

H. S. Ward Takes Up Fraudulent Bond Issues

DISCUSSES EDITORIALS IN THE DAILY NEWS

To the Daily News:

I do not mean to assume the role of a quarreller or intend to say anything unkind, but your editorials entitled "Butler and Bonds" in the issue of November 20th and the subsequent one in the issue of November 24th are before me, and they present such a tangled conflict of information and misinformation that I cannot conceive of a greater editorial error than was the publication of them. In the former you refer to the bonds in question as "those authorized by the Legislatures of '54-'55 and '60-'61." In the next paragraph you say that eloquent orations were delivered on them in the late campaign, the sentiment of which was that the bonds were illegal and passed by carpet baggers.

Answering these suggestions seriatim, if any gentleman stated in the late campaign that the Legislatures of '54-'55 and '60-'61 contained a "carpet bagger," I did not hear it, and if he had been a Democrat and I had heard it, I would have corrected it. The "carpet bagger" was an interloper from the northern states who came after the war into the southern states and before acquiring citizenship, took hold of the public administration of county and state governments, dictated their policy and plundered their public treasuries. The war closed in '65. There were no carpet baggers until after then. I do not think you are correct in saying that there is any general impression of the character indicated by you.

You are incorrect in saying that Governor Holden called the election. In saying this, you are evidently mixing the sessions of '54-'55 and '60-'61 with that of '68-'69. In saying that Gov. Holden called the session of the Legislature it may be your purpose to give legality to the session of '68-'69 that issued the fraudulent special tax bonds hereafter considered. If so, in this you are incorrect. Look at Moore's History of North Carolina, page 266, paragraphs 4, 9 and 10. I shall quote them hereafter. I cannot but presume that you are talking about the bonds issued by virtue of Chapters 225, 227 and 228, Public Laws of 1854-5. These several acts are before me and incorporate severally the following railroad companies, to-wit: The Wilmington & Charlotte, The Atlantic, Tennessee & Ohio, and The Western

North Carolina. The last named providing for the construction of the West North Carolina Railroad, authorized a bond issue originally of \$2,000,000, afterwards increased by authority of the Act of 1866. These bonds were secured when sold, by the State's stock in the N. C. R. R., which was also one of the roads for the building of which the State issued bonds. In 1879, by Chapter 98, the State funded its entire bonded indebtedness and in enumerating them classified them as Class 1, Class 2 and Class 3. By this I mean the State offered to pay its outstanding bonded indebtedness enumerated in these three classes. The language of Section 4 of the Act is as follows:

"These bonds shall be exchanged for the old bonds of the State mentioned in the first section of this act at the following rates: Class 1, for the bonds issued before the 20th day of May, 1861, 40 per cent of the principal of the bond or bonds so surrendered."

This includes the bonds referred to by Dr. Battle in the letter which you quote in the first editorial, and also those sued on in the suit of South Dakota against North Carolina, which was decided Feb. 1, 1904. Every holder of this class of bonds accepted the offer and received pay except the two Shaffer brothers. They refused to accept, and held bonds to the amount of approximately \$250,000. Be it remembered, please, that when this suit was brought this was all the money that North Carolina owed on what you can call its old bonds, except the fraudulent special tax bonds issued by the Legislature of '68-'69, of which I hereafter speak. Marian Butler was in the United States Senate when the idea was conceived by which Shaffer Brothers gave \$27,000 to the State of South Dakota. He and Senator Pettigrew of South Dakota were the only two Populists, as I remember, in the Senate. Senator Pettigrew used his personal influence to have the Legislature of South Dakota pass an act authorizing the State to accept the gift. Butler was afterwards examined on oath in a duly constituted proceeding before a commissioner, and his testimony is accessible, in which he stated his connection with the matter as attorney. The State of South Dakota brought the suit for \$27,400. Before me now is the brief of the attorneys em-

ployed by the State of North Carolina. Judge James E. Sheppard, Judge J. H. Merriman and Mr. Geo. Rountree. Not one word is said in that brief about these bonds being invalid. The State has never contested their validity. The briefs are addressed to the points of jurisdiction of the court and the right of the state to bring the suit. South Dakota won and we then had a judgment against North Carolina of \$27,400. The Legislature of 1906, page 543, after appointing a committee to adjust this entire outstanding issue, passed an act authorizing the payment not only of the \$27,400 but of the entire \$250,000; and not to be understood as impatient with you (while I cannot conceive why the editorial should have been written), nor to be arrogant, I submit to you now this proposition: That if any of these bonds referred to by Dr. Battle in the letter you quote are outstanding and unpaid, I would thank you to bring them into my office and receive payment promptly. I say this not because I am able to pay the State's debts, but because I know she does not owe them. If they were valid, you ask, why do we complain and mix him up in a political way with the law suit? It is only this: The State has funded the issue in an act to compromise, commute and settle the consolidated debt of the State, and payment of nearly all had been accepted, and the State was offering the holders the amount others received. Shaffer refused to take it and the suit was to compel the payment of 100 per cent after the other holders had received 25 to 40 per cent. It was his first duty to uphold the legislative act of the State while he held the office of senator by its election, rather than to conspire with a friend to over ride the legislative policy of the state and profit by it. There is no act of public infamy more outrageous since the adjournment of the legislature which issued the special tax bonds which we yet refuse to pay and hope never to pay.

I did not start out, however, to defend the campaign, but to state the facts, and to state them in all this trouble about? I give it from the foundation.

On the 2nd day of March, 1867, Congress passed, over the President's veto, an act, of which I quote sufficient to explain the point hereafter presented:

"Whereas, no legal state government or adequate protection for life or property now exists in the rebel states;

And whereas, it is necessary that peace and good order should be enforced in said states;

Therefore, be it enacted, that said rebel states shall be divided into military districts and made subjects of the military authority of the states as hereinafter prescribed; and for that purpose North Carolina and South Carolina shall constitute the second District," etc.

Sections 2, 3 and 4 made it the duty of the President to assign to the command of each of these districts, of which there were five, an officer of the army not below the rank of brigadier General, and to assign the duties and powers of such commander, and assign to him a military force. Section 5 provided that when the people of any one of the rebel states "shall have formed a constitution in conformity with the constitution of the United States (defining at great length which I cannot quote the qualifications of voters and especially the acceptance of the 14th Amendment), such state should be restored to the Union." This act was followed up by a supplemental one on the 23rd of March which defined the procedure to be followed in making a registration of voters for the elections provided for. (Larned's Reference History, Vol. 5, page 3685).

Gen. Canby was appointed by Pres. Johnston, by virtue of that act, Military Governor of the District of North and South Carolina. Jonathan Worth was then the Governor of North Carolina and we had a civil government getting on its feet with wonderful success considering the chaotic conditions incident to the war. Gen. Canby's headquarters were in Charleston. In June, 1867, by order by telegram from Gen. Canby, Gov. Worth, who had been elected by the people in '66, was turned out of his office and Gov. Holden was put in his place. Elections followed and those elections were held under the regulations prescribed by Canby except where definitely defined by the Reconstruction Act above quoted. Moore's History of North Carolina, above referred to,

page 266, is as follows:

"Early in the year 1865 a convention, so-called, was held to frame a new Constitution under the Reconstruction Act of Congress. The election for the delegates was held under General Canby's orders, and the returns were sent to him at Charleston. (not only were the returns so sent, but numbers of ballot boxes with the original ballots in them were so sent). Upon his order the Convention met, and upon his order its delegates were seated and unseated.

"In the latter part of April the Constitution thus framed was submitted to such of the people as were allowed to vote, at an election held as before, under General Canby's order, and by him, in Charleston, South Carolina, the returns having been sent to him there, declared to have been adopted. It is now generally known as the 'Canby Constitution.' In June, by order by telegram from General Canby, Gov. Worth, who had been elected Governor by the people in 1866, was turned out of his office and Governor Holden put in his place. The only authority for this and other outrages was the might of Federal bayonets.

"The Legislature elected under the recently adopted Constitution met on the 1st of July, 1868. It was comprised largely of negroes and of men from the North who had lately come to North Carolina. These latter were popularly known as 'carpet-baggers', and as a class were mere birds of prey who came here for plunder. As might have been expected, the legislation of such a body was both corrupt and injurious. . . . Unfortunately, there was added to gross ignorance the most unblushing corruption and wanton extravagance. Many millions of debt, in the shape of 'Special Tax Bonds,' as they were called, were attempted to be fastened upon the State by this Legislature, but the people have persistently refused to recognize them."

It would make this letter too long if I were to quote all I desire which follows in this work that has been adopted as a standard authority in our schools and was so through the two sessions of the Fusion or Republican Legislatures of '95 and '97 without question. Let me please have space to quote just these other words on page 267:

"It (the Reconstruction Act above referred to) was made the law of the land, and under its provisions, while twenty thousand white men of North Carolina were deprived of the right to vote, that privilege was extended to every colored male in the State who had attained the age of twenty-one years."

The sessions of the Legislature which came together under the provisions of this act and under the conditions above stated issued bonds for the pretended purpose of building various railroads. See Chapter 22, Laws of 1868 and 1869, which refers to the Western North Carolina R. R. and supplements and amends the Act of 1854-5 above referred to; but bear in mind that the bonds authorized by the Act of '54-'55 had been sold and the work of the railroad in progress for several years before the war and are now all paid.

Washington

WAREHOUSE

We wish to announce to our farmer friends that we are still selling tobacco and will continue to do so until the market closes.

The Washington Tobacco
Market Will Close For the
Season on

December 15th

Bring us what tobacco or scraps you might have on hand and we will see that you get the TOP DOLLAR for every pound, as our buyers are still strong on the market and will continue here until 15th.

Thanking you for past favors and trusting to see you next week on the Washington warehouse floor, we take pleasure in assuring you that we will get you the High Dollar for every pound of tobacco sold with us, just as we have been doing for the past four years.

At the Old Reliable Washington
Warehouse

S. A. Gravely & Son
Proprietors

This act authorizes the issuance of a part of the bonds which were called the Fraudulent Special Tax Bonds and which the people of the State have repudiated. Chapter 21, refers to the Wilmington, Charlotte and Rutherford R. R. Co.; Chapter 22 to the University R. R. Co.; Chapter 27 to the Atlantic & N. C., and the N. C. R. Companies. Chapter 29, to the Oxford, Raleigh & Gaston; Chapter 23, to the Williamston & Tarboro, authorizing its extension from Plymouth to Wilmington. Chapter 31, to the Atlantic, Tennessee & Ohio R. Co. It is impossible to do more than to give the places that these acts can be found and offer them to you and to the public in my office for any honest purpose. It was these and a few other enactments from which millions of dollars of bonds were issued, and they were called "Special Tax Bonds" because several of the acts levied an immediate special tax for the payment of the interest. Under these special tax levies for interest, the people paid, as I

have it from Dr. Battle (as taken down in the notes of his lecture by Mr. E. A. Daniel), \$484,857. In 1870 (see Chapter 19, Public Laws of 1870-71), \$200,000 of this money so collected from the people for the purpose of paying interest on these bonds was in the treasury (the interest, I presume, not having accrued, or else the coupons had not been presented); and the above cited chapter compelled the treasurer to

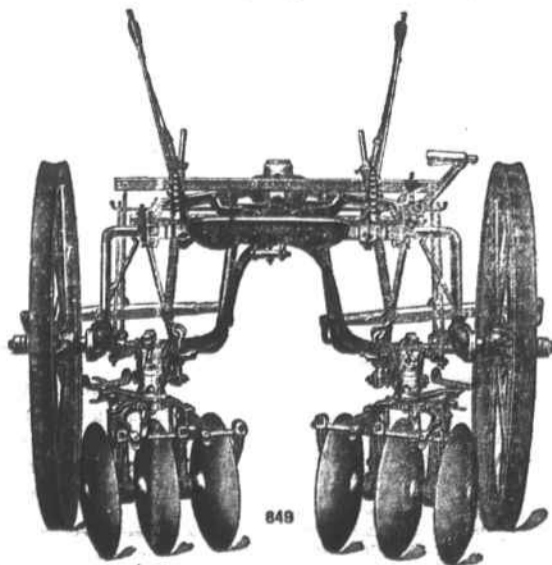
(Continued on page 5)

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STATEMENT OF THE CONDITION OF

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AT THE CLOSE OF BUSINESS NOV. 17th, 1916.

Loans and Discounts	\$311,002.73
Building and Fixtures	23,180.96
Cash Resources	78,227.73
	\$412,411.42
Capital Stock	\$ 50,000.00
Surplus and Profits	18,103.20
Bills Payable	5,009.00
Deposits	340,208.21
	\$413,311.41

Deposits Nov. 17th, 1915, \$174,408.80
Deposits Nov. 17th, 1916, \$240,208.21