

Attorney General

Robert Abrams

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ABRAMS CHARGES NEW JERSEY MAN IN ALLEGED \$75,000 STOCK SWINDLE

Attorney General Robert Abrams today (Thursday) announced the arrest of a man charged with bilking investors of more than \$75,000 by inducing them to invest money in a company in order to develop an artificial intelligence computer.

On July 18, a Westchester County grand jury handed up a 13-count indictment against Jack A. Shulman, 34, of Westfield, N.J., principal of Natural Intelligence Machines, (NIM) charging him with 11 counts of grand larceny, second degree and two counts of securities fraud.

Attorney General Abrams alleged that from March, 1984, through February, 1985, Shulman promoted stock for his company, Natural Intelligence Machines, to friends and acquaintances for the purpose of developing an "artificial intelligence" computer.

The indictment charged that at a series of meetings held in potential investors' homes, Shulman falsely represented that NIM was the sole owner of a design idea for a new type of artificial intelligence computer which the company was ready to manufacture, market and deliver to its customers "well within one year" after the receipt of the investment capital. He allegedly accepted checks in excess of \$75 thousand and promised that the initial investments would be multiplied by up to 75 times when his machine became operational; and he misrepresented to investors the amount of money he had personally invested. The indictment also alleges that Shulman distributed copies of a "business plan" and issued agreements promising investors they would be offered shares of stock in the company, when this was not so. Twelve to 15 people invested money in amounts ranging from \$2,000 to \$25,000.

According to the indictment, Shulman, whose office was on Westchester Avenue in White Plains, contracted with Logos Information System of Flemington, New Jersey, for the development of software for the

Charles River Data Corp. machines, where he was previously employed, and paid them about \$11,000.

Mr. Abrams alleged that NIM's bank records show that investors' money was deposited to its account and withdrawn by Shulman for various activities that, with the exception of \$11 thousand to Logos, had nothing to do with computer development. According to the indictment, the records show that Shulman leased a Maserati, paid for the production of a 4-minute music video, sent several people, including himself, to "EST" seminars, gave lavish parties and a weekend "retreat" for potential company employees at a resort in the Catskills.

The indictment alleges that by late fall 1984, the Logos scientists, suspecting fraud and having completed the contracted-for work, sent a letter to Shulman indicating that they wanted no further dealings with him. In November 1984, when Shulman had no results and was running out of money, several of the investors became suspicious and began demanding to see the books, said the Attorney General. The investors then contacted the Attorney General's office.

If convicted, Shulman faces a sentence of up to seven years in prison and fines of \$5,000 or double amount illegally gained.

The Attorney General thanked Westchester County District Attorney Carl Vergari for his cooperation.

This case is being handled for the Attorney General by Assistant Attorney General Katharine Law, under the supervision of Orestes J. Mihaly, Chief of the Investor Protection Bureau.