



COSMONAUTS WELCOMED BY NEW LEADERS

Cosmonauts Vladimir Komarov, left, Dr. Boris Yegorov, second from left, and Konstantine Feoktistov, right, carry flowers as they walk with the Soviet Union's new leaders who welcomed them in Moscow Monday. Behind Komarov is Soviet President Anastas I. Mikoyan, Leonid Brezhnev, new first secretary of the Soviet Communist Party, walks behind Yegorov while Russia's new premier, Alexei Kosygin is second from right. (AP Wirephoto via cable from Moscow)

Sad Story Of Bankruptcy Sparks Tighter Regulations

By JANE BECKER
EDMONTON (CP) — Bankruptcy is a word you can learn a lot about in a hurry once it hits you.

Probably no one ever thought bankruptcy would strike Mr. Duggan, a personable, 58-year-old Edmontonian who had managed the firm of D. M. Duggan Investments, started by his father 45 years ago, since 1950. When he suddenly discovered his business in serious straits in March, 1963, Mr. Duggan was president of the Canadian Football League, chairman of the Edmonton Public School Board, and a member of the national advisory board to the Air Cadet League of Canada.

INTERRUPTED WORK
These, and past activities as a sportsman, community worker, political hopeful, and investment dealer, Association executive resulted in many out-of-town trips, meetings, and interruptions in his working day.

But he says he didn't do good himself into bankruptcy.

"Outside activities were certainly partly responsible," he said in an interview. "But it was also a case of misplaced trust and simply not paying as much attention as I should have to the day-to-day details of my business."

Instead, he left most business details to Mrs. Dorothy Dutton, whom he had hired as a secretary in 1950. As secretary-treasurer of the company, she had signing privileges.

"She gave me a monthly statement of accounts, and we went over it together," Mr. Duggan recalls. "I had no idea anything was wrong."

But a new bank manager in Edmonton who didn't like the look of the Duggan account started an investigation.

As a result, Mrs. Dutton pleaded guilty to theft of \$35,000 from the firm and was sentenced to three years.

Mr. Duggan also found that over a period of eight years clients' securities — and his were missing, of had been pledged as collateral for a total of more than \$100,000.

Mr. Duggan went into voluntary bankruptcy and began to work out the job of paying back the firm's 50 creditors.

PAYS CREDITORS
Last month the bankruptcy court declared the firm cleared. Creditors had received 100 cents on the dollar, as of the date of bankruptcy. This meant Duggan creditors whose shares had risen in value since March, 1963, were still technically out of pocket. But others whose shares had depreciated gained.

"In 100 years it won't matter that I went bankrupt," Mr. Duggan says. "But it will be nice to know that at least I paid everyone what I owed them."

Part of the \$100,000 recovered by the bankruptcy trustee was paid by the firm's auditors. Another \$20,000 was made good by the bonding company and the remainder recovered from sale of the firm's remaining assets, and some of Mr. Duggan's personal property.

He estimates his personal, unrecovered loss at about \$75,000.

Today D. M. Duggan Investments is back in good standing with the Alberta Securities Commission, though it has neither assets nor an IDA licence to do business. Now the salaried manager of the first western branch of a Toronto investment firm, Equitable Securities, Mr. Duggan doubts he will start up in business for himself again.

"One of the hazards of a small firm is that you don't have time for a daily check of the books," he says.

SUGGESTS SURPRISE AUDIT
Although some bankruptcy experts advise such measures as surprise audits and a division of money-handling responsibilities to guard against employee fraud, Mr. Duggan, and many others, believe it's impossible to beat the human element.

"If you neglect your firm for any reason at all, you leave it vulnerable," says Mr. Duggan.

Since his bankruptcy, the Investment Dealers Association has increased its required indemnity insurance for members to \$100,000. It is reported to be considering raising the required working capital for new members to \$50,000 from \$25,000. In addition, members now must have their auditors report yearly to IDA district auditors, and submit half-yearly financial statements.

Mr. Duggan himself now wishes he had: —Had an audit more frequently than once a year; —Carried much more than \$20,000 fidelity insurance; —Checked his standing with the bank at least every six months.

"As it was, I hardly ever went near the bank," he says. "I would have saved everyone a great deal of trouble if I had."

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