CAN FORFEIT THE GAS FRANCHISE

Having Been Sold It Is Illegal.

CITY NOW HAS POWER SO TO DO

Adams Refuses to Tell Price of Purchase.

DEAL IN HIGH FINANCE

Of Capital Stock of Million and a Half, Seven Hundred Thousand Is Water, on Which Consumers Pay Dividends.

....... REFUSES TO STATE PURCHASE

President Adams, of the gas company, refused point blunk to state what consideration had been paid in the purchase of the gas plant in 1892, now paid, and to whom, thereby covering up the deal through which the transaction in high finance was carried out.

Of the \$1.500,000 capital stock of the Portland Gas Company, \$700 .-000 is water, yet gas consumers are compelled to pay rates high enough to provide dividends on the water The franchise of the company,

having been sold without eanction of the Legislature, has been invalidated thereby, and the City Council can declare it forfeit and reduce and regulate gas rates by granting a new franchise Though the company has reduced

the price of gas from \$1.50 to \$1.25 and \$1.15, gas bills of consumers Witnesses showed that they had

been overcharged for gas, and that the company had refused to give them redress, and that the san was of poor quality.

Concealing the "high finance" of 1860 whereby the business and plant of the old Portland Gas Light Company was sold and the Portland Gas Company was started on its career, with an inflated Company, last night, before the gas committee of the City Council in the City Hall, refused flatly to tell the secrets of

the transaction. At that time the company was bonded for \$1,000,000 and capitalized for \$1,000,000 additional. The stock was created out of nothing and had no value and was held by the bondowners. The company, being overfinanced, had to reorganize in 1901, at \$700,000, which exists today as that much of the \$1,500,000 capital on which consum ers are required to pay dividends, thus causing a high price for gas.

How the Deal Was Made.

Mr. Adams testified that he and A. L. Mills and B. G. Whitchouse secured the stock of the old Portland Gas Light Com-Gas Light Company.

"Why didn't your gas company transfe the stock directly to the Portland Gas Company?" asked Henry E. McGinz, inquisitor for the committee.

"Because they didn't own it." answered

"Who did own it?"

"Mr. Whitchouse and Mr. Mills and I owned the stock of the Portland Gas Light "From whom did you get it?" asked

Mr. McGinn. "Bought it from the stockholders."

"Ind you pay for it?" "We did."

"That is our business." That is your business?"

"Do you decline to tell this committee, Mr. Adams, with what moneys you pur-

"Yes, sir," "You positively decline to tell?"

High Finance Deal Not in Books.

Later on, C. E. S. Wood, attorney for the company, said that the books of the company were open for any examination light on the matter.

You have offered us the books," broke in Mr. McGinn, but you require us to go franchise forfelt and could issue another. down there to your place to see them. in its place, fixing the price of gas at 10 You won't let an expert we have go through those books." Mr. Wood-We will.

Mr. McGinn-Well, then, we will let him

Mr. Wood-That is to say, an expert appinted by the committee Mr. McGinn-When we go down there we are met by your insolent employes-

Insolence of Gas Employes. Mr. McGinn was interrupted by storm and jeers from a group of gas company employes, who were thick in the Council

"There is their insolence right now," he

declared above the noise, and the gas employed grew silent. Mr. Adams, while in the witness-chair, repeated what he had said Wednesday night about the cost of gas to the company at the burner being 57.68 cents eet last year, and that to this should be added 14:45 cents for depreciation of

plant, making a total of 72 cents. He said that he allowed for depreciation about

E. B. Piper's Testimony.

Following him came E. B. Piper, man aging editor of The Oregonian, who testi-fied as to the high finance deal as he had carned the details of that transaction omplete in minor details, it set forth clearly the general outline of that trans action, whereby the \$1,000,000 watered stock created in 1892 was reduced to \$700,000 in 1901, and still exists in the \$1,500,000 capital stock of the company having increased in that time from a nothing value to par, thereby enriching its possessors in that sum at the expens of the public, and compelling the publi to pay dividends on stock for which th owners paid nothing.

He said that the territorial Legislature of 1855 granted a franchise in the City of Portland under which the gas business was conducted by John Green, H. D. Green and Mr. Leonard and perhaps others. In 1897 the business showed some profit and it seemed desirable to the owners of the company to reorganize on a more extensive basis. To that end, Mr. Adams, Mr. Mills and Mr. Whitehouse were invited into the company and the stock of the company for an unknown, or no consideration, was transferred to Mr. Adams, Mr. Mills and Mr. Whitehouse. The purpose of the transfer was to negotiate a sale of the plant and business to a new concern

Organization Is Effected.

An organization was effected on the basis of \$2.000.000-that is to say the Portland Gas Company, with a capital stock of \$1,000,000, issued bonds of a face value of \$1,000,000, making the total basis of capitalization and bond issue, \$2,000,000.

In 1892 the earning capacity of the old Portland Gas Company was only \$5,000 a year. Nevertheless the financiers who were promoting the scheme of reorgan' zation fastened on the concern an interest charge of \$60,000 a year, or \$4000 more than the earning capacity of the plant. The bond issue of \$1,000,000, represented the only money involved in the transaction, and the \$1,000,000 capital stock was pure water. Under the staggering debt of \$1,600,063 the company, of course, was not successful, and bankruptcy stared it

Reorganization Becomes Imperative.

The interest on the bonds was not paid, and reorganization became imperative in 1901. It was then effected in the man ner heretofore described in detail by President Adams and others. The bondholders cancelled \$500,000 of the bonds put \$250,000 in the concern to save it for which they received \$250,000 in bonds, making the total bond issue \$750,000. The ontention of Mr. Piper was that the \$500,000 cancelled bonds were valueless and that \$500,000 in stock issued to them in exchange for these valueless bonds was watered stock, and that it was also the \$150,000 in stock which the boudholders received, as the sole issue for the loss of unearned interest on the cancelled bonds which had II years yet to run.

"It thus developed that the bondholders by this transaction realized bonds and stock of the face value of \$1,400,000 which are now worth par and that for them the actual value of their holdings at the time of the exchange was only \$750,000 represented n the bonds. It was shown that after this transaction, as the company began to get on its feet, created an additional by Orchard. stock issue of \$800,300, which the company sold for cash and turned into its

First Money Received for Stock.

"Is it not a fact that the \$800,000 they received at that time for that new stock was the first money they ever received for stock at all?" asked

Mr. McGinn. "It was," answered Mr. Piper, and this point was not disputed by the company. Mr. Wood conducted the cross-examination and did not shake Mr. Piper loose from the details as ing this confession.

given in the foregoing. No Money Put Up for Plant.

"Do you know," asked Mr. McGinn. whether or not any money was re ceived on these bonds of the original issue, or is it not a fact that they were issued to Green and Leonard and that no money was put up at all for the plant when it was purchased?" 'That is my understanding of the basis of the transaction," responded

"So that in stocks and bonds at the time of the reorganization in 1981 the bendholders got \$1,490,300 for \$533,303 of bonds?"

"And \$250,000 in cash." "So that there is \$650,000 of high finance right there?"

"It looks that way, yes."

Says Franchise Is Void. Mr. McGinn then announced to the comnittee that he would maintain that the franchise of the company, having been twice sold, without the sanction of the Legislature, was void, and produced authorities to substantiate his contention that a public-service franchise could not be sold without sanction of the power the committee might desire to make, but granting it. The company's attorneys as the secrets of the high-finance deal are were not prepared to argue this question outside those records, they can give little and it was deferred. The effect of the contention, if sustained, would be that the City Council could declare the gas or 90 cents, or any rate it chose. Mr. Adams said, from the witness chair, that the company was preparing to reduce the

TESTIMONY AT THE INQUIRY

price to \$1, with 5 cents discount.

C. F. Adams, President Gas Com-

pany, Makes Startling Admissions. Although the attorneys, witnesses and a large crowd of spectators were present at 7:30 o'clock, it was not until 8 o'clock when Chairman Menefee rapped the assembly to order. Presient C. F. Adams, of the gas company, Wednesday evening, was recalled to the stand. Before he was turned over to Mr. Teal, attorney for his company, Henry E. McGinn asked permission to put several questions to the witness.

FULL CONFESSION

Reveals Dark Secrets of Inner Circle.

CONFIRMS ORCHARD'S STORY

More Sweeping in Scope and of Far Greater Importance.

COMPLETE IN EVERY DETAIL

Oregon Suspect Brenks Down Under, Solitary Confinement - Grand Jury Hears Rest of Dynamiter's Testimony.

BOISE, Idaho, March 2.-The Statesman will say in the morning:

"The Statesman is authorized to anmee that Steve Adams, arrested at Halnes, Or., on February 29, in connection with the Steunenberg assassination, has made a full and sweeping confession. This econd confession is far more important than that made by Harry Orchard."

This is the statement made for publicaion last evening by James McParland, the detective, in the presence of Governor Gooding and J. H. Hawley, who is in harge of the prosec

Mr. McParland added that Adams' ssion fully and exactly corroborated that nade by Orchard at every point touched pon by both, Mereover, Mr. McParland intinued, Adams knows far more of the workings of the "Inner Circle" than Orhard did and was able to give a mass of detailed information that Orchard's con fession did not cover.

Fully Corroborates Orchard.

The confession of Adams, he said, corroborated that given by Orchard in every substantial point connected with the assamination of ex-Governor Steunenberg. Adams, however, was not at Caldwell at the time of the assassination, nor was Orchard at the fline of the unsue effort in November. The man who assisted Orchard on the latter occasion, as set forth in Orchard's confession, was Jack Simpkins.

Still another statement made by the detective was that the Adams confession ders that were not referred to in any manner by Orchard. It was further stated of the Thiel Detective Agency, who is enthat the confession had been reduced to titled to a great deal of credit for the writing, signed and acknowledged. It was writing, signed and acknowledged. It was a voluminous document, covering a greater field and in more detail than that made

Adams had made this confession without being promised anything. When talked with about the matter, he simply made a clean breast of all he knew of this case and of the secret workings of the Western Federation,

It was announced by the Governor, Mr. Hawley and Mr. McParland, that while they thought these facts should be given the public, there would be no further information given out or hinted at respect-

ORCHARD'S STORY IS TOLD printed.

Leaves Grand Jury Room and Re-

CALDWELL, Idaho, March 2.-(Special correspondence.)-Again today until the noon recess Harry Orchard unfolded his story of murder and destruction before



Captain W. S. Swain, of the Thie is working on the case,

When he had finished the half day's or deal, he was like a man who had parsed who are hearing the evidence in connection with the assassination of ex-Govern or Steunenberg, can only be conjectured. That he told the full story of his lung career of crime as an agent for the infamous "Inner Circle" is probable, and that he had undergone a terrific mental

strain was plainty syldent from his ap-

Immediately after he had been exen and from there to the penitentiary. The news that Orchard was in Caldwell had already gone abroad, and when train time came a large and eager crowd was on hand to get a glimpse of him. He was strongly guarded, and the officers pushed and jostled the crowd to make way for the prisoner before they could get him aboard the train.

Once in the car Orchard seemed to be relieved, but this relief was short lived, for soon the news gut abroad that Orch.

for soon the news got abroad that Orch-ard was on the train, and almost every passenger going through the coaches sought the opportunity to take a good look at him.

This greatly unnerved Orchard, and by the time he reached Botse he was on the verge of a nervous collapse. To add to this mental strain was the fact that two men with cameras were determined to get pictures of him. It seems Warder Whitney had issued orders that should anybody attempt to take a photograph he should be piaced under arrest and the films from his camera destroyed.

Camera Ffends Arrested.

No attempt to take pictures was made until the train reached Boise. There the two amateur photographers attempted to take snap shots, and both fell under the ban of Sheriff Nichols. One man, for taking a snapshot of Orchard was turned over to Warden Whitney, who, though much excited, managed to remove the films from the camera. The other camera fiend convinced the officials that he had not succeeded in taking a picture and was allowed to go on his way rejoicing.

The grand jury session is a perfunctory fair. It is a foregone conclusion that Moyer, Haywoos, Pettibone and St. John are to be indicted. In fact, it has been bruited about the streets of Caldwell and Bolse that the indictments against these men have already been drawn, and that all that is necessary is the signature of Foreman A. B. Moss

Hutchinson Tells His Story.

There appeared today before the jury loseph Hutchinson. Lieutenant-Governor



Steve Adams, who has confessed. The photograph was taken by

under Steunenberg; Captain W. S. Swain, ins: W. D. Froman, who was mainly in-strumental in the apprehension of Harry

assassination, determined that ex-Gover-nor Steunenberg had been killed with a bomb, told the jurors of his investiga-tions at the Steunenberg home and of things which he found in Orchard's room He told the jurors that he found in room. No. 12 bits of plaster-of-paris, which he was reasonably sure was used in making the bomb, and told of the finding of pow-der and other chemicals, and of the finding of a fishline leading from the gate which was torn to pieces by the explo-sion; also of the reel from which this line was taken. The reel was found among Orchard's effects

W. G. Froman, who accompanied Mr. Hutchinson on this investigation, retold his story, which The Oregonian has

Captain Swain on Stand.

Among the important witnesses that aptective Agency, which has been watching the operations of the Western Federation of Miners for the poss six years. He threw a great deal of light upon the operations this association.

brown about the grand jury's sessions. presented this afternoon was made pub-lic. It was while Captain Swain was on the stand that a man named Edward Western Pederation of Miners.
It is said that Captain Swain's testi-

Jury May Report Monday.

are only a couple of more witnesses to appear before the grand jury and that this body will notify Judge Smith that it is ready to report on Monday. If this is so it means that the defendants will be brought to Caldwell on Tuesday and arraigned. At this time it will be deter-The state officials who are most promi-

other officials who have taken part in the prosecution of labor agitators. Anony-mous letters have been pouring in on them and it is safe to say that not an official in the State of idaho who has secured a policy, he immediately obtained taken any part in the cunning down of the assessed of ex-Governor Steumenberg

Threatening Letters Come.

of the Union and are couched in about the same terms, threatening violence and destruction unless the "persecution" is stopped. These letters also demand the immediate release of all men under arrest. They are signed "Kneebone." The signature adopted by these sec. adopted by these anonymous letter-writers is ominous. John Kneebone was one of the first victime assassinated He was shot to death July 2, 1894. He was a nonunion miner employed in the Coeur d'Alenes by the Gem Mine owners. He had been ordered out of the country, but returned, and it is said he was shot to death in

mmediately after he had been excused ALARM GAUSED the grand jury Orchard was placed IN WALL STREET

New Insurance Bills Will Revolutionize Affairs of the Big Financiers.

THEIR CONTROL AT STAKE

May Lose Their Railroads Unless They Make Big Purchases With Real Money-Fish as Champion of Policy-Holders.

NEW YORK, March 1-(Special.)-The Armstrong committee's insurance bills, which seem pretty certain of being enacted into laws, are creating the gravest concern in Wall street. Not only will insurance business be practically revolutionfred, but a number of big financiers will find themselves deprived of support upon which they have depended for years.

The committee's recommendations con cerning insurance company investments embrace these points:

First-That no investment in the stock of blic stocks of municipal corporations. Second-That investments in bonds secure a like extent of more than one-third the value ation of corporate stocks shall be prohibited Third—That no loshs shall be made upon tooks and bonds which are not the subject f purchase under the above provisions. Fourth-That every company now owning took or liquide of the prohibited classes shall e required to dispose of the same within five

Pirth-The statute should also forbid al asted, either as principal, co-principal, agent or beneficiary in any purchase, sale or loar

Bi. Men Will Lose Control

an upon his policy.

It is estimated in the financial district hat the "Big Three" alone have holdings \$370,000,000 in stocks and bonds which in stocks and the remainder in bonds. The "Big Three" are the Equitable Life Assurance Society, the New York Life and the Mutual Life.

The stocks alluded to above, while the operty of the companies, were practicalcontrolled by big financiers, who had the proxies. Up to the time of the shake up. E. H. Harriman and Kuhn, Loeb & Co.
were the dictators of the Equitable stock;
J. P. Morgan, through his partner, George
W. Perkins, controlled the New York Life,

Taking Valley citizens charge E. things in the Mutual. And, to all intents and purposes, they owned \$125,000,000 in stocks which did not cost them one red cent. For they could vote it at elections and keep themselves in control, which was really all they wanted it for anyway.

How badly they need this stock is carefully guarded secret, but there is no doubt but that some of the issues mean the practical control. But these distinguished financiers must now go out into the markets and put up \$125,660,000, which is why they are howling dismally and de-

ciaring that the country is going to ruin.

There is little or no excitement over the fact that the \$300,000,000 in securities mus be dumped on the market. The fact that the companies have five years to dispose of their holdings is expected to prevent any slump in the market. Averaging the stocks and bonds at 75, there are, in round figures, 4,000,000 shares that the companies must get rid of. A good day's business on the Stock Exchange is 1,000,000 shares, so this only means a business of four full days, scattered over five years.

Financiers who have become rich through life-insurance wealth declare the outlook is dismal, and that policy-holders will soon complain when they find their almost all of the testimony which was fined, practically, to steady, conservative made pub- real estate and mortgage investments. On the other hand, there is a very large body Boyce, manager of the Hercules mines, of conservative opinion that the methods was first mentioned in connection with the recent movements in Idaho of the great trust funds an engine of reckless Wall-street promotion and speculation had mony charged Boyce, whose sympathies with the miners is a matter of record with the Thiel Detective Agency, with having kept alive the federation in idaho. best be abandoned in the interest of the investment market itself. It is very slowly, even now, that the financial world is alizing episode in American finance 1901 and 1902 really were. At that time it was commonly said that old precedents were hid aside. The insurance committee now seems to be obstinately bent upon restoring them.

Real Control of Policy-Holders. in the bill which seems to provide a way nent in the prescrition of the officers of the Federation of Miners are passing through the same sort of experiences as through the same sort of experiences as York Life and the Mutual are mutual companies in name, but the elections are the most farcical that can be imagined. turned over to the officials of the company. In this way, even if the policyholder felt impelled to take an interes in the election, he found himself de

> The Armstrong committee pr law to authorize independent tickets a trustee elections, whenever a group of 100 policy-holders petition for such ticket; to provide for official ballots wit the names of all candidates, and for the accessibility of the lists of policy-holders and even goes so far as to provide that one-half the directors be elected yearly

> Insurance policy-holders have never b vote unseated a management. Neverthe less, an uneasy feeling has certainly ex-

isted in insurance circles over the move ment lately started to obtain proxies for an opposition committee. Even then the matter was not considered very urgen until the clash between the Mutual's man agement and its investigating committee came to public knowledge.

Fish Is Policy-Holders' Champion. Stripped of explanations and excuses, the facts of that controversy were that the trustees' investigating committee voted unanimously to inquire into the past relations of the Mutual's trustees to the company's outside transactions that the company's president had asked to be excused from making the inquiry for the committee; that two out of the three committeemen had next voted against putting the inquiries directly to the various trustees, and that Mr. Fish had thereupon resigned from the com

mittee and the board of trustees. The question of the moment is not who was right or who was wrong in this controversy, but what will be the effect upon the public mind? The general feeling among the policy-holders, aroused and alarmed at the revelations, is to hit at every head they see in high official power. If the proposed bills become laws, and the votes of policy-holders really carry effect, there is likely to be a fine of upeet in both the Mutual and the New

York Life. There is no denying the fact that Mr Fish is the man of the hour. The policyholders are inclined to believe that he is honestly trying to get to the bottom of the present corruption. The general opinion is that, if he prepares a ticket rep resentative in character and makes straightforward appeal to the policy holders, he or the man he recommend will be the next president of the com-

Brains Outside Wall Street.

Wall street is of the opinion that a board elected by the policy-holders themselves would probably be weak and inefficient. The trouble with this argument is, however, that boards of eminent financiers have confessedly cut exactly such a figure. "A negligible quanwas the phrase publicly applied to himself and his fellow-trustees by one of the most sagacious financiers on any in-

surance board. Furthermore, advocates of reform point

to these two facts: First-That many of the best-managed smaller insurance companies in the ountry are managed by men unknown in Wall street circles.

Second-That some of the most indefen sible acts unearthed by the Armstrong investigation were the direct result of the presence on such boards of men engaged in large Wall street undertakings. There certainly will be a lively revolu tion in life insurance circles before the

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SOUTHERN TOWN

Over 100 Persons Dead At Meridian, Miss.

FIRE DEVOURS THE RUINS

Large Stores Crash Down and Bury Employes.

DARKNESS ADDS TO HORROR

Resistless Gust of Wind Destroys Principal Part of Town-Negro Quarter Demolished and Then Burned.

SCENE OF THE TORNADO.

Meridian is capital of Lauderdale County, Mississippi, on the Mobile & Ohio and other railroads, 96 miles east of Jackson, the state capital. It is the most important manufacturing cen-ter of Micelestppi and has railroad repair shops, foundry and machine shops and manufacturers of furniture, cotton, cottonseed oil, fertilizers, such and doors, blinds, etc. The East Mississippi Female College, Meridian Academy for Colored People and Lincoln School are located there. The population in 1900 was 14,050,

MOBILE, Ala., March 2.-Information has reached Mobile by telephone that a destructive tornado visited Meridian, Miss., at 8:30 last evening, killing 21 white persons and over 100 altogether, and damaging property to the extent of \$1,500,000 There were also scores seriously injured

by being eaught in wreckage of houses. The tornado caught the city on the southwest and traveled to the northeast. spending itself in two suburbs, where many negroes were killed or injured, a whole tenement district being wiped out. Two large wholesale stores, one smaller one, the principal hotel, the electric lighting plant and all the smaller property between the Mobile & Ohio Road depot

and the business part of the city are badly damaged. Twenty-one men were caught in a restaurant and se stories of the Y. M. C. A. building were wrecked and the upper story of other

buildings suffered The negro tenement district in the north of the city was demolished and the debris caught fire, threatening a new danger, but the local department, with the help of hundreds of citizens, overcame this after a hard fight. They were assisted by the torrential rain following the tor-

nado. The city is in darkness and the full extent of the disaster will not be known until daylight. The known path of the storm was about 600 feet wide and one

ALL DONE IN TWO MINUTES Storm Lays Low Half of Town and

Fire Adds Horrors. MOBILE March 2.-A long-distance telephone message to the Item from Meridian, Miss., says a tornado accompanied by a heavy rain storm struck that city this evening at 6:30 o'clock. The storm-center was in the southern portion of the city, and particularly heavy along Front street, one of the principal business streets of

Nearly every house on Front street is reported to have been demolished. The Armour Packing Company plant is the only building left standing, and the roof

of that is gone. A later message to the Item from Merfdian gives details of the tornado as foi-

Strikes Principal Street.

During a heavy rain atorm at 6:30 o'clock a storm-cloud developed in the south and moved on the city, striking Front street, the business center, with full force. The wind was blowing to miles an hour. The tornado passed over in about two minutes, and during that pe riod three or four squares were devas-

A conservative estimate places the number of buildings blown down at between 30 and 40. Among the heaviest osers are the Meier & Neal Hardware Co. Tom Lyle & Co., Joseph Moore, dry goods and groceries; the New Orleans & North, eastern Railroad freight depot. The Mobile & Ohio depot is safe, as well as the Southern Hotel, but Grand Avenue Hotel was considerably damaged. The guests in the latter building escaped.

From the business center the tornado umped to the east end, where a number of residences were blown down and others The correspondent stated that the num-

ber of lives lost is small, probably not more than three or four persons, Several fires were started as a result of the ternado, but the only one of serius consequences was that in one of the

cotton compressors. All fires were ex-

tinguished by 10 P. M.

The city is in total darkness, the local lectric light plant having been badly

Other Towns Damaged. The tornado did severe damage at other

(Concluded on page 2.)