

# SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.



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FOR RELEASE September 2, 1959

## JAMES DRASS INC. REGISTRATION REVOKED

The SEC today announced the issuance of a decision and order (Release 34-6054) revoking the broker-dealer registration of James H. Drass, Inc., 30 North 4th St., Sunbury, Pennsylvania, for violating various provisions of the Securities Exchange Act of 1934 and rules thereunder.

The violations found by the Commission consisted of the failure to comply with the record-keeping requirements of its rules, the filing of false reports of financial condition, the failure to file a report of financial condition for 1957, and improper extension of credit on securities transactions.

According to the Commission's decision, James H. Drass, Inc. ("Registrant"), has been registered as a broker-dealer since February 1956. James H. Drass owns jointly with Lillian E. Drass 115 of the 150 outstanding shares of its stock and has controlled and managed its activities. In a statement of financial condition filed with its initial registration application, Registrant listed among its current assets 150 shares of General Motors stock and 50 shares of Chrysler stock; and subsequently in 1956 and again in May 1958 it filed reports of financial condition which continued to list these securities as current assets. Registrant's records from February 1956 until October 1958 also reflected the ownership of these securities.

In fact, however, Registrant never had legal or beneficial ownership of the General Motors or Chrysler stock, the Commission found. Drass individually had entered into an oral agreement with an employee of Registrant whereby the employee delivered to Drass' attorney certificates for the two blocks of stock, endorsed in blank, and Drass delivered to the attorney his personal demand note for \$8,333.33 and a confession of judgment for this amount which was to be turned over to the employee if Drass obtained possession of the stock certificates. There was no specific agreement as to what use Drass could make of the stock certificates if he obtained possession of them; but it was clear that he could not dispose of the securities without the prior authorization of the employee. In August 1957 the employee sold 50 shares of the General Motors stock and obtained certificates from the attorney to complete the transaction.

When an October 1958 inspection by the Commission's staff disclosed that the General Motors and Chrysler stock were not available at Registrant's office, Drass obtained and produced the employee's certificates for 100 shares of General Motors stock and 50 shares of Chrysler stock; and in addition he produced 50 shares of General Motors stock which he borrowed that day from a business acquaintance, putting up \$2,500 as collateral for the return of such shares. Drass told the Inspector that those 50 shares had been purchased from the business acquaintance prior to Registrant's application for registration in 1956. Later in October Drass told the Inspector that he had purchased the 50 shares that month and then sold them back to the acquaintance.

These falsifications of Registrant's books and records and of its financial statements filed with the Commission violated the applicable rules of the Commission, as did the failure to file a financial report for 1957. Furthermore, from January 1956 to July 1958 Registrant engaged in 20 cash transactions with 13 customers which were not settled within the 7 business days required by Regulation T (and in one instance, not for 60 days); and thus Registrant violated Regulation T.

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In view of these violations "and the false statements made by Drass to our representatives in order to conceal the true facts concerning Registrant's assets," the Commission concluded that revocation of the company's broker-dealer registration was necessary and appropriate in the public interest and for the protection of investors. Drass was held to be a cause of the said revocation.

#### VIOLETIONS CHARGED TO MANTHOS, MOSS

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Manthos, Moss & Co., Inc., 1002 Esperson Building, Houston, Texas, has violated the net capital and record-keeping rules of the Commission and, if so, whether its registration as a broker-dealer should be revoked and/or whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

According to the Commission's order, information developed in an investigation conducted by its staff tends, if true, to show that the said rules were violated by Manthos, Moss & Co., Inc., in that (1) it engaged in the conduct of a securities business during the period May 30 to August 15, 1959, when its aggregate indebtedness to all other persons exceeded the 2,000% of net capital limitation prescribed by the net capital rule; and (2) since May 30, 1959, it did not make and keep current certain of the books and records required by applicable rules of the Commission.

A hearing will be held at a time and place later to be announced, to take evidence with respect to the foregoing matters. The order names George Michael Manthos as president, a director, and owner of 10% or more of the company's common stock.

#### TEXMAR REALTY PROPOSES OFFERING

Texmar Realty Company, 19 West 44th St., New York, filed a registration statement (File 2-15541) with the SEC on September 1, 1959, seeking registration of \$1,819,000 Limited Partnership interests in the company, to be offered for sale through Lifton Securities, Inc., and Hechler-Weingrow Securities, Inc. for which they will receive a \$400 commission on each \$5,000 unit sold.

Texmar is a limited partnership organized in August 1959 by Louis S. Adler, Howard L. Weingrow and Sam Nadelson, as general partners, and Charles N. Bernstein, Harry Ball, Robert K. Lifton, Ira J. Hechler and Howard L. Weingrow as original limited partners. It owns contracts to purchase two garden type apartment communities with a total of 882 apartments, one in Silver Spring, Maryland, and the other in Dallas, Texas (called, respectively, the "Rosemary Village" and "Dallas Apartments"). The aggregate purchase price for both properties is \$7,330,773, of which \$1,600,000 is to be paid in cash and the balance subject to mortgages.

To effectuate these purchases and to pay the costs of this offering, the partnership will require \$1,859,000 in cash. Of this sum, \$30,000 is to be contributed by the three general partners (\$10,000 each) and \$10,000 by two of the limited partners, Bernstein and Ball (\$5,000 each). It is proposed that the balance of the \$1,819,000 be contributed by additional limited partners who will be admitted to the partnership pursuant to this offering.

Of the \$1,859,000, \$1,600,000 will be applied to the purchase price of the properties (including refund to "Sponsors" Lifton, Hechler and Weingrow of the \$90,000 cash deposit which they have made); \$25,500 for real estate commissions payable at time of closing; \$145,520 for underwriting fee and \$87,980 to the sponsors for which they have agreed to pay additional real estate commissions of \$7,500 payable subsequent to closing and all expenses in connection with the acquisition of properties and this offering, and related charges.

The partnership will not operate the properties but will enter into separate net leases for terms of 21 years each with renewal options with Commonwealth Properties of the Americas, Inc., whose stock is owned by corporations principally owned by the sponsors.

## ANGLO MURMONT MINING PROPOSES STOCK OFFERING

Anglo Murmont Mining Corporation Limited, Masonic Temple, Prince Albert, Saskatchewan (Canada), filed a registration statement (File 2-15542) with the SEC on September 1, 1959, seeking registration of 250,000 shares of common stock, to be offered for public sale at an initial offering price of 40¢ per share. No underwriting is involved, the offering to be made by a sales staff employed by the company and the amount of commission not to exceed 25% of the issue price.

The company is newly organized and its business is said to be of a speculative nature. It intends to explore, develop and exploit commercially the mineral deposits and ores which may be found on claims in which it has an interest. The company owns two groups of claims in northeastern Saskatchewan and a 20% interest in a group of claims to be explored and developed by the Newmont Mining Corporation of Canada Ltd. in northwestern Saskatchewan. In addition to the said 20% interest, the latter group of claims is owned 20% by Cree Mining Corporation Ltd., 10% by Pan American Sulphur Company and 50% by Newmont Mining. Of the estimated \$82,500 net proceeds of the proposed stock sale, \$53,300 is the estimated expense of contracting exploration and development work on one of the properties and \$11,675 on the second group of properties; about \$9,700 is to be used for "supervision by company and transportation of company field personnel;" and the balance will be added to general funds for working capital.

The prospectus lists Ken R. Burns of Regina as president. As of May 7, 1959, there were 819,803 shares outstanding, of which 69,803 had been issued for cash payments totaling net proceeds of \$10,477.37 and 750,000 had been issued to Maurice Murtack in consideration of his transfer to the company of its three sets of properties. Murtack is listed as a director and secretary of the company.

## UTAH POWER BANK BORROWINGS CLEARED

The SEC has issued an order (Release 35-14050) authorizing Utah Power & Light Company to make bank borrowings aggregating \$25,000,000 during the period ending September 29, 1960. The funds will be used to pay outstanding short-term notes and to carry forward the construction program of Utah Power and its subsidiaries through 1959 and 1960. This program involves expenditures estimated at \$31,600,000.

## INDICTMENT CHARGES SECURITIES VIOLATIONS BY GUTERMA, BIRRELL, ET AL.

In Litigation Release No. 1485, the SEC announces the indictment on August 25, 1959, of Alexander L. Guterma, Lowell M. Birrell, United Dye and Chemical Corporation, and five other individuals with violations of various provisions of the Securities Act and Securities Exchange Act.

## PIONEER FUND SHARES IN REGISTRATION

Pioneer Fund, Inc., Boston Investment company, filed an amendment on September 1, 1959, to its registration statement (File 2-11463) seeking registration of an additional 600,000 shares of common stock.

## H. BRYAN POFF ENJOINED

The SEC Fort Worth Regional Office announced August 31, 1959, that, on consent of defendant, Judge T. Whitfield Davidson (USDC, ND, Texas) had signed a final judgment permanently enjoining H. Bryan Poff from further violation of the Securities Act registration requirements in the sale of oil and gas interests (Release 1486).

## UNITED UTILITIES PROPOSES RIGHTS OFFERING

United Utilities, Incorporated, 304 North Cedar Street, Abilene, Kansas, today filed a registration statement (File 2-15543) with the SEC seeking registration of 229,606 shares of Common Stock. The stock is to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. The record date, subscription price and underwriting terms are to be supplied

by amendment. Kidder, Peabody & Co. is listed as the principal underwriter.

United is a holding company owning all the common stocks of fourteen telephone operating companies, all the stock of a utility merchandising company, all the stocks of seven LP gas distributing companies and an LP gas transport company, and 91.6% of the common stock of an electric, gas and water utility company. Net proceeds of the stock sale will be used as follows: \$1,500,000 to repay short-term bank borrowings of United incurred to finance construction requirements of subsidiaries, and the remainder to make investments in and/or advances to subsidiaries to be applied by them to repay short-term bank borrowings incurred to finance construction requirements and/or for additional expenditures in connection with their construction programs. It is estimated that gross construction during 1959 for United's subsidiaries will amount to approximately \$23,000,000.

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