

RAILROAD COMMISSION SECURED BOND "Financial Filmmam Methods"

Economic Gas Company Is Ordered to Notify Bond Holders of Action

Bonds of the Economic Gas company of Los Angeles to the amount of \$635,000 were declared invalid yesterday by a decision of the railroad commission. The company was ordered to notify the holders of the bonds of the action of the board.

Early in the present year the commission learned that the Economic Gas company had issued bonds for which it had not received the approval of the commission. As a result the commission subsequently applied to the commission for authority to issue \$930,000 of its bonds. In its decision the commission finds that \$250,000 of these bonds were issued prior to the effective date of the public utilities act, and that \$680,000 of these bonds were put out illegally thereafter.

Although the commission finds that \$250,000 of the bonds are void, it finds that the Economic Gas company may properly issue \$270,000 of void bonds to replace an equal amount of void bonds. These \$270,000 bonds are allowed to refund indebtedness.

The commission, however, denies to the Economic Gas company authority to issue \$680,000 as applied for. This in effect leaves outstanding \$430,000 of void bonds.

In the course of its decision the commission states that an effort was made by the Economic Gas company to evade the public utilities act. The commission finds that L. P. Lowe, president of the Economic Gas company, formed a company called the California Light and Fuel company, and thereafter issued a large number of its bonds to Mr. Lowe and to the California Light and Fuel company.

Referring to this transaction the commission says:

"This is not the first time we have found two companies controlled by the same agencies engaging in this kind of financial filmmam with an apparent design to profit individuals at the expense of the utility."

Although the commission says it will institute no proceedings against the Economic Gas company for its illegal actions, it contains the following:

"Of course, this commission has nothing to say nor authority over the proper action of the parties who bought these bonds in good faith, but the bonds are absolutely void under the law and these parties will either be compelled to make other arrangements with this company or to pursue whatever action they have for the return of the purchase money."

We call attention to the fact that this commission has no authority to excuse from prosecution even a technical violation of the law and the proper officers will have the right at any time to take such steps as they may deem necessary in this regard, and this commission shall not be taken in any wise as an approval of the actions of this company or as an excuse for such actions. We merely allow certain bonds to be issued which may be substituted for certain obligations paid for by bonds that were at one time valid, and refuse to allow other bonds to be issued to pay for obligations heretofore assumed and paid for by bonds that were at one time valid."

It is apparent that the commission will refuse to raise money from some source. If it can make arrangements with the purchasers of the void bonds to return the purchase money paid for said bonds it will be required to raise a little over \$200,000, assuming that these purchasers are in fact purchasers in good faith.

"As a matter of fact it is clear from the evidence that a considerable portion of these bonds are held for the purposes of sale to the public, and that the commission, which accounts for the large bond account."

Holders of the invalidated bonds are:

Economic Gas Company \$600,000
California Light and Fuel Co. 35,000
D. O. Brown 15,000
S. F. Coleman 4,000
W. F. Dettmer 1,000
George H. Hayes 20,000
H. H. Chidister 1,000
J. D. Grant 60,000
L. P. Lowe 60,000
Total \$635,000

NEW YORK STOCK MARKET QUOTATIONS

Table with columns: Sales, STOCKS, High, Low, Bid, Ask. Lists various stocks including American Copper, American Sugar, American Tobacco, etc.

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SUMMARY OF THE MARKETS

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Table with columns: New York Bonds, Bid, Ask. Lists various bonds including U.S. 4 1/2% 1917, U.S. 4 1/2% 1920, etc.

Table with columns: New York Mining Stocks, Bid, Ask. Lists various mining stocks including Alaska Packers, Anaconda, etc.

Table with columns: New York Curb Stocks, Bid, Ask. Lists various curb stocks including American Copper, American Sugar, etc.

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SAN FRANCISCO STOCK AND BOND EXCHANGE

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