

INVENTOR MOORHEAD REPORTS COMPANY FINANCIAL POSITION

Points Out That Concern Has Made Progress Thus Far Entirely From Business Earnings

SAN FRANCISCO WEEKLY BANK CLEARINGS

Clearings for week ending September 13, 1919 (5 days).....\$146,911,590.56
Corresponding week last year (4 days)..... \$8,781,174.61

Increase over last year\$58,830,415.95

By H. H. MACDONALD

Financial Editor of The Chronicle

Although Moorhead Laboratories, Inc., stock has been a football in local speculative circles, selling at various prices sometimes up and sometimes, as at present, down as low as 25 and 30 cents a share, the company disclaims any connection with stock transactions. Otis B. Moorhead, the inventor who is at the head of the corporation, in a report to the directors brings this out and points to the fact that whatever progress the company has made has been on money earned, not a dollar of the money from sale of stock having ever been received by the corporation. Moorhead's statement reviewing the position of his company follows:

"Recently there have been a number of rumors concerning the business and affairs of our corporation, which do not properly deserve the attention of any reasonable man, because of their absurdity, but they have become so persistent that a number of people have at least listened, if not given credence to them, and in order that you may realize the exact condition of the corporation since the present management assumed control, to wit, subsequent to November 4, 1918, I beg to call your attention to a few facts concerning the business and condition of the corporation at the present time.

"Lately there has been issued a financial statement to the stockholders, as a result of investigation of our books and accounts by certified public accountants, which statement is dated as of May 31, 1919, for business reasons, and since that date there have been a number of changes with respect to the business of the corporation. When the present management assumed control you will remember the debts of the corporation amounted to some one hundred and eighty odd thousand dollars, in addition to which it subsequently developed that the corporation was obliged to pay royalties amounting to \$86,000, which liability was occasioned by the failure to take into consideration said royalties at the time of the making of the first British contract with the corporation.

"At the present time the total current debts of the corporation do not exceed the sum of \$30,000, and as an offset to this liability the corporation has accounts due amounting to over \$60,000, and has in hand materials and supplies of a cost value exceeding \$75,000, together with machinery and equipment in the laboratories of a conservative value in excess of \$80,000, in addition to patent and license rights which cannot be properly calculated in dollars and cents, because upon such rights the entire business of the corporation depends.

"Since the present officials assumed control of the affairs of the corporation the entire debt has been wiped out, in addition to which the Marconi Company has been paid approximately \$60,000 in royalties, which actually represents earnings of the corporation and is in no sense an expense. Further, we have paid to the DeForest Company in merchandise considerably more than we are obligated to pay them in the form of royalties to date, so that the DeForest Company is actually indebted to our corporation at the present time in a considerable sum of money.

"Our contract with the Marconi Company is such that there is every reason to believe our plant will continue to operate at full capacity, and as soon as our product is in the hands of a majority of the amateur operators of the country we are confident that our present plant cannot produce sufficient valves to meet the demand.

"I also feel very confident that it will be only a few weeks before we will receive another large contract from the American Government, and within the next few days one of the officers of this corporation will leave for New York and Washington, D. C., for the purpose of closing large contracts and making negotiations which will result in very largely increasing the already large and increasing business of the company.

"Under the above circumstances, and I have

detailed but a few of the facts concerning the corporation, I feel sure that regardless of the rumors and the subjects of the same, that there is every reason to consider our company in the very best of condition from a financial and commercial point of view, and I desire to impress upon your board, as well as upon the stockholders, the absurdity of paying attention to discontented and disgruntled people who are desiring to interfere with or run the business of our corporation, when the record of the present officials is so substantial and has been productive of such splendid results.

"In closing I desire to impress upon you the fact that the entire business of the corporation has been conducted upon money that has been actually earned by our laboratories, as the corporation has never received any money from the sale of its 1,000,000 shares of stock, but has been compelled to earn every dollar which has been paid for any purpose—creditors, royalties and all other purposes—so that the standing of the corporation today has no relation whatever to the number of shares or the value of the stock of the corporation, but strictly is the result of the actual business earnings of the corporation."

CALIFORNIA PETROLEUM

Attorney Says Moorehead Co. Owes \$25,000

In an interview this morning George K. Ford, attorney for the Moorhead Laboratories, Inc., stated that the indebtedness of that concern amounted to about \$25,000, which was offset by about \$30,000, owing the firm by the Marconi Company. However, the Marconi bill is disputed on the claim that specifications were not lived up to.

"Secretary Denning left for the East this morning to try to arrange for a settlement of the account with the Marconi Company," said Ford. "The suits by De Forest and Marconi cost the Moorhead Company about \$100,000 to settle and of \$150,000 owing a year ago but a small amount remains unpaid.

"Stock brokers are to blame for the rise of Moorehead stock to 97 cents from where it fell to the present 20 cent basis. It should never have been boosted. Every time the stock drops these same brokers are first to cry wolf."

As to other threatened suits, Ford said they would be settled without going to court, if time to pay were given the Moorehead firm.

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MOORHEAD'S TO BE REORGANIZED

New Board of Directors to Straighten Out Corporation's Affairs and Start Anew.

The Moorhead Laboratories are to be reorganized, and as a first step toward this end a new and strong board of directors has succeeded the former board.

The moving spirit in the new venture has been W. F. Williamson, an attorney, who represents a group of very large stockholders, and associated as a director with him is Charles M. Whitney of the Crown-Willamette Paper Company, and Otis B. Moorhead, who remains as president.

Williamson said yesterday that the first action taken by the new capitalists, who have taken charge of this concern, was the negotiation of a new contract with Moorhead, by which he agreed to devote his services exclusively to the affairs of the company for the next six years—the longest period permitted by California law for such contracts. Moorhead also makes over all present and future patent rights.

The affairs of the Moorhead Laboratories are being submitted to a very complete examination, accompanied by an audit of all accounts and claims. Williamson admitted yesterday that the floating indebtedness was heavy. He added:

The affairs of the company have been very badly messed up, but the new administration is possessed of the belief that the Moorhead patents possess great possibilities. We are endeavoring to get at the bottom of the mess, and shall then proceed to straighten things out. Eventually, however, reorganization, in my opinion, will be necessary.

Asked concerning the possibilities of obtaining new capital, Williamson replied that his clients, who now control the company, were amply able to provide such capital as might prove to be necessary.

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