
News from Attorney General Robert Abrams

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ABRAMS MOVES AGAINST FRAUD IN STRATEGIC METAL SALES

Attorney General Robert Abrams announced today that 35 state troopers and investigators this morning raided the offices of a firm allegedly engaged in a massive nationwide fraud involving the sale of investments in the strategic metal tantalum. The operation was closed down, and a number of officers and salespeople of the firm were arrested.

The arrests follow a two-month investigation by the Attorney General of Mineral Resources, Inc. located at 55 John Street and 90 West Street in Manhattan. Court papers filed today by the Attorney General's office allege that the defendants were engaged in a so-called "boiler room operation" which defrauded investors throughout the country by fraudulently selling them scrap tantalum as investment-grade metal. Specifically, it is alleged that investors were telephoned by salespeople and offered tantalum for \$260 to \$400 per pound when the market value was only about \$90 per pound. Investors, it is charged, were also told that the tantalum could be re-sold at any time to companies in the electronics field. In fact, the court papers allege, the tantalum being sold had already been rejected for use by the electronics industry.

Today's arrests were made after undercover agents assigned to the Attorney General's office made a \$70,000 buy of tantalum from Mineral Resources, Inc. Charges filed against the defendants include scheme to defraud, a felony punishable by up to four years in prison, and misdemeanor violations of the New York State Securities law. Among those arrested was Calvin Bein, president of the firm.

According to the court papers, investors were generally sold small amounts of scrap tantalum stored in warehouses in New York and New Jersey. Investors were allegedly promised 200% to 300% return on their investments, although, according to the court papers, "there existed no

(over)

market" for the tantalum at the price investors paid, much less at a greater price.

In addition, investors were allegedly told that buying tantalum was a good investment because a main source of it is Russia -- a source which, due to political tensions, could be cut off at any time, thus greatly increasing the market value of tantalum. However, the Soviet Union is not the source of the tantalum being offered and does not even export tantalum to the United States.

Mr. Abrams said that his office was referring the matter to a New York County Grand Jury for investigation. If indictments are returned, it would be the first criminal prosecution for a boiler-room operation dealing in strategic metals, which according to the Attorney General, is a rapidly growing form of investment fraud.

Attorney General Abrams thanked John Martin, the United States Attorney for the Southern District of New York, and New York State Police Superintendent William Connelie for their cooperation in the investigation.

The investigation was handled by Assistant Attorneys General Mark Tepper, Rebecca Mullane, and Eugene Berman under the supervision of Orestes J. Mihaly, Chief of the Bureau of Investor Protection and Securities.