

The Evening Herald

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FRIDAY, NOVEMBER 7, 1917

AGREEMENT REACHED ON WARRANT TANGLE

Continued from Page 1

of the program. They took the position that they would not stand idly by and allow all the warrants to be paid in full for the reason that they were convinced that some of the warrants were fraudulent and some had been secured at less than par by unfair means. They threatened that as these particular warrants were released from the case in the federal court they then would start independent actions in the circuit court of Klamath county to enjoin the payment of these warrants. For a time it looked as if we had reached a deadlock because Mr. Long would not recede from his position that the warrants must be paid in full with accrued interest.

Finally, I met with Judge Worden, Mr. Kuykendall and Mr. Stone of Stone & Gale at Judge Webster's office at Portland, and after conferring for a day, Mr. Stone, representing some of the largest warrant holders, offered to take a reduction in the warrants held by his clients in order to aid in bringing about a settlement. I then called Mr. Long up over long distance at Tacoma and stated that I was convinced that there was no hope of avoiding a guerilla warfare in Klamath Falls on the warrants as they were released unless he would agree that part

of the warrants might be discounted and that the incoming county court was insisting that this be done.

In order to relieve the situation, Mr. Long finally gave his consent with the understanding that it must definitely appear that the plaintiffs in the federal suit at Portland were not parties to this part of the transaction.

We thereupon drew up the following stipulation:

Memorandum of Agreement
"The parties interested in the suit, Weyerhaeuser Land company, a corporation, et al, plaintiffs, vs. Wm. S. Worden, county judge of Klamath county, Oregon, et al, defendants, have come to the following understanding:

"First—The plaintiffs are willing that the warrants involved in the above suit may be paid in full with accrued interest, and agree that if the county court of Klamath county will make levies in an amount ranging from \$100,000 to \$125,000 per annum, starting with the levy made in the year 1915, they will release from the injunction and dismiss the suit as to a sufficient number of warrants to equal the levy each year. Warrants are to be released in the order of protest.

"Second—But the plaintiffs in the suits filed in the circuit court for Klamath county, represented by R. N. Day, feel that a number of warrants were issued at a discount, or that the prices for which materials were sold to the county were above market price, and that therefore some reduction should be made in the warrants.

"Third—The defendants in the case representing the warrant holders have agreed to a reduction, and it has been determined that a discount of about \$35,000 will be satisfactory. The manner and distribution of the reduction are to be left to the judgment of D. V. Kuykendall and C. F. Stone.

"Fourth—It is agreed that all suits and actions affecting county warrants now pending in the circuit court of Klamath county, are to be dismissed.

"Fifth—The present county court is satisfied with the above arrangement and will do everything in their power to carry out this understanding.

J. T. S. LYLE,
Attorney for Plaintiffs, Weyerhaeuser Land Company, Western Pacific Land & Timber Company, Oshkosh Land & Timber Company.

LIONEL B. WEBSTER,
Attorney for Klamath County, William S. Worden, C. G. Merrill, John Hagelstein.

KUYKENDALL & FERGUSON,
Attorneys for Marion Hanks, F. H. McCornack, George Hayden, C. C. Low, C. R. DeLap.

STONE & GALE,
Attorneys for C. F. Stone, Attorney in fact for Hodson-Feenaughy Company and Coast Bridge Company, et al, Defendants.

The preliminary restraining order was thereafter prepared and the va-

rious attorneys appeared before Judge Wolverton in open court at Portland, and, after explaining all the facts surrounding the agreement, requested that the order for the injunction be signed. Shortly afterwards the R. N. Day suits filed in the state circuit court at Klamath Falls were dismissed.

As a further part of the program of rehabilitating the credit of Klamath county, Mr. Long notified the banks at Klamath Falls that if they would buy the salary warrants of the employees of Klamath county at par without any discount, the Weyerhaeuser Land company would take these warrants off their hands without any discount and with accrued interest and use them in paying taxes. This plan was followed by other timber companies so that current warrants of Klamath county were immediately brought up to the point where they were as good as cash.

From time to time as the treasurer of Klamath county had funds with which to pay the enjoined warrants, orders were secured releasing them from the injunction.

Unfortunately, Mr. Kuykendall was appointed circuit judge before he and Mr. Stone had had an opportunity to designate the warrants which should receive the discount in accordance with the plans set out in the agreement.

As time went on, this feature of the agreement proved extremely embarrassing to the plaintiffs in the federal suit because in a way they were trustees under the agreement for those who had only consented to the settlement of the suit on condition that it was agreed that part of the warrants should be discounted. It was necessary that they keep faith with these taxpayers. This phase of the matter went along to the summer of 1917, when it was felt that a decision of some kind must be reached. Finally, I went to Klamath Falls in July, 1917, to discuss the matter with the county clerk and the county treasurer and other parties at Klamath Falls who were interested in the matter. No decision was reached at that time.

On August 10, 1917, I addressed a letter to the county court on the subject and, after quoting the agreement, I said:

"I represent the plaintiffs in the federal suit and no one else. Our position in the matter has been the same from the first and is contained in that part of the paragraph quoted as follows: 'The plaintiffs are willing that the warrants involved in the above suit may be paid in full with accrued interest.' We emphasize this fact again in order that there may be no question about our attitude. Paragraphs 2 and 3 above quoted state the position of others interested in the litigation which was pending in the circuit court of Klamath county at the time the agreement was made and were inserted by them as a condition precedent to the dismissal of the suit then pending in the circuit court of Klamath county.

"Our only concern with reference to the two paragraphs is that, since we are plaintiffs in the federal suit which is the only one not dismissed, we are called upon to see that this phase of the agreement is carried out before releasing warrants. The warrants released to date have been released with the knowledge and consent of those interested in the above litigation, but we do not wish to proceed further until the question as to the discount on warrants is settled either by determining the particular warrants upon which a reduction is to be made or releasing us from any further obligation in this respect. Good faith with those who dismissed their local suits as a condition of the two clauses in the agreement requires that we must take this stand.

"We wish, however, to make clear the fact that we shall not take any part in the matter of the reduction of these warrants, because it was never our desire that the warrants should be paid in any way excepting at par and accrued interest, and therefore we shall take no part in any negotiations relative to this phase of the case.

"The matter has drifted along for some time and should be settled one way or another. You as the county court have the disbursement of the county funds and therefore are directly interested. For this reason it occurs to us that perhaps you could take the matter up with parties interested with a view of having the matter settled. The whole situation is perplexing to me because, while not being interested in that phase of the case, nevertheless I am bound by the terms of the agreement and must keep faith with those who have entered into the agreement, yet the matter is allowed to drift along without anything being done so that the impression has gone abroad that those who are plaintiffs in the case are insisting on something which they never desired to have done."

Later on, I received word that Charles J. Ferguson had been designated as the person to figure out the discount on these warrants. Mr. Ferguson then proceeded to work on the problem and adjustments were made with warrant holders from time to time until in the fall of 1918, the county treasurer paying the amount agreed upon with his check to the warrant holder and another check being issued payable to the county clerk for the difference, the warrant was then cancelled so that a complete record was made of each transaction which showed in each case that Klamath county received the benefits of each adjustment. In the fall of 1918, Mr. Long wrote to R. N. Day, suggesting that he felt that the time had arrived when that phase of the matter should be brought to a close. I am now advised by Mr. Ferguson that he had discontinued his part of the work the first of this year.

Last June I received a letter from Mr. Elliott, representing the present county court, on which it appeared that the present county officers were entirely out of touch with the situation and did not even have a copy of the original agreement. After discussing this letter with Mr. Long, we came to the conclusion that the suit had already served its purpose and that Klamath county was now



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on a cash basis and that probably it would be just as well to dismiss the suit and bring the whole matter to a close. However, it was felt that courtesy to Mr. Day for his part in the local suits required that we should secure his views as to our conclusion.

The correspondence between Mr. Day and Mr. Long, because of the many enforced business absences of Mr. Long from the city was somewhat delayed, so it was that a conclusion was not reached until the early part of September, when Mr. Day, after he had all the facts, acquiesced in our views as to what should be done.

Mr. Long then suggested that I go to Klamath Falls to confer with you and all other parties in Klamath Falls interested to the end that we might dismiss the suits.

Pending litigation has confined me to Tacoma so that I have been unable to make the trip, and because of that fact I am now writing you this letter.

Our conclusion, therefore, is that we shall dismiss the suit at once and thus end the controversy. It can well be done at this time for the reason that the decision of Judge Calkins in the circuit court for Jackson county to the effect that the present budget law requires that each county must run within revenues raised for the particular year, and that old indebtedness can only be retired by special levies, accomplishes the very purpose which was being served by our injunction, namely, the holding back of warrants until the county could have cash on hand with which to pay them.

We understand that it is your intention to continue making levies with which to pay these warrants, so that in time they will all be paid. You will note that the original to be made, the county court decided to levy but \$50,000 for this

by the county court in existence at the time provided that levies from \$100,000 to \$125,000 were to be made and used in the retiring of outstanding warrants. Unfortunately, this was not done. In December, 1915, at the time the first levy was to be made, the county court decided to levy but \$50,000 for this

purpose. Hearing that they were in doubt as to whether or not we might rescind the whole agreement because they were not complying with the agreements relative to the amount of the levy, I addressed a letter to the county court stating that, while

(Continued on page 5)

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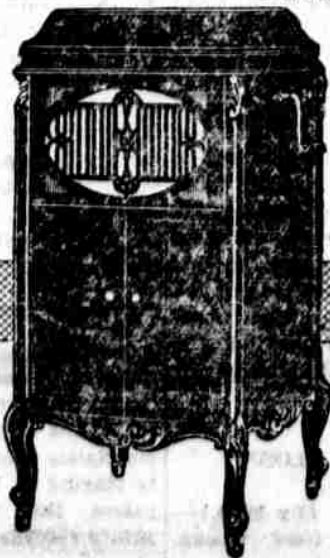
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