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

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REGISTRATIONS OF FOUR BROKERS REVOKED. The SEC today announced the issuance of decisions under the Securities Exchange Act revoking the broker-dealer registrations of the following: J. I. Magaril Company, Inc., 37 Wall St., N. Y. (Release 34-6997); Raymond Anthony Ragazzi, doing business as Financial Security, 112-09 Roosevelt Ave., Corona, N.Y. (Release 34-6998); David Lester, doing business as David Lester Co., 504 S. Livingston Avenue, Livingston, N.J. (Release 34-6996); and James Joseph Stapleton, doing business as James J. Stapleton, Yokohama, Japan (Release 34-6999).

In its decision with respect to Magaril Company, the Commission found upon the basis of stipulations and consents, that the firm, aided and abetted by Jacob Irwin Magaril (president, also known as Jack I. Magaril), in the sale of stock of Central Coil Corporation, during 1961-62, violated the anti-fraud provisions of the Federal securities laws in that, after acquiring control of Central, and causing it to enter into an underwriting agreement whereby Magaril Company would sell 107,400 common shares of Central's stock at \$3 per share, they distributed a brochure which contained false and misleading statements of material facts. Such misrepresentations concerned the organization, business and operations of Central; the identity of Central's controlling persons and transactions by Central with affiliated companies and persons; the financial condition of Central (particularly its income, the basis of stated asset values, provisions for taxes, and the analyses of capital surplus); and the use of the proceeds by Magaril rather than for the purposes stated in the brochure. Moreover, the Commission found that the firm and Magaril effected with or for the accounts of customers transactions in Central stock without disclosure of the common control of Central and Magaril Company, and that while engaged in the offering of Central stock, they sent confirmations of sales to certain persons who had not purchased such stock. The Commission also found (1) they are subject to a May 1962 Federal court order enjoining them (by consent) from further violations of the Exchange Act, and (2) they did business while insolvent and in violation of the Commission's net capital rule. The Commission also expelled the firm from membership in The National Association of Securities Dealers, Inc.; and Magaril was found a cause of the revocation and expulsion order.

The Commission found with respect to Ragazzi and Lester that they failed to file reports of their financial condition for the year 1961; and, with respect to Stapleton, that he failed to file a report of his financial condition within 5 months after his registration became effective in April 1960, or for the years 1960 and 1961.

INVESCO REGISTRATION REVOKED. The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-6993) revoking the broker-dealer registration of Invesco, Inc., P. O. Box 6428, Tucson, Arizona, for violations of the anti-fraud and other provisions of the Federal securities laws. Stanley Francis Burk, president of the firm, stipulated to certain facts for the purpose of these proceedings and admitted that he had knowledge of and consented to the firm's acts and omissions, and he was found a cause of the revocation order. Invesco is now defunct.

In its decision, the Commission held that Invesco violated the anti-fraud provisions of the Federal securities laws in that, in connection with the sale of its own common stock at \$1 per share in 1959, it made misleading statements concerning its financial condition and controlling person and the existence of an option for the purchase of 100,000 shares at 50¢ per share. (The Commission in January 1961 suspended a Regulation A exemption from Securities Act registration with respect to the offering of the firm's stock on the basis, among other things, of such misleading statements.) Moreover, the Commission found that Invesco in 1959-60 engaged in securities transactions while insolvent. Violations of the Securities Act registration requirements and the Commission's record keeping, reporting requirements and net capital rule were also found, as well as the firm's failure to amend its application for broker-dealer registration to reflect numerous changes in management officials, principal stockholders, controlling persons and changes in business address.

SEC PERMITS WITHDRAWAL OF INVESTMENT BANKERS OF AMERICA (D.C.). The SEC today announced the issuance of a decision under the Securities Exchange Act (Release 34-6994) granting a request by Investment Bankers of America, Inc., 1522 Connecticut Ave., N. W., Washington, D. C. for withdrawal of its registration as a broker-dealer.

The Commission held that the record fails to support staff contentions that during a period in 1960, the firm had a net capital deficiency of about \$246,000. The alleged deficiency in that amount, the Commission determined, was arrived at by erroneously including as a liability an amount representing the cost of certain shares for which the firm acted as underwriter on a best efforts basis. According to the Commission's decision, the company, as agent for the issuer, never received payment therefor and such shares in fact were never issued, and there are no facts which suggest that registrant may have incurred a liability in connection with such shares. The Commission found that if the above item had not been included in registrant's liabilities, it appears that the firm would have had a net capital deficiency of about \$21,000.

However, the Commission noted that a later examination of registrant's books disclosed no subsequent net capital deficiencies; that during the period of the alleged net capital deficiency the firm's principal officers and stockholders were financially able and willing to make such additional working capital contributions or otherwise provide additional working capital as would be necessary to cure any alleged deficiency;

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and that later in 1960, registrant voluntarily liquidated its accounts, paid customers all funds due them, delivered all securities held for customers and ceased doing business. Accordingly, the Commission determined that it was "appropriate and consistent with the public interest to permit withdrawal of registration."

SUPERSTITION MOUNTAIN, ET AL. ENJOINED. The SEC San Francisco Regional Office announced January 18 (LR-2486) the entry of a Federal court order (USDC, Phoenix) permanently enjoining Superstition Mountain Enterprises, Inc., an Arizona company, Midland Securities Corp., a Phoenix broker-dealer (formerly of Denver), W. Winfield Creighton, John R. Hare, Charles C. Grutzmacher, William W. Palmer and Everett Johnson, Jr. (also known as Phil Johnson, Jr.), all of Phoenix, from violations of the Securities Act anti-fraud and registration provisions in the sale of capital stock of Superstition Mountain Enterprises, Inc. The defendants consented to entry of the injunction.

ADVANCE: Following for Release January 23, 1963

PRUDENTIAL'S VARIABLE ANNUITY NOT EXEMPT. In a decision announced today (Release IC-3620), the SEC ruled that the sale of "variable annuity" contracts by The Prudential Insurance Company of America results in the creation of an investment company subject to the requirements of the Investment Company Act of 1940.

The variable annuity contracts which Prudential proposes to sell provide that the purchaser will make monthly payments of fixed amounts over a period of years (the "pay-in" period), the proceeds of which, after certain deductions, will be invested in a portfolio of securities. The purchaser will be credited monthly with "units" representing his proportionate interest in this fund. The value of these units will fluctuate, essentially depending upon the investment results of the fund. During the annuity, or "pay-out" period, Prudential guarantees that the purchaser will receive in cash the varying value of a fixed number of units as monthly annuity payments. During the pay-in period the purchaser will have the right to terminate the contract and receive the value of all units credited to his account, less certain termination charges. Prudential would serve both as investment adviser and principal underwriter to the fund.

In its decision (written by Chairman Cary), the Commission ruled that, although Prudential is not itself an investment company, it is the creator of one; that the contracts require Prudential "to establish a fund to be invested in securities for the benefit and at the risk of purchasers of the contracts exclusively; that this holding "follows from (the Act's) fundamental intent and philosophy to provide certain protections to investors in precisely such 'liquid pools of the public savings entrusted to managements to be invested' as that created under the contracts in the present case;" and that this conclusion is indicated by the basis and logic of the decision of the Supreme Court in the case of S.E.C. v. Variable Annuity Life Insurance Co. of America.

The essential problem presented, the Commission stated, "is the proper accommodation of two schemes of regulation -- insurance and investment company. The two are different in objective, administration, and impact on the affected public; neither purports to do the job of the other. The variable annuity does not require and cannot justify the subordination of either pattern of regulation to the other. Whether variable annuities require state insurance regulation, and how that is to be applied, are matters for state insurance authorities to determine. This Commission has not the qualification, much less any desire, to become involved in matters of insurance regulation. By the same token, however, state insurance regulation is not a substitute for the application of the 1940 Act. The two schemes need not conflict in their application to the variable annuity if each is applied to its functionally appropriate sphere. We are convinced, on the basis of a study of the problem over a considerable period of time in our general administrative capacity, that accommodation is possible through several possible forms. In this accommodation, all involved must take realistic account of the fundamental legal policies involved and must concern themselves with the substantive relationships created."

Accordingly, the Commission ruled that the sale by Prudential of the variable annuity contracts will result in a fund which is subject to the requirements of the Investment Company Act. The Commission denied Prudential's request for exemption from certain sections of the Act dealing with "investor control" - "which together express and effectuate the policy that those at risk in investment funds should have ultimate voice in their management and policy." The Commission stated that "that policy and those sections are in large part the very essence of the Act."

Prudential had argued that, under its particular form of organization and under New Jersey law, it cannot comply with these basic sections of the Act. "It appears to us too early," the Commission stated, "to be certain that ways might not be found to accomplish something approaching recognition of the Act's policies. This Commission is not doctrinaire in providing some flexibility through exemptions. Further, as earlier noted, accommodation by the states may in all probability be anticipated to facilitate legitimate expansion of the business of insurance companies. Under any circumstances difficulties under existing New Jersey law do not justify such broad exemptions as are requested here, particularly since they must be equally available to insurance companies in all 50 states. Prudential doubts the necessity, or practical value, of these provisions of the statute. We do not accept the implications of these suggestions, but in any event it is not for Prudential or this Commission to neglect policies so central to the Act."

The Commission also denied other requested exemptions, while granting other limited exemptions.

SECURITIES ACT REGISTRATIONS. Effective January 21: Coastal Chemical Corp. (File 2-20748); Connelly Containers, Inc. (File 2-20943); Associated Dry Goods Corp. (File 2-21004). Effective January 22: Aquariums, Inc. (File 2-20935); Luck's, Inc. (File 2-20936); Revere Management Co., Inc. (File 2-18846). Withdrawn January 21: Anchor Industries Corp. (File 2-19339); Computer Concepts, Inc. (File 2-19572).