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NEWS RELEASE

RELEASE AFTERNOON NEWSPAPERS
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LEFKOWITZ ACCUSES THREE SWISS TRUSTS OF EIGHT MILLION DOLLAR STOCK FRAUD

An international securities fraud which is estimated to have resulted in losses to investors of more than \$8,000,000 was disclosed today by Attorney General Louis J. Lefkowitz.

The fraud was revealed when the Attorney General obtained an order in the Supreme Court, New York County, naming the Brandel Trust, a Swiss trust operating from Vaduz, Lichtenstein; its president, Paul Hagenbach, an attorney of Zurich, Switzerland; the Lavan Trust, also of Lichtenstein, and the Sun Investment Establishment, of Zurich, Switzerland.

The order requires their appearance in Supreme Court, New York County, on November 27, 1957, to be examined by Attorney General Lefkowitz. They also are required to make all books and records of the trusts available for examination and are prohibited from disposing of any assets pending the outcome of the action.

Attorney General Lefkowitz said today that an investigation conducted by his office over a period of many months has indicated that the fraud involved the use of "false and fraudulent literature" to promote the sale of securities, "secret and fraudulent international agreements" regarding the acquisition of stock and "trickery and deception by Swiss lawyers and others" to cloak the activities of dealers in securities operating "under the mask of Swiss trusts."

According to the affidavit filed with the order, the securities involved are principally those of Gulf Coast Leaseholds, Inc., Corpus Christi Refining Company, and Green Bay Mining and Explorations, Ltd. The stock of Gulf Coast Leaseholds, Inc. fell from a high of \$14.50 a share to a present bid of approximately

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\$1.75; Corpus Christi Refining Company declined from \$4.00 to present bids of approximately 33 cents, and Green Bay Mining and Explorations, Ltd. fell from a high of \$12.50 to a point where there is no present market for the stock.

The affidavit states that Dr. Hagenbach is the president of both Brandel Trust and Lavan Trust. The Sun Investment Establishment is headed by Dr. W. Keller Staub of Zurich, Switzerland.

Attorney General Lefkowitz said the Brandel Trust was organized sometime prior to January 1, 1953. The affidavit charges that beginning in 1955 and continuing through 1956, "vast quantities of literature were distributed to investors by firms purporting to be investment advisory services and broker-dealers in the New York area." The literature reported rapid progress in the development of Gulf Coast Leaseholds, Inc., Corpus Christi Refining Company and Green Bay Mining and Explorations, Ltd.

"Much of the information contained in such literature came from DuVal's Consensus, Inc., of 41-43 Crescent Street, Long Island City, an organization which publishes investment reports on a fee basis," the affidavit continues.

The Attorney General said in his papers that Pierre DuVal has admitted that he was the executive officer of DuVal's Consensus, Inc., but denied ever giving any order involving any of the securities of the firms whose stock was being sold. "Nevertheless," the affidavit states, "in the course of investigation, evidence has been adduced that DuVal did order delivery of 5500 shares of Gulf Coast Leaseholds stock to F. W. MacDonald & Co., Inc., 50 Broadway, New York City. These shares were ordered delivered to Pierre DuVal without the payment of any money by Lavan Trust."

The shares were later sold through F. W. MacDonald & Co. for "a sum in excess of \$50,000" for the account of a Toronto, Canada brokerage firm, the affidavit charges.

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"Market literature of the type issued by DuVal's Consensus, Inc., had the definite effect of raising the market price of the aforesaid stock," the affidavit continues.

Attorney General Lefkowitz said his investigation revealed that Cecil B. Hagen, chairman of the board of Gulf Coast Leaseholds, wrote to DuVal's Consensus in January, 1956, objecting to "major discrepancies" in Duval reports and stating that "publication of false or exaggerated information to the buying public concerning Gulf Coast Leaseholds, Inc., is harmful and detrimental to the best interests of the public as well as the company."

Mr. Hagen wrote two other letters to DuVal protesting the reporting of "erroneous information."

Two other individuals who have been barred from the securities business in New York State by action of Attorney General Lefkowitz are named in the papers. They are John Van Allen of 625 Fifth Avenue, New York City, and Charles Robert Stahl, now reported to be living in Rio de Janeiro.

Van Allen was barred on June 23, 1943. The affidavit alleges, however, that "beginning sometime prior to 1954," Van Allen held a general power of attorney from the Brandel Trust and Sun Investment Establishment with full authority over the trusts. The papers also state that Van Allen invoked the Fifth Amendment 150 times during questioning by the Attorney General's office concerning his activities in connection with the trusts.

The affidavit also relates that in September, 1954, Brandel Trust agreed with Gulf Coast Leaseholds to purchase 750,000 shares of stock of the company at prices ranging from \$1 to \$3 a share. Brandel Trust represented that it was acquiring the shares for a group of not more than 25 persons for investment in a transaction exempt from the Securities and Exchange Act. Brandel Trust was to receive 10 per cent commission on the purchase price of \$1,300,000.

Subsequently, Brandel Trust sold large blocks of this stock

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in the market and on April 11, 1955, 50,000 shares of Gulf Coast Leaseholds were sold at \$2 per share with a 10 per cent commission going to the trust, the Attorney General charges. On the same day, Van Allen received delivery of 25,000 shares of the stock.

Attorney General Lefkowitz also alleges that the firm of M. J. Shuck Co., 39 Broadway, New York City, also purchased from firms "whose source of supply was Stahl, Miles and Co., Ltd., of Edmonton, Alberta, Canada, 250,000 shares of Gulf Coast Leaseholds, Inc. at an aggregate cost of \$2,829,912.50 or an approximate average of \$11.30 per share. This stock was resold at prices ranging up to \$14 3/8 per share. Brandel Trust was a major account on the books of Stahl, Miles and Co." The Attorney General says that the whereabouts of M. J. Shuck is unknown.

According to the affidavit, the average cost per share of the stock to the Brandel Trust was \$1.56 a share. The papers allege that Shuck issued literature praising the potential worth of the company and also of Corpus Christi Refining Company which he described as a "major oil refinery." Evidence obtained by the Attorney General indicates it was at the time a relatively small operation.

The papers disclose an agreement signed by Charles Robert Stahl made by Brandel Trust with the Swiss securities firm of S. A. dePlacements Mobiliers of Geneva which was recently enjoined as a result of action by Attorney General Lefkowitz. The agreement provided that Brandel Trust would deliver to dePlacements Mobiliers 200,000 shares of Green Bay Uranium against payment of \$140,000 after a call for money was issued by the company. It also provided that dePlacements Mobiliers would receive 125,000 shares of the stock out of 250,000 which Brandel Trust was to receive free from the treasury.

The agreement provided for dePlacements Mobiliers to receive a profit on 500,000 shares of Green Bay Uranium "if the stock is sold over \$1 a share." It provided for the payment on December 31, 1958, of \$1 a share to Michael Phillet, then president of the Green Bay company, if the 500,000 shares have not been sold up to that time.

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A warrant has been issued for the arrest of Phillet as a result of his failure to answer a subpoena requiring him to produce books and records of the company for examination by the Attorney General.

Investigation of the case was conducted by Special Deputy Attorney General David Clurman and Principal Securities Accountant Bernard Abramson of the Securities Bureau of the Department of Law which is in charge of Assistant Attorney General Samuel A. Hirshowitz.

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