

From The Office Of:
Attorney General Louis J. Lefkowitz
80 Centre Street
New York City
(COntland) 7-9800, Ext. 71921



NEWS RELEASE

RELEASE P.M. NEWSPAPERS
THURSDAY, DECEMBER 8, 1960

Attorney General Louis J. Lefkowitz said today that an affidavit filed by his office in Supreme Court, charges that the theme of the best selling book, "How I Made \$2,000,000 in the Stock Market" by Nicolas Darvas, an acrobatic dancer, is "unqualifiedly false."

Charging fraudulent and deceptive practices allegedly engaged in by Darvas and others, the Attorney General obtained an order in Supreme Court, New York County, directing Darvas, American Research Council, Inc., of 2 East Avenue, Larchmont, New York, the publisher of the book, and its president, Bernard Mazel, of 69 Melrose Drive, New Rochelle, to appear and testify in court on December 20, 1960. The order was signed by Justice Arthur Markewich..

Alleging that the profits which Darvas claimed he made through his "system" were grossly exaggerated, the Attorney General wants Darvas and his publisher to explain various alleged misrepresentations contained in the best seller which topped the non-fiction lists for many weeks.

In the affidavit of Assistant Attorney General Carl Madonick, chief of the Securities Bureau of the Attorney General's office, among the "fraudulent and deceptive practices allegedly engaged in by Nicolas Darvas and others which require further clarification are:

- (1) Misrepresentation of the actual amounts of moneys "made" in securities transactions by Nicholas Darvas during the period covered by his book.
- (2) Suppression in his book of many securities transactions engaged in by Darvas, which would give an entirely different perspective to his book.
- (3) Suppression in Darvas' book of the thirty or more security collateral financing loans.

2--Lefkowitz

- (4) Concealment in his book of the true nature of his securities transactions, which did not conform to the system he claimed he employed.

Attorney General Lefkowitz said that the affidavit further alleges that American Research Council, Inc., has invoked its privilege against self-incrimination to all material questions asked by the Attorney General. He also said that Hazel refused to be sworn as a witness in the investigation.

According to the affidavit, that while Darvas in his best-seller claimed to have made two million dollars in the market, an examination of Darvas' ascertainable transactions by the Securities Bureau's chief accountant, Bernard Abramson and Special Assistant Attorney General David Clurman, reflects that from January, 1953, to October, 1960, a period of more than seven years, Darvas made a profit of about \$152,000.

"It is the conclusion of the Securities Bureau that the ascertainable profits made by Darvas during the period covered by the book, January, 1953, to July, 1959, were approximately \$216,000," the affidavit states.

"One of the principal themes of Darvas' book is how he built up approximately \$37,000 to 2 1/4 million dollars by July, 1959, exclusively by using his own funds and margin accounts. This principal theme in Darvas' book is unqualifiedly false. During the period covered by the book, Darvas employed at least \$1,074,053.14 of collateral loan financing in at least 30 separate loans furnished by professional money lenders and a bank," the Attorney General's affidavit alleges.

The Attorney General said that Darvas usually resides at the Hotel Plaza when in New York City. He has recently been known to be living in the Hotel George V in Paris, France.

The affidavit describes a "dangerous market situation in June, 1960, caused by an increase in so-called "stop-loss orders" given to brokers. A New York financial analyst attributed the

3--Lefkowitz

situation to Darvas' book. He said:

"A new book on making money in the stock market is apparently causing a flurry of stop orders - a favorite trading device of some professionals, a Wall Street survey showed yesterday.

"In a number of declining stocks in the recent skittish market, brokers report, this sudden influx of stop orders probably has bumped prices even lower - something like sliding down a step ladder."

The basis of the proceeding by Attorney General Lefkowitz is that alleged fraudulent investment advice is offered by Darvas and the publishers in the book and advertisements inserted in newspapers and magazines plugging the book. The Attorney General said that the Martin Act, New York's securities law, empowers his office "to conduct investigations to uncover fraudulent practices relating to transactions or any course of business involving investment advice."

-30-

From: Charles W. Stickle, Executive Assistant to the Attorney General
Cortlandt 7-9800, Extensions 7192, 7175 and 7187.