exotics-Delaware becoming Exotics-Nevada's sole subsidiary.

36. In or about July 2001, contemporaneously with the closing of the Exotics-Nevada/Exotics-Delaware Reverse Merger transaction, Mueller facilitated a \$130,000 loan from defendant Wexler and another individual to defendant Thomas to allow Thomas to buy out his co-founder and become Exotics-Delaware's largest shareholder. Through Thomas, Mueller strengthened his control of the combined entities when, several months later, in or about September 2001, Thomas helped Mueller and Duggan get appointed to two of the three seats on Exotics-Delaware's board of directors.

**Exotics-Nevada's False and Misleading March 19, 2001 Press Release**

37. On March 19, 2001, Exotics-Nevada issued a press release announcing that it had agreed to purchase 100% of Exotics-Delaware's common stock. The release claimed that:

Over the past several years, the Company's revenue has shown an incredible rate of increase in an amount of over 520%. In 1998, the Exotics.com network generated \$480,000 in gross revenue. In 1999, the revenue reached an amount of \$1,374,895, or an increase of 286%. In 2000, the revenue numbers surpassed \$2,500,000, for an increase of 182% from the previous year. The Company expects that it will be profitable in the year 2001, with gross revenues expected to surpass \$4,000,000.

38. The statements in the March 19, 2001 press release were false and/or misleading because, among other things, they blurred the distinction between Exotics-Nevada, Exotics-Delaware and a "network" of licensees who generated their own revenues and paid a small

percentage to Exotics-Delaware as monthly fees. Although the term is not defined in the press release, in the first sentence “the Company” refers to Exotics-Delaware but, in the last sentence, it refers to Exotics-Nevada. At the time the press release was issued, Exotics-Nevada had no operations and no revenues, although it anticipated future revenues through the Reverse Merger with Exotics-Delaware. The statements, taken as a whole, falsely suggested that Exotics-Nevada had already achieved revenues surpassing \$2.5 million and that the company was on the verge of profitability.

39. Jinnah, Mueller and Thomas, variously, were involved in or responsible for Exotics-Nevada’s issuance of the false and misleading March 19, 2001 press release. Jinnah, as the company’s sole official officer, was responsible for ensuring the release’s accuracy but failed to take any substantive steps to verify the revenue and profitability figures used therein. Thomas, who at the time was the CEO of Exotics-Delaware, provided the false and misleading financial data to Ardent Communications (“Ardent”), a small Vancouver-based entity that drafted the press release and of which Mueller was the president and a director. Mueller, as Exotics-Nevada’s de facto top officer and the president and a director of Ardent, authorized the release’s issuance but failed to ensure the release’s accuracy before it was issued.

**Manipulative Trading of Exotics-Nevada Stock By Mueller, Chapman and Flanagan**

40. During the period of at least March 20, 2001 through May 11, 2001, defendants Mueller, Chapman and Flanagan, manipulated the public market for Exotics-Nevada’s stock to artificially increase the stock price and trading volume. All of these manipulative trades were reported on the OTCBB. Most of the Escrow Shares sold by Flanagan and Chapman were, in

fact, purchased by Mueller himself (who was the beneficial owner of the Escrow Shares) and by investors that Mueller had recruited, directly or indirectly, to purchase the Escrow Shares.

Mueller bought approximately 38% of the Escrow Shares on the open market for approximately \$122,000, and investors recruited, directly or indirectly, by Mueller purchased approximately an additional 39% of the Escrow Shares on the open market for approximately \$145,000.

41. On March 20, 2001, the day after Exotics-Nevada's misleading March 19, 2001 press release and the first day that the stock traded on the OTCBB, Flanagan and Chapman sold 20,000 of the Escrow Shares at \$5 per share (for a total of approximately \$100,000). A German investor recruited by Mueller purchased the 20,000 shares through an off-shore brokerage account based in Bermuda. This \$100,000 trade was the only Exotics-Nevada trade on March 20, 2001 and was the largest trade in the stock during the stock's first six weeks of trading.

42. Between at least April and May 2001, Mueller himself engaged in manipulative trading by purchasing many of the Escrow Shares. For example, through St. George accounts at Yorkton Securities (now Orion Securities, Inc.) and Global Securities, both Vancouver-based broker-dealers, Mueller bought 10,000 of the Escrow Shares from Chapman & Flanagan on or about April 25, 2001, another 10,000 of the Escrow Shares from Chapman & Flanagan on or about May 4, 2001, another 2,000 of the Escrow Shares on or about May 7, 2001 and another 500 of the Escrow Shares on or about May 11, 2001. Mueller had sole trading authority in the aforementioned St. George accounts. The Mueller/St. George trades were manipulative in nature because they were lacking in economic substance and were, in part, intended to create the misleading appearance of an active public market for Exotics-Nevada common stock.



### **Manipulative Trading of Exotics-Nevada Stock By Ericksteen**

43. In or about June 2001, Ericksteen, a purported consultant to Exotics-Nevada, placed a number of manipulative trades in Exotics-Nevada common stock in two separate accounts that he controlled at Canaccord Capital Corp., a Vancouver-based broker-dealer. One of the accounts was in Ericksteen's own name ("Ericksteen account") and the other account was in the name of R 1120 Holdings, Ltd. ("R 1120 account"), an entity controlled by Ericksteen.

44. Ericksteen placed at least the following manipulative trades in the Canaccord accounts. On or about June 7, 2001, Ericksteen purchased 1,500 shares in the R 1120 account while contemporaneously selling 2,000 shares in the Ericksteen account, at approximately the same price. On or about June 11, 2001, Ericksteen purchased 1,500 shares in the Ericksteen account and also sold 1,000 shares in the same account, at approximately the same price. On or about June 12, 2001, Ericksteen purchased 2,000 shares in the Ericksteen account, sold 2,000 shares in the same account and sold another 1,500 shares in the R 1120 account. All of these trades by Ericksteen were manipulative because they were lacking in economic substance and were intended to create the appearance of an active public market for Exotics-Nevada common stock.

45. During the period of at least July through August 2001, Mueller and Jinnah delivered to Ericksteen, at no cost to him, at least 619,990 purportedly unrestricted Exotics-Nevada shares worth approximately \$525,000. Mueller and Jinnah arranged for Ericksteen to receive these shares directly (100,000 shares as a purported consulting fee) and indirectly (519,990 shares via transfers purportedly from several of Jinnah's relatives). These no-cost transfers of Exotics-Nevada shares to Ericksteen were designed to further the manipulation

scheme. During the period of at least August through December 2001, Ericksteen sold many of these shares, from the Canaccord accounts that he controlled, into the marketplace. Ericksteen's trades were manipulative because they were intended to create the misleading appearance of an active public market for Exotics-Nevada common stock. As additional consideration for Ericksteen's participation in the manipulation scheme, in July 2001, Mueller deposited at least \$23,000 into one of Ericksteen's brokerage accounts.

#### **Manipulative Trading of Exotics-Nevada Stock By Wexler**

46. In April 2001, defendant Wexler, a former registered representative, together with a business associate, purportedly loaned Exotics-Nevada \$100,000 for 30 days at Mueller's request. In return, Wexler and his business associate received a total of 300,000 purportedly unrestricted Exotics-Nevada shares (worth approximately \$1.25 million at the time) from Exotics-Nevada – 50,000 shares purportedly as a fee for lending the money to Exotics-Nevada and 250,000 shares as purported collateral for the loan. During the period of at least July through December 2001, after Exotics-Nevada defaulted on the purported loan, Wexler and his business associate sold significant amounts of the 250,000 shares into the market as part of a scheme with Mueller to create the false appearance of an active public market.

47. In addition, Wexler used some of the 50,000 Exotics-Nevada shares received as a loan fee to engage in manipulative trades between two brokerage accounts that he controlled. One of these brokerage accounts, located at broker-dealer Merrill, Lynch, Pierce, Fenner & Smith, was in Wexler's name (the "Wexler account"). The other brokerage account, located at broker-dealer Peacock, Hislop, Staley & Given, Inc., was in the name of Plethora Business Solutions, Inc. (the "Plethora account"), an entity controlled by Wexler.

48. Wexler placed at least the following manipulative trades in the Wexler and Plethora accounts. On or about June 18, 2001, Wexler purchased 4,000 Exotics-Nevada shares in the Wexler account while contemporaneously selling 4,000 Exotics-Nevada shares in the Plethora account, at approximately the same price. In addition, on or about June 26, 2001, Wexler purchased 10,000 Exotics-Nevada shares in the Wexler account while contemporaneously selling 19,000 shares in the Plethora account, at approximately the same price.

49. The above trades by Wexler were manipulative in nature because they were intended to create the misleading appearance of an active public market for Exotics-Nevada common stock.

**Exotics-Nevada Hires “Investor Relations” Firm**

50. In October 2001, Jinnah, on behalf of Exotics-Nevada, executed a written agreement with DeSage Capital Corp., an “investor relations” firm whose principal (previously affiliated with Ardent) had drafted the false and misleading March 19, 2001 press release. Pursuant to the written agreement between Exotics-Nevada and DeSage, DeSage engaged Stockscape, Inc. (“Stockscape”), another Vancouver-based company, to produce and disseminate written “profiles” promoting stock purchases in Exotics-Nevada.

51. In December 2001, Stockscape publicly disseminated “profiles” of Exotics-Nevada via “blast faxes” and e-mail spams. Exotics-Nevada compensated Stockscape for its dissemination of the fax and e-mail spams by paying it at least \$20,000 in cash and at least 73,400 purportedly unrestricted shares of Exotics-Nevada stock. Exotics-Nevada obtained the 73,400 Exotics-Nevada shares used to compensate Stockscape by “borrowing” them from

Mueller, Mueller's stepfather and Duggan and having them transferred to Stockscape.

52. On or about December 7, 2001, a "profile" of Exotics-Nevada was distributed via "blast faxes" sent by a Houston-based subcontractor hired by Stockscape. The faxes, which were sent to more than 140,000 potential investors, contained the following false and misleading statement: "EXIC [Exotics-Nevada] revenues are exploding, almost tripling from 1998 to 1999 and almost doubling again last year [2000] to over \$2.5 million." However, according to Exotics-Nevada's Form 10-KSB annual report for the year ended December 31, 2001, Exotics-Nevada's revenues for the year 2000 were only \$470,202, not the \$2.5 million cited in the "blast faxes."

53. Also commencing on or about December 7, 2001, a "profile" of Exotics-Nevada was distributed via e-mail spam by a Fort Lauderdale-based company hired by Stockscape. The "profile" was sent to more than 2 million potential investors in two separate spams sent several days apart. The "profile" stated that "it may be an opportune time to consider [Exotics-Nevada] as an investment." The "profile" also contained the following false or misleading statements: "The Company is nearing break-even and management expects the Company to be profitable within two quarters. From 1998 to 2000 the Company's network of Web site revenue grew at a 3 year compounded rate of nearly 75.4% from \$480,000 in 1998 to \$2.59 million in 2000." In fact, rather than "nearing break-even," Exotics-Nevada had a net loss of more than \$3.9 million for the year ended December 31, 2001 (more than triple the net loss for 2000), and its 2000 revenues were only \$470,202 instead of \$2.59 million. The above statements were also misleading because they intermingled statements about Exotics-Nevada's operating results with statements about revenues generated by its licensees, only a small fraction of which went to Exotics-Nevada.

54. Following the distribution of the spam messages on the morning of December 7, 2001, Exotics-Nevada's stock price increased from a close of \$0.39 on December 6 to a close of \$0.556 on December 7, and almost doubled to \$0.79 during the next several weeks. Also, its trading volume increased 860%, that is, it went from 19,100 shares on December 6, 2001 to 164,100 shares, on December 7, 2001.

55. After the Commission staff contacted Exotics-Nevada regarding the December 2001 fax and e-mail spams, Exotics-Nevada issued two press releases, one on December 21, 2001 and the other on January 9, 2002. The December 21, 2001 press release "disavowed" the fax spams and admitted they were "erroneous and misleading." The January 9, 2002 press release claimed to have "clarified" the e-mail spam.

56. Mueller, Jinnah and Duggan knew of the arrangement between Exotics-Nevada and Stockscope to promote Exotics-Nevada through fax and e-mail spams and each of them reviewed and approved one or more of the drafts containing the misleading information before the spams were sent.

**Corso, Rabinovitz and Brinsky Conducted Failed Audit of Exotics-Delaware for 1999 and 2000**

57. In the summer of 2001, Exotics-Nevada engaged the accounting firm of Merdinger, Fruchter, Rosen & Corso, P.C. ("MFRC") to audit the pre-merger financial statements of its new subsidiary, Exotics-Delaware, for the years ended December 31, 1999 and 2000 (the "1999 and 2000 audits"). MFRC conducted the 1999 and 2000 audits during June to September 2001.

58. In the summer of 2001, Corso was in charge of MFRC's Los Angeles office, and Rabinovitz was a supervisor. Corso was the senior auditor, Rabinovitz was the junior auditor in

charge of field work, and Brinsky was a staff accountant for the 1999 and 2000 audits. Brinsky and another accountant (the "Second Staff Accountant") conducted the initial site visit at Exotics-Delaware's offices, located in El Segundo, California, during June or July 2001.

59. Neither Exotics-Delaware nor Exotics-Nevada employed a full-time chief financial officer ("CFO") during the time of MFRC's audits. Instead, the companies relied on an outside consultant, who was not an accountant, and on Exotics-Delaware's operations manager. However, the operations manager had no accounting training or experience and was unable to operate the company's bookkeeping software, to maintain Exotics-Delaware's books and records or to effectively provide information to MFRC.

60. Early on during MFRC's audit during the summer of 2001, there were red flags indicating that Exotics-Nevada and Exotics-Delaware would be difficult to audit. Brinsky and the Second Staff Accountant made several visits to Exotics-Delaware's offices to determine the information needed to complete the audits. Despite repeated requests for information directed to Exotics-Delaware, Brinsky and the Second Staff Accountant had difficulty obtaining basic information from the company. The Second Staff Accountant determined that Exotics-Delaware's books and records were not suitable for auditing because the company was unable to provide a trial balance and general ledger. As a result, the Second Staff Accountant informed Rabinovitz that she did not wish to work on the audits. The Second Staff Accountant was thereafter removed from the audits.

61. Even before the audit officially began in June or July 2001, Corso was made aware by the accountants assigned to the audit of the poor condition of Exotics-Delaware's books and records. Despite this knowledge, Corso decided to accept Exotics-Nevada as an audit client.

After the Second Staff Accountant was removed from the audits, Brinsky continued to work on the audits.

62. Brinsky and Rabinovitz, rather than employees of Exotics-Delaware or Exotics-Nevada, prepared and/or created many of Exotics-Nevada's and Exotics-Delaware's books and records, during MFRC's audit of Exotics-Delaware's 1999 and 2000 financial statements. The audit of Exotics-Delaware's 1999 and 2000 financial statements, which were part of Exotics-Nevada's financial statements, took place during the summer of 2001. For example, Brinsky, rather than the company, calculated an original allowance for doubtful accounts entry. Brinsky then proceeded to audit the figures he had personally calculated. Brinsky also created Exotics-Delaware's year-2000 fixed asset schedule, calculated the depreciation and recorded it as an adjusting journal entry after the company failed to provide any depreciation figure during the audit of Exotics-Delaware's 2000 financial statements, and created and maintained Exotics-Delaware's deferred revenue account.

63. Rabinovitz reviewed the audit work papers, including the accounts receivable and allowance for doubtful accounts sections, and approved the adjusting journal entries before the financial statements were released to Exotics-Nevada, the audit client. Despite clear documentary evidence that Brinsky had miscalculated the allowance for doubtful accounts figure for fiscal year 2000, Rabinovitz did not take any substantive action to correct Brinsky's error. By creating the company's books and records, Brinsky and Rabinovitz failed to function as independent auditors.

64. Brinsky and Rabinovitz created other books and records during the audit of Exotics-Delaware's 1999 and 2000 financial statements, including the 1999 and 2000 year-end

consolidations and resulting financial statements and footnotes to the financial statements.

65. Rabinovitz knew, or had reason to know, that MFRC, by, among other things, creating at least some of Exotics-Delaware's books and records during the audit of Exotics-Delaware's 1999 and 2000 financial statements, was overstepping its role as an auditor. Despite this knowledge, Rabinovitz, together with Corso, approved issuance of the audit report included in Exotics-Nevada's amended Form 8-K, filed with the Commission on or about September 24, 2001 ("amended 2001 Form 8-K"). The amended 2001 Form 8-K contained the false and misleading financial statements for Exotics-Delaware for 1999 and 2000. The audit report falsely stated, among other things, that MFRC had been independent during the audit of Exotics-Delaware's 1999 and 2000 financial statements.

66. Corso knew, prior to commencement of the 1999 and 2000 audits, that Exotics-Delaware's books and records were in poor condition. Despite this knowledge, Corso did not take any substantive steps to effectively supervise the MFRC personnel who were conducting the audits. As a result, MFRC issued a false audit report incorporated in Exotics-Nevada's amended 2001 Form 8-K.

**Exotics-Nevada Files False and Misleading Amended Form 8-K**

67. On or about September 24, 2001, Exotics-Nevada filed the amended 2001 Form 8-K with the Commission which contained Exotics-Delaware's financial statements for the fiscal years ended December 31, 1999 and December 31, 2000. These were the financial statements of the target company that are required to be filed with the Commission after a merger, pursuant to Rule 3-05 of Regulation S-X. For fiscal year 2000, the balance sheet reflected current assets of \$91,117 and total assets of \$513,0487, including net receivables of \$85,650. However, the



receivables were overstated by approximately \$27,000, the amount that the company failed to include in its allowance for doubtful accounts. Therefore, the net receivable balance, which would have been only approximately \$58,650 had the doubtful accounts been calculated correctly was overstated by at least 46%.

68. The amended 2001 Form 8-K was also materially false and misleading because it incorporated MFRC's audit report, which falsely stated, among other things, that MFRC had been independent during its audit of Exotics-Nevada's 1999 and 2000 financial statements, that the 1999 and 2000 financial statements had been prepared in conformity with GAAP, and that the audits had been performed in accordance with GAAS.

69. The amended 2001 Form 8-K was also materially false because it reported that Exotics-Nevada had acquired 100% of EAC's outstanding shares in exchange for approximately 8 million Exotics-Nevada shares. In reality, however, Mueller had purchased the Exotics-Nevada shares and the corporate shell with a cash payment to the company's shareholder. The filing was also materially false because it did not disclose the material fact that Mueller controlled Exotics-Nevada.

70. Mueller, Jinnah, Corso, Rabinovitz and Brinsky were all responsible for the false and misleading amended 2001 Form 8-K filing. Mueller, as Exotics-Nevada's de facto top officer, and Jinnah, as Exotics-Nevada's only official officer, were, at a minimum, reckless in not implementing the internal controls and not ensuring compliance with the books and records requirements necessary to minimize the likelihood of the filing's inaccuracy. Jinnah also reviewed and approved the amended 2001 Form 8-K prior to signing it and causing it to be filed with the Commission. Corso, Rabinovitz and Brinsky were also responsible for the filing's

inaccuracy by, among other things, conducting inadequate audits, during which MFRC did not act as an independent auditor. Corso and Rabinovitz also approved the false and misleading audit report that was incorporated into the amended 2001 Form 8-K.

**Exotics-Nevada Files False and Misleading 2001 Third Quarter Form 10-QSB**

71. On or about November 26, 2001, Exotics-Nevada filed its 2001 Third Quarter Form 10-QSB, reporting approximately \$3.6 million in goodwill, which accounted for approximately 86% of the company's \$4.1 million of assets. The reported goodwill purportedly resulted from the Reverse Merger between Exotics-Nevada and Exotics-Delaware and purportedly represented the fair market value of the assets and liabilities of Exotics-Delaware. However, under GAAP, reverse mergers between a public shell company and a private operating company are considered capital transactions, not business combinations. Therefore, goodwill should not have been recorded in the 2001 Third Quarter Form 10-QSB. Recording the goodwill resulted in an overstatement of Exotics-Nevada's assets by approximately 627%.

72. Brinsky, under the supervision of Rabinovitz and Corso, improperly inserted goodwill into the financial statements on Exotics-Nevada's 2001 Third Quarter Form 10-QSB.

73. Mueller, Jinnah and Duggan all knew, or were reckless in not knowing, before the Form 10-QSB was filed, that goodwill should not have been included in the financial statements. Despite concerns purportedly raised by Duggan about MFRC's proposed treatment of the Exotics-Nevada/Exotics-Delaware reverse merger, neither Mueller, Jinnah or Duggan took sufficient action to ensure that the transaction was properly recorded. In addition, Mueller, Jinnah and Duggan all reviewed Exotics-Nevada's 2001 Third Quarter Form 10-QSB before it was filed with the Commission. Despite his purported concerns about MFRC's treatment of the

Exotics-Nevada/Exotics-Delaware transaction, Duggan told Jinnah that it would be okay to sign the Form 10-QSB, and Jinnah did so.

74. Corso, Rabinovitz and Brinsky all knew, or had reason to know, that Exotics-Nevada had either filed or intended to file, the false and misleading 2001 Third Quarter Form 10-QSB, which included the material misstatement concerning goodwill, and yet they did not take any substantive steps to either prevent the filing or to ensure it was corrected or to publicly disassociate MFRC from the filing once it had been submitted.

75. Exotics-Nevada's books and records and internal controls were still in poor condition at about the time of its 2001 Third Quarter Review by MFRC. As a result, Brinsky and Rabinovitz proceeded to create more of Exotics-Nevada's books and records during the Third Quarter Review. Because Brinsky and Rabinovitz created such books and records, MFRC did not act as an independent auditor during the 2001 Third Quarter Review. Mueller, Jinnah and Duggan were all responsible for the inadequate books and records and internal control systems which led to Brinsky's and Rabinovitz's creation of certain books and records during the 2001 Third Quarter Review and to Exotics-Nevada's filing of the false and misleading 2001 Third Quarter Form 10-QSB.

76. On or about November 25, 2002, the Commission's Division of Corporation Finance issued a comment letter to Exotics-Nevada noting that it was not appropriate for the company to recognize goodwill as the result of the Reverse Merger with Exotics-Delaware. The comment letter further requested that Exotics-Nevada revise the disclosure and disclose prominently that the financial statements had been restated. However, up to the time that it ceased being a reporting company (in or about May 2004), Exotics-Nevada never restated the

financial statements nor did it issue a corrective press release related to the 2001 Third Quarter Form 10-QSB.

**MFRC Prepares Exotics-Nevada's Books and Records During the 2001 Audit**

77. Between approximately May and August 2002, Rabinovitz and other MFRC accountants conducted the audit of Exotics-Nevada's financial statements for 2001. Once again, MFRC found Exotics-Nevada's books and records and internal controls to be in poor condition. As a result, MFRC once again overstepped its role as an auditor and created some of Exotics-Nevada's books and records. For example, MFRC staff, working under Rabinovitz's supervision, prepared Exotics-Nevada's consolidation, deferred revenue account, fixed asset schedule, calculated depreciation and drafted at least some of the footnotes in Exotics-Nevada's financial statements, which were incorporated into Exotics-Nevada's 2001 Form 10-KSB.

78. Exotics-Nevada's 2001 financial statements were not prepared in conformity with GAAP. The 2001 Form 10-KSB reported assets of \$95,903, approximately \$50,000 of which was Web site development costs, after a recorded impairment expense of approximately \$241,500. However, during the fourth quarter of 2001, Exotics-Nevada became involved in a legal dispute over ownership of certain Web sites and several licensees ceased making license payments, thus impairing the ability of the sites to generate future revenue for Exotics-Nevada. Statement of Financial Accounting Standards (SFAS) 121 required Exotics-Nevada to analyze expected future cash flows in determining the recoverability of the net carrying value of the asset (i.e., the Web site development costs). Instead, the \$50,000 balance for Web site development costs was determined through an arbitrary bargaining process between Rabinovitz and Exotics-Nevada.

79. For the foregoing reasons, MFRC was not independent during the fiscal year 2001 audit and, as such, its audit report, dated June 28, 2002, falsely stated, among other things, that MFRC had been independent during the audit and that the audit had been conducted in accordance with GAAS and presented in conformity with GAAP. The false and misleading June 28, 2002 audit report was incorporated into Exotics-Nevada's 2001 Form 10-KSB, filed on or about August 2, 2002 (see below). Rabinovitz approved issuance of the false and misleading audit report.

**Exotics-Nevada Files False and Misleading 2001 Form 10-KSB**

80. On or about August 2, 2002, Exotics-Nevada filed its 2001 Form 10-KSB with the Commission. The filing, filed approximately four months late, contained a number of material misstatements and/or omissions. Among other things, it omitted to disclose that Mueller had controlled the company since at least early 2001. In addition, it omitted to disclose that a condition of the Exotics-Nevada/Exotics-Delaware reverse merger was that Exotics-Nevada provide \$2 million to fund Exotics-Delaware's operations but that this condition was never fulfilled before the merger's occurrence.

81. In addition, the 2001 Form 10-KSB incorporated the false and misleading June 28, 2002 audit report prepared by MFRC and approved by Rabinovitz.

82. Mueller, Jinnah and Duggan were all responsible for the inadequate books and records and internal control systems which led to MFRC's creation of certain books and records during the 2001 year end audit and to Exotics-Nevada's filing of the false and misleading 2001 Form 10-KSB. In addition, Jinnah reviewed and signed the 2001 Form 10-KSB before it was filed with the Commission.

**Failure to Make Required Commission Filings and to Maintain Required Signature Pages**

83. Exotics-Nevada failed to make any periodic filings with the Commission between at least March 26, 2003 and May 28, 2004, when it filed a Form 15 with the Commission to terminate the registration of its securities.

84. Throughout the period covered by this Complaint, Exotics-Nevada failed to maintain original signature pages for the filings it did make with the Commission.

**Failure to Disclose Beneficial Ownership of Exotics-Nevada Stock**

85. As of July 22, 2002, Mueller beneficially owned at least 1,602,459 shares, or 20.29%, of the total Exotics-Nevada shares outstanding. Despite this fact, Mueller never filed required beneficial ownership reports on Forms 3, 4 or 5 or on Schedule 13D at any point during any of the period covered by this Complaint.

86. As of July 22, 2002, Jinnah beneficially owned at least 502,000 shares, or 6.35%, of the total Exotics-Nevada shares outstanding. Despite this fact, Jinnah never filed required beneficial ownership reports on Forms 3, 4 or 5 or on Schedule 13D at any point during any of the period covered by this Complaint.

87. As of July 22, 2002, Thomas beneficially owned at least 1,251,465 shares, or 15.84%, of the total Exotics-Nevada shares outstanding. Despite this fact, Thomas never filed required beneficial ownership reports on Forms 3, 4 or 5 or on Schedule 13D at any point during any of the period covered by this Complaint.

88. Defendants' conduct involved fraud, deceit or deliberate or reckless disregard of regulatory requirements and has resulted in substantial losses or significant risk of substantial losses to other persons, within the meaning of Section 20(d) of the Securities Act and/or of

Section 21(d)(3) of the Exchange Act. Therefore, defendants are subject to imposition of significant civil penalties for each of the following claims.

## CLAIMS

### **FIRST CLAIM AGAINST ALL PRIMARY DEFENDANTS (Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)**

89. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

90. By reason of the foregoing, defendants Exotics-Nevada, Jinnah, Mueller, Duggan, Andersen, Chapman, Flanagan, Ericksteen, Wexler, Thomas, Corso, Rabinovitz and Brinsky, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices or courses of business which operated as a fraud or deceit upon certain persons, as set forth above, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

91. By reason of the foregoing, defendants Exotics-Nevada, Jinnah, Mueller, Duggan, Andersen, Chapman, Flanagan, Ericksteen, Wexler, Thomas, Corso, Rabinovitz and Brinsky violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**SECOND CLAIM**  
**AGAINST DEFENDANTS JINNAH, MUELLER, DUGGAN, ANDERSEN AND**  
**THOMAS**  
**(Aiding and Abetting Exotics-Nevada's Violations of Section 10(b) of the Exchange Act and**  
**Rule 10b-5 Thereunder)**

92. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

93. As set forth above, Exotics-Nevada, which was originally known as Hardrock, filed reports with the Commission containing material misstatements and omissions, during the period February 2000 through August 2002, issued a false and misleading press release on March 19, 2001, and caused false and misleading spam faxes and e-mails to be disseminated during December 2001, all in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

94. As set forth above, Jinnah knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by, among other things, filing (or causing it to file) reports with the Commission containing material misstatements and omissions, including, an amended Form 8-K filed on September 24, 2001, a Form 10-QSB filed on November 26, 2001, and a Form 10-KSB for 2001 filed on August 2, 2002, and issuing the false and misleading March 19, 2001 press release, and causing to be disseminated false and misleading spam faxes and e-mails during December 2001.

95. As set forth above, Mueller knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by, among other



things, filing (or causing it to file) reports with the Commission containing material misstatements and omissions, including, an amended Form 8-K filed on September 24, 2001, a Form 10-QSB filed on November 26, 2001, and a Form 10-KSB for 2001 filed on August 2, 2002, and issuing the false and misleading March 19, 2001 press release and causing to be disseminated false and misleading spam faxes and e-mails during December 2001.

96. As set forth above, Duggan also knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder based on the company's false and misleading Commission filings, including a Form 10-QSB filed on November 26, 2001, and a Form 10-KSB for 2001 filed on August 2, 2002.

97. As set forth above, defendant Andersen knew, or was reckless in not knowing, that Exotics-Nevada's (which was then known as Hardrock) conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder based on the company's false and misleading Commission filings, including a Form 10SB filed on February 10, 2000, a Form 10-KSB for 1999 filed on March 29, 2000, and a Form 10-KSB for 2000 filed on April 5, 2001.

98. As set forth above, defendant Thomas knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by, among other things, issuing the false and misleading March 19, 2001 press release.

99. By reason of the foregoing, Jinnah, Mueller, Duggan, Andersen, and Thomas aided and abetted Exotics-Nevada's violations of Section 10(b) of the Exchange Act and Rule

10b-5 thereunder and, therefore, are liable for such violations pursuant to Section 20(e) of the Exchange Act, and unless enjoined, will continue to aid and abet such violations.

**THIRD CLAIM**  
**AGAINST DEFENDANT EXOTICS-NEVADA**  
**(Violations of Sections 5(a) and 5(c) of the Securities Act)**

100. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

101. As set forth above, Exotics-Nevada violated Securities Act Sections 5(a) and 5(c) by, among other things, re-issuing without registration or a valid exemption the approximately 8 million former Hardrock shares. The unregistered Exotics-Nevada shares were used to obtain purported “loans” and to further the manipulation scheme described herein. Exotics-Nevada also violated Sections 5(a) and 5(c) of the Securities Act by, among other things, “borrowing” at least 73,400 purportedly unrestricted Exotics-Nevada shares from Mueller and others and using them to compensate Stockscape, in part, for its dissemination of the false and misleading December 2001 e-mail and fax spams.

102. As a result, Exotics-Nevada violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act.

**FOURTH CLAIM**  
**AGAINST DEFENDANTS JINNAH, MUELLER, CHAPMAN, FLANAGAN, DUGGAN,**  
**ERICKSTEEN, WEXLER, AND THOMAS**  
**(Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5**  
**Thereunder Related to Market Manipulation)**

103. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

104. As set forth above, Jinnah, Mueller, Chapman, Flanagan, Duggan, Ericksteer,

Wexler, and Thomas (the “Manipulation Defendants”) participated in a scheme to manipulate the stock of Exotics-Nevada designed to artificially inflate the price of the stock and/or make it appear as if there was an active market for the stock. The manipulation scheme involved a combination of manipulative trading and the dissemination of a false press release, e-mail and fax spams. It began on or before the first day that the company’s stock was publicly traded, March 20, 2001, and continued through at least the beginning of 2002.

105. As set forth above, Jinnah knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

106. As set forth above, Mueller knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

107. As set forth above, Chapman knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

108. As set forth above, Flanagan knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants’ violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

109. As set forth above, Duggan knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

110. As set forth above, Ericksteen knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

111. As set forth above, Wexler knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

112. As set forth above, Thomas knew, or was reckless in not knowing, that the conduct of all of the other Manipulation Defendants in the manipulation scheme was improper, and he knowingly and substantially assisted the Manipulation Defendants' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

113. By reason of the foregoing, Jinnah, Mueller, Chapman, Flanagan, Duggan, Ericksteen, Wexler, and Thomas aided and abetted the Manipulation Defendants' violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and, therefore, are liable for such violations pursuant to Section 20(e) of the Exchange Act, and unless enjoined, will continue to aid and abet such violations.

**FIFTH CLAIM**  
**AGAINST DEFENDANT EXOTICS-NEVADA**  
**(Violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13, 12b-20, and 12b-11 Thereunder)**

114. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

115. As set forth above, Exotics-Nevada filed materially false and misleading reports with the Commission, including in its Form 10SB filed on February 10, 2000, a Form 10-KSB for 1999 filed on March 29, 2000, a Form 10-KSB for 2000 filed on April 5, 2001, an amended 2001 Form 8-K, its 2001 Third Quarter Form 10-QSB, and its 2001 Form 10-KSB, in violation of Section 13(a) of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13 and 12b-20.

116. As set forth above, Exotics-Nevada failed to file any reports with the Commission between at least March 26, 2003 and May 28, 2004, when it filed a Form 15 with the Commission to terminate the registration of its securities. By failing to file the required reports, Exotics-Nevada violated Section 13(a) of the Exchange Act and Exchange Act Rules 13a-1 and 13a-13.

117. As set forth above, Exotics-Nevada failed to maintain original signature pages for its Commission filings. As a result, it violated Exchange Act Rule 12b-11.

118. As set forth above, during the period February 2000 through August 2002, defendant Exotics-Nevada failed to maintain accurate books and records and failed to implement adequate internal controls. As a result, it violated Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B).

119. By reason of the foregoing, Exotics-Nevada violated and, unless enjoined, will

continue to violate Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13, 12b-20, and 12b-11.

**SIXTH CLAIM**  
**AGAINST DEFENDANTS JINNAH AND DUGGAN**  
**(Violations of Section 13(b)(5) of the Exchange Act)**

120. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

121. As set forth above, defendant Jinnah, as an officer of Exotics-Nevada, violated Exchange Act Section 13(b)(5) by knowingly failing to implement a system of internal accounting controls.

122. As set forth above, defendant Duggan, as Exotics-Delaware's CEO and an Exotics-Delaware board member during the period of September 2001 through November 2002, violated Exchange Act Section 13(b)(5) by knowingly failing to implement a system of internal accounting controls.

123. By reason of the foregoing, Jinnah and Duggan violated and, unless enjoined, will continue to violate Section 13(b)(5) of the Exchange Act.

**SEVENTH CLAIM**  
**AGAINST DEFENDANTS ANDERSEN, JINNAH, DUGGAN, AND THOMAS**  
**(Aiding and Abetting Exotics-Nevada's violation of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B)**  
**of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13, 12b-20 and 12b-11**  
**Thereunder)**

124. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

125. As set forth above, defendant Exotics-Nevada filed materially false and misleading reports with the Commission in a false registration statement filed on Form 10SB on

February 10, 2000, a Form 10-KSB for 1999 filed on March 29, 2000, a Form 10-KSB for 2000 filed on April 5, 2001, an amended Form 8-K filed on September 24, 2001, a Form 10-QSB filed on November 26, 2001, and a Form 10-KSB for 2001 filed on August 2, 2002, in violation of Section 13(a) of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13 and 12b-20.

126. As set forth above, defendant Exotics-Nevada failed to file any reports with the Commission between at least March 26, 2003 and May 28, 2004, when it filed a Form 15 with the Commission to terminate the registration of its securities. By failing to file the required reports, Exotics-Nevada violated Section 13(a) of the Exchange Act and Exchange Act Rules 13a-1 and 13a-13.

127. As set forth above, defendant Exotics-Nevada failed to maintain original signature pages for its Commission filings. As a result, it violated Exchange Act Rule 12b-11.

128. As set forth above, during the period February 2000 through August 2002, defendant Exotics-Nevada failed to maintain accurate books and records and failed to implement adequate internal controls. As a result, it violated Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B).

129. As set forth above, defendant Andersen knew, or was reckless in not knowing, that Exotics-Nevada's (then known as Hardrock) conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Exchange Act Section 13(a) and Exchange Act Rules 12b-20 and 13a-1 by, among other things, issuing audit reports that were included in Exotics-Nevada's Commission filings which falsely stated that Hardrock's financial statements had been audited by independent certified public accountants, and issuing audit reports with knowledge that documents used during the audits were fabricated and that the company's filings

contained material misstatements or omissions (such as failure to disclose that the company was controlled by a single individual).

130. As set forth above, defendant Jinnah knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Exchange Act Section 13(a) and Exchange Act Rules 12b-11, 12b-20, 13a-1, 13a-11 and 13a-13 and Exotics-Nevada's violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B). As set forth above, Jinnah, among other things, reviewed and signed the Exotics-Nevada filings and public statements at issue. In addition, Jinnah failed to implement a system of internal accounting controls and failed to ensure that Exotics-Nevada maintained accurate books and records or followed the rules related to manual signatures.

131. As set forth above, defendant Duggan knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Exchange Act Section 13(a) and Exchange Act Rules 12b-20, and 13a-13 and Exotics-Nevada's violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B). Duggan participated in providing books and records to MFRC during the 2001 Third Quarter Review and 2001 audit, and thus knew, or was reckless in not knowing, that the books and records were in poor condition. Duggan also supervised both the consultant and Exotics-Delaware's operations manager, the people who maintained Exotics-Delaware's books and records, and he failed to ensure that those employees kept the subsidiary's books in a condition that allowed them to be audited. As CEO of Exotics-Nevada's only operating subsidiary, Duggan was responsible for ensuring that Exotics-Delaware (and, therefore, Exotics-Nevada) made and kept accurate books and records and that it devised and maintained an adequate system of internal controls, and he



failed to do so.

132. As set forth above, Thomas knew, or was reckless in not knowing, that Exotics-Nevada's conduct was improper, and he knowingly and substantially assisted Exotics-Nevada's violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) by, among other things, as CEO and an Exotics-Delaware board member during some of the period covered by this Complaint, failing to implement a system of internal controls and to ensure that Exotics-Delaware, Exotics-Nevada's sole subsidiary, maintained accurate books and records.

133. By reason of the foregoing, Andersen aided and abetted Exotics-Nevada's violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-1 and, therefore, is liable for such violations pursuant to Section 20(e) of the Exchange Act and, unless enjoined, will continue to aid and abet such violations.

134. By reason of the foregoing, Jinnah aided and abetted Exotics-Nevada's violations of Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-11, 12b-20, 13a-1, 13a-11 and 13a-13 and, therefore, is liable for such violations pursuant to Section 20(e) of the Exchange Act and, unless enjoined, will continue to aid and abet such violations.

135. By reason of the foregoing, Duggan aided and abetted Exotics-Nevada's violations of Section 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-13 and, therefore, is liable for such violations pursuant to Section 20(e) of the Exchange Act and, unless enjoined, will continue to aid and abet such violations.

136. By reason of the foregoing, Thomas aided and abetted Exotics-Nevada's violations of Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and, therefore, is liable for

such violations pursuant to Section 20(e) of the Exchange Act and, unless enjoined, will continue to aid and abet such violations.

**EIGHTH CLAIM  
AGAINST DEFENDANTS ANDERSEN, CORSO, RABINOVITZ AND BRINSKY  
(Violations of Article 2 of Regulation S-X)**

137. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

138. As set forth above, defendants Andersen, Corso, Rabinovitz and Brinsky all committed acts and/or omissions which caused them to become non-independent during audits of Hardrock, Exotics-Delaware and/or Exotics-Nevada. In addition, each of the defendants either issued or caused to be issued audit reports which, among other things, falsely stated that the audits had been conducted by an independent auditor and in accordance with GAAS.

139. As a result, defendants Andersen, Corso, Rabinovitz and Brinsky violated and, unless enjoined, will continue to violate Article 2 of Regulation S-X.

**NINTH CLAIM  
AGAINST DEFENDANTS JINNAH, MUELLER AND THOMAS  
(Violations of Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-1 and 16a-3  
Thereunder)**

140. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

141. As set forth above, defendant Jinnah was, during the period of at least May 2001 through March 2003, Exotics-Nevada's sole official officer and, as of July 22, 2002, he beneficially owned 502,000 shares, or 6.35%, of the total Exotics-Nevada shares outstanding. Similarly, as set forth above, Mueller beneficially owned 1,602,459 shares, or 20.29%, of the total Exotics-Nevada shares outstanding as of July 22, 2002. In addition, as set forth above,

Thomas beneficially owned 1,251,465 shares, or 15.84%, of the total Exotics-Nevada shares outstanding as of July 22, 2002. Despite these facts, Jinnah, Mueller and Thomas never filed required beneficial ownership reports on Forms 3, 4 or 5 or on Schedule 13D during any of the period covered by this Complaint.

142. As a result, Jinnah, Mueller and Thomas violated and, unless enjoined, will continue to violate Sections 13(d) and 16(a) of the Exchange Act and Exchange Act Rules 13d-1 and 16a-3.

**TENTH CLAIM AGAINST  
RELIEF DEFENDANT FLANAGAN & ASSOCIATES  
(Unjust Enrichment)**

143. Plaintiff repeats and incorporates by reference the allegations in paragraphs 1-88 of the Complaint as if set forth fully herein.

144. Flanagan & Associates received payments from Exotics-Nevada and/or Mueller in the form of cash and Exotics-Nevada stock in connection with the activities of Flanagan and Chapman set forth above.

145. Flanagan & Associates has no legitimate interest in, or right to, the funds and assets received from defendants, which are currently being held by it, and therefore, in equity and good conscience, it should not be allowed to retain such funds.

146. As a result, Flanagan & Associates is liable for unjust enrichment and should be required to disgorge the funds and assets received in connection with the defendants' fraud, with pre-judgment interest.

## PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court issue a final judgment:

### I.

Permanently enjoining Defendants Exotics-Nevada, Jinnah, Mueller, Duggan, Andersen, Chapman, Flanagan, Ericksteen, Wexler, Thomas, Corso, Rabinovitz and Brinsky from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

### II.

Permanently enjoining Defendant Exotics-Nevada from violating Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Exchange Act and Exchange Act Rules 13a-1, 13a-11, 13a-13, 12b-20, and 12b-11.

Permanently enjoining Defendant Jinnah from violating, directly or indirectly, Section 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Exchange Act Rules 12b-11, 12b-20, 13a-1, 13a-11 and 13a-13.

Permanently enjoining Defendant Duggan from violating, directly or indirectly, Section 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-13.

Permanently enjoining Defendant Thomas from violating, directly or indirectly, Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

Permanently enjoining Defendant Andersen from violating, directly or indirectly, Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20 and 13a-1.

**III.**

Permanently enjoining Defendants Andersen, Corso, Rabinovitz and Brinsky from violating, directly or indirectly, Regulation S-X.

**IV.**

Permanently enjoining Defendant Exotics-Nevada from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act.

**V.**

Permanently enjoining Defendants Jinnah, Mueller and Thomas from violating, directly or indirectly, Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-1 and 16a-3 thereunder.

**VI.**

Ordering all defendants, with the exception of defendant Exotics-Nevada, to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act in amounts to be determined by the Court.

**VII.**

Ordering all defendants, with the exception of defendant Exotics-Nevada, to disgorge all of the ill-gotten gains, including the proceeds of stock sales, salaries, bonuses and fees they obtained during the period of their misconduct, as described above.

**VIII.**

Barring, pursuant to Section 20(e) of the Securities Act and Section 21(d)(2) of the Exchange Act, defendants Jinnah, Mueller and Duggan from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act.

**IX.**

Ordering a penny stock bar against defendants Jinnah, Mueller, Duggan, Flanagan, Chapman, Ericksteen and Wexler, pursuant to the Court's equitable powers and/or Section 603 of the Sarbanes-Oxley Act of 2002.

**X.**

Requiring relief defendant Flanagan & Associates to disgorge an amount equal to the funds they received from the primary defendants, plus prejudgment interest thereon.

**XI.**

Order such other relief as the Court deems just and proper.

Respectfully submitted,

  
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District Administrator

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