

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA

SEP 17 2008

By:  James D. Hartzel, Clerk
Deputy ClerkSECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

C.A. No. 1:06-CV-2568-CC

CONVERSION SOLUTIONS HOLDING
CORPORATION and RUFUS PAUL
HARRIS a/k/a PAUL RUFUS HARRIS,

Defendants.

FINAL JUDGMENT

This matter is pending before the Court for a determination of the appropriate relief to be awarded pursuant to the Court's July 21, 2008 Order [Doc. No. 27] granting Plaintiff Securities and Exchange Commission's Motion for Default Judgment [Doc. No. 21]. The Court is aware that Defendant Rufus Paul Harris ("Harris") has appealed the Court's July 21, 2008 Order [Doc. No. 27]. However, the Court has determined that Mr. Harris' appeal is frivolous, as the July 21, 2008 Order is an interlocutory order not subject to appeal, and for this reason the Court has jurisdiction over this action. See United States v. Hitchman, 602 F. 2d 689, 692 (5th Cir. 1979) (en banc) ("We are persuaded that filing a notice of

appeal from a nonappealable order should not divest the district court of jurisdiction.”).¹

By their earlier default, Conversion Solutions Holding Corporation (“Conversion”) and Mr. Harris admitted the Complaint’s well-pleaded allegations of fact. These facts, which are recited in greater detail in the Court’s July 21, 2008 Order [Doc. No. 27], include the following:

Conversion is a publicly-traded company, and Mr. Harris was its Chief Executive Officer (“CEO”) at the time the Complaint was filed. On September 26, 2006, Conversion filed a Form 8-K with the SEC using Mr. Harris’ electronic signature. The Form 8-K falsely stated that Conversion’s “Board of Directors has . . . accepted into its Asset Management Portfolio an additional 5 Billion Euro denominated Global Bonds on the Republic of Venezuela with an 11% annual coupon.” This same false statement was also made by Conversion and Mr. Harris in press releases issued on September 25 and 27, 2006.

Later on September 26, 2006, Conversion filed an amended current report under Form 8-K/A with the Securities and Exchange Commission (the “SEC” or the “Commission”), which included audited financial statements for the period

¹ In Bonner v. City of Prichard, 661 F.2d 1206, 1209 (11th Cir.) (en banc), the Eleventh Circuit adopted as binding precedent all decisions of the Fifth Circuit handed down prior to October 1, 1981.

ending June 30, 2006. In the financial statements, Conversion listed assets including a long-term investment in bonds valued at \$500 million. Note 12 to the financial statements stated that, on March 15, 2006, Conversion “acquired full ownership of Global Bonds issued through the Republic of Venezuela with an issuance date of July 31, 1998 and a maturity date of August 15, 2018. The principal amount of the bonds is \$500,000,000 USD with a fixed interest rate of 13.625%, computed on a semi-annual basis.” Conversion’s claim to own these bonds was false.

On October 16, 2006, Conversion filed an annual report on Form 10-KSB with the SEC. On October 17 and 19, 2006, Conversion filed amended annual reports on Forms 10-KSB/A with the SEC. With regard to the \$500 million Venezuelan bond issue, the audited financial statements attached to three annual reports were essentially identical to those incorporated in the Form 8-K/A discussed above. Accordingly, Conversion’s false claim to have acquired the entire series of \$500 million Venezuelan bonds on March 15, 2006 and held them through June 30, 2006 was repeated in the Form 10-KSB and the Forms 10-KSB/A.

Mr. Harris caused these false statements to be made, and either knew that they were false and misleading or recklessly disregarded the risk that they were

false and misleading. Conversion and Mr. Harris, directly or indirectly, made use of the mails or means or instruments of transportation or communication in interstate commerce.

Trading activity in Conversion's stock increased dramatically after the two September 27, 2006 press releases were issued. On Tuesday, September 26, 2006, Conversion's stock closed at a price of \$1.01 per share on a volume of 498,303 shares traded. On September 27, 2006, the stock closed at \$1.75 per share on a volume of 4,932,180 shares, an increase of over 73% in price and almost 890% in trading volume. On September 28, 2006, Conversion's stock closed at \$3.02 per share on a volume of 14,037,728 shares traded.

Based on these facts and the other facts pleaded in the SEC's Complaint, the Court found Conversion and Mr. Harris to have violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Additionally, the Court found Conversion to have violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-11 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-11] through its five false filings with the SEC. Similarly, the Court found Mr. Harris to have aided and abetted those same violations. Finally, the Court found Mr. Harris to have knowingly signed false certifications of Conversion's October 16, 2006 Form

10-KSB and October 17 and 19, 2006 Forms 10-KSB/A in violation of Rule 13a-14 [17 C.F.R. § 240.13a-14].

On September 10, 2008, at 1:30 pm, the Court held a hearing to take evidence relevant to the determination of the appropriate relief to be awarded in the case. Neither Defendant Harris nor Defendant Conversion appeared at the hearing, despite having been provided notice through the Court's July 21, 2008 Order [Doc. No. 27].

At the September 9, 2008 hearing, the SEC presented evidence proving the facts set forth below by a preponderance of the evidence.

Conversion never had any business-related revenue. The company's only source of funds was an ongoing offering of convertible notes and/or stock that began before the time period charged in the Complaint. Conversion did not pay any money for any of the purported assets carried on its books. The only purported assets on its books were various series of bonds, for which the company had paid nothing, uncollected interest due on the purported bonds, and a document called the UCC-1 Note, which had originally been the sole asset of Conversion's corporate predecessor, Waatle Holdings Corporation ("Waatle"). The UCC-1 Note is an eight-page document signed by an individual named David Hawkins, which purports to be an "Affidavit of Obligation" in favor of Mad Dog Builders, Inc. and

Mr. Hawkins. However, it is obvious from the face of the document that it is not a standard piece of commercial paper. For example, the document contains a long recitation of grievances concerning purported injustices carried out in the 1980s in Washington state, and refers to purported legal concepts including the “individual energy protection maxim,” the “social cooperation protection maxim,” and the “Hebrew/Jewish Commercial Code.”

On October 2 and 3, 2006, three relatives of Defendant Harris opened new brokerage accounts at the Rome, Georgia office of Merrill Lynch, each funding the new account by depositing a certificate of shares of Waatle, and asking that it be converted into shares of Conversion. Anissa Jarrett, Mr. Harris’ wife, deposited a certificate for 1,000,000 shares; Faye Harris, Mr. Harris’ mother, deposited a certificate for 350,000 shares; and Christopher Todd Harris, Mr. Harris’ brother, deposited a certificate for 250,000 shares. Each of Mr. Harris’ relatives claimed to have received the Waatle shares in return for performing work for Waatle. Merrill Lynch provided the paper Waatle certificates to Conversion’s transfer agent, and received electronic shares of Conversion into the three accounts of Mr. Harris’ relatives. On October 12, 2006, Merrill Lynch began selling the Conversion shares in all three of Mr. Harris’ relatives’ accounts at the request of those account holders, in blocks broken up to minimize the effect that selling such large blocks of

stock might otherwise have of depressing the market price. Subsequently, on October 13, 2006, Merrill Lynch stopped allowing Mr. Harris' relatives to sell Conversion shares, after receiving instructions from its compliance department. Later, also based on instructions from its compliance department, Merrill Lynch reversed the trades of Mr. Harris' relatives by repurchasing the Conversion shares they had sold into the market. Because the market price of Conversion had increased between the time the shares were sold by Mr. Harris' relatives and when they were repurchased into their accounts by direction of Merrill Lynch, a debit balance was created in each of the accounts, which ultimately resulted in a loss of approximately \$40,000.00 to Merrill Lynch.

Through his mother, brother, and wife, Mr. Harris attempted to sell up to 1.6 million shares of Conversion into the public market during the time period alleged in the Complaint, while the stock was trading at dramatically inflated prices as a result of Mr. Harris' fraudulent misstatements about Conversion's purported assets in Conversion's press releases and SEC filings. Had the plan been successful, and had Mr. Harris' mother, brother, and wife been able to sell their shares at the then-prevailing price range of \$2.00 to \$3.00 per share, the scheme would have netted the Harris family millions of dollars. Because of the actions taken by Merrill Lynch in stopping, and later reversing, the trades of the Harris family members, the

scheme was not successful.

However, the scheme still caused tremendous harm to the investing public. Approximately 65,287,170 shares of Conversion traded during the time period of the Complaint alone, resulting in many millions of dollars of losses to thousands of innocent investors.

Mr. Harris, while operating under the name Paul Harris, previously served as a director of Broadband Wireless International Corporation, a publicly traded company.

Based on the foregoing evidence, the Court hereby imposes the following relief:

I. INJUNCTION AGAINST DEFENDANTS CONVERSION AND HARRIS FOR SECURITIES FRAUD UNDER SECTION 10(b)

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants Conversion and Harris and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any

national securities exchange, in connection with the purchase or sale of any security:

1. to employ any device, scheme, or artifice to defraud;
2. to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
3. to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

**II. INJUNCTION AGAINST CONVERSION FOR
REPORTING VIOLATIONS UNDER SECTION 13(a)**

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Conversion and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 13(a) of the Exchange Act [U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-11 promulgated thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-11] by:

1. filing any materially untrue, incorrect, false or misleading annual report of any issuer with a security registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];
2. filing any materially untrue, incorrect, false or misleading current report of any issuer with a security registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any issuer which is required to file reports pursuant to section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; or
3. failing, in addition to information expressly required to be included in statements or reports filed with the SEC, to add such further material information, if any, as may be necessary to make required statements, in light of the circumstances under which they are made, not misleading.

III. INJUNCTION AGAINST HARRIS FOR AIDING AND ABETTING REPORTING VIOLATIONS UNDER SECTION 13(a)

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Harris and his agents, servants, employees, attorneys, and all

persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from aiding and abetting any violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-11 thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-11], by knowingly providing substantial assistance to an issuer that:

1. files any materially untrue, incorrect, false or misleading annual report of any issuer with a security registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any issuer which is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];
2. files any materially untrue, incorrect, false or misleading current report of any issuer with a security registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or any issuer which is required to file reports pursuant to section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; or
3. fails, in addition to information expressly required to be included in statements or reports filed with the SEC, to add such further material information, if any, as may be necessary to make required statements,

in light of the circumstances under which they are made, not misleading.

IV. INJUNCTION AGAINST HARRIS FOR FALSE CERTIFICATION OF PERIODIC REPORTS

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Harris and his agents, servants, employees, attorneys and those persons in active concert or participation with him who receive actual notice of this Final Judgment, by personal service or otherwise, and each of them, be and hereby are enjoined and restrained from violating Exchange Act Rule 13a-14 [C.F.R. § 240.13a-14], by certifying falsely, on any certification required by Exchange Act Rule 13a-14 to be made in connection with the filing of any Form 10-Q, Form 10QSB, Form 10-K, Form 10KSB, Form 20-F or Form 40-F, or any other report as to which such certification is required, any of the information required to be certified, including but not limited to certifying that the financial statements are not materially inaccurate.

V. OFFICER AND DIRECTOR BAR OF HARRIS

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], Defendant Harris is prohibited, for seven (7) years following the date of entry of

this Final Judgment, from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 781] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VI. CIVIL PENALTY AGAINST CONVERSION

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Conversion shall pay a civil penalty in the amount of \$250,000.00 pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].² Defendant shall make this payment within ten (10) business days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Conversion as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is

² Although the Court originally determined that a penalty in the amount of \$500,000.00 should be awarded against Conversion, the Court is concerned about the impact of such a penalty on the investors. For this reason, the Court finds it appropriate to reduce the amount of the penalty here.

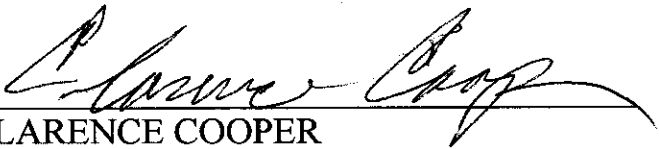
made pursuant to this Final Judgment. Defendant Conversion shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961. The Commission shall remit the funds paid pursuant to this paragraph to the United States Treasury.

VII. CIVIL PENALTY AGAINST HARRIS

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Harris shall pay a civil penalty in the amount of \$1,170,000.00 pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Defendant Harris shall make this payment within ten (10) business days after entry of this Final Judgment by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission. The payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying Harris as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961. The Commission shall remit the funds paid pursuant to this paragraph to the United States Treasury.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

SO ORDERED this 17th day of Sept., 2008.


CLARENCE COOPER
UNITED STATES DISTRICT JUDGE