

LETTER THROWS NEW LIGHT ON BANKING HEARING AT RALEIGH

Lawyers Base Appeal Claims on Letter Written by Chief Examiner Latham

Tried before Superior Court Judge E. H. Cranmer, of Southport, in Raleigh, John H. Hightower, president of the defunct Central Bank and Trust company, was found guilty of receiving deposits for his bank, when he knew the institution to be insolvent, and sentenced to serve not less than two and one-half years and not more than four years in the state prison. H. H. Massey, cashier of the bank and co-defendant, was acquitted.

An appeal was taken to the Supreme court and the appearance bond was reduced from \$25,000 to \$15,000. This was signed by prominent business men of Raleigh, who, it was said, did so to express their confidence in the innocence of Hightower.

When the lawyers had completed their case Judge Cranmer called upon the defendant, who stated that in the banking business he had acted in good faith and that he thought he had pulled the bank through, that he had frequently laid the whole situation before the bank examiner, offering to turn the institution over to him at any time.

The lawyers for the defendant based their argument on the real condition of the bank on a letter written at Raleigh by Chief Examiner Latham. The letter in part follows:

"The accumulated overdrafts of \$33,807.33 by R. G. Allen, \$17,436.31 in his own name and \$16,371.02 by R. G. Allen in the name of the Superba theatre, which have never been actually paid and loans made by the bank to or on account of R. G. Allen to the amount of \$89,247 which were held by the bank in December, 1921, and which have never been actually paid. These amounts are in addition to the \$26,000 of R. G. Allen notes now held by the bank. Elaborating more fully upon the facts set forth in the paragraph now disclosed by the books of the bank, that the condition were as now in November and December the Central Bank and Trust company was practically a complete wreck, stripped not only of its capital stock, but of the larger part of its assets by R. G. Allen while he held forty-five-fiftieths of its capital stock and controlled its management. He had illegally and wrongfully withdrawn from it more than its capital stock by setting up on its books an asset of \$70,000 covering an unconvicted equity in an unconvicted piece of real property on which a \$40,000 loss has been sustained. In addition to this he had withdrawn practically the entire deposits of the bank in cash for loans and overdrafts to himself and his enterprises, considerably more than \$100,000 without any security, and more than 10 times as much as the law permits a bank of its capital stock to loan to one man even with security, and no part of this loss and overdrafts have actually been paid. Whatever the purchase and liabilities assumed by those who took over the bank stock and theatre property by R. G. Allen as they contend in an effort to save it from the wreck which Allen had produced, we cannot consent that R. G. Allen has discharged his moral or legal obligation to the depositors of that bank whose money he wrongfully and illegally took and used, by the exchange of worthless stock in the bank, which he had wrecked for uncollected notes for \$49,000 that are now in the assets of the bank in lieu of the money which Mr. Allen illegally and wrongfully took from its vaults, and which he owed every moral and legal obligation to return. The depositors want their money, Mr. Allen got it and has

TRAVELING MEN PLAN TO ERECT SANATORIUM

Grand Council in Session at Columbus Favors Proposition, Local Council Learns

The supreme council of the United Commercial Travelers which has just concluded its regular yearly session at Columbus, Ohio, went on record as favoring the establishment of a tubercular sanatorium, according to a letter received in Wilmington yesterday by A. H. Smith, secretary and treasurer of the Cape Fear council.

The local council has long been agitating the establishment of an institution of this character and the proposal of the local organization aroused delight that the national body has seen fit to approve of the idea and appoint committees to attend to the details of securing a location and erecting the institution.

Just when the sanatorium will be built is not known at present and while it may be started in the next few months it may be a full year before the buildings are erected.

The institution will be located somewhere in North Carolina and if it proves to be a success it is thought that the national organization will approve of the erection of two similar sanatoriums to be erected in Arizona and in the Adirondack mountains.

J. E. McCull, of the Asheville council of the United Commercial Travelers, was one of those who was in a great measure responsible for the grand measure of the erection of the sanatorium. Other delegates from this section who supported the movement included L. H. Burnett, of the local council; C. C. Taylor of the Greensboro council; L. H. Craig, of the Greenville, S. C. council; and S. T. Reid, of the Spartanburg, S. C. council.

SHELL ISLAND BEACH GETS BIG PUBLICITY

Netgro Resort is Growing More Popular Each Day—Special Program Monday

Shell Island beach, the negro seaside resort near Wrightsville is each day growing in its popularity. The island is an especially popular place on Monday of each week, for this occasion there having been arranged an extra program of music.

News of Shell Island has traveled through the country and most favorable mention has been made of it by the Charlotte Observer, the Tuskegee News, of Tuskegee, Ala.; the Journal, of Pittsburgh, Pa.; and the New York Times.

The foolish and unfounded rumor which is now abroad to the effect that the white people are going to take over the island is positively denied by the developers of the resort, it being stated that the island is entirely for the negroes of the south and this section.

Offers to rent or buy locations which have been made by white people have been steadily declined, regardless of price. There is not now a white person on the beach, and the management of the place and its control having been left in the hands of the negroes themselves.

SERVICES AT WRIGHTSVILLE
Divine services will be held at Wrightsville Beach chapel tonight at 8 o'clock at 8 o'clock. The preacher will be Rev. W. V. Morton, of the First Presbyterian church.

not returned it, and now imposes as a condition precedent to securing payment of any of his liabilities, either that we arrange to convey to him title to property that he joined the bank in conveying away, or that we require an impossible bond from other parties to secure liability for money which they did not take from the bank and which R. G. Allen did.

"Whatever responsibilities rest upon the other parties mentioned in your letter, Messrs. Hightower and Massey, were placed upon them by R. G. Allen when he held nine-tenths of the stock of the bank and whatever their sinning may be, were themselves, victims of R. G. Allen's raid upon the vaults of the bank. They have already made good to the bank all of the ascertained liabilities for money actually obtained by them from the bank and if it shall be ascertained that they obtained any other sums that have not been returned, every legal remedy will be exhausted to have it made good.

"This letter is written by direction of the Corporation Commission."

Wolves are on the increase in Russia. We thought the Bolsheviks had abolished competition.—Philadelphia Evening Public Ledger.

The rarest postage stamp in the world is the one-cent British Guiana, 1856, which was recently sold to an American collector for \$38,000.

BIG CROWDS WITNESS CITY LEAGUE GAMES

American Legion Defeats Bankers—Light Infantry Wins From Coast Line

In the two games of ball played by the City Leaguers at Robert Strange playgrounds yesterday afternoon the American Legion team defeated the Marchion Bank nine by a score of 5 to 4, while the Wilmington Light Infantry captured the other game from the Atlantic Coast Line to the tune of 7 to 3.

The first contest, between the Bankers and the Legion, was a pitching duel between Corbett, for the Bankers, and Watts, for the Legion. Superior playing by the Legion men was responsible for their victory.

The second contest was a combination of bad playing, good playing, hitting, squeaky fielding and a mixture of pitching. Gordon was on the mound for the winners, while the twirling honors for the Railroaders was divided between Bouschne and Gieschen.

Z. W. WHITEHEAD DIED THIS MORNING

Paralytic Stroke Suffered Thursday Night Immediate Cause

Z. W. Whitehead, one of the leading citizens of Wilmington and publisher of the Southern Trucker's Journal and the Southern Lumber Journal, died at his home, 212 Orange street, at 1:55 this morning. He suffered a paralytic stroke Thursday night, from the effects of which he never recovered. He suffered a similar stroke two years ago.

Mr. Whitehead was 61 years old, surviving are his wife, Mrs. Warren Smith Whitehead, and two sons, Wiley Whitehead, of Cleveland, and Thomas Ruffin Whitehead, of this city.

Funeral arrangements have not been completed, but will probably be held Monday. The deceased was a member of the First Presbyterian church.

The Credit Union of State Is Explained by Miss Berry

(Continued from page 6)
farming and more satisfactory living conditions.

"This credit union was organized in January, 1916, and was the first co-operative short-time credit society to be established in the south under legislative sanction.

"The union began business with 30 members, \$212 paid in on shares, and \$101.75 on deposits. Today it has 61 members, \$1,325 in shares and \$1,474 in deposits. It is located in the open country, six miles from the nearest city. On adjoining property is the agricultural high school, the community church, and the community fair building. The members of the Credit Union own a quarter-acre plot of land and a two-room building, where its meetings are held and where the farm supplies, which are bought co-operatively, are stored for distribution.

"Any man, woman or child, who is thrifty and of good character, may become a member by subscribing for one or more shares which are marketed at \$10 each. The officers serve without pay. The union is open for business any time during the day or night. The writer served as secretary-treasurer for two years and frequently negotiated loans at night or at 5 or 6 o'clock in the morning in order that a farmer might have cash to buy a plow, a cow or supplies.

"Loans are made only for productive purposes and not for luxuries. For example, a farmer can secure a loan to buy a mule to cultivate a crop, but a request for a loan to buy an automobile would be refused. The loans vary in amount from \$5 to \$500 and most of them are negotiated on a 12 months' basis. All notes are secured by two endorsers, or by collateral such as livestock or both. A loan of \$30 to buy home, a hundred dollar loan to purchase feed and commercial fertilizers.

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a loan of \$40 to secure seed, cotton and corn—these indicate the character and diversity of the credit extended. Six per cent interest is charged on all loans.

"While only members of the union may borrow, anybody may make deposits. Four per cent interest, compounded quarterly, is paid on all deposits. Also an annual dividend of six per cent is paid on all shares. Sixty pupils of the Agricultural high school are regular depositors, having accumulated sums ranging from \$300 to \$300 each. The operating cost of the union has averaged a trifle over \$26 annually.

"Since the Credit Union began business it has made a total of \$43,000 in loans without the loss of a single cent. A co-operative buying and selling association has been part of the union since its formation. The purchase of \$8,000 worth of commercial fertilizers in the spring of 1922 was the first effort at co-operative buying. On this order the farmers secured the fertilizer at \$2,000, as the fertilizer would have cost that much more if they had been bought individually and on time, as had been the practice. Today all supplies and equipment for the farm are bought individually and not on time, as had been the practice.

The members have erected a warehouse on a railroad siding one-quarter of a mile from the credit union building, thus making it easy to handle carload shipments. The records show that the union has bought approximately \$200,000 worth of supplies in six years at an estimated saving of \$36,000 to the members.

So much for tangible results. The intangible results are equally important.

"Soon after the establishment of the union, the members realized that they must practice the best farming methods if the greatest returns were to be secured from the money borrowed. What kind of fertilizer should they buy—what variety of seed should they plant—what should they feed their hogs and where should they be marketed—were some of the questions that arose. This resulted in the credit union extension courses. Each winter the members attend a course ranging in length from ten to thirty lessons to study the best methods of farming. The teachings in these courses is done by the extension experts of the state agricultural college. A library of a hundred agricultural books and three thousand bulletins has been placed in the reading room of the credit union building. On an average half of the books and two hundred of the bulletins are in circulation all the time.

"Better business, better farming and better living is the condition that is gradually being developed in the community. The union has met the needs for a reasonable short time credit for farmers; it has organized the financial and business life of the community; it has enabled many farmers to put their farming operations

on a cash basis—thereby guaranteeing themselves escape from ruinous time prices. It has effected a considerable saving of dollars and cents to the community and it has enabled many farmers to operate their farming activities on a larger scale, to improve their farms and buildings, to purchase improved farm machinery and to acquire home conveniences."

This story would not be complete without a recital of the condition of these people before the credit union began its operations.

Mr. Thomas says in regard to this: "The union was born of necessity. Practically all the farms were small and were run on a one-crop basis, either cotton or tobacco. In most cases the farmers did not have cash enough to finance their farm operations for a year. On account of the difficulty of securing loans from a bank and the trouble of having the note renewed every ninety days the farmers were forced to mortgage their crops to supply merchants in return for supplies necessary to produce the crops. Under this system they were doomed to failure from the beginning—a system which made them vassals of the supply-merchant, who charged them thirty-eight per cent credit for their supplies and dictated what they should buy, and when they should sell their crops."

According to reports of bankers in fifty-four cotton producing counties of North Carolina, farmers are reported to have received an advance of approximately \$30,000,000 from merchants in the form of supplies for average of fifty-eight per cent of its total value. Supplies bought on time are reported to have cost on an average 19 1/2 per cent more than those purchased for cash. If these accounts run on an average for six months or 8 1/2 per cent per year for the credit with which they obtain supplies. The total cost of this supply store credit at this rate for producing the cotton crop alone would be over five and a half million dollars. At the legal rate of interest, of six per cent this credit would have cost about \$375,000. Cotton farmers would have saved over \$4,600,000 if agriculture had as good a system of credit as other lines of business in this state. No business can prosper and buy credit at such prices. A business which begins on this basis is beat at the start. If this amount, in round numbers \$5,000,000 were saved, it would be an income of five per cent on a new land value of \$100,000,000 which would be added to the value of the land of the cotton counties of North Carolina.

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