DIRECTORS BLAMED FOR WRECK OF BANK

Grand Jury Wrestling With Report on Oregon Trust & Savings by Experts.

SHOCKING CONDITION FOUND

Tangled Books Reveal Jugglings and Shortages—Permission to Bring Suit Against Directors Is Petitioned From Court.

The grand jury, now in session at the office of District Attorney Cameron, yesterday started an investigation of the looting of the funds of the wrecked Oregon Trust & Savings Bank with the intention of returning indictments against the directors of the institution if criminal negligence or criminal intent were apparent in the transactions which led up to its failure.

This investigation for the present will be confined to the digestion of the report of the experts, who have after many weeks of work made an analysis of the bank's books and in the announcement of their findings subject the directorate of the institution to a terrible arraignment, directly attributing to them the wrecking of the bank.

This report, which represents an examination of the books of the bank during its entire career, comprises a book of 49 pages, and includes both the expose in figures of all questionable deals and the comment of John Richardson, chief expert, who had the work in charge. It is believed it will take a number of days for the jury to arrive at a clear understanding of the mass of figures comprising the report, and then witnesses, some of them the various directors themselves, if they care to appear, will be asked to testify before the inquisitorial body.

From the deductions apparent and the charges preferred in the official report of the public accountants, it is prophesied indictments are sure to follow. The jury received the report but a short time before it adjourned and was able to give it only a cursory perusal. It set 10 o'clock Monday morning as the next hour for convening, when the bank investigation will again be taken up.

All Deals Set Forth.

This report sets forth in detail an analysis of all deals between the bank and the order of Washington, Lafe Pence, Golden Eagle Drygoods Company, John Barrett Company, Board of Trade Building Company, Washington Railway & Power Company, Pullman Auto Car Company, Pacific & Eastern Railroad and others, the combined losses of which caused the bank to close its doors and refuse payment to its depositors. It backs up with figures and the records of the bank's books the charges that W. H. Moore, H. A. Moore, W. Cooper Morris, E. E. Lytle and Leo Friede, who were the directors of the bank on the date it failed, must have been fully cognizant of the juggling of the depositors' money and the forgeries resorted to on the books to cover up the trail of the high financiers. The report shows within all bounds of reason that these directors, or some of them, deliberately used the bank's funds for their personal speculations.

All of these directors have signified their willingness to stand investigation except W. H. Moore, who has been absent from the city for several weeks and who is reported to be in Canada. His brother, H. A. Moore, has not been able to learn when he intends to return.

About the same time the grand jury began its investigation yesterday it became known that on Friday Attorney A. E. Clarke, on behalf of the receiver, Thomas C. Devlin, of the Oregon Trust & Savings Bank, had informally filed a petition with Judge Gantenbein, seeking permission to bring suits against those who were directors of the bank at the time it closed and also against W. H. Copeland, L. O. Ralston and Albert T. Smith, who had been directors during some earlier periods of the bank's career, to account for the numerous shortages. Requests were also filed which included George Estes, S. W. Stryker and J. N. Reddy, as co-defendants in connection with the Pacific & Eastern railroad deal, and the name of Louis J. Wilde in connection with the purchase of telephone bonds made by the bank.

Attack Made on Directorate.

Thus the men concerned in the mismanagement and in the high finance of this institution were made the center of a vigorous attack yesterday. The petition was presented to Judge Gantenbein because the bank is in the hands of a receiver appointed by Judge Gantenbein and no action can be taken without his consent. The reason for the suits against the men at this time is that according to the order of the court made in February, the receiver has to close the affairs of the bank by February 11, 1910.

There are nearly 1000 depositors of the bank remaining whose claims have not yet been settled because the receiver has been unable to convert into cash the assets of the bank, one of the principal assets being the money wrongfully used and never returned.

What decision will be rendered by Judge Gantenbein to these requests for suits is not yet known. One of the conditions under which the German-American Bank took charge of the bank wreck was that it should have the right and power to enforce the collection of all claims, hence it is not believed Judge Gantenbein will decide in opposition to his first order. The wording of this clause, which forms a part of the contract by which the German-American Bank stood guarantor for the claims against the wrecked bank follows:

The German American Bank becomes purchaser of all assets of the Oregon Trust & Savings Bank, including the leasehold, interest in and to the premises where the banking business was carried on, the bank fixtures therein, the liability of any stockholder of said bank for any unpaid part of his subscription to the capital stock therein, and any or all property or properties sold or conveyed by any person or persons to the said Oregon Trust & Savings Bank and to the receiver for the purpose of assisting in its liquidation or otherwise, it being intended to comprise and embrace all assets of every character and nature of the said Oregon Trust & Savings Bank or its receiver, with the same right and power to enforce the collection for the benefit of the German-American Bank of all choses in action and other claims of every character and nature with the same right which the Oregon Trust & Savings Bank would have had in the event that it had not gone into the hands of a receiver.

The text of the report rendered by the firm of Lester, Herrick & Herrick follows:

Introduction.

Our instructions were to make as complete an investigation as possible from the beginning of business to the close thereof, on August 29, 1907. We have, accordingly, delved into many matters within the time at our disposal.

Upon the commencement of our examination, we found that the books had never been reduced to a balance sheet form, and, additionally, were in a very crude state. Accordingly, the statements of financial conditions presented in this report are presented in trial balance form, either upon a classified basis, or, with respect to comparative statements, upon an unclassified basis.

We find that the Oregon Savings Bank was incorporated March 10, 1904, with an authorized capital stock of $100,000. The name of the bank was subsequently changed from the Oregon Savings Bank to the Oregon Trust & Savings Bank, the date of which change we have no knowledge of, as we have not seen the original articles of incorporation, nor any supplementary articles of incorporation.

Classified Trial Balance, May 5, 1904.

This is the first statement prepared by the bank and is evidenced by the books as at the close of business on May 5, 1904, and is apparently their condition after the close of the first day's business. There were no original entries in the books of account appertaining to the official incorporation of the bank, nor were there any stock ledger, journal and transfer books visible that would enable us to show that the capital stock had been fully subscribed at this date, and additionally, had been paid in full.

Classified Trial Balance, August 29, 1907

This statement is presented, showing the apparent condition of the bank the day it closed its doors, mainly by reason of the fact that it shows the vast increase in the business of the bank. Particularly in savings deposits, general deposits, and time, call and demand certificates of deposit, in the short period of three years. A close scrutiny of this statement will show the insolvency of the bank at that time. As a matter of fact, we have found, during our examination, no time when the bank was in a solvent condition. This would probably account for the fact that the books were never reduced, at any time, to a balance sheet form.

Comparative Trial Balances: December 14-15, 1906.

This comparative statement is presented to show the numerous fictitious entries that were made in the accounts on December 15, 1906. It was upon this day that we found that the officials of the bank increased the bonds and warrants account by an amount of $90,000, representing a portion of certain stock bonuses that they had received from the National Securities Company with the purchase of Puget Sound Home Telephone Company bonds. As an offset to this charge to bonds and warrants of the stock of the Home Telephone Company, there was credited to the loans and discount account an amount of $40,000, covering an apparent note of W. H. Moore for $39,100 and an apparent note of W. C. Morris of $900. There also appears a cash shortage on this date of $50,000. On this particular date, December 15, 1906, the loan and discount account is also charged with a note of E. E. Lytle in the sum of $35,000, though said note was dated October 16, 1906, which is also the date of the stock certificate issued to Mr. Lytle. As an offset to this Lytle charge of $35,000 to the loan and discount account, there appears a credit to the same account in the sum of $35,000, presumably representing the withdrawal of an apparent note of W. C. Morris for $25,000 and of W. H. Moore for $10,000. There also appears in the accounts on this date a charge to the loan and discount account in the sum of $50,000, the contra credit for which is evidenced by the creation of a surplus account of $50,000. In other words, the charge to loan and discount account in the sum of $50,000, as noted, and the contra credit to surplus account, appear to be fictitious entries and represent a deliberate falsification of the accounts.

In order to present, in an intelligent manner, the falsifications above, we present the entries in the following journal entry form:

	Dr.	Cr.
Bonds and warrants (P. S. Home Tel Co. stock)	$ 90,000	
Loans and discounts (no data)	50,000	
Loans and discounts (E. E. Lytle, note)	35,000	
Loans and discounts (W. H. Moore, note)		$ 10,000
Loans and discounts (W. C. Morris, note)		25,000
Loans and discounts (W. H. Moore, note)		39,100
Loans and discounts (W. C. Morris, note)		900
Surplus		50,000
Cash (shortage)		50,000
Totals	$175,000	$175,000

Comparative Trial Balances, July 24-25, 1907.

We are presenting this comparative statement showing the increase and decrease in the accounts during these two days, for the purpose of presenting the manner in which the bonds and warrants account was increased by an amount of $95,050, representing additional Puget Sound Home Telephone Company stock bonuses, which the bank had received in the purchase of bonds from the National Securities Company. This stock bonus, in the sum mentioned, was taken into the accounts by a credit to the loans and discount account in the sum of $94,963.04, representing the aggregate total of certain notes due the bank by the Golden Eagle Dry Goods Company. There was also an arbitrary credit to the interest and discount account of $86.96 in order to balance the entry. In order to show more clearly how this matter was accounted, we present the following journal entry, showing the transactions:

Bonds and warrants (P. S. Home Tel. Co. stock)	$95,050	
Loans and discounts (Golden Eagle Dry Goods Co. notes)		$94,962.04
Interest and discount (apparent arbitrary entry)		86.96
Totals	$95,050	$95,050.00

These entries, as well as the entries on December 15, are not only incorrect in theory, in that the stock was received by the bank as a bonus with bond purchases and the par value of the bonds taken into the accounts at the date of purchase, but are fraudulent in that in each instance the entries are used to extinguish either the indebtedness of certain officials and stockholders of the bank on account of loans evidenced by a note account, or to extinguish certain negligent loans made to the Golden Eagle Dry Goods Company.

We have not expatiated at any great length upon the fictitious entries noted in this statement or in the statement of December 15, 1906, as we consider the statements speak for themselves.

The bonds and warrant account on August 29, 1907, shows an aggregate asset of $1,380,050.12. The securities turned over to Receiver Devlin amounted to $1,081,600, the difference being an apparent shortage unaccounted for of $298,450.12.

Stock certificates were issued with no notation on the stubs thereof as to the original issue and the stock books were in such condition that it was impossible to prepare a full list of stockholders at the date the bank closed its doors. From a close scrutiny of the stubs of the certificate books we have noticed from the posting marks thereon that there must have been a stock ledger, journal and transfer book maintained, but we are informed by the receiver that he has no knowledge of ever having received such records and that they were either removed by the old officials of the bank or were destroyed by them. The certificate books show that the issuance of certain certificates of the capital stock of the bank was a mere fiasco. We could find no minute book covering the meetings of the directors and stockholders.

Golden Eagle Dry Goods Company—Indebtedness.

A reference to this schedule will show the specific loans made at divers times to the Golden Eagle Dry Goods Company, the said notes being given for overdrafts. The sum total of this indebtedness the day the bank closed its doors was apparently $102,922.67. Since that date the receiver has effected certain payments and settlements in the amount of $52,197.10 and the apparent loss to the bank as a result of the transactions with the Golden Eagle Dry Goods Company is $50,725.57.

Order of Washington, Unpaid Loans.

This statement is presented in order to show the apparent unpaid loans in the total sum of $42,898.83. This total includes the notes presented in the receiver's report of $32,648, and we have deemed it advisable to add thereto certain notes aggregating $10,250.83 which are evidenced by the loan register as having been unpaid on August 29, 1907, but which were apparently not turned over to the receiver at that time and of which he has no knowledge.

Board of Trade Building, Bond Transaction.

This statement practically speaks for itself. It is mainly presented in order to show the resultant loss of $40,735.74 to the bank as a result of this transaction. The original entry appears in the account of the bank under date of June 4, 1907, in which the bond and warrant account is charged with an amount of $50,000 apparently representing the delivery of bonds of the Board of Trade Building Company, while this company was credited an open account in the same sum of $50,000. We understand that the delivery of these bonds was never made, which resulted in a loss to the bank of the same in the sum of $50,000 and the Board of Trade building account was overdrawn on August 29, 1907, by the amount of $30,735.74, making a total loss to the bank at that time of $80,735.74, which has been reduced, subsequent thereto, by a settlement of $40,000, as effected by the receiver by an order of court.

Pacific & Eastern Railway Company, Bond Transaction.

We have presented this statement in order to show the entries covering the purchase of Pacific & Eastern Railway Company bonds to the value of $100,000.

The first apparent purchase of these bonds was made on May 28, 1907, $41,250 being taken into the bonds and warrant account as a charge, while a certificate of deposit of the Estacada State Bank in the amount of $41,250 was charged to the Estacada State bank on open account, in payment of these securities the bank issued, on the same date, call certificates of deposit, in the sum of $31,500 and a cashier's check for $1000. Subsequently, on June 7, 1907, the bonds and warrants account was increased by an amount of $58,750, representing an additional purchase of these bonds and the Pacific & Eastern Railway Company credited on open account by the same amount, $58,750.

The loan and discount account on August 29, 1907, shows an aggregate asset of $743,255.17. The notes as turned over to Receiver Devlin amounted to $624,947.39, the difference being an apparent shortage in notes of $118,307.78 unaccounted for.

General Remarks.

In connection with the preceding detailed findings of our investigation, we have to report that we found that the accounts had been maintained in a most preposterous manner. The books and vouchers were in the utmost confusion. They displayed slovenliness and negligence to an almost unsurpassed degree, and from the consistent omission of all necessary explanation, presented merely a conglomerate array of figures, meaningless and almost entirely unintelligible until subjected to the most searching analysis. There was a total disregard of all proper theory as to the accounting procedure.

The loan and discount account and the register of loans we found impossible to reconcile. Certain loans appearing on the general ledger account were not evidenced by the loan register, other loans appearing by the loan register were not evidenced by the general ledger account, and yet other loans appearing by the receiver's inventory as of September 16, 1907, we were unable to trace to either the loan and discount account or to the loan register. Similar conditions prevailed in all accounts and records, and the progress of our investigation was greatly impeded by the consequent difficulty of determining the logical sequence of entries.

The conditions, as stated above, could only have been obtained under the grossest mismanagement and negligence of the directorate, and, in conclusion, we would state that, in view of the general condition of the accounts and records of the Oregon Trust & Savings Bank, at the close of business, August 29, 1907, and of the fraudulent entries and the apparent defalcations as to the securities and cash, it is our opinion that the wrecking of the bank was effected by the directorate as a result of these conditions.

DEBATE DATE IS SET

OREGON TO MEET UTAH ON JANUARY 14 NEXT.

National Control of Corporations Doing Interstate Business to Be Topic Discussed.

UNIVERSITY OF OREGON, Eugene, Oct. 16.—(Special.)—The universities of Oregon and Utah will debate in Portland January 14, 1910, on the question of the advisability of National control of corporations doing an interstate business. This was decided at a special meeting of the university committee on debate and oratory today, at which Oregon's debating arrangements with other coast colleges were perfected.

The Utah debate will be the first time that an Oregon university debate team has ever debated in Portland, but if the event proves popular, it will probably be made an annual occurrence. The team representing each university will consist of two men, and the exact wording of the question will be decided later.

It was also decided at the meeting that the same question will be used in the triangular debates between the universities of Oregon, Washington and Idaho, which will take place March 26. Each college will be represented by two teams, one remaining at home and taking the affirmative side of the question while the other goes on the road with the negative. Oregon will debate Washington at Seattle and Idaho at Eugene this year.

Sweeping changes in the method of selecting debaters in the tryouts will be made this season. Instead of having only one tryout, in which candidates for the team have a certain time to present one side of the question to the judges, as in previous years, tryouts in future will last for two weeks. Every candidate for the debating teams will have to speak offhand on some phase of the question, and answer questions asked him under actual debating conditions, on each day of the two weeks' tryout. The Utah tryouts will occur just after Thanksgiving while those for the teams debating against Washington and Idaho will be held after Christmas.

Several of last year's debaters are again in college, among them being: W. C. Nicholas, Charles Robison, Leon Ray, Percy Collier and Burleigh Cash.

MILWAUKIE OPPOSES PLAN

Mayor and City Auditor Want Improvements Before Annexation.

MILWAUKIE, Or., Oct. 16.—(Special.)—For the present, Milwaukie people do not favor Mayor Simon's plan to annex the town to Portland. Mayor Strieb, in giving his views of the question said:

"I think that the proposition to annex Milwaukie to Portland comes too early, and I am not in favor of it at present. It should not be undertaken at least until we have secured some of the improvements we have in view. Then, we may consider the matter of annexation."

City Auditor Dowling also expressed himself as opposed to annexation at present. He said:

"We have at least 1000 people inside the corporate limits of Milwaukie. We have few improvements, as our charter ties us up so we cannot make improvements. We will vote on amendments that we may bond the city for street improvements and sewers, December 6. When we get these improvements it will be time to talk about annexation. If we join Portland before we get these improvements it will be slow work to get them. The Milwaukie Commercial Club will meet next Friday night, and I suppose some action will be taken then."

ELEVEN DOGS ARE TAXED

Josephine County Canines Are Worth Only $210, Assessor Finds.

GRANTS PASS, Or., Oct. 16.—(Special.)—Josephine County has in round numbers 20,000 acres under a high state of cultivation, and in uncultivated land about 400,000 acres. This enormous amount of untilled land is used for grazing, but much of it can be cleared and farmed. Some of it is good fruit land, and all that is needed is more population to make it as valuable as the present land under cultivation.

The Southern Pacific Company has 36.92 miles of railway and the company will have to pay this year at the rate of $35,000 per mile on the roadbed and $3000 on rolling stock. The telegraph and telephone companies are assessed at $69,360. In all the Assessor's rounds over the county, he and his deputies found but 11 dogs upon which the owners will have to pay taxes. The gross value of these 11 dogs was fixed at $210.

The gross value of all property in Josephine County is approximately $10,000,000.

Data given in the last message of the President to the Brazilian Congress show a total of more than $200,000,000 of French capital actually going into Brazil at the present time.