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The Oregon Statesman

FOUNDED 1851

THE WEATHER
Occasional rains today, Thursday cloudy; moderate temperature; Max. Temp. Tuesday 46, Min. 42, river 2.8 feet, rain .80 inch.

EIGHTY-FIRST YEAR

Salem, Oregon, Wednesday Morning, November 18, 1931

No. 202

FIDELITY FIRM OUTLOOK POOR OLCOTT SHOWS

Assets Estimated as Much Below Liabilities in Report Issued

Headquarters Formerly in Salem, Investors Here Numerous, Stated

A woefully defunct condition in the American Fidelity investment company's affairs was revealed yesterday when Ben W. Olcott, receiver appointed by the Multnomah county circuit court June 26, 1931, announced that the liabilities of the company totaled \$322,973 and its estimated total assets \$42,806.

Interest locally is high since Elmo S. White, its former president and general manager, lives here the bulk of his life, and prior to removing the company's offices to Portland in 1930, had the headquarters for the concern in the old Capital National bank building on North Commercial street.

"The thought uppermost in the minds of all creditors is what can be expected in the way of returns, and when on their investments," writes Olcott. "This cannot be answered at this time beyond a conjecture. The estimated present worth statement herewith submitted should give you a pretty clear idea of the loss that will be suffered," Olcott continues.

"Olcott points out clearly to shareholders that the majority of 'investments' of the American Fidelity investment company have little value. For example one second mortgage of \$35,000 is given on a dry farm ranch in Jefferson county, Oregon, prior to which is a demand mortgage of \$32,700. Olcott has advertised the ranch for sale at \$10 an acre which would leave a net of \$7000 to apply on the \$35,000 mortgage if the place can be sold.

"In the assets of 'bonds and stocks' listed by the company is an item of \$95,794 of the capital stock of the Acme company. 'This is worthless,' writes Olcott. Contracts receivable total \$7190 and Olcott likewise adds these without value.

Decline in Realty Values in Oregon Olcott further states: 'I find the affairs of the company seriously involved. A portion of the monies received from sale of installment bonds and stock of the company was invested in real estate—residences, apartment houses and farms. These properties, when purchased (Turn to page 2, col. 1)

DUCKWITZ PAROLED AS BURGLAR HERE

Chester Duckwitz, paroled here last August by Judge McMahan, was sentenced in South Bend, Wash., yesterday morning to six to 10 years in the state penitentiary for attempt to rob a South Bend bank.

Duckwitz, finger print experts at Portland discovered yesterday, was the same man who robbed the MacMarr grocery at 1933 State last July 26, for which charge McMahan sentenced him to the penitentiary, then paroled him. Before the law here he gave the name of Charles Douglas.

He was an honor student at a Seattle high school and football player while there, the South Bend courts learned.

Public Health Activity Will be Much Curtailed

If the city's contribution to the county health department stands at the \$2000 reduction which the majority of the councilmen seem determined to maintain, the activities of the department probably will be cut to four main functions: Communicable disease control, school clinics of lessened intensity, recording of vital statistics, and state-required sanitary inspection.

So stated Dr. Vernon A. Douglas, county health officer, yesterday. He added that the question of the functions to be retained or dropped would be up to the executive committee of the department. Drastic reductions probably would be necessitated by such action on the part of the city, because the county court is expected to cut its appropriation in proportion and hope of obtaining any support whatever from the county health fund would go glimmering.

In the opinion of Dr. Douglas, under these reductions, which

Reducing Armaments Paramount Question Italian Envoy Says

Grandi and Hoover to go into Huddle Today on World Issues; Visitor Hopes for Naval Accord With France

WASHINGTON, Nov. 17—(AP)—Lifting armament burdens from the world's heavily weighted shoulders tonight assumed a dominant place in President Hoover's conversations with Foreign Minister Grandi of Italy.

The two statesmen will draw their chairs together at the White House tomorrow for the first of a series of talks.

The foreign minister today described the present as "high time" to carry the world disarmament movement to a "practical result." He made this statement at a conference with newspapermen in the middle of a day devoted to diplomatic formalities and private talks with American officials.

"I think the question of disarmament is the most important in the relations between countries," he said. "It is high time for everybody to seek a practical result."

At the outset, the minister expressed his appreciation for the "cordial reception" America has given him and said his visit was directed toward peaceful cooperation among the nations with a view to their economic recovery and general welfare.

Asked about the possibility of a Franco-Italian naval settlement, Grandi said he was hopeful for such an accord.

"Italy feels such an agreement would be good. I hope for a practical result," he said.

In addition to the new president, the following persons last night were elected to office and installed: J. C. Perry, first vice-president; Mrs. Mae Carson, second vice-president; Rev. P. W. Erickson, secretary, and Judge Mark Poulsen, treasurer.

Committee members elected were: Finance—Edward Rothstein, chairman; R. G. Brady, George L. Arbuckle and Mayor P. M. Gregory, Service—Mrs. William A. Schultz, chairman; William A. Schultz, chairman; Mrs. J. D. Runovold and Miss Kulberg, the latter a missionary home from China.

The second of the program will be that of Friday evening at which Rev. George Holm, a missionary to China, home on a furlough, will give the address. Both Trinity and Immanuel choirs will sing. This program has been arranged for Immanuel church and will begin at 8 p. m.

SILVERTON, Nov. 17—Lutherans at Silverton are taking great interest in the Regional Foreign Mission conference which will open at 10:30 o'clock Wednesday morning at Trinity church. The Rev. Martin Norstad, of Minneapolis, field secretary of the Board of Foreign Missions, will introduce the general topic for discussion taken from Math. 8:9 to 10.

The early business meeting of the entire five days of sessions will be that of the Oregon Circuit and Women's Mission Federation both to be held Friday morning, the former to be held at Immanuel church and the latter at Trinity church. The W. M. F. has arranged two programs during the week. The first of these will be given Friday morning at 10 at Trinity church.

Mrs. H. L. Foss of Silverton will give the address of welcome to which Mrs. H. Rogan of Monitor will respond. Mrs. Alvin Leard of Silverton will give a vocal solo. Speakers will be Mrs. J. D. Runovold and Miss Kulberg, the latter a missionary home from China.

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Claim Three Staters Are Not Eligible

REGINA, Ore., Nov. 17—(AP)—Reports circulated here tonight said charges of ineligibility against Bill Byington, Reg Rust and Buck Hammer, Oregon State college football players, would be made public here tomorrow.

The charges, it was indicated, would say each of the men had played varsity football at Oregon State in 1928, 1929 and 1930. University of Oregon officials said they knew nothing of the charges and have nothing to do with them.

CHOIR TO MAKE BOW The new university choir at Willamette university will make its initial appearance today at chapel time before the student body. Professor Cameron Marshall has organized the group of 60 mixed voices this year as a new venture. Slightly more than half of the choir are women.

LOCAL SAVINGS AND LOAN FIRM IS REORGANIZED

Full Control of Mutual is Again in Local Hands; Directors Chosen

Van Winkle and Clements Added to Board; Will Resume old Home

The reorganization of the Mutual Savings and Loan association was practically accomplished yesterday when the Portland members of the board who were representing the Prudential Bancorporation resigned and the full control of the savings and loan association was vested in the hands of Salem directors. Hon. I. H. Van Winkle, state attorney general, and Dr. L. O. Clements were elected as directors. Other local directors are T. M. Hicks, E. M. Page and A. Lee.

The offices of the association will be moved today from the Patton building on State street back to the former quarters on South Liberty street in the Steeves building. A. Lee continues as secretary-manager.

The severance of connection with the Prudential Bancorporation followed the order of the corporation's commissioner when Portland Savings and Loan association controlled by the Prudential passed into his hands for management. The Salem company and the Eugene company which had been acquired by Portland interests were turned back to operate independently.

The reorganization of the Mutual company here was effected as soon as the resignations of the Portlanders was received. There were four of them on the board. Two of the places have been filled by the board five active members, which is required by its by-laws. Two more will probably be added in a few days bringing the number to seven.

Important Issue Will Be Settled One of the first questions to be decided will be whether to continue the company as a guarantee company with reserve fund, stock or to make it a mutual company. The company operated for many years as a strictly mutual company, but in 1930 it was changed to a reserve fund company. Supervisor Callahan of the (Turn to page 2, col. 1)

MUCH HAND WORK ON ROAD OFFERED A gleam of hope is offered the unemployed men of Marion and Polk counties in the announcement made yesterday by J. M. Devers, attorney for the state highway commission, that approximately 70 per cent of the \$1,000,000 to be expended by the commission for relief road work will go into hand labor. Of the 798 men from the two counties who have registered at the U. S. employment bureau here, only a few more than 100 have been given any work, according to Agent Sim Phillips.

Devers estimated that more than 20,000 men would receive part time work under the relief program. This estimate does not include a large number of men who will be employed in road construction work in Multnomah county.

The rainy weather has been hindering the work of the 60 men now on shift on the Pacific highway south of here and on the highway west of Rickreall. A number of the men have taken ill from exposure. One man yesterday had to quit his work before noon on this account.

Registration at the employment bureau yesterday fell to 18 men. The majority of the registrants have been married men, the single men apparently believing it useless to apply for work, according to Phillips.

Rainfall Heavy So Far in Month Records Reveal

His honor, Jupiter Pluvius, a second month is wielding his hammer mightily to ring the rain record. Although 13 days remain in November, rainfall for the month so far has amounted to 5.23 inches, just 1.21 inches under the normal average for the month over a 25-year period.

Precipitation yesterday, according to the official weather observer, was 4.8 inches. The heaviest rainfall so far this month was 1.11 inches, on November 8.

COMMITTEE MEETS The executive committee of Community Service will hold a meeting during the noon hour today to conduct routine business concerned with the dispensing of funds.

Glowing Prospectus Assures Empire Company's Big Sales; Magazine Helps in Promotion

"Westerner" Depicts Story of Empire Glowingly

Prominent Names are Used to Build up Confidence

Editor's Note: This is the third of a series of articles The Statesman is running on the Empire Holding company, its object being to inform the public of the unscrupulous methods employed by the company and to protect innocent citizens from further economic loss and loss at the hands of such fly-by-night institutions.

By SHELDON F. SACKETT ONE hundred thousand dollars in actual money having been "paid" into the Empire Holding company, according to its officers' sworn statements, and "modest and prudent" salaries having been contracted for, Oregon's great insurance holding company was nearly ready by January 1, 1931, to offer citizens of the state an "opportunity" to get in on the ground floor of this extraordinary concern.

Mr. Keller was a sales counselor, no small ability and short experience as federal court records and other exhibits now reveal. The first thing needed was a top-notch prospectus with which to convince Oregon citizens that the great and near-great of the state were guiding the destinies of the Empire company.

Large outlays were immediately made by the Empire Holding company for stationery and supplies, the bulk of this expense going for promotion material. Up to July 31, 1931, \$8,304 had been expended on stationery and supplies and printers were demanding more money so shares of bank stock traded in for the Empire's securities were pledged with printers as security. June 29, 1931, the Empire management made a new printing arrangement, agreeing to "give printing jobs to the General Lithographing and Engraving Co., on a competitive basis. The latter concern subscribed for \$20,000 worth of stock and agreed to take 50 per cent of its bills up to \$10,000 in stock payment. Thereafter printing done was to be 75 per cent paid for in cash and 25 per cent applied as a stock payment.

Keller's prize idea was the issuance of The Westerner. This imposing monthly magazine was to carry the "story of empire" in general and the Empire Holding company in particular. To the Westerner were to be fed financial stories, outdoor stories, travel stories—whatever would cloak the real purpose of the magazine, which was obviously the promotion of the Empire Holding company.

The Westerner worked. Only a fortnight ago a prominent newspaper editor in Portland was going back the magazine carefully, at Judge Coshov's request, suggesting improvements to be made in this "great western publication."

Of course there were technical flaws in the legal and business setup of the Westerner but such details were of little interest to the public. For one thing, the Western Publishing company which "owned" the Westerner was incorporated in Utah and was never given permission to operate in Oregon. Nevertheless the company published in Portland, and Keller's men even went so far as to sell stock in the Western Publishing company. When Corporation Commissioner Mott found out about this illegal practice last summer he halted it summarily.

By an ingenious device the cost of the Westerner is listed as one of the "assets" of the Empire Holding company. The total of this "asset" July 31, 1931, is \$16,177, this sum consisting of "advances" made to the Westerner for printing and for services from March 6, 1931, to July 31, 1931. Advances range from \$2.50 to \$5000.

In the list of so-called "assets" mulcted stockholders of the Empire Holding company will consider at the called meeting December 5, 1931, in Portland, this \$16,177 item will appear. Just how the Empire Holding company expects to liquidate this asset is not clear. The Western Publishing company is not licensed to do business in this state, and apparently it has no assessable capital stock or taxable surplus. Its assets appear to be some typewriters, copy paper, back copies of the Westerner, and the cigar and cigarette ashes which accumulate around an ordinary publishing office. It is from this source that the Empire Holding company shareholders may look for the repayment of their \$16,177 "asset" with the Western Publishing company.

If the officers of the Empire Holding company were deficient in business perspective, they were superbly endowed for the issuance of prospectuses. The principal printed publication showing the future of the Empire was one entitled "Letters."

The book was appropriately covered. The paper was heavy (Turn to page 10, col. 1)

"Actual Money Paid Company" Was \$100,000 They Said in Statement



Officers and directors of Empire Holding company who swore they individually paid \$20,000 in money but whose total subscriptions were \$90,000 in cash. Reading from left to right, top row to bottom, the men, their positions and their annual salaries are: Judge O. P. Coshov, president, \$7500. Jay H. Stockman, general counsel, \$7500. I. N. Petty, general manager, \$10,000. W. R. Adams, vice-president, treasurer, \$10,000. Frank Keller, Jr., sales counselor, \$10,000. Aggregate of "modest and prudent" annual salaries paid to officers, \$45,000 for running company which never sold a single fire, accident, casualty, life or title insurance policy.

TELEPHONE FIRM'S OFFER WITHDRAWN

The Pacific Telephone and Telegraph company has decided to stand with the other utilities in negotiations with the city of Salem concerning proposed special taxes on utilities operating in Salem. Previously it had announced its plan to negotiate for a new franchise to take the place of the one expiring in 1934, and under the proposed franchise it would agree to pay a two per cent gross earnings tax to the city. Now the company announces it is dropping all negotiations for a new franchise and will not take this matter up until nearer the time for the expiration of the present franchise.

Consideration of the division of the license fees will be taken up in Portland where the head offices of the electric company and gas company are located and divisional offices of the telephone company and the telegraph company. The water company will also be represented in the conferences. The utilities will endeavor to agree on a course of action with reference to the proposed city tax; and if one is assumed to agree on the split of the penalties.

The last proposal being considered here by the company managers and the city committee called for raising some \$5000, with a division of \$100 apiece to the telegraph companies, \$900 to the water company and \$3900 dividend among the gas, electric and telephone companies.

Herron is Held To Grand Jury; Waives Hearing

J. O. Herron, charged with involuntary manslaughter following the death of Miss Loretta Wilson of Stayton, who was injured Armistice day in a car driven by Herron, waived preliminary hearing in justice court Tuesday and was bound over to the grand jury. Herron had been held in the county jail because of failure to raise \$3000 bail, but Saturday he secured the bail required and was released.

JAPAN'S OFFENSE STARTED

Smashing Attack Launched Against General Mah on Nonni Front; Force is Said Demoralized

Crisis Faced at Geneva as Indication Seen United States Relaxing Stand on Evacuation

TOKYO, Nov. 18—(Wednesday)—(AP)—Manchurian forces of General Mah Chan-Shan were completely demoralized today by the sudden onslaught of a Japanese offensive, said a Hsinan dispatch to the Hengo News agency.

(By The Associated Press) Three factors put a brake yesterday on the attempts by the League of Nations to make peace between China and Japan. Fear was expressed in Paris that if the League fails to uphold Japan's demand that China recognize the validity of existing treaties, the precedent might affect agitation against the treaty of Versailles.

In addition, there were indications that the United States was relaxing its firm stand for Japanese evacuation of Manchuria and that Russia might not remain aloof if the League fails to halt the Japanese advance. In Tokyo military authorities pressed the cabinet for additional reinforcements for Manchurian service.

General Mah Chan-Shan, Chinese commander turned down Japan's peace proposals and set forth conditions of his own. Meanwhile he held to his position in the Nonni area. Minor activity was reported from the field. Snow fell along the Nonni, where the two main forces of Chinese and Japanese are entrenched, and the troops suffered from bitter winter weather.

Tientsin learned of renewed bombing and reconnoitering activity in the Chinese eastern railway area on the part of Japanese. (Copyright, 1931, by the Associated Press)

MUKDEN, Nov. 18—(Wednesday)—(AP)—Japanese headquarters announced the opening today of a smashing Japanese offensive on the Nonni front in Manchuria.

The entire Japanese force in the Nonni river area was being employed in a general offensive against Chinese troops of General Mah Chan-Shan, it was announced.

General Shigeru Honjo, commander of Japanese forces in Manchuria, made the announcement.

Portion of Hood Loop is Blocked Officials Learn

Snow has fallen at Government Camp, on the Mount Hood Loop highway, to a depth of three feet, and the road is blocked between the junction with the Wapinitia cutoff and Parkdale, state highway officials announced Tuesday.

The officials said it was not likely that this section of the Mount Hood highway would be kept open during the entire winter.

Traffic is still going through the Wapinitia cutoff, officials declared.

The slide on the Oregon Coast highway near Barry was cleared today, and traffic has been resumed.

Symphony Orchestra to Present Concert Tonight

Tonight at 8:15 o'clock the first program of the year for the Salem Symphony orchestra will be presented in the Armory. Prof. R. W. Hans Seltz is director and is presenting 55 local people.

Variety marks the program numbers. The soft beauty of Schubert, the challenging nois of selections from the opera "Tannhauser" and delightful descriptive numbers which closely approach folk stories in music, will all make for a variety in the program which should have something to offer each person in the audience.

Following the program there will be a reception for the audience and Miss Barbara Thorne, guest artist, and orchestra members sponsored by the board members of the symphony organization. This will be informal and each person present is invited to meet the orchestra members, Miss Thorne, director Prof. Seltz.