

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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VIOLATIONS CHARGED TO M. J. REITER

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Morris J. Reiter, a sole proprietor doing business as M. J. Reiter Co., 60 Wall Street, New York, N. Y., offered and sold Belmont Oil Corporation stock by means of fraudulent misrepresentations and otherwise violated provisions of the Federal securities laws and, if so, whether its broker-dealer registration 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, in the offer and sale of Belmont stock, Reiter "engaged in transactions, practices and a course of business which would and did operate as a fraud and deceit upon the purchasers," in that he made false and misleading statements concerning, among others, the following: (a) the program for development of Belmont's properties, new oil or gas wells being brought in by Belmont in California and Texas, the acquisition by Belmont of numerous additional properties in Kern County, California, and of a large and valuable tungsten property in the Imperial Valley of California, the interest of various major oil Companies in Belmont, and a possible merger between Belmont and another oil company; (b) the income of Belmont, the market price of its stock, anticipated increases therein, and the listing of Belmont stock on an exchange; and (c) the right of existing holders of Belmont stock to subscribe to additional shares.

Furthermore, according to the order, Reiter induced investors to purchase Belmont stock "at prices far in excess of, and having no reasonable relationship to, the prevailing market prices for such stock," without disclosure of said prevailing market prices, "thereby obtaining unreasonable and excessive profits;" the stock was offered and sold without prior registration under the Securities Act of 1933 and in violation of the registration requirement; Reiter was temporarily enjoined by a Federal court order on August 26, 1959, and failed to correct a disclaimer in his registration application that any such injunction decree had been issued; and Reiter engaged in the conduct of a securities business during the period September 1956 to January 1957 in violation of the Commission's net capital rule.

A hearing will be held, at a time and place later to be announced, to take evidence with respect to the foregoing for the purpose of determining whether provisions of the Federal securities laws were violated by Reiter in the respects indicated and, if so, whether it is in the public interest to revoke his broker-dealer registration and/or to suspend or expel him from the NASD.

DOMINICK J. LAMBERT REGISTRATION REVOKED

The SEC today announced the issuance of a decision (Release 34-6073) revoking the broker-dealer registration of Dominick J. Lambert, doing business as D. J. Lambert & Co., 721 1/2 Broadway, Saratoga Springs, N. Y., for fraud in the sale of securities and other violations of the Federal securities laws. Lambert also was expelled from the National Association of Securities Dealers, Inc.

According to the Commission's decision, during the period August 15, 1957, to September 29, 1958, Lambert effected 46 sales of securities to customers at mark-ups of 17% or more above the contemporaneous high offers for the securities sold, with 26 of such sales being at mark-ups of 100% or more.

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Failure to disclose the current market price for the securities under these circumstances "works a fraud upon his customers." The mark-ups were clearly excessive, and Lambert admitted that he failed to inform the purchasers of the current market prices of the securities.

Lambert also admitted that he failed to make and keep current certain required books and records, in violation of SEC rules. He waived a hearing and consented to the order of revocation and expulsion.

OFFERING PROPOSED BY MORTGAGE GUARANTY AND GUARANTY INSURANCE

Mortgage Guaranty Insurance Corporation and Guaranty Insurance Agency, Inc., 606 West Wisconsin Ave., Milwaukee, Wisc., filed a registration statement (File 2-15625) with the SEC on September 23, 1959, seeking registration of 40,000 shares of Mortgage Guaranty common stock and 10,000 shares of Guaranty Insurance common stock. These securities are to be offered for public sale in units consisting of four shares of Mortgage Guaranty common and one share of Guaranty Insurance common, and at \$115 per unit. No underwriting is involved. The common stocks of both companies are said to be closely held and there has been no quoted market thereon.

The principal business of mortgage Guaranty is the insuring of mortgages on private residences and small apartment houses; and the principal business of Guaranty Insurance is to provide the selling organization for Mortgage Guaranty and to fund the payment of agents' commissions. The two companies have had substantially identical shareholders (except that Guaranty Insurance owns 640 shares of common stock of Mortgage Guaranty and the latter owns 7,472 shares of the former's stock), each holder owning four shares of Mortgage Guaranty and one share of the Guaranty Insurance.

The stock is not being offered to the public generally, but only for investment to certain selected executives of mortgage lending institutions. Net proceeds to be received by Mortgage Guaranty from its sale of the 40,000 common shares will be used to finance the cost of its national expansion program and to provide additional protection for its policy holders. Net proceeds to be received by Guaranty Insurance from its sale of the 10,000 common shares will be used to provide additional working capital for the funding of agents' commissions.

ADDITIONAL UNITED FUNDS PLANS IN REGISTRATION

United Funds, Inc., Kansas City, Mo., investment company, filed an amendment on September 23, 1959, to its registration statement (File 2-14135), seeking registration of \$80,000,000 of additional Periodic Investment Plans (without insurance) and \$15,000,000 of Periodic Investment Plans (with insurance).

SEC URGES CHAPTER X FOR LEA FABRICS REORGANIZATION

The Securities and Exchange Commission today announced that, on its motion, an order to show cause has been issued by Judge Reynier J. Wortendyke, Jr. of the United States District Court for the District of New Jersey directing Lea Fabrics, Inc. to show cause why its proceeding under Chapter XI of The Bankruptcy Act should not be dismissed and why confirmation of its proposed arrangement should not be denied. A hearing on the show cause order will be held before Judge Wortendyke on September 30, 1959 at 10:30 A.M. in the United States Courthouse at Newark, New Jersey.

The Commission contends that the Chapter XI arrangement was but one step in a comprehensive reorganization of the company which should properly be effectuated under the safeguards provided by Chapter X of The Bankruptcy Act. The company's proposed Chapter XI arrangement includes a recapitalization of Lea Fabrics, Inc., the issuance of securities, and transactions with third parties involving the acquisition and disposition of assets.

The Commission moved under Section 328 of The Bankruptcy Act that the proceeding be dismissed unless within a time fixed by the Court the Debtor amends the Chapter XI petition to comply with the requirements for filing a debtor's petition under Chapter X, or a creditors' petition is filed.