

## CREDITORS WIN DECISION GIVEN IN BOND HOUSE CASE

(Continued From Page One)

and the decision set down as a precedent. The decision of Judge Wolverton this morning means that all proceedings in the federal court, save the hearing before the special master, are stayed until the matter is decided in the state courts.

Over \$200,000 worth of assets not heretofore found and about that much more claimed as uncertain were positively identified by John L. Etheridge, former head of the defunct bond house, Wednesday afternoon on the federal court witness stand during the examination being conducted by Robert Maguire, master in chancery.

**WILL EXAMINE BOOKS**  
Etheridge almost created a turmoil among the creditors who crowded the large court room to the doors when he said:

"If I am allowed to see the books I will be able to prove that every dollar of Henrietta and Fred S. Morris has been taken from Morris Bros., Inc., since 1914."

In order to allow Etheridge to obtain information from the books of the bankrupt institution to prove this allegation, Maguire adjourned the hearing at 5 o'clock Wednesday afternoon until 10 o'clock next Monday morning.

### RECOVERS POISE

When Etheridge first took the witness stand he appeared to be dazed, and gazed continuously at the walls and ceiling, or buried his head in his hands, apparently in deep thought, before responding to a question. As the hearing progressed the apparent nervousness left him and he talked with ease, looking squarely at the court, lawyers and spectators. Only once during this time did he become outwardly confused, and that was when he related his experiences in Minneapolis. His eyes became moistened and it appeared to be with a deep struggle that he related these experiences.

Mrs. Etheridge sat inside the rail of the bar and was one of the most interested spectators in the court room. She appeared to be disturbed, but she sat almost motionless in her chair during the three hours her husband was on the stand.

### BUSINESS MULTIPLIES

Following an agreement between counsel, Etheridge was allowed to make an open statement and "tell all" as he had promised, before questions were put to him. He reviewed the history of the bankrupt bond house in chronological order for the most part.

He spoke slowly, and clearly, and several times related transactions in which he had taken part. A brief review of his testimony follows:

"There has never been an accurate trial balance of Morris Bros., Inc., taken to my knowledge, since I came here. The business grew from about \$50,000 in April to over a million dollars per month in the fall, during which time the books grew worse and worse. I was keeper after bookkeeper and at times employed night and day forces to keep them in proper condition.

**MODELS BUILDING**  
"Some time in the later part of 1917 or early 1918 the present location was leased and the building remodeled and safety deposit boxes installed and when I returned from the Liberty loan work they were in the new building. It cost some \$77,000 to put the building in condition for a bonding house.

"I am trying to trace this accurately," Etheridge explained when he feared that at this juncture the court would become impatient for his stopping a moment to think.

"When Morris moved to Portland in 1917 he bought the house at Twenty-fourth and Hancock streets. The Land Company of Oregon owned a piece of ground near Eastgate. This piece of ground was transferred to Henrietta Morris by the Land Company of Oregon and, together with money from Morris Bros., used to purchase the house at Twenty-fourth and Hancock streets. The Oregon Land company was a subsidiary company to Morris Bros., Inc.

**CAPITAL INCREASED**  
"During this period also, overriding my objection, Morris Bros. of Portland were forced to take from Morris Brothers company of Philadelphia about \$125,000 in bonds of the Tule Lake (Ala.) Railway, Light & Power company at 98. Some of these bonds are still in the hands of Morris Brothers, Inc. It was impossible to sell them. Etheridge also stated that the Alabama company was a subsidiary to the Philadelphia office of Morris Brothers.

Continuing, he said: "In the fall of 1918, at the time we had moved into the new building and spent considerable money, Morris called me in and said it would be necessary to increase the capital of the company. He told me to sell some preferred stock of Morris Bros., Inc. I believe this stock was first sold during the latter part of 1918 and interim certificates issued for it.

**DEGS HIS PAROLE**  
"In the early part of 1919, Morris, who was in the habit of sitting in the main office—I was in the habit of doing the business—gave some order in the suits, and as I thought this work was directly under my supervision I had a talk with him. Morris didn't talk to me during the remainder of the week. On Saturday he said he wanted to see me Sunday in his office. I came down on Sunday and he said, 'I look up to you as a son. I couldn't operate this business if I tried.'"

Etheridge then explained how Morris proposed a means of increasing the finances of the company and suggested the issuing of \$500,000 worth of preferred stock, as he considered the good will of the business worth that amount. Morris said to have told Etheridge that this was the same method used by the Oregon Water Power company and other organizations. The transaction was then explained whereby Morris is alleged to have taken \$100,000 from the bond house and deposited it to the credit of Mrs. Etheridge in the Forest Grove bank. The reason for selecting this bank is said to have been because it was not a state bank, and it was therefore thought the transaction could escape the watchful eye of Portland bankers. Mrs. Etheridge then stated that he believed

ridge is later said to have given Henrietta Morris \$99,500 of this money back. The remaining \$400 was also returned, Etheridge said, but he did not remember just how. He said the cancelled checks in the bankrupt bond house would show, and he asked permission to see them.

**FENTON WAS FEARED**  
"If the court will allow me," Etheridge said, "I will read that I read in the paper that Morris said on the witness stand that he owed his sister \$45,000 and that she got the money from the sale of some property in King street. This house in King street was sold to Judge Stearns for \$23,500 and the furniture sold at a public sale for \$1750. The money was never deposited here, but with Morris Bros., Inc. in New York, and then transferred to Philadelphia. Finally Henrietta Morris received credit for stock on the books of the company."

"Morris remained as president until September, 1919, or thereabouts, and remained in the office of Morris Brothers. He left then for the Gasco building because I had a man named Fenton in my employ, who was a relative of a lawyer named Fenton, who was employed by Muir in the Oregon Water Power company suit. He thought Fenton had been placed there by the lawyer relative to get information. He got very indignant and left for the Gasco building."

"After this I took up the corporation matters with Mr. Hovey and it was then that the old corporation was dissolved and a new one formed. It was also about this time that The Telegram commenced to attack me. They would have been no difficulty in selling the \$500,000 worth of preferred stock had it not been for this attack. In fact, it took me two months to get almost all the stock sold by Morris."

### PAST HISTORY SPREAD

Etheridge then explained how the business had grown from \$2,000,000 to \$5,000,000 per month, and the number of employees increased from two to about 80. He also stated that he never had made an entry on any of the books. The new incorporation being formed with the \$500,000 common stock and \$50,000 preferred stock, was to take care of the stockholders, who had purchased interim certificates, Etheridge said.

At this point Etheridge's face became drawn and he appeared to have tears in his eyes as he said:

"For 14 months my past record has been peddled from bank to bank, then to the clearing house, and finally even back to my customers. It became so bad that about 10 months ago I told my attorneys, in fact Mrs. Etheridge told them before I did, that I was in possession of positive information that the telegram would publish the history of my life as a Christmas present on the night of December 24, so I consulted with my friends and attorneys and finally decided I would resign and go."

### DENIES HAVING MONEY

"During this time I repeatedly called together my office forces, and while my office thought I could withstand the onslaught my attorneys advised me to leave the city and not come back to the coast until March, 1921, when Mrs. Etheridge is to undergo an operation in San Francisco. The original suggestion to take a trip and escape this publicity was suggested by Fred S. Morris. On the night of December 23 I went to the Morris home, alone, and he then told me my nerves were all gone. 'You know you worked very hard,' Morris said. 'You promised to go and see the old man and you ought to keep your promise.' I told him I hadn't any money, so he said he would give me \$10,000. I then decided to visit my wife's folks in Chicago, go on to Philadelphia, and then to New Jersey, where I hoped to secure a pardon from the governor and then go to England. On the morning of the day I was to leave, John Logan called me and asked me about the bonds in Tacoma, which were taken over and placed there during the state investigation in March, 1920.

"My reason for driving to Tacoma was to ship the bonds to Morris Bros. I turned over everything I had except one Liberty bond and \$2000 in the Ilwaco bank. Morris has no mortgage on my home and never had. Any money borrowed has been borrowed on my personal note, with no agreement as to security."

### BELIEVED IN SOLVENCY

This concluded Etheridge's long voluntary statement, after which the following answers were made in reply to questions put by Cassius Peck, one of the attorneys for the receiver.

"None of the assets that are camouflaged have belonged to any other than Morris Brothers. They have none other than those belonging to Fred S. and J. H. Morris. That I know, because I audited the books for many years. The question of the solvency of Morris Bros. was never discussed with Fred S. Morris, Etheridge said. During the three months the auditors were working on the books nothing was ever discovered that would indicate the company was insolvent, he said. 'Whitfield, Whitcomb & Co. suggested that we change our system,' he said. 'For the reason that the auditors had not found the concern to be insolvent after three months, Etheridge said he did not believe Morris could have discovered it until the one or two days that he actively managed the house.'

Etheridge then said the Morris brothers had transferred their assets and their wives to conceal their assets and escape payments of law suit judgments which were feared. On January 23, 1919, Etheridge declared Fred Morris became the equitable owner of the local bond house, but the legal title rested in Henrietta A. Morris, he said.

### NOTES STILL KNOWN

When asked to explain one of these alleged deals, Etheridge said: "In 1913 Morris Bros. operated the Birmingham street railroad. The railroad was formed by the sale of \$5,000,000 bonds and the issuance of bogus stocks for the same amount. Early in 1914 the railway was not making expenses, so an agreement was made to borrow \$500,000 from the opponent at 6 per cent. Shortly after this the road owned by Morris Bros. went into the hands of the receiver and has never paid off the notes. That claim is still outstanding and it was for this reason that the firm was reincorporated in 1915 in Philadelphia."

Etheridge then gave the dates of the organization and reorganization of the various firms with which the two Morris brothers were connected. He was then asked to relate the manner in which Henrietta Morris earned her living. He answered that each brother paid her \$100 per month.

"I would say," he answered, "I would be able to locate some general entries belonging to the general auditor might easily overlook. I would be able to prove that every dollar of Henrietta and F. S. Morris has been taken from Morris Bros., Inc., since 1914."

### SALARY INCREASED

Some of the assets which Morris got first and which have since been converted to other things, according to Etheridge, follow: \$50,000 stock of Morris Bros. company of Philadelphia, \$100,000 in Victory bonds, \$50,000 stock in the Rogue River Water company, \$30,000 bonds of the Umpqua Valley Light & Power company, \$15,000 bonds of the Tualacosa Railway & Utility company. Etheridge also said of \$5000 on the purchase of the house and \$258,000 in other securities.

Etheridge then stated that he believed

all these securities were in Henrietta or Fred S. Morris's safety deposit box. The majority, he said, were in Miss Morris's box. He said Morris's will was in the same box and that it contained a list of all his securities.

Etheridge also stated that the reason his salary was raised last July was so that he could pay Morris an additional \$500 per month, in addition to the \$500 salary he was already getting from the company, thus giving Morris a salary of \$1000 per month, the same as he received while active president of the company.

### INTERIM CERTIFICATES OF

SEATTLE TOTAL \$176,000

Liabilities against Morris Bros., Inc., to the extent of \$176,000 exist among Seattle holders of the company's interim certificates, according to Receiver W. D. Whitcomb, who spent Wednesday evening in Seattle. Whitcomb addressed a meeting of creditors and checked over the holdings of Seattle investors in the defunct company's securities.

"Whitcomb was advised upon his return of the willingness of John L. Etheridge to serve the receiver in any possible way, even submitting himself to a police guard while he cleared up anything having in connection with the company's books. The receiver, while determining to let his attorneys settle the matter of Etheridge's service, declared himself ready to let the former bond house head do everything possible to aid in straightening accounts."

Today the Morris Bros. office became a clearing house for creditors and information concerning their holdings is obtainable officially only from the receiver and from A. M. Cannon, referee in bankruptcy. It is explained by creditors who have investigated that the informal association of creditors which has assembled several times since the wreck of the bond house, has no official significance and the report of the creditors can come officially only from officers of the court.

### GRAND JURY INVESTIGATES

SALE OF MORRIS STOCK

Grand jury investigation of the sale of preferred stock by Morris Brothers, when that concern advanced its capitalization from \$100,000 to \$1,000,000, is under way today. The investigation is upon the finding that the defunct concern had received no permit from the corporation commissioner to sell such preferred stock, nor had a permit been given to sell interim certificates exchangeable for preferred stock.

Upon the grand jury investigation is expected to be issued an indictment that the officers of the defunct company liable under the blue sky laws of Oregon.

W. D. Whitcomb, receiver, was supposed to the investigation today, but, pending a direct need for his personal appearance, he was permitted to substitute one of the receiver's auditors.

**CAPITAL AND LABOR  
FIGHT FOR CABINET**  
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appointment of Hoover with sighs of relief; not because he represents their viewpoint, but because they have been in fear that a neutral would not be appointed and that the next four years at least would be a constant battle with the force of unionism in the department of labor.

### EACH SIDE STUBBORN

The trouble is that both sides are emphasizing their rights when each side should be announcing their concessions so a compromise may be worked out. That's why Mr. Harding himself is eager to appoint a man who shall have the imagination, the initiative and force to work out a real solution of the interference between employer and employee.

The importance of the appointment, too, lies in the fact that the department of labor investigators must be impartial and just whenever a big strike arises, and that their conciliators must be skillful enough to retain the confidence of both parties to a strike. The fear of conservative labor leaders is that, if a force of unionism is appointed, there never will be any recourse to government mediation and conciliation, and that the progress which has been made toward the friendly settlement of labor disputes will be lost.

### COMPROMISE SPIRIT LACKING

The president's first industrial conference failed because both sides refused to compromise. The second conference, differently constituted, got somewhat farther along, but never attempted to deal with fundamental issues.

### OPEN SHOP IS ISSUE

The open and closed shop question is still unresolved. The real fight that is coming is not over reductions in wages, but the open shop issue. Employers' organizations here admit that the struggle is on in earnest and that the first step is the appointment of a secretary of labor. There are two kinds of open shop: One that is open to union and nonunion workers, with the two classes on equal footing, and in which the management deals with the workers through committees without reference to national organizations. The other kind is the shop closed to union workers alone. Unfortunately, some employers' leaders mean the latter kind when they talk about an "open" shop. What they mean is one that is closed to union men and open only to non-union men.

### LABOR WOULD RETAIN RIGHT

However, the interesting undercurrent of the fight is that labor is not making war at the time a concerted fight against wage reductions, but a fight to retain rights already won. Now that prices are falling and the cost of living is being slowly, but gradually, reduced, the workers whose wages are not reduced are in actually getting progressive wages. Skilled labor, as evidenced in the department of labor statistics, for the most part received wage increase during the war which were in excess of the increased living costs. Open warfare will result, however, if, in addition to reducing wages, advantage is taken by employers to reopen old sores and start the trade union battle anew. Disinterested folks in such institutions as the department of labor and the United States Chamber of Commerce predict the failure on the part of union labor to force a closed shop on the country and the defeat of the manufacturers to bring about their kind of a closed shop.

### HOOPER HAS ALTERNATIVE

When the armistice is declared, both sides will be somewhat weary, but in the meantime the struggle has managed to affect the chances of Herbert Hoover for the secretaryship of labor. The advantage of Mr. Hoover has, however, is that Mr. Harding wants him either for secretary of labor or secretary of the interior. If he is sidetracked for the one position because of the open shop issue, Mr. Hoover being a Californian and an engineer, still remains eligible for the secretaryship of the interior, which usually goes to a westerner.

### Reed Named Deputy

Vancouver, Wash., Jan. 12.—Walter Schwarz, county engineer, has appointed E. L. Reed, formerly connected with the Washington state highway department, as his deputy.

## GRAIN SPECULATION DECLARED BENEFIT

Washington, Jan. 13.—(I. N. S.)

Grain speculators instead of being the curse of the grain market are in reality its salvation, according to Leslie F. Gates, former president of the Chicago Board of Trade, who appeared today before the house agriculture committee in opposition to the Capper-Tincher bill.

"The futures market provides a constant market in peace or war, in prosperity or panic, where the producer may dispose of his holdings for prices based on world supply and demand," said Gates. "Futures trading stabilizes values, reduces the toll between producer and consumer, facilitates distribution and prevents monopoly."

"A satisfactory future market, where grain insurance might be obtained, cannot be had without speculation. It is the speculative class who are real buyers and sellers and thus make a constant market."

"The futures market cannot be held responsible for price declines of the last year in farm products, Gates said. He pointed out there was no future trading in silk, wool, cotton, etc., yet they all experienced sharp declines. "Remove the futures market," Gates continued, "and you not only strike a blow at the producer, but you throw the grain marketing machinery. Germany abolished future trading and so serious was the situation resulting that she had to take drastic measures."

### GOVERNOR OLCOTT TO GIVE NEW MESSAGE

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not desired to give out advance notice of the subject matter of the message. Various surmises have sprung up, one that the executive desires to lay before the assembly the report of the special commission appointed by him to ferret out additional sources of revenue and report methods and means for converting these into tax money for the support of the state government.

Another is that it has to do with forest and scenic road development. Whatever the message may consider and whether its contents may be pleasurable to the assembly or otherwise, the sudden and unexpected request for a personally conducted special message has put the members on their notice and in a state of mind that makes them more than usually interested in next Monday's joint session.

### BILL PROVIDES LEGISLATORS SHALL RECEIVE \$5 DAILY

State House, Salem, Or., Jan. 13.—The house adjourned at noon today to reconvene at 11 o'clock Monday morning. A resolution was adopted during the forenoon to meet in joint session with the senate to receive a message from the governor, the purport of which has not been made known.

During today's session Lynn of Multnomah introduced a house joint resolution providing that members of the legislature shall receive \$5 per day but not to exceed \$300 for any one session; that the same compensation per day shall be allowed for special sessions not to exceed 20 days; and that \$3 be allowed for every 20 miles traveled by a member in coming to or going from places of assembly.

Representative Belknap introduced a bill that prohibits the use of dogs in hunting China pheasants. Carey of Yamhill introduced a bill providing for an appropriation of \$800 for improvement of Soda Springs and grounds at Sodaville, Linn county.

Lynn of Multnomah introduced a bill providing for five-year terms for constables in counties of 100,000 or more populations, and providing that constables elected in such counties in 1920 shall remain in office until election of their successors in 1925.

**Move to Make Army Measure Unfinished Business Is Defeated**

Washington, Jan. 12.—(I. N. S.)—A motion to make the new resolution to reduce the army to 175,000 men the "unfinished business" before the senate in place of the Mussie Shoals nitrate bill now holding that position was defeated in the senate this afternoon by a vote of 34 to 29.

Four Republicans voted with the Democrats in defeating the motion: Capper, Kansas; Gronna, North Dakota; La Follette, Wisconsin, and McNary, Oregon.

Senator Gore (Dem., Okla.) voted with the Republicans who supported the motion.

### Windmill Topples Near Woman's Bed

Albany, Or., Jan. 13.—Missing her bed by three feet, windmill fell early Wednesday morning at the home of Mrs. Myrtle Rowe, hurled to the ground by a gust of wind. The crash awakened the other members of the family, but the windmill fell without doing damage. The mill and tank were destroyed.

### McCormick Employee Leaps to His Death

Oakland, Cal., Jan. 12.—(I. N. S.)—Edward M. Blake, production manager for the McCormick Lumber company of San Francisco and formerly a prominent Boston construction engineer, leaped from the fourth story of the Palace apartments here today. Death was instantaneous. Blake had been suffering from pneumonia for a week. It is believed his illness caused him to take his life. He is survived by his wife and a son, 8 years of age.

### Vessel in Distress; Tug Goes to Rescue

San Francisco, Jan. 12.—(U. P.)—A four masted sailing vessel was reported in distress shortly before noon today by Captain Anderson, lookout at Point Lobos, at the entrance to San Francisco bay. The vessel was not identified. A Red Star tug was immediately dispatched from San Francisco to give assistance.

## M. E. Church Will Make Own Films In 'Movie' Campaign

Chicago, Jan. 13.—(I. N. S.)—With an announcement at today's session of the conference of the Methodist Episcopal church for the Chicago area that motion pictures and electric signs as means of salvation are to enter largely in the church's centenary evangelistic campaign, there was made public a "white list" of motion pictures and motion picture players which have found favor with the denomination. It follows:

William S. Hart, Lillian Gish, Charles Ray, Robert Harron, Gloria Swanson, Elliott Dexter, Wallace Reid, Mary Miles Minter, Shirley Mason, Robert Warwick, Marguerite Clark, Bryant Washburn, Roscoe (Patsy) Arbutkott, Forbes Robertson, Dorothy Gish and other minor lights of the movie industry.

The Rev. R. J. Wade, secretary of the church's board of advance, announced that the moving of the church's motion picture enterprises from New York to Chicago, where a four story factory is to be taken over, the denomination will go into the manufacture of religious and missionary films in earnest. An expert motion picture man is to have charge of the work and all producing companies will be invited to submit films for the church's approval.

## Jobbing Contractors Announce Reduction In Carpenters' Wage

Officials of the General Jobbing Contractors' association announced today that a reduction in the wages of carpenters and other employees of members of the association would become effective February 1. Pay for the carpenters is cut from \$8 per day to \$7 per day by the proposed scale and other wages are trimmed proportionately. The charge per man per hour made to the public by the association would be cut from \$1.50 to \$1.35.

The contractors' association has a contract with the carpenters calling for \$8 per day, effective until May, according to B. W. Sleeman, district representative of the carpenters' union. Sleeman stated the association members employ only a small percentage of the carpenters of the city and the principal effect of the new scale would be the hiring of inferior workmen by the association.

## Convict Who Broke Parole Returned To Grants Pass

Grants Pass, Or., Jan. 13.—Irving Rudd, a young man convicted last summer on a charge of holding up and robbing an automobile party on the Pacific highway, north of Grants Pass near Merrill, returned to this city Monday and lodged in the county jail as a parole breaker. Rudd was sentenced to from one to seven years in the state penitentiary, and was paroled to the Salvation army. He disappeared and the sheriff's office finally located him at Moorehead, Minn.

C. C. Cranchell, arrested on a charge of bootlegging, was found guilty and fined \$125.

# These Must Go

Spring goods are arriving daily. We must clear our racks. So here they go at prices that will move them quick. And, too, buy them on credit, if you desire.



**Dresses**  
**\$18.75**

Serges, satins and wool jerseys. At this price you'll probably decide to select two models, so chic and smart are they. Beaded, embroidered and yarn trimmed.

**\$49.75**

Tricotine, duvetyn; velvet, satin, mignonne, kitten's ear crepe, georgette, and other light silks. Former regular price to \$85—but in this quick sale they go for.....\$49.75

**Extra Special Plaid Skirts**  
**\$8.75**

Final clearance plaid skirts—former values to \$20.00. Practically all colors. Special for this sale.....\$8.75

**Waists**  
**\$3.95**

Values to \$8.50

Georgette blouses in flesh and white. Embroidered, silk and bead trimmed. Long and short sleeves. An ample number of blouses are here from which you may make your selection.

**\$3.95**

Washington at Tenth St.

**Coats**  
**\$12.75**

Beaver plush coats, fancy lined. Every one of these coats is this year's garment. Formerly worth \$25. Large patch pockets. Belted and loose-fitting models. Only few left—the values, however, are remarkable at the low price.....\$12.75

**\$19.75**

Plush coats with beaver plush collars and cuffs. The touch of beaver plush gives the finished appearance to the coat, the sought for by women of refined taste. They are bargains at \$19.75

**“Eastern Buyways”**

**Sweaters**  
**\$3.95**

Values to \$16.75

Included are 25 wool sweaters which we desire to close out. Some are slightly soiled and shop worn—but all are exceptional values. Tuxedo models; ripple bottoms; Coat Sweaters, Slip-Ons, with or without sleeves. Practically all colors. For quick sale—

**\$5 to \$15**

**Eastern Outfitting Co.**

Washington at Tenth St.

"The Gray-Tile Corner"

**Musical Instruments Sacrificed**  
FREE LESSONS GIVEN  
REMOVAL SALE  
**McDonald Music Co.**  
325 ALDER STREET  
BETWEEN SIXTH AND SEVENTH