

Hudspeth: The Downfall

After completion of the main plant in Prineville, which wasn't accomplished overnight,¹ Hudspeth's expansion in *Oregon* was essentially over as far as sawmills were concerned. Never one to be satisfied, Hudspeth branched out in other states, mainly Colorado and Utah, and while I don't know all the details of those operations the basic facts have been given earlier in this book. Most of the out-of-Oregon operations ended in closed and deserted sawmills, some in separate bankruptcy, others as the result of liquidation of company assets in 1983.

People have always tried to lay blame for the failure of the Hudspeth empire on various events when in reality it was a combination of things that "broke the camel's back." Part of the problem was just Johnny's personality. He was very flamboyant, spent money he didn't have, and made some seriously bad personal decisions.

But, according to Hudspeth himself, his first major mistake was talking too freely to Gerry Pratt of the *Oregonian* staff. In August 1958, Pratt wrote a series of articles which showed the lavish lifestyle that the Hudspeths (primarily John but the other brothers too) lived. By 1975 Hudspeth was blaming the articles for all his woes—and he had plenty of them by then.

By 1975 the pressure was on but now it was in court. One of the Hudspeth logging crews had been caught stealing timber.² While the practice was wide-spread throughout the industry in this instance the "crime" was on a large scale and may have involved collusion with a Forest Service employee. This incident ended up in a Federal court but the records of the trial have been destroyed. That, in itself, is curious and I checked into it.

During the same time frame that the Hudspeth trespass was before the court, the U.S. Attorney's Office in Eugene was working on another even larger trespass case. Both cases were handled so badly by the government that records were destroyed as quickly as possible (*by the government!*). But the Hudspeth case did make it to trial and Hudspeth was found guilty. At the time the punishment in these cases usually resulted in a fine—a fine based on the market value of the timber stolen. In this case the fine was something less than \$19,000. A tidy sum, perhaps, but don't forget that Hudspeth already had the value of that timber sold to clients.

But this turned out to be something of a landmark case. From this point forward, fines would be triple the value of the timber stolen. The practice was no longer profitable. This decision was felt by more than Hudspeth Sawmill Company.

In addition to the fine, Hudspeth was required to fire the main culprit logger, Bullet Blackwell. When I first talked with Bullet on the telephone he seemed willing to give me all the gory details but when I went to his house to talk to him he had changed his mind. He still admitted that he had been caught but he would give me none of the details. Like: where did you get the Forest Service paint to mark the trees? This involvement of "official" paint has always been a point of contention; no one knows for sure if someone in the Forest Service gave the paint to Bullet or if it was somehow stolen (not very likely as the paint was, supposedly, carefully safe-guarded).

Many Hudspeth employees knew the facts of this case and many others around Prineville knew them too. Several people have told me, including Bullet on the telephone, that all the dirty claims were true. But he would not admit much of his crime face to face.

1. And which involves some interesting details associated with Central Oregon Pine and Consolidated Lumber Company which will not be written about here because of space limitations.

2. Technically known as "timber trespass."

Bullet was a total drunk. He was drunk when I talked with him on the telephone and seemed quite proud of his involvement in the trespass. In person, he appeared sober and quite distant. I watched his conduct over several years and noted not only his run-ins with the law but the effects his drinking had on his family. From insider information I know that Bullet was a drunk when he appeared in Crook County sometime after leaving the military following the Korean War.

I also know about his under-the-table pay from a logging company while drawing unemployment. Yet, Hudspeth watched over this man until it was no longer possible. Bullet died from over drinking some months after our conversation.

Two weeks after Bullet was fired he returned to his job with Hudspeth. And knowing how Hudspeth watched out for his employees, Bullet was probably compensated somehow for his “time off.”

But Hudspeth always seemed to think that this case is what focused the Federal government’s eye on him. “The eye” was not just the U.S. Attorney; it now came to include the IRS. They were to keep that focus on Hudspeth’s activities for a long time.

Hudspeth gave the Feds more fuel over his arrangements to sell parts of his main ranch, Golden Pines, in Prineville to his kids. For something like nothing down and not much a month. Hudspeth did this not so much to do anything for his kids but so all of Golden Pines Ranch could be eligible for federal irrigation water from the soon to be completed Bowman Dam. By law you could only irrigate a certain amount of acreage. He thought if he would to divide the ranch on paper he could get more water. Some suspected that this exchange of land for nothing was a tax fraud attempt and while eventually the court found in favor of Hudspeth more of Hudspeths operations had come under IRS scrutiny.

I don’t remember just when Hudspeth started buying land for ranching, but it was prior to 1958. I suppose it started without even Hudspeth notic-

ing it. From his 1936 beginnings, he bought timber land and timber cutting rights faster than he could pay for them. Somehow he got the idea of branching out into ranching—meaning, mainly, livestock raising. This was a huge financial mistake because Hudspeth didn’t know anything about ranching and especially about high desert ranching. He hired people as dumb about this as he was and put them in charge of operations. The man who was ranch manager for many years talked to me about this several times. He was from the South, had never ranched or farmed and knew nothing about livestock.

Some might say that anyone that bought 1.3 million acres of land would have had to be somewhat successful along the way. I haven’t been able to verify that. It looks to me that the money for land and ranching came from profits of lumbering and ended up down a drain which had a very large opening.

But Hudspeth was not just a rancher. He was also a race horse owner and breeder yet I find nothing indicating that this “hobby” ever put anything back into the treasury. You have read elsewhere in this book where one instance alone cost the company \$250,000 in gambling losses. And while all these diversions were going on there were all those out-of-state operations calling for more money.

When I spoke with Gerry Pratt a few years ago, it was he that told me Hudspeth blamed the newspaper articles for the government’s focus on the Hudspeth company. Pratt also told me that a photo of Johnny and his family had appeared in a fancy aircraft magazine touting such-and-such an airplane. Apparently the accompanying story painted the Hudspeths as rather high rollers.

Gerry told me the name of the magazine but my efforts to turn up a copy have failed. But I have located a similar—at least I assume similar—ad from a different magazine. Can’t tell you which one because one of my “fans” found this and simply mailed me the ad. You can see that ad on a following page.

There was no shortage of problems, from very early in the Oregon experience.

"The whole family likes this safe, easy-to-fly Stinson"



Meet the John Hudspeth family of Prineville, Oregon. "They all like pleasure travel in a Stinson," says Mr. Hudspeth, "when the plane isn't busy around our lumber operation. We use two Stinsons—for aerial study of timber tracts, for rush delivery of critical machinery parts, and for developing a national sales organization. The Stinsons are paying us a steady profit."



Do your hurrying in restful comfort in **America's most useful personal plane**

This roomy, soundproofed Stinson carries four people and 100 pounds of baggage—or pilot and 640 cargo-pounds. Spin-resistant. Cruises at an easy 130 m.p.h. at 5,000 ft., with range of 354 miles. Quick take-offs and slow landings make it ideal for safe, short-field operations everywhere. And so easy to fly! You can solo a Stinson in only about eight hours' flying time. See it now at your Stinson dealer (listed in the yellow pages of the telephone directory).

Special offer to business and professional men:

To demonstrate the safe simplicity of personal flying, your Stinson dealer will teach you to fly—up to and including solo—with no obligation. Enrollment limited. For details, see your dealer, or write Stinson Division, Dept. B, Consolidated Vultee Aircraft Corp., Wayne, Michigan.

Stinson

FOR 32 YEARS, BUILDER OF AMERICA'S MOST USEFUL PERSONAL PLANES

A problem of over bidding on timber became a problem in the late 1970s and early 1980s and contributed significantly to Hudspeth financial

problems. The problem was partly caused by competition and partly by improper conduct from the Hudspeth representative.

Competition for a decreasing number of timber sales pushed prices above the profit point yet Hudspeth, and some other companies, but mostly Hudspeth, pushed the bid beyond belief and profit.

The over-bidding became so rampant that the Forest Service was eventually forced to buy back some of the sales, not just from Hudspeth, but others too. When Hudspeth declared bankruptcy the U.S. Government "foreclosed" on the following timber sales:

Sale Name	Value
Indian	2,292,328
Thorn	1,720,721
Dark Canyon	1,947,601
TOTAL	5,960,650

No one could be found that could give an estimate of the problem caused by a company representative "under the influence" but it must have been considerable. On at least one occasion the man was forcibly removed from the bidding room.

Bidding in general was a problem from time to time. This was not a Hudspeth-created problem but a nationwide problem. The first mention of the problem I've been able to find was in a 1976 article, "A Serious Study is Needed," which suggests that a collusion problem of long standing existed between timber buyers.

The Forest Service proposed to deal with the matter by going to a fully sealed bid situation, rather than the oral bidding procedure that had been followed for years. The highest bidder got the sale. This procedure gave no one a chance to "up the ante". The industry didn't like it. The article goes on to say,

It [National Forest Management Act] basically says that all timber sales on the national forests, including the Ochoco, must be awarded to the bidder who submits the highest sealed bid. In theory, this may appear fair and free from any threat of corruption.

But like a representative of the timber company's logging group said in Prineville on Friday timber sales and bids are not like military construction contracts. The commodity is known. "It is standing there in the forest for everyone to see, and when a successful bidder pays the money" it is his responsibility to make a profit with it. The Forest Service needs only to enforce its laws that govern the actual harvest: Construction of roads, proper thinning procedures and necessary replanting practises.

When bidding under the old method, the timber company had the option to submit a sealed bid for the base appraisal price, and then bid upwards if there was competition. A mill owner would know how high he would have to bid to at least be considered for the sale, and then would be able to pull out of the sale if the bidding got higher than he wanted to go.

Prineville's mill representatives, Friday, said the new procedure would force them to bid as high as they could to make sure they would get the logs needed. Constantly bidding at the highest price would diminish their returns, jeopardizing their operation, and making getting the logs a chancier process.³

The matter was still floundering as late as 1977 but at a date I cannot find, the government reversed itself and again allowed oral bidding.

The first sale ever made from the Ochoco National Forest was to the Smith Brothers in July 1929.⁴ Ponderosa pine sold for \$3.25M (per thousand board feet). The first sale on which Hudspeth Sawmill Co. made the winning bid was the Badger Creek sale in May 1943 when they paid \$3.55M for ponderosa pine.

The first sale to cross the \$50M marker was the Viewpoint San Salvage sale (August 1968), won by Ochoco Lumber Company at a price of \$59.50M. Since this was a salvage sale there may have been conditions that drove up the price. Other sales of this time were in the \$40M price range.

In the early 1970s, ponderosa pine prices were back below \$20M. By 1972 prices began moving upward, some exceeding \$50M but some below \$20M. By late 1973 the century mark was crossed when Timber Investors, a subsidiary of Consolidated Lumber, Inc., bid \$100.50M for the pine on the Slide Lake sale.

Bidding really went whack-o in late 1977 when Pine Products Corp. won the bid at \$280M for ponderosa pine on the Long Hollow sale. While values fluctuated up and down there was an ever-higher trend going on. Edward Hines Lumber Company really stepped over the line in September 1976 when they bid \$390M on the Silver Salvage sale. Ochoco Lumber followed at \$390M about two years later on the Snowshoe sale.⁵

On March 29, 1993, Ochoco Lumber Company won the Morgan sale at a cost of \$1,002.54M. With just a quick glance at the data I see that other companies bid above \$1,000 too—not many, but some. The industry was out of con-

3. *THE NEWSPAPER*, November 24, 1976, editorial page.

4. Actually, they bought forest service timber prior to that date but it was not a bid sale, just a straight sale.

5. How did I get all these numbers? When I requested the information from the Forest service (and I don't know when that was but it was prior to 1993) the information was not computerized. Records were kept on sheets of paper. I sort of bribed the FS by telling them that I would create a spread-sheet type of database from their records and give a copy to them. Whether or not they ever used or converted my data to use is not known. Who could live today and not be able to electronically search for info? When I entered the data, sheet, and sheets, and sheets of it, it didn't dawn on me that I would ever want to sort the data by date so I entered the dates of the winning bids in MM/DD/YYYY format. The computer is too dumb to know how to do a sort by YYYY/MM so I just have to overlook that limit to my hard work. But the record that I have is "priceless" to a researcher. Anyone interested in ONF timber sale info?

trol and had plunged over the edge. If those logs ever made it to lumber no one in the consumer market would be able to buy them.

Earlier, collusion was mentioned. In reflecting on the governments fears they were more silly than usual. Lumbermen, like farmers and ranchers, are fiercely independent and getting any two to agree on anything is almost impossible. But it could happen. Take forest fire protection as an example.

The industry in Oregon was the last state to come to any kind of agreement about sharing the cost of protecting its own golden goose egg. Primarily because they couldn't agree on who would pay what. The agreement didn't come until well into the 20th century, well after some of the state's best timber resources went up in flames.⁶ But back to Hudspeth.

Just when and how Hudspeth got involved with Consolidated Lumber Company of New Jersey (originally of New York) I don't know but it was soon after the company started operations in Prineville, certainly by the time the Central Oregon Pine plant was operating. What the relationship between Consolidated and Hudspeth was, other than originally that of provider (Hudspeth) and buyer (Consolidated) is difficult to determine but it has always been suggested by "insiders", who won't give details, that Hudspeth sometimes ("often" has been used) went to Consolidated for quick money. An illustration of that will be presented shortly. As a kid growing up in Prineville I had always heard of "The Jews." This was meant to identify the owners of Consolidated. (We also had a part of town called Okieville where many

of Hudspeth's employees settled. Prineville didn't know any better than to use words like Jew and Okie; the people weren't necessarily racist; more under educated than anything.) My efforts to speak with anyone at Consolidated has met with total silence.

But the *real* money machine for Hudspeth was Walter E. Heller & Co. of Chicago (now known as Heller International, who also ignored many requests for information). When the Hudspeth bankruptcy went to court Heller was claiming a whopping debt of something like \$35,000,000. Heller was the big loser in the demise of the Hudspeth empire but so were the American People.⁷ Some of the 35-mil was for purchase of timber sales from the U.S. Forest Service. The money was never paid and the Government claimed something like 5.9-mil in unpaid timber sales bills.⁸ But I digress...Back to the story; bankruptcy figures later on.

Somewhere along about 1975 Johnny must have realized that he was very ill—almost as ill as his empire. He turned over the operation to his children; bad idea. The five Hudspeth children had not been raised to understand sound financial principles and there were too many fingers in the pie anyway. I estimate that by 1975 the financial condition of the company was so far gone that nothing the children did could have saved it even if they had acted soundly. Had Ron been given free rein (and he wasn't) he might have been able to pull things together. The land sell-off had already begun but not in time to allow a large number of sellers to get their money. Many landowners lost not only their land but also their money.

6. There are several good books on this problem. The easiest to read and understand was Stewart Holbrook's *Burning an Empire*, The Macmillan Company, 1943. If you've never had the pleasure of reading a Holbrook book rush out and get one. If you're not interested in burning forests try a wonderful book about his trip down the Columbia River, from start to finish, fittingly titled *The Columbia*, reprinted in 1974 by Comstock Editions; originally published in 1956. To my knowledge, Holbrook was the first man to follow the Columbia's route from its source to the mouth. Go on this remarkable trip with him.

7. Heller was also the largest buyer at the bankruptcy auction when the company was liquidated. But not everything was put up for auction; some assets were hidden. This is why certain people would not talk to me. I don't know what they hid but it must have been substantial to still be fearful 20 years after the auction.

8. At the bankruptcy sale.

Local wags want to think that it was the kids that brought the company to bankruptcy. But as I consider everything I know that isn't strictly true. They did kill a sick operation but it would probably have died without their help. The kids "management style" together with meddling from "adults" killed an already dying machine.

The only way that "wine, women, and song" figure here is that wine, women, and song were the way Johnny did business. John Hudspeth killed his own empire because of his personal lifestyle. In one generation his family went from rags to riches to rags (well, not quite).

Bankruptcy Court documents (those were not destroyed) show that the total creditor claim came to a whopping \$51,983,258.49. What surprised me was that 5.8 million of that was owed to John's wife, Floreine. Where did she get that much money? It must have been her share of the

operating profits of the company. If that is true, somewhere along the line something must have been profitable.

It has been an over simplification for me to always refer to just John Hudspeth because most of the family's ventures were partnerships or corporations involving other siblings of John. While none of these siblings were as high-livers as John and it was always John that was in charge, I haven't found where they did much to hold John in check. Actually, as time went on all but Fred bailed out on John and eventually even Fred pulled out. John was a wild man; a great guy and lots of fun to be around—if he liked you!⁹

But there is one hero (heroine, in this case) in this tragedy and that is Floreine, Johnny's wife. I couldn't dream up two people so different than Floreine and John. Floreine was private, refined and very beautiful—even into her last years—no



San Juan Lumber Company, but which one is unknown at this time.

9. I know a woman, now approaching 95, who while employed for Hudspeth married another Hudspeth employee. John contributed a bit to the wedding: He paid the man's salary for a couple weeks, he footed the bill for the wedding & reception, and paid for the honeymoon in New York. How's that for employee benefits?

one in their right mind ever called John either.

One of the provisions of John's will was that a trust be set up so "my children will never have to work," something he bragged openly about for years; it was common knowledge around town. But John left no assets for the trust. The size of the trust, by today's standards, was not large, \$600,000. As John's executor, it was Floreine that paid off John's personal debts (does not include anything that was a part of the company bankruptcy) and finally funded the trust—this did not happen until sometime in the early 1990s.

No one in the Hudspeth family—nuclear or extended—will talk to me about any of the events touching the Hudspeth Empire. I don't know if someone put out the word "don't talk about us to Morisette" or if family loyalty is that tight.

Almost as tight-lipped as the family are former employees. Hudspeth treated his people, almost always, very well and hardly anyone that knows anything in detail will talk. I've heard "Yes, I know about that but I don't want to talk about it" over and over again.

What's really strange about this code of silence is that if John Hudspeth were alive today he would want to be my sole source for the Hudspeth Story. He was proud of his life and would tell it all—warts and all.

I've written to Ron a number of times telling him that were he to submit to interview I would tell the Hudspeth story just as he told it to me. No reply has ever been received. Someone close to the family has confided to me that Ron has weakened a number of times but something holds him back. Yes, some people gave me information.

My last hope died with Floreine. I thought that when she died tongues would wag. Actually, I expected all-out war over assets. Neither happened.

The last large asset, Golden Pines Ranch, has been sold to Brooks Resources of Bend (for an "undisclosed" amount which an accountant has helped me figure out from public documents, that the actual selling price was something in the neighborhood of \$18,000,000), who will develop the many-acred plot into various price-ranges of family housing. The family mansion has been vacated, the fate of which is unknown to me at this time. John, Jr., has fled the county, Roger has bought a new house in town but otherwise no big spending by Hudspeth offspring has been noted.

The Hudspeth story is not finished but what is written here is all I can pull together as spring approaches in the year 2005.

This notice of public auction shows that What was known as Lamford Lumber or Central Oregon Lumber, was now, officially anyway, known as San Juan Lumber Co.—of which there were two near John Day. Each had their name followed by a 1 or a 2 but this ad does not state which.

NO LIMIT • NO RESERVE
PUBLIC AUCTION
 VOLUNTARY SALE BY ORDER OF OWNERS
 SAWMILLS • PLANING MILL • DRY KILNS • CRANES
 LOGGING TRUCKS • LUMBER TRUCKS • CAT. TRACTORS
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SAN JUAN LUMBER CO.
 Lamford & Central Oregon Lumber Co. Div.
\$1,225,000.00 EVALUATION
MT. VERNON, ORE.
 6 Miles West of John Day on Highway 26

2-DAY SALE
MAR. 31
& APR. 1
 10 A.M. Each Day

PARTIAL INVENTORY

SAWMILL #1: Klamath Iron Works 7-ft. Bend Head Rig, 200 h.p., All Steel Carriage, Air Elec. Set Works; Edger; Princeton 4 Saw, 75 h.p., Log Haul and Log Deck; Transfer Units and Conveyors; BURNER: 40-ft. Sectional, 2 blowers.
 SAWMILL #2: Klamath Iron Works 6-ft. Bend Head Rig, Klamath All Steel Carriage; Klamath Edger, 50 h.p., Transfer Units & Conveyors; RESAW: Ferris 34" Bend Resaw, 50 h.p. motor; Tenax 42" Twin Bend Resaw w/12) 50 h.p. motors; Bonner Sectional 50-ft. x 55"; AIR COMPRESSORS: (2) Sullivan & Jay, Worthington 40 h.p.; PLANING MILL: Yates-American 462 Planer-Matcher; RESAW: Ferris 54", 60 h.p.; BLOWER SYSTEMS: 75 and 35 h.p.; TRIM SAW: Ingleton Automatic; DRY KILNS: (3) Moore 70-ft. Single Tract, 150 Kiln Trucks, Kawasoe 300 h.p. Pkg. Boiler; LOGGING EQUIP.: CAT. TRACTORS: (2) D6, Late 20 Series & 14A Series; (6) D7's 3T & 17A Series, (3) D6 9U 13,000 Series & 9U 24,000 Series; MOTOR PATROLS: (2) Cat. Model 32 Motor Patrols, 8T Series, A.C. Model A33; CRANES AND LOG LOADER: Link Belt Model TC 88, HW Model 21 Shovel, Pettibone 20-ton Log Unloader; LOGGING TRUCKS & TRAILERS: (33) 1957 Mack Trucks, (3) 1955 Autocar, (1) Diamond-T 1955, (1) International, (34) Westworth 1957 Logging Trailers, (4) Peerless, (1) Page Logging Trailer; LUMBER TRUCKS: 1959 International, 1956 Ford; Utility Lumber Trailers; (9) FORKLIFTS AND CARRIERS: Gottlinger and Nytor to 16,000# capacity.

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Blue Mountain Eagle; 3-12-1964



HUDSPETH UNITED LUMBER SALES, Bend, Oregon. This photo came from a company sales notebook that came into my possession. The notebook contained nothing about this unit of the company, just the photo. Maybe it was a look to the future, maybe it was reality, maybe it was a dream. For some reason those words on the building look a little fake to me.

