

Syllabus.

IN THE MATTER OF

KEELER BROS. & COMPANY, THE COLUMBIA SECURITIES COMPANY, THE NATIONAL FINANCE COMPANY, GEORGE KEELER, AND FRANK KEELER.

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SECTION 5 OF AN ACT OF CONGRESS APPROVED SEPTEMBER 26, 1914.

Docket 941—July 26, 1924.

SYLLABUS.

Where two individuals dealing in state, county, municipal, and other public bonds and obligations, through various corporations managed and controlled by them; in pursuance of a plan or conspiracy to stifle and suppress competition in the purchase of the aforesaid bonds or obligations through the use of deceptive, fraudulent, and oppressive practices calculated and intended to deceive and defraud political subdivisions, with which they dealt, and their fair and honest competitor bidders, and to enable them to outbid said competitors for the purchase of such bonds or obligations and prevent them from obtaining the same;

- (a) Presented histories of the issues upon which they had bid successfully, prepared by them, as required, which histories were false in important essentials, and so changed said bonds or obligations and the terms and conditions thereof as to make the same more salable, and filed said false histories in the State Auditor's office, and registered the bonds based thereon;
- (b) Secured necessary signatures of public officials by hastening their inspection of the papers, etc., through pretenses on the part of their representatives of having only a very limited time available for the transaction of the matter, through manipulating the various papers requiring such signatures, so as to prevent the reading thereof, and through misrepresentation and chicanery;
- (c) Pretended to meet requirements in the matter of necessary signatures of officials and others, by presenting signatures which purported to be those of such persons, but were actually forgeries;
- (d) Enlisted the aid of public officials and employees in effecting fraudulent changes in the terms and conditions of issues bid upon by them, and in the transaction of their business in general, as above set forth, by paying or promising sums of money to such officials or employees, or employing them, in order to secure their influence and assistance;
- (e) Used vague and ambiguous terms in their contracts; submitted checks purporting to be certified but as a fact merely drawn upon themselves, and issued pretended certificates of deposit in payment of bonds upon which they had bid successfully which were mere false recitals that there had been deposited with the particular corporation, through which they had bid upon the issue concerned, the sum mentioned, to the credit of the municipality's treasurer, which drafts and "certificates" were honored or not as suited their convenience; and sought whenever possible to secure delivery of bonds upon which they had bid successfully, without paying therefor;

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- (f) Declined upon various pretexts to carry out obligations entered into with governmental units, or to make settlement, and made their proceeding thereafter the grounds for exacting or enforcing oppressive concession or claims, to which they were not entitled;
- (g) Used the name of a fictitious concern to seek to bid in an issue, already contracted for by them, but with which they declined to proceed on some pretext, except at a more favorable figure;
- (h) Declined to account to a municipality for bonds thereof sold by them without authority, and sought to escape responsibility on the pretext that it was one of the other corporations (through which they dealt as above set forth) which was responsible in the transaction, and made use of the same ruse to avoid making payments in other cases;
- (i) Stripped one of their corporate instrumentalities of its assets, through a series of fictitious transactions in order that they might thereby defraud municipalities with which they had dealt, as above set forth, of opportunity for effective recourse;

With the result that honest competitors were deterred and prevented from bidding on issues in competition with them, and competition between them and their competitors was suppressed, to the injury of said competitors, and of the public, which by the use of such methods was deceived and defrauded and forced to pay large sums of money in taxes for which no benefit was received:

Held, That such practices, substantially as described, constituted unfair methods of competition.

Mr. G. Ed. Rowland for the Commission.

Mr. William H. Diepson of Denver, Colo., for respondents.

COMPLAINT.

Acting in the public interest pursuant to the provisions of an Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission charges that Keeler Bros. & Company, a corporation; The Columbia Securities Company, a corporation; The National Finance Company, a corporation; George Keeler; and Frank Keeler, have been and are using unfair methods of competition in interstate commerce in violation of the provisions of Section 5 of said Act, and states its charges in that respect as follows:

PARAGRAPH 1. Respondents, Keeler Bros. & Company and The Columbia Securities Company are corporations, organized, existing and doing business under and by virtue of the laws of the State of Delaware, with their principal offices and places of business, respectively, at Denver, in the State of Colorado, and at Portland, in the State of Oregon; respondent, The National Finance Company is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Arizona, with its principal office

and place of business at Denver, State of Colorado; respondents, George Keeler and Frank Keeler, are brothers, residing respectively at Denver, Colo., and Portland, Oreg., who are now and have been for many years last past, in conjunction with each other, engaged in the business of buying and selling bonds or other securities of municipalities and other political subdivisions of various States of the United States, particularly bonds of counties, towns and school districts, in the States of Colorado, Utah, Idaho, Montana, and Nebraska.

In the year 1921 and for some time prior thereto the individual respondents, George Keeler and Frank Keeler, conducted their said business of buying and selling bonds under the name of, and operated as, Keeler Brothers, a corporation organized by them for such purpose under the laws of Arizona, and maintained offices at Portland, Oreg., under the management of respondent, Frank Keeler, and at Denver, Colo., under the management of respondent, George Keeler. Some time in 1921, acting in conjunction with each other, they caused to be organized the respondents, Keeler Bros. & Company and The Columbia Securities Company, under the laws of the State of Delaware; the former, Keeler Bros. & Company, with its principal office and place of business at Denver, Colo., and the latter, The Columbia Securities Company, with its principal office and place of business at Portland, Oreg. The respondent, Keeler Bros. & Company, immediately thereupon acquired the assets and good will, and assumed the liabilities of the Denver branch of Keeler Brothers, the Arizona corporation, and the respondent, The Columbia Securities Company, at the same time, acquired the assets and good will, and assumed the liabilities of the Portland branch of Keeler Brothers, the Arizona corporation. Respondent, George Keeler, who had theretofore managed and directed, as aforesaid, the Denver branch of Keeler Brothers, assumed the management and direction of Keeler Bros. & Company, and, respondent, Frank Keeler, who had theretofore managed and directed the Portland branch of Keeler Brothers, assumed the management and direction of respondent, The Columbia Securities Company. They continued to occupy the same offices at Portland, Oreg., and at Denver, Colo., formerly occupied by Keeler Brothers, and ever since have continued to carry on their said business of buying and selling bonds in commerce among the States of the United States.

On or about the time respondents, George Keeler and Frank Keeler, caused the said respondent companies to be organized, they also caused the corporate name of Keeler Brothers, the Arizona corporation, to be changed to that of The National Finance Corpora-

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- (g) Used the name of a fictitious concern to seek to bid in an issue, already contracted for by them, but with which they declined to proceed on some pretext, except at a more favorable figure;
- (h) Declined to account to a municipality for bonds thereof sold by them without authority, and sought to escape responsibility on the pretext that it was one of the other corporations (through which they dealt as above set forth) which was responsible in the transaction, and made use of the same ruse to avoid making payments in other cases;
- (i) Stripped one of their corporate instrumentalities of its assets, through a series of fictitious transactions in order that they might thereby defraud municipalities with which they had dealt, as above set forth, of opportunity for effective recourse;

With the result that honest competitors were deterred and prevented from bidding on issues in competition with them, and competition between them and their competitors was suppressed, to the injury of said competitors, and of the public, which by the use of such methods was deceived and defrauded and forced to pay large sums of money in taxes for which no benefit was received:

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and place of business at Denver, State of Colorado; respondents, George Keeler and Frank Keeler, are brothers, residing respectively at Denver, Colo., and Portland, Oreg., who are now and have been for many years last past, in conjunction with each other, engaged in the business of buying and selling bonds or other securities of municipalities and other political subdivisions of various States of the United States, particularly bonds of counties, towns and school districts, in the States of Colorado, Utah, Idaho, Montana, and Nebraska.

In the year 1921 and for some time prior thereto the individual respondents, George Keeler and Frank Keeler, conducted their said business of buying and selling bonds under the name of, and operated as, Keeler Brothers, a corporation organized by them for such purpose under the laws of Arizona, and maintained offices at Portland, Oreg., under the management of respondent, Frank Keeler, and at Denver, Colo., under the management of respondent, George Keeler. Some time in 1921, acting in conjunction with each other, they caused to be organized the respondents, Keeler Bros. & Company and The Columbia Securities Company, under the laws of the State of Delaware; the former, Keeler Bros. & Company, with its principal office and place of business at Denver, Colo., and the latter, The Columbia Securities Company, with its principal office and place of business at Portland, Oreg. The respondent, Keeler Bros. & Company, immediately thereupon acquired the assets and good will, and assumed the liabilities of the Denver branch of Keeler Brothers, the Arizona corporation, and the respondent, The Columbia Securities Company, at the same time, acquired the assets and good will, and assumed the liabilities of the Portland branch of Keeler Brothers, the Arizona corporation. Respondent, George Keeler, who had theretofore managed and directed, as aforesaid, the Denver branch of Keeler Brothers, assumed the management and direction of Keeler Bros. & Company, and, respondent, Frank Keeler, who had theretofore managed and directed the Portland branch of Keeler Brothers, assumed the management and direction of respondent, The Columbia Securities Company. They continued to occupy the same offices at Portland, Oreg., and at Denver, Colo., formerly occupied by Keeler Brothers, and ever since have continued to carry on their said business of buying and selling bonds in commerce among the States of the United States.

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and place of business at Denver, State of Colorado; respondents, George Keeler and Frank Keeler, are brothers, residing respectively at Denver, Colo., and Portland, Oreg., who are now and have been for many years last past, in conjunction with each other, engaged in the business of buying and selling bonds or other securities of municipalities and other political subdivisions of various States of the United States, particularly bonds of counties, towns and school districts, in the States of Colorado, Utah, Idaho, Montana, and Nebraska.

In the year 1921 and for some time prior thereto the individual respondents, George Keeler and Frank Keeler, conducted their said business of buying and selling bonds under the name of, and operated as, Keeler Brothers, a corporation organized by them for such purpose under the laws of Arizona, and maintained offices at Portland, Oreg., under the management of respondent, Frank Keeler, and at Denver, Colo., under the management of respondent, George Keeler. Some time in 1921, acting in conjunction with each other, they caused to be organized the respondents, Keeler Bros. & Company and The Columbia Securities Company, under the laws of the State of Delaware; the former, Keeler Bros. & Company, with its principal office and place of business at Denver, Colo., and the latter, The Columbia Securities Company, with its principal office and place of business at Portland, Oreg. The respondent, Keeler Bros. & Company, immediately thereupon acquired the assets and good will, and assumed the liabilities of the Denver branch of Keeler Brothers, the Arizona corporation, and the respondent, The Columbia Securities Company, at the same time, acquired the assets and good will, and assumed the liabilities of the Portland branch of Keeler Brothers, the Arizona corporation. Respondent, George Keeler, who had theretofore managed and directed, as aforesaid, the Denver branch of Keeler Brothers, assumed the management and direction of Keeler Bros. & Company, and, respondent, Frank Keeler, who had theretofore managed and directed the Portland branch of Keeler Brothers, assumed the management and direction of respondent, The Columbia Securities Company. They continued to occupy the same offices at Portland, Oreg., and at Denver, Colo., formerly occupied by Keeler Brothers, and ever since have continued to carry on their said business of buying and selling bonds in commerce among the States of the United States.

On or about the time respondents, George Keeler and Frank Keeler, caused the said respondent companies to be organized, they also caused the corporate name of Keeler Brothers, the Arizona corporation, to be changed to that of The National Finance Corpora-

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tion, which thereupon acquired, and ever since has continued to hold the bulk of the stock of respondents, Keeler Bros. & Company and The Columbia Securities Company. Respondents, George Keeler and Frank Keeler, own and have owned, ever since its organization, the major portion of the capital stock of the respondent, The National Finance Corporation, and in conjunction with each other have controlled and directed, and now control and direct its operations, policies and affairs, and those of its said subsidiary corporations, respondents, Keeler Bros. & Company and The Columbia Securities Company, carrying on at Portland, Oreg., and Denver, Colo., the said business of buying and selling bonds through said agencies, under the same plan, policy, method and practice which they, and each of them, in conjunction with each other, formerly followed in conducting their said business under the names of Keeler Brothers, the Arizona corporation.

PAR. 2. That respondents, George Keeler, Frank Keeler, Keeler Bros. & Company, The Columbia Securities Company, and The National Finance Company, for more than one year last past have been engaged in the business of buying and selling municipal, county, and school bonds in interstate commerce, namely of buying said bonds in the several States for the purpose of selling, and by selling the same in the several States other than where bought. That in the conduct of respondents' business as aforesaid, respondents had various competitors consisting of persons, firms, and corporations located in the several States who were likewise engaged in the business of buying such bonds in the said several States and of selling the same in said several States other than where bought, and in order to sell said bonds in said several States said competitors of respondents were compelled, in the pursuit of their said business, first, to purchase the same in said several States and were accustomed to and did bid against respondents in the said several States for the purchase of said bonds thereafter to be sold by them in other States than where bought and generally throughout the several States. That in order to prevent their said competitors in said several States from procuring said bonds to be transported and sold in and into said several States from the State where bought and in order to hinder and cut off said traffic in interstate commerce as aforesaid of said competitors, said respondents conspired and confederated together to prevent said purchases of said bonds by their said competitors and in pursuance of said plan and conspiracy did act as follows:

Said bonds were sold by the said several municipalities and bodies corporate upon certain terms and conditions as to the provisions of said bonds advertised according to law, to be issued and the respond-

ents in pursuance of said plan and conspiracy to prevent said competitors from obtaining the same, did plan and conspire to secure by the fraudulent means hereinafter set forth from the said municipalities and bodies, corporate bonds with more favorable provisions than as advertised and authorized by law, and by reason thereof more valuable to the purchaser, and anticipating and relying upon their ability so to carry out said fraudulent plan of alteration and substitution said respondents were able to and did overbid their said competitors and did pay for said bonds more than the same would be worth if issued under the terms and conditions as advertised, whereupon respondents, having secured the award of said bonds, then engaged in the practice of substitution of official documents of record fraudulently substituting for the signature of the officials whose duty it was to execute the same, bonds containing other and varying provisions more favorable to the purchaser and hence of greater value to the purchaser, and said respondents by various devices fraudulently prevented and caused said officers to fail to read said altered bonds and fraudulently, by various means of deception, concealed the fact that said bonds were not in accordance with the advertised conditions of the same as authorized by law and by such means and various other fraudulent corrupt and unlawful practices, said respondents did secure the execution to themselves of said bonds in said altered form by the officers of said municipalities and bodies corporate, and thus by means of said fraudulent scheme and conspiracy did prevent their said competitors from obtaining said bonds to be sold in interstate commerce, and by such unfair methods of competition did cut off and destroy the source of such interstate commerce in such bonds by its competitors.

PAR. 3. Respondents, George Keeler and Frank Keeler, Keeler Bros. & Company, The Columbia Securities Company, and The National Finance Company, for more than a year last past, in conducting the business of buying and selling bonds, have adopted and followed the practice of submitting offers or bids for bonds about to be issued or sold in the various municipalities and other political subdivisions of the States mentioned in paragraph 1, in direct competition with other persons, partnerships and corporations also engaged in the business of buying and selling bonds and other securities of municipalities, and other political subdivisions, of various States of the United States in commerce among the States, and the practice of causing to be unlawfully issued such bonds, as from time to time have been awarded to them by various municipalities in pursuance of their offers or bids, which offers or bids have usually contained terms submitted by them in anticipation of such practice,

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and to cause to be incorporated therein terms and provisions which tended to materially enhance the value of the bonds for the purpose of investment, but contrary to law and materially different from the terms and provisions prescribed in the elections duly called and held in such municipalities and other political subdivisions, relative to the issuance of bonds and the specification of their terms, conditions and obligations; and of filing or causing to be filed, or causing to be substituted for those already filed in the States wherein they are required by law, histories of the various issues of bonds, with the officer designated for such purpose, containing false and misleading representations and statements regarding the terms and provisions authorized by the voters of the municipality or other political subdivision, concerned therein, corresponding, however, with the terms and provisions by them unlawfully incorporated as aforesaid in the bonds themselves, these so-called histories of said bond issues, being matters of public record, or public documents accessible for information to inquiring purchasers, or prospective purchasers; and the practice of selling the bonds so acquired in other States of the United States than those of their issue, in direct competition with other persons, partnerships and corporations engaged in the business of buying and selling bonds in such states, chiefly through, or by means of, the particular terms and provisions unlawfully incorporated therein, facilitated by said false and misleading histories, without disclosing to purchasers, or prospective purchasers, to whom they have sold the said bonds in various States of the United States, that the bonds offered or sold had been, or were, unlawfully issued, or that they contained terms or provisions fraudulently inserted therein, and contrary to the terms of the election by which the issuance of bonds with definitely described provisions had been authorized, and by withholding and concealing from such purchasers and prospective purchasers said facts, and other material information which would have apprised said purchasers and prospective purchasers of the irregularities attending the execution and issuance of said bonds, and would have substantially affected the judgment of purchasers and prospective purchasers as to the desirability of such bonds for the purpose of investment. In the effort to sell, and in connection with the sale of bonds, respondents have used travelling representatives and have transmitted information from time to time through the mails to customers, purchasers and prospective purchasers by means of correspondence, circulars, and other advertising matter, including so-called histories of the various bond issues.

PAR. 4. The procurement of bonds and other securities, as herein described, apparently valid, but in which have been fraudulently embodied provisions and terms which increased their commercial value, for the purpose of selling, and of selling the same, using in connection therewith false and misleading histories of the bonds, which fail to disclose to purchasers and prospective purchasers the real facts of the issues, and by withholding and concealing from such purchasers and prospective purchasers such facts and other material facts, had, and has the capacity and tendency to mislead and deceive purchasers, and prospective purchasers of bonds and other securities, and the natural tendency and effect of concealing such and other material facts was to induce many persons in the various States of the United States to believe, and to buy said bonds relying on such belief, that they were valid obligations of the particular municipalities by which they had been executed, and issued as by law provided, in conformity to elections duly called and held, and that their purchasers would involve no risk of repudiation by municipalities or expense of litigation to confirm their validity or to enforce their collection.

PAR. 5. The above alleged acts and things done by respondent are all to the prejudice of the public and respondent's said competitors and constitute unfair methods of competition in commerce, within the intent and meaning of Section 5 of an Act of Congress entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914.

REPORT, FINDINGS AS TO THE FACTS, AND ORDER.

Pursuant to the provisions of an Act of Congress approved September 26, 1914, the Federal Trade Commission issued and served a complaint upon the respondents, Keeler Bros. & Company, a corporation, Columbia Securities Company, a corporation, National Finance Corporation, a corporation, George Keeler and Frank Keeler charging them with the use of unfair methods of competition in commerce in violation of the provisions of said act.

Respondents having entered their appearance and filed their answers herein, hearings were had and evidence and testimony was thereupon introduced in support of the allegations of said complaint before Edward M. Averill, an examiner of the Federal Trade Commission, theretofore duly appointed.

And thereupon this proceeding came on for final hearing, and counsel for the Federal Trade Commission having submitted a brief and counsel for the respondents, Keeler Bros. & Company and George E. Keeler, having submitted a brief, and the Commission

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having duly considered the record and being now fully advised in the premises, makes this its findings as to the facts and conclusion:

FINDING AS TO THE FACTS.

PARAGRAPH 1. The respondent, Keeler Bros. & Company, is a corporation, organized under the laws of the State of Delaware on the 11th day of January, 1921. Its principal place of business is in the city of Denver, Colo. Its authorized capital stock is \$1,000,000 divided into \$750,000 of nonvoting preferred stock, represented by 7,500 shares of the par value of \$100 each, and \$250,000 par value of voting common stock, represented by 2,500 shares of the value of \$100 each. Frank W. Keeler, of Denver, Colo., was president, George E. Keeler, vice president, H. W. Baldwin, jr., treasurer, and E. W. Willard, secretary. The general nature of its business as provided for in its charter, is to buy and sell and generally deal in stocks, bonds, warrants and other securities created or issued by any country, nation, government, state, territory, county, school district, or any subdivision thereof, either at home or abroad. The common stock of this company at the time of its organization was divided as follows: George E. Keeler, 237 shares; E. W. Willard, 1 share; H. W. Baldwin, jr., 1 share; Frank W. Keeler, 1 share; Columbia Securities Company, 2,260 shares. On March 28, 1921, Frank W. Keeler resigned and George E. Keeler became president of this company, with E. Hosack, secretary. Since its incorporation the company has been engaged in the purchase of bonds and other securities of municipal and political subdivisions in various States of the United States, outside of the State of Colorado, and their advertisements for sale and sale throughout the United States in competition with other corporations and individuals engaged in a similar business. This company is owned, operated, and controlled entirely by George E. Keeler.

PAR. 2. The respondent, Columbia Securities Company, is a corporation organized under the laws of the State of Delaware. Its principal place of business is in Portland, Oreg. Its certificate of incorporation bears date the 11th day of January, 1921. It was authorized to engage in the business of buying and selling bonds and securities of municipalities and other political subdivisions of various States of the United States. Its capital stock is \$1,000,000 divided into 7,500 shares of nonvoting preferred stock, and 2,500 shares of voting common stock, both of the par value of \$100 each. The common stock is held by Frank W. Keeler, except a few qualifying shares nominally in the name of dummies. Frank W. Keeler was president. The Columbia Securities Company is now

out of business, having forfeited its charter for nonpayment of State taxes.

PAR. 3. The respondent, National Finance Corporation, was originally incorporated under the laws of the State of Arizona in the year 1910 under the name and style of Keeler Bros., Inc., which name and style was changed on January 22, 1921, to National Finance Corporation. Its officers are J. N. Stoddard, president; Frank C. Evans, vice president; and W. J. Nourse, secretary and treasurer.

PAR. 4. The respondents, George Keeler and Frank Keeler, are brothers, whose full names are George E. Keeler and Frank W. Keeler, respectively, and they for many years prior to January, 1921, resided at Denver, in the State of Colorado. On or about April 4, 1910, they caused to be organized under the laws of the State of Arizona, a corporation under the name and style of Keeler Bros., Inc., with a capital stock of \$100,000 divided into shares of the par value of \$1 each, Frank W. Keeler holding 61,666 shares, I. L. Keeler (the wife of Frank W. Keeler) 33,334 shares and George E. Keeler 5,000 shares. From April 4, 1910, until April 5, 1915, the holdings of stock remained unchanged, but on April 5, 1915, at a meeting of the stockholders of Keeler Bros., Inc., the Arizona corporation, one Phil Grossmayer appears upon the minutes of the stockholders' meeting as a stockholder, together with Frank W. Keeler, I. L. Keeler, and George E. Keeler, these four constituting all of the stockholders, and at each subsequent meeting of the stockholders of the aforesaid corporation during the years 1916, 1917, 1918, 1919, and 1920 the minutes record the aforesaid four individuals as being all of the stockholders. The recitals as to Grossmayer were false; he at no time had any interest in the corporation as a stockholder or otherwise.

Frank W. Keeler was president and George E. Keeler vice president and at times also held the office of treasurer.

The respondents, Frank W. Keeler and George E. Keeler, acting as individuals, and/or acting for and in the names of the respondent corporations, Keeler Bros. & Company, Columbia Securities Company, and National Finance Corporation, and/or acting for or in the name of Keeler Bros., Inc., were engaged in the purchase and sale of water and improvement bonds of States, counties, municipalities and various political subdivisions thereof, and the advertisement for sale and sale thereof throughout the United States, in competition with other persons, firms, and corporations domiciled in other States of the United States and who were engaged in active competition with the said respondents in the purchase and sale of

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bonds of a like kind and character in the several States of the United States.

PAR. 5. The respondents, George E. Keeler, Frank W. Keeler, Keeler Bros., Inc., Keeler Bros. & Company, Columbia Securities Company and National Finance Corporation have in the conduct of their business aforesaid employed representatives and agents who traveled through the several States of the United States and bought from various counties, cities, towns, school districts, and various political subdivisions bonds issued by said counties, cities, towns, school districts, and various political subdivisions thereof, for the purpose or reselling the same, and caused the said bonds when purchased to be transported from points in States other than the States of Colorado and Oregon, to Denver in the State of Colorado, and/or Portland, in the State of Oregon, which bonds were then offered for sale and sold by said respondents to purchasers in the several States of the United States other than where bought, and delivered by respondents to said purchasers in the several States in which said purchasers were domiciled. In the conduct of their business as aforesaid, respondents were in active competition with persons, firms and corporations located in the States of the United States other than the States of Colorado and Oregon, and said competitors were likewise engaged in the business of buying such bonds in the said several States and of selling the same in said several States other than where bought, and said competitors were accustomed to and did bid against respondents in the said several States for the purchase of said bonds thereafter to be sold by them in States other than where bought, and generally throughout the several States of the United States.

PAR. 6. In order to prevent their said competitors in said several States from procuring bonds offered for sale by the respective counties, cities, towns, school districts and other political subdivisions and thereby to hinder and prevent the said competitors of respondent from competing with respondent in the sale of such bonds in and throughout the several States, the said individual respondents, George E. Keeler and Frank W. Keeler, and Keeler Bros., Inc., the Arizona corporation, conspired and confederated together to mislead, deceive and defraud the various political subdivisions with whom they dealt, and their said competitors honestly and fairly bidding for the purchase of the securities so offered. In pursuance of said plan and conspiracy, the respondents George E. Keeler and Frank W. Keeler, and Keeler Bros., Inc., the Arizona corporation, caused their representatives, by the use of fraudulent methods hereinafter set forth, to unfairly outbid their competitors, to binder

competition, and to deceive and mislead the officials of cities, towns and members of school boards and other political subdivisions, and to defraud the taxpayers of the various political subdivisions.

PAR. 7. In seeling bonds of political subdivisions the method is generally as follows: The duly authorized officials of cities, towns, and the trustees of boards for school districts or irrigation districts, or road commissioners of the respective political subdivisions, having decided that an issue of bonds is necessary or expedient, in order to provide the required amount of money for the public improvement desired, give notice to the electorate that an election will be held at a certain time and place for the purpose of deciding whether the bonds described in such notice shall be issued, said notice being given by publication in a newspaper circulating in the political subdivision in which the issue of bonds is contemplated, and sometimes by notices posted in conspicuous public places, or both, and the terms and conditions of the contemplated issue are also usually set out upon the ballot, an example of the notice and ballot being as follows:

NOTICE OF BOND ELECTION

Notice is hereby given to the qualified voters of school District No. 145 in Lancaster County, Nebraska, that an election will be held at Lutheran Church in Waverly, Nebraska, in said District on the 30th day of June, 1919, at nine o'clock P. M. for the purpose of voting upon the following question, to wit:

Shall the district officers of School District No. 145 in Lancaster County, Nebraska, issue the Bonds of said School District, in the amount of One hundred forty thousand dollars, bearing $5\frac{1}{2}$ per cent interest, payable annually, on the first day of September, principal and interest payable at County Treasurer's office, Lincoln, Nebraska and the principal payable as follows, to wit:

\$140,000 on 1st day of September, 1944, with option of payment of any or all bonds at any interest date after five years; bonds to be in \$500 denominations.

And shall the District Officers of said School District cause to be levied annually, a tax sufficient for the payment of the interest and principal as it becomes due? Said bonds to be issued for the following purpose, to wit:

Purchasing site and erecting and equipping a schoolhouse in District No. 145. By order of the District Officers of said School District, this 4th day of June, 1919.

FRANK WALKER, *Director.*

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OFFICIAL BALLOT

School District No. 145

Special Bond Election

June 30, 1919

PROPOSITION TO BE VOTED UPON

Shall the District Officers of School District No. 145 in Lancaster County, Nebraska, issue the Bonds of said School District in the amount of One Hun-

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dred Forty Thousand Dollars, bearing $5\frac{1}{2}$ per cent interest, payable annually on the first day of September, principal and interest payable at County Treasurer's Office, Lincoln, Nebraska, and the principal payable as follows, to wit:

\$140,000 on the 1st day of September, 1944, with option of payment of any or all bonds at any interest date after five years; bonds to be in \$500 denominations.

And shall the District Officers of said School District cause to be levied, annually, a tax sufficient for the payment of the interest and principal as it becomes due? Said bonds to be issued for the following purpose, to wit:

Purchasing site and erecting and equipping a schoolhouse in District No. 145.

I vote *for* said bonds and *for* the levy of said tax.

I vote *against* said bonds and *against* the levy of said tax.

These or similar notices or ballots having been prepared, the officials or boards notify bond-buying houses in their own and other states of the proposed election, and set forth the kind, amount and terms of such bonds and invite bids for the purchase of the issue described in the notice and other proceedings. Sometimes sealed written bids to be submitted on or before a day certain, accompanied by a certified check as an earnest of good faith are solicited or the bond houses are advised that at a certain time and place the proposed issue of bonds will be sold to the highest bidder. If sealed bids are desired, they may either be forwarded to the officials by mail, or, as is usually the custom, the bidding bond house sends its representative who in person presents the sealed bid. If an auction bid is desired, the representatives of bond-buying houses are present, and after the announcement has been made as to the terms of the bonds, bidding is commenced and the bonds are awarded to the highest bidder. These bids are based on the bond issue described in the election notice and other proceedings, which must be specific. It is usually the custom for the successful bidder to prepare a history or record of the proceedings leading up to the authorization of the issue, setting forth in detail each step taken by the officials of the political subdivisions, the notice, the ballot, the result of the ballot and the awarding of the issue. Each step as recited in such history or record of proceedings must be sworn to by the officials of the political subdivision and by the publisher of the newspaper in which the notice of election was printed. The successful bidder also usually prepares and furnishes the bonds and presents them to the proper officers for execution and delivery.

The State of Nebraska requires that a signed and attested history of each bond issue be filed with the State auditor at Lincoln, Nebr., and that the bonds to be sold thereunder be registered with said auditor.

All reputable bond-buying houses bidding on the bonds offered expect to, and do, comply with the conditions of the issue as sub-

mitted to the voters and authorized by them, and prepare a history or record of proceedings which accurately and truthfully sets forth each and every step and every condition, and prepares and has printed for the signature of the officials or members of the boards bonds which comply with the terms and stipulations contained in the notice of election and as set forth upon the ballots. Bonds vary in marketability according to their terms and provisions. This variation, if strictly observed, plays a considerable part in determining the prices bid for the issue. As an example: Issue of bonds bearing $5\frac{1}{2}$ per cent interest, payable annually, to run for a period of 25 years, with provision for optional payment in whole or any part after the fifth year, is not as attractive a bond from the buyer's standpoint as an issue of bonds bearing $5\frac{1}{2}$ per cent interest, payable semiannually, to run for 25 years, interest and principal payable at some designated bank in New York City.

PAR. 8. On June 30, 1919, the board of School District No. 145, Lancaster County, Nebr., held an election to authorize the issue of \$140,000 of school district bonds, and gave notice by publication in a newspaper circulating in said district, which notice, and the ballot prepared in accordance with said notice, set forth the terms and conditions of the proposed issue and the date upon which the election would be held as well as designation of polling places and all other matter required by law. The election carried and thereafter bids were invited from bond-buying houses in Nebraska, Colorado, and other States, and on or about August 25, 1919, after having received bids from bond houses located in Omaha, Nebr., Lincoln, Nebr., and from Keeler Bros., Inc., the Arizona corporation, the board awarded the issue to the respondent, Keeler Bros., Inc., at a premium of \$1,850 on the entire issue, Keeler Bros. to prepare the blank bonds ready for signing and such additional legal papers as might be required. The board in this instance previously had its attorney prepare a history of the proceedings, and full information was furnished Keeler Bros., in regard to the terms and conditions of the issue, and the history as prepared for the board by its attorney was given to the representative of Keeler Bros. and forwarded to their Denver, Colo., office. Thereafter, about September 22, 1919, a representative of Keeler Bros. appeared at Waverly, Nebr., bringing with him the printed bonds and a history which had been prepared by the respondents, and called together the members of the school board for the purpose of signing the bonds and the history, representing to the board that it was necessary for him to leave Waverly on a train departing at 9 p. m., and that it would be necessary for them to hurry. He assured the members of the board that the bonds and

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the history were correct and in accordance with the terms and conditions set out in the notice of election above referred to, and by adroit representations to the members succeeded in preventing them from reading carefully either the history or the bonds. After the members of the board had signed the bonds and the history, respondent's representatives took the bonds and the history to the auditors' office in Lincoln the following day, filed the history, had the bonds registered, and carried the bonds back to the Denver, Colo., office of Keeler Bros., Inc.

The notice and the ballot and the terms of the bonds as set out to competitive bidders called for a 25-year $5\frac{1}{2}$ per cent bond, interest payable annually, and principal and interest payable at county treasurer's office, Lincoln, Nebr., with option of payment of any or all bonds at any interest-bearing date after five years. The bonds as prepared and printed by the respondents, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., and the history as prepared by the above respondents, varied materially from the terms of the offer. The bonds and the history called for a $5\frac{1}{2}$ per cent bond, interest payable semiannually, both interest and principal to be payable in gold coin of the United States of America at the National Bank of Commerce in the city and State of New York, and the bond to run for 25 years, with no option of redemption. Within less than a month after the signing of the bonds and the history, it was discovered that certain signatures appearing upon the history as filed by the representative of the respondents, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., were forgeries, and that the parties whose names appeared thereon had not signed said history; particularly was this so with reference to the affidavit of publication. The discovery of this fact caused a comparison to be made of the recitals contained in said history with the actual notice of election and the actual ballot, and it was found that the changes above referred to had been made, and that the said history and bonds as prepared by the respondents, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., were false and misleading, and the school district thereupon employed attorneys for the purpose of recovering from the respondents the bonds issued, and succeeded in obtaining the return of the bonds at a cost to the school district of about \$2,500.

On August 9, 1919, Saunders County, Nebr., School District No. 72, offered for sale an issue of \$130,000 of bonds to bear interest at a rate not exceeding $5\frac{1}{2}$ per cent annually, to run for not exceeding 25 years, with provision for optional payment in whole or in part after the fifth year. Notice of election and ballots, and notices

to competitive bond-buying houses were sent out, all of which stated clearly and distinctly the conditions and terms under which the contemplated issue was to be offered. There was competitive bidding by bond houses located in Omaha, Nebr., Lincoln, Nebr., and by respondent, and the bonds were awarded to the respondent Keeler Bros., Inc., at a premium of \$2,700, the said respondent to prepare the history and print the bonds. Prior to the election the officials of the school district retained the county attorney of Saunders County to assist the board in preparing the election and to give his advice as to the legality of all steps taken, agreeing to pay him \$200 for his services. On September 18, 1919, the representatives of Keeler Bros., Inc., acting under instructions of the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., arrived at Meade, Nebr., Saunders County, having with him the bonds and the history, and accompanied by the county attorney before mentioned. The representative stated that he was in a great hurry, and there were 130 bonds to sign and five or six copies of the history, and by adroit handling he succeeded in securing the signatures of the members of the board to the bonds and to the history after he and the county attorney had assured the members of the school board, that the bonds and history were in accordance with the terms of the issue as published in the election notice, official ballots, etc. It was later found that the representative of Keeler Bros., Inc., acting under the instructions of respondents, George E. Keeler and Frank W. Keeler, had promised the county attorney \$100 for his influence in connection with the issue, although he knew at the time that the county attorney was already employed by the school board in connection with the same issue. The representative took the bonds away with him, filed the history and registered the bonds with the Auditor at Lincoln, Nebr., and delivered the signed bonds to his principals at Denver, Colo. No money had been paid on the bonds. The board waited for some time, but receiving no money became uneasy and put the matter in the hands of attorneys; it was then discovered that the history as prepared by the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., and the bonds as prepared by the said respondents, were not in accordance with the terms of the notice of publication or the ballot, in that the history as prepared by aforesaid respondents, and the bonds drawn in accordance with the history so prepared, made the interest payable semi-annually instead of annually, made the bonds payable at 25 years without any option of redemption, and made principal and interest payable in gold in New York City. In the history so prepared by the respondents the signature of J. T. Pickett, pub-

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lisher of the Wahoo Wasp, was a forgery, Pickett never having signed the affidavit of publication as set out in said history. The district finally succeeded in recovering the bonds from the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc. at an expense of \$1,030.

On June 16, 1919, Gage County, Nebr., School District 165, offered for sale an issue of \$45,000 5½ per cent bonds, interest payable annually, bonds to run 30 years, with option of redemption in whole or in part after the tenth year. Bids were received from the Lincoln Trust Company, Lincoln, Nebr., and Keeler Bros., Inc., and the issue was awarded to the respondent Keeler Bros., Inc., at a premium of \$345, the respondent to prepare history and have the bonds printed. Keeler Bros.' representative was furnished with one of the notices of the election as published in the newspaper, one of the official ballots used in the election, and copies of official minutes of the school board. Similar tactics were pursued in this case as in the two instances already set forth, the representative of the respondents, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., arrived at the village with the bonds and the history late in the afternoon, called up the members of the board by phone, and urged them to come into the village of Barneston and sign the history and the bonds. One of the members he called about 9 o'clock p. m. The member had been threshing all day, was some distance from the village, was tired and at first refused to come, but about 11 o'clock p. m. one of the other members of the board called him up on the phone, said the other two had signed and urged him to come in. He finally did so and the history and the bonds were signed after the positive assurance of Keeler Bros.' representative, and a local banker who accompanied him, that the bonds and history were in accordance with the terms of the election. The history was filed by the representative of respondent and bonds registered at the Auditor's office in Lincoln, Nebr., and the bonds were then delivered to a bank, accompanied by a draft to be sent to respondent, Keeler Bros., Inc., Denver. The draft was duly honored and the bonds passed into the possession of the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., but shortly thereafter the district discovered that the history was false, that it was not a correct recital of the actions taken by the board nor of the notice of election, nor of the ballot as voted by the electorate; that the history as prepared by respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., and the bonds as prepared by them made the interest payable semiannually instead of annually, made principal and interest payable at a bank in New York City instead of payable at the county

treasurer's office, made the bonds a straight issue to run for 30 years with no option of redemption, and changed the face value of the bonds from \$1,500 each, as voted by the electors of the district, to \$1,000 each. The signatures of two judges of the election, and certain officials of the board as they appeared in the history, over a notary public's seal, were forgeries, and the notary public admitted he did not take the acknowledgments on the date which appears in the history. None of the changes made in the bonds or history were authorized by the school district officials. The district thereupon, on December 6, 1919, employed an attorney to recover the bonds from Keeler Bros., who together with several members of the school board, went to Denver and consulted respondent, George E. Keeler, who was familiar with the details of the issue, and after considerable difficulty they recovered the bonds at an expense of about \$2,500. While the negotiations for the return of the bonds were pending, Keeler Bros., Inc., through its treasurer, W. H. Baldwin, jr., offered the attorney for the school district \$1,000 if he would sell the bonds to the State of Nebraska for the account of respondent, Keeler Bros., Inc.

On July 16, 1919, School District No. 8, Lancaster County, Nebr., awarded to the respondent Keeler Bros., Inc., at a private sale an issue of \$20,000 6 per cent special warrants, to run thirty years, with option of redemption in whole or in part after the fifth year. The notice of the election and the resolutions of the board all called for special warrants, and the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., were specifically informed as to the terms and conditions of the issue awarded to them, and were informed that the district could not at that time legally issue bonds for \$20,000 as the district had theretofore issued bonds to within \$12,000 of their legal limit under the State statutes. The respondents George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., however, prepared a history which history was false and misleading in that it left out all reference to the obligations voted being warrants, but set forth as a fact that the school district had voted for an issue of bonds, and in accordance with this false history so prepared by the three respondents above mentioned, these respondents printed bonds instead of special warrants, said bonds differing materially from the terms of the election, in that principal and interest were payable semiannually in gold coin at New York City, instead of the county treasurer's office as provided by law, and said bonds were made to run thirty years, without any option of prior redemption in whole or in part, and were dated July 1, 1919, three days before the election authorizing the special warrants was held. Permission to make the interest payable semiannually instead of annually was

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given by the school board, but no other changes were authorized. A representative of Keeler Bros., Inc., brought the bonds to the school district to be signed, and after assuring the officials that they were in accordance with the terms of the election and stating they would not be registered by the State auditor if they were not, and preventing the school district officials from reading said bonds because of the necessity of his returning to Lincoln immediately, he succeeded in having the bonds and history signed by the said officials. The school district, subsequently discovering the unauthorized changes, employed an attorney to secure the return of the bonds, and said attorney communicated with Keeler Bros., Inc., which company claimed that the bonds were sold. As it would have necessitated an expensive lawsuit to secure the return of the bonds, the attorney advised the school district to drop the matter, which was done, and the bonds are still outstanding. The school district has had several opportunities to refund the bonds at a lower rate of interest, but as there is no right of redemption before maturity in the bonds as issued by said respondents, it has been unable to do so.

About July 1, 1919, Keeler Bros., Inc., the Arizona corporation, entered into a contract with the village of Greeley Center, Nebr., to buy an issue of water bonds of said village, and agreed to prepare the bonds and history, and to pay par, accrued interest to date of delivery, and a premium of \$100 for the issue. Charging that the contract price was too high for the market, the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., the Arizona corporation, on August 22, refused to carry out their contract, alleging an error in the proceedings, which proceedings they themselves had prepared. The bonds were dated September 2, 1918, and there was almost a year's accrued interest due on them. Respondent, Frank W. Keeler, instructed the representative of Keeler Bros., Inc., to go to the village and bid a low price for the bonds in the name of the Banker's Securities Company, and not to mention anything about accrued interest, so that respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., could retain that for themselves. There was no Banker's Securities Company, that name being used by said respondents to make false and misleading bids in order to deceive the officials or boards of political subdivisions. This was accomplished as follows: When it was desired to conceal from the issuing body that respondents were buying the bonds a bid was made in the name of Banker's Securities Company, or when it was desired to make it appear there was competition for an issue, bids would be made in the name of Keeler Bros., Inc., and Banker's Securities Company. On August 29 the representative of Keeler Bros., Inc., bid for

the bonds in the name of Banker's Securities Company, as instructed by respondent Frank W. Keeler, but was unsuccessful in securing it.

On May 9, 1919, the respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., the Arizona corporation, entered into a contract with the board of education of Thurston County School District No. 17, Winnebago, Nebr., to purchase an issue of \$60,000 5½ per cent funding bonds to be dated May 15, 1919, and to run for twenty years, for which the respondents were to pay par plus accrued interest to date of delivery, and at the same time they entered into another contract for preparing the bonds and legal services in connection with the issue, for which service respondents were to be paid one-half of 1 per cent of the amount of the issue, being \$300. This second contract was a matter of form, it not being intended that the district should really pay this sum, and the representative of Keeler Bros., Inc., gave the officials of the school district at that time, a receipt in full for the amount. The bonds were prepared by respondents, signed by the members of the school board and delivered to Keeler Bros.' representative in Winnebago, Nebr., on June 12, 1919, who took them away with him. The school district received no money for the bonds and corresponded with respondents, Frank W. Keeler and Keeler Bros., Inc., who continually delayed matters until March 23, 1920, when they notified the school board that their attorneys had refused to approve the issue, and they, therefore, would not carry out their contract. Keeler Bros., Inc., at the same time sent the school district a bill for \$326.70 for services in connection with the issuance of the bonds claiming it was due under the contract. The school district refused to pay this sum as it had a receipt for the amount given it by the representative of Keeler Bros., Inc. Almost a year's interest had accrued on the bonds. Some time after March 23, 1920, respondent, Keeler Bros., Inc., sent a representative to the school district who offered to buy the bonds for respondent Keeler Bros., Inc., at a discount of \$5,000, notwithstanding the fact respondents claimed the bonds could not be approved by their attorneys. Keeler Bros., Inc., had prepared the bonds and conducted all legal proceedings itself. This offer was refused and the officials of the school district brought suit in the District Court of Thurston County, Nebr., to recover the \$60,000 due them, with interest. In answer to the suit in the district court, Keeler Bros., Inc., filed a special appearance objecting to the jurisdiction of the court, and under oath respondent Frank W. Keeler deposed:

That said defendant, Keeler Bros., is engaged in the business of buying and selling of the bonds of municipal and quasi municipal corporations of the several States; that such bonds

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are bought in the respective States, by various traveling representatives, agents or buyers, acting under very limited and restricted powers and authority, upon the approval of the home or principal office of said corporation in Denver, Colo.; that such agents have only the authority to submit such bids for the purchase of any such bonds, and no other, as are approved by the Denver office; * * * That no other business, of any kind or nature, is conducted or carried on in said States, or in the State of Nebraska, outside the State of Colorado; that thereafter this defendant, Keeler Bros. arranged to sell such municipal bonds in the various States of the United States, by and through the Denver office; that all the business of said defendant, except the necessary and incidental business carried on in Denver, Colo., is wholly in the nature of interstate commerce and does not, and is not intended to, include doing business within the State of Nebraska, or elsewhere.

The case was finally settled by an agreement, the board paying Keeler Bros. \$42.50 to cover cost of transportation and insurance, and the bonds were returned to the board.

PAR. 9. On December 13, 1920, the board of education of Junction City, Piute County, Utah, offered for sale an issue of \$110,000 5 per cent school building bonds, to be dated January 1, 1921, to be due and payable \$10,000, January 1, 1931, and \$10,000 each year thereafter until the entire issue of bonds was paid, with principal and semiannual interest payable in New York City. At this sale Keeler Bros., Inc., bid against a Salt Lake City bond house, and the board awarded the issue to Keeler Bros., Inc., for the sum of \$95,054, Keeler Bros. to prepare the necessary legal papers and the bonds. This contract having been awarded to Keeler Bros., Inc., the respondents George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., proceeded to prepare papers and have bonds printed which varied materially from the terms under which bids were made, and from the terms contained in the contract entered into between the board of education of the county and Keeler Bros., in that the bonds as prepared by the respondents aforesaid called for \$5,000 of the amount to be due and payable in 1926, and \$7,000 each year thereafter until all were paid, thus making the first payment on principal due in 1926 instead of 1931. That this departure from the terms of the contract as entered into with the board of education was unfair to its competitors was well known to the respondents George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., as is evidenced by the instructions regarding these bonds issued to the sales department of Keeler Bros., Denver, Colo., on January 11, 1921, in

which the sales department was specially cautioned not to let this change become known to the said competitors, in the following language:

These bonds were bought and our competitors will no doubt watch our circular to see if they are offered on the same kind of basis, \$10,000 to be due in 1931 and \$10,000 each year thereafter, making all equal payments. Considering that we are having the bonds printed \$5,000 due and payable in 1926, and \$7,000 each year thereafter until all are paid, suggest that you offer those in such a manner that our competitors will not be able to tell from the circulars that the bonds are to be printed and signed other than our purchase contract calls for. In the event they would find out that we expected making these a shorter maturity, there is no doubt but that they would call up this board and have them so schooled and drilled that they would not sign any other bond than 1931-1941 payments, inclusive.

PAR. 10. On August 31, 1920, the officials of Blackfoot City, Idaho, delivered to Keeler Bros., Inc., the Arizona corporation, Special Improvement Bonds, District 23, of the face value of \$145,000 and on November 5, 1920, delivered Special Improvement Bonds, District 24, of the face value of \$38,000. The proceeds of these bonds were to provide money for special street improvements, and at the time of delivery it was impossible to ascertain the exact amount of money which would be needed, as under the law abutting property holders had the right upon completion of the improvements, and before the final making of the assessment roll, to pay the amount assessed in cash. Under a written agreement Keeler Bros., Inc., was to take the bonds, and as the work progressed furnish the necessary amount of money from time to time, not to exceed the total of the bonds held by them as security for the money advanced, and upon the completion of the work and the assessment roll, Keeler Bros., Inc., was to return to the city all bonds in excess of the assessment roll, for which services Keeler Bros., Inc., was to be paid 6 per cent of the amount of the issue as finally determined by the assessment roll. The work was completed prior to August 2, 1921, and it was ascertained that District 23 had used \$111,000, and District 24 \$25,000. The council met and adopted resolutions authorizing the issuance of \$111,000 of bonds for District 23, and \$25,000 of bonds for District 24, leaving \$34,000 of District 23, and \$13,000 of District 24 bonds outstanding, which bonds should have been in the hands of Keeler Bros. The districts notified respondents, Keeler Bros., Inc., Keeler Bros. & Company, Frank W. Keeler, and George E.

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Keeler of their action and called for the return of their unauthorized bonds.

The respondent, George E. Keeler, acting then as president of respondent, Keeler Bros. & Company, the Delaware corporation, which respondent in 1921 had bought \$4,000 of the issue of District 23, first quibbled; then was forced to admit that the surplus bonds had been sold, but stated that they would arrange to get them back as soon as possible. No bonds were returned in 1921 or in 1922. The districts threatened suit. Respondent George E. Keeler, and respondent Keeler Bros. & Company, who had from August 4, 1921, to September 29, 1922, conducted the negotiations in the name of respondent, Keeler Bros. & Company, the Delaware corporation, on the latter date repudiated all connection with the matter and stated that the obligation was one of Keeler Bros., Inc., the Arizona corporation, and in order to deceive and mislead the district, and in order to coerce them into acquiescence with the plans of the respondents, Frank W. Keeler, George E. Keeler, Keeler Bros., Inc., the Arizona Corporation, and Keeler Bros. & Company, the Delaware corporation by which plans these respondents intended to convert the unauthorized bonds to their own use, and in furtherance of which they had already sold said unauthorized bonds to third parties, the respondent George E. Keeler, under date of December 8, 1922, wrote the attorney for Blackfoot City as follows:

The present firm of Keeler Bros. & Company, of which the writer is president has no connection with the old firm of Keeler Bros. who handled the Blackfoot bonds. Mr. Frank W. Keeler of the old firm of Keeler Bros. moved his office to Portland and has been liquidating the affairs of the old company, and the undersigned severed his connection with the old firm, enlisted new capital and associates and started the present company.

All of which was untrue. Neither George E. Keeler or Frank W. Keeler had ever actually severed their connection with Keeler Bros., Inc., the Arizona corporation, but had been actively engaged since January, 1921, with the assistance of their dummies, J. N. Stoddard, Frank C. Evans and W. J. Nourse, in dissipating and converting to their own individual use and benefit \$924,620.76 of the assets of Keeler Bros., Inc. On April 9, 1923, respondent Keeler Bros. & Company, the Delaware corporation, by George E. Keeler, president, wrote the city of Blackfoot:

As it looks to me the city of Blackfoot have a claim against Keeler Bros. and this firm also has a claim against them. In so far as the bonds are concerned in the hands of innocent investors that will have to be paid by the city—the holders have nothing to do with the difference between the buyer and seller.

The city has had coupons from these unauthorized bonds presented to it for payment several times, but it has refused to pay them. The First National Bank of Eugene, Oreg., notified the city that it held \$3,000 of the bonds of District 24, as innocent purchaser, and after being advised by the districts that these bonds were unauthorized and invalid, the respondents Keeler Bros., Inc., Keeler Bros. & Company, George E. Keeler and Frank W. Keeler turned over the remaining bonds, in the amount of \$44,000 to the Scenic Better Roads Highway District of St. Maries, Idaho, in settlement of a claim said district had against them. The officials of said district having heard that there had been an illegal and wrongful use of certain improvement district bonds of the city of Blackfoot, by said respondents, immediately sold the bonds at a discount, fearing they might lose the whole face value of the bonds if they retained them.

Up to May 23, 1923, none of the respondents has returned the \$47,000 worth of bonds fraudulently sold by them.

PAR. 11. On October 9, 1919, the District School Board of Buhl, Twin Falls County, Idaho, Independent School District No. 3, entered into a contract with Keeler Bros., Inc., the Arizona corporation, represented by George E. Keeler, for the sale of bonds to the amount of \$125,000, said bonds to be dated July 1, 1919, and to bear interest at the rate of six per cent per annum. The bonds were prepared, signed by the school board and delivered to George E. Keeler in person, who took them away with him, and in exchange for the bonds furnished the district with certificates of deposit for a like amount. On June 21, 1920, after having taken up about \$35,000 of the certificates of deposit the respondent George E. Keeler, acting for Keeler Bros., Inc., the Arizona corporation, informed the school board that he could not sell the balance of their bonds at par; that Liberty Bonds were only selling at 85; and that Keeler Bros. would either have to be allowed a discount of 10 per cent on the \$90,000 bonds, alleged to be unsold, or they would have to return the bonds to the district. The district had its schoolhouse then under construction, and was obliged to have the money in order to meet its obligations, and finally, relying on the representations of George E. Keeler that the bonds could not be sold at less than ten per cent discount, agreed to allow Keeler Bros. \$9,000, and sent a warrant for this amount made out to Keeler Bros., Inc., which warrant was returned to the district with the request to make it payable to George E. Keeler personally, which was done. The statements made by George E. Keeler on June 21, 1920, to the school board of this district were absolutely false, for on February 25, 1920, George E. Keeler in

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person, acting for Keeler Bros., Inc., had sold to the Neighbors of Woodcraft of Portland, Oreg., bonds of this issue of a face value of \$75,000 for \$80,905, and on June 14, 1921, had sold to the same parties more bonds of this issue of a face value of \$3,000 for \$3,144.50 excluding accrued interest.

PAR. 12. The respondents, Frank W. Keeler, George E. Keeler and Keeler Bros., Inc., the Arizona corporation, in the course and conduct of their business, and with the purpose and effect of defrauding a small town, village, or district, would, after obtaining possession of their bonds, cause delays in settlement for said bonds running from two to eleven months before paying the town or district any money, and then demand as a condition precedent to settlement that the town, village, or district, pay the accrued interest from the date of said bonds to said respondents, such delays being in no way caused by any action on the part of the town, village, or district, but brought about solely by the concerted action of Frank W. Keeler, George E. Keeler, and Keeler Bros., Inc.

PAR. 13. Respondents, George E. Keeler, Frank W. Keeler, and Keeler Bros., Inc., made use of vague and ambiguous terms in their contracts to enable them to collect the accrued interest on bond issues which they bought; used such terms as "to be dated as soon as legally possible" in purchase contracts for bond issues, and then dated the bonds back several months so as to secure additional accrued interest; used the term "Subject to the approval of our attorneys" in contracts for the purpose of taking advantage of said term to refuse to carry out their contract of purchase when the bond market dropped, or they desired for any reason to avoid the contract, and without having submitted the bonds to a bond attorney; instructed their bond buyers to use "Jesse" checks described in paragraph 15 hereinafter, instead of certified checks, and to always take the signed bonds away with them without paying for them wherever possible. All of the unfair and fraudulent practices used by Keeler Bros., Inc., were pursuant to instructions of respondents, George E. Keeler and Frank W. Keeler.

PAR. 14. In August, 1918, George E. Keeler and Frank W. Keeler, confederating and conspiring together to deceive, mislead and defraud the taxpayers of Whitefish, Mont., caused Keeler Bros., Inc., to contract to purchase two issues of bonds of the city of Whitefish, Mont.—one of \$19,000, the other of \$22,000. George E. Keeler conducted the negotiations, and after obtaining possession of the bonds repudiated their obligations to the town and forced the municipality to enter suit, in which suit the contentions of the town were sustained, and a judgment in excess of \$4,000 recovered.

In 1920 Frank W. Keeler and George E. Keeler, confederating and conspiring together to mislead, deceive and defraud the taxpayers of Athena, Oreg., caused Keeler Bros., Inc., to contract with the city of Athena to purchase an issue of bonds of from \$30,000 to \$40,000 and entered into another contract at the same time whereby Keeler Bros., Inc., was to prepare all legal proceedings and print the bonds for a fee of 9 per cent of the largest amount of bonds mentioned in the contract; \$37,500 worth of bonds were printed and signed by the authorities and delivered to Frank W. Keeler. But some time after receiving the bonds, these respondents refused to pay the city authorities for \$13,500 worth of them and eventually returned bonds to that amount to the city, but retained the accrued interest on the entire issue; and also deducted from the settlement \$900, which they claimed to be a fiscal agent fee; and also retained and refused to pay \$2,700 claiming that this amount was due them on account of a fictitious claim which they asserted on behalf of the First National Bank of Athena. They also retained and refused to pay the city \$3,600 in addition to the amounts above set forth, which they claimed was due them as the fiscal agent's fee on the entire issue of \$40,000. The city brought suit against Keeler Bros., Inc., in the Federal Court in Portland, Oreg., and recovered a judgment on all its claims, including costs.

The two judgments above referred to have never been collected on account of the conspiracy on the part of the respondents, George E. Keeler and Frank W. Keeler to dissipate all the assets of Keeler Bros., Inc., as is more fully set out in subsequent paragraphs of this finding.

PAR. 15. The respondents Frank W. Keeler, George E. Keeler and Keeler Bros., Inc., the Arizona corporation, in the course and conduct of their business, and with the purpose and effect of deceiving and defrauding a small town, village or district, would, when the conditions under which bonds were to be sold called for a certified check as evidence of good faith, deposit with such political subdivision a paper writing, lithographed and prepared in the form of a check, and then cause one of its employees to superimpose upon said paper writing with a rubber stamp the following words and figures:

CERTIFIED

When properly endorsed Good For

DEC. 18-1920

Payable Through

UNITED STATES NAT'L BANK

Portland, Oregon.

(Here followed the signature) -----

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The words written in capitals above being stamped in red ink, while the words written in small letters are in blue ink, and below this alleged certification appears the name of some employee of the respondents, the whole arranged so as to give the appearance of a bona fide certified check, when in truth and in fact said paper writing is simply a draft drawn by Keeler Bros. on themselves. These bogus certified checks it was the custom of the respondents Frank W. Keeler, George E. Keeler and Keeler Bros., Inc., to deposit with the various political subdivisions with whom they had dealings, and whenever it suited the convenience of the said respondents they would refuse to pay same when presented. It was also the custom and practice of the respondents, Frank W. Keeler, George E. Keeler and Keeler Bros., Inc., confederating and acting together, to issue alleged certificates of deposit to cities, towns and other political subdivisions from whom they had bought bonds and in payment for said bonds, which said alleged certificates of deposit had the appearance of being regular certificates of deposit issued by a bank, and were often accepted by the political subdivision, it believing them to be certificates of deposit on a bank, when in truth and in fact the certificates recited that there had been deposited with Keeler Bros. for the account of the treasurer or other political subdivision officer the sum mentioned in said certificates, and no money had been deposited. In pursuance of this method of misleading and defrauding political subdivisions, on July 16, 1920, Keeler Bros., Inc., the Arizona corporation, by George E. Keeler, contracted with Millard County, Utah, for county, road and courthouse bonds to the amount of \$360,000, of which amount they paid \$75,000 in cash, and the balance in alleged certificates of deposit, said certificates being for the amount of \$10,000 each. These certificates were forwarded through the banks in Denver and were paid until August, 1921, when Keeler Bros., Inc., defaulted on the payment, alleging that Keeler Bros., Inc., the Arizona corporation, had become financially embarrassed, that George E. Keeler and Frank W. Keeler had stepped out and severed their connection with Keeler Bros., Inc., that new officers had been elected, and that the name Keeler Bros. had been changed to National Finance Corporation. George E. Keeler denied all liability in the matter, claiming that whatever he had done was done as an agent of Keeler Bros., a corporation. All of these statements, except as to change the name and election of new officers, were untrue, and as a result of the frauds and the breach of trust perpetrated by George E. Keeler, Frank W. Keeler and by Keeler Bros., Inc., the Arizona corporation, Millard County, Utah, sustained a loss of between \$25,000 and \$35,000.

PAR. 16. The respondents George E. Keeler and Frank W. Keeler, having organized the respondents, Keeler Bros. & Company, the Delaware corporation, and the Columbia Securities Company, the Delaware corporation on January 11, 1921, apparently proceeded to divest themselves of all interest in the respondent, Keeler Bros., Inc., the Arizona corporation, and on January 3, 1921, as recited in the minutes of a stockholders' meeting of Keeler Bros., Inc., the Arizona corporation, J. N. Stoddard, Phil Grossmayer, E. G. Ward, Frank C. Evans, Wm. J. Nourse, and E. M. Keeler, the latter being the wife of George E. Keeler, appear as all of the stockholders of this corporation. At said meeting the resignations of Frank W. Keeler and George E. Keeler, as president and vice president, respectively, were accepted, J. N. Stoddard was elected president, Frank C. Evans, vice president, and E. M. Keeler, secretary and treasurer. These stockholders were all dummies and had made no bona fide purchase of stock, and had no financial interest in the company. The 95,000 shares of stock shown by the minutes to have been held by Phil Grossmayer were never held by him; he at no time purchased any stock, nor had he ever received same as a gift. He was not present at any meeting of the stockholders, and was wholly ignorant of any of the proceedings carried on in his name up to the time of this meeting aforesaid, January 3, 1921, or at any time thereafter.

J. N. Stoddard, listed as having 2,000 shares; Frank C. Evans, 2,000 shares; and W. J. Nourse, 1,000 shares; likewise had no financial interest in the company, and had neither given money nor any valuable consideration for the stock carried on the books in their name; Frank W. Keeler and George E. Keeler remained in full control and dictated its policy and managed its business. On January 8, 1921, as shown by the minutes of Keeler Bros., Inc., the Arizona corporation, the corporation possessed valuable assets consisting of good municipal and other political subdivision bonds of a face value of \$1,629,300.85 and had good claims, judgments and real estate, which would bring their total valuable assets to the sum of \$1,677,967.61, the only lien on these assets being \$753,346.85 which was in the shape of notes held by banks where the bonds had been pledged as collateral security.

The respondents, George E. Keeler and Frank W. Keeler, proceeded through their dummies to dissipate the assets of the respondent Keeler Bros., Inc., by selling to the two new Delaware corporations which they had formed, all of the valuable bonds and tangible assets of the old Keeler Bros., Inc. On January 8, 1921, the dummy stockholders, officers, and directors of Keeler Bros., Inc., agreed to and did sell to the Columbia Securities Company, the Delaware

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corporation, good municipal bonds of the face value of \$700,618.26, and good claims and judgments amounting to \$24,279.68, for \$367,692.22, this being the amount due on notes held by banks for which the bonds were pledged as collateral, and on the same date the dummy officers, directors and stockholders of Keeler Bros., the Arizona corporation, purchased from the Columbia Securities Company 3,521 shares of preferred stock in said Columbia Securities Company for \$352,100.

Having thus dissipated the net assets of Keeler Bros., Inc., the Arizona corporation, by the sum of \$357,205.72, the respondents, George E. Keeler and Frank W. Keeler, proceeded to have their dummies, the stockholders, officers and directors of Keeler Bros., Inc., the Arizona corporation, sell to Keeler Bros. & Company, the Delaware corporation, good municipal and other political subdivision bonds of a face value of \$928,682.59, and good claims and judgments amounting to \$24,387.08, for \$385,654.63, this being the amount due on notes held by banks, for which the bonds were pledged as collateral security, and on the same date caused Keeler Bros., Inc., the Arizona corporation, to purchase 4,600 shares of preferred stock, of Keeler Bros. & Company, the Delaware corporation, for the sum of \$460,000, thus still further reducing the net assets of Keeler Bros., Inc., the Arizona corporation, by the sum of \$567,415.04, a total loss to the Arizona corporation of \$924,620.76, for which it had nothing to show except the 3,521 shares of preferred stock in the Columbia Securities Company, and 4,600 shares of preferred stock in Keeler Bros. & Company. On January 22, 1921, the respondents, George E. Keeler and Frank W. Keeler, caused their dummies, the officers, directors and stockholders of Keeler Bros., Inc., the Arizona corporation, to change the name of said corporation to National Finance Corporation, and on the same date had the capital stock of Keeler Bros., Inc., called in and stock of the National Finance Corporation issued in exchange for same at par, share for share, and at a meeting of the National Finance Corporation held on January 22, 1921, the capital stock of said National Finance Corporation, as recited by the minutes, was held as follows: Phil Grossmayer, 95,000 shares, J. N. Stoddard, 2,000, Frank C. Evans, 2,000 and W. J. Nourse, 1,000, a total of 100,000, representing all the stock. This recital was false. Phil Grossmayer held no stock in the National Finance Corporation, and was not present and knew nothing whatever of any of the transactions. Frank C. Evans, W. J. Nourse and J. N. Stoddard had no bona fide holdings of stock, the actual stock being held and owned by Frank W. Keeler and George E. Keeler. On

February 2, 1921, the directors of the National Finance Corporation, by resolution, declared that they had no money to pay outstanding obligations, and no assets except preferred stock in the Columbia Securities Company and in Keeler Bros. & Company, and authorized the pledge of the 4,600 shares of preferred stock of Keeler Bros. & Company to secure notes to be given to Keeler Bros. & Company, upon which notes Keeler Bros. & Company were to advance money to meet matured and maturing obligations of the National Finance Corporation.

On August 5, 1921, the directors of National Finance Corporation, by resolution, declared that there had been advanced by Keeler Bros. & Company \$622,358.08, with which to take up the obligations of the National Finance Corporation; that payment was demanded; that they had no money wherewith to meet such demand. They, therefore, authorized the transfer as payment to Keeler Bros. & Company, the Delaware corporation, of the 3,521 shares of preferred stock of the Columbia Securities Company for \$352,100, to be applied as a credit upon the obligation of \$622,358.08 due Keeler Bros. & Company.

On March 31, 1921, the board of directors of the National Finance Corporation, by resolution, declared that they were confronted with a demand of Keeler Bros. & Company that they pay or satisfactorily secure the sum of \$394,191.28 still due Keeler Bros. & Company on account of money advanced wherewith to take care of matured obligations of the National Finance Corporation, and resolved to place the said indebtedness in the form of a note payable to Keeler Bros. & Company to be secured by a special pledge of the 4,600 shares of preferred stock of Keeler Bros. & Company theretofore generally pledged, to secure Keeler Bros. & Company.

This note not being paid, Keeler Bros. & Company, the Delaware corporation, brought suit against the National Finance Corporation, and as a result of said suit the 4,600 shares of preferred stock of Keeler Bros. & Company, the Delaware corporation, was put up at auction and sold and bought in by George E. Keeler, and a judgment entered on September 20, 1922, in favor of Keeler Bros. & Company, the Delaware corporation, against National Finance Corporation, in the sum of \$124,747.98.

Having accomplished their purpose, and having denuded Keeler Bros., Inc., the Arizona corporation, of all of its assets, and having converted at least \$357,205.72 of said assets to his own personal use, the respondent, Frank W. Keeler, proceeded to and did forfeit the charter of the Columbia Securities Company, by failing to pay the taxes in Delaware as required by the laws of said State.

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George E. Keeler, having secured all the stock, both preferred and common, of Keeler Bros. & Company, the Delaware corporation, and having converted at least \$567,415.04 of the assets of Keeler Bros., Inc., the Arizona corporation, to his personal use, declared his intention to cease doing business in the name of Keeler Bros. & Company, and declared that steps were being taken to dissolve the corporation.

PAR. 17. Respondents, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., in the course and conduct of their business and as part of their plans to hinder and prevent their competitors from buying bonds of states, counties, municipalities, districts and other political subdivisions for resale in the several States of the United States, made it a general practice unduly to influence in their own behalf the boards of States, counties, municipalities, districts and other political subdivisions from whom they bought bonds by promising to pay and paying sums of money to the individual officials or members of the said boards or the attorneys employed by said boards. The traveling representatives or bond buyers employed by Keeler Bros., Inc., in accordance with the direct instructions of respondents, Frank W. Keeler and George E. Keeler, employed said officials, members, or attorneys and arranged with said officials, members, or attorneys for the payment of the sums of money agreed upon. In several instances, said representatives of Keeler Bros., Inc., with the full knowledge of his prior employment by the school or other board in connection with the issuance of the bonds for which said respondents were bidding, paid the attorney for said board a sum of money for his influence and assistance in having the bonds issued by said board to said respondents.

In the State of Nebraska said respondent, George E. Keeler, Frank W. Keeler and Keeler Bros., Inc., paid a former bond clerk of the State, who was an official of the State of Nebraska, \$25 per month for a long period of time with the intent and purpose of securing from him confidential information regarding bond issues in the state in advance of their competitors, and to secure his assistance and influence in registering histories and bonds in the State auditor's office, and his assistance and influence in their dealings with county, municipal and other political subdivisions in the State from which said respondents bought bonds.

PAR. 18. Respondents, George E. Keeler and Frank W. Keeler owned, controlled, operated and directed the affairs of Keeler Bros., Inc., and of respondents, Keeler Bros. & Company, Columbia Securities Company and National Finance Corporation, the other officers of said companies being dummies who only held qualifying

shares of stock in the companies, for which they paid nothing. For six months after the old firm of Keeler Bros., Inc., had its name changed to National Finance Corporation respondent Frank W. Keeler operated in Portland, Oreg., under the name of Keeler Bros., Inc., making contracts and buying and selling bonds under that name. Said respondent, Frank W. Keeler, also bid on bond issues under the name of Keeler Bros. & Company, and used the name of respondent, Keeler Bros. & Company, to enable him to break contracts which he had made in the name of Columbia Trust Company, another one of respondent Frank W. Keeler's companies. Respondent Frank W. Keeler, was consulted by and directed many of the activities of respondent, Keeler Bros. & Company, after the formation of said company, being in constant communication with respondent, George E. Keeler, in Denver.

PAR. 19. Frank W. Keeler and George E. Keeler conspired and confederated together to stifle and suppress competition in the purchase of state, county, municipal and other political subdivision bonds, and by means of the aforesaid corporations, which they caused to be organized and which they owned, controlled, operated and manipulated, the said Frank W. Keeler and George E. Keeler fraudulently outbid their competitors in the purchase of bonds and prevented their competitors from obtaining said bonds to be sold in interstate commerce.

PAR. 20. The acts, practices and methods of the respondents as set out in the findings above, were unfair, deceptive, dishonest and fraudulent methods of conducting business, and deterred and prevented honest competitors from bidding on issues of bonds in competition with the respondents, and tended to and did suppress competition between the respondents and their competitors, to the injury of the said competitors, and to the great and grievous injury to the public (taxpayers), who, by reason of the use by respondents of such methods, were deceived and defrauded and forced to pay large sums of money in taxes, for which money so paid the public received no benefit.

CONCLUSION.

That the practices of the respondents under the conditions and circumstances described in the foregoing findings are unfair methods of competition in interstate commerce and constitute a violation of the Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes."

Order.

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ORDER TO CEASE AND DESIST.

This proceeding having been heard upon the complaint of the Commission, the answer of respondents, testimony and evidence, and briefs of counsel for Commission and counsel for respondents, Keeler Bros. & Company and George E. Keeler, and the Commission having made its conclusion that the respondents, Keeler Bros. & Company, Columbia Securities Company, National Finance Corporation, George Keeler and Frank Keeler have violated the provisions of the Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes,"

It is now ordered, That the respondents Keeler Bros. & Company, Columbia Securities Company, National Finance Corporation, their officers, directors, representatives, agents and employees, and the respondents George E. Keeler, and Frank W. Keeler, and each of them, either combining, confederating and conspiring together, or acting separately and individually, directly or indirectly, forever cease and desist from:

1. Restricting or restraining the freedom of competitive bidding in the purchase of state, county, municipal and other political subdivision bonds by means of deceptive, misleading, dishonest or fraudulent fabrication of the record or history of the proceedings authorizing the issue of bonds.

2. Restricting or restraining the freedom of competitive bidding in the purchase of state, county, municipal and other political subdivision bonds by conspiring and planning to underbid their competitors in the purchase of said bonds by a predetermined plan to willfully mislead and deceive the officers of any state, county, or municipality or other political subdivision or the trustees or officers of such political subdivision, thereby to obtain bonds of greater value than authorized and described in the advertisement and bids for said bonds and in carrying out said fraudulent plan and scheme particularly by the following or equivalent means:

(a) By depositing as guarantee of good faith worthless checks drawn and certified by respondents on themselves and unsecured in any way, sometimes known as "Jesse" checks, which said checks are represented to be checks certified by a bank and which said checks are so prepared as to counterfeit and simulate the ordinary check certified by a bank.

(b) By dishonestly and fraudulently passing off on officers of political subdivisions paper writings purporting and alleged to be certificates of deposit of a bank and so prepared as to coun-

Order.

terfeit and simulate the usual certificate of deposit as issued in the ordinary course of business by a bank, when, in truth and in fact, such paper writing is not a certificate by any bank but is a worthless paper drawn by the respondents and certified by themselves and is unsecured in any way.

(c) By preparing false histories or records of the acts and proceedings by which the issuance of bonds is authorized, and by willfully dishonest and fraudulent representations to the officers or trustees, inducing them to sign such false histories or records.

(d) Removing from the official records of any state, county, municipality or other political subdivision, any documents relating to or connected with any bond issue of said state, county, municipality or other political subdivision, and substituting therefor documents in which changes had been dishonestly and fraudulently made by respondents.

(e) Employing vague and ambiguous terms regarding accrued interest in contracts for the purchase of state, county, municipal and other political subdivision bonds, and interpreting said terms in favor of themselves so as to defraud the political subdivisions of the accrued interest on the bonds.

(f) Giving money in any form whatsoever to officials, attorneys, or members of official boards of state, county, municipal or other political subdivisions, charged with the duty of issuing bonds of any kind, with the intent and purpose of securing the assistance and influence of said officials, attorneys or members in having said boards award issues of bonds to said respondent.

(g) Using in competitive bidding for the purchase of bonds issued by state, county, municipal or other political subdivisions, names of fictitious or bogus companies.

It is further ordered, That said respondents, Keeler Bros. & Company, Columbia Securities Company, National Finance Corporation, George E. Keeler and Frank W. Keeler, shall within sixty days from the date of service of this order, file with the Commission a report setting forth in detail the manner and form in which they have complied with the order of the Commission herein set forth.

Complaint.

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IN THE MATTER OF
THE SMITH-KIRK CANDY COMPANY

COMPLAINT, FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION
OF SECTION 5 OF AN ACT OF CONGRESS APPROVED SEPTEMBER 26, 1914.

Docket 1061—July 29, 1924.

SYLLABUS.

Where manufacturers of ice cream and other confections, made a confection consisting of a bar of ice cream coated with chocolate, and sold the same to retail dealers and to the public under names suggestive of the ice cream content thereof and there had come to be a large and growing demand for such confection; and thereafter a competitor engaged in the sale of bars of candy, coated with chocolate, which were approximately the same shape and size as the aforesaid confection, but contained no ice cream, sold said bars packed in wrappers bearing the inscription, " * * * Chocolate Ice Cream Bar * * *," together with the picture of a child holding in its hand an ice cream cone, and later packed in wrappers bearing the legend " * * * The All Candy Ice Cream Style Confection * * *," together with a picture as above described, with the effect of deceiving and misleading the public into believing that said candy or confection was composed in whole or in part of ice cream: Held, That such misbranding or mislabeling, under the circumstances set forth, constituted an unfair method of competition.

Mr. Edward E. Reardon for the Commission.

COMPLAINT.

Acting in the public interest pursuant to the provisions of an Act of Congress approved September 26, 1914, entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," the Federal Trade Commission charges that the Smith-Kirk Candy Company, hereinafter referred to as respondent, has been and is using unfair methods of competition in interstate commerce in violation of the provisions of Section 5 of said Act, and states its charges in that respect as follows:

PARAGRAPH 1. Respondent is a corporation organized under the laws of the State of Ohio with its principal place of business in the city of Toledo in said State. It is engaged in the manufacture of confectionery and the sale thereof to wholesale and retail dealers located at points in various States of the United States. It causes said confectionery when so sold to be transported from its said principal place of business in the city of Toledo, Ohio, into and through other States of the United States to said purchasers at their respective points of location.