

## 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 PRICE

President Adams, of the gas company, refused point blank to state what consideration had been paid in the purchase of the gas plant in 1892, how 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 this water.

The franchise of the company, having been sold without the sanction of the Legislature, has been invalidated thereby, and the City Council can declare it forfeit and reissue 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 have increased.

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

Concerning the "high finance" of 1892 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 bonded debt and a stock issue of water, President Adams, of the Portland Gas 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 overinflated, had to reorganize in 1891, at which time the water was reduced to \$200,000, which exists today as that much of the \$1,000,000 capital on which consumers 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. Whitehouse secured the stock of the old Portland Gas Light Company and turned it over to the Portland Gas Light Company.

"Why didn't your gas company transfer the stock directly to the Portland Gas Company?" asked Henry E. McGinn, inquirer for the committee.

"Because they didn't own it," answered Mr. Adams.

"Who did own it?"

"Mr. Whitehouse and Mr. Mills and I owned the stock of the Portland Gas Light Company."

"From whom did you get it?" asked Mr. McGinn.

"Bought it from the stockholders."

"Did you pay for it?"

"We did."

"With what?"

"That is our business."

"That is your business?"

"Yes, sir."

"Do you decline to tell this committee, Mr. Adams, with what money you purchased it?"

"Yes, sir."

"You positively decline to tell?"

"Yes, sir."

## 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 the committee might desire to make, but as the secrets of the high finance deal are outside those records, they can give little light on the matter.

"You have offered us the books," broke in Mr. McGinn, but you require us to go down there to your place to see them. You won't let an expert we have go through those books?"

Mr. Wood—We will.

Mr. McGinn—Well, then, we will let him go.

Mr. Wood—That is to say, an expert appointed by the committee.

Mr. McGinn—When we go down there we are met by your insolent employees—

Insolence of Gas Employees.

Mr. McGinn was interrupted by storms and jeers from a group of gas company employees, who were thick in the Council chamber.

"There is their insolence right now," he declared above the noise, and the gas employees 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 2.56 cents a 100 feet 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 \$20,000 a year.

## E. B. Piper's Testimony.

Following him came E. B. Piper, managing editor of The Oregonian, who testified as to the high finance deal as he had learned the details of that transaction. Though Mr. Piper's information was not complete in minor details, it set forth clearly the general outline of that transaction, 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 expense of the public, and compelling the public to pay dividends on stock for which the owners paid nothing.

He said that the territorial Legislature of 1892 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 \$50,000 a year. Nevertheless the financiers who were promoting the scheme of reorganization fastened on the concern an interest charge of \$60,000 a year, or \$600 more than the earning capacity of the plant.

The bond issue of \$1,000,000, represented the only money involved in the transaction, the \$1,000,000 capital stock was pure water. Under the staggering debt of \$1,000,000 the company, of course, was not successful, and bankruptcy stared it in the face.

## Reorganization Becomes Imperative.

The interest on the bonds was not paid, and reorganization became imperative in 1901. It was then effected in the manner heretofore described in detail by President Adams and others. The bondholders cancelled \$500,000 of the bonds, put \$500,000 in the concern to save it, for which they received \$250,000 in bonds, making the total bond issue \$750,000. The contention of Mr. Piper was that the \$500,000 cancelled bonds were valueless, and that \$250,000 in stock issued to them in exchange for these valueless bonds was watered stock, and that it was also the \$250,000 in stock which the bondholders received, as the sole issue for the loss of unearned interest on the cancelled bonds which had 21 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 in the bonds. It was shown that after this transaction, as the company began to get on its feet, created an additional stock issue of \$500,000, which the company sold for cash and turned into its treasury.

## First Money Received for Stock.

"Is it not a fact that the \$500,000 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 given in the foregoing.

## No Money Put Up for Plant.

"Do you know," asked Mr. McGinn, "whether or not any money was received 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 Mr. Piper.

"So that in stocks and bonds at the time of the reorganization in 1891 the bondholders got \$1,400,000 for \$500,000 of bonds?"

"And \$500,000 in cash."

"So that there is \$2,000,000 of high finance right there?"

"It looks that way, yes."

## Says Franchise Is Void.

Mr. McGinn then announced to the committee 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 granting it. The company's attorneys were not prepared to argue this question and it was deferred. The effect of the contention, if sustained, would be that the City Council could declare the gas franchise forfeit and could issue another in its place, fixing the price of gas at 80 or 90 cents, or any rate it chose. Mr. Adams said, from the witness chair, that the company was preparing to reduce the price to \$1, with 5 cents discount.

## TESTIMONY AT THE INQUIRY

### C. F. Adams, President Gas Company, Makes Startling Admissions.

Although the attorneys, witnesses and a large crowd of spectators were present until 1:30 o'clock, it was not until 8 o'clock when Chairman Menefee rapped the assembly to order. President C. F. Adams, of the gas company, who had not completed his testimony 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.

(Continued on page 10.)

## ADAMS MAKES A 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 Breaks 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 announce that Steve Adams, arrested at Haines, Or., on February 26, in connection with the Steunenberg assassination, has made a full and sweeping confession. This second confession is far more important than that made by Harry Orchard." This is the statement made for publication last evening by James McFarland, the detective, in the presence of Governor Gooding and J. H. Hawley, who is in charge of the prosecution.

Mr. McFarland added that Adams' confession fully and exactly corroborated that made by Orchard at every point touched upon by both. Moreover, Mr. McFarland continued, Adams knows far more of the workings of the "Inner Circle" than Orchard did and was able to give a mass of detailed information that Orchard's confession did not cover.

## Fully Corroborates Orchard.

The confession of Adams, he said, corroborated that given by Orchard in every substantial point connected with the assassination of ex-Governor Steunenberg. Adams, however, was not at Caldwell at the time of the assassination, nor was Orchard at the time of the unsuccessful 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 gave the details of a large number of murders that were not referred to in any manner by Orchard. It was further stated that the confession had been reduced to writing, signed and acknowledged. It was a voluminous document, covering a greater field and in more detail than that made by Orchard.

## Promised No Immunity.

The further statement was made that 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. McFarland, that while they thought these facts should be given the public, there would be no further information given out or hinted at respecting this confession.

## ORCHARD'S STORY IS TOLD

### Leaves Grand Jury Room and Returns to P. O. o'clock.

### BY W. G. MACRAE.

### 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 Third Detective Service Company, who is working on the case.

the 16 men who compose the grand jury. When he had finished the half day's ordeal, he was like a man who had passed through a century of turmoil. The details of the story he told before the men who are hearing the evidence in connection with the assassination of ex-Governor Steunenberg, can only be conjectured. That he told the full story of his long career of crime as an agent for the infamous "Inner Circle" is probable, and that he had undergone a terrific mental

strain was plainly evident from his appearance.

Immediately after he had been excused by the grand jury Orchard was placed aboard a train and taken back to Boise, 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 greet the train. 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, which he boarded.

Once in the car Orchard seemed to be relieved, but this relief was short lived, for soon the news got abroad that Orchard 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 Boise 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 in him. It seems Warden Whitney had issued orders that should anybody attempt to take a photograph he should be placed under arrest and the film from his camera destroyed.

## Camera Fiends 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.

## Hutchinson Tells His Story.

These appeared today before the jury Joseph Hutchinson, Lieutenant-Governor



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

under Steunenberg; Captain W. S. Swain, of the Third Detective Agency, who is in charge of the investigation of the case; and W. G. Froman, who was mainly instrumental in the apprehension of Harry Orchard.

## Woe Only Among Grafters.

There is little or no excitement over the fact that the \$300,000,000 in securities must 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.

## Real Control of Policy-Holders.

Policy-holders are greatly interested in the bill which seems to provide a way whereby they can actually control the elections. At the present time the New York Life and the Mutual are mutual companies in name, but the elections are the most farcical that can be imagined. The custom has been, when an agent secured a policy, he immediately obtained the policy-holder's proxy, which he turned over to the officials of the company. In this way, even if the policy-holder felt impelled to take an interest in the election, he found himself debarr'd from doing so.

## Threatening Letters Come.

These letters have come from all parts 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 men under arrest. They are signed "Kneebone." The nature adopted by these anonymous letter-writers is ominous. John Kneebone was one of the first victims assassinated by the Gen. Mine owners. He had been ordered out of the country, but returned, and it is said he was shot to death.

## NEW YORK, March 2.—(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 revolutionized, but a number of big financiers will find themselves deprived of support upon which they have depended for years.

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

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

First—That no investment in the stock of any corporation shall be permitted, except in public stocks of municipal corporations.

Second—That investments in bonds secured to the extent of more than one-third the value of the entire security, therefore by the hypothecation of corporate stocks shall be prohibited.

Third—That no loans shall be made upon stocks and bonds which are not the subject of mortgage under the above provisions.

Fourth—That every company now owning stock or bonds of the prohibited classes shall be required to dispose of the same within five years from December 31, 1910.

Fifth—The statute should also forbid all syndicate participations, transactions for purchase and sale on joint account.

Sixth—It should also be provided that no officer or director should be pecuniarily interested, either as principal, co-principal, agent or beneficiary in any purchase, sale or loan made by the corporation, except in case of a loan upon his policy.

## BI. Men Will Lose Control.

It is estimated in the financial district that the "Big Three" alone have holdings of \$200,000,000 in stocks and bonds which come under the ban. About \$125,000,000 are in stocks and the remainder in bonds. The "Big Three" are the Equitable Life Assurance Society, the New York Life and the Mutual Life.

## 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 quantity," was the phrase publicly applied to himself and his fellow-trustees by one of the most sagacious financiers on any insurance board.

Furthermore, advocates of reform point to these two facts:

First—That many of the best-managed smaller insurance companies in the country are managed by men unknown in Wall street circles.

Second—That some of the most indefensible acts unsearched by the Armstrong investigation were the direct result of the presence on such boards of men engaged in large Wall street under dealings.

## ALARM CAUSED IN WALL STREET

### New Insurance Bills Will Revolutionize Affairs of the Big Financiers.

### THEIR CONTROL AT STAKE

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## There certainly will be a lively revolution in life insurance circles before the new year rolls around again.

## 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 men and over 100 negroes, and damaging property to the extent of \$1,500,000. There were also scores seriously injured by being caught 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 light 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 several were killed. Two 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 tornado.

## 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 mile in length.

## 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 8:30 o'clock. The storm-center was in the northern portion of the city, and particularly heavy along Front street, one of the principal business streets of the town.

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 Meridian gives details of the tornado as follows:

## Strikes Principal Street.

During a heavy rain storm at 8:30 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 15 miles an hour. The tornado passed over in about two minutes, and during that period three or four squares were devastated.

A conservative estimate places the number of buildings blown down at between 20 and 30. Among the heaviest losses are the Meier & Neel 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.

## Jumps to Residence District.

From the business center the tornado jumped to the east end, where a number of residences were blown down and others badly damaged.

The correspondent stated that the number of lives lost is small, probably not more than three or four persons.

Several fires were started as a result of the tornado, but the only one of serious consequences was that in one of the cotton compressors. All fires were extinguished by 10 P. M.

The city is in total darkness, the local electric light plant having been badly damaged.

## Other Towns Damaged.

The tornado did severe damage at other

(Continued on page 2.)

## TORNADO WRECKS 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 center of Mississippi and has railroad repair shops, foundry and machine shops and manufacturers of furniture, cotton, cottonseed oil, fertilizer, wash 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 14,000.

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