
News from Attorney General Robert Abrams

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ABRAMS STOPS SCHEME BASED ON INVESTORS' FEARS OF A NEW COLD WAR

Attorney General Robert Abrams announced today the arrest of alleged boiler room operators who played on investors' expectations that a new cold war would bring dramatic increases in the price of a strategic metal called tantalum. The Attorney General also charged that these operators falsely used the names of reputable advertising agencies to defraud 32 daily newspapers of more than \$50,000. The papers involved include the Los Angeles Herald Examiner, The Kansas City Star, the Atlanta Constitution, the Detroit News and the Trenton Times.

According to the Attorney General's complaint, the officers and salespeople of Transcontinental Strategic Metals Corporation and Rockwell Strategic Metals at 80 Wall Street "falsely" told investors that the U.S.S.R. is a major supplier of tantalum and could cut off supplies of this metal to the U.S., making it possible for investors to benefit from the sudden shortage. In fact, the Attorney General stated the United States does not obtain tantalum from the Soviet Union.

Tantalum is a greyish metal used by the defense industry to make airplanes and by the electronics industry in the manufacture of capacitors. Legitimate traders rarely or never sell tantalum in quantities as small as a few pounds, while the alleged boiler room operators were only dealing in such amounts. The Attorney General charged that there is no market for small amounts of tantalum.

According to the complaint, advertisements were placed in daily newspapers from Rhode Island to California soliciting potential investors. It is alleged that business records were printed using names similar to those of large New York advertising agencies and containing false addresses. Newspapers attempting to collect from these agencies allegedly found their bills returned or never paid. The Charlotte Observer and News of Charlotte, North Carolina lost the largest amount \$5,142.77 while the Evening Times of Pawtucket, Rhode Island, lost \$850.08 and Los Angeles.

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Herald Examiner lost \$1,197.00. A complete list of these newspapers and their losses is attached.

Potential investors in Transcontinental or Rockwell Strategic Metals were allegedly contacted by telephone since May 1, 1981. They were allegedly told that traders anticipating poor relations with the Soviet Union were already driving up the price of tantalum. To further their confidence in the scheme, investors were allegedly told that Transcontinental was a subsidiary of the well known Wall Street firm of Bache, Halsey, Stuart and Shields, while Rockwell Strategic Metals was allegedly called a subsidiary of Rockwell International, a prominent defense contractor. In fact, the Attorney General charged the alleged boiler room had no connection whatsoever with either Bache, Halsey, Stuart and Shields or Rockwell International.

Thirty people were arrested last July in a similar scheme selling tantalum under the corporate name of Mineral Resources. At that time, it was alleged that agents of Mineral Resources defrauded 144 investors of \$1.3 million. The case against Mineral Resources is pending.

The officers and agents of Transcontinental and Rockwell Strategic Metals are charged with three felonies, operating a Scheme to Defraud, Grand Larceny in the 2nd degree and Grand Larceny in the 3rd degree. The maximum penalty for a Scheme to Defraud and Grand Larceny in the 3rd degree is four years, while for Grand Larceny in the 2nd degree it is seven year imprisonment. They are also charged with two misdemeanor violations of the New York General Business Law dealing with the unregistered sale of securities. The maximum penalty for these crimes is a \$1,000 fine and/or one year in jail.

The arrests were made by Investigator William McGoldrick of the New York State Troopers. Assistant Attorneys General Daniel Taub and Eugene Berman conducted the investigation under the supervision of Assistant Attorney General Orestes J. Mihaly, Chief of the Bureau of Investor Protection and Securities.

The names of the newspapers and the amount of the advertising not paid for are as follows:

Muscatine Journal, Muscatine, Iowa	\$599.76
Abilene Reporter, Abilene, Texas	120.49
The Gadsen Times, Gadsen, Alabama	893.76
The Atlanta Constitution, Atlanta, Georgia	271.60
The Los Angeles Herald Examiner	1,197.00
The News Tribune, Fort Pierce, Florida	207.92
Springfield Newspapers Inc., Springfield, Missouri	406.99
The Tulsa Tribune, Tulsa, Oklahoma	1,389.92
The St. Paul Dispatch, St. Paul, Minnesota	1,219.00
The San Antonio Light, San Antonio, Texas	55.62
Fort Lauderdale News, Ft. Lauderdale, Florida	2,106.89
The Madison Daily Leader, Madison, South Dakota	156.80
The Review Journal, Las Vegas, Nevada	2,389.98
The Charlotte Observer and News, Charlotte, North Carolina	5,142.77
Call Chronicle Newspapers, Allentown, Pennsylvania	1,312.08
Danville Register, Danville, Virginia	859.04
The Kansas City Star, Kansas City, Missouri	891.31
The Evening Times, Pawtucket, R.I.	850.08
The Trenton Times, Trenton, N.J.	4,262.55
The Detroit News	1,024.59
The Las Vegas Review Journal	298.90
The San Juan Star, San Juan, Puerto Rico	501.76
The Montana Standard, Butte, Montana	295.60
The Daily Journal, Elizabeth, N.J.	366.89
Burlington Times-News, Burlington, North Carolina	2,019.71
The Orlando Sentinel Star, Orlando, Florida	728.28
The Louisville Corner Journal, Louisville, Kentucky	79.58
The Mantinez News, Mantinez, California	200.00

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The Daily News, Kingsport, Tennessee	338.10
York Daily Record, York, Pa.	1,072.72
Register Star, Hudson, N.Y.	863.20
Burlington County Times, Willingbere, N.J.	