



California Corporate & Securities Law

The Legacy Of The Commissioner Who Was Indicted

By Keith Paul Bishop on December 20, 2011

In an earlier [post](#), I wrote about Edwin M. (“Mike”) Daugherty who served as California’s Commissioner of Corporations from 1922 until 1926 and then from 1931 to 1954. He was succeeded by interim Commissioner Clifford J. MacMillan. Then in March 1927, Governor Clement C. Young appointed Los Angeles City prosecutor Jack Friedlander to the post.

Within two months of taking office, the Julian Petroleum Corporation collapsed. The downfall of the Julian Petroleum Company affected an estimated 40,000 investors who suffered losses of more than \$150 million. See Robert W. Kenny, [My First Forty Years in California Politics](#) (1964).

Commissioner Friedlander was reportedly forced to resign in 1929. Gerald D. Nash, [State Government and Economic Development](#) 275 (1979). The next year a grand jury indicted the former Commissioner on charges that he had been part of a scheme to extract money from applicants for permits from the Department. Commissioner Friedlander was never tried and the merit of the charges against him can’t now be known. In 1934 at the age of 45, Jack Friedlander suffered a heart attack and died.

Commissioner Friedlander has had a lasting impact on California’s securities law. Well before the U.S. Supreme Court tackled the definition of a security in *S.E.C. v. Howey*, 328 U.S. 293 (1946), Commissioner Friedlander successfully argued that a scheme in which an investor purchased, but did not receive, rabbits and hutches constituted a “security” within the meaning of California’s Securities Act. *Gracchi v. Friedlander*, 93 Cal. App. 770 (1928). As Commissioner in September 1927, he submitted a number of proposals to improve California’s Securities Act to a State Bar Committee. [Berkeley Daily Gazette](#) (Sept. 12, 1927). Among other things, he sought legislative authority for the Department of Corporations to initiate its own enforcement actions (instead of relying on the Attorney General). The authority of the Commissioner to maintain civil enforcement actions continues in Corporations Code Section 25530.

Please contact **Keith Paul Bishop** at Allen Matkins for more information kbishop@allenmatkins.com

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