

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

ORIGINAL  
FILED IN CLERK'S OFFICE  
U.S.D.C. Atlanta

OCT 24 2006

SECURITIES AND EXCHANGE  
COMMISSION,

JAMES N. HATTEN, CLERK

By: *JWH* Deputy Clerk

Plaintiff,

Civil Action No.

v.

**1:06-CV-2568**

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

**CC**

Defendants.

**COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

The plaintiff, Securities and Exchange Commission ("Commission" or the "Plaintiff"), files this complaint and alleges the following:

**SUMMARY**

1. Beginning on September 26, 2006, Conversion Solutions Holding Corporation a/k/a Conversion Solutions, Inc. ("Conversion"), made a series of false or misleading statements through press releases and reports filed with the Commission. These statements falsely claimed, among other things, that Conversion owns or controls the entirety of two separate Venezuelan bond issues with face values of €5,000,000,000 (five billion Euros) and \$500,000,000 (five

hundred million dollars). These false statements dramatically inflated both the price and trading volume for Conversion's shares.

2. Rufus Paul Harris, a/k/a/ Paul Rufus Harris ("Harris"), the chief executive officer ("CEO") of Conversion, caused the statements to be made and either knew that the statements were false and misleading or recklessly disregarded the danger that they were.

3. Defendant Conversion has engaged in and, unless enjoined, will continue to engage in, violations of Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78m(a)], and Rules 10b-5, 12b-20, 13a-1 and 13a-11 promulgated thereunder [17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1 and 240.13a-11].

4. Defendant Harris has engaged in and, unless enjoined, will continue to engage in, violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rules 10b-5 and 13a-14 promulgated thereunder [17 C.F.R. §§ 240.10b-5 and 240.13a-14] and aiding and abetting violations of Section 13(a) of the Exchange Act [15 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].

#### **THE DEFENDANTS**

5. Conversion Solutions Holding Corporation is a publicly-trading company with its principal place of business in Kennesaw, Georgia. Conversion

was incorporated in Delaware under the name Conversion Solutions, Inc., on February 11, 2005. Conversion purports to be a “diversified holdings company which was formed to originate, fund and source funding for asset-based transactions in the private market.”

6. Conversion’s stock has been quoted publicly on the OTC Bulletin Board under the symbol “CSHD,” “CSHDE” or “CDSH.OB” since August 2006, and is also traded overseas on the Berlin stock exchange.

7. Rufus Paul Harris a/k/a Paul Rufus Harris, age 38, is the chief executive officer of Conversion. Harris is a resident of Adairsville, Georgia. Also according to Conversion’s most recent Form 10-K, Harris has facilitated and originated projects, corporate and bond financing for more than 10 years, with experiences ranging from high-end corporate financing to bond origination.

#### **JURISDICTION AND VENUE**

8. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

9. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(1) and (2) and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Conversion’s principal place of business is in Kennesaw, Georgia. Harris resides in Adairsville, Georgia.

**CONVERSION'S FALSE STATEMENTS**

10. In September and October 2006, Conversion issued a series of press releases, and filed with the Commission a current report and an amended current report on Form 8-K and 8-K/A, respectively, an annual report on Form 10-KSB and two amended annual reports on Forms 10-KSB/A, all of which fraudulently overstated Conversion's assets.

**THE FICTITIOUS €5 BILLION VENEZUELAN BONDS**

11. On September 26, 2006, Conversion filed a Form 8-K ("September 26 Form 8-K") with the Commission using Harris' electronic signature.

12. The September 26 Form 8-K stated that Conversion's "Board of Directors has approved a contract extension with the Caracas Group and 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 statement was false.

13. The September 26 Form 8-K further stated that the bond had been loaded in the Euroclear system with an international security identification number of DE0006106875 and a Common Code of 012481241.

14. The sole exhibit to the September 26 Form 8-K was a press release from Conversion dated September 25 making substantively identical claims.

15. The identifying codes noted in the September 26 Form 8-K and the attached September 25, 2006 press release correspond to a €700 million bond series issued by Venezuela, not a €5 billion series.

16. On the morning of September 27, 2006, Conversion and Harris issued a press release paraphrasing and restating the same claim (“September 27 €5 Billion Venezuelan Bond Press Release”). It stated that “an additional 5 Billion Euro denominated Global Bonds on the Republic of Venezuela with a [sic] 11% annual coupon has been added to Conversion’s Asset Management Portfolio.”

17. Conversion does not own, or manage as an asset, the entire €700 million bond series issued by Venezuela corresponding the to the identifying codes listed in the September 26 Form 8-K, the September 25, 2006 press release attached to it, and the September 27 €5 Billion Venezuelan Bond Press Release.

18. In fact, there has been trading activity in the €700 million Venezuelan bond issue in question during the period Conversion claims to have owned it.

#### **THE FICTITIOUS DEUTSCHE BANK CONTRACT**

19. Also on the morning of September 27, 2006, Conversion and Harris issued a second press release, titled “Conversion Solutions Announce the Completion of the Banking Platform for Our Global, Sovereign and Institutional Investors” (“September 27 Banking Platform Press Release”).

20. The press release stated that Conversion had “obtained contracts from . . . Deutsche [sic] Bank, ABN Amro Bank, Dresdner Bank and Kommerce [sic] Bank” and that “the mentioned banks will be the foundation for our projected funding platform.”

21. The September 27 Banking Platform Press Release contained material misstatements of fact, or at least was misleading. On information and belief, Deutsche Bank does not have any contract with Conversion, with the possible exception of an ordinary bank account relationship.

#### **THE \$500 MILLION VENEZUELAN BONDS**

22. On September 29, 2006, Conversion filed an amended current report under Form 8-K/A (“September 29 Form 8-K/A”) with the Commission. Audited financial statements for the period ended June 30, 2006 were annexed to the September 29 Form 8-K/A.

23. In the financial statements, Conversion listed assets including a long-term investment in bonds valued at \$500 million. Note 12 to the financial statements explained 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.” Note 12 went on to give the

Common and international security identification numbers for the bonds and stated that the bonds had been acquired on March 15, 2006.

24. Conversion's claim to have acquired the entire series of \$500 million Venezuela 13 5/8% bonds on March 15, 2006 and to have held them through June 30, 2006, is false.

25. Some, and possibly all, of the \$500 million Venezuelan bond issue was owned by entities other than Conversion during the relevant time period. In fact, there has been trading activity in the \$500 million Venezuelan bond issue during the period Conversion claims to have owned it. Moreover, a substantial portion of the \$500 million bond issue, approximately \$39 million, has been owned by corporate affiliates of FMR Co. (Fidelity Investments) during the relevant period.

#### **CONVERSION'S FALSE PERIODIC REPORTS**

26. On October 16, 2006, Conversion filed an annual report on Form 10-KSB with the Commission.

27. On October 17 and 19, 2006, Conversion filed amended annual reports on Forms 10-KSB/A with the Commission.

28. With regard to the \$500 million Venezuelan bond issue, the audited financial statements attached to these forms were essentially identical to those incorporated in the September 29 Form 8-K/A discussed above.

29. Thus, Conversion's claim to have acquired the entire series of \$500 million Venezuela 13 5/8% bonds on March 15, 2006 and held them through June 30, 2006, was repeated in the October 16 Form 10-KSB and the October 17 and 19 Forms 10-KSB/A.

**CONVERSION'S FALSE STATEMENTS INFLATED ITS SHARE PRICE  
AND TRADING VOLUME**

30. Trading activity in Conversion's stock increased dramatically after the two September 27 press releases were issued.

31. On Tuesday, September 26, Conversion's stock closed at a price of \$1.01 per share on a volume of 498,303 shares traded.

32. On September 27, 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.

33. The effect of the fraudulent releases continued into Thursday, September 28, when Conversion's stock closed at \$3.02 per share on a volume of 14,037,728 shares traded. The price and volume have remained above the September 26 levels through the date of this complaint.



**COUNT I – FRAUD**

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78 j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]**

34. Paragraphs 1 through 33 are hereby realleged and are incorporated herein by reference.

35. As described above, Conversion and Harris, in connection with the purchase or sale of securities, directly or indirectly employed devices, schemes, or artifices to defraud; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated as a fraud or deceit.

36. Conversion and Harris knowingly, intentionally and/or recklessly engaged in the conduct described above.

37. While engaging in the above courses of conduct, Conversion and Harris, directly or indirectly, made use of the mails, or means or instruments of transportation or communication in interstate commerce, or means or instrumentalities of interstate commerce.

38. By reason of the foregoing, Conversion and Harris violated or are about to violate, and unless restrained and enjoined, will continue to violate Section 10(b) the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

**COUNT II – REPORTING VIOLATIONS**

**Violations of Section 13(a) of the Exchange Act [15 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]**

39. Paragraphs 1 through 33 are hereby realleged and are incorporated herein by reference.

40. Defendant Conversion, from September through October 19, 2006 violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11 thereunder, by filing current and periodic reports (specifically, its September 26 and 29, 2006 Forms 8-K and 8-K/A, its October 16, 2006 Form 10-KSB, and its October 17 and 19, 2006 Forms 10-KSB/A) which: 1) were materially misleading, or 2) which failed to include such further material information as would have been necessary to make the statements not misleading.

**COUNT III – AIDING AND ABETTING REPORTING VIOLATIONS**

**Aiding and Abetting Conversion’s Violations of Section 13(a) of the Exchange Act [15 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]**

41. Paragraphs 1 through 33 are hereby realleged and are incorporated herein by reference.

42. Defendant Harris, from September 2006 through October 19, 2006, aided and abetted Conversion’s violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-11 thereunder, which occurred when Conversion

filed current and periodic reports (specifically, its September 26 and 29, 2006 Forms 8-K and 8-K/A, its October 16, 2006 Form 10-KSB, and its October 17 and 19, 2006 Forms 10-KSB/A) which: 1) were materially misleading; or 2) which failed to include such further material information as would have been necessary to make the statements not misleading. Through the conduct described in the above paragraphs, Harris knowingly substantially assisted Conversion's violations of this section and rules.

**COUNT III -- FALSE CERTIFICATIONS**  
**Violations of Rule 13a-14 [17 C.F.R. § 240.13a-14]**

43. Paragraphs 1 through 33 are hereby realleged and are incorporated herein by reference.

44. Defendant Harris knowingly signed certifications which were included in current and periodic reports that Conversion filed with the Commission pursuant to Section 13(a) of the Exchange Act [15 U.S.C. §§78m(a)] which contained untrue statements of material fact.

45. By reason of the foregoing, Harris violated Rule 13a-14 [17 C.F.R. § 240.13a-14].

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Commission respectfully prays that the Court:

I.

Make findings of fact and conclusions of law in accordance with Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants Conversion and Harris committed the violations alleged herein.

II.

Issue a temporary restraining order, preliminary and permanent injunctions enjoining Defendant Conversion, its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, and each of them:

(a) from violating 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]; and

(b) from violating 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].

III.

Issue a temporary restraining order, preliminary and permanent injunctions enjoining Defendant Harris, his agents, servants, employees, attorneys, and all

persons in active concert or participation with him who receive actual notice of the order by personal service or otherwise, and each of them:

(a) from violating 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];

(b) from aiding and abetting violations 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]; and

(c) from violating Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

IV.

Issue an order requiring disgorgement of all ill-gotten gains from Defendants' illegal conduct with prejudgment interest.

V.

Issue an order pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] imposing civil penalties against the defendants.

VI.

Issue an order expediting discovery and preserving the documents of the defendants, to preserve the status quo.

VII.

Issue an Order pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] permanently prohibiting Harris from acting as an officer or director of any issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VIII.

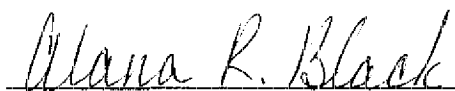
Order such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors. Further, the Securities and Exchange Commission respectfully prays that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that are entered or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

IX.

Grant such other and further relief as may be necessary and appropriate.

Dated this 24<sup>th</sup> day of October, 2006.

Respectfully submitted,



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