

**NEWS DIGEST**

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



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FOR RELEASE March 22, 1961

**EARL J. KNUDSON CO. REGISTRATION REVOKED.** The SEC has revoked the broker-dealer registration of Earl J. Knudson & Co., 450 South Main Street, Salt Lake City, for violations of the Federal securities laws. Earl J. Knudson, Jr., vice president, was found by the Commission to be a cause of the revocation order. The company and Knudson waived a hearing and entered into a factual stipulation upon which the Commission's decision was based.

According to the Commission's decision (Rel 34-6503), Knudson Co. and Knudson violated the Securities Act registration requirement in the offer and sale of International Petroleum Holding Corporation stock, and falsified its books and records in violation of the Securities Exchange Act. In August 1959, at the request of Max Gilford, Knudson acquired substantially all the stock of Capital Enterprises, Inc., a "corporate shell," for \$5,000 and delivered such shares to Gilford. Prior to such transfer, the company was renamed International Petroleum Holding Corporation and its shares split 100 for 1; and a total of 2,190,000 shares, all but 100 of the shares then outstanding after the stock split, were transferred to Knudson. Thereafter, a wide distribution of the shares was effected in several states through various individuals and broker-dealers, without prior registration with the Commission. The Commission ruled that no exemption from registration was available, that "an illegal public distribution of International stock by controlling interests was effected and that Knudson participated in significant steps essential thereto and aided and abetted in such distribution," and that the distribution violated the Securities Act registration requirement. The Commission rejected Knudson's contention that he took no part in any illegal distribution and that his transaction with Gilford was exempt from the registration requirement.

On November 30, 1959, Knudson Co.'s customers' ledger showed that all securities sold to customers had been delivered. However, the shares of two issuers which it had sold as underwriter had for the most part not been delivered. Beginning in September 1959, a total of 222,500 shares of one issuer had been sold to 25 investors, but as of December 1, 1959, the stock certificates had not even been printed. Beginning in May 1959, Knudson Co. also sold 500,000 shares of another issuer to 35 investors; but as of December 1st it had made no arrangements with the issuer to ascertain whether and to what extent shares had been delivered by the latter. The issuer's president advised the SEC that he had delivered 80,000 of the 500,000 shares and the remaining shares had been available for delivery for several months. These facts, the Commission concluded, clearly establish that Knudson Co., aided and abetted by Knudson, violated the record-keeping requirements under the Exchange Act.

**L.H. FEIGIN REGISTRATION REVOKED.** The SEC has revoked the broker-dealer registration of Lucyle Hollander Feigin, doing business as L.H. Feigin, 152 West 42nd Street, New York City, for fraud in the sale of securities and for falsifying her registration application (Rel 34-6505).

In a unanimous decision written by Commissioner McCauley (Commissioner Frear did not participate), the Commission found that during October and November 1957, the Feigin firm sold 289,750 shares of Consolidated Emjay Petroleum, Ltd., a Canadian company, to 98 persons throughout the United States at 12 cents per share. During this period, the bid prices for the shares on the Calgary Stock Exchange ranged from 4¢ to 2¢ and the ask prices ranged from 4¢ to 2-3/4¢. One customer purchased 100,000 shares at 12¢ per share as a result of long distance telephone calls from salesmen of the Feigin firm who represented that the stock was worth 16¢ per share. The customers were not informed of the publicly quoted prices of the stock. Thus, the Commission ruled, the shares were offered and sold at prices not bearing a reasonable relationship to prevailing market prices and in violation of the anti-fraud provisions of the Federal securities laws.

The Commission also ruled that, contrary to representations in the Feigin firm's registration application that no person other than Mrs. Feigin controlled her business, Mrs. Feigin's husband, Alex E. Feigin, completely controlled the business, including the hiring of salesmen and other employees, fixing the prices of securities sold to customers by salesmen, and otherwise. Although he did not receive a regular salary, he drew checks from the firm's account for his personal use in various amounts from time to time. Because her husband refused to keep her informed as to his management of the business and she was not aware of the price at which the Emjay stock was sold, Mrs. Feigin contended that she was innocent of any willful violation of law. This argument was rejected by the Commission, which stated that a registered proprietor of a broker-dealer business cannot escape responsibility for the management of the business and the supervision of employees by permitting another to conduct its affairs.

The Commission found that Alex E. Feigin aided and abetted the Feigin firm in the filing of the false registration application and was a cause of the revocation order. The evidence showed that he conducted the business of the firm, that his wife served as a front for him, that he contributed substantial sums to the capital of the firm, and that his wife applied for registration at his instance only after he had submitted an application for registration for himself which was returned and withdrawn because it appeared that his net capital was less than that required by the Commission's rules.

**CORRECTION.** The California Liquid Gas Corporation registration statement reported in the SEC News Digest of March 21st was filed on that date, not March 20th as reported.

OVER

**NATIONAL RESERVE ASSOCIATION GRANTED EXEMPTION.** The SEC has issued an order under the Investment Company Act (Rel IC-3217) declaring that National Reserve Association, Inc., of Michigan, has ceased to be an investment company.

**DIVERSIFICATION FUND RECEIVES ORDER.** The SEC has issued an exemption order under the ICA (Rel IC-3218) permitting Diversification Fund, Inc., to offer its shares in exchange for securities of individual investors without first obtaining the initial net worth of at least \$100,000 required by Section 14(a) of the Act.

**INDICTMENT NAMES DALE W. CRIPPEN.** The SEC Chicago Regional Office announced March 15th (LR 1949) the return of a Federal court indictment (USDC, Davenport, I.) charging Dale W. Crippen with fraud in the sale of Mackinac Bridge Authority debentures, West Virginia Turnpike bonds, and Illinois Toll Road bonds, interests in securities trading accounts, interests in a limited partnership called the Five Gins, and stock of July Company and August Company.

**AMERICAN GAS FILES FOR RIGHTS OFFERING.** American Gas Company, 546 South 24th Ave., Omaha, Nebraska, today filed a registration statement (File 2-17765) with the SEC seeking registration of 101,081 shares of common stock. The company proposes to offer the stock for subscription at \$3.50 per share by holders of its outstanding common stock, at the rate of 2.7 shares for each share held. The record date is to be supplied by amendment. The company will pay the underwriter, Cruttenden, Podesta & Co., 17½¢ per share in respect of all shares purchased by stockholders; and the underwriter has agreed to purchase rights at a price of 10¢ per right from stockholders not desiring to exercise their rights to the new shares. Shares purchased by the underwriter upon exercise of such rights together with any unsubscribed shares will be reoffered to the public at \$4 per share. The maximum commission to the underwriter will be 40¢ per share.

The company was organized in June 1958 to engage in the business of the transportation, distribution and sale of natural, manufactured or mixed gas. It has one subsidiary, American Gas Company of Wisconsin, Inc., organized in January 1960. Since the commencement of service in October 1959, the company has been engaged in the sale and distribution of natural gas in Carter Lake, Iowa, to domestic, commercial and industrial customers. It holds franchises to supply natural gas to the northwestern Missouri municipalities of Tarkio, Rock Port, Fairfax and Craig, and has been granted franchises to supply natural gas to Hamburg, Sidney and Tabor, Iowa, in Southwest Iowa. The subsidiary holds franchises to supply natural gas to 13 north central Wisconsin municipalities and is negotiating for franchises to serve 14 additional neighboring towns and cities. Net proceeds of the sale of additional stock, together with the net proceeds of the sale of \$500,000 of 6½% bonds due 1981 to an insurance company, will be applied as follows: to the costs (directly and in part by repayment of bank loans), estimated at about \$719,000, for construction of the Tarkio-Rock Port-Fairfax systems; \$30,000 for purchase of a natural gas transmission line from Northern Natural Gas Company; \$12,000 to pay part of the costs of construction of an air-propane peakshaving plant in Carter Lake, I., and the balance of development costs in connection with the Missouri, Iowa and Wisconsin projects and for working capital.

The company now has outstanding \$200,000 of bonds and 37,438 shares of common stock, of which Norman L. Hahn, president and board chairman, owns 10,000 shares and management officials as a group 17,500 shares.

**DAFFIN CORP. FILES FOR SECONDARY.** Daffin Corporation, 121 Washington Avenue South, Hopkins, Minn., today filed a registration statement (File 2-17764) with the SEC seeking registration of 150,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through underwriters headed by Lehman Brothers and Piper, Jaffray & Hopwood. The public offering price and underwriting terms are to be supplied by amendment.

Organized in 1929, the company is the surviving corporation of the merger in June 1960 of Daffin Manufacturing Company with and into Superior Separator Company, the name of which was changed to Daffin Corporation. It and its subsidiaries are engaged in the manufacture and sale of specialized agricultural machinery employing mechanical or hydraulic power from a tractor or truck; animal feed grinding and mixing equipment; pneumatic equipment for conveying granular solids; and grain and seed cleaning equipment. In addition to certain indebtedness, the company has outstanding an issue of preferred stock and 607,860 shares of common stock, of which Irl A. Daffin, board chairman, of Lititz, Pa., owns 244,254 shares and management officials as a group 311,331 shares. According to the prospectus, Daffin proposes to sell 75,000 shares of his holdings and Charles F. Pierson, president, 18,750 of his holdings of 54,525 shares. Three other stockholders propose to sell 56,250 of their holdings of 169,536 shares.

**SECURITIES ACT REGISTRATIONS.** Effective March 22: Realty Collateral Corporation (File 2-17377); Vapor Hearing Corp. (File 2-17429); Weinschel Engineering Co., Inc. (File 2-17532); Thermogas Company (File 2-17541); Colorado Bowling Alleys of Israel, Inc. (File 2-16908)

**NEW ENGLAND T & T PROPOSES DEBENTURE OFFERING.** New England Telephone and Telegraph Company, 185 Franklin Street, Boston, Mass., today filed a registration statement (File 2-17767) with the SEC seeking registration of \$45,000,000 of Thirty-Eight Year Debentures due April 1, 1999, to be offered for public sale at competitive bidding. The net proceeds from the sale of debentures will be applied toward the redemption of the company's \$45,000,000 of outstanding Thirty-Five Year 5-3/4% Debentures, due September 1, 1994, which it intends to redeem about May 12, 1961 at 107.40% of their principal amount. The company intends to obtain advances from American Telephone and Telegraph Company, its parent, for the additional funds which will be necessary for the redemption.