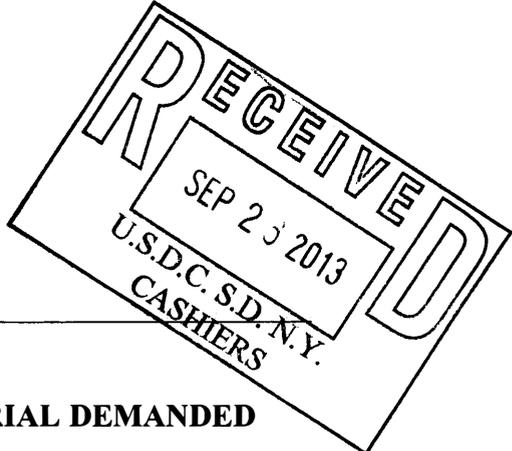


U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

_____)
 Teras International Corp.,)
)
 Plaintiff,)
)
 v.)
)
 Roger Gimbel, Allan Feldman, Steven)
 Brookner, Mark Kastenbaum,)
 Norman Abramson and)
 Worldwide Dreams LLC,)
)
 Defendants.)



Case No. _____

JURY TRIAL DEMANDED

COMPLAINT

Teras International Corp. (Teras), by counsel, hereby asserts claims against Defendants, as follows:

COUNT I
VIOLATION OF THE RACKETEER INFLUENCED
AND CORRUPT ORGANIZATIONS ACT (RICO)

I. NATURE OF CLAIM

1. This is an action by Teras, the assignee of the liquidator of Yick Bo Trading Limited (in liquidation) ("Yick Bo"). Yick Bo is a subsidiary of Worldwide Dreams LLC ("Worldwide Dreams"), a New York-based corporation in the business of importing apparel and accessories from the Far East.
2. Both Worldwide Dreams and Yick Bo were operated and bankrupted by the individual Defendants, sophisticated businessmen who made millions from the companies for themselves while leaving Yick Bo and its creditors with more than \$20 million in claimed debts.

3. Since the individual Defendants executed their fraudulent schemes over a period of years, and used the U.S. wires to facilitate them, this action is properly brought pursuant to the Racketeer Influenced and Corrupt Organizations Act (RICO).

II. PARTIES, JURISDICTION AND VENUE

4. In May 2013 Teras was assigned Yick Bo's claims by its Hong Kong liquidators.
5. Teras is incorporated in the British Virgin Islands and has its principal place of business in Singapore.
6. Upon information and belief, Roger Gimbel is a citizen of Florida.
7. Upon information and belief, Allan Feldman is a citizen of New York.
8. Upon information and belief, Steven Brookner is a citizen of New Jersey.
9. Upon information and belief, Mark Kastenbaum is a citizen of New Jersey.
10. Upon information and belief, Norman Abramson is a citizen of New Jersey. (The foregoing men are hereafter referred to as "the individual Defendants" to distinguish them from Worldwide Dreams, which is a Defendant only in Count III.)
11. Upon information and belief, Worldwide Dreams LLC is a Delaware corporation with its primary place of business in New York.
12. This Court has jurisdiction of this case as a federal question pursuant to 28 U.S.C. § 1332 and 18 U.S.C. § 1964(c), RICO's civil damages provision. Additionally, the Court has supplemental jurisdiction of the remaining Counts as they arise from the same nucleus of facts.
13. This Court has personal jurisdiction over all Defendants as they conducted their business and the racketeering activity from their offices in this district. Additionally, Feldman resides in this district and is amenable to service here. Venue is proper in this Court

pursuant to 28 U.S.C. § 1391(b)(2) and RICO's venue provision, 18 U.S.C. § 1965(a) and (b).

III. DEFENDANTS ESTABLISHED YICK BO AS WORLDWIDE DREAMS' PURCHASING AGENT

14. In 1997 the individual Defendants established Worldwide Dreams as a supplier/wholesaler of women's accessories to large U.S. retailers including Target Stores and Kmart.
15. Worldwide Dreams was a New York-based corporation which operated from offices in New York, New York.
16. The individual Defendants also created Yick Bo as a wholly owned subsidiary and purchasing agent of Worldwide Dreams.
17. Although Yick Bo had an office in Hong Kong where its employees made purchases from Chinese apparel suppliers, the individual Defendants made all of Yick Bo's corporate decisions from their New York offices.
18. Typically Yick Bo placed purchase orders with suppliers stating goods were being "sold to WWD, NYC" or "WWD LLC Yick Bo Trading Ltd." Yick Bo's purchase orders were processed in an apparel manufacturing software system in Worldwide Dreams-Yick Bo's combined New York office
19. The suppliers would typically then invoice Worldwide Dreams. However, consistent with the agency arrangements between the two companies memorialized in a written agreement, a copy of which is attached as Ex. 1. Yick Bo actually would pay the invoices and then issue weekly invoices to Worldwide Dreams for reimbursement. Internally, Reddy Chu of Yick Bo's Hong Kong office would email the invoices to Norman Abramson, Chief Operating Officer of Worldwide Dreams in New York. Abramson

would then authorize Mark Kastenbaum, Worldwide Dreams' Chief Financial Officer, also in New York, to pay the invoice by wire transfer from a U.S. bank.

IV. DEFENDANTS FRAUDULENTLY STATED THAT WORLDWIDE DREAMS WOULD PAY ITS OBLIGATIONS TO YICK BO

20. However, Worldwide Dreams experienced cash flow difficulties in 2009, 2010 and 2011, and failed to keep current with the reimbursements to Yick Bo.

21. In preparing Yick Bo's 2008 financial statements, in early 2009, Directors Roger Gimbel and Allan Feldman faced a dilemma. Either they could disclose the fact that Worldwide Dreams was experiencing cash flow difficulties and unable to reimburse Yick Bo for the invoices, thereby making the obligations "bad debts" in accounting terms or they could falsely represent to Yick Bo that the reimbursements would be made in the normal course of business. The latter representation would enable Yick Bo to use the "going concern" method of accounting, which it had done since its inception and meant, for accounting purposes, that its exposure to bad debts was not significant.

22. The Defendants chose to commit fraud. Consequently, on April 28, 2009 Gimbel and Feldman signed false financial statements for Yick Bo representing that, based on their assessment of the current creditworthiness of Worldwide Dreams, Yick Bo only traded with recognized creditworthy third parties (i.e., Worldwide Dreams) and that, as a result of their ongoing monitoring of Worldwide Dreams, Yick Bo had no bad debt from Worldwide Dreams. Accordingly, Gimbel and Feldman represented that the outstanding obligations to Yick Bo would be paid in full and would be paid in sufficient amounts in the then current year so that Yick Bo could remain solvent. But as officers and directors of both companies, Gimbel and Feldman knew Worldwide Dreams could not do so.

23. The false financial statements were agreed to by the other individual Defendants after they had read the documents.
24. At Gimbel and Feldman's request, the false financial statements were emailed to others in Worldwide Dreams' offices, to Yick Bo's Hong Office and to Yick Bo's Hong Kong auditors, Mazars CPA Ltd.
25. Thus, all of the individual Defendants entered into a conspiracy to commit fraud on Yick Bo by concealing Worldwide Dreams' true financial condition and knowingly risking Yick Bo's solvency to hide Worldwide Dreams' true financial condition. The individual Defendants further agreed to use, and used, the U.S. wires to execute the scheme.
26. Gimbel and Feldman repeated these false statements in completing Yick Bo's 2009 financial statements, which they signed on June 30, 2010. They distributed these statements to the other individual Defendants that day. The individual Defendants knew once again that Worldwide Dreams had ongoing cash flow difficulties in 2010 and could not meet its obligations to Yick Bo. Thus, by again using the "going concern" method of accounting and falsely stating that Worldwide Dreams' obligations to Yick Bo would be paid in full and would be paid in sufficient amounts in the then current year so that Yick Bo could remain solvent, the individual Defendants committed a new fraud against Yick Bo, imperiling its survival.
27. Moreover, all of the individual Defendants then agreed to transmit the false financial statements for 2009 on or about June 30, 2010 to Yick Bo employees in the Hong Kong office and to the auditors in Hong Kong. Thus, they used interstate wires to transmit the false financial statements to execute the fraud on Yick Bo.

28. In 2011 the individual Defendants repeated the same false statements, even as Yick Bo was on the brink of bankruptcy and desperately needed the obligations from Worldwide Dreams to be paid. Thus, Gimbel and Feldman signed Yick Bo's 2010 financial statements on May 30, 2011, which falsely listed the amount due to Yick Bo from Worldwide Dreams as an asset and stated that it would be paid in the normal course of business to enable Yick Bo to use the "going concern" method of accounting and the other false representations detailed, *supra*. The other individual Defendants read and agreed with these false financial statements, and on or about that day they were emailed to Yick Bo's Hong Kong office and to its Hong Kong auditors. Thus, all of the individual Defendants agreed to the use of interstate wires to perpetrate the fraud on Yick Bo.
29. The individual Defendants were at that point certain that Worldwide Dreams was headed for insolvency. On May 17, 2011, Worldwide Dreams' C.F.O. Kastenbaum conceded to Reddy Chu of the Hong Kong office, "At this stage I do not want to inform the auditors" that he was desperately trying to avoid any provision classifying any obligation from Worldwide Dreams as a bad debt by "reorganizing the company."
30. Thus, the individual Defendants knew no more cash would be paid to Yick Bo by Worldwide Dreams.
31. Yick Bo was damaged by this false statement and by the subsequent inability of Worldwide Dreams to satisfy its obligation to Yick Bo, including by incurring further indebtedness to suppliers at the behest of Worldwide Dreams.

32. Weeks later, in July 2011, Worldwide Dreams closed down, sold its entire business and assets and transferred its employees to a third party. In October 2011 the individual Defendants put Yick Bo into liquidation.

V. INDIVIDUAL DEFENDANTS FRAUDULENTLY INDUCED SUPPLIERS TO SELL TO YICK BO ON CREDIT

33. In 2011, as Yick Bo was insolvent, its suppliers demanded payment.

34. Steven Brookner, per agreement of the other individual Defendants, called some of Yick Bo's suppliers from New York, including Tano Chan of Chun Lam Co., and promised to resume payments. Brookner knew at the time of these phone calls that neither Yick Bo nor Worldwide Dreams could pay the suppliers and never would pay them. He was fraudulently inducing them to continue producing and shipping orders to both companies based upon goodwill developed over several years.

35. Relying on these false assurances, suppliers, including Chun Lam Co., continued to ship supplies.

36. Chun Lam Co. and other suppliers never did get paid and have been defrauded. Their claims total \$6,231,945.54. (Teras is not seeking to recover on behalf of these suppliers but is pleading these schemes to establish a pattern of related frauds.)

37. Each of these phone calls constitutes a violation of the federal wire fraud statute, 18 U.S.C. § 1343, as they were made to foreign suppliers in order to defraud them.

VI. THE INDIVIDUAL DEFENDANTS CONTINUED TO COMMIT FRAUDS AGAINST THE CREDITORS DURING THE LIQUIDATION

38. Chun Lam Co., as well as Wang Tai Handbag Mfg. Co. and Youjin Leather Limited, two other suppliers, filed separate collection actions in 2011 in the New York State Courts in New York County (i.e., courts located in the Southern District of New York) for substantial unpaid invoices. Chun Lam Co.'s sued both Yick Bo and Worldwide Dreams.

Chun Lam Co. alleged, correctly, that Yick Bo was Worldwide Dreams' agent. Under principles of agency law that made the undisclosed principal, Worldwide Dreams, responsible for the debts of its agent.

39. The individual Defendants agreed to move to dismiss the suit on the theory that Yick Bo was not Worldwide Dreams' agent. All of them knew this was false. In order to perpetrate this fraud on the Court and Chun Lam Co. the individual Defendants agreed in October 2011, pursuant to emails between New York and Florida, that Kastenbaum would complete and submit a sworn affidavit to the Court in support of Worldwide Dreams' motion to dismiss. This affidavit was essential to the motion to dismiss in that it tried to explain away the inferences of agency expressed on the purchase order and invoices attached to Chun Lam Co.'s complaint. In reality, as has been detailed, *supra*, there was a written agency agreement in effect at the time, precisely as Chun Lam Co. had alleged but did not have a copy of. This was the latest a series of four such agreements entered into between the companies from 1998 to 2008. See Ex. 1 attached.
40. Accordingly, in October 2011, Kastenbaum, on behalf of all individual Defendants, caused Worldwide Dreams' lawyers to file the false affidavit in support of the motion to dismiss.
41. Additionally, suppliers Wang Tai Handbag Mfg. Co. and Youjin Leather Limited separately sued Worldwide Dreams for payment of debts of \$305,000 and \$813,988.62 respectively, in 2011 in the Supreme Court of New York in New York County. Worldwide Dreams brought motions to dismiss the suits on the ground that there was no legal basis for "ascribing liability" to it for purchases made by Yick Bo. Again, this was

a fraud perpetrated on the Court per agreement of all the individual Defendants pursuant to emails between them in New York and Florida. They agreed to this strategy of denying any legal liability for Yick Bo's purchases, which included most significantly, the denial that Yick Bo was Worldwide Dreams' purchasing agent, which they all knew was the case. Accordingly, to perpetrate this fraud, Kastenbaum completed four sworn affidavits in support of Worldwide Dreams' motions to dismiss these actions. Two affidavits were filed in November 2011 and two in January 2012. Before filing these affidavits Kastenbaum communicated with the other individual Defendants in New York and Florida by email to agree on a course of action with respect to each creditor's lawsuit.

42. Accordingly the individual Defendants used the wires to carry out additional schemes on Wang Tai Handbag Mfg., Youjin Leather Limited and Chun Lam Co. in 2011 and 2012.

VII. THE INDIVIDUAL DEFENDANTS HAVE CONSPIRED TO COMMIT A PATTERN OF FRAUDS IN VIOLATION OF RICO

43. The individual Defendants have agreed to commit a series of frauds against Yick Bo, as detailed *supra*. This conspiracy began in 2009 and continued into 2012. They agreed to commit the frauds to the detriment of Yick Bo as directors of the company and/or otherwise had responsibility to run it. This conspiracy violated 18 U.S.C. § 1962(c) in that it consisted of a pattern of racketeering activity (wire fraud, made a form of racketeering activity by 18 U.S.C. § 1961(1)(B)), committed through an enterprise affecting interstate or foreign commerce, Yick Bo, a corporation which they operated from New York. This conspiracy to violate 18 U.S.C. § 1962(c) violates 18 U.S.C. § 1962(d).

44. Therefore, Teras asserts claims against each individual Defendant for damages it suffered by reason of the individual Defendants' violation of 18 U.S.C. § 1962(d).
45. Alternatively, Teras also asserts a RICO claim against the individual Defendants for perpetrating the scheme to defraud Yick Bo through an association-in-fact enterprise of themselves plus Karen Chan, Tonya White and Tonya King.
46. This association existed from 2007–2012 for the purpose of operating both Worldwide Dreams and Yick Bo from the New York office and also for committing the illegal activity detailed *supra*. The individual Defendants delegated tasks to themselves and the other members of the association-in-fact enterprise and succeeded in running both businesses and in committing the frauds for three years through their close cooperation. Thus, this is an “association-in-fact” enterprise pursuant to 18 U.S.C. § 1961(4) as it affected interstate commerce and enabled the individual Defendants to commit their racketeering activities.

DEMAND FOR JUDGMENT

47. Plaintiff Teras demands judgment against the individual Defendants for their violations of 18 U.S.C. § 1962(d), pursuant to 18 U.S.C. § 1964(c), for at least \$14,678,362.45 trebled, plus attorney fees, pre-judgment interest, costs, and an injunction against the individual Defendants from perpetrating any further racketeering activity.

COUNT II **BREACH OF FIDUCIARY DUTY AND AIDING** **AND ABETTING BREACH OF FIDUCIARY DUTY** **(Against the individual Defendants)**

Plaintiff Teras incorporates ¶¶ 1–32 from Count I.

33. At all times Gimbel and Feldman, as directors and officers of Yick Bo, owed fiduciary duties to Yick Bo, and were required, by § 717 of the New York Business Corporation

Law (BCL), and otherwise, to perform their duties in good faith. By failing to obtain repayment of Yick Bo's obligations from Worldwide Dreams and concealing the debt, they breached their fiduciary duties.

34. Had they fulfilled their obligations to Yick Bo, that company would not have become insolvent.

35. These breaches of Gimbel and Feldman's fiduciary duties violated BCL § 720.

36. Additionally, the other individual Defendants knew of the breaches of fiduciary duties committed by Gimbel and Feldman set forth above, and rendered substantial assistance to them in those breaches.

37. As a result, the individual Defendants other than Gimbel and Feldman aided and abetted Gimbel and Feldman in breaching their fiduciary duties to Yick Bo.

ALLEGATION CONCERNING PUNITIVE DAMAGES

38. The individual Defendants acted in all respects maliciously, intentionally, and wantonly, and consequently are liable for punitive damages.

DEMAND FOR JUDGMENT

39. Plaintiff Teras demands judgment against the individual Defendants for \$14,678,362.45 and punitive damages, and, pursuant to BCL § 720(b), seeks an accounting for any gains they personally obtained as a result of their respective breaches of their fiduciary duties and their respective aiding and abetting of those breaches.

COUNT III **FOR REIMBURSEMENT** **(Against Worldwide Dreams)**

Plaintiff Teras reincorporates ¶¶ 1–32 from Count I.

33. Yick Bo has become indebted to suppliers and has paid suppliers without being reimbursed. As all of these purchases were made at the request of Worldwide Dreams in executing Yick Bo's role as its purchasing agent, Worldwide Dreams is legally responsible to reimburse and indemnify Yick Bo for these obligations under the Agency Agreement and New York common law.

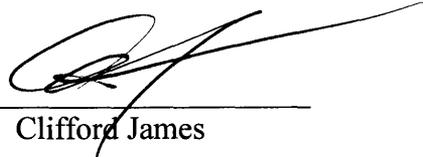
34. Additionally, Yick Bo is entitled to commissions on these purchases pursuant to ¶ 3 of the Agency Agreement (Ex. 1).

DEMAND FOR JUDGMENT

35. Plaintiff Teras demands judgment against Defendant Worldwide Dreams for \$14,678,362.45, and any other relief deemed just and proper.

Dated: New York, New York
September 26, 2013

Law Offices of Clifford James

By: 

Clifford James

260 Madison Avenue, 17th Floor
New York, NY 10016-2401
Telephone: (212) 532-6333
Email: cjames@cjtoplax.com

Howard W. Foster
Matthew A. Galin
Foster PC
150 N. Wacker Dr., Suite 2150
Chicago, IL 60606
Telephone: (312) 726-1600
Email: hfooster@fosterpc.com

Pro Hac Vice counsel

*Attorneys for Plaintiff
Teras International Corp.*

EXHIBIT 1

AGREEMENT

This agreement is entered into this 1st day of November 2008 between **WORLDWIDE DREAMS LLC** of 350 Fifth Avenue, Suite 2101, New York, NY 10118, U.S.A. hereinafter referred to as the Principal, and **YICK BO TRADING LIMITED** of Unit 865, 8/F., HITEC, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong, hereinafter referred to as the Agent.

WHEREAS, **WORLDWIDE DREAMS LLC** (the Principal) is engaged in the importation of general merchandise for sale in the United States, and

WHEREAS, **YICK BO TRADING LIMITED** (the Agent) acts as representative in Asia area for interested parties in the United States, and

WHEREAS, the parties herewith are desirous of entering into an agreement setting forth the terms of the agency relationship between the parties, which incorporates all previous understandings,

NOW, THEREFORE, in consideration of the mutual promises and covenants between the parties herein, it is agreed as follows:

- (1) The Agent will act as buying Agent for the Principal in connection with the latter's purchases in Asia.
- (2) The Agent agrees to perform the following services on behalf of the Principal:
 - a. The Agent shall assist in the negotiation of the most favourable prices for the Principal in the connection; the Agent shall visit manufacturers designated by the Principal, obtain samples of merchandise, and submit samples to the Principal quoting prices at which the merchandise can be purchased.
 - b. The Agent shall familiarize itself with the Principal's needs and survey the potential markets to obtain the best available merchandise.
 - c. The Agent shall place orders (if necessary) with manufacturers on behalf of the Principal. The Agent shall act only upon the explicit instructions of the Principal, and in no case shall the Agent act without explicit instructions from the Principal.
 - d. The Agent shall quote factory prices, which shall not include the buying agent's commission. The Agent shall arrange for payment terms and payment (if necessary) to the manufacturer pursuant to the explicit instructions of the Principal, and in a manner consistent with the best interests of the latter.

- e. The Agent shall visit manufacturers where orders are placed in order to inspect the quality of the merchandise shipped to the principal. In the event that such merchandise does not conform in quality or specifications to the order placed, The Agent shall immediately notify the Principal. In the event of shipment of defective merchandise through the negligence to the Agent no commission shall be paid.
 - f. The Agent shall assist the Principal in the return of any merchandise deemed to be defective. In addition, the Agent shall assist in the recovery of any monies due to the Principal from the manufacturer as a result of defective merchandise, shortages, etc.
 - g. The Agent shall never act as a seller in any transaction involving the Principal.
 - h. The Agent shall be responsible for all expenses such as room and board and transportation between Hong Kong and China, etc incurred by the Principal's staffs while in Hong Kong and China for development and sourcing trips to Hong Kong and China.
- (3) The Principal and their related company agree to pay to the Agent a commission of 7% on factory price for all FOB Sales and stock/warehouse orders for the merchandise and services handled by the Agent on behalf of the Principal.
- (4) The buying commission and other charges shall be listed separately on the commercial and special customs invoices prepared by the Agent with a payment terms of 90 days.
- (5) This agreement expresses fully the understanding of the parties and incorporates all previous understandings. No future changes in this agreement shall be valid except when and if reduced to writing by both Principal and Agent.
- (6) This agreement will remain in effect until cancellation by either party upon giving written notification at least sixty (60) days prior to the date of such cancellation. Moreover, upon the occurrence of any one or more of the following events, the Principal shall have the right to make written notice 30 days in advance to cancel and terminate the agreement upon written notice to the Agent:
- a. The failure of the Agent to perform or comply with any one or more of the terms or conditions set forth in this agreement;
 - b. The discontinuance for any reason whatsoever of the performance of the Agent's specified duties for a period of sixty (60) days;

c. The insolvency of the Agent or filing of a bankruptcy petition against him.

(7) Any notice required to be given under this agreement by the principal to the Agent shall be deemed given sufficiently if a notice in writing is mailed by registered mail to the Agent at the address set forth above.

(8) This agreement shall be construed and liabilities of the parties hereunder shall be determined in accordance with the laws of Hong Kong.

WORLDWIDE DREAMS LLC
Principal

YICK BO TRADING LIMITED
Agent



NORMAN ABRAMSON



REDDY CHU