

SIGNIFICANT ACHIEVEMENTS IN THE BUREAU
OF INVESTOR PROTECTION AND SECURITIES
Since January 1, 1979

1. The prosecution and dissolution of Futuristic Foods, Inc. and injunctive relief against 18 of its principal participants. A proposed "shop-at-home" food service was in reality a pyramid scheme. In excess of \$12 1/2 million worth of franchises were sold to four thousand investors. A receiver was appointed and several hundreds of thousands of dollars has been accumulated for distribution to victims.

2. The trial and conviction of Adela Holzer. Adela Holzer was a notorious Broadway producer who was accused in a 248 count indictment of grand larceny and violations of the Martin Act, involving fraud in the sale of investments in overseas business ventures and fictitious real estate and international commodity dealings. She was convicted of the seven counts of grand larceny submitted by the judge to the jury and sentenced to a minimum of two years and a maximum of six years in prison.

3. The nation wide manhunt, apprehension, and conviction of Larry Hecker. Hecker operated a Ponzi scheme

involving millions of dollars of investments by his victims. Hecker, after a nationwide manhunt, surrendered to this office and plead guilty to felony charges of scheme to defraud and grand larceny. He was sentenced to a mandatory minimum of two years and a maximum of 7 1/2 years in prison.

4. Public Hearing--Brascan for F.W. Woolworth Company.

On April 9, 1979 Brascan, U.S.A. Inc., filed a registration statement relating to a proposed takeover of F.W. Woolworth Company at an approximate cost of \$1,125,000,000. A public hearing was held under the New York Securities Takeover Disclosure Act because the registration statement was found to be deficient by the Attorney General. Subsequent to the hearing, Brascan thereafter withdrew its registration statement and abandoned its proposed tender offer.

5. The conviction and prosecution of Eduardo Rabi.

One of the most colorful and elusive confidence men known to law enforcement officials. Rabi, during the course of 25-30 years, used dozens of aliases and different dates and places of birth and false passports, bilking individuals and companies all over the world of millions of dollars. Although prosecuted and sought

by authorities throughout the world during this period of time, Rabi never was brought to trial, convicted and imprisoned as a result of such conviction during the course of his career in crime. He was prosecuted by this office on charges of stealing over \$150,000 from a Mexican graduate student and was sentenced to two consecutive sentences of 2 1/3 to 7 years.

6. A joint action with the C.F.T.C against a nationwide boiler room operation. In State of New York and Commodity Futures Trading Commission v. Commercial Petrolera International S.A. et al., the first joint action in the Federal Court authorized by the Commodity Futures Act of 1978 was commenced and full injunctive relief eventually obtained against a nationwide boiler room operation involving illegal high pressure sales tactic and telephone solicitations. The scheme involved the illegal and fraudulent sale of deferred delivery and futures contracts in heating and fuel oil by 37 persons and 30 firms.

7. The prosecution of Michael Starbuck and his associates. In one of the largest securities fraud cases in upstate New York, several persons were charged with in excess of

100 counts of grand larceny, and scheme to defraud, in a fraud involving more than 2.4 million dollars perpetrated on elderly residents of the Albany area. The defendants were indicted and eventually pleaded guilty to the charges. Michael Starbuck, the operator of the scheme, was sentenced to 2-4 years in prison. His brother John was sentenced to 60 days in prison and 5 years probation.

8. Public Hearing--Internorth for Crouse-Hinds. A public hearing was held on October 6, 1980 as a result of a proposed takeover by Internorth, Inc. headquartered in Oklahoma, for equity shares of Crouse-Hinds Company of Syracuse. After a two-day hearing an order was issued prohibiting the purchase of tendered shares until full disclosure was made. Internorth thereafter filed appropriate amendments, but Internorth's bid to take over Crouse-Hinds was unsuccessful because of a higher bid by a friendly bidder.

9. Franchise legislation and regulation. A new franchise sales act, Article 33 of the General Business Law, was enacted giving broad investigative and prosecutorial powers to the Attorney General and requiring the use of approved offering

literature for all franchises offered for sale within or from the State of New York. The statute and a comprehensive set of regulations drafted by this office went into effect on January 1, 1981. During the first full year of operation under this new statute, over 300 registrations were filed and approximately 170 were accepted for filing.

10. In September of 1981, our office joined the Central Registration Depository System formulated by the National Association of Securities Dealers, Inc. and the North American Securities Administrators Association, Inc. Our ability to join the system resulted from amendments to the Martin Act and the promulgation of rules and regulations. The CRD system allows a broker or dealer in securities who operates in more than one state to fulfill the registration requirements under the securities laws of the participating states through one Central Registration Depository in Washington, D.C. Our office now has immediate access to information and funds through electronic means. This system will save millions of dollars for the industry and result in increased revenue to our State.

11. The prosecution of Mineral Resources Corp. and twenty-nine of its sales personnel. In the largest prosecution of an operating boiler room ever conducted by any prosecuting agency in this country, this office arrested 30 individuals connected with the Mineral Resources Corporation of New York City who were selling investments in a strategic metal called tantalum by illegal and fraudulent means. Six of the defendants who were indicted have pleaded guilty to felony charges contained in the indictment and the remaining defendants have been on trial for the past three months in New York County Supreme Court.

12. The issuance of comprehensive revised regulations under the Theatrical Financing Act. Several loop holes were closed in the area of theatrical financing, including the requirement that producers must disclose in their offering literature the minimum amount of capital required in order to proceed with the production.

13. The 1980 Pyramid game prosecutions. During the summer of 1980, the New York metropolitan area was the subject of a pyramid party craze involving investments of \$1,000 by participants in pyramids which were represented to have the

potential of returning tens of thousands of dollars to each participant. As a result of criminal prosecutions and injunctive actions, this pyramid craze during the summer of 1980 was effectively halted by this office. Included in the defendants prosecuted were three confidence men from California who operated out of a New York hotel room and Gail Greene, a noted food critic for New York Magazine.

14. The prosecution of Bruce Bressman. In the prosecution of Bruce Bressman, doing business as Gem Imports Corp., this office undertook the first criminal prosecution of a diamond investment broker. He was charged with grand larcenies in excess of \$200,000 from victims all over the country and other securities law violations. Bressman pleaded guilty to grand larceny in the 2nd degree, a class D felony, and to one count of securities fraud, a class A misdemeanor. Imposition of sentence awaits the completion of a final probation report.

15. Public Hearing - LTV Corp. for Grumman Corp. During the fall of 1981, LTV Corporation of Texas made a hostile tender offer for Grumman Corporation which has extensive manufacturing facilities on Long Island. A public hearing was

held under the New York Security Takeover Disclosure Act which heard the testimony of several officers of ITV and other witnesses. An Order was issued by the Attorney General requiring additional disclosures. Before the offeror was able to comply, a federal appeals court enjoined the proposed takeover on antitrust grounds. Grumman Corporation was not taken over.