

In the Matter of STRATTON MANAGEMENT COMPANY; JAMES W.
STRATTON

Admin. Proc. File No. 3-6350; (801-8681)

SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934, Release No. 20865;
INVESTMENT ADVISORS ACT OF 1940, Release No. 907

April 16, 1984

TEXT:

ORDER INSTITUTING PROCEEDINGS, MAKING FINDINGS AND IMPOSING REMEDIAL
SANCTIONS

I

The Commission deems it appropriate that public administrative proceedings be and hereby are instituted pursuant to Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 (Investment Advisers Act) with respect to Stratton Management Company (Registrant), an investment adviser registered with the Commission pursuant to Section 203 of the Investment Advisers Act, and James W. Stratton (Stratton), its president, to determine whether Registrant and Stratton willfully violated Section 17(a) of the Securities Act of 1933 (Securities Act), Section 206 of the Investment Advisers Act and Section 34(b) of the Investment Company Act of 1940 (Investment Company Act), and whether Registrant and Stratton willfully aided and abetted violations of Section 30(d) of the Investment Company Act and Rule 30d-1.

II

In anticipation of the institution of these administrative proceedings, Registrant and Stratton have submitted Offers of Settlement which the Commission has determined to accept. For the purpose of this proceeding and any other proceeding brought by or on behalf of the Commission or in which the Commission is a party, Registrant and Stratton, without admitting or denying the allegations and findings herein, except for paragraph III, which is admitted, hereby consent to Findings and Order Imposing Remedial Sanctions as set forth below.

III

The Commission's public official files disclose that:

A. Registrant, a Pennsylvania Corporation, has been registered with the Commission as an investment adviser pursuant to Section 203 of the Investment Advisers Act since June 10, 1972.

B. Stratton is the president and beneficial owner of 75 per cent or more of the common stock of Registrant.

C. Quaker Cash Reserves (811-3234), a Maryland Corporation, was registered with the Commission as an investment company pursuant to Section 8 of the Investment Company Act of 1940 from July 30, 1981 to September 6, 1983.

IV

On the basis of this Order Instituting Proceedings, Making Findings and Imposing Remedial Sanctions and the Offer of Settlement submitted by Registrant and Stratton, the Commission makes the following findings:

A. From July 30, 1981 to September 6, 1983, Stratton was in direct and indirect control of Registrant.

B. From on or about March 31, 1982 to January 3, 1983, Registrant and Stratton willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act in that they, directly and indirectly, by the use of the means and instruments of transportation or communication in interstate commerce and of the mails, in the offer or sale of certain securities, namely shares in Quaker Cash Reserves, Inc., have: made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and engaged in transactions, practices and courses of business which operated and would operate as a fraud or deceit upon purchasers, concerning, among other things:

- a. the composition of Quaker Cash Reserves, Inc.'s investment portfolio;
- b. repurchase agreement relationships entered into by Quaker Cash Reserves, Inc.;
- c. the amount of Quaker Cash Reserves, Inc.'s net assets invested in repurchase agreements;
- d. the identity of financial institutions with which Quaker Cash Reserves, Inc. entered into repurchase agreements; and
- e. the effect of the investments in repurchase agreements on Quaker Cash Reserves, Inc.'s yield.

As a further part of the aforesaid conduct, Registrant and Stratton would and did:

- a. replace Quaker Cash Reserves, Inc.'s investments in repurchase agreements with government securities immediately prior to the last days of fiscal periods;
- b. fail to disclose the identity of the financial institution with which Quaker Cash Reserves, Inc. entered into repurchase agreements; and
- c. issue reports to shareholders and file reports with the Commission which contain information regarding Quaker Cash Reserves, Inc.'s average daily, monthly and annual yields in connection with balance sheets containing no investments in repurchase agreements.

C. From on or about March 31, 1982 to January 31, 1983, Registrant and Stratton willfully violated Section 206(2) of the Investment Advisers Act, in that they, directly and indirectly, by use of the mails or any means or instrumentality of interstate commerce, engaged in acts, practices and courses of business which operated as a fraud or deceit upon clients and prospective

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clients, as more fully described in paragraph B herein.

D. From on or about March 31, 1982 to January 31, 1983, Registrant and Stratton willfully aided and abetted violations of Section 30(d) of the Investment Company Act and Rule 30d-1 by transmitting to shareholders reports containing financial statements which were materially misleading, as more fully described in paragraph IVB herein.

E. From on or about March 31, 1982 to January 31, 1983, Registrant and Stratton willfully violated Section 34(b) of the Investment Company Act by filing reports with the Commission which contained untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, as more fully described in paragraph B herein.

In view of the foregoing, it is in the public interest to impose the sanctions specified in the Offers of Settlement.

Accordingly, IT IS ORDERED that Registrant and Stratton be and hereby are censured.

By the Commission.