SPECIAL MESSAGE

OF THE

GOVERNOR OF VIRGINIA

TRANSMITTING

REPORT OF THE COMMISSION

APPOINTED ON THE

PUBLIC DEBT.

RICHMOND:
J. H. O'BANNON, SUPERINTENDENT OF PUBLIC PRINTING.
1892.

SPECIAL MESSAGE.

GOVERNOR'S OFFICE,
RICHMOND, VA., *January* 14, 1892.

To the General Assembly:

In my regular message I made no mention of the settlement of the public debt agreed upon by your Commission with the committee representing the bondholders on the 19th of November, 1891. At the time the Legislature assembled, the bondholders had not held their meeting to consider the settlement which had been made with the Virginia Commission, and what their action would be was a matter of conjecture. The newspapers asserted that there was serious opposition to the settlement, and that some of the bondholders would endeavor to withdraw their bonds from the possession of the committee and oppose the proposed ratification; and it was reported also, as showing their hostility, that remarks were made by some of the bondholders, more harsh than polite, against the State of Virginia, when the head and front of her offending was that her Commission had accepted the proposition of settlement, made by agents of their own selection, not a member of whom was chosen by any suggestion of hers, and were strangers to her and her people. I therefore thought it best to reserve for the time being what I had to say on the subject, as well as the report of your Commission, until something more definite was received. On the 7th day of January, 1892, I was officially informed that the plan of settlement agreed upon on the 19th of November, 1891, had been approved by the advisory board for the creditors, by the London advisers, and by the bondholders, and I now make haste to submit for your consideration this special message, with the accompanying documents, which contain all the correspondence and the various propositions for settlement, resulting, finally, in the agreement herewith submitted for your ratification.

THE PUBLIC DEBT.

Since Virginia resumed her position in the Union there has been no question of such grave importance to her people as the just and honorable settlement of her public debt. She has never been forgetful of her former credit, and it has always been the desire of a majority of her citizens to settle upon a fair and honorable basis, all just liabilities held against her, and liquidate the same as speedily as possible, having a proper regard to the ability of her people to pay such reasonable taxes as are necessary for the purpose.

As evidence of these facts, we give a brief summary of her legislation on the subject.

THE FUNDING BILL.

On the 30th of March, 1871, the first session of the General Assembly, after reconstruction, an act was passed to provide for funding and paying the public debt. This unfortunate and remarkable bill was rushed through the Legislature without that consideration which its peculiar provisions and its great importance demanded. It was the origin and the cause of all our subsequent unfortunate legislation on the subject of the public debt. It assumed on the part of the State the payment of $31,393,910 96 of principal, which required annually the sum of $1,865,450 90 for interest—an amount of principal and a rate of interest which her resources were inadequate to meet, without imposing such enormous taxation that the people in their impoverished condition were unable to bear. It was unjust and inequitable, because it assumed the payment of the whole debt, with accumulated interest during the war, and the years of reconstruction, compounded, less one-third for West Virginia's portion, "she having agreed at the organization of her State government to assume and pay an equitable proportion of the debt of the Commonwealth of Virginia." This settlement did not receive the approval of the people.

THE M'CULLOCH BILL.

On the 28th of March, 1879, another act was passed, popularly known as the McCulloch bill, its professed object being to provide a new plan for the settlement of the public debt, by which "the

credit of the State might be restored, and the aggregate amount of interest payable reduced within limits which would not be too burdensome to the population."

New bonds were proposed, payable in forty years, bearing interest at the rate of three per cent. for ten years, four per cent for twenty years, and five per cent. for ten years, until the principal was redeemed. The coupons attached to said bonds "were to be receivable for all taxes, debts and demands due the State, and this was to be expressed on their face."

This new proposition was not more favorable to the State than that of 1871, save in the rate of interest. The new bond had the objectionable tax-receivable coupon feature. Under this bill the average annual amount of interest to be paid was $1,249,083 45. Like the other funding bill, it was not approved by the people. It soon became evident that so large a portion of the taxes would be paid in coupons, and not in money; that the government could not be maintained unless there was such an increase in the rate of taxation that the people could not pay it. Several efforts were made to induce the bondholders to retire their tax-receivable coupons, and consent to a settlement which would bring the annual amount of interest within the resources of the State, all of which proved abortive.

THE RIDDLEBERGER BILL.

Still desirous of satisfying the creditors, if it could be done without imposing an insufferable burden upon the tax-payers, on the 14th of February, 1882, the Legislature passed what is known as the Riddleberger bill. It restated the public debt, eliminating such items as had been improperly admitted, thereby largely decreasing the principal claimed to be due, and new bonds were ordered to be issued, payable in fifty years, at three per cent. interest, for the amount of our indebtedness, thus equitably ascertained with non-tax paying coupons attached. This act was approved by the people, but not by the bondholders, after its merits had been elaborately discussed. Those who held the tax-paying coupons of the issues of 1871 and 1879, finding that there would not be sufficient revenue to support the government and pay the interest on the debt, made strenuous efforts to force coupons into the treasury of the State in payment of taxes.

Though the Riddleberger bill was passed ten years ago, the debt is still unsettled, and a disagreeable litigation, distressing to the State and unprofitable to the creditors, has been going on, increasing in bitterness and extent each year. It has sorely vexed our people and consumed our revenues; and the State, like a culprit, has been dragged before the courts of the Commonwealth and the inferior and supreme courts of the United States. She has been subjected to more harsh criticism in the last ten years than in all the past of her history. Her laws have been made the theme of harsh animadversion; her motives impugned; her integrity questioned; her public officers seized and imprisoned for obeying her statutes. Her credit, which had been equal to that of any State in the Union, has been destroyed by a combination of unfortunate circumstances, against which she has contended with a heroic fortitude which has commanded the admiration of the world, and a self-sacrificing devotion to which history has no parallel. Finally, overwhelmed by numbers and resources, her territory dismembered, her towns and cities burned, her homes in ruins, her fields devastated, her sons slain, her property confiscated, her currency worthless, her young men fled from this picture of poverty and desolation and sought employment and homes elsewhere, leaving the State less able to pay the smallest sum ever mentioned as a settlement of her indebtedness than she was to pay the whole debt at the time it was contracted.

In consequence of the harsh action of the creditors, her progress in wealth and population has been impeded; enterprise has been driven away; capital has been afraid to invest—timid always and easily induced to believe that a State that does not pay its own obligations cannot be relied on to enforce the obligations held against her people, and that if she makes laws to protect herself against her creditors she will make them also to protect her people from their creditors. This being the situation, every business has felt its baneful influence, and all the people have suffered for it, and her credit, which to-day should be as stainless as her honor, has been destroyed by a cruel fate which every loyal son has struggled, but struggled in vain, to avert.

A COMMISSION APPOINTED.

This being her unfortunate situation, on the 5th day of March, 1890, the General Assembly, by a joint resolution, selected a Commission, in part from the Senate and in part from the House of Delegates, together with the lieutenant-governor and the governor of the State, to receive proposals for funding the debt. The Commission was authorized to agree upon the terms of a contract with parties proposing to fund, upon the principles set forth in the act of February 14, 1882, which is the Riddleberger bill, subject to ratification by the General Assembly.

On the 2d of May last I received a letter dated New York, April 28, 1891, addressed to me in my official capacity, by which I was informed that the Bondholders' Committee was prepared to submit a proposition for the settlement of the State debt of Virginia, and asking me to name "a very early day," when some of their members might meet us and confer on the subject, etc. After some correspondence, I fixed on Tuesday the 2d of June, for the proposed meeting, and invited the Committee of Bondholders, composed of F. P. Olcott, Chairman; Hugh R. Garden, William L. Bull, Charles D. Dickey Jr., Henry Budge and John Gill, to meet the Virginia Commission at my office in Richmond, for the purpose referred to in their letter.

The propositions of the Bondholders' Committee were carefully considered and declined by your Commission on the 3d of June—all of which will appear from the report accompanying this message.

THE SECOND CONFERENCE.

In September I received another communication, dated the 11th of August, from the Bondholders' Committee, making another proposition for the settlement of the debt. I declined at that time to call the committee together, because it was during the political canvass, and I did not deem it prudent to have a conference until the election was over.

By letter, dated the 28th day of October, 1891, the Bondholders' Committee again requested that the Virginia Commission be convened "at as early a day as practicable," not later than the 15th day of November. In compliance with this request, I convened the Commission on the 17th of November, the 15th being Sunday. After many conferences and much discussion, on the 19th of No-

vember your Commission and the committee of the bondholders agreed upon the terms of settlement, which were unanimously approved by the Commission and the committee, as just and honorable to the creditors and the debtor.

OUR AGREEMENT.

The agreement is as follows: "We will recommend a proposition to issue a maximum amount of $19,000,000 of bonds to be exchanged for the outstanding obligations of the State mentioned in the Riddleberger act (other than those held by schools and colleges) now in the hands of the public, but not including bonds already funded under that act, such new bonds to run for one hundred years, and to bear two per cent. interest for ten years, and three per cent. interest for ninety years. The bonds and interest obligations shall be of the same general character as those provided by the Riddleberger bill; and it is distinctly understood that the coupons or other interest obligations are not to be receivable for taxes. The proposed new bonds shall be exchangeable for the outstanding obligations aforesaid in the proportion of nineteen of the former for twenty-eight of the latter. This recommendation is, of course, to be made conditional on the understanding that your committee hold and has the authority to exchange the obligations mentioned in your previous communication to us, amounting to at least $23,000,000." Which agreement was signed by the entire Commission as follows: P. W. McKinney, R. H. Cardwell, H. T. Wickham, J. Hoge Tyler, Taylor Berry, W. D. Dabney, and Robert H. Tyler; and attested by its secretary, P. C. Warwick, and transmitted to the Bondholders' Committee.

On November 19, 1891, we received a reply from the Committee of Bondholders, in which they say: "That the proposition submitted by us, as amended by you, will go to our constituents with our cheerful recommendation," etc.

THE SETTLEMENT EARNESTLY ENDORSED.

It would transcend the limits of this message for me to give in detail the work of your Commission, or elaborately discuss the various phases of the public debt, for which I refer you to the report of the Commission; but I cannot submit a question of so much importance to you without declaring that I have given it my best consideration, and earnestly commend it to you as the most

favorable proposition for the settlement which has been presented to the Legislature for its approval and ratification. I give below a brief statement of each of the propositions for the settlement which have been approved by the Legislature, and you can readily decide upon the comparative merits of the four propositions.

FIRST FUNDING BILL.

Bonds issued under act of March 30, 1871, to run thirty-four years, from July 1, 1871, due July 1, 1905, redeemable at the pleasure of the State after ten years. Rate of interest, six per cent. per annum, tax-receivable coupon.

Total principal on 1st July, 1871, (if all indebtedness had been funded), $31,393,910 96, requiring annual interest in tax-receivable coupons of $1,865,450 90.

SECOND FUNDING BILL (M'CULLOCH BILL).

Bonds issued under act March 28, 1879, to run forty years from January 1, 1879, due January 1, 1919, redeemable after the expiration of ten years from 1st January, 1879. Rate of interest, three per cent. for ten years, four per cent. for twenty years, and five per cent. for ten years. Tax-receivable coupons.

Total principal on 1st January, 1879 (if all the indebtedness had been funded), $31,227,083 64, requiring annual interest in tax-receivable coupons, averaging $1,249,083 35.

THIRD FUNDING BILL (RIDDLEBERGER BILL).

Bonds issued under act February 14, 1882, to run fifty years from July 1, 1882. Due July 1, 1932. Option of payment after July 1, 1900; rate of interest three per cent. per annum; no tax-receivable coupons. Total principal on July 1st, 1882 (if all indebtedness had been funded except bonds held by colleges), $21,796,304 30. This is the amount which is claimed to be due by a calculation which is in the preamble of the Riddleberger bill, requiring annual interest on non-tax-receivable coupons, $653,888 83.

FOURTH—THE OLCOTT SETTLEMENT.

By the settlement, unanimously agreed upon by the Commission appointed under joint resolution of March 7, 1890, with the Olcott Committee of New York, the bonds are to run one hundred years

from July 1, 1891. Due July 1, 1991. Interest two per cent. for ten years, and three per cent. for ninety years; non-tax-receivable coupons. Principal on 1st July, 1891, of *new* bonds (if all indebtedness be exchanged), $19,000,000. Principal on 1st July, 1891, of *three* per cent. bonds now in the hands of the public and Literary fund, $6,081,242 50. Total principal outstanding 1st July, 1891, $25,081,242 50 (exclusive of bonds held by colleges).

The total annual interest due by the State under the settlement with the "Olcott committee," including interest on Riddleberger three per cent. bonds held by the Literary fund and in the hands of the public on October 1, 1891, $562,437 27—an annual saving of interest for ten years to the State, over a settlement under the Riddleberger bill, of $91,451 56, which aggregates $914,515 60.

The auditor reports as applicable for the payment of interest on the public debt, from the revenues of the State (including taxes on railroad property), about $490,307 29.

The second auditor reports annual dividends on the stock, etc., of the Richmond, Fredericksburg and Potomac railroad company, $32,746.

Amount of revenue available for payment of interest on the "public debt," $523,053 29; amount annually required to pay interest on the "public debt," $562,437 27; amount to be provided for, about $39,383 98, if all the bonds are exchanged at once, which is scarcely probable.

THE PROPOSED SETTLEMENT.

By an examination of the joint resolution you will observe we were restricted to an agreement based upon the principles of the Riddleberger bill. We do not believe we have materially transcended our powers. In ascertaining the amount due to the creditors, we have adopted the basis of settlement used in the Riddleberger bill. Ten years having elapsed since its passage, there has been a considerable increase in the debt by way of interest.

We agreed that $19,000,000 should be the maximum amount of new bonds to be issued in exchange for the outstanding obligations of the State, now in the hands of the public, but not including bonds already funded under the act of February 14, 1882. There were on October 1, 1891, $6,081,242 50 of these bonds in the hands of the public and the Literary fund, which, with the proposed new issue, will make the sum of $25,081,242 50. On this amount we

will be compelled to provide annually for the accruing interest. This appears to be an increase in principal over the settlement of 1882. The consideration of how this principal is to be met is postponed for a hundred years. We do not think it worth while to concern ourselves about the financial condition of Virginia a hundred years from now. We have interposed four generations between us and the payment of this principal. It is sufficient to affirm that unless all of our calculations prove delusive, based as they are on the constant increase of taxable values in the past ten years, the State will be much better able to take care of the principal of the debt then than we are to provide for the interest now.

We adopted the form of the Riddleberger bill, as far as it is applicable to this contract, with its non-tax-paying coupons. This is a matter of much moment. It relieves us of this device which enabled the coupon holder to intercept the taxes due by the citizen before they reached the treasury of the State. To prevent this, has been a fruitful source of controversy, and the suits arising from this subject have been the cause of forcing the State as a litigant in the State and federal courts. The tax-paying coupon is an imputation upon the good faith of the Commonwealth, and a reflection upon her financial integrity, by giving a lien upon her revenues, which is unusual, unnecessary and humiliating. Our people would never ratify a settlement which embraces a bond with this feature attached, however favorable it might be in other respects.

We are to pay two per cent. interest for ten years, and after that three per cent. for ninety years. Our greatest difficulty will be for the first ten years. Our settlement we are assured will be the cause of bringing population and capital into this State. Each emigrant will help us to bear the burden of taxation, and every dollar's worth of property introduced will contribute its due proportion to our revenues.

WILL WE BE ABLE TO MEET THE INTEREST WITHOUT INCREASING THE RATE OF TAXATION?

I have no doubt of it. See the facts. The report of our auditor shows that in 1880 the amount of property assessed for taxes was $304,663,969; in 1885 it was $347,840,967; in 1890 it was $380,531,815.

In 1880 the taxable value of our railroads was	$9,876,306
In 1885 " " " " " " "	35,955,924
In 1890 " " " " " " "	42,500,845

With this rate of increase, there is scarcely room for doubt that at our present rate of taxation we will be able to support the government, take care of our charitable institutions, and schools and colleges, and our old soldiers, without embarrassment to our finances at present. There will be new sources of revenue; the amount depending upon the prosperity and development of the State, which gives every reasonable assurance that we are not too sanguine in our calculations, and satisfies me of our ability, at the end of ten years, to meet the three per cent. rate of interest, and at the end of one hundred years to provide for the principal.

REDUCTION OF EXPENSES.

Upon an examination of my regular message, you will see I have pointed out the way by which our expenses may be reduced thousands of dollars every year. If you will heed my advice, and enforce my suggestions by proper legislation, enough may be saved to meet any increase necessary for the payment of the annual interest upon the public debt. If in these suggestions we are in error, it is a fact about which there is no speculation, that we have money enough now in the treasury to meet any ordinary deficit, if not wasted by injudicious expenditures.

THE OLCOTT SETTLEMENT BETTER FOR THE STATE THAN THE RIDDLEBERGER.

Had all the outstanding debt been funded in Riddleberger bonds in 1882, the time of its passage, except the bonds held by schools and colleges, we would have had to pay annually, $653,888 83, which up to this time would be $5,884,999 47. This would have taken all of our available revenues, and without increasing the taxes, it would have been impossible to have met our necessary expenses. The State has saved, in consequence of the bondholders failing to fund under the Riddleberger bill, in interest, $3,594,850 91. This has enabled her to spend $1,385,085 53 in the purchase of $2,357,576 60 of her own bonds, and thereby reducing her debt to that extent. She has also paid one million dollars arrearages due public schools, and $379,000 of interest due the Literary fund; $600,000 to her disabled soldiers, and she has spent over a million dollars in enlarging, improving, and in the support of her eleemosynary institutions. This indispensable work could not have been done

with our present rate of taxation, had the whole debt been funded in 1882. Money which would have been paid to satisfy the interest, (the creditors refusing to fund), we have used in part for the purposes above indicated, and have compromised the amount by adding to the principal due in 1882, to be paid a hundred years hence. Now our taxable values have increased to such an extent that we can meet all necessary demands for our revenues. If the government be "economically administered," there is no need for a higher rate of taxation. By the two per cent. interest for ten years we will save $91,451 56 each year. With this sum judicially invested, we may be able to so reduce the principal of our debt that when we are compelled to pay the three per cent. rate of interest, the annual amount due will be within our present revenues, even though there should be no increase in our taxable values, which is scarcely possible.

When we consider the *time* of this settlement, and the *terms* of it, there can be no doubt that it is the most favorable proposition we have ever received. Let us then not be in default, but do everything which is required of us to make good the agreement on our part, by an acceptance of the Olcott settlement, and provide for the liquidation of the amount assumed.

THE RESULT.

By this settlement we will have accomplished much for Virginia beyond what the figures disclose. We have eliminated the public debt from the politics of the State, where it has been a harassing question for many years, dividing the people and embittering party feeling. Besides, it will restore confidence in us, and strengthen our credit, because the business and commercial world will see that in good faith we have done all we could do, and all that we were asked to do, to satisfy our creditors. They have selected their own agents, strangers to us, watchful of their rights and zealously guarding their interests, and after much deliberation, and a thorough examination of this delicate and perplexing question, have prepared and proposed a plan for the equitable adjustment of the debt, which has been accepted by your Commission on the part of Virginia, "The Bondholders' Committee cheerfully recommending it, (the settlement) to their constituents." It was submitted to their advisory board, men of their choice—such men as Cleveland, Bayard,

and others of national reputation—their friends, not ours. "They approved and recommended the plan of settlement of the "Virginia debt," after having carefully considered the question in all of its complications.

If, then, they have sent to us their agents with their proposition, and we have accepted it, and are prepared to comply with the terms of the settlement on our part, the odium of repudiation does not rest on us, and when charged against Virginia is false and slanderous.

The acceptance on the part of the State, of their own proposition, so modified that we will be able to meet the accruing interest without increasing our rate of taxation, will unite all classes of our people, and every man who loves his State and will vindicate her honor, will come now to her assistance, and the coupon vendor will find no sale for his depreciated currency among our patriotic taxpayers, and the coupon will become as worthless as the shinplaster of a past generation.

But should I be mistaken in this, and there can yet be found taxpayers who are willing to claim protection of Virginia's laws, and will still endeavor to make her crouch at the feet of these few merciless bondholders, in that event legal remedies (yet untried) will be used against all such persons, which will protect our treasury from an influx of the coupons from the bonds held by those who are unwilling to accept the terms of the settlement which Virginia now offers.

NO INCREASE OF TAXATION.

I will say to the bondholders, who are still hoping for better terms, and will not fund under the proposed law, that this is impossible without increasing the taxes. The people will not, and cannot, submit to an increase of taxation—so say they all. They have said so in the Legislature; they have said this in their conventions, and at all times, and everywhere. Our people are united on this subject, without distinction of party. And they declare further that their children shall be educated; that the light of our higher schools and colleges shall not be extinguished. We intend also that our unfortunate insane shall be cared for; our old soldiers and their widows shall not be neglected. These determinations are fixed in the hearts of the people of Virginia, and they will not abandon them. These we consider are our highest obligations, and to them we will be faithful, though a cruel necessity may com-

pel us to be delinquent to others. These declarations are not intended as threats, but are a frank expression of the opinions of the people.

Let us be prepared to carry out, in good faith, the agreement which your Commission has made with the agents of the bondholders, and in due time all will be well.

For these reasons, I advise that you pass a resolution ratifying and confirming the agreement entered into by your Commission with the Olcott committee for the settlement of the debt of Virginia, and that the agreement be referred to an appropriate committee to prepare a bill to carry it into effect.

P. W. McKINNEY.

REPORT

TO THE

GENERAL ASSEMBLY OF VIRGINIA

OF

THE COMMISSION

APPOINTED AT THE

SESSION OF 1889-90,

TO RECEIVE PROPOSALS FOR SETTLING
THE OUTSTANDING UNSETTLED
OBLIGATIONS OF THE
STATE.

SUBMITTED JANUARY 14, 1892.

REPORT.

RICHMOND, JANUARY 8, 1892.

To the Senate and House of Delegates of Virginia in General Assembly convened:

The undersigned, a Commission, appointed at the last session of the Legislature to receive proposals for settling the outstanding obligations of the State, and to report the same to the General Assembly, respectfully submit the following:

As we are about to report a proposition submitted to us for the settlement of the debt, which, in our judgment, is far more favorable to the State than any heretofore made, and as it is hoped and believed that its acceptance will lead to a final termination of the unhappy controversy which has so long existed between the State and her creditors, it seems appropriate to pass in review some of the most conspicuous phases and dangerous complications, which, from time to time, during well nigh the fourth of a century, this question has assumed.

Prior to the war the State of Virginia, in which the present State of West Virginia was then included, contracted a debt which amounted, at the outbreak of hostilities, to about $35,000,000. During the war West Virginia was cut off from the old State, and admitted as a member of the Union, and the territory and population of the original Virginia were thereby reduced to the estimated extent of about one-third. Both States, by their constitutions and by legislation, acknowledged their respective liability for a just and equitable proportion of the whole debt, but no adjustment between the States settling the amount that each should assume, was ever made.

Payments of interest were for the most part suspended during the war (though certainly through no fault on the part of the State, which made earnest effort to apply such funds as she had, in that way), and were afterwards only partially resumed by Virginia alone—West Virginia having never paid any part of the debt, principal or interest.

Under these circumstances, the State of Virginia, by act of March 30, 1871, proposed to her creditors a separate adjustment of what she deemed her own indebtedness, which she assumed to be two-thirds of the entire debt.

The entire debt, principal and interest, amounted at that time to about $47,000,000; and the State's offer was to issue to such of her creditors as would surrender their old obligations, new bonds for two-thirds of the amount surrendered (funding both principal and interest of the old bonds into principal of the new), with interest at the rate of six per cent. per annum, payable semi-annually on such new bonds, which might be registered or coupon, at the option of the holder, and might be converted the one into the other, at the like option.

And it was provided that the coupons should be receivable at and after maturity "for all taxes, debts, dues and demands due the State," which should be so expressed upon their face.

Such were the principal features of the celebrated Virginia "funding bill" of 1871.

It was believed by many that its passage was due to improper influences brought to bear on certain members of the Legislature, though it had the support of many men whose character and reputation placed them entirely above suspicion—indeed of some of the most eminent and respected men of the State.

The measure was, however, predicated upon a most exaggerated and erroneous estimate of the taxable values of the State. It was believed at the time by some that the income under the existing rate of taxation would be ample to meet all interest which could accrue under the funding bill, and leave a surplus ample for all other public purposes. This delusion was soon effectually dispelled. Within a year after its passage, about two-thirds in amount of the State's creditors accepted the terms of the funding bill, surrendered their old bonds, and received the new bonds and coupons provided for therein. The new bonds issued within that period amounted to something over $20,000,000, and upon the whole amount, coupons, receivable for taxes, were liable to accrue to the amount of over $1,200,000 annually. If the whole debt should be funded, coupons would accrue annually to the amount of over $2,000,000.

By the early part of the year 1872 it had become evident that, without an increase in the rate of taxation, these coupons would absorb the revenue to such an extent that the public free schools and the machinery of government would fail to receive adequate support. Indeed, the hostility to the funding bill was so strong that, at the fall election of 1871, a majority of members chosen to the Legislature were bent upon the repeal of the "tax-receivable coupon feature," which was the chief object of popular odium. Accordingly, by act of March 7, 1872, that feature of the funding bill was repealed.

The validity of the repealing act was soon subjected to the judicial test, and the Court of Appeals of Virginia decided that, as to the coupons of bonds funded before the passage of that act, it was void. This decision upheld the receivability of those coupons for taxes, notwithstanding the repealing act, and also declared the proceeding by *mandamus* to be the proper remedy of the tax-payer to compel their acceptance by the collector.

By a subsequent decision of the same court, it was held that tax-receivable coupon bonds could not, after the repealing act above mentioned, be issued in exchange for the old bonds, and the process of funding after the passage of that act was not so zealously pressed.

The Supreme Court of the United States rendered its first decision on the Virginia debt question at the October term, 1880. The opinion of the court justified that feature of the funding bill of 1871, whereby Virginia assumed two-thirds of the indebtedness of the old State, and referred the creditors to West Virginia for payment of the residue. Full concurrence was also expressed in the decision of the Virginia court, holding the coupons of bonds funded before the repealing act, to be receivable for taxes, notwithstanding that act.

The legislation of the State and the decisions of the courts in respect thereto, so far as they have thus been reviewed, operated to create three classes of obligations against the State. 1st. The bonds with tax-receivable coupons issued under

the funding bill, before the repealing act of March, 1872; 2d. The bonds issued under the funding bill subsequent to, and as modified by that act, and whose coupons were not tax-receivable; and 3d, The original unfunded bonds of the State. These classes became popularly known as consols, peelers and unfunded. On the first class the coupons continued to mature and absorb the revenue, while little or nothing was paid towards interest on the other classes, and the debt became quite unmanageable.

Meantime popular feeling had become very high on the subject of the State debt. The continued influx of coupons into the treasury had diverted from the public schools the funds to which they were constitutionally entitled, to such an extent that their efficiency was well nigh destroyed, and the very fabric of government seemed in peril.

It was absolutely impossible, in the state of public sentiment, to increase taxation to meet demands accruing as the debt then stood—the great depreciation of taxable values as the outcome of the devastations of war whereby, in addition to the loss of one-third of her territory, her homes in ruin, real estate and personal property destroyed, and her population decimated—if, indeed, a greater burden could have been borne by the people at all. The individuals who favored such a course were confined principally to the towns and cities, and to a few in the rural districts, and were not sufficiently numerous or organized to be dignified by the name of "party." All parties desired some readjustment. Those who claimed the distinctive appellation of readjusters were for forcing an adjustment on the creditors, whether acceptable to them or not; while the more moderate party only advocated a compromise to which the creditors should be parties, and give their assent.

At the session of 1877–78 a measure of readjustment was passed by both houses of the Legislature, but was vetoed by the governor on constitutional grounds.

A new scheme of refunding was adopted by act of March 28, 1879, which it was believed would be acceptable to the great body of the creditors, and which was substantially as follows:

For purposes of designation, the outstanding indebtedness of the State was divided into two classes: Class I embraced all tax-receivable coupon bonds and registered bonds capable of being converted into tax-receivable coupon bonds; or, in other words, all bonds issued under the funding bill prior to the repealing act of March 7, 1872. Class II embraced all bonds issued under the funding bill subsequent to and as modified by the act of March 7, 1872, and also two-thirds of all bonds and accrued interest which had never been funded. It was provided that the proportion of Class II refunded, should never exceed in amount one-third of the whole amount refunded until eighteen millions of Class I should be retired. Subject to the above limitation, bonds were authorized to be issued to such of the holders of Classes I and II as would exchange the bonds held by them for bonds to be issued under the new scheme. The new bonds were to be of the tax-receivable coupon character, or convertible into such, payable forty years after date, (July 1, 1879,) with interest at three per cent. for ten years, four per cent. for twenty years, and five per cent. for ten years, with the privilege to the State of redeeming them after ten years from date. It was provided that at least $8,000,000 should be funded by January 1, 1880, and $5,000,000 additional with each succeeding period of six months. This measure was commonly referred to as the "McCulloch bill" by its advocates, and as the "brokers' bill" by its opponents. It

constituted the principal issue at the election held in the fall of 1879 for members of the State Legislature, and its opponents triumphed at the polls, a result which was due to the fact that the people were convinced that the measure which had passed the Legislature, without any unanimity, but, on the contrary, by a bare majority, imposed a greater burden of annual interest than they were able to bear. By the 1st of January, 1880, the creditors had funded the $8,000,000, as required; but in the next ensuing six months, instead of $5,000,000, they funded up to January 7th, $781,981 81, and not one cent afterwards, which forfeited their contract.

For the two years beginning with 1880 the governor of the State and the Legislature represented different views on the debt question, and consequently there was during that period no legislation of consequence upon the subject. Meantime the complications and troubles arising from the use of coupons in payment of taxes grew worse and worse, and the sentiment in favor of readjusting the debt became well nigh overwhelming throughout the State.

The Readjuster party was triumphant all along the line at the fall elections of 1881, securing the governor as well as both branches of the Legislature by large majorities.

Early in 1882 the policy of forcible readjustment of the public debt was actively entered upon. The first measure adopted was one intended to protect the treasury, and commonly called "coupon killer No. 1," approved January 14, 1882. This act provided that when coupons should be tendered to a tax collector he should receive them only "for verification." The collector was then required to demand and enforce the payment of the tax in money. The coupons he was required to deliver into court, and the tax-payer was then authorized to institute proceedings in the court to have the genuineness of his coupons passed on by a jury. Should they be found genuine, the treasurer was required to receive them, and to refund to the tax-payer the money previously paid by him. By a subsequent act the tax-payers remedy by *mandamus* to compel the reception of his coupons was abolished.

On the 26th of January, 1882, was passed the act popularly known as "coupon killer No. 2," though it did not take effect until the 1st of December following. This provided in substance that tax-collectors should receive nothing but money in payment of taxes; that should a collector "take any steps" for the collection of the taxes, the party proceeded against might pay the tax in money under protest, and within thirty days, and not after, sue the officer; that should it be determined in such suit "that the taxes were improperly collected *for any reason going to the merits*," the amount thereof should be refunded to the tax-payer; and finally all remedy or recourse to the tax-payer save by such suit was prohibited.

Having adopted these measures, designed to protect the treasury and preserve the autonomy of the State government, the Legislature proceeded to pass the act which bears the name of the Riddleberger bill, approved February 14, 1882. The preamble of the act contained a long and detailed statement, which was "confidently submitted" as presenting a correct account between the State and her creditors. The result of this account showed the whole indebtedness of the State, from the standpoint of the Legislature, to be as of July 1, 1882, $21,035,377, principal and interest.

The enacting part of the bill, however, made the amount larger than this by several millions. It is also claimed and conceded by many, that certain errors were made in the amounts assumed to be outstanding against the State, and in the application of interest payments, so that the amount really assumed by the

State under the principles of the Riddleberger bill, conceding the correctness of the rate of scaling fixed by it, was largely in excess of that apparent upon its face.

The funding under the McCulloch bill had created another class of obligations against the State, popularly known as ten-forties; and the Riddleberger bill set forth and classified the outstanding obligations of the State under the following heads—specifying amounts in each case:

Consols, designated as Class A. Ten-forties, designated as Class B. Peelers, designated as Class C. Interest on peelers, Class D. Two-thirds unfunded, Class E. Two-thirds interest on unfunded, Class F. Also the amount due the literary fund, and interest thereon.

Bonds were then authorized to be issued, registered and coupon, dated July 1, 1882, payable July 1, 1932, with the privilege to redeem them after July 1, 1900, bearing three per cent. interest per annum, but the coupons not receivable for taxes.

The new bonds were directed to be exchanged for the outstanding indebtedness of the State, above referred to, in certain ratios, prescribed according to class. The details of the provisions for exchange need not be mentioned here, but one feature deserves particular attention; to-wit, that in funding the outstanding obligations mentioned, into Riddlebergers, "for any interest which may be past due and unpaid upon the same, funded bonds issued under this act may be given dollar for dollar."

Another requirement of the act material to be observed, was that "in the year 1890, and annually thereafter, * * * * * there shall be set apart of the revenue collected from the property of the State each year, two and a quarter per cent. upon the bonds at the time outstanding, which shall be paid into the treasury to the credit of the sinking fund."

The debt legislation of the session of 1881–82, it will have been observed, consisted of the two coupon-killers, the act forbidding the use of *mandamus* in coupon cases, and the Riddleberger bill. These measures had now to pass under the review of the courts.

The Court of Appeals of Virginia was equally divided as to the validity of coupon-killer No. 1, and the question went to the Supreme Court of the United States. That tribunal sustained the act on the ground that it provided an adequate and efficacious remedy in lieu of the former remedy by *mandamus* to compel the acceptance of the coupons for taxes. It was supposed by many at the time, that the new remedy provided was practically so difficult of application as to be little better than no remedy at all, and the court's decision was therefore the subject of considerable criticism. But subsequent experience showed that the court was right, and coupon-killer No. 1 became in the hands of the coupon-holders a source of great annoyance to the State.

Other questions in connection with the Riddleberger legislation subsequently arose, and will be referred to later on.

Meantime the party which had all along been opposed to forcible readjustment, having for several successive years been defeated upon that issue at the polls, had finally acquiesced in the Riddleberger settlement. The Legislature chosen at the fall elections in 1883, though composed of a majority of members who had previously opposed all schemes of forcible readjustment, proceeded in good faith to adopt such additional measures as seemed practicable to induce the creditors to accept the Riddleberger bill.

To present these measures in detail, would swell this report to too great a length. Suffice it to say that they were for the time effective.

During the summer of 1884 a serious question arose as to the meaning and true interpretation of the Riddleberger act.

Shortly after July 1, 1884, J. P. Faure, a non-resident of Virginia, applied to the officials intrusted by the Riddleberger bill with the duty of exchanging the new for the outstanding obligations of the State, to fund into Riddleberger bonds dollar for dollar certain coupons held by Faure, which had matured on and before July 1, 1884. The application was refused, and Faure sought the aid of the United States Circuit Court to enforce it. The court granted the order prayed for, directing the proper officials to issue to Faure the obligations provided for in the Riddleberger bill for the full face value of his coupons. Considerable surprise was created by this decision, for it was perceived that under this construction of the act the interest-bearing obligations of the State might be increased to several fold the amount, which, in the popular apprehension, it was intended by the Riddleberger bill to assume. This construction was never acquiesced in by the State authorities, and in order to meet the difficulty suggested by it, the "Wickham amendment," hereinafter referred to, was passed.

A short time after the decision in the Faure case, the Legislature met in extra session, having been called for the purpose of enacting an electoral bill. They immediately availed themselves of the opportunity to amend the 5th section of the Riddleberger bill, so as to prevent the unlimited funding of outstanding interest into new bonds.

The amendment, made August 27, 1884, was that "the date of exchange referred to in this act shall in all cases be taken to be July 1, 1882, * * * * and no new bond shall, under this act, be given for any coupon, or interest on registered bonds, mentioned in this section, maturing after the 1st day of July, 1882."

Later in the same extra session, November 29, 1884, the Legislature amended the amendment to the Riddleberger bill above referred to. The last amendment provided that no allowance whatever should be made for any interest or coupons to mature after January 1, 1885. And as to coupons and interest, accrued or to accrue, between January 1, 1883, and January 1, 1885, both inclusive, it was provided that such interest and coupons on the ten-forty bonds might be funded into the Riddleberger bonds dollar for dollar, and that such interest and coupons on other bonds mentioned in the Riddleberger bill might be funded into Riddleberger bonds at 50 cents on the dollar.

Numerous cases arose in the courts, State and federal, to test the construction and validity of coupon-killer No. 2, and the acts supplemental and ancillary thereto.

One of these cases partook of the nature of a mandatory injunction, and was so sweeping and comprehensive in its object as to involve consequences of the most serious character to the State, and if successful, to frustrate all the measures adopted by the Legislature to prevent the use of coupons in payment of taxes. The circumstances were as follows: Mr. Parsons, a non-resident of Virginia, exhibited his bill in the Circuit Court of the United States, alleging that he was the holder of genuine bonds and coupons of the State to a large amount, and filed a list of his coupons, identifying them by numbers, letters and dates. He did not pretend to be himself a tax-payer of the State, but alleged that he had made

arrangements with sundry tax-payers to use his coupons in payment of their taxes, by which arrangements he would receive payment, in large part, for his coupons.

He further complained that the tax collectors of the State refused to accept the coupons for taxes, and prayed for an injunction "to restrain them from refusing to receive the particular coupons thus identified," in payment of taxes. The court granted the injunction.

Under this decision it was obvious that an indefinite number and amount of coupons (whether at the time matured or not) might be brought into court and identified by parties, not entitled themselves to use them in payment of taxes, and an order issued compelling any and all tax collecting officers whom the bondholder should chose to cite before the court, to accept the coupons so identified, matured and as they should mature, in payment of taxes of any future holder by whom they might be tendered. The federal courts might in this way, by a few decrees, compel the acceptance of all the tax-receivable coupons of the State, as they might contingently mature in the future. The presumption on which the coupon-killers were based was that the tax-payer, in the vast majority of instances, could better afford to pay his taxes in money than to go through the process required by those acts to compel the acceptance of coupons—a process to be repeated every year as taxes should accrue, and even then available only to the tax-payer himself.

The decision, therefore, deprived the "coupon-killers" of all practical value. The assumption by the federal courts of this power to coerce the officers of the Commonwealth into disobedience of her laws greatly intensified the feeling against the bondholders.

It may be remarked here, (though anticipating somewhat), that this decision was reversed in the Supreme Court on the ground that the plaintiff, not being himself a tax-payer, and not seeking to compel the acceptance of coupons in payment of his own taxes, was not entitled to come into court to compel the acceptance of the coupons for taxes of parties to whom the plaintiff might afterwards assign them. The most dangerous and fatal portion of the decision to the interests of the State was thus disposed of.

The whole class of test cases, above referred to, finally came for review before the Supreme Court of the United States.

It was commonly believed that the result in that tribunal would be a Waterloo, either for the creditors or for the State, and that all questions between them would be finally settled one way or the other.

The principal ground relied on by the counsel for the State was that all the proceedings before the court for review were in effect suits against the State, and hence repugnant to the constitution. The bondholders, on the other hand, contended that the proceedings were in no sense suits against the State, but were against the officers as individual trespassers, to prevent or recover damages for their illegal acts; that their acts were illegal because the legislation upon which they relied in justification was unconstitutional; and that the legislation depriving the tax-payer of redress against the officers for such illegal acts was also unconstitutional and void.

The court, by a majority of one in a membership of nine (five to four), decided in favor of the bondholders.

The substance of the decision was that a tender of coupons for payment of taxes was equivalent to an actual payment, depriving the collecting officer of all

authority for further action, and making every subsequent step taken by him illegal and void; so that in proceeding to enforce payment in money by levy or otherwise, the officer ceased to be an officer of the law, and became a mere private wrong-doer, liable as such for his acts. Suits against the officer in such cases, it was held, were not suits against the State, and a State law repugnant to the federal constitution was said to be no law at all, and to afford no protection to an officer seeking to justify his action under it.

Justice Bradley, delivering the dissenting opinion, expressed the view that the proceedings were virtually suits against the State, and that the acts of the officers on which the proceedings were based, were in obedience to the laws of the State—wrong laws perhaps, but nevertheless laws of the State.

But notwithstanding this decision, the end was not yet. The judicial proceedings taken by the bondholders against officials of the State, and practically, as was said by Justice Bradley, against the State herself, and the language used by some of the courts in these proceedings, aroused such general indignation throughout the Commonwealth, that many of the most ardent original debt-payers became the most active supporters of all measures against the use of coupons. Public meetings were held in many places and resolutions passed denouncing parties who should tender coupons for taxes as enemies of the State, and pledging the best endeavors of the participants to prevent their use. The sentiment thus aroused has been for the most part steadily maintained.

Meantime, after the decision last referred to, coupon agencies were established by certain of the bondholders in the principal towns and cities of the Commonwealth, and the most tempting offers made to tax-payers (generally without avail) to purchase and use coupons in discharge of their obligations to the State.

In the session of the Legislature of 1885–86 several additional acts were passed, all having for their object the imposition of further impediments and obstructions in the way of using the tax-paying coupons.

It is unnecessary to specify particularly the character of the various enactments. While most of them subsequently met the disapproval of the Supreme Court of the United States, they answered their purpose in the meantime; and when declared invalid by that tribunal, were immediately succeeded by other provisions equally effective in excluding the coupons from the treasury.

In the spring of 1887 the governor called the Legislature in extra session to receive and consider a proposition which it was thought would be made by the bondholders for a settlement of the debt. In fact, a commission, composed of Sir Edward Thornton and Mr. Braithwaite, did come to Richmond, and lengthy negotiations were held upon the subject between them and a joint committee of the two houses of the Legislature. The negotiations failed, largely because of the fact that the amount of outstanding obligations of the State actually represented by the gentlemen named, was very small indeed, and they could give no satisfactory assurances of being able to bring in enough securities to consummate a settlement, should the terms of one be agreed on.

These negotiations having failed as stated, the Legislature proceeded in May, 1887, to pass the bill commonly known as the "coupon crusher." This was intended to meet the decision of the United States Supreme Court, holding collecting officers liable to suit for proceeding against the property of tax-payers who had tendered coupons. It directed that suits should be brought by the Attorney-General and the Commonwealth's attorneys in the name of the State against such

tax-payers for the amount of taxes due; imposed on the defendants the duty of proving the validity of coupons which they had tendered; put considerable costs upon them, and provided for recording the judgments against them, so as to preserve liens for the benefit of the State for the amounts thereof. This was necessary to collect the revenue requisite for the maintenance of the State government.

The Attorney-General and several Commonwealth's attorneys, being about to institute proceedings under this act against parties who had tendered coupons for taxes, Mr. Cooper, an alien, professing to be a holder of tax-receivable coupons, brought suit in the Circuit Court of the United States asking for an injunction to prevent such proceedings. The injunction was granted, but the law officers of the State nevertheless begun and pressed the proceedings against the coupon-tenderers. For acting thus in disregard of its injunction, the State officials were adjudged by the Circuit Court of the United States to be guilty of contempt, and were fined and actually incarcerated in the common jail till they should purge themselves of the contempt by dismissing the proceedings referred to. Writs of *habeas corpus* were at once sued out by the imprisoned officials from the Supreme Court of the United States, and it was there decided that Cooper's suit was a suit in substance against the State; that the court below had therefore no jurisdiction of the same, and that the injunction and the commitment for contempt were both unwarranted and void.

There was not much anti-coupon legislation of consequence at the session of 1887–88. The legislation of that character passed at the session of 1885–86 was subsequently, as has been intimated, for the most part held invalid by the United States Supreme Court. The decision was not rendered till May, 1890, after the adjournment of the last General Assembly. But its effect was anticipated by legislation enacted at the session of 1889-90, and it has been quite barren of results to the public creditor.

In some respects the last decision was very favorable to the State; for it upheld legislation requiring the school tax and liquor licenses to be paid in money to the exclusion of coupons; thus removing a very considerable proportion of the annual revenues from the possibility of interception by the bondholders.

On the other hand, the constitutionality of the coupon crusher was seriously questioned; and it is significant that the last decision was without dissent, and was pronounced by Justice Bradley, who had on previous occasions dissented from the majority. In this case he said that "we feel bound to yield to the authority of prior decisions of this court, whatever may have been the former views of any member of the court."

The language of Justice Bradley, in closing his opinion in these cases, deserves careful consideration. He said, speaking of a desirability of an adjustment of the differences between the State and her creditors: "It is certainly to be wished that some arrangement may be adopted which will be satisfactory to all the parties concerned, and relieve the courts as well as the Commonwealth of Virginia, whose name and history recall so many interesting associations, from all further exhibitions of a controversy which has become a vexation and a regret."

Although some $9,250,000 of Riddleberger bonds have been issued and exchanged for outstanding securities, under the provisions of the Riddleberger act, yet comparatively few of that class of obligations which have all along occasioned so much trouble, viz., the tax-paying coupons, and the bonds bearing them, have been received in exchange by the State.

The amount of six per cent. consol bonds bearing tax-receivable coupons

outstanding at the time of the passage of the Riddleberger act was about $14,370,000.

The amount of 10-40's bearing three per cent. interest at that time, but now bearing four cent. (coupons tax-receivable), was, at the same date, about $8,518,000. Total principal of tax-receivable coupon bonds outstanding at the time of the passage of the Riddleberger bill, about $22,888,000.

The amount of consols now outstanding is about $12,928,000. The amount of 10-40's now outstanding is about $5,652,000, aggregating $18,580,000.

So that only about $4,300,000 of the bonds bearing the troublesome tax-paying coupons have been retired under the Riddleberger act. The coupons maturing on the amount of such bonds still outstanding, aggregate about a million dollars a year. Meantime the success of the State's obstructive legislation, sustained as it has been by a very general public sentiment, has resulted in the accumulation of an enormous amount of past due coupons.

The whole amount of tax-receivable coupons now outstanding is about $7,027,022. This, added to the principal of the bonds still outstanding bearing tax-receivable coupons, makes an aggregate of about $25,607,022. The maximum amount of all unsettled obligations outstanding against the State, which there is any probability of her having to provide for, is placed by the Bondholders' Committee, as hereinafter shown, at about $28,000,000.

So that it is perceived the great bulk of the debt we now have to settle, consists of tax-paying coupons, already accrued and past due, and of bonds producing an additional amount of about one million of such coupons every twelve months. At this stage—to-wit, on the 5th of March, 1890—your Commission was appointed to receive a proposal for funding the debt from a duly-authorized representative of the creditors, and on the 28th of April, 1891, a communication was addressed to the governor of Virginia by Messrs. Frederic P. Olcott, Hugh R. Garden, Wm. L. Bull, Charles D. Dickey, Jr., Henry Budge, and John Gill, constituting a committee for the creditors, which led to the negotiations and to the agreement between your Commission and said Bondholders' Committee, as hereinafter recited.

Of the outstanding unsettled obligations of the State, the Bondholders' Committee, with whom our negotiations have been held, have in their actual possession about $23,000,000, of which about $21,000,000 consists of past due tax-paying coupons and bonds bearing such coupons. (See communication from Bondholders' Committee of date January 7, 1892.)

The actual possession by the Bondholders' Committee of this large proportion of the State's unsettled obligations, entitles any proposition for a settlement coming from them to a degree of consideration which it would not otherwise deserve, indeed, to far greater than any that has heretofore been presented to the State. An agreement upon terms with them, it is confidently believed, will guarantee a settlement of the entire debt.

The various propositions of that committee to your Commission, and the negotiations had with them, also appear at large by the minutes of the proceedings of your Commission, which are herewith returned. A brief review of the negotiations will therefore suffice in this connection.

The first proposition made by the Bondholders' Committee to your Commission, dated June 2, 1891, expressed the opinion of that committee that "the principles of the Riddleberger legislation call for an interest charge of over $825,000 per annum, as of July 1, 1882, and the fundable interest which has been maturing since that date has materially increased the interest charge."

The proposition contained the statement that: "Of the debt proposed to be funded, there is now outstanding owned by the public, an apparent maximum as of July 1, 1891, approximating $28,000,000. Of this amount the Bondholders' Committee control not less than $23,000,000, principal and interest, to said date; and the committee hereby proposes to surrender the same, together with any additional obligations which may be deposited, on the basis of $20,000,000 of new three per cent. bonds for the entire $28,000,000."

To this proposition your Commission replied under date of June 3, 1891, stating among other things that: "The Virginia Commission feels constrained to decline to entertain said proposal, or to enter into a contract with the Bondholders' Committee on the basis thereof. The interest charge required by said proposal largely exceeds the amount which would be payable on such unsettled obligations were the same funded in accordance with the principles of the Riddleberger bill. But apart from this consideration, and in addition thereto, is the fact that the interest charge contemplated by your proposal, exceeds the amount the State is able to pay, after discharging its constitutional obligations and providing other necessary expenses." In concluding their reply, your Commission said, "That a settlement of this matter is greatly to be desired on such basis as will guarantee stability by being within the resources of the State, and the fixed opinions which public sentiment has formulated; and if the Bondholders' Committee feels inclined to so change their figures as to bring them within the lines above indicated, and within the limits of the powers of negotiation conferred on this Commission by the legislative resolution under which it exists, they will be glad to continue these negotiations."

Your Commission then adjourned, subject to reconvention upon the call of its chairman, the governor.

And on the 17th of November, 1891, your Commission, upon the call of the governor, re-assembled at his office, in the city of Richmond.

Another proposition from the Bondholders' Committee, which had been previously forwarded by them to the governor, was then submitted to your Commission.

In this proposition the Bondholders' Committee expressed themselves as still adhering to the opinion that their previous proposition was within the principles of the Riddleberger bill, and also within the ability of the State. Nevertheless they submitted an amended proposition, stating that: "The committee proposes to surrender as of July 1, 1891, not less than $23,000,000 (principal and interest), for such a proportion of $19,000,000 of new three per cent. bonds as the amount surrendered bears to $28,000,000."

Your Commission declined to accept this proposition also, for the reasons stated in its reply to the Bondholders' Committee of June 3, 1891.

Thereupon a sub-committee of two from your Commission was appointed to confer with a sub-committee of two from the Bondholders' Committee, with a view, if possible, of arriving at some basis for further negotiation.

The action of the sub-committee appears from its report to your full Commission, filed with the minutes of proceedings, herewith returned.

On the 18th of November your Commission suggested to the Bondholders' Committee a willingness to report favorably to the Legislature a proposition to settle the outstanding unsettled debt, on the basis of an issue of new bonds, not to exceed a maximum of $18,000,000, to be exchanged for outstanding unsettled

obligations in the proportion of 18 to 28; such new bonds to run 100 years, and to bear two per cent. interest for ten years and three per cent. for ninety years. This would give in exchange for the $23,000,000 of outstanding obligations held by the Bondholders' Committee, something less than $15,000,000 of the proposed new bonds.

In reply to this suggestion, the Bondholders' Committee stated that they would communicate it to their depositing security holders, but would not advise its acceptance.

Continuing, the committee said: "We will, however, cheerfully recommend either of the following propositions: A three per cent. 100 year bond, similar in form and features to the Riddleberger bonds, for $18,000,000; or, a bond similar in form and feature to the Riddleberger bonds, for $19,000,000 at 100 years, the first five years interest to run at two per cent., the next five at two and one-half per cent., the balance of the term, three per cent."

In reply to this, your Commission, after due deliberation and consultation with the financial officers of the State, on the next day, viz., November 19th, offered to report favorably to the Legislature the $19,000,000 proposition, provided the same should be so modified as to restrict the interest annually payable, to two per cent. for ten years, and three per cent. for the remaining ninety years; the bonds and interest obligations to be of the same general character as those provided by the Riddleberger bill, and it being distinctly understood that the coupons or other interest obligations are not to be receivable for taxes.

This recommendation, it was provided, should be made conditional on the Bondholders' Committee having in their possession, with the authority to exchange them, the obligations above mentioned, amounting to at least $23,000,000; and the proposed new bonds to be exchanged for such outstanding obligations in the proportion of 19 of the former for 28 of the latter.

To this the Bondholders' Committee replied, saying: "We beg to say that the proposition submitted by us, as amended by you, will go to our constituents with our cheerful recommendation."

In recommending to the Legislature the acceptance of this scheme of settlement, your Commission has been guided by two leading considerations, viz: First, to keep the amount to be assumed by the State well within the amount assumed by the Riddleberger bill, and second, to keep the amount payable for interest well within the capacity of the State to meet.

Were the State to-day to assume all the obligations, which by the terms of the Riddleberger bill it offered to take upon itself, we have no hesitation in saying that they could not be borne without a considerable reduction of expenditures, or a considerable increase in the rate of taxation.

We are equally confident that the obligations to be assumed by the State should the proposed scheme be adopted, may be borne without resorting to either of the above expedients.

This assertion of course implies that the proposed scheme of settlement is more favorable to the State than the Riddleberger bill was.

A brief statement showing this fact more clearly, will not, however, be out of place.

The amount assumed by the Riddleberger bill is a question as to which different views may, with good reasons for each, be entertained.

The Bondholders' Committee, as above mentioned, very earnestly maintained

that the interest charge assumed by the State, had the whole debt been funded under the principles of that act as of July, 1882, would have exceeded $825,000 per annum. This would imply a principal exceeding $27,500,000. An expert accountant, employed by the State a few years ago, put the amount due under the Riddleberger bill as of July 1, 1882, at about $25,000,000.

The amount popularly supposed to be due under that act as of that date was certainly less than this. Again, as to the funding of interest accrued after July 1, 1882, it is hardly supposable that it was at all within the contemplation of the Legislature which passed the act; and yet the only judicial determination of that question was to the effect that interest accrued after that time should be fundable at par.

Your Commission, in agreeing to report favorably the alternative proposition of the Bondholders' Committee, felt that they were well within the amount assumed by the Riddleberger bill, for the following reasons:

Assuming all outstanding obligations of the State (other than those held by colleges and the United States government) outstanding July 1, 1882, to have been funded into Riddlebergers as of that date, the entire amount, as shown by the statements of the Second Auditor, would have been about $22,000,000. The annual interest charge on this amount would have been about $660,000. But in addition to this the requirements of the sinking fund under the Riddleberger bill call for a further charge of two and one-quarter per cent. annually on the amount of bonds outstanding after 1890. So that the amount the State would now be paying annually on account of the debt under the terms of the Riddleberger bill, would be (leaving out colleges and United States government) over a million dollars. This amount, though it would grow smaller as the debt would be reduced by the sinking fund payments, would still, it is apparent, be utterly beyond the capacity of the State for a long period of time. Provision for a sinking fund is required by the constitution, but under the proposed settlement the annual appropriation therefor need be but very small, and distributed over so long a period that the present generation will never feel it.

The failure of the creditors to fund under the Riddleberger act has enabled the State out of her revenues (which, if they had funded, must necessarily have been applied to pay interest) to make large appropriations for public, educational and eleemosynary purposes, and also to buy up a large amount of her Riddleberger bonds. These, it is presumed, will be cancelled. The Riddlebergers in the hands of the public and the Literary Fund, amount to about $6,000,000, and on this amount the annual interest charge is about $180,000. Add to this the amount of two per cent. on $19,000,000, payable under the proposed scheme of settlement, and the payment to be made on the debt for the next ten years is found to be $560,000 per annum.

This amount we are persuaded the State can carry without either curtailing her usual expenditures or increasing her rate of taxation. There is good reason to believe, too, that a considerable amount of the old securities of the State have been lost or destroyed, so that the maximum of $19,000,000 will probably never be reached.

We earnestly advise the acceptance of the proposition of the Bondholders' Committee, ratified as it has now been by their principals. A settlement on that basis certainly seems to be generally desired by the people of the State. We can not but believe that a failure either on the part of the State or of such bondhold-

ers as have not yet come into acquiesence in the settlement, will meet with popular condemnation throughout the Commonwealth. Should a failure of the settlement proposed, result from its rejection by the representatives of the State, it is seriously to be feared that the general support of the people which has all along sustained our protective legislation, will be withdrawn, and that a tide of coupons which cannot be resisted, will flow into the treasury.

Should any bondholders refuse to concur in the action of the great majority, the State may at least feel that she has done her best to arrive at a settlement upon terms which to the creditors contrast most favorably with the terms accorded by other Southern States in their adjustment of their debts after the war; and the further harrassments of the coupon-holders will undoubtedly be met by such legislation, sustained by such an overwhelming public sentiment, as will make it completely effective against the payment of either principal or interest.

Inasmuch as these whole negotiations have been based upon the idea that the Bondholders' Committee is continuing its efforts to secure the control of the obligations of the State, and will continue those efforts for a reasonable time, with the hope that the greater portion of those which have not been heretofore deposited, will be, in a short time, your Commission recommends that an act be passed without delay authorizing the funding, in accordance with the terms already agreed upon by the Commission, of all the obligations of the State of Virginia, which may be presented by the said Bondholders' Committee, at the office of the Second Auditor of Virginia for that purpose, on or before the first day of June, 1892.

Respectfully submitted,

P. W. McKINNEY,
J. HOGE TYLER,
R. H. CARDWELL,
TAYLOR BERRY,
H. T. WICKHAM,
W. D. DABNEY,
ROBERT H. TYLER,
Virginia Commission.

P. C. WARWICK, *Secretary.*

PROCEEDINGS OF THE COMMISSION.

The following joint resolutions of the General Assembly in reference to the Public Debt, were passed on the 1st of March, and approved on the 5th of March, 1890:

JOINT RESOLUTIONS IN RELATION TO THE PUBLIC DEBT.

Approved March 5, 1890.

1. Resolved by the Senate (the House of Delegates concurring), That the Governor of the Commonwealth, the Chairman of the Committee on Finance and Banks of the Senate, the Chairman of the Committee on Finance of the House of Delegates, and one member of the Senate and one of the House of Delegates (to be elected by their respective houses), be constituted a Commission to receive proposals for funding the whole debt of Virginia upon the principles set out in the act of fourteenth February, eighteen hundred and eighty-two: provided, however, that no proposal shall be entertained which is not supported by a deposit in cash of not less than one million dollars, in such depositary as said Commission may designate, to insure the faithful performance of the proposals if accepted and ratified as hereinafter set forth.

2. Resolved, That said Commission be, and the same is hereby authorized to agree, subject to ratification by the General Assembly of Virginia, upon the terms of a contract with any parties offering a proposal to fund the entire debt of Virginia upon the conditions aforesaid: provided, however, that no proposal shall be entertained which departs from the act of fourteenth February, eighteen hundred and eighty-two, save and except that said proposal may provide another plan for a sinking fund, not less favorable to the State than the present, or a lower rate of interest, or a longer period for the maturing of the principal, and that it be expressly declared that the principal of the debt held by the schools and colleges of Virginia at present, shall not be affected, but that said bonds so held shall if sold or transferred by said schools or colleges be in all respects subject to said act of fourteenth of February, eighteen hundred and eighty-two.

On the 3d of March the General Assembly passed a joint resolution by which the Lieutenant-Governor was added to the Commission; and on the same day the General Assembly also agreed to a joint resolution increasing the number of members of the Commission to be elected by the House of Delegates to two, and elected Speaker R. H. Cardwell and Mr. R. H. Tyler as the additional members.

In compliance with the foregoing action of the General Assembly, and pursuant to notice from the Governor, P. W. McKinney, at the request of the Bondholders' Committee, the Commission convened at the office of the Governor at 12 o'clock M. on the 1st day of June, 1891.

Present: Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Senators Taylor Berry and Henry T. Wickham, Speaker of the House of Delegates R. H. Cardwell, and Messrs. W. D. Dabney and Robert H. Tyler, members of the House of Delegates.

On motion,

Governor P. W. McKinney was chosen chairman of the Commission, and Peter C. Warwick was elected secretary.

On motion, it was unanimously,

Resolved, That the sessions of the Commission be under the seal of confidence until such time and in such manner as the Commission shall otherwise determine, and that the chairman take such steps as may be necessary to secure this.

The Governor then laid before the Commission the correspondence between himself and the Committee of Bondholders, which was read as follows:

32 NASSAU STREET,
NEW YORK, *April 28th, 1891.*

To the Hon. P. W. MCKINNEY,
Governor of Virginia:

DEAR SIR:

The Bondholders' Committee are now prepared to submit a proposition for the settlement of the State debt of Virginia.

We would be glad if you will name a very early day, if convenient, when some of us may meet you for the purpose of communicating the same in writing and making such verbal explanations as may seem proper.

We address this communication to you, not only as Governor of the State, but also as Chairman of the Commission appointed under the resolution of the General Assembly of March 5th, 1890, that you may, if you deem it proper, have an opportunity to notify the other members of the Commission to be present at the conference.

We are very respectfully,
Your obedient servants,

F. P. OLCOTT,
HENRY BUDGE,
WM. L. BULL,
HUGH R. GARDEN,
CHAS. D. DICKEY, JR.,
JOHN GILL.

NEW YORK, APRIL 30, 1891.

Colonel W. W. GORDON,
Richmond, Virginia:

MY DEAR COLONEL GORDON:

Will you have the kindness to lay before the Governor of Virginia, the enclosed letter of April 28th, addressed to him by the Virginia Bondholders' Committee. It would have been mailed to you on the 28th, but for the sickness and absence of several members of the committee.

Very sincerely yours,

HUGH R. GARDEN.

GOVERNOR'S OFFICE,
RICHMOND, VA., *May 2, 1891.*

To Messrs. FREDERIC P. OLCOTT, WILLIAM L. BULL, HENRY BUDGE,
CHARLES D. DICKEY, JR., HUGH R. GARDEN, JOHN GILL,
Bondholders' Committee,
Care G. S. Ellis, Esq., Secretary, 54 Wall street, New York:

GENTLEMEN:

Your letter of the 28th of April was received to-day through Colonel W. W. Gordon, of this city, informing me that the Bondholders' Committee are now prepared to submit a proposition for the settlement of the State debt of Virginia, and asking me to name a day when some of you may meet me for the purpose of communicating the same in writing, making such verbal explanations as may seem advisable.

I deem it proper to call your attention to the terms of the resolution of the General Assembly of Virginia, constituting the Commission. You will observe it expressly provides that no proposition shall be entertained by the Commission which is not supported by a deposit in cash of not less than one million dollars, to insure the faithful performance of the proposals if accepted and ratified, &c.

You make no mention of this fact, which the law makes a condition precedent to the consideration of your important proposition, hence my reference to it as a preliminary necessity.

All of next week I will be engaged in important public business away from the city, by appointments already made, which I cannot now recall, that will render it impossible for me to meet you sooner than Thursday, the 14th day of May. If this day be agreeable to you, I will communicate with our committee, and we will be pleased to receive your proposition of settlement, and to hear your explanation. I am,

Very respectfully yours,

P. W. McKINNEY.

GOVERNOR'S OFFICE,
RICHMOND, *May 2, 1891.*

Colonel W. W. GORDON,
Counselor at law, Richmond, Va.:

DEAR SIR:

Enclosed herewith you will find a letter to the Bondholders' Committee, which you will oblige me by forwarding to them. I regret the necessity for postponing the meeting so long, but being Chairman of the Board of Public Works, I have notified the several railroad companies that we would visit a number of places on their roads next week, for the purpose of inspecting their property and assessing the same for taxation, and cannot cancel these engagements. I would like to hear from the committee immediately, so that I can notify our Commission. They live in different parts of the State, and as you know, it will take some days to communicate with them.

I am, very truly yours,

P. W. McKINNEY.

CENTRAL TRUST COMPANY OF NEW YORK,
54 WALL STREET, *May 8, 1891.*

Hon. P. W. McKINNEY,
Governor of Virginia:

DEAR SIR:

We beg to acknowledge the receipt of your letter of the 2d instant.

Please accept our thanks for the prompt consideration which you propose to give to the subject of our request. We had not lost sight of the terms of the resolution of the General Assembly of Virginia constituting the Commission, nor of the provision to which you refer, that no proposition shall be entertained which is not supported by a deposit in cash of not less than one million of dollars in such depositary as said Commission may designate, to insure the faithful performance of the proposal if accepted and ratified, etc.

In reply, we beg respectfully to state, that we would not have presumed to approach this subject and formulate a proposition to be submitted to the State for the settlement of the debt, unless and until we were in a position to insure the faithful performance of the proposal if accepted and ratified, by a guarantee, at least the equivalent, and, in our judgment, far better than a deposit of one million of dollars in cash.

We have assumed that such deposit was required by reason of the fact that previous negotiations had failed, in part at least, because the parties supposed to represent the bondholders had no actual control of the indebtedness of Virginia, and that it was intended to guard against the repetition of such failure.

It is proper to state, that, acting upon this assumption, we expect as preliminary to the negotiations, and in lieu of the deposit in cash, to show you by the most satisfactory evidence, that we have about eighty-five per centum of the debt under our own immediate and absolute control for the purpose of this settlement, and are prepared to make delivery to the proper officers of the State if our proposition is accepted.

This, we suppose, is a far more complete and satisfactory guarantee for performance on our part than a deposit of one or even five million of dollars.

The object of the act was evidently to insure the performance of the contract with the State, if made. And if, from the nature of the proposal we shall make, a far better guarantee is given, we presume that this object will be substantially accomplished, and that it would be useless to require us to tie up a million of dollars without practical benefit to any one.

It is true that if your Commission were authorized to make a final and binding contract with the bondholders upon a prerequisite of the million dollar deposit, possibly a technical compliance with the condition might be necessary; but, as the purpose and scope of the conference between yourselves and the Bondholders' Committee is to ascertain whether terms mutually acceptable may be arrived at with the view of a meeting of the Legislature to consider it, we suppose and respectfully submit that a mere technical compliance with the condition referred to, would not be regarded as necessary, if a far better security is proposed.

If, however, we are mistaken in the views herein presented, we respectfully suggest that a conference with the Commission on this subject will enable us to arrive at a conclusion in the premises satisfactory to all parties.

We have the honor to be, your obedient servants,

F. P. OLCOTT,
HENRY BUDGE,
WILLIAM L. BULL,
CHARLES D. DICKEY, JR.,
HUGH R. GARDEN,
JOHN GILL.

GOVERNOR'S OFFICE,
RICHMOND, *May 12, 1891.*

To Messrs. FREDERIC P. OLCOTT, WILLIAM L. BULL, HENRY BUDGE,
CHARLES D. DICKEY, JR., HUGH R. GARDEN, and JOHN GILL,
Bondholders' Committee,
Care G. S. Ellis, Esq., Secretary, 54 Wall street, New York:

GENTLEMEN:

Your communication of the 8th instant was handed me by Col. Gordon on yesterday. I have ordered the Virginia Commission to convene, and will lay our correspondence before them, and advise you promptly of such action as they may think proper to take in the premises.

Very respectfully yours,

P. W. McKINNEY.

GOVERNOR'S OFFICE,
RICHMOND, *May 12, 1891.*

Col. W. W. GORDON,
Counselor at law, Richmond, Va.:

MY DEAR COLONEL:

Enclosed herewith I send you a brief communication to the Committee of the Foreign Bondholders. Do me the favor to forward it to them at your earliest convenience.

Very truly your friend,

P. W. McKINNEY.

GOVERNOR'S OFFICE,
RICHMOND, VA., *May 28, 1891.*

To Lieutenant-Governor J. HOGE TYLER, *Speaker* R. H. CARDWELL, *Senator* TAYLOR BERRY, *Senator* H. T. WICKHAM, *Delegate* W. D. DABNEY, and *Delegate* ROBERT H. TYLER, *Virginia Commission:*

MY DEAR SIRS:

You are aware, no doubt, from what you have seen in the papers, that some correspondence has taken place between myself and the Bondholders' Committee with reference to the public debt of the State.

I deem it proper to invite you to meet me in my office at the Capitol on Monday, the 1st day of June, at 12 M., so that I may lay the correspondence before you and advise with you as to what should be done in the premises.

I am informed that the Bondholders' Committee desire to meet the Commission on Tuesday, the 2d of June, but I think it is important that every member of the Commission should be in attendance on the 1st of June, as above indicated, for the purpose of a preliminary conference.

I am very truly yours,

P. W. McKINNEY.

On motion, the Chairman was directed to address the following letter to the Bondholders' Committee:

GOVERNOR'S OFFICE,
RICHMOND, VA., *June 1, 1891.*

To Messrs. F. P. OLCOTT, CHARLES D. DICKEY, JR., WILLIAM L. BULL, HUGH R. GARDEN, HENRY BUDGE, JOHN GILL, *Bondholders' Committee, New York:*

GENTLEMEN:

I am instructed by the Virginia Commission to convey to you the within resolution: "Resolved, That the Governor, as chairman, inform the Bondholders' Committee, that in accordance with their letter of May 8th, the Virginia Commission will hear them at the office of the Governor, at the capitol, at 11 o'clock, A. M., on Tuesday, the 2d instant," and to say, in addition, that it will give me personally, pleasure to meet with you at the time and place indicated.

Very respectfully,

P. W. McKINNEY, *Chairman.*

On motion, the Commission took a recess until 8 o'clock, P. M.

The Commission re-assembled at 8 o'clock, P. M.

Present: Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

After an informal conference, the Commission adjourned to meet the Bondholders' Committee at 11 o'clock A. M., June 2d, at the Governor's office.

TUESDAY, JUNE 2, 1891.

The Commission assembled at the office of the Governor pursuant to adjournment, at 11 o'clock, A. M. All the members of the Commission were present, namely, Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

Messrs. William L. Bull, Charles D. Dickey, Jr., Hugh R. Garden and Mr. Dumont, with Mr. G. S. Ellis, Secretary, representing the Bondholders' Committee, appeared before the Commission.

On motion, the Commission consented that Colonel W. W. Gordon should attend the sessions of the Joint Committees, as the counsel for the Bondholders' Committee.

Mr. Hugh R. Garden, for the Bondholders' Committee, then proceeded to make a statement outlining the formation of the Bondholders' Committee, and the depositing of the bonds, stating that the committee controlled $23,000,000 of outstanding obligations of the State.

Mr. William L. Bull, of the same Committee, also made a statement upon the same subject.

Whereupon, the following communication, dated New York, June 2, 1891, was presented to the Commission by the Bondholders' Committee, and read by the secretary:

NEW YORK, JUNE 2, 1891.

To the Hon. PHILIP W. MCKINNEY, TAYLOR BERRY, J. HOGE TYLER,
R. H. CARDWELL, H. T. WICKHAM, W. D. DABNEY, R. H. TYLER,
Virginia Commission:

GENTLEMEN OF THE COMMISSION:

In response to a joint resolution adopted by the General Assembly of Virginia on the 3d day of March, 1890, this Committee was organized for the purpose of submitting to you a plan and proposition for the settlement of the entire debt of Virginia in accordance with the terms of said joint resolution.

This Committee has associated with it an Advisory Board for the creditors, composed of gentlemen whose names and reputation are a guarantee of intelligent and impartial consideration.

The function and duties of this Committee are set forth in a certain agreement entered into with the creditors of Virginia dated May 12, 1890, and respectfully submitted as a part hereof; and the function of the Advisory Board is set forth in the plan and proposition for the adjustment of the debt of Virginia dated November 28, 1890, which has been duly approved by said Advisory Board, and also submitted as a part hereof.

The Committee selected depositaries entitled to the highest confidence and commanding the largest financial influence in their several localities.

The utmost diligence has been exercised to obtain a deposit of the outstanding debt of the State for the purpose of said settlement, and by publication, advertisement, individual and official correspondence, no effort has been spared by the Committee or by the depositaries.

The result is an acquiescence on the part of the Bondholders absolutely unprecedented, and hitherto deemed impossible.

Repeated efforts have been heretofore made to secure a deposit of the bonds, all of which have failed, and every settlement hitherto attempted has been unsuccessful.

The Committee has now under its control, and is prepared to surrender to the State, upon the conclusion of a settlement, not less than twenty-three millions of dollars of the defaulted obligations of the State owned by the public.

The Committee recognizes the principles of the Riddleberger act of 1882 to be "a true state of the account between the State and her creditors," eliminating all compound interest, but it is of the opinion that the statement of the account, as set forth in the act, is erroneous in several particulars, and respectfully submits that, while adhering to the principles of the said act of February 14, 1882, the State on one hand or the creditors on the other, will gladly correct any errors in said account. Attention is called to the following facts by way of illustration:

First. The title of the act is "To ascertain and declare Virginia's equitable share of the debt created before and actually existing at the time of the partition of her territory and resources," but the statement credits Virginia as against creditors who received nothing, with payments to others of principal and of interest in excess of her equitable share of such debt. It is respect-

fully submitted that there should be eliminated as a credit, all principal and interest paid by the State upon that portion of the debt set apart and declared to be the equitable proportion to be paid by the State of West Virginia, the same constituting, in the opinion of this Committee, a claim by the State of Virginia against the State of West Virginia, and not against the creditors of Virginia.

Second. The Riddleberger bill provides for the scaling and exchange of the bonds held by the Literary Fund, and the amount of the debt January 1, 1861, as shown by the statement (part of the Riddleberger bill), was designed to include the Literary Fund, but as a matter of fact it was inadvertently omitted, and therefore increases the debt by that amount as of January 1, 1861.

Third. In the statement forming part of the Riddleberger bill, tax-receivable coupons outstanding October 1, 1881, and those maturing January and July, 1882, were deducted from the arrearages of interest due by the State to the creditors upon the ground that they would be paid in accordance with the terms of the bill, and therefore increases the debt by that amount as of the 1st day of July, 1882.

Fourth. The bonds of the State held by her institutions are included in all statements of the debt and are embraced in the act of February 14th, 1882. Nevertheless, full interest has always been paid on the original amount held by the State institutions including interest on the amount set apart as due by the State of West Virginia. It is respectfully submitted that these bonds should have been excluded from any statement of the public debt, and the full interest paid thereon treated as an ordinary expense of government; or if included, then the excess of interest paid thereon should not have been credited in favor of the State and charged against her creditors generally.

It thus appears that the true state of the account between the State and her creditors, as contemplated by the Riddleberger bill, will present, as of July 1st, 1882, a much larger balance than is shown in said statement, and will aggregate at this date a larger amount than this Committee, for the purpose of being well within the principles of the Riddleberger bill, now asks of the State as a basis for the settlement of the whole debt owned by the public.

The Riddleberger legislation provided for an interest charged at the rate of three per cent. per annum upon the net balance as per statement on the face of the bill, and in addition thereto, interest at three per cent. per annum on the Literary Fund with interest thereon from January 1, 1861.

Interest at three per cent. per annum on matured coupons and other interest on bonds (which might not be promptly funded) as of the date of funding.

These several items alone would aggregate not less than $825,000 per annum not including the unmatured coupons which might be funded, and not including the correction of certain errors heretofore referred to.

It thus appears that the principles of the Riddleberger legislation calls for an interest charge of over $825,000 per annum, as of July 1, 1882, and the fundable interest which has been maturing since that date has materially increased this interest charge.

It is proper to add that the valuation of property in the State has increased about $91,000,000 from 1882 to 1891.

Of the debt proposed to be funded there is now outstanding, owned by the public, an apparent maximum, as of July 1, 1891, approximating $28,000,000. Of this amount the Bondholders' Committee control $23,000,000, principal and interest, to said date; and the Committee hereby proposes to surrender the same, together with any additional obligations which may be deposited, on the basis of $20,000,000 of new three per cent. bonds for the entire $28,000,000. The characteristics of the bond, under the terms of this proposition, to be, that the coupons shall be free from the tax-receivable feature; that the new obligations to be free from present and future taxation; that all fiduciaries may be authorized by law to invest in them, and that they may have such other characteristics and security as the representatives of the State and of the Committee may consider best calculated to give them the highest possible standing in the money markets of the world.

It is proposed, as a part of this settlement, that the judgments and pending suits between the State of Virginia and her tax-payers who have tendered coupons in payment of taxes be adjusted and marked satisfied.

FREDERIC P. OLCOTT,
HENRY BUDGE,
WILLIAM L. BULL,
CHAS. D. DICKEY, JR.,
HUGH R. GARDEN,
JOHN GILL,
Bondholders' Committee.

By G. S. ELLIS, *Secretary.*

This Agreement, between Frederic P. Olcott, Charles D. Dickey, Jr., William L. Bull, Hugh R. Garden, Henry Budge, of New York, and John Gill, of Baltimore, and their successors, duly appointed to act in this behalf, and hereafter styled the Bondholders' Committee, parties of the first part, and such Creditors of Virginia as shall deposit their obligations hereunder with either depositary hereinafter named, parties of the second part:

WHEREAS, On March 5, 1890, the State of Virginia created a Commission to agree on terms for funding its debt; and

WHEREAS, Said Commission cannot entertain any proposition unless accompanied by a guarantee that such proposition, if accepted by the State, will be carried out by the creditors; and

WHEREAS, The said Bondholders' Committee has undertaken to bring about a settlement of said debt; and

WHEREAS, Central Trust Company of New York, Brown, Shipley & Company, of London, The Mercantile Trust and Deposit Company of Baltimore, The Planters' National Bank of Richmond, have been appointed depositaries in this behalf:

Witnesseth:

FIRST.—The following gentlemen have consented to act as an Advisory Board for the creditors in this behalf, to-wit: Grover Cleveland, Thomas F. Bayard, Edward J. Phelps, George S. Coe, George G. Williams.

The duty and function of said Advisory Board is to examine such plans or propositions of adjustment as may be formulated and proposed by the Bondholders' Committee representing the holders of the obligations of Virginia, as shall be submitted to it in accordance with the terms of this agreement, and to state its approval and recommendation, or the contrary. Its approval and recommendation of any plan shall be unanimous and in writing.

Vacancies in the Advisory Board shall be filled by the remaining members.

SECOND.—The duty and function of said Bondholders' Committee shall be:

1st. To bring about a deposit of said obligations of Virginia under this agreement, so far as possible.

2d. To formulate a plan of settlement, and after same has been approved by the Advisory Board, cause the same to be submitted to the creditors and Virginia for their acceptance, as herein provided.

3d. To act as the agent of the depositing creditors in carrying out the purposes of this agreement.

And power is hereby given to said Committee to contract with any individual, syndicate, or corporation in relation hereto, and generally to do and perform any act necessary or proper to accomplish said purposes and add to its number.

The members of the Committee shall not be personally liable in any case for the acts of each other, nor for their own acts, except in cases of wilful malfeasance, nor shall they become personally liable for the acts of their agents or employees.

The action of a majority of said Bondholders' Committee shall constitute the action of the whole and may be expressed by vote or in writing.

Vacancies in the Bondholders' Committee shall be filled by the remaining members.

THIRD.—Either depositary herein named receiving on deposit hereunder any evidence of said debt shall issue therefor its certificate of deposit. The certificates for consol and ten-forty coupon bonds shall be negotiable and uniform in character, and those issued by depositaries in America, shall be engraved in accordance with the requirements of the New York Stock Exchange. The certificates shall be issued in such form as the Bondholders' Committee shall approve.

FOURTH.—Subject to the restrictions herein mentioned, the Bondholders' Committee shall have full power to perform any act necessary or proper to bring about a settlement of the respective claims of the depositors against Virginia as represented by the obligations deposited.

Provided, that no settlement can be concluded until it has been previously unanimously approved and recommended by the Advisory Board, and has also been submitted to the creditors, and accepted as follows, to wit:

1. As soon as a plan of settlement has been approved and recommended by the Advisory Board, the Bondholders' Committee, before proposing such settlement to Virginia, shall advertise for at least 20 days in one or more of the newspapers published in the cities of London, New York, Baltimore, and Richmond, that a settlement found practicable has been formulated, and notifying parties in interest where copies of such proposed settlement can be obtained in said cities without cost.

Copies of such proposed settlement shall also be furnished by the Bondholders' Committee to the depositaries for distribution to creditors applying for the same.

2. If, within 60 days after the first publication of said advertisement, certificate holders amount-

ing to a majority of the face value of any class of the obligations deposited, notify in writing the Bondholders' Committee, either directly or through any depositary, of their unwillingness to accept the settlement proposed, then such proposed settlement shall not be consummated as to such class. If the Bondholders' Committee is not so notified, then it shall be assumed that said proposed settlement is satisfactory to and is accepted by a majority of, and is binding upon, all the depositing creditors of the class accepting, and it shall be forthwith submitted to Virginia to be consummated.

3. If, for any reason, the Bondholders' Committee deems it necessary to submit a modified plan, the right is reserved to it to do so in the manner as above provided.

FIFTH.—After a plan of settlement has become effective (of which fact the declaration in writing of the Bondholders' Committee to the several depositaries shall be conclusive) each depositary shall, in such manner as shall be designated by the Bondholders' Committee, surrender to Virginia the obligations of the class accepting as aforesaid, deposited with it, and shall receive in satisfaction thereof the bonds and other securities called for by said settlement which in form shall be satisfactory to the said Committee.

The bonds and other securities so received from Virginia shall be immediately delivered by each depositary to the holders of its certificates, upon surrender of the same, in accordance with the terms of settlement.

The Bondholders' Committee shall arrange for the purchase or sale of such fractional interests as may be necessary to equalize the distribution.

SIXTH.—In full payment of all charges for services or expenses of every character on account of this undertaking, each depositor shall, when he exchanges his trust certificate for the new securities, pay to the depositary, for account of the Bondholders' Committee, three and one-half (3½) per centum in cash, of the par value of such new securities obtained from Virginia in settlement.

SEVENTH.—Any depositary whenever directed by the Bondholders' Committee, may surrender any obligation deposited under this agreement to the holder of its corresponding certificate.

Any obligation may be withdrawn from a depositary at any time after December 31, 1891, unless the depositing creditors have accepted a proposed settlement, or unless a proposed settlement is pending for their acceptance; provided the corresponding certificate is surrendered, and provided, also, the holder pays the depositary, as his share of disbursements in having the debt deposited, a sum not exceeding one-fourth of one per centum of the par value (exclusive of any forfeited interest) of the obligation so withdrawn.

EIGHTH.—Any obligation shall, upon the request of the certificate holder, and at his expense, be transferred from one depositary to another depositary acting under this agreement.

NINTH.—Full power is hereby invested in the Bondholders' Committee to perform any act necessary or proper for the surrender by the depositaries, to the State of Virginia, of all or any obligation deposited in pursuance of a settlement which has been approved by the Advisory Board, and accepted by any class or all of the creditors as aforesaid.

TENTH.—For the purposes of this agreement the debt is considered as divided into four classes, to-wit:

First-class, "Old Bonds," to include all securities issued under acts passed previous to the Funding bill of 1871, "Pealers," to include all securities issued under the act of March 30, 1871, as amended by the act of March 7, 1872.

Second-class, "Consols," to include all securities issued under act of March 30, 1871, with July, 1890, and subsequent coupons attached.

Third-class, "Ten-Forties," to include all securities issued under the act of March 28, 1879, with July, 1890, and subsequent coupons attached.

Fourth-class, Tax receivable coupons prior to July, 1890.

In Testimony Whereof, The Bondholders' Committee have affixed their signatures hereto, duly attested, this 12th day of May, 1890.

FREDERIC P. OLCOTT,
CHARLES D. DICKEY, JR.,
WILLIAM L. BULL,
HUGH R. GARDEN,
HENRY BUDGE,
JOHN GILL.
Bondholders' Committee.

PLAN AND PROPOSITION FOR THE ADJUSTMENT OF THE DEBT OF VIRGINIA.

NEW YORK, NOVEMBER 28, 1890.

Hon. GROVER CLEVELAND, *Hon.* THOMAS F. BAYARD, *Hon.* EDWARD J. PHELPS,
MR. GEORGE S. COE, MR. GEORGE G. WILLIAMS,
Advisory Board for the Creditors of Virginia:

The undersigned, Bondholders' Committee, beg to inform you that they have brought about a deposit of the obligations of Virginia as required by article "second" of the agreement dated May 12, 1890, between the committee and such creditors of Virginia as should deposit their obligations thereunder.

A history of the bonds has been published by the committee, and was, with a copy of the agreement, placed in your hands at the time you accepted the function of an Advisory Board.

It is, therefore, unnecessary to restate the various attempts during the past twenty-five years to reorganize this debt, and which have resulted in the issue of the several classes of bonds.

We call your attention to article "first" of said agreement, which is substantially the language used in your letter of acceptance, viz:

"The duty and function of said Advisory Board is to examine such plans or propositions of adjustment, as may be formulated and proposed by the Bondholders' Committee representing the holders of the obligations of Virginia, which shall be submitted to it in accordance with the terms of this agreement, and to state its approval and recommendation or the contrary."

We also call your attention to article "fourth" wherein it is "provided, that no settlement can be concluded until it has been previously unanimously approved and recommended by the Advisory Board, and has also been submitted to the creditors, and accepted."

The duties of this committee, under the agreement, are:

1. To bring about a deposit of the obligations of Virginia, so far as possible.
2. To formulate a plan of settlement.
3. To submit such plan to the Advisory Board for its approval and recommendation.
4. To submit such plan, so recommended, to the depositing creditors for their acceptance.
5. To submit such plan, when accepted by the creditors, to Virginia for acceptance.
6. To surrender to Virginia the deposited obligations in exchange for the amount to be received for them.
7. To distribute the proceeds among the depositing creditors.

The committee has performed the first and second duties.

The third duty is the subject of this communication.

THE AMOUNT TO BE DEMANDED AND THE FORM OF PAYMENT.

The State is a sovereign power.

This committee represents the creditors of Virginia, and is in possession of substantially all of its bonds owned by the public.

On the fifth day of March, 1890, the State of Virginia appointed a Commission:

1. To receive proposals for funding the whole debt of Virginia upon the principles set out in the act of February 14th, 1882: provided, however, that no proposal shall be entertained, which is not supported by a deposit in cash of not less than one million dollars, in such depositary as said Commission may designate, to insure the faithful performance of the proposal, if accepted and ratified, as hereinafter set forth.

2. To agree, subject to ratification by the General Assembly of Virginia, upon the terms of a contract with any parties offering a proposal to fund the entire debt of Virginia upon the conditions aforesaid: provided, however, that no proposal shall be entertained which departs from the act of February 14, 1882, save and except that said proposal may provide another plan for a sinking fund, not less favorable to the State than the present, or a lower rate of interest, or a longer period for the maturing of the principal, and that it be expressly declared that the principal of the debt held by the schools and colleges of Virginia at present shall not be affected, but that said bonds so held shall, if sold or transferred by said schools or colleges, be in all respects subject to said act of February 14, 1882.

The powers of the Commission are restricted to a settlement upon the principles of the act of 1882.

The essential principle of that act is, that the amount of the debt shall be ascertained by stating an equitable account between the State and its creditors.

Such an account, correctly stated, as of this date, would find an amount due to the creditors much larger than the amount on which Virginia can, at present, pay three per cent. interest.*

It would increase the losses of the creditors, already too heavy, if any settlement be made which (being beyond the ability of the State) would presently result in a default of the interest. The solution, therefore, of the problem before the Committee depends, not on ascertaining the amount actually due, but on ascertaining the maximum amount of annual revenue which may be safely relied on for the payment of interest.

The subject for negotiation, therefore, between the Bondholders' Committee and the State Commission is narrowed to two questions: What can the State afford to pay? and what can the creditors afford to accept?

The Bondholders' Committee is called upon to submit to the Commission a proposal. This proposal involves the authority to surrender the bonds if the proposal is accepted. In this case a proposal cannot be submitted without negotiation with the Commission upon the following points:

1. The proportion which the debt deposited with the committee bears to the entire unsettled debt in the hands of the public.
2. The net revenue applicable thereto under the present system of collections and disbursements.
3. The increase in such amount which may be ascertained by eliminating certain items of expenditure not apparently necessary.
4. The increase in such amount which may be ascertained through new subjects of taxation.
5. The increase in such amount which may be ascertained by appropriating certain assets held by the State, in the opinion of the committee, applicable thereto.
6. The settlement, by compromise or otherwise, if found necessary, of the judgments (about three thousand in number) against tax-payers who have tendered coupons.
7. The character of the new bonds, especially with respect to exemption from local taxation, and an advance in the rate of interest based on the increasing prosperity of the State.
8. The surrender to Virginia, as an entirety, of the obligations deposited in exchange for such gross amount of new bonds, or their equivalent, as may be agreed upon.

To state an amount and fix the terms arbitrarily in advance of such negotiations would be fatal to a settlement.

To meet the Commission without authority, to submit proposals at the close of the conference and negotiation, will be equally fatal.

THE DISTRIBUTION.

The distribution of the proceeds of settlement is a matter for the creditors to arrange among themselves. It does not concern the State how the creditors divide among themselves the proceeds of a settlement; and the negotiation should not be embarrassed by a discussion in the Legislature of questions which concern the creditors only, and which can best be decided by the creditors themselves after a compromise has been effected with the State.

CONCLUSION.

This Committee, after full consideration of the claims by the holders of the various obligations of Virginia, and of the circumstances under which the several classes of obligations were issued; after full consideration of the principles upon which the State, in the exercise of sovereign rights, declares shall govern the statement of the amount of its indebtedness and the amount applicable to the payment of interest, has formulated, and now presents for your approval and recommendation the following

PLAN FOR THE ADJUSTMENT OF THE DEBT OF VIRGINIA.

First: The Bondholders' Committee shall, in carrying out the purposes of the Agreement, dated May 12, 1890, surrender to Virginia all the obligations deposited under the aforesaid agreement, and receive in full satisfaction therefor such an amount of new bonds as may be agreed upon between the said committee and the representatives of the State, as the maximum amount upon which the State is able to appropriate an amount annually for the payment of interest; which amount shall not be less than the sum agreed upon as a minimum by the Bondholders' Committee and approved by the Advisory Board.

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* See report of the First Auditor for the year 1889.

Provided, that a settlement shall not be concluded unless the committee be unanimous in its agreement as to such maximum amount.

Second: The new bonds to bear such rate of interest and to have such exemptions and to be of such character as the representatives of Virginia and the committee consider best calculated to give them the standing they will deserve in the money markets of the world.

Third: The distribution of the new securities among the depositing creditors shall be adjusted by a Commission to consist of Mr. S. N. Braithwaite, appointed by the Virginia Committee in London; Mr. John Henry Daniell, appointed by the Advisors in London, and Mr. Edward J. Phelps, appointed by the Bondholders' Committee. Any vacancy in said Commission shall be filled by the party appointing respectively.

Fourth: This plan and proposition shall include the right of the Bondholders' Committee, as agent for the depositing creditors, to settle pending suits and judgments against tax-payers who have tendered coupons for taxes and to receive and deliver to the State as part of the outstanding debt the coupons involved.

We have the honor to be
Your obedient servants,

FREDERIC P. OLCOTT,
CHAS. D. DICKEY, JR.,
WM. L. BULL,
HUGH R. GARDEN,
HENRY BUDGE,
JOHN GILL,
Bondholders' Committee.

The foregoing plan for the adjustment of the debt of Virginia was, by resolution under date of December 10th, 1890, unanimously approved and recommended for adoption to the holders of the bonds of Virginia, who have or shall become parties to the agreement of May 12th, 1890, by the Advisory Board, consisting of

GROVER CLEVELAND.
EDWARD J. PHELPS,
THOMAS F. BAYARD,
GEORGE S. COE,
GEORGE G. WILLIAMS.

THE VIRGINIA DEBT SETTLEMENT.

NOTICE.

The Bondholders' Committee has formulated a plan of settlement for the debt of Virginia, and the same has been unanimously approved and recommended by the Advisory Board, consisting of: Hon. Grover Cleveland, Hon. Thomas F. Bayard, Hon. Edward J. Phelps, Mr. Geo. S. Coe, Mr. George G. Williams.

Notice is hereby given to parties in interest, that copies of such proposed plan of settlement can be obtained on and after Monday, Dec. 29, 1890, without cost, at The Central Trust Company, of New York, 54 Wall street, New York city; Brown, Shipley & Company, Founders' Court, London, E. C., England; The Mercantile Trust and Deposit Company of Baltimore, Baltimore, Maryland; The Planters' National Bank of Richmond, Richmond, Virginia.

FREDERIC P. OLCOTT,
CHARLES D. DICKEY, JR.,
WILLIAM L. BULL,
HUGH R. GARDEN,
HENRY BUDGE,
JOHN GILL,
Bondholders' Committee.

G. S. ELLIS, *Secretary of Committee, 54 Wall street.*

NEW YORK, DECEMBER 24, 1890.

Notice is hereby given that on and after January 1st, 1891, the depositaries, acting under the agreement for the settlement of the Virginia debt, dated May 12th, 1890, will not receive any further deposit of Virginia bonds and coupons, except under special contract with this committee.

By order of the committee,

FREDERIC P. OLCOTT,
Chairman.

After the reading of the foregoing communication and accompanying papers, and hearing the remarks in support thereof by Mr. Charles D. Dickey, Jr., a recess was taken by the Commission until 3:45 o'clock, P. M.

At 3:45 o'clock P. M. the Commission re-assembled and declined to entertain the proposition contained in said communication dated New York, June 2, 1891, and directed Governor P. W. McKinney, chairman, to forward the following letter in reply, to the address of the Bondholders' Committee, New York:

COMMONWEALTH OF VIRGINIA,
GOVERNOR'S OFFICE,
RICHMOND, VA., *June 3, 1891.*

To Messrs. FREDERIC P. OLCOTT, HENRY BUDGE, HUGH R. GARDEN,
WILLIAM L. BULL, CHARLES D. DICKEY, JR., JOHN GILL,
Constituting Bondholders' Committee:

GENTLEMEN:

The paper submitted by you to the Virginia Commission on yesterday, sets forth that you have under your control $23,000,000 of the outstanding unsettled obligations of the State (that is, obligations other than those already issued under the Riddleberger bill), and you propose that such outstanding unsettled obligations be recast upon a basis which would require an annual interest charge of $600,000, should the whole amount thereof (estimated by you at $28,000,000, exclusive of obligations held by colleges) be recast upon that basis, in addition to the annual payment of interest required under existing laws.

The Virginia Commission feels constrained to decline to entertain said proposal, or to enter into a contract with the Bondholders' Committee on the basis thereof. The interest charge required by said proposal largely exceeds the amount which would be payable on such unsettled obligations were the same funded in accordance with the principles of the Riddleberger bill.

But apart from this consideration, and in addition thereto, is the fact that the interest charge contemplated by your proposal, exceeds the amount the State is able to pay, after discharging its constitutional obligations and providing other necessary expenses. The Virginia Commission concurs fully in the correctness of the statements made by the Auditor, which have been before you, showing the receipts and disbursements of the State, and the net balance of revenues applicable to the service of the unsettled outstanding obligations.

From this statement it appears that the revenues from taxtion which during the next five years at least, will be available for the service of the unsettled outstanding debt, will not exceed $300,000 per annum. To this may be added, probably the amount of $30,000 per annum received by the State from stock in the R., F. & P. R. R., making the total amount of current income annually available to meet interest on the unsettled debt after reserving an amount sufficient to pay interest on Riddleberger bonds which are outstanding and cannot be cancelled, about $330,000.

It is proper to advert briefly to the principal items composing the aggregate amount of disbursements as given by the statement referred to.

The sum of $610,809, it will be noted, is appropriated to expenses of government, and we confidently challenge criticism of any of the items composing it. The salaries of the State officials, especially of its judges, are believed to be far below those paid officers of equal dignity and responsibility in other States.

The annuities to the eleemosynary institutions, including the pittance of $10,000 to the Soldiers' Home, amount to $326,000. Most of this goes to the insane asylums, and yet it is a well-known fact that their accommodations and facilities are largely inadequate to meet the demands upon them. There are to-day confined in the jails of many of the counties, insane patients for whom there is no room in the asylums. The increase (of insanity in the colored race since emancipation, and the very decided increase) in the ratio of colored insane from year to year, is one of the most alarming problems that confronts the Commonwealth. The same remarks are applicable to the criminal charges of the State, which in spite of all efforts to the contrary have for a number of years been steadily increasing in the aggregate.

Both insanity and crime are to a large extent coupled with, and it may be said attributable to ignorance; especially among a race long accustomed to, but now emancipated from the control and restraints incident to a state of slavery. The danger to the institutions of the State, resulting from the sudden enfranchisement of the colored race, not only devoid of education, but without the means of educating their children, has forced the State as a mere matter of public safety, to

make the best provision in its power for public education. To a very large extent the revenues provided for educational purposes are dedicated to that object by the constitution itself, and are beyond the powers of the Legislature; and whatever amount in addition thereto, is devoted to the same end is absolutely necessary to maintain the common school system in its present condition of efficiency.

The experience of Virginia, in common with that of other States and countries where general common school education is part of the settled policy of the government, has been that higher institutions of learning within the State, and reasonably within the reach of the children of the masses, are necessary to maintain the efficiency of the common schools and preserve them in a course of constant improvement. For this reason the State makes certain appropriations to colleges in various parts of her territory. The propriety of these appropriations, it is believed, is nowhere questioned. In addition to these appropriations, a considerable amount is paid to various colleges in different sections of the State as interest on obligations of the State held by them. These obligations held by colleges were, for the most part, donated to them many years ago by philanthropic individuals for the purpose of advancing the cause of education. The policy of paying full interest upon these obligations is really the same which has actuated the State in making direct appropriations to the higher institutions of learning, and any diminution of the amount so paid would seriously impair the educational system of the State.

These considerations, among others, show the impossibility of curtailing any existing expenditures of the State, and the idea of increasing the revenues by taxation, is conceded on all hands to be impracticable. It is therefore manifest that any negotiations for recasting the unsettled obligations of the State, must proceed upon the basis of not exceeding $330,000, available annually from current revenues to meet interest thereon.

Aside from her current revenue, the State has no resources available for the service of the public debt except $216,358 50 realized from the sale of common stock of the Chesapeake and Ohio Railway Company and $467,800 of common stock and dividend obligations of the Richmond, Fredericksburg and Potomac Railroad Company.

It must be manifest to the Bondholders' Committee, as it is to this Commission, that these resources of the State are utterly inadequate to meet the interest charged under the proposal made by you.

The Virginia Commission must also express its dissent from most of the views and statements that are advanced by the Bondholders' Committee as preliminary to their proposal, especially the statement as to the amount that would be required by the Riddleberger bill for the payment of interest annually, but deem it unnecessary to discuss them controversally in this connection.

In conclusion, the Virginia Commission desires to say that a settlement of this matter is greatly to be desired on such basis as will guarantee stability, by being within the resources of the State, and the fixed opinions which public sentiment has formulated, and if the Bondholders' Committee feel inclined to so change their figures as to bring them within the lines above indicated and within the limits of the powers of negotiation conferred on this Commission by the legislative resolution under which it exists, they will be glad to continue these negotiations.

P. W. McKINNEY,
J. HOGE TYLER,
R. H. CARDWELL,
TAYLOR BERRY,
H. T. WICKHAM,
W. D. DABNEY,
ROBERT H. TYLER,
Virginia Commission.

By P. C. WARWICK, *Secretary.*

On motion,

The Commission adjourned to re-assemble upon the call of the Governor, P. W. McKinney, Chairman of the Commission.

TUESDAY, NOVEMBER 17, 1891.

The Virginia Commission, in pursuance of the call of Governor P. W. McKinney, Chairman, re-assembled at the Governor's office 12:30 o'clock, P. M.

Present: Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

Governor P. W. McKinney, Chairman, submitted to the Commission the correspondence between the Bondholders' Committee and himself, namely:

Communication dated New York, August 11th, 1891, from the Bondholders' Committee.

Communication dated Richmond, September 25th, 1891, from Governor P. W. McKinney, Chairman.

Communication dated New York, October 28th, 1891, from the Bondholders' Committee.

Communication dated Richmond, November 10th, 1891, to the Bondholders' Committee.

On motion,

The correspondence submitted by the chairman, was read by the secretary as follows:

CENTRAL TRUST COMPANY, OF NEW YORK,
54 WALL STREET, *August 11, 1891.*

To the Hons. PHILIP W. MCKINNEY, TAYLOR BERRY, J. HOGE TYLER,
R. H. CARDWELL, H. T. WICKHAM, W. D. DABNEY, and R. H. TYLER,
Virginia Commission:

GENTLEMEN:

We beg to acknowledge the receipt of your communication of June 3d (forwarded from Richmond on the 11th) in reply to our proposal submitted to you on June 2d for the settlement of the debt of Virginia.

We regret that you have felt constrained, for the reasons assigned, to decline to entertain the proposition to fund the unsettled debt upon a basis which would yield to the creditors $20,000,000 in a new three per cent. bond for the $28,000,000 outstanding on the 1st July, 1891. We understand from your reply that you are of opinion—

First. That the interest charge required by our proposal "exceeds the amount which would be payable on such unsettled obligations were the same funded in accordance with the principles of the Riddleberger bill."

Second. That the interest charge contemplated by our proposal "exceeds the amount the State is able to pay after discharging its constitutional obligations and providing other necessary expenses."

Respecting the first, we respectfully submit the joint resolution of the Legislature of 1890 ("appointing a Commission to receive proposals for funding the debt on the principles of the Riddleberger bill") was construed to mean that a settlement would be had if the bonds were tendered on that basis. This construction rested upon the following facts: The message from the Governor of Virginia to the General Assembly in February, 1890, recommending the appointment of a debt commission; the joint resolution of the General Assembly, passed March, 1890, adopting the recommendation of the Governor, and appointing your Commission; the agreement between the Bondholders' Committee and the bondholders, dated 12th day of May, 1890, under which this committee is empowered to meet your Commission upon that common ground—namely, the principles of the Riddleberger bill, and to submit to you a proposition within the terms of the said joint resolution.

For this reason it appeared to be our first duty to ascertain, substantially, the amount which would be due by the State, as of this date, under the principles of the Riddleberger bill, upon its

unsettled obligations in the hands of the public. In making certain investigations necessary to this end (based upon the official records of the State) we became convinced that those principles carried into effect would yield to the bondholders more than the amount asked for.

Respecting the second objection to our proposition, namely, that the interest charge contemplated by our proposal exceeds the amount the State is able to pay after discharging its constitutional obligations:

In submitting our proposition, we were governed by the fact that the amount provided by the Riddleberger bill to be applied to the payment of interest was ascertained and set apart (in the words of the act) out of "the net revenue of the State, remaining and so derived, after providing for the proper and gradual liquidation of the balance of moneys heretofore diverted from the public Free School fund, after liquidating gradually the arrearages to the Literary fund, and leaving some small margin for the immediate and subsequent exigencies which are, and are likely to be, demanded by the public welfare, notably in respect to humane institutions, now inadequate to the proper accommodation of that unfortunate class of every population."

We have been informed that, taxable values having increased ninety-one million dollars since the passage of the Riddleberger bill, the revenue has not decreased notwithstanding the fact that the tax rate has been reduced since that date from fifty to forty cents on the hundred dollars.

We have also been informed that, while a portion of the revenue, collected since 1882, for the payment of interest, has been used for other purposes, a considerable part of it has been invested by the State in Riddleberger bonds, amounting to about $2,500,000, now held in trust as applicable to interest under legislative enactment, which provided that "the bonds so purchased shall be held as a security for the payment of the interest on the public debt of the State as it shall or may have accrued when funded under the act aforesaid, and the same may be re-sold when necessary by the said Commissioners, and the proceeds of such resale be so used whenever the finances of the State may so require: provided that said Commissioners may in their discretion from time to time, when money is required to pay the interest upon the debt aforesaid, borrow money upon temporary loans for such purposes, and deposit such bonds as they may have acquired under this act as collateral security for such temporary loan." These circumstances, strengthened by the appointment of your commission, led us to assume that the ability of the State had not been impaired, and that the interest charge proposed by us did not exceed that ability as measured by the principles of the act of 1882.

We have carefully considered the statement of the Commission as to the amount which may be applied to interest out of the current revenue, but we have such confidence in the future prosperity of Virginia, if a settlement be now made, that we feel assured before the expiration of five years, the revenue applicable to interest on the bonds which may be issued to compromise the unsettled debt, will far exceed all possible charges, and from the foregoing statement, it appears that any deficiency occurring within the five years (by reason of present demands for other purposes) may be met by applying, from time to time, so much as may be required, either of the trust funds mentioned, held as security for that purpose, or the other assets mentioned by the Commission, aggregating in bonds, cash, and stock, more than $3,300,000.

These facts appear to us to warrant the conclusion that our proposition was within the principles of the Riddleberger bill, and also within the ability of the State; but in view of your communication, and endeavoring so far as our obligations to the bondholders will permit, to meet the view of the Commission, we are now prepared and respectfully ask to amend our proposition submitted on June 2d, as follows, to-wit:

The committee proposes to surrender as of July 1st, 1891, not less than $23,000,000 (principal and interest) for such a proportion of $19,000,000 of new three per cent. bonds as the amount surrendered bears to $28,000,000.

In all other respects the proposition to remain as stated in our communication of June 2d, 1891.

Awaiting the favor of your early reply,

We have the honor to be,

Your obedient servants,

FREDERIC P. OLCOTT,
HENRY BUDGE,
HUGH R. GARDEN,
WILLIAM L. BULL,
CHARLES D. DICKEY, JR.,
JOHN GILL,

By F. P. OLCOTT, *Chairman,*
Bondholders' Committee.

G. S. ELLIS, *Secretary.*

GOVERNOR'S OFFICE,
RICHMOND, VA., *Sept. 25, 1891.*

To Messrs. FREDERIC P. OLCOTT, CHARLES D. DICKEY, JR., WILLIAM L. BULL,
HUGH R. GARDEN, HENRY BUDGE, JOHN GILL,
Bondholders' Committee, New York:

GENTLEMEN:

Your communication of date the 11th ultimo, was delivered to me by your counsel Colonel W. W. Gordon, on my return to the city after a protracted absence, on the 8th instant. I in an informal letter to Colonel Gordon, acknowledged its receipt.

Since that time I have given the matter most careful consideration, and have conferred with some of our prominent public men, who like myself, most earnestly desire to reach through the agency and co-operation of the New York Committee, a final and satisfactory settlement of our public debt. My conclusion is that the conditions just now existing in Virginia are not favorable to a successful termination of the negotiations if immediately proceeded with further. The members of the Virginia Commission live in remotely different sections of the State, and with scarcely an exception, are actively engaged either as candidates for re-election, or as public speakers in the canvas preliminary to the legislative election, to be held on the 3d day of November. Under these circumstances it would be inconvenient to convene the members of the Virginia Commission here now, and when convened difficult to get their deliberate, patient and continuous attention to so important a problem as the just and satisfactory settlement of our public debt. My earnest desire that the negotiations which have been commenced may prove successful, and my strong conviction that it would, for the reasons above given and for many other reasons, be best for the negotiations not to be now proceeded with further, but simply be held in abeyance till after the election, induces me to suggest that the Virginia Commission shall not be convened to answer your communication till after that time.

Feeling anxious that the future steps in the premises may be taken under the most favorable condition for the attainment of the end as earnestly desired by you as well as by myself, I make this suggestion for your consideration, and will be glad to have a candid expression of your views in the premises before any further action is taken.

I have the honor to be,
Your obedient servant,

P. W. McKINNEY,
Chairman.

NEW YORK, OCTOBER 28, 1891.

Honorable P. W. McKINNEY, *Governor of Virginia,*
Chairman of the Virginia Debt Commission:

DEAR SIR:

In the absence from the city of the other members of the Bondholders' Committee, Mr. Garden acknowledged through Colonel Gordon, the receipt of your letter of the 25th ultimo.

Appreciating the importance of your suggestion, that the Virginia Commission should not be convened to consider and answer our communication of August 11th, until after the legislative election to be held on the 3d of November, and cordially reciprocating your earnest desire to reach a settlement of the public debt, we beg to convey to you our entire concurrence with the views expressed in your letter.

Looking to that clause of the agreement of May 12, 1890, under which the obligations of Virginia are deposited, wherein provision is made for the withdrawal of the bonds, in the event of a failure to come to a satisfactory adjustment on or before December 31, 1891, may we suggest the propriety of convening your Commission at such early date as may be practicable, and, if possible, not later than the 15th of November, at which time, should it be necessary, we will hold ourselves in readiness to wait upon the Commission at Richmond to discuss any matter of detail involved in our proposition.

We are respectfully,
Your obedient servants,

FREDERIC P. OLCOTT,
WILLIAM L. BULL,
HENRY BUDGE,
CHARLES D. DICKEY, JR.,
HUGH R. GARDEN,
JOHN GILL,
Bondholders' Committee.

By G. S. ELLIS, *Secretary.*

GOVERNOR'S OFFICE,
RICHMOND, VA., *November 10, 1891.*

To Messrs. FREDERIC P. OLCOTT, HUGH R. GARDEN, HENRY BUDGE,
CHARLES D. DICKEY, JR., WILLIAM L. BULL, and JOHN GILL,
Bondholders' Committee, New York:

GENTLEMEN:

The Governor, as chairman of the Virginia Commission, has convened them at his office, in Richmond, at 10 o'clock A. M. on Tuesday, November 17th. The Governor directs me to inform your Committee of the above meeting of the Commission, and to cordially invite each one of you gentlemen to be present, as he thinks the meeting will be of the greatest importance.

I have the honor to be,
Your obedient servant,
P. C. WARWICK, *Secretary.*

Whereupon,
The Commission, after discussion, adopted the following resolutions:

Resolved, That it is the sense of the Commission that it cannot entertain the proposition communicated from the Bondholders' Committee, under date of August 11th, 1891, for the reasons stated in the communication from the Commission, under date of June 3d, 1891.

Resolved 2d, That the chairman of the Commission be authorized to communicate the foregoing resolution to the said Bondholders' Committee at once, and to say that if the said committee desires to make any further communication to the Commission, the Commission will be pleased to receive the same.

By invitation, the Bondholders' Committee—namely, Messrs. F. P. Olcott, chairman, William L. Bull, Hugh R. Garden, John Gill, and G. S. Ellis, secretary, appeared before the Commission, and were informed by the chairman of the Commission that the proposition contained in their letter dated New York, August 11, 1891, could not be accepted by the Commission, and communicated to the Bondholders' Committee the foregoing resolutions.

After a conference, and at the request of the Bondholders' Committee, a sub-committee of two, consisting of Senator Taylor Berry and Delegate W. D. Dabney, on the part of the Commission, were appointed to confer with a like committee from the Bondholders' Committee to ascertain and report what basis of settlement could be arrived at.

On motion,
The Commission adjourned to meet at the Governor's office on Wednesday at 10 o'clock A. M. November 18, 1891.

WEDNESDAY, NOVEMBER 18, 1891.

The Commission met at the Governor's office at 10 o'clock A. M. pursuant to adjournment.

Present: Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

On motion,
Senator Taylor Berry and Delegate W. D. Dabney submitted to the Commission the following report from the sub-committee, which was read by the secretary:

RICHMOND, VA., NOVEMBER 17, 1891.

To Governor P. W. MCKINNEY, *Chairman:*

Your sub-committee, in pursuance of the foregoing, consulted together as to the amount due under the Riddleberger bill. Any one who has studied this question will of course realize that a variety of opinions are, and well may be, entertained concerning it. Two aspects of the question, however, present themselves conspicuously. One may be called the popular, the other the legal view. By the latter is meant the view taken by Judge Hughes in the Faure case, the only case, so far as we know, where the amount fundable under the Riddleberger bill has been the subject of judicial determination. By the former is meant the general opinion entertained by the public that the funding under the Riddleberger act was to be fully accomplished by July, 1882. Had the funding been fully accomplished as of that date, the creditors would have been receiving three per cent. interest on the amount funded from that date till the present time. To a large extent, however, the securities fundable as of that date still remain unfunded. Assuming these still unfunded securities to have been funded as of that date, and calculating interest of three per cent. on the fundable value down to January, 1892, the total amount of principal and interest, which, according to what we call the popular view, would be about $16,500,000. Under what we have called the legal view, on the other hand, interest accruing at any time after July, 1882, is fundable at par, and the amount thus arrived at would be, in the legal view, as we have called it, about $19,500,000. Of course, this applies only to what is still unfunded under the Riddleberger bill, and not held by schools and colleges. The mean between these two views would give an amount of $18,500,000. By our first calculation, we thought this amount would be about $17,500,000, and so represented to the sub-committee of the bondholders. We had much discussion with that committee, showing them our figures, and assuring them that we knew of no certain income that we could rely on to meet interest on the new amount if funded beyond that already exhibited to them.

The best we could get the bondholders' sub-committee to suggest, was $18,000,000 at three per cent. for one hundred years, or $19,000,000 at two per cent. for five years, two and a half per cent. for five years, and three per cent. for ninety years.

In reply to this, we again reminded the gentlemen of the practical difficulty of making the interest charge out of our revenues, and said that we must report to our full committee, and advise as to the means of meeting interest charges before proceeding further. So, without any definite action, we adjourned, and now submit this as our report.

TAYLOR BERRY,
W. D. DABNEY.

The Commission after deliberate and careful consideration of the sub-committee's report, on motion, adopted the following resolution, and communicated it to the Bondholders' Committee:

Resolved, That the Commission is willing to report to the Legislature, recommending a settlement of such of the obligations of the State referred to in the Riddleberger bill now outstanding in the hands of the public, as have not yet been funded under that bill, so that the whole amount which may be yielded under such settlement shall not exceed $18,000,000. Bonds to be issued bearing interest at 2 per cent. for ten years and 3 per cent. for ninety years; such bonds are not to have tax-receivable feature attached to interest obligations. Such new bonds to be exchanged for the obligations now held by the New York committee in the proportion of 18 to 28. It being understood as the basis of this resolution, that the New York committee now holds $23,000,000 of obligations, and it being further understood that the new issue proposed shall in no case exceed $18,000,000. This excludes obligations held by schools and colleges. The ratio of exchange here suggested would give to the New York committee in exchange for the $23,000,000 held by them, the face amount of $14,785,700 in the new bonds.

Shortly thereafter, Mr. F. P. Olcott, chairman of the Bondholders' Committee, appeared before the Commission and made thereto the following reply:

RICHMOND, VA., NOVEMBER 18, 1891.

To the Governor of Virginia
and Members of the Debt Commission:

GENTLEMEN:

We beg to acknowledge the receipt of the resolution passed at your meeting to-day, which, as we have stated to you, we will make known to our depositing security owners, but without our recommendation.

After the discussion with your sub-committee last evening, it hardly seems necessary to state at length our reasons for withholding our recommendation.

We will, however, cheerfully recommend either of the following propositions:

A three per cent. one hundred year bond, similar in form and feature to the Riddleberger bond, for $18,000,000; or a bond similar in form and feature to the Riddleberger bonds, for $19,000,000, at one hundred years, the first five years interest to run at two per cent., and next five years at two and a half per cent.; the balance of the term three per cent.

I am gentlemen, with great respect,
Your obedient servant,

F. P. OLCOTT, *Chairman.*

On motion,

The Commission adjourned to meet at the Governor's office at 10 o'clock, A. M. Thursday, November 19, 1891.

THURSDAY, NOVEMBER 19, 1891.

The Commission met at the Governor's office at 12 o'clock M. pursuant to adjournment.

Present: Governor P. W. McKinney, chairman, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

After full discussion, on motion,

The Commission finally decided to submit the following communication to the Bondholders' Committee:

GOVERNOR'S OFFICE,
RICHMOND, VA., *November 18th, 1891.*

To FREDERIC P. OLCOTT, *Chairman*, WILLIAM L. BULL, CHARLES D. DICKEY, JR.,
HENRY BUDGE, JOHN GILL, HUGH R. GARDEN,
Committee:

GENTLEMEN:

On yesterday you submitted to the Virginia Commission a proposition to settle the obligations of Virginia, mentioned in the Riddleberger bill (not heretofore funded under that bill, and now outstanding, in the hands of the public, but not including bonds held by schools and colleges,) on one of the two following bases, viz.: An issue of $18,000,000 of bonds, as one alternative, and of $19,000,000 as the other, in lieu of the outstanding obligations aforesaid. Your proposition was that the $18,000,000 bonds, if issued, should run for 100 years, bearing three per cent. the entire period, and that the $19,000,000 bonds, if issued, should run for 100 years, bearing two per cent. for five years, two and a half per cent. for five years, and three per cent. for the remaining ninety years. You further suggested that the proposed new bonds, and the interest obligations on them, should in either case conform in their general character to those issued under the Riddleberger bill.

We have carefully considered your propositions, and are constrained to say that apart from other objections thereto, which occur to some or all of us, we fear that the State would be financially unable to meet a settlement in accordance with either of them. It is, of course, conceded on all hands, that a settlement which cannot be met would be worse than no settlement at all.

Upon reflection, however, the Virginia Commission has come to the conclusion that there are certain sources of revenues which the State may avail herself of without increasing taxes; the additional income to be derived from these sources will perhaps not amount to very much, but the Virginia Commission hopes they may be utilized for the purpose of accomplishing a final settlement of this much vexed question. It is a now recognized fact, too, that the large business inter-

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NOTE.—Communication dated November 18th should have been dated November 19th.

ests of the State—among which may be mentioned the railroad companies—in their anxiety for a final settlement, and looking to the general increase of credit and prosperity to result therefrom, have evinced a willingness to respond to such public demands as may fairly be made upon them for the attainment of the object in view.

This Commission will therefore make to the Legislature a favorable report upon your $19,000,000 proposition, if the same be modified as follows: that is to say, we will recommend a proposition to issue a maximum amount of $19,000,000 of bonds to be exchanged for the outstanding obligations of the State mentioned in the Riddleberger act (other than those held by schools and colleges), now in the hands of the public, but not including bonds already funded under that act. Such new bonds to run for one hundred years, and to bear two per cent. interest for ten years and three per cent. for ninety years. The bonds and interest obligations shall be of the same general character as those provided by the Riddleberger bill, and it is distinctly understood that the coupons or other interest obligations are not to be receivable for taxes.

The proposed new bonds shall be exchangeable for the outstanding obligations aforesaid in the proportion of 19 of the former for 28 of the latter.

This recommendation is of course to be made conditional on the understanding that your committee holds and has the authority to exchange the obligations mentioned in your previous communications to us, amounting to at least twenty-three millions of dollars.

P. W. McKINNEY,
J. HOGE TYLER,
R. H. CARDWELL,
TAYLOR BERRY,
H. T. WICKHAM,
W. D. DABNEY,
ROBERT H. TYLER.

P. C. WARWICK, *Secretary.*

The Bondholders' Committee appeared before the Commission and submitted an amended proposition through Mr. F. P. Olcott, chairman, and Mr. Hugh R. Garden, as follows:

RICHMOND, VA., NOVEMBER 19, 1891.

To the Governor of the State of Virginia
and the Members of the Debt Commission:

GENTLEMEN:

We acknowledge the receipt to-day of your communication dated the 18th instant.

Our understanding of your communication is that if we will amend our proposition on the following basis, it will be unanimously adopted by your Commission, viz: that there be an issue of $19,000,000 of bonds, having one hundred years to run, bearing interest at two per cent. per annum for ten years, and three per cent. for the remaining ninety years, and that the new bonds issued are to conform in their general character to those issued under the Riddleberger bill.

We represent over $23,000,000—out of $28,000,000—of debt stated by you as outstanding (excluding bonds held by the United States and the schools and colleges of the State).

We therefore understand that under such amended proposition we should receive $19,000 of new bonds for every $28,000 of old indebtedness surrendered.

It may go without saying, that we are to receive for the West Virginia portion of the "old bonds" and interest thereon, similar certificates to those issued by the State under the Riddleberger bill.

We beg to say that the proposition submitted by us, as amended by you, will go to our constituents with our cheerful recommendation.

New bonds to bear interest from July 1, 1891.

We desire now to acknowledge the uninterrupted courtesy of your Commission during these protracted and delicate negotiations, and if in discussing these questions, any abruptness has been shown, we trust that your honorable body will not attribute it to a want of appreciation of the courtesy which has at all times been extended to us.

We are, gentlemen,
Your obedient servants,

F. P. OLCOTT,
HUGH R. GARDEN,
For the Virginia Bondholders' Committee.

This closed to date the negotiations between the Bondholders' Committee and the Commission on the part of the State.

On motion,

The Commission then ordered the seal of confidence to be removed and adjourned subject to call by the Chairman.

SATURDAY, DECEMBER 19, 1891.

The Commission, in pursuance of the call of Governor P. W. McKinney, Chairman, re-assembled at the Governor's office at 10 o'clock A. M.

Present: Governor P. W. McKinney, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, Delegates W. D. Dabney and Robert H. Tyler.

Governor P. W. McKinney, Chairman, submitted to the Commission the following letter from himself to the Bondholders' Committee in response to an informal communication from them:

COMMONWEALTH OF VIRGINIA,
GOVERNOR'S OFFICE,
RICHMOND, VA., *November 30, 1891.*

DEAR SIR:

Yours of the 28th just received. I make haste to say that we are anxiously awaiting the action of the Bondholders' Committee. I will make no communication to the Legislature on the subject of the public debt until I hear from your Committee.

I am, very respectfully yours,

P. W. MCKINNEY,
Chairman.

To Mr. HUGH R. GARDEN,
For the Bondholders' Committee, New York.

The Governor informed the Commission that Colonel W. W. Gordon, counsel for the Bondholders' Committee, of New York, had received from Mr. Hugh R. Garden, representing the Bondholders' Committee, telegrams which he wished to read to the Commission.

On motion, Colonel W. W. Gordon was invited to appear before the Commission and read the telegrams as follows:

NEW YORK, DECEMBER 18, 1891.

To Colonel W. W. GORDON,
Richmond, Va.:

London accepts our proposition.

HUGH R. GARDEN.

NEW YORK, DECEMBER 18, 1891.

To Colonel W. W GORDON,
Richmond, Va.:

At meeting of Committee just adjourned (4:30 P. M.), it was deemed best to obtain complete details before going to Richmond; but I was instructed to notify the Virginia Commission officially that the recommendations of the Bondholders' Committee is approved by the London Advisers and accepted by a very large majority of the bondholders. I am further instructed to request that no

action be taken by the Commission until those details are received. Please convey this to Governor McKinney.

HUGH R. GARDEN.

On motion, the Commission adjourned to meet at the call of the Chairman.

FRIDAY, JANUARY 8, 1892.

The Commission, in pursuance to a call from Governor P. W. McKinney, chairman, re-assembled at the governor's office, at 10 o'clock, A. M.

Present: Governor P. W. McKinney, chairman, Lieutenant-Governor J. Hoge Tyler, Speaker R. H. Cardwell, Senators Taylor Berry and H. T. Wickham, and Delegates W. D. Dabney and Robert H. Tyler.

Governor P. W. McKinney, chairman, submitted to the Commission communications from Mr. Hugh R. Garden, representing the Bondholders' Committee, which were read as follows:

RICHMOND, VA., JANUARY 6, 1892.

To the Hon. PHILIP W. MCKINNEY, *Hon.* J. HOGE TYLER, *Hon.* HENRY T. WICKHAM,
Hon. TAYLOR BERRY, *Hon.* R. H. CARDWELL, *Hon.* W. D. DABNEY, *Hon.* R. H. TYLER,
Virginia Debt Commission:

GENTLEMEN:

I am authorized by Messrs. Frederick P. Olcott, William L. Bull, Henry Budge, Charles D. Dickey, Jr., John Gill, and Hugh R. Garden, constituting the Virginia Bondholders' Committee, to inform you that the plan of settlement recommended by them in accordance with the letter to your Commission dated the 19th of November, 1891, and signed by Messrs. Olcott and Garden for the committee, has been approved by the Advisory Board for the creditors, by the London Advisers, and by the bondholders. The committee will be pleased to co-operate in all measures found necessary to carry the agreement into effect.

I am, very respectfully,
For the Bondholders' Committee,

HUGH R. GARDEN.

RICHMOND, VA., JANUARY 7, 1892.

To the Hon. PHILIP W. MCKINNEY,
Chairman Virginia Debt Commission:

DEAR SIR:

On behalf of the Virginia Bondholders' Committee, I beg to inform you that the obligations of the State of Virginia, deposited with the committee, are approximately as follows, viz.:

"Old Bonds" and Peelers—Principal and Interest	$1,650,000
"Consols"—Principal	11,700,000
"Ten-Forties"—Principal	4,950,000
"Tax-receivable Coupons"	5,250,000

The books of the committee have not been closed, and it is expected that additional deposits will be made from time to time.

I am very respectfully,
For the Bondholders' Committee,

HUGH R. GARDEN.

A Statement showing the indebtedness of the State unfunded on October 1, 1891, excluding the bonds held by Schools and Colleges, and bonds with interest thereon held by the United States Government; also the several amounts reported by the Olcott Committee and balances unreported January 1, 1892.

	Old Bonds and Peelers, also Interest Thereon.	Principal of Consols.	Principal of 10-40's.	Tax-Receivable Coupons.	Totals.
Principal of old unfunded bonds	* 1,413,972 67				
Interest on old unfunded bonds	* 2,216,783 20				
Principal of peeler bonds	511,574 47				
Interest on peeler bonds	305,444 97				
Registered interest on 10-40 bonds	34,313 00				
Principal of consol bonds		12,927,871 90			
Principal of 10-40 bonds			5,651,700 00		
Consol tax-receivable coupons				5,686,368 00	
10-40 tax-receivable coupons				1,340,654 00	
Outstanding October 1, 1891	4,482,088 31	12,927,871 90	5,651,700 00	7,027,022 00	30,088,682 21
Reported as controlled by Olcott Committee	1,650,000 10	11,700,000 00	4,950,000 00	5,250,000 00	23,550,000 00
Outstanding and unreported January 1, 1892	$2,832,088 31	$1,227,871 90	$701,700 00	$1,777,022 00	6,538,682 21
One-third deducted for West Virginia's portion					1,210,251 96
					$5,328,430 25

*$1,210,251 96 of these amounts is chargeable to West Virginia.

The negotiations being concluded, the Commission then formulated their report and adjourned.

P. W. McKINNEY,
Chairman.

P. C. WARWICK, *Secretary.*