



NOW, on reading and filing the summons dated the 16th of November, 1956, and the complaint herein, verified the 16th day of November, 1956, the affidavit of ORESTES J. MIHALY, Deputy Assistant Attorney General, sworn to the 16th day of November, 1956, and the consent of the defendant, Pioneer Mortgage and Development Corporation.

AND the defendant, Albert Wallace Benson, doing business as Benson & Co., having consented to the entry of a judgment of permanent injunction in the above entitled action on December 12, 1956, and this Court having issued a judgment of permanent injunction against said Albert Wallace Benson, and having further ordered that the action be severed as against Albert Wallace Benson on the 13th day of December, 1956, it is

On Motion of JACOB K. JAVITS, Attorney General of the State of New York, attorney for the plaintiffs,

ORDERED, ADJUDGED AND DECREED that the above defendant, Pioneer Mortgage & Development Corporation, be restrained and enjoined permanently from directly or indirectly engaging or attempting to engage in any business relating to the purchase and sale of securities or commodities with the public, within and from the State of New York; and from acting and engaging as agent, salesman or employee of any person, firm or corporation engaged in any business relating to the purchase and sale of securities or commodities with the public, within the State of New York; and from

writing, publishing preparing, selling and distributing any letter or other literature advising, suggesting or in any other manner communicating advice to the public within the State of New York with respect to the purchase or sale of securities or commodities and of the future price fluctuations of securities or commodities markets in general; and from forecasting, advising or in any other manner suggesting either orally or in writing any method or methods to be used in connection with the purchase or sale of securities or commodities, and from any act in aid or furtherance of the same, or in any attempt thereat; and it is further

ORDERED, ADJUDGED and DECREED, that the above defendant, Pioneer Mortgage & Development Corporation, be restrained and enjoined permanently from directly or indirectly engaging or attempting to engage in the business of broker or dealer in securities within or from the State of New York, and from any act in aid or furtherance thereof; and engaging or attempting to act and engage as agent, salesman or employee of any broker or dealer in the securities business; and from acting as or being or attempting to act as or be a stockholder, director, trustee, officer, member or employee of any corporation, association, syndicate, company, trust or other combination engaged in the securities business as brokers or dealers; and from being or attempting to be a partner or member (limited, dormant or otherwise) of any partnership, firm, association or person engaged in the securities business as brokers or dealers within or from the State of New York; and from any act in aid or furtherance of the same, or in any attempt thereat; and it is further

ORDERED, ADJUDGED and DECREED that the above defendant, Pioneer Mortgage & Development Corporation, be restrained and enjoined permanently from acting and engaging or attempting to act and engage as agent, broker, salesman, owner, employee, stockholder, director, trustee, officer, associate or partner (limited, dormant or otherwise) of any corporation, company, association, trust, and representative of another or in any other capacity, or by or through any other person or agency, from the issuance of offering for sale, or sale, or promotion, or negotiation, or advertisement, or distribution, or purchase, to or from the public within or from the State of New York, of any negotiable documents of title, foreign currency orders, calls, options, stocks, bonds, notes, evidences of interest or indebtedness and any other securities, including oil and mineral deeds and leases, or any interest therein, sold or transferred in whole or in part to the purchaser where the same do not effect a transfer of title in fee to the land, and including any commodity as defined in Section 352 of the General Business Law of the State of New York, issued and which may hereafter be issued by any person, partnership, corporation, company, trust or association and from any act in aid or furtherance thereof, or in any attempt thereat; and it is further

ORDERED, ADJUDGED and DECREED that the Attorney General of the State of New York may make such further application under the provisions of this judgment and decree or maintain any action for such other and further relief as plaintiffs may be advised is proper and necessary for the enforcement of this order, judgment and decree,

all pursuant to Article 23-A of the General Business Law of the State of New York, and  
of other provisions of law applicable thereto.

E N T E R

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J. S. C.

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

THE PEOPLE OF THE STATE OF NEW YORK,

Plaintiffs,

*-against-*

ALBERT WALLACE BENSON, doing business as  
BENSON & CO., and PIONEER MORTGAGE AND  
DEVELOPMENT CORPORATION,

Defendants.

*SUMMONS*

TO THE ABOVE NAMED DEFENDANT :

YOU ARE HEREBY SUMMONED to answer the complaint in this action and serve a copy of your Answer, or if the complaint is not served with the summons, serve a notice of appearance on the plaintiffs' attorney within twenty (20) days after the service of this summons, exclusive of the day of service. In case of your failure to appear or answer, judgment will be taken against you by default, for the relief demanded in the complaint.

Dated: New York, New York, November 16, 1956.

JACOB K. JAVITS  
Attorney General of the  
State of New York  
Attorney for Plaintiffs  
Office and Post Office Address  
80 Centre Street  
New York 13, New York

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE PEOPLE OF THE STATE OF NEW YORK, :

Plaintiffs, :

-against- :

ALBERT WALLACE BENSON, doing business as :  
BENSON & CO., and PIONEER MORTGAGE AND :  
DEVELOPMENT CORPORATION, :

Defendants. :

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Plaintiffs, by JACOB K. JAVITS, Attorney General of the State of New York,  
complaining of the above named defendants, allege upon information and belief:

FIRST: That at all times hereinafter mentioned, the defendant, Albert Wallace Benson, doing business as Benson & Co., was engaged in business as a broker-dealer in securities within the City, County and State of New York, and maintained his principal place of business at #130 West 42 Street, in the City, County and State of New York.

SECOND: That at all times hereinafter mentioned, the defendant, Albert Wallace Benson, doing business as a sole proprietor under the firm name and style of Benson & Co., was a broker-dealer in securities within the meaning and intent of Article 23-A of the General Business Law of the State of New York.

THIRD: That on or about July 22, 1955, the defendant, Albert Wallace Benson, doing business as a sole proprietor under the firm name and style of Benson & Co., filed a dealer's statement as a broker-dealer in securities with the Department of Law of the State of New York.

FOURTH: That at all times hereinafter mentioned, and since March 2, 1955, the defendant, Pioneer Mortgage and Development Corporation, was a corporation organized under the laws of the State of Delaware, with its principal offices located at #2121 Melrose Building, Houston, Texas.

FIFTH: That from on or about the 14th day of July, 1955, the defendant, Albert Wallace Benson, doing business as Benson & Co., commenced to offer and sell and did offer and sell within and from the State of New York, the securities of Pioneer Mortgage and Development Corporation to members of the public within and from this State.

SIXTH: That since the incorporation of Pioneer Mortgage and Development Corporation to the present time, the defendant, Albert Wallace Benson, was and still is president of said corporation and has controlled and dominated the financial and business affairs of said corporation.

SEVENTH: That the principal purpose for which Benson & Co., was established by the defendant, Albert Wallace Benson, was to provide a vehicle for the offer, sale and

distribution to the plaintiffs in this State of the securities of Pioneer Mortgage and Development Corporation, of which defendant, Albert Wallace Benson, was president.

EIGHTH: That the defendant, Pioneer Mortgage and Development Corporation, as a dealer in securities as defined by Section 359-e of the General Business Law of the State of New York, from on or about the 14th day of July, 1955, until the present time, offered for sale and did sell to the plaintiffs and the public generally of this State, securities of Pioneer Mortgage and Development Corporation, without having first filed a dealer's statement with the Department of Law of the State of New York, as required by said statute.

NINTH: That Albert Wallace Benson, doing business as Benson & Co., distributed offering circulars of Pioneer Mortgage and Development Corporation, dated July 14, 1955, to members of the public of the State of New York.

TENTH: That on or about the 24th day of August, 1955, the defendant, Albert Wallace Benson, doing business as Benson & Co., offered and sold securities of Pioneer Mortgage and Development Corporation to members of the public of the State of New York.

ELEVENTH: That residents of the State of New York, pursuant to the aforementioned offering circulars, paid monies as down-payments and agreed to pay monthly instalments for the balance.

TWELFTH: That as the result of the aforesaid transactions, negotiated by Albert Wallace Benson, on behalf of Pioneer Mortgage and Development Corporation, residents of this State have made periodic payments for the securities of Pioneer Mortgage and Development Corporation by transmitting checks to Albert Wallace Benson, doing business as Benson & Co.

THIRTEENTH: That said checks were cashed and deposited to the account of Pioneer Mortgage and Development Corporation.

FOURTEENTH: That said residents of this State have made due and proper demand for delivery of the securities purchased upon Albert Wallace Benson, doing business as Benson & Co., and the defendant, Pioneer Mortgage and Development Corporation.

FIFTEENTH: That Albert Wallace Benson, doing business as Benson & Co., and the defendant, Pioneer Mortgage and Development Corporation have fraudulently failed to deliver any part of the securities paid for by said residents of the State of New York or to account for monies received by them for the purchase of these securities.

SIXTEENTH: That on or about February 9, 1956, the defendant, Albert Wallace Benson, doing business as Benson & Co., changed his place of business from the premises at #130 West 42 Street, New York, New York, to an address unknown.

SEVENTEENTH: That Albert Wallace Benson, doing business as Benson & Co., failed to file a duly verified supplemental dealer's statement with the Department of Law, indicating such change of address, as required by Section 359-e of the General Business Law of the State of New York.

EIGHTEENTH: That the aforesaid acts and course of conduct by defendants were fraudulent and in violation of law and constituted fraudulent practices, pursuant to and within the meaning of Article 23-A of the General Business Law of the State of New York.

NINETEENTH: That the defendants have committed other violations of law and fraudulent practices in connection with the sale of securities within and from the State of New York.

TWENTIETH: That as a result of the fraudulent practices, as aforesaid, the plaintiffs and the public generally were induced to part with monies in reliance thereof and to their loss and damage.

TWENTY-FIRST: That the plaintiffs and the public generally have been and are being irreparably damaged and have no adequate remedy at law.

WHEREFORE, plaintiffs demand judgment against the defendants, as follows:

1. That the defendants be restrained and enjoined permanently from directly or indirectly engaging or attempting to engage in any business relating to the purchase and sale of securities and commodities with the public, within and from the State of New York; and from acting and engaging as agent, salesman or employee of any person, firm, or corporation engaged in any business relating to the purchase and sale of securities and commodities with the public, within the State of New York; and from writing, publishing, preparing, selling and distributing any letter or other literature advising, suggesting or in any other manner communicating advice to the public within the State of New York with respect to the purchase or sale of securities and commodities and of the future price fluctuations of securities and commodities markets in general; and from forecasting, advising or in any other manner suggesting either orally or in writing any method or methods to be used in connection with the purchase and sale of securities and commodities, and from any act in aid or furtherance of the same.

2. That the defendants be restrained and enjoined permanently from directly or indirectly engaging or attempting to engage in the business of broker or dealer in securities within or from the State of New York, and from any act in aid or furtherance thereof; and from acting and engaging or attempting to act and engage as agent, salesman or employee of any broker or dealer in the securities business; and from acting as or being or attempting to act as or be a stockholder, director, trustee, officer, member or employee of any corporation, association, syndicate, company, trust or other combination

engaged in the securities business as brokers or dealers; and from being or attempting to be a partner or member (limited, dormant or otherwise) of any partnership, firm, association or person engaged in the securities business as brokers or dealers within or from the State of New York; and from any act in aid or furtherance of the same.

3. That the defendants be enjoined and restrained permanently from acting and engaging or attempting to act and engage as agent, broker, salesman, owner, employee, stockholder, director, trustee, officer, associate or partner (limited, dormant or otherwise) of any corporation, company, association, trust, syndicate, firm, person or other combination, or as an employee and representative of another or in any other capacity, or by or through any other person or agency, from the issuance and offering for sale, and sale, and promotion, and negotiation, and advertisement, and distribution, and purchase, to or from the public within or from the State of New York, of any negotiable documents of title, foreign currency orders, calls, options, stocks, bonds, notes, evidences of interest or indebtedness and any other securities including oil and mineral deeds and leases, or any interest therein, sold or transferred in whole or in part to the purchaser where the same do not effect a transfer of title in fee to the land, and including any commodity as defined in Section 352 of the General Business Law of the State of New York, issued and which may hereafter be issued by any person, partnership, corporation, company, trust or association and from any act in aid or furtherance thereof, or in any attempt thereat.

4. That the plaintiffs have such other and further relief as to the Court may seem just and proper in the premises, together with the costs and disbursements of this action.

JACOB K. JAVITS  
Attorney General of the State  
of New York  
Attorney for Plaintiffs  
Office and Post Office Address  
80 Centre Street  
New York 13, N. Y.



SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE PEOPLE OF THE STATE OF NEW YORK, :

Plaintiffs, :

-against- :

ALBERT WALLACE BENSON, doing business as :  
BENSON & CO., and PIONEER MORTGAGE :  
AND DEVELOPMENT CORPORATION, :

Defendants. :

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STATE OF NEW YORK )  
 ) SS.:  
COUNTY OF NEW YORK )

CRESTES J. MIHALY, being duly sworn, deposes and says:

I am a Deputy Assistant Attorney General of the State of New York,  
assigned to the Bureau of Securities of the Department of Law at 80 Centre Street, City,  
County and State of New York.

I am in charge of the investigation being conducted by the Attorney  
General with respect to the activities of the above named defendants in connection with  
the issuance, sale, promotion, negotiation and distribution of securities within and from  
the State of New York. Said investigation has been conducted pursuant to the provisions  
of Article 23-A of the General Business Law of the State of New York. This affidavit is  
made on information and belief. The sources of my information are the facts learned by

me during the course of the aforementioned investigation, from testimony adduced during the course of said investigation, and from the examination of documents presented in connection therewith.

The defendant, Pioneer Mortgage and Development Corporation, hereinafter called Pioneer, is a corporation organized under the laws of the State of Delaware and maintains its principal place of business at 2121 Melrose Building, Houston, Texas. The company was organized with the alleged purpose of entering into the fields of mortgage placement, mortgage servicing, and development and construction loans.

Sometime prior to July 14, 1955, the corporation decided to raise three million dollars by offering 300,000 shares of common stock to the public at \$10 per share (See Exhibit A & B, annexed hereto). These securities, according to the offering circular dated July 14, 1955, were able to be purchased for cash or on a time payment plan.

In order to provide a vehicle for the distribution of the three million dollars worth of stock, the president of the company, Albert Wallace Benson, established a sole proprietorship as a broker-dealer in securities at 130 West 42nd Street, New York, New York.

Albert W. Benson filed a Dealers Statement with the Department of Law of the State of New York, as a broker-dealer in securities on or about the 22nd day of

July, 1955. This Dealers Statement executed by Albert W. Benson indicates that the business was actually a sole proprietorship. The defendant, Albert W. Benson, nevertheless, in contravention of Section 924 of the Penal Law operated his business under the firm name and style of Benson & Co.

Soon after the aforementioned dates, Albert W. Benson, doing business as Benson & Co., commenced to sell the common stock of Pioneer to various members of the public of this State, as the agent of Pioneer. Pioneer has failed to file a Dealers Statement with the Department of Law of the State of New York. The failure of a corporation, whose stock is being sold by its agents in the State of New York, to so file constitutes a fraudulent practice and provides the basis in law for the issuance of a permanent injunction against the corporation.

It is usually only this basic and elementary requirement of the filing of a Dealers Statement prior to the issuance of securities, that provides the Attorney General with prior knowledge of the sale of stock, so that he can act with dispatch in the prevention of fraudulent sales and offers for sale to the public of this State.

In the sale of stock of Pioneer to the public, Benson & Co. employed several salesmen to solicit the public. The records of the Corporation Trust Company of Jersey City, New Jersey, the transfer agent of the defendant Pioneer, indicate that there were a total of 16 shareholders who brought the securities of Pioneer pursuant to the

offering circular of July 14, 1955, and through the efforts of Benson & Co. All 16 of these shareholders are residents of the State of New York.

It would thus appear that Pioneer, through its president, Albert W. Benson, about to debark into a highly speculative and competitive field, came to New York, organized its own brokerage house, and solicited the public of the State of New York to invest their monies into the venture. This method of financing bears striking similarity to and forms a basis of comparison with other similarly speculative ventures. It is of common knowledge that Canadian corporations and corporations from the western United States have and still do rely heavily on the public of this State to put their money into highly speculative and perhaps worthless corporations.

The instant case follows the same pattern. The defendant corporation and Albert W. Benson came to New York with the express purpose of obtaining the money of the people of this State. To ignore the basic requirement of the filing of the Dealers Statement gives rise to a presumption of fraud and on this basis alone injunctive relief is warranted.

Several days prior to August 24, 1955, Laura Smith, whose affidavit is annexed hereto, spoke to a Miss Ruth Mark, an acquaintance of hers. Miss Mark told Miss Smith of the stock of Pioneer and Miss Smith then spoke to George Fourre and Mrs. Helen Mark who represented themselves as salesmen for Benson & Co. They spoke of Pioneer in glowing terms to Miss Smith and she decided to buy 30 shares of stock for

\$300. On August 24, 1955, after giving Mrs. Helen Mark \$60 as a down payment, Miss Smith received a receipt or contract which was signed by Mrs. Mark. This receipt or contract (Marked Exhibit C) provided for time payments and indicated the proportionate share of securities that would be received by Miss Smith in the event that she stopped payment of subsequent installments.

Miss Smith subsequent to August 24, 1955, made periodic payments by transmitting the checks marked Exhibits D and E to Benson & Co. These checks were dated October 8, 1955, October 24, 1955, November 28, 1955, December 27, 1955, January 24, 1956, February 24, 1956, April 6, 1956, May 14, 1956, May 28, 1956, July 30, 1956 and August 30, 1956.

A few weeks after the transmittal of the check dated August 30, 1956, Miss Smith wrote a letter to Benson & Co. asking for the remittance of the certificate indicating her ownership of 30 shares of stock. Miss Smith received no reply to her letter. Several days later she attempted to contact Benson & Co. by telephone and learned from the agent of the building that Benson & Co. had vacated the premises a year previous. Miss Smith wrote a registered letter to the defendant, Pioneer, in Texas demanding an explanation and her stock. She received the return receipt dated October 8, 1956, from Texas, but has not received her stock.

The checks dated July 30, 1956 and August 30, 1956 have not been cashed and returned to the bank of Miss Smith. She has now stopped payment on them.

According to the contract of August 24, 1955, Miss Smith is entitled to at least 22 shares of the stock of Pioneer which she has paid for in full.

Miss Smith has received not one single share of her stock, even though Pioneer by letter dated August 29, 1955, acknowledged her to be a stockholder of the company (See Exhibit F).

Miss Smith is not listed as a stockholder of Pioneer by the Corporation Trust Company of Jersey City, New Jersey. It may very well be assumed that many other members of the public of this State have purchased stock on the time payment plan and have not received the stock to which they were entitled. There is no way of determining the true list of present stockholders, inasmuch as Pioneer became its own transfer agent sometime in the early part of this year.

My investigation further reveals that Benson & Co. vacated its offices at 130 West 42nd Street, New York City in February of 1956. Both Pioneer and Benson & Co. removed deposits of monies from the Chase Manhattan Bank at 1440 Broadway, New York, New York in February, 1956.

Pioneer still has on deposit over \$600 at the Broadway and 40th Street branch of the First National City Bank in New York City. Pioneer and Benson & Co. indicated to the Chase Manhattan Bank that the reason for the withdrawals was that they were moving to Texas.

Benson & Co. failed to notify the Department of Law of the State of New York of the change in address of its business, as required by Article 23-A of the General Business Law of the State of New York. Subsequent to February of 1956 checks were sent by Miss Smith to the 42nd Street address in New York City and these checks were turned into the depositories here in New York by some unknown person. For all intents and purposes Benson & Co. no longer had a New York office in February, but nevertheless gave the impression to some of its clients that it was still operating a brokerage business at that address.

It is this type of deception that is sought to be protected against by the filing of a Supplemental Dealers Statement with the Department of Law. The defendant, Albert W. Benson, doing business as Benson & Co. not only failed to inform the Department of Law of his change of address, but failed to notify his customers, who were not aware of the change of address until the time came for the delivery of stock. It was at this time that the customer would learn of the change in premises with no forwarding address. This type of wilfull deception indicates that the defendant, Albert W. Benson has abused his trust with the investing public and is no longer fit to remain in the securities business in the State of New York.

In addition, Albert W. Benson, doing business as Benson & So., on April 27, 1956, made a written request to the Securities Exchange Commission for a withdrawal of his broker-dealer registration. This request for withdrawal becomes

effective 30 days later, if no objection is raised by the commission. Inasmuch as there was no objection by the Securities Exchange Commission, the request for withdrawal became effective on May 27, 1956. Albert W. Benson, doing business as Benson & Co. however, continued to act as the agent of Pioneer in the sale of securities. He accepted and deposited the check of Miss Smith dated May 28, 1956 to the account of Pioneer. Furthermore, the transcript of the account of Pioneer at the First National City Bank of New York indicates that several deposits of sums equal to monthly installments for stock of Pioneer were made during June and July of 1956. There is reason to believe that these deposits represent the deposits of checks by Albert W. Benson to the account of Pioneer which checks were drawn by customers similar to Miss Smith. Albert W. Benson, doing business as Benson & Co. thus was doing business as a broker and dealer subsequent to the effective date of his withdrawal as such with the Securities & Exchange Commission and in violation of the law.

As a result of the foregoing the plaintiffs and members of the public generally, as aforesaid, have been seriously damaged.

No previous application has been made for the relief herein requested to this or any Court or Justice thereof.

WHEREFORE, deponent respectfully prays that a judgment of permanent injunction be made by this Court, as set forth in the annexed judgment.

Sworn to before me this

16th day of November, 1956

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ORESTES J. MIHALY