

South Florida Business Journal - December 24, 2007

<http://southflorida.bizjournals.com/southflorida/stories/2007/12/24/story2.html>

## South Florida BUSINESS JOURNAL

Friday, December 21, 2007

# General encounters a twist on shell shock

Two figures in stock manipulation could get 63, 78 months

South Florida Business Journal - by [Julia Neyman](#)

The former assistant to the chairman of the Joint Chiefs of Staff has filed a counterclaim against South Florida businessmen Douglas Zemsky and Paul Harary in relation to a stock manipulation and kickback case.

Retired Maj. Gen. Michael Davidson on Oct. 24 filed the countersuit, claiming Zemsky, of Hallandale Beach, and Harary, of Boca Raton, sold him a tainted shell company, engaged in a pump-and-dump scheme without his knowledge, and then, when the **SEC** caught wind of the conspiracy, tried to pin the blame on him.

Davidson is also asking a judge to look into actions by the duo's former Fort Lauderdale attorney, Jan Atlas of Adorno & Yoss.

It's the latest blow for Zemsky, 44, and Harary, 43, who pleaded guilty in a criminal case and settled a civil case after the SEC said they defrauded the customers of a Boca Raton brokerage firm of \$3.8 million. Among those defrauded is an 84-year-old woman who had opened a stock account with the money she received from her son's Sept. 11 death at the World Trade Center, and a retired widow who lost \$116,000, SEC documents show.

According to the SEC and **U.S. Department of Justice** complaints, Harary and Florida stockbroker "AF," who has since been identified in civil law suits as Anthony Fareri, acquired control of two shell companies and artificially inflated their stock prices using a pre-arranged matched trading scheme. Zemsky identified and purchased the shells: **Secure Solutions Holdings** (Pink Sheets: SSLX) and **American Financial Holdings** (Pink Sheets: AFHJ), which he renamed **Tactical Solution Partners** (Pink Sheets: TTSR).

The SEC said Harary made \$4.4 million, Fareri got \$1 million in kickbacks and the customers, many of them elderly, were left with worthless stock.

The SEC in September settled with Harary for \$4 million and Zemsky for \$97,000. They have not paid the fines yet. Fareri has not been indicted, but Josh Felker, assistant director of the SEC's division of enforcement, said an investigation is ongoing.

Shortly after the SEC action, Harary and Zemsky pleaded guilty to federal wire and mail fraud charges in a Washington, D.C., court. Zemsky, who is to be sentenced on Jan. 25, faces up to 63 months in prison. Harary faces up to 78 months in prison, but his sentencing has been delayed.

His plea deal requires cooperation with federal investigators in other fraud cases.

"Mr. Harary has accepted responsibility for his conduct," said his attorney, Christopher Bruno. "He cooperated to his best ability with the government and he is looking forward to putting this matter behind him."

Neither Zemsky, Harary nor Zemsky's attorney could be reached for comment.

Diversionsary tactic?

Civil suits allege that once Zemsky, Harary and Fareri realized they were in trouble with the SEC, they filed a series of lawsuits to deflect attention from themselves. Three suits were filed against Maj. Gen. Davidson, who in 2005 had agreed to purchase Secure Solutions as a shell for a startup homeland security company. Davidson was unaware that Harary and Fareri were manipulating the company's prices, said Davidson's attorney, René Harrod of Berger Singerman.

"We found out after we signed the agreement that it [the shell company] didn't seem quite right," she said. "Meanwhile, Zemsky and Harary and a few others are trading the shares to make the price go up, even though the company has no business and no assets."

In July 2005, after Secure Solutions hit a high of \$9 a share, the SEC halted trading for 10 days and launched an investigation that ultimately revealed a multimillion-dollar market manipulation and kickback scheme, according to SEC documents.

Shortly thereafter, Zemsky, Harary and Fareri filed suits against Davidson and his business partner, Maj. Gen. Bruce Lawlor. Through a tangle of wives and mothers-in-law, whom they represented as shareholders, the trio sued the generals for defrauding Secure Solutions shareholders and diverting funds to themselves.

"The generals and other defendants had to spend a year and a half fighting these claims," Harrod said. "Then the SEC announced the settlement with Harary and Zemsky, and it comes out that they actually pled guilty to all the charges they were making against the generals."

Davidson has filed a countersuit against Zemsky and Harary for breach of contract, fraud and conspiracy. The suit alleges that, as a result of Zemsky and Harary's actions, Davidson incurred legal fees of more than \$150,000 and lost \$2.7 million in stock from his other company, **Centuria Corp.**, which he gave to investors who had purchased Secure Solutions stock.

"The SEC and the DOJ have done a terrific job in unraveling this mess," Davidson said.

Retired Maj. Gen. Lawlor has asked the court to reopen the case against him, which was dismissed in March, and to impose sanctions against Fareri.

"Fareri caused this action to be initiated on behalf of plaintiffs to deflect from his part in the illegal stock manipulation scheme," the complaint reads. "Plaintiffs were not the victims of a fraud by defendants, but rather were the victims of a fraud perpetrated by their stockbroker, Fareri, and his cohorts, Zemsky and Harary."

On Dec. 4, representatives of the second shell company, Tactical Solution Partners, filed suit against Harary and Zemsky, accusing them of "hijacking and theft" of the shell company.

The suit alleges Harary and Fareri fraudulently obtained millions of shares and drove the stock price from \$2.05 to \$7 in 10 days. The stock fell to 70 cents within six months and was trading at 16 cents on Dec. 18.

### **Atlas' dual roles questioned**

Adorno & Yoss attorney Atlas represented Harary, Fareri and Zemsky in suits against the generals while also representing Zemsky and Harary in the SEC investigation.

In their cases, Davidson and Lawler are asking the court to investigate whether Atlas and Adorno & Yoss should be sanctioned for prosecuting a fraudulent claim.

The question raised in the suits is whether Atlas, who served as counsel until he withdrew in November 2006, knew his clients were being investigated by the SEC on the same allegations that they were suing others for.

A court filing shows Atlas resigned due to "irreconcilable differences" with his clients.

Reached recently by phone, he declined to elaborate, saying: "I'm not in a position to discuss my relationship with any client."

*jneyman@bizjournals.com | (954) 949-7511*

*All contents of this site © American City Business Journals Inc. All rights reserved.*