

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

Case No.

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

PAUL HARARY and DOUGLAS ZEMSKY, :

Defendants, :

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COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

SUMMARY

1. In 2004 and 2005, Paul Harary and a Florida stockbroker defrauded the stockbroker's customers of over \$3.8 million dollars by acquiring control of two shell companies, creating an artificial market for those companies' common stock, and manipulating the price of that stock using pre-arranged matched orders. Douglas Zemsky identified and purchased the shell companies and coordinated matched orders to start the trading in one of them at a pre-arranged, artificial price. By this conduct, Harary and Zemsky violated the antifraud and securities registration provisions of the United States securities laws, Section 10(b) of the Securities and Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b-5], and Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c) and 77q(a)].

2. The two shell companies were American Financial Holdings, Inc. (trading symbol AFHJ) and Secure Solutions Holdings, Inc. (trading symbol SSLX). Each traded on the Over-the-Counter Market (the "OTC market") and was quoted on the Pink Sheets. Harary facilitated the acquisition of these two shell companies and gained control over most of the unrestricted stock in each. Harary and the Florida stockbroker then worked together to create an artificial market for the stock of these companies. The Florida stockbroker, who founded and operated a Boca Raton broker-dealer (the "Firm"), created the demand for the stock by purchasing it for the Firm's customers, while Harary controlled the supply of the unrestricted shares and sold them. The Florida stockbroker and Harary manipulated the price of AFHJ and SSLX using pre-arranged, matched orders to move up the price of these securities and to create the illusion of market demand and independent value that, in reality, did not exist. In so doing, the Florida stockbroker generated the volume necessary to allow Harary to sell his shares for value and to profit at the expense of the stockbroker's customers.

3. Harary gained over \$4.4 million on sales of his AFHJ and SSLX stock. Harary then kicked back to the Florida stockbroker over \$1 million. Harary provided the kickbacks to the Florida stockbroker through a series of cash hand-offs and checks. The checks, totaling \$820,000, were ostensibly to purchase shares of restricted AFHJ stock, which were virtually worthless at the time. The Firm customers were thus left with worthless shares of the shell companies.

#### **JURISDICTION AND VENUE**

4. This action is filed under Section 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of

1934 (“Exchange Act”) [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Venue is proper in this district because certain of the acts complained of took place in this District.

#### **DEFENDANTS**

5. Paul Harary, age 42, of Boca Raton, Florida is a private investor.

6. Douglas Zemsky, age 43, of Hallendale, Florida is a private investor who was associated with the DC Capital Group, LLC., and was also in the business of acquiring, “cleaning up,” and reselling shell companies.

#### **RELEVANT COMPANIES**

7. AFHJ was a Delaware corporation formerly named California Cyber Design, Inc. (CCDI) that had traded on the OTC market and was quoted on the Pink Sheets. In the three months prior to August 2004, CCDI had not actively traded and had no current assets or operations. In August 2004, an individual working with a Texas lawyer identified himself to Delaware’s Secretary of State’s Office as an officer or director of CCDI and paid its past-due fees and taxes. In fact, this individual was not an officer, director, or shareholder of CCDI. Thereafter, on August 11, 2004, this individual changed the company’s name to AFHJ and approved a 1/400 reverse stock split. On August 20, 2004, this individual resigned from the board of directors and elected a member of DC Capital Group as the sole director, President, and Secretary of AFHJ. DC Capital Group then ordered the issuance of a control block of 40 million new restricted shares and of 4 million new unrestricted shares. Thereafter, AFHJ traded on the OTC market and was quoted on the Pink Sheets. On September 22, 2004, DC Capital Group sold AFHJ to the Florida stockbroker or the Firm pursuant to a merger agreement. On January 19, 2006, AFHJ changed its name to Tactical Solution Partners, Inc. and changed its symbol to TTSR.

8. SSLX was a Nevada corporation formerly named JRW & Associates, Inc. (JRWA) that had traded on the OTC market and was quoted on the Pink Sheets. In the three months prior to April 2005, JRWA had not actively traded and had no current assets or operations. On April 7, 2005, another individual working with the Texas lawyer signed a resolution unilaterally making herself JRWA's sole officer and director, and faxed it to the Texas lawyer. In fact, this individual was not an officer, director, or shareholder of JRWA. On April 12, 2005, this individual signed another JRWA resolution that changed the company's name to SSLX and ordered a 1/1000 reverse stock split. Thereafter, SSLX traded on the OTC market and was quoted on the Pink Sheets. On July 15, 2005, the Commission suspended trading in SSLX stock for ten days.

## FACTS

### *I. The AFHJ Scheme*

#### *A. The Florida Stockbroker and Harary Sought to Acquire a Shell Company*

9. In late 2003 or early 2004, the Florida stockbroker decided to set up and operate the Firm as his own brokerage. Harary invested at least \$5,000 in the Firm and, in return, received approximately a 10 percent equity interest, which he held in his wife's name. From May 2004 through August 2005, Harary and the Florida stockbroker communicated constantly about the Firm and their plans for it.

10. On June 10, 2004, the Firm began to operate independently.

11. By the summer of 2004, Harary and the Florida stockbroker had decided to merge the Firm into a Pink Sheet shell company so that its stock would trade on the OTC market.

12. Harary, who had been involved in several other shell company transactions, took the lead in locating a suitable merger partner for the Firm.

13. Instead of putting up the funds themselves to purchase the shell company, the Florida stockbroker and Harary decided to raise the funds from the Firm's customers. Accordingly, in the summer of 2004, the Florida stockbroker raised approximately \$810,000 by selling Firm stock to his customers through a private placement.

14. After the Florida stockbroker raised the money from Firm customers to buy the shell company, Harary contacted his long-time friend and associate Douglas Zemsky, who worked with a partner at DC Capital Group LLC, and asked them to locate a Pink Sheet shell company that was for sale.

15. Zemsky and his partner contacted the Texas lawyer and paid him \$175,000 to sell them a Pink Sheet shell company.

***B. The Illegal Takeover of a Publicly Traded Company without Assets or Operations***

16. The Texas lawyer paid a portion of the \$175,000 to an individual who illegally took over an inactive company, diluted or "boxed out" that company's prior shareholders by authorizing a 1/400 reverse stock split, and changed the company's name to AFHJ. On August 20, 2004, this individual resigned from the board of directors and elected Zemsky's partner at DC Capital Group as the sole director, President, and Secretary of AFHJ.

17. DC Capital Group then issued its nominees 4 million new unrestricted shares and a control block of 40 million new restricted shares. Thereafter, DC Capital Group sold AFHJ to either the Florida stockbroker or the Firm for \$225,000, retaining \$50,000 as its compensation. Zemsky paid \$25,000 of this amount to Harary.

***C. In Connection with the Firm's Attempt to Merge With AFHJ, Harary Gains Control of Almost all of AFHJ's Unrestricted Stock***

18. On September 22, 2004, Zemsky's partner and the Florida stockbroker, on behalf of AFHJ and the Firm respectively, entered into an agreement to merge the Firm into AFHJ,

contingent on NASD approval. The next day, a press release publicly announced the planned Firm and AFHJ merger. In connection with this merger agreement, two things happened:

19. First, at Harary and the Florida stockbroker's direction, Zemsky's partner arranged for the transfer agent to issue 15 million restricted shares to the Florida stockbroker and 1.5 million restricted shares to Harary's wife.

20. Second, at Harary's direction, the DC Capital Group nominees ordered all of their unrestricted AFHJ stock to be reissued to Harary's nominees – his wife, his mother-in-law, a company called Strategic Asset Management LLC ("SAM LLC"), and a company called Windbreakers Investments, Inc. Harary controlled SAM LLC and Windbreakers Investments.

21. After these transactions, Harary controlled over 99% of the outstanding unrestricted AFHJ stock, while all of the original shareholders held less than 1% of the "revived" company's stock.

22. Harary then transferred some of the newly issued unrestricted AFHJ shares into a brokerage account owned by a company called Strategic Asset Management Inc. ("SAM Inc.") held at Golden Capital Securities Ltd., a Canadian brokerage. Harary's mother-in-law was SAM Inc.'s President, although Harary had trading authority over the brokerage account and controlled it.

***D. Working Together, Harary and the Florida Stockbroker Created an Artificial Market for AFHJ's Stock as a way to Transfer Wealth from the Florida Stockbroker's Customers to Harary***

23. Even before the Florida stockbroker had applied to the NASD for approval to merge the Firm into AFHJ, the Florida stockbroker and Harary worked together to create an artificial market for AFHJ's stock. The Florida stockbroker generated demand for the stock by placing orders through his customers' accounts, and Harary met this demand by selling shares through his SAM Inc. nominee account. As a result, Harary reaped illegal stock-trading profits

at the expense of the Firm customers, and later kicked back a portion of those profits to the Florida stockbroker.

24. Prior to September 23, 2004, AFHJ had been an inactive stock, with almost no retail trading volume for over a year. At all relevant times, AFHJ remained a shell company with no assets or operations.

25. On September 23, 2004, the Florida stockbroker began purchasing AFHJ stock for his customers' accounts on the OTC market. The Florida stockbroker continued to purchase AFHJ for his customers' accounts throughout the rest of 2004 and 2005. The Florida stockbroker ordered most of these purchases without his customers' knowledge or prior authorization.

26. While the Florida stockbroker was using his customers' accounts to purchase AFHJ stock, Harary was selling the stock on the OTC market through his SAM Inc. account.

27. There were virtually no other retail participants in the AFHJ market other than Harary's SAM Inc. account and the Florida stockbroker's customers. Harary and the Florida stockbroker were in constant communication during this time period. For example, they spoke almost daily, including a 28 minute call the night before the AFHJ merger press release and the Florida stockbroker's first purchases of AFHJ stock for his customers' accounts.

28. Harary and the Florida stockbroker manipulated the price of AFHJ stock using pre-arranged matched orders. When the Florida stockbroker posted a bid to purchase AFHJ stock for his customers, he called Harary. Harary took the calls while sitting at his computer terminal that was equipped with a NASDAQ service that provides real-time access to Market Makers' quotations in OTC Bulletin Board securities. The Florida stockbroker then told Harary

that he had placed a bid, and asked if Harary saw it on the screen. Harary then found the Florida stockbroker's bid and sold shares of AFHJ to meet it.

29. Harary and the Florida stockbroker used their matched orders to move up the price of AFHJ and create the illusion of market demand and independent value for AFHJ shares.

30. Within ten days, the Florida stockbroker's and Harary's matched orders had moved AFHJ's price from \$2.05 to over \$7 per share. Within ten more days of trading, the price had risen to over \$8.00. Thereafter, the price fluctuated between \$7.00 and \$9.00 before falling back to a low of \$0.70 within six months. All this time, the company had no assets or operations.

*E. The Firm's Customers' AFHJ Purchases*

31. A majority of the Firm's customers were over the age of 65, and had no interest in risky or speculative investments.

32. Between September 23, 2004 and June 30, 2005, at least 16 Firm customers' accounts purchased AFHJ from the open market.

33. The Firm's customers did not understand that AFHJ was a shell company with no assets or operations. None of them placed orders on their own initiative to purchase AFHJ.

34. One of these customers, age 84, is a retired widow who opened an account with the Firm using the money she received due to her son's death in the World Trade Center on September 11, 2001. She had very limited investment experience and her risk tolerance and investment objectives were medium risk and medium income producing. The Florida stockbroker made 7 purchases of AFHJ for this customer's account, which resulted in over \$79,000 in losses.



35. Another customer, age 76, is a retired widow who needed the income generated by her accounts with the Firm to supplement her income. This second customer had no investment experience, and her investment objectives were stated to be moderate risk exposure with long-term growth. The Florida stockbroker made numerous purchases of AFHJ (and later SSLX) for this customer's account without her prior authorization. Through these purchases, she lost almost \$116,000.

36. Between September 23, 2004 and August 12, 2005, Firm customers lost over \$680,000 in value from OTC market purchases of AFHJ stock. Harary made over \$700,000 in proceeds from his sales of AFHJ at the expense of the Firm's customers. Harary shared these proceeds with the Florida stockbroker through a series of cash kickbacks. The Florida stockbroker also benefited by reaping substantial commissions – and/or markups – for placing the orders for his customers' AFHJ purchases.

## ***II. The Firm's Proposed Merger into the AFHJ Shell Never Took Place***

37. On October 8, 2004, two weeks after the proposed merger of the Firm into AFHJ was announced in a press release, the Firm submitted an application to the NASD for approval of the merger.

38. On November 12, 2004, the Firm withdrew its application after discussions between the NASD and the Firm's counsel. Because it had not received NASD approval, the Firm could not complete the announced merger with AFHJ.

39. On November 16, 2005, AFHJ issued a press release announcing the cancellation of the proposed merger between it and the Firm. As a result, AFHJ was left as an asset-less shell company.

### ***III. Secure Solutions Holdings, Inc. (SSLX)***

#### ***A. Harary Commences Discussions with a Retired Major General Concerning a Shell Company for a New Homeland Security Venture***

40. In early 2005, Harary again set in motion events that led to the illegal takeover of another inactive shell company, the dilution or “boxing out” of that company’s original shareholders, and Harary’s acquisition of a majority of the company’s “unrestricted” shares. This time, Harary sought to find a Pink Sheet shell company for three individuals, including a retired major general.

41. These three individuals wished to form a holding company to acquire homeland security companies. In order to facilitate financing to engage in the envisioned acquisitions, they decided to merge the new homeland security company into a Pink Sheet shell company.

42. Harary had previously worked with one of the three individuals. Based on their pre-existing relationship, this person asked Harary to help him locate a suitable Pink Sheet merger partner for the new homeland security company.

43. Harary tried to convince these three individuals to use AFHJ. Based on Harary’s referral, the retired major general met with the Florida stockbroker on two separate occasions in the spring of 2005 and discussed their plan to form the homeland security company and their interest in potentially using AFHJ as a merger partner. However, because of the high trading price (around \$9 at that time) and the large number of outstanding shares, the retired major general decided not to use AFHJ for the merger.

#### ***B. Harary, Through Zemsky, Locates Another Shell Company for the Retired Major General***

44. After these individuals declined to use AFHJ, Harary asked Zemsky to locate a different Pink Sheet shell company for them to purchase. In turn, Zemsky once again contacted the Texas lawyer, who agreed to locate and sell him a shell company, this time for \$150,000.

45. The shell company sale was to be a “cookie cutter” of the AFHJ transaction.

However, it was decided that rather than a cash payment, the Texas lawyer would receive 75,000 unrestricted shares of the company’s stock as payment for the shell company.

46. Zemsky promised the Texas lawyer that there would be buyers willing to purchase the Texas lawyer’s stock for \$2 per share when the Texas lawyer offered it for sale on the OTC market. Such a sale would result in proceeds of \$150,000 -- the shell company purchase price that the Texas lawyer had quoted to Zemsky.

***C. The Illegal Takeover of Another Pink Sheet Company Without Assets or Operations***

47. The Texas lawyer arranged for an individual to act as an officer and director of an inactive Pink Sheet shell company for a few days and then resign. Neither the Texas lawyer nor this individual had owned any of the company’s stock or served as an officer or director of the company. As a result, neither had authority under state law to take over the company.

48. On or around April 7, 2005 and April 12, 2005, the Texas lawyer provided this individual various corporate documents to sign, including a resolution appointing her the company’s sole officer and director and a resolution changing the company’s name to SSLX and ordering a 1/1000 reverse stock split. These resolutions were filed with the Nevada Secretary of State’s Office.

49. On April 12, 2005, the individual resigned and named Zemsky President and sole director of SSLX.

50. On April 19, 2005, Zemsky ordered the issuance of 40 million restricted SSLX shares in his name, making him the majority shareholder of the company. Through the reverse stock split and the issuance of new SSLX stock, the original shareholders had their equity

interest in the company reduced to a nominal amount and were effectively “boxed out” of their company.

***D. Harary Gained Control of the Majority of SSLX's Unrestricted Stock***

51. On April 19, 2005, the Texas lawyer, on behalf of the company, instructed the transfer agent to issue a total of 4 million unrestricted SSLX shares to Harary's and Zemsky's nominees – his wife; his mother-in-law; Zemsky's wife; and 75,000 shares to the Texas lawyer as his compensation for the sale of the shell company.

52. Following the issuance of the 4 million unrestricted shares, Harary controlled approximately 70 percent of the unrestricted SSLX shares.

***E. Defendants Use Matched Orders for SSLX Stock to Pay the Texas Lawyer and Commence Trading in the Stock***

53. Zemsky instructed the Texas lawyer to place an order to sell his 75,000 shares of SSLX stock on the OTC market for \$2 per share. Zemsky also told the Texas lawyer to inform Zemsky when he placed the order.

54. On April 22, 2005, the Texas lawyer's brokerage account received his 75,000 unrestricted SSLX shares. Prior to April 22, 2005, SSLX had been an inactive stock, with almost no retail trading volume for over a year.

55. On April 22, 2005, Zemsky called the Texas lawyer at 10:41 a.m. Right after this call, at 10:45 a.m., Zemsky called Harary. There were numerous other calls made between these individuals throughout the day.

56. On April 22, 2005, at 10:49 a.m., only minutes after Zemsky's call, the Texas lawyer placed the order to sell all of his SSLX stock for \$2 per share. As agreed upon, the Texas lawyer's entire block of 75,000 shares was sold on April 22, 2005 for approximately \$150,000. These were the only SSLX shares sold that day other than those traded by intermediary brokers.

57. Harary's SAM Inc. account and the Florida stockbroker's customers' accounts were the ultimate purchasers of over 90 percent of the Texas lawyer's shares. They purchased 4,500 and 66,000 shares respectively.

58. Two other individuals purchased the remaining shares. Zemsky called one of these individuals on the day of the trades, only minutes after speaking with the Texas lawyer.

59. On April 28, 2005, only days after Zemsky issued unrestricted SSLX stock to Harary's nominees, Harary tendered a \$70,000 check to Zemsky's wife. The check was compensation from Harary to Zemsky for his role in acquiring and "cleaning up" the SSLX shell.

***F. The Retired Major General Acquired Control of SSLX***

60. On May 6, 2005, Zemsky and the retired major general entered into an agreement whereby Zemsky would sell his control block of 40 million restricted SSLX shares to the retired major general. The consideration for this sale was \$1, which was never paid. Zemsky also asked the retired major general if he could keep 100,000 restricted shares of SSLX for himself, which the retired major general agreed to.

61. On May 9, 2005, Zemsky resigned from SSLX and appointed the retired major general its sole director, President, Secretary, and Treasurer. According to the agreement's terms, the transfer agent cancelled Zemsky's shares and reissued the 40 million restricted shares of SSLX stock to the retired major general. Using Zemsky's Business Wire account, on May 9, 2005, SSLX issued a press release announcing the completion of the acquisition.

***G. Working Together, Harary and the Florida Stockbroker Created an Artificial Market for SSLX's Stock as a Way to Transfer Wealth from the Florida Stockbroker's Customers to Harary***

62. Following the initial pre-arranged sales of SSLX, the Florida stockbroker and Harary created an artificial market for SSLX stock, with the Florida stockbroker generating demand for the stock and Harary selling the shares he had accumulated in nominee accounts. As

a result, Harary again reaped illegal stock-trading profits at the expense of the Firm's customers, and later kicked back a portion of those profits to the Florida stockbroker.

63. Through his wife and mother-in-law, Harary controlled the majority of SSLX's public float. Harary (or his nominees) transferred his shares to a Schwab brokerage account in his wife's name, an account in his mother-in-law's name at Seacoast Investments, and to the same SAM Inc. account at Golden Capital in Canada that he used to sell AFHJ stock.

64. Throughout the spring and summer of 2005, the Florida stockbroker used his customers' accounts to purchase large quantities of SSLX stock on the OTC market. The Florida stockbroker often used a Firm proprietary account to purchase blocks of SSLX stock and then resold the stock to his customers. Between April 22 and August 12, 2005, the Florida stockbroker's customers' accounts purchased approximately 75% of all SSLX shares purchased by retail accounts, at a cost of over \$3.1 million.

65. Between April 22 and August 12, 2005, Harary dominated the supply side of the SSLX market. His sales comprised approximately 80 percent of all SSLX shares sold by retail accounts during this period of time. The Florida stockbroker's customers ultimately purchased most of this stock. Harary reaped over \$3.6 million in proceeds from his sales of SSLX stock.

66. Harary and the Florida stockbroker manipulated the price of SSLX stock (as they had with AFHJ) using pre-arranged, matched orders. Following the practice they had used with AFHJ, as he posted bids to purchase SSLX stock for his customers, the Florida stockbroker called Harary and Harary sold SSLX shares that he controlled to meet those bids. These matched orders manipulated the price of SSLX stock by creating the illusion of market demand and independent value for SSLX shares which did not exist.

67. Harary and the Florida stockbroker were in constant communication during this period of time and were both aware that their combined trading manipulated the market for SSLX stock.

68. Within one week of the Texas lawyer's \$2 pre-arranged trades, the price of SSLX rose to \$3 per share, and within one month the price had climbed to over \$5 per share. The price continued to rapidly escalate, eventually surpassing \$9 per share - more than a 450% increase in less than 3 months.

#### ***H. The Firm's Customers***

69. Between September 23, 2004 and June 30, 2005, at least 44 Firm customers' accounts purchased SSLX on the open market.

70. One of these customers, age 86, is a retired widow who lost her husband in April 2005. The Florida stockbroker used nearly \$520,000 from this customer's account to purchase SSLX. This customer bought SSLX after being told it paid a 5% dividend.

71. Another customer and his wife lost over \$317,000 from purchases of AFHJ and SSLX stock after obtaining a mortgage and an equity line of credit on their home in order to fund their brokerage accounts at the Firm. This customer bought SSLX believing that it was an "IPO" – an initial public offering.

#### ***I. Harary Kicks Back Cash and Checks to the Florida stockbroker***

72. In the spring of 2005, Harary continued to pay cash kickbacks to the Florida stockbroker for Firm customer purchases of AFHJ and/or SSLX. The total amount of cash kickbacks was over \$240,000.

73. In addition to these cash handoffs, Harary paid the Florida stockbroker kickbacks totaling \$820,000 in checks. These kickbacks were comprised of: (a) checks written by Harary's wife totaling \$300,000 to a nominee entity controlled by the Florida stockbroker; and (b) checks

totaling \$520,000, drawn on a SAM LLC account, to the stockbroker's nominee entity. These checks were drawn on two of the bank accounts that received (and/or would receive) proceeds from Harary's sales of SSLX stock.

74. Harary and the Florida stockbroker tried to disguise the \$820,000 in checks as payments for Harary's purchase of 170,000 restricted shares of AFHJ from the Florida stockbroker. These AFHJ shares comprised a very small percentage of the company's total equity. In addition, at the time of this "share transaction," in May and June 2005, AFHJ still had no assets or operations. Furthermore, less than a year earlier, the Florida stockbroker or the Firm had purchased the entire AFHJ shell company for only \$225,000.

#### ***J. The SEC's Trading Suspension***

75. Due to Harary and the Florida stockbroker's manipulative trading, on July 8, 2005, SSLX hit a high price of \$9.00. That day, the SEC staff received a complaint that alerted the staff to the SSLX manipulation.

76. The SEC staff commenced an expedited investigation into the circumstances surrounding the unusual trading in SSLX.

77. On July 15, 2005, the Commission ordered SSLX's trading suspended for ten business days.

#### ***IV. Customer Losses***

78. The Florida stockbroker's customers suffered substantial financial losses due to the fraudulent conduct discussed above. Between September 23, 2004 and August 12, 2005, the Florida stockbroker's customers lost \$3,175,009.56 from purchases of SSLX and \$683,562 from purchases of AFHJ.



79. Therefore, excluding the commissions that the Florida stockbroker received for executing these trades, the Florida stockbroker's customers lost approximately \$3.8 million from this illicit activity.

80. Other investors, who purchased SSLX on the open market but who were not customers of the Firm, also lost money because Harary manipulated SSLX's share price.

***V. AFHJ and SSLX Should Not Have Issued Unrestricted Stock***

81. The Texas lawyer drafted legal opinion letters supporting the validity of AFHJ's and SSLX's issuance of unrestricted stock.

82. In the opinion letters, the Texas lawyer authorized the companies' transfer agents to issue the unrestricted AFHJ and SSLX stock directly to DC Capital Group nominees (for AFHJ) and Harary and Zemsky nominees and himself (for SSLX). The opinion letters cited as authority Rule 504 of Regulation D under the Securities Act and Regulations 139.16 and 139.19 of the Texas Administrative Code. The Texas lawyer asserted that these provisions, taken together, allowed the issuance of "unrestricted stock" to persons domiciled in Texas.

83. However, none of the individuals who were issued this "unrestricted" stock, except for the Texas lawyer (for SSLX); were residents of, or domiciled in, Texas. As a result, AFHJ and SSLX could not rely on the provisions of the Texas Administrative Code to issue the unrestricted stock.

84. Moreover, to the extent that Harary and Zemsky made any attempt for these issuances to meet the technical requirements of Rule 504 of Regulation D of the Securities Act, they did so as part of a plan or scheme to evade the registration provisions of the Securities Act. For example, with Zemsky's knowledge, his partner at DC Capital Group and the Texas lawyer set up a Texas shell corporation to ostensibly act as the "Texas resident" through whom the

unrestricted shares of AFHJ would be funneled to Harary's nominees. Zemsky and the Texas lawyer set up the Texas shell corporation that funneled the SSLX shares to Harary's and Zemsky's nominees. Zemsky's partner and Zemsky's wife each acted as a president of one of the Texas shell corporations. However, neither Texas shell corporation received and/or distributed the unrestricted shares.

85. Zemsky participated directly in the issuance of the unrestricted stock. His participation was necessary and substantial. He helped initiate and set up both the AFHJ and SSLX reverse mergers. Zemsky's partner and Zemsky's wife each served as a president of one of the Texas shell corporations set up to funnel shares to Harary's and Zemsky's nominees. Zemsky also served as President of SSLX before selling the company to the retired major general. He directed the lawyers who issued the new unrestricted SSLX shares to Harary's – and Zemsky's – nominees. He also helped orchestrate the initial sale of SSLX stock into the market through the matched-order trades with the Texas lawyer. In addition, Zemsky knew that another attorney his partner had consulted had doubts about the legality of the Texas lawyer's legal theory.

86. None of the newly issued AFHJ and SSLX shares was registered with the Commission.

## ***VI. Defendants' State of Mind***

87. Harary knowingly engaged in a scheme to defraud Firm customers by creating an artificial market for the AFHJ and SSLX securities. Harary and the Florida stockbroker also knowingly entered into pre-arranged, matched orders to manipulate upward the share price of AFHJ and SSLX stock.

88. Zemsky knew or was reckless in not knowing that he had illegally procured the SSLX shell company as part of a scheme to defraud.

89. Zemsky also knowingly entered into pre-arranged, matched orders for the initial trades of SSLX with the aim of setting an artificial price for SSLX securities.

**FIRST CLAIM FOR RELIEF**  
**Securities Fraud**  
**Violations of Exchange Act Section 10(b) and Rule 10b-5**  
**(Against Harary and Zemsky)**

90. Paragraphs 1 through 89 are realleged and incorporated by reference.

91. As described above, Harary and Zemsky, acting knowingly or recklessly, directly or indirectly, in connection with the purchase or sale of a security, by use of means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material fact or omitted 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
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

92. By engaging in the foregoing conduct, Harary and Zemsky 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].

**SECOND CLAIM FOR RELIEF**  
**Securities Fraud**  
**Violations of Securities Act Section 17(a)**  
**(Against Harary and Zemsky)**

93. Paragraphs 1 through 92 are realleged and incorporated by reference.

94. As described above, Harary and Zemsky acting knowingly, recklessly, or negligently in the offer or sale of securities, by use of means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- a. employed devices, schemes, or artifices to defraud;
- b. obtained money or property by means of untrue statements of a material fact 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
- c. engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon the purchaser.

95. By engaging in the foregoing conduct, Harary and Zemsky violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

**THIRD CLAIM FOR RELIEF**  
**Offer or Sale of Unregistered Securities**  
**Violations of Securities Act Sections 5(a) and 5(c)**  
**(Against Harary and Zemsky)**

96. Paragraphs 1 through 95 are realleged and incorporated by reference.

97. As described above, notwithstanding that there was no applicable exemption from the registration requirements of the federal securities laws, Harary and Zemsky:

- a. made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, though the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect;
- b. for the purpose of sale or delivery after sale, carried and/or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; or

c. made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

98. No valid registration statement was filed or in effect with the Commission pursuant to the Securities Act and no exemption from registration existed with respect to the securities and transactions described in this complaint.

99. By engaging in the foregoing conduct, Harary and Zemsky violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

#### **RELIEF REQUESTED**

WHEREFORE, the Commission respectfully requests that this Court issue an order:

A. permanently enjoining Harary and Zemsky, pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], from violating, directly or indirectly, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5];

B. permanently enjoining Harary and Zemsky, pursuant to Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)], from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)];

C. ordering Harary and Zemsky to disgorge, with prejudgment interest, the amount by which they were unjustly enriched as a result of their conduct described above;

D. permanently enjoining Harary and Zemsky from directly or indirectly participating in an offering of penny stock, as defined by Rule 3a51-1 under the Exchange Act [17 C.F.R. §

240.3a51-1], pursuant to the Court's equitable jurisdiction and Section 603 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 77t(g)];

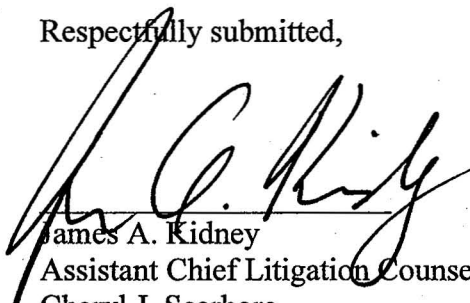
E. Permanently enjoining defendant Zemsky, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], from acting as an officer or director of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)];

F. granting such other relief as the Court deems just or appropriate; and

G. retaining jurisdiction of this action in order to implement and carry out the terms of this order.

Date: September 24, 2007

Respectfully submitted,



James A. Kidney  
Assistant Chief Litigation Counsel  
Cheryl J. Scarboro  
Charles J. Felker  
John C. Lehmann Jr.  
Matthew L. Skidmore  
Counsel of Record for Plaintiff  
Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, DC 20549-4010  
(202) 551-4441 (Kidney)  
(202) 772-9246 (Kidney)  
kidneyj@sec.gov