

NEV/CAL/EZ

NEVADA/CALIFORNIA ELECTRIC CORPORATION: SALE OF SAN DIEGO  
CONSOLIDATED GAS AND ELECTRIC HOLDINGS

From the papers of Ed Fletcher, from his files labeled "Nevada-California Electric Corporation", which deal with the sale of San Diego Consolidated Gas and Electric holdings to Standard Gas and Electric Company of Chicago, Illinois, controlled by H.M. Byllesby and Company, a banking house in Chicago.

The following files were removed, in entirety, and transferred to the alphabetized correspondence files:

BAIRD, Robert W., President, The Securities Company of Milwaukee, Inc.

JAVITS, Jacob K., of Javits and Javits law firm, New York

GEISSE, Harold L. of Chicago

COWAN, Lewis F.

LOUCKS, Charles O., attorney, Chicago

LYNCH, Bernard W., President, Standard G&E

WEST, A.B., President, Nevada-California Electric

In addition, the following letters were removed, and placed in alphabetized correspondence files, under NEVADA/CALIFORNIA ELECTRICAL CORPORATION MISCELLANEOUS CORRESPONDENCE

BLACK, James

Black to Fletcher, 12/30/36

Black to B.W. Lynch, 12/30/36

CLERK OF THE COURT (Wilmington, Delaware)

Fletcher to Clerk of the Court, 9/11/36

Clerk of the Court to Fletcher, 9/15/36

CROCKER, Frank L.

Fletcher to Crocker, 12/28/38

Crocker to Fletcher [2 letters] 1/4/39, 1/11/39

EMANUEL, Victor, president, AVIATION CORPORATION, New York City

Fletcher to Emanuel, 4/25/40

Emanuel to Fletcher, 4/30/40

HAGENAH, William J.

Fletcher to Hagenah, 2/8/39

Hagenah to Fletcher, 2/15/39

KEEFE, J.H.

Fletcher to Keefe, 9/28/36

Keefe to Fletcher, [2 letters] 9/30/36, 10/5/36 with  
confidential report on Charles C. Louck

Fletcher to O'BRIEN, 12/26/35

WARD AND GRAY

Fletcher to Ward and Gray, 9/17/36

Ward and Gray to Fletcher, 9/21/36

WHITSELL, Leon

Fletcher to Whitsell, 8/20/36

Whitsell to Fletcher, 8/21/36

Lindholtz to W.F. YOUNG, 5/28/36

MEMORANDUM

September 4, 1936

The Standard Gas and Electric Company is a Holding Company, owning the stock of several subsidiary public utility companies throughout the country. These subsidiary companies in turn own the Byllesby Engineering and Management Corporation, which furnishes expert service to the several operating companies.

Some years ago certain interests bought on the open market common stock of the Standard Gas and Electric Company, thinking they would get into control. They were mistaken in assuming that the voting control lay with the common stock. In reality, the voting control lay with a limited issue of preferred stock held by H. M. Byllesby and Company.

After they had invested their money in this common stock a law suit was brought which resulted in a compromise, and in consequence lengthy negotiations finally resulted in the organization of the Standard Power and Light Company, which owned a large quantity of the Standard Gas and Electric Company stock. Above the Standard Power and Light Company there was organized the United States Electric Power Company. Stockholders in the latter company pledged stock at banks to secure loans which they were ultimately unable to pay and this stock was lately sold by the banks, carrying with it a part ownership in the Standard Power and Light Company, and through this, in the common stock of the Standard Gas and Electric Company. The Bancamerica Blair Company was one of the purchasers of some of this stock.

Due to necessary financial moves too detailed and intricate to recount, certain of this stock drifted back into the possession of H. M. Byllesby and Company.

The Standard Consolidated Gas and Electric Company belongs to the Standard Gas and Electric Company.

Ed. Fletcher:FS



FOR IMMEDIATE RELEASE

April 16, 1937.

A proposal to compromise and settle for the sum of \$1,000,000 the alleged claims existing in favor of Standard Gas and Electric Company against certain of its officers, directors and others has been submitted in behalf of itself and other parties, by Standard Power and Light Corporation which owns a majority of the company's common stock. The proposal was filed today with the United States District Court for the District of Delaware at Wilmington.

The acceptance of this offer has been recommended by Simon H. Rifkind of the law firm of Wagner, Quillinan and Rifkind, attorneys for Delevan Corporation and Emma A. Graham, the stockholders of the company, who in April, 1936, instituted the proceedings, in the nature of a minority stockholders' suit to recover on these claims; and by J. K. Javits of the law firm of Javits and Javits, attorneys for the protective committee for notes and debentures of the company.

In view of these recommendations for acceptance of the offer, it appears that the first step has been taken looking to the proposal of a plan of reorganization of Standard Gas and Electric Company.

All liability on the part of the persons and corporations included in the proposed compromise has been disclaimed and the proposal is stated to be made for the purpose of facilitating reorganization and avoiding the expense of litigation. The proposal is conditioned upon the confirmation of a plan of reorganization of Standard Gas and Electric Company prior to January 1, 1938.

It has been evident all along that a reorganization of Standard Gas and Electric Company was not possible without disposition of the issues raised in the litigation. The present offer will, if approved by the court, dispose of these issues insofar as those now interested in Standard Gas and Electric Company in a major way are concerned. These include H. J. Byllesby & Co. and interests affiliated with A. C. Allyn & Co. and Emanuel & Co., W. C. Langley, E. C. Granbery and various



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other individuals.

No claims have been asserted against Standard Power and Light Corporation, Bancamerica-Blair, Inc. and Hydro-Electric Securities, Inc., which are contributing very substantially to the settlement, but their contributions are stated to be made in order to bring about a plan of reorganization.

Ladenburg, Thalmann & Co. is not one of the offerers and the rights of Standard Gas and Electric Company against that firm are being expressly reserved.

Commenting upon the proposal, Mr. Rifkind said:

"The offer of compromise and settlement is the culmination of many months of negotiations and litigation which we have instituted in behalf of the stockholders of Standard Gas and Electric Company. If the settlement is approved by the court, it will free the company from the burden of prolonged and expensive litigation. The claims against some of the persons who are no longer identified with the company are not being compromised, and it is proposed that the company shall undertake to prosecute those claims through independent counsel having no connection with the matters out of which the claims arose.

"We shall advocate the confirmation of the settlement in the United States District Court for the District of Delaware."

J. K. Javits of Javits and Javits, stated that a plan of reorganization for Standard Gas and Electric Company was now imminent, the last obstacle being finally cleared away by the making of this offer. The protective committee for notes and debentures he said "has been constantly engaged in developing with the officials of the company and with representatives of security holders changes and modifications in the company's original five-year extension plan side by side with the negotiations culminating in the offer of Standard Power and Light Corporation. The committee believes that sufficient progress has been made so that the proposal of an amended plan of reorganization which should have the substantial concurrence of all interests may reasonably be expected within the next thirty to sixty days." This

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is the first intimation from security holders' representatives that an amended plan of reorganization is to be filed within a definite time.

Bernard W. Lynch, president of Standard Gas and Electric Company, declined to make any comment at this time, except to say: "Action upon the proposal rests entirely with the United States District Court for the District Court for the District of Delaware."

The offers are the outgrowth of application made by Delevan Corporation and Emma A. Graham, holders of prior preference stock of Standard Gas and Electric Company, seeking the court's permission to institute suit against directors and officers of Standard Gas and Electric Company and against certain banking firms claimed to have been responsible for heavy losses suffered by Standard Gas and Electric Company and to have made large profits through dealing with it. Judge Fields of the United States District Court for the District of Delaware denied such leave but appointed William G. Mahaffy of Wilmington and William H. Button of New York, special counsel to investigate these claims. The Circuit Court of Appeals at Philadelphia subsequently upheld Judge Fields' action.

On February 18, 1937, the special counsel appointed by the court reported that suit should be started on these claims.

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November 24, 1937

FOR IMMEDIATE RELEASE



Standard Gas and Electric Company filed a petition today in the United States District Court for the District of Delaware, at Wilmington, requesting the Court to set a date for a hearing on the company's plan of reorganization dated as of November 1, 1937, and for permission to solicit acceptances of the plan from holders of securities of the company, according to a statement by Bernard W. Lynch, president. The order of the court, if entered pursuant to the petition, will be followed by the mailing of the plan to all security holders, who, for the first time, will be asked to consider a plan in the reorganization proceedings.

According to the plan of reorganization, as now submitted to the court, the company plans to register as a holding company with the Securities and Exchange Commission under the Public Utility Act of 1935 upon consummation of the plan of reorganization.

The petition reveals that the plan as it is now constituted has been approved by all of the note, debenture and bondholders committees, by the only prior preference stockholders committee and by one of the two \$4 cumulative preferred stockholders committees. These assenting committees are The Protective Committee for Notes and Debentures, of which Samuel McRoberts is chairman; The Independent Protective Committee for the Notes, of which W. S. Kinnear is chairman; The Protective Committee for \$7 and \$6 Prior Preference Stock, of which James W. Gerard is chairman; The Protective Committee for the \$4 Cumulative Preferred Stock, of which John K. MacGowan is chairman; and The Noteholders and Bondholders Committee, of which George McAneny is chairman; the latter committee being the latest to evidence its support of the plan as it is now constituted.

The plan of reorganization as submitted for consideration of the Court today provides for an extension of the \$24,649,500 of 6% notes which were due October 1, 1935 to a date ten years from the consummation of the plan, with no change in the maturity or interest rate of the \$49,000,000 of debentures constituting the remainder of the \$73,649,500 of funded debt of the company.

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The \$73,649,500 of notes and debentures will be given a sinking fund payable out of the company's earnings, and an additional sinking fund out of annual net gains, represented by cash, from transactions in capital assets, provisions for their security in the event of the creation or assumption of additional debt, the right to elect a member of the board of directors, and the right to the utilization of proceeds of the sale of capital assets to retire funded debt under certain conditions. In addition, under the plan now filed the company agrees not to pay cash dividends except out of earnings or earned surplus accruing after December 31, 1937.

By an agreement accompanying the plan, but not forming a part or condition of it, the company agrees that within sixty days after the consummation of the plan it will register under the Public Utility Act of 1935 and apply to the Securities and Exchange Commission for authority to grant to the holders of the company's \$73,649,500 of six per cent notes and debentures an option whereby they may either retain their present securities or exchange each \$1000 principal amount thereof for \$500 in principal amount of a new four and one-half per cent sinking fund debenture due in twenty-five years, plus twenty-five shares of the common stock of Philadelphia Company, two shares of the common stock of Pacific Gas and Electric Company, and three shares of the common stock of San Diego Consolidated Gas & Electric Company (after a four for one re-classification of the last named stock). There will be attached to each \$500 principal amount of the new four and one-half per cent sinking fund debentures a warrant to purchase ten shares of common stock of Philadelphia Company at \$15.00 per share for ten years after issuance.

Accompanying the plan is a copy of a letter dated November 18, 1937, from C. Roy Smith, Director, Public Utilities Division, Securities and Exchange Commission, to Mr. Lynch, as president of the company, reading as follows: "Upon the occasion of a recent visit to Washington you exhibited to the staff of the Public Utilities Division a proposed plan for the reorganization of Standard Gas and Electric Company, dated as of November 1, 1937. Standard Gas and Electric Company has not yet seen fit to register with the Commission under the Public Utility Holding Company Act of 1935.

Therefore, as previously indicated to you, the Commission has not taken action upon or expressed any opinion with respect to the plan, and this Division is not authorized to take action thereupon or to express any opinion with respect thereto. If any representation is made to the effect that Standard Gas and Electric Company proposes to register with the Commission, or to submit to the Commission the plan referred to above -- or any other plan -- I suggest that you circulate and give the widest publicity to this letter, so that no one will obtain the erroneous impression that the Commission or any member of its staff has expressed an opinion that the plan, or any part thereof, meets with the approval of the Commission. Should your company register, we shall be happy to consider any plan that may be filed with us, but until such time we can not take official cognizance of any such matter."

Under the plan there will be no change in the present outstanding 368,348 shares of \$7 cumulative and 100,000 shares of \$6 cumulative prior preference stocks, the 757,442 shares of \$4 cumulative preferred stock nor the common stock of the company, except that all the preferred issues will receive full voting powers.

The \$7 and \$6 prior preference stocks will be entitled to elect two directors as a class. The \$4 cumulative preferred stock and the common stock will be entitled to elect the six remaining directors and may vote cumulatively, but in such election each share of \$4 cumulative preferred stock is to have one and one-half votes.

The plan permits the holders of the \$4 cumulative preferred stock to elect two of these six directors and they, voting together with the common stock of Standard Gas and Electric Company held by the public, other than Standard Power and Light Corporation, which holds 1,160,000 shares out of 2,162,607 outstanding, can elect four of the six directors.

Neither the prior preference stock nor the \$4 cumulative preferred stock previously had the right to vote.

Provision also is made in the plan for the appointment by the Court of a special trustee or trustees to litigate for the company any of the claims asserted by the petitions of Delevan Corporation and Emma A. Graham, as holders of prior preference stock, to exist in favor

of the company against interests now or formerly identified with the company. On November 22, 1937, the Court confirmed a report of special masters recommending the rejection of an offer to settle the claims against certain of the proposed defendants for the sum of \$1,000,000 and stated that it would appoint a special trustee for the claims.

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**Ed Fletcher Papers**

**1870-1955**

**MSS.81**

**Box: 71 Folder: 4**

**Nevada-California Electric**

**Corporation, 1936 - 1940**



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UC SAN DIEGO

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