

FROM: ATTORNEY GENERAL ROBERT ABRAMS  
TWO WORLD TRADE CENTER  
NEW YORK, NEW YORK 10047

FOR FURTHER INFORMATION CONTACT:  
Nathan Riley (212) 488-3334  
(212) 243-0387 (HOME)

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ABRAMS JOINS WITH THE SEC TO BAR PROMOTER  
WHO MADE FRAUDULENT PROMISES

Attorney General Robert Abrams and Securities and Exchange Commission Regional Administrator Stephen L. Hammerman announced today that the first joint investigation ever conducted by their two offices had resulted in a court order against an unregistered stock promoter who made overblown promises to investors in natural gas.

In State Supreme Court, Judge Orest V. Maresca granted an application by the Attorney General for a permanent injunction barring Petro Natural Resource Corporation of 211 West 56th Street and its President, Eugene Leonard Colman of 135 Central Park West, New York, New York from ever again engaging in the securities business in New York State. At the same time, the Securities and Exchange Commission applied in Federal District Court to Judge Lloyd F. MacMahon for an injunction prohibiting further violations of the registration and anti-fraud provisions of the federal Securities Laws.

Mr. Colman, who consented to the injunction in State Supreme Court, established his company in a one bedroom apartment on 56th Street, never registered the company to sell stock, and then proceeded to advertise that salesmen could earn \$50,000 during the single month of August.

In the court papers, it was revealed that salesmen who were attracted by the promise of a fast buck received only two days training. Then, using various mailing lists, they contacted potential investors regarding the purchase of a limited partnership in a Texas company exploring for natural gas which advertisements indicated could generate a 141% tax write off.

In fact, the prospectus for the company, which is not a party to the legal action, states clearly that there is such a “high degree of risk” that only persons of “substantial net worth” should take the chance of investing in this search for natural gas. Despite these warnings, Mr. Colman is alleged to have represented the risk factors to be “very low.”

The Attorney General’s Securities Bureau and the SEC alleged that, by contacting members of the public, Mr. Colman failed to meet the registration requirements of the New York State’s Blue Sky laws, known as the Martin Act, as well as the federal Securities Laws.

Attorney General Robert Abrams stated:

“New York is the hub of the securities industry, and through the close cooperation we have established with the SEC, we can significantly extend the amount of protection that the investing public will receive. This company only began operating recently, and through our joint efforts we were able to nip this scheme in the bud before the public suffered any further damage”.

The SEC and the Attorney General have cooperated in the past to the extent of sharing information about common investigations, but this case marked the first time that the legal actions by the two offices was coordinated so that enforcement activities could have state and national effect.

The investigation was handled for the Attorney General by Eugene Berman and Martin Weber Special Deputy Attorneys General and by Orestes J. Mihaly, Assistant Attorney General in charge of the Securities Bureau.