

9. The Atlantic and Yadkin Railway. 1899.

Line of Road.	Miles.
Sanford to Mt. Airy, N. C	130.95
	Miles
Branches: Gulf to Bluff Quarry.....	1.10
Climax to Ramseur	18.74
Greensboro to Proximity Mills	2.02
Stokesdale to Madison	11.39
Mt. Airy to Flat Rock	2.02
	35.27
Total mileage.....	166.22

OPENED FOR OPERATION:¹

Fayetteville to Cumnock.	1860
Cumnock to Gulf.	1879
Gulf to Greensboro	1884
Fayetteville to Bennettsville, S. C.	1884
Greensboro to Mt. Airy.....	1888
Fayetteville to Wilmington.	1890
Branches	1890

¹ This statement includes the 176 miles of line south and east of Sanford, N. C., which were built or acquired by the C. F. & Y. V., but are now the property of the Atlantic Coast Line Railroad Company.

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I

. **The Western Railroad Company.**

(a) Connecting the Cape Fear River at Fayetteville with the Egypt Coal Mines, 1852-1860.

The deposits of coal in that region of North Carolina which is watered by the Deep River had been in some measure exploited early in the present century, but the lack of adequate transportation retarded the development of the mines. When, therefore, the State of North Carolina began the construction of railroads, one of the routes selected was that which would connect this coal region with the navigable waters of the Cape Fear River. To this end a charter was granted in 1852 by an Act of North Carolina entitled:

“An Act to incorporate a company to construct a railroad from some point on the Cape Fear River at or near Fayetteville to some point in the coal regions hereafter to be determined.”

Ratified December 24, 1852. Laws of N. C. 1852, ch, 147 p. 560.

Which provided for the organization of a corporation under the style of

THE WESTERN RAILROAD COMPANY,

“...to construct a railroad from the town of Fayetteville to some point in the coal regions in the county of Moore, or in the county of Chatham to be determined by said company after the same shall be formed.”

And furthermore with power

“...to construct branches to said road.”

Under this charter an organization was effected and subscriptions to the capital stock were solicited, but the process of raising sufficient funds to prosecute the work was slow. As a consequence nothing much had been accomplished in 1857 when the charter was amended by an Act ratified February 3, 1857 (Private Laws of N. C. 1856-57, ch. 71, p. 60), which provided authority for an increase of the capital stock; for subscriptions thereto by counties and towns; for the purchase and holding of mining lands; and also modified a provision in the original charter which had limited the company to an issue of \$400,000 of seven per cent bonds to mature in 1875, by providing; that in lieu thereof the company might

"...issue their bonds for such an amount and in such manner and form, payable at such time and place, and bearing such interest as said company may authorize; and to secure the payment of the same, they are hereby authorized to make and deliver, to such person or persons as they may select, a mortgage or mortgages on all the real and personal estate of the same, together with their franchises and privileges."

Although some grading was done the enterprise still hung fire, so that a year later application was made to the State for aid which resulted in the Act entitled :

"An Act to aid in the construction and equipment of the Western Railroad from Fayetteville to the Coal Fields."

Ratified February 7, 1859. *Private Laws of N. C. 1858-59, ch, 165, p. 208.*

which provided that the company should receive from the State a loan of \$400,000 in six per cent thirty-year bonds of the State, for the payment of which the State should have as security a statutory lien upon the property of the company and also a like amount of company bonds secured by specific mortgage or trust deed. This loan was to be available to the company in installments, i.e.:

When twelve miles of road were complete and in operation.	\$100,000
When the iron for the entire road was delivered at the port of Wilmington	100,000
When twenty-four miles of road were completed	100,000
When the entire road "to the Coal Fields" was in operation and \$400,000 of private subscription had been spent on the property	100,000
	<hr/>
	\$400,000

and it was provided that a sinking fund out of the income of the company should be created to retire the principal and interest of the bonds. Furthermore it was stipulated that the State might at any time within eight years surrender the lien so reserved and subscribe the amount of the loan to the stock of the company.

With this aid the company laid its track from Fayetteville to the Deep River near Egypt (Cumnock), a distance of about forty-two miles, in 1860, but was unable to complete and open the line, as its funds were exhausted before it had acquired the necessary rolling stock and had built certain requisite docks at Fayetteville, and a bridge over the Deep River at Egypt. To meet this emergency application for further aid was made to the next Legislature, and a further loan of \$200,000 of State bonds, upon the same terms as the \$400,000 loan, was secured under the Act of February 16, 1861 (Private Laws of N. C. 1860-61, ch. 137, p. 151), which enabled the company to open its line for traffic with the coal region before the outbreak of the war between the States.

Meanwhile in pursuance of the Acts which authorized this* State aid, the company had executed the following mortgage:

Western Railroad Company to The State of North Carolina.	First Mortgage. Dated March 24, 1859. To secure \$600,000 of 6% thirty-year bonds, issued in exchange for a like amount of State bonds. (Satisfied December 20. 1866.)
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CONVEYS:

The line from Fayetteville to Egypt (Cumnock).

The bonds issued under this mortgage were as follows:

200 bonds dated April 1. 1859.	\$200,000
100 bonds dated January 1, 1860.....	100,000
10 bonds dated October 1, 1860	100.000
20 bonds dated October 1, 1861	200.000
Total.	\$600,000

All of these bonds were subsequently returned to the company by the State and were cremated on September 26, 1879. (See Minute Book of Western R. R. Co., p.46.) The lien of the mortgage was specifically released by the Act of December 20. 1866 (Laws 1866-67, ch. 107, p. 178).

(b) The State of North Carolina as a Stockholder. 1866-1870.

Just before the outbreak of the war between the States the scope of the plans of the Western Railroad Company was enlarged by an Act entitled:

"An Act to enable the Western Railroad Company to extend their road from the Coal Fields to the North Carolina Railroad."

Ratified February 16. 1861. Private Laws of N. C. 1860-61, ch. 137, p. 151.

which provided:

"That there shall be two divisions of the Western Railroad, viz: the Eastern Division shall extend from the Cape Fear to the west bank of Deep River near Egypt in the County of Chatham, and the Western Division shall extend from the west bank of Deep River to a point on the North Carolina Railroad to be hereafter determined."

To enable the company to construct the proposed Western Division this Act furthermore promised a loan of \$500,000 in State bonds to be issued at the rate of \$10,000 per mile of road constructed, upon the same terms as the previous loans.

The war suspended these plans, and after the re-establishment of peace it was impossible to secure the necessary funds from private investors to carry on the work. The interest of the State was, however, enlisted and a change in the plan of State aid was effected by which the State entered the corporation as a stockholder. This was accomplished under an Act ratified December 20, 1886 (Laws of N. C. 1866-67, ch. 107, p. 178) which recited the \$600,000 loan of the State in aid of the construction of the line from Fayetteville to Deep River, and the desirability of enabling the company to raise funds for the extension of its line by the sale of its bonds having a first lien upon its property, and provided that the State should subscribe the amount of her \$600,000 loan to the stock of the company, cancelling the bonds of the company theretofore held as collateral and releasing all the liens of the State upon the property ; and that the company might issue \$900,000 of eight per cent thirty-year bonds, and secure the same by First Mortgage upon its entire property.

Having by this legislation become, as expressed in a later Act, "*a stockholder and copartner in said company*," the State determined to control the enterprise, and further extend its scope, as is shown by an Act ratified February 25, 1867 (Laws of N.C. 1866-67, ch. 95, p. 152), which provided for an increase of the capital stock to \$3,000,000 and for a subscription by the State for \$1,000,000

thereof, payable in a like amount of Second Mortgage Bonds of the Wilmington, Charlotte and Rutherford Railroad Company;*² and also so amended the charter as to authorize the company

"... to extend the main track of this said ' Western Railroad across the North Carolina Railroad by the most practicable route, to pass by or near Salem in the County of Forsyth, thence by the most practicable route by or near Mt. Airy to the Virginia line."

At the same time by an Act ratified January 31, 1867 (Laws of N. C. 1866-67, ch. 93, p. 150) the counties of Randolph, Alamance and Chatham, through which, or some of which, the proposed extensions would pass, were authorized to subscribe to the new issue of stock.

A year later the State sought to cement its control of the corporation, by assuming dominion of its Board of Directors, in an Act ratified August 21, 1868 (Private Laws of N. C. 1868, ch. 28, p. 31), which provided that the affairs of the corporation should thereafter be managed by a board of nine directors, of whom seven should be appointed by and on behalf of the State.³

The private stockholders were not willing to accept this absolute control by the State, so the amendment of the charter which it necessitated was not accepted. At the next session of the Legislature greater inducements were offered to the private stockholders in an Act ratified February 3, 1869 (Laws of N. C. 1868-69, ch. 28, p. 80), which offered a further subscription to the stock of the company by the State as well as liberal aid in bonds in consideration of the absolute control of the Board of Directors; but this also was declined. A compromise was finally reached in an Act ratified December 19, 1870 (Laws of N. C. 1870-71, ch. 13, p. 50), which provided that the Board of Directors should consist of four representatives of the State and five of the private stockholders ; that the private stockholders alone might vote on amendments to the charter and that the State should only be entitled to one-half as many votes as there were shares of stock held by individuals present at any meeting of stockholders.

² The company received \$500,000 of these bonds but they proved of no value. (See *Western R. Co. v. W. C. R. R. Co.*, 66 N. C., 90.)

³ This Act also reflects further plans for extension by granting authority to build a line across the North Carolina Railroad between Greensboro and Salisbury to a connection with the Wilmington, Charlotte and Rutherford Railroad.

(c) Litigation and Delay. 1870-1879.

The relations of the State and the private stockholders having been settled in 1870, the construction of the northerly extension from Egypt (Cumnock) to a connection with the North Carolina Railroad was again pressed. In order to raise funds for this purpose the following mortgage was executed:

Western Railroad Company
to
Rufus Y. McAden, Thomas S.
Lutterloh and Henry I. Rodgers,
Trustees.

First Mortgage. Dated October 31,
1870. To secure \$900,000 of 8%
bonds, due October 31, 1900.
(Satisfied December 9, 1880.)

CONVEYS:

The line from Fayetteville to Greensboro, constructed or to be constructed.

All of the bonds authorized to be issued under this mortgage were sent to New York to be negotiated. Only \$5,000. which were purchased by W. H. Howell, reached the hands of innocent holders for value. Charges of fraud in the misuse of the remaining \$895,000 having been made, the stockholders repudiated the whole issue of bonds and the mortgage as well, in 1872; whereupon Howell instituted foreclosure proceedings. The litigation went to the Supreme Court of the United States where the mortgage was held to be invalid except as security for the coupons cut from Howell's bonds (see *Howell v. McAden*, 94 U. S., 463). As a result of this litigation the \$895,000 of invalid bonds were surrendered to the company and cremated on September 26, 1879 (see *Minute Book of Western Railroad Co.*, p. 47). Meanwhile the judgment entered upon Howell's claim was paid by certain of the Directors of the company out of their own funds, and a certificate to that effect was entered in the records of the Howell suit at Raleigh, N. C., on June 11, 1877. This certificate in connection with the decrees previously entered in the case operated as a satisfaction of the mortgage. Later after settlement had been made by the company for the advances noted above, with funds derived from the sale to the State of certain C. F. & Y. V. bonds issued under the mortgage dated May 15, 1879, the Howell bonds and coupons were taken up and cremated on December 9, 1880 (see *Minute Book of Western R. R. Co.*, p. 63).

The use which was made of the bonds issued under this mortgage resulted in protracted litigation which was full of recrimination and charges of fraud, and delayed the prosecution of construction of the line in the direction of Greensboro for seven years.

During the progress of this litigation, however, the stockholders attempted to carry out their plans, and having procured, in an Act ratified January 10, 1871 (Public Laws of N. C. 1871-72, ch. 38, p. 42), authority for the company "to issue such an amount of bonds and upon such terms and conditions as they are now or may hereafter be permitted and authorized by the stockholders of said company," they determined at their meeting held on April 4, 1872, at which the bonds of 1870 were repudiated, to issue new bonds to be used for the construction of the line from Egypt (Cumnock) to a connection with the North Carolina Railroad. As doubt was cast upon the validity of this action there was procured an Act, ratified March 3, 1873 (Laws of N. C. 1872-73, ch. 187, p. 308), which recited the mortgage of October 31, 1870, the declaration of the stockholders that the same was invalid, and the resolution of the stockholders at their meeting on April 4, 1872, authorizing the Directors to issue new mortgage bonds "for such an amount as they may find necessary," and provided that

"...the President and Directors of the Western Railroad Company be and they are hereby fully authorized and empowered to make the mortgage and issue the bonds as provided in said resolution of the stockholders,"

but only after the litigation over the mortgage of 1870 had been terminated; and that the bonds so to be issued should be applied

"...in extending the road west of its present terminus in the direction of Greensboro."

As the Howell litigation continued, no such new bond issue was made, although two years later there was procured an Act, ratified March 10, 1875 (Laws of N. C. 1874-75, ch. 144, p. 168), which repealed the prohibition against the immediate issuance of bonds.

The company being thus at a standstill, the State finally determined that its investment should not be wasted, and there was passed an Act, ratified February 27, 1877 (Laws of N. C. 1876-77, ch. 127, p. 203), which recited that

"...the State of North Carolina is the owner of a large portion of the capital stock of the Western Railroad Company, and its early completion from its present terminus at Egypt to the North Carolina Railroad is of prime importance in order to develop the mineral resources of the State and make available the State's investment in said road,"

and to that end provided that 100 convicts might be worked upon the road, for whose services the State should be credited upon the books of the company and should receive its pay

"...in the first mortgage bonds of said company, authorized by the charter thereof to be issued; and until the making of such mortgage and issue of said bonds the State shall by this Act have a first lien upon all the property and effects of said company, to be discharged by the delivery to the Treasurer of the State the bonds aforesaid, to the amount of said work."

Under this Act convicts were put upon the work north of Egypt with the result that early in 1879 the line was opened across the Deep River from Egypt to Gulf, a distance of about three miles, which constituted the entire result of the efforts of the company since the close of the war between the States.

II.

The Cape Fear and Yadkin Valley Railway Company.

(a) Reorganization by the State. 1879.

In 1879 the litigation over the mortgage of 1870 had been determined and settled and it became possible to readjust the finances of the company and take up again the work of construction. This was authorized by the State in an Act entitled:

"An Act to change the name and authorize the consolidation of the Western Railroad Company with the Mt. Airy Railroad Company, and to complete the said roads."

Ratified February 25, 1879. Laws of N. C. 1879, ch. 67, p. 75.

which provided:

"That on and after the first day of March, one thousand eight hundred and seventy-nine, the name of the Western Railroad Company shall be changed to the

CAPE FEAR AND YADKIN VALLEY RAILWAY COMPANY,

and said company, under such name, shall succeed to all the rights, powers, privileges, immunities and franchises that are now possessed by the Western Railroad Company";

and for the purpose of securing a solvent basis for doing business it was further provided that the stock might be scaled not exceeding sixty per cent, and also

"...for the purpose of discharging all liens and encumbrances now existing against said company whereby the new mortgage bonds herein provided for might be impaired upon the market, and for preserving the State's interest in said road and for paying off all the expense incident to the litigation in which said company has been compelled to engage to preserve its existence, the public Treasurer is hereby directed to purchase from the said company fifty thousand dollars of the first mortgage bonds of said company, and to pay over to said company fifty thousand dollars out of any money which may be in his hands not otherwise appropriated, Provided, that the amount of first mortgage bonds to be issued by said company on its road shall

not exceed four thousand dollars per mile of road constructed and to be constructed, and shall bear interest at the rate not exceeding seven per centum per annum, payable semi-annually."

As a further means of securing the completion of the road this Act also made liberal provision for the working of convicts upon the line, in which respect it was supplemented by the Act of March 14, 1879 (Laws of North Carolina 1879, ch. 278, p. 445); but in consideration of all of this the State stipulated for control of the Board of Directors in an Act ratified March 14, 1879 (Laws of N. C. 1879, ch. 241, p. 407), which provided that in the future there should be twelve directors, of whom eight should be appointed to represent the State.

At a meeting of the stockholders held April 3, 1879, these amendments of the charter were accepted, and in pursuance of them the stock of the company was scaled fifty per cent, while at the same time the following mortgage was authorized:

Cape Fear and Yadkin Valley Railway
Company
to
Kenneth M. Murchinson, John U.
Gilmer and E. J. Lilly, *Trustees*.

First Mortgage.
Dated May 15, 1879.
To secure 7% bonds, due July 1,
1909, to be issued at the rate of
\$4,000 per mile of road.
(Satisfied October 31, 1883.)

CONVEYS:

The line from Fayetteville to Greensboro, constructed or to be constructed.

Only \$52,650 of bonds were actually negotiated under this mortgage, and of these \$30,000 were purchased by the State of North Carolina, to afford funds to clean up the debts of the Western Railroad Company and effect the reorganization. All of these bonds were subsequently refunded with bonds issued under the mortgage dated June 22, 1883, and thereafter this mortgage was satisfied of record by the Trustees on October 31, 1883.

(b) Consolidation of the Mt. Airy and Ore Knob Railroad Company. 1879.

It will be remembered that in 1867 the Western Railroad Company was authorized to extend its line across the North Carolina Railroad via Salem to Mt. Airy; and that nothing had come of this project. In 1871, however, a separate charter for such a line was obtained in an Act entitled:

"An Act to incorporate the Mount Airy and Central Railroad Company."

Ratified April 4, 1871. Laws of N. C. 1870-71, ch. 218, p. 339.

which provided for the organization of a corporation

"...by the name and style of

MOUNT AIRY RAILROAD COMPANY,

for the purpose of effecting a communication by means of a narrow-gauge railroad from some point in or near Mount Airy, Surry County, North Carolina, to some point on the North Carolina Central Railroad, either by the way of Salem to Greensboro, on the route of the Northwestern North Carolina Railroad, or by any other route which may be deemed by the stockholders most advisable,"

and with power to solicit subscriptions by counties payable in municipal bonds.

Under this Act an organization was effected, but no railroad was built. The scheme was not abandoned, however, for in 1877 this charter was enlarged in an Act ratified February 28, 1877 (Laws of N. C. 1876-77, ch. 144, p. 237), which provided that:

"...the said road to be located and run from Mount Airy in Surry County, to Greensboro in Guilford County,"

but that after this main line had been constructed it might be extended

"...from Mt. Airy through the counties of Surry, Wilkes, Caldwell, Alleghany, Ashe and Watauga, so as to make connection with other routes in this State,"

and also that the company might

"...construct branches to such points as the said company may determine."

Further provision was also made for municipal subscriptions and 100 convicts were promised for construction work.

Two years later this charter was further amended by an Act, ratified February 11, 1879 (Laws of N. C. 1879, ch. 31, p. 33), which provided that the name of the company should be changed to

MOUNT AIRY AND ORE KNOB RAILROAD COMPANY,

and that the route of the main line should be

"...from Ore Knob, by way of Mount Airy in Surry County, to touch the Yadkin River at or above Bean Shoals, to Greensboro in Guilford County,"

while the extension might be carried west from Watauga County through the counties of Mitchell, Yancey and Buncombe. Furthermore the appropriation of convicts to this work was increased to 150.

Such was the condition of the charter of the Mount Airy and Ore Knob Railroad Company when the Western Railroad Company was reorganized in 1879 with the intention of completing its proposed line from Egypt to Greensboro and thence to Mount Airy; and as the first-named company had secured certain subscriptions and property rights which would be valuable to the Cape Fear and Yadkin Valley, negotiations for the consolidation of the two enterprises were opened. Authority for this was obtained from the reorganization Act of February 25, 1879 (Laws of N. C. 1879, ch. 67, p. 75), in the provision thereof that

"Authority is hereby given for the consolidation of this company (i.e., the C. F. & Y. V.) with the Mount Airy Railroad Company upon such terms and conditions as may be agreed upon by said companies, and thereupon the Cape Fear and Yadkin Valley Railway Company shall succeed to and possess all the rights, powers, privileges and franchises which have been conferred upon said corporation by its charter and the several amendments thereto."

As a result, immediately after the reorganization of the Western Railroad Company, on April 3, 1879, the proposed consolidation was effected under the following agreement:

Cape Fear and Yadkin Valley Railway
Company
With
Mount Airy and Orr Knob Railroad
Company.

Consolidation Agreement.
Dated April 4, 1879.

Provides for consolidation⁴ under the style of

⁴ The terms of this consolidation were that the stock holders of the Mount Airy and Ore Knob Railroad Company were to subscribe to the consolidated company sufficient cash to grade the line from Greensboro to Mt. Airy, and the C. F. & Y. V. was to lay the rails and supply rolling stock therefor with the proceeds of sale of bonds to be issued under its subsequently executed mortgage dated May 15, 1879 (See C. F. & Y. V. Minute Book "B," p. 32.)

CAPE FEAR AND YADKIN VALLEY RAILWAY COMPANY

In connection with the authority to acquire by consolidation the property of the Mount Airy Railroad Company the reorganization Act of February 25, 1879, had also further authorized the proposed extension of a line up the valley of the Yadkin River and thereby modified the charter franchise of the Mount Airy and Ore Knob Railroad Company in the provision that

*"...the said Cape Fear and Yadkin Valley Railroad (sic) Company may, with or without such consolidation with the Mount Airy Railroad Company, if it deem proper, extend its road by an independent line through the counties of Forsythe, Stokes, Yadkin, Surry and Wilkes to Patterson in Caldwell County, thence through Caldwell, Watauga, Ashe, Alleghany or Mitchell, or either of them and connect with any railroad constructed or to be constructed in Western North Carolina."*⁵

(c) Consolidation of the Fayetteville and Florence Railroad Company. 1881.

The Western Railroad Company had been authorized by the Act of January 10, 1871 (Laws of N. C. 1871-72, ch. 38, p. 42),

"...to extend their road from any point or points on the Wilmington, Rutherford and Charlotte Railroad to the South Carolina line; and to connect with any road or roads now constructed or that may be hereafter constructed in South Carolina,"

thereby contemplating a railroad from Fayetteville south to the South Carolina line.

This scheme originated in South Carolina in an Act passed December 21, 1861 (XIII Stat. S. C., No. 4595, p. 66), which provided for the organization of a corporation under the style of the Florence and Fayetteville Railroad Company, and had been sanctioned in North Carolina by a Constitutional Convention in an ordinance entitled:

"An ordinance to charter the Florence and Fayetteville Railroad Company."

⁵ Later by an Act ratified March 26, 1880 (Laws of N. C. 1880, ch. 18, p. 35) it was provided that the work on the Yadkin Valley Branch should be prosecuted equally with the work on the Mount Airy line, but this provision was subsequently repealed by Law of N. C. 1883, ch. 190, p. 308.

Ratified May 13, 1862. Ordinances of N.C. 1861-62, No. 38, p. 86.

which provided for the organization of a corporation under the style of

FAYETTEVILLE AND FLORENCE RAILROAD COMPANY

"...to construct a railroad from Fayetteville, N. C., to Florence, S. C., upon such route as may be determined upon by said company after the same shall have been formed."

The war between the States seems to have put an end to the South Carolina corporation, but that chartered in North Carolina was organized and received certain subscriptions to its capital stock, as appears from an Act of North Carolina, ratified March 2, 1867 (Laws of N. C. 1866-67, ch. 104, p. 174) which provided that all subscriptions made to the stock of the company

"...during the war, shall be subject to the scale of depreciation of Confederate currency at the time of making said subscriptions; and the amount of stock to be issued to said subscribers shall be according to the amount of money paid after applying the said scale."

A few years later vitality was given to the enterprise by an Act, ratified February 8, 1872 (Public Laws of N. C. 1871-72, ch. 133, p. 181), which authorized the working of 150 convicts upon the proposed line;⁶ and thereafter a license to extend the line into the State of South Carolina so as to carry out the original plan was procured in an Act of South Carolina, approved March 17, 1875 (XV Stat. S. C., No. 740, p. 922), which provided:

"That the Fayetteville and Florence Railroad Company, a corporation duly authorized and existing under and by virtue of the laws of the State of North Carolina, is hereby fully authorized and permitted to construct a railroad from a point on the North Carolina line where the survey and location of said company's road terminates near McInnis Bridge, to Florence in the State of South Carolina; and to operate and manage the same, or any part thereof, when so constructed."

During all this period the Fayetteville and Florence Rail-road Company had never completed any portion of its proposed line; although it had done about

⁶ This Act also reflects a much larger scheme, which the company seems to have then entertained, in the provision that the capital stock might be increased to \$1,500,000, that a similar amount of bonds might be issued, and that the company might extend the main track of said road from Fayetteville north to the Virginia line in the direction of Norfolk.

thirty-six miles of grading on the North Carolina end thereof between Fayetteville and Shoe Heel (Maxton).

This grading was available to the C. F. & Y. V. when in 1879 it took up the old plans of the Western Railroad Company for a South Carolina extension, and the negotiations for a consolidation of the two interests which followed finally resulted in a transfer of the assets and franchise of the Fayetteville and Florence Railroad Company to the C. F. & Y. V. under the following deed:

Fayetteville and Florence Railroad Company to Cape Fear and Yadkin Valley Railway Company.	Consolidation Deed. Dated April 6, 1881. Consideration: \$43,000 in stock of the grantee.
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CONVEYS:

The line from Fayetteville to McInnis Bridge as under construction.

For the terms of this consolidation see C. F. & Y. V. Minute Book "B," p. 70.

(d) Reorganization by Private Capital. 1883.

Soon after the reorganization of the Western Railroad Company by the State of North Carolina and the enlargement of its charter so as to authorize the construction of the proposed "Yadkin Branch" to the Virginia or Tennessee line in Western North Carolina, an offer was made to the State for the acquisition of her interest in the C. F. & Y. V. by the South Atlantic and Ohio Railway Constructing and Operating Company, a corporation which was interested in the railroad then known as the Bristol Coal and Iron Narrow-gauge Railroad (see Acts of Assembly of Virginia 1875-76; 1881-82, p. 34), and which contemplated the construction of a through line to the west, via the Cumberland Gap, in which the C. F. & Y. V. could be included. As a result of this offer there was passed an Act, ratified March 14, 1881 (Laws of N. C. 1881, ch. 374, p. 618), which provided for a commission to consider the offer of the South Atlantic and Ohio Company or any other offer for the State stock which might be accompanied by

"...adequate security to complete the road east and west, from Wilmington to some convenient point in the extreme west, and the branch through Surry to Ore Knob, as provided in the charter of the Cape Fear and Yadkin Valley Railroad (Company), within a period not exceeding three years from date of sale to them."

This commission did not accept the offer of the South Atlantic and Ohio, but did accept another offer from certain interests which were afterwards organized as a corporation under the style of the North State Improvement Company,

This transaction was approved by the next Legislature in an Act ratified February 27, 1883 (Laws of N. C. 1883, ch. 190, p. 308), which provided for a sale of the stock at a valuation of \$55,000, but required that the purchaser should also purchase from the State, at par, the \$30,000 of C. F. & Y. V. bonds secured by the mortgage dated May 15, 1879, which had been acquired by the State under the Act of February 25, 1879. It was further provided:

"That said company shall have full power and authority to extend the main line of its said road to the city of Wilmington, and to the Virginia line, and to build any branches to said main line which may be expedient";

and to that end the State agreed:

"That the said company so reorganized shall have full power and authority to make a mortgage upon all of its property, effects and franchises of every kind whatsoever, to secure the payment of its bonds; and to issue bonds in such sums as it may deem proper, bearing interest at the rate of six percent per annum and to run for the period of thirty years from the date thereof, to the amount of \$15,000 per mile upon each mile of said road already constructed, or which may hereafter be constructed, and of any branch or branches of said road; and that said mortgage and the bonds issued thereunder shall be a first lien and have priority over every other claim against the company."

As this last provision was in effect a release of the lien upon the property reserved by the State for the services of convicts, it was further stipulated that the company should deposit \$96,270.05 in its new bonds with the State Treasurer as a settlement of the existing claim of the State for convict labor on the road, and that payment for all subsequent convict labor should likewise be made in such bonds; but as a premium to secure the early completion of the line the State promised to return certain of the bonds so deposited in the event of the opening of the line to Mount Airy within four years. A like premium was offered for the construction of

"a branch road from some convenient point on said main line to Franklinsville in the county of Randolph or as near thereto as may be practicable and convenient for furnishing transportation facilities to the Deep River factories in that vicinity"

and also for another branch from Walnut Cove to Danbury in Stokes County.⁷

The reorganization thus authorized was duly effected and the control of the corporation passed to the North State Improvement Company on April 3, 1883.

(e) Completing the System. 1883-1890.

(1) The "A" Division.

The first work of the reorganized company was to provide for the completion of the line to Greensboro and south from Fayetteville into South Carolina, which main track was subsequently known as the "A" Division; to do this it was necessary to refund the existing debt of the company and provide for the issuance of new bonds, and to that end the following two mortgages were executed:

Cape Fear and Yadkin Valley Railway
Company
to
Farmers loan and Trust Company,
Trustee.

First Mortgage.
Dated June 22, 1883.
To secure bonds, due July 1, 1913, to
be issued at the rate of \$10,000 per
mile of road.
(Satisfied June 28, 1886.)

CONVEYS:

1. The line from Fayetteville to Mount Airy.
2. The line from Fayetteville to South Carolina State line.

There were issued under this mortgage \$1,500,000 of bonds, representing the 153 miles of line afterwards known as the "A" Division. Some of them were delivered to the State of North Carolina to pay for the services of convicts under Acts 1833, ch. 190, p. 308, but these bonds were subsequently returned to the company by the State on the ground that the State had not kept her agreement about furnishing convicts (see Acts 1889, p. 132).

⁷ The branch first described above was subsequently constructed from Climax and is known as the Ramseur Branch, but the proposed Danbury Branch was never constructed, although further inducements thereto were subsequently offered by an Act ratified March 11, 1885 (Laws of N. C. 1885, ch. 332, p. 587).

All of the outstanding bonds were subsequently refunded with the series "A" bonds issued under the First Gold Mortgage dated June 1, 1886, and this mortgage was thereafter satisfied of record by the Trustee.

Cape Fear and Yadkin Valley railway
Company
to
J. A. Gilmer, J. C. McRae and R. L.
Huske, Trustees.

Second Mortgage.
Dated October 1, 1883.
To secure income bonds, due October
1, 1913, to be issued at the rate of
\$5,000 per mile of road.
(Satisfied June 5, 1886.)

CONVEYS:

1. The line from Fayetteville to Mount Airy,
2. The line from Fayetteville to South Carolina State line.

There were issued \$750,000 of bonds under this mortgage, all of which were refunded with bonds issued under the First Gold Mortgage dated June 1, 1886, and thereafter this mortgage was satisfied of record by the Trustees.

With the proceeds of these bonds the line was opened from Gulf about 51 miles to Greensboro⁸ on June 19, 1884, and from Fayetteville about 46 miles to the South Carolina line on December 5, 1884.

(2) The South Carolina Extension.

Soon after its consolidation with the C. F. & Y. Y. the Fayetteville and Florence Railroad Company had been authorized by the State of South Carolina to extend its line to Bennettsville, as well as to Florence (XVII Stat S. C, 1104; but at the same time a new charter was obtained in South Carolina in an Act entitled:

"An Act to incorporate the South Carolina Pacific Railway Company."

Approved February 9, 1882. XVII Stat. S. C., No. 601. p. 850.

which provided for the organization of a corporation under the style of

SOUTH CAROLINA PACIFIC RAILWAY COMPANY,

with power to construct a railroad

⁸ For a regulation of the use of this portion of the line through the town of Sanford see Laws of N. C. 1891, p. 428.

"...from any point on the North Carolina line to Bennettsville, thence to Florence; or by or near Society Hill. or Cheraw, to Columbia, thence to any point on the Georgia line in Edgefield County."

Immediately after the North State Improvement Company took hold of the C. F. & Y. V. a contract was made with this new South Carolina corporation, under date of July 20, 1883, for the construction of an extension to Bennettsville, S. C., and a lease thereof to the C. F. & Y. V. when completed. The terms of this contract were that the South Carolina Pacific was to grade its line ready for the rails from Bennettsville to the North Carolina line with the proceeds of individual subscriptions, and upon this being accomplished the C. F. & Y. V. agreed to extend its own existing line from Shoe Heel (Maxton) ten miles to a connection with this grading at the State line, lay the rails into Bennettsville and supply rolling stock; and for these expenditures the C. F. & Y. V. was to receive two-thirds of the capital stock of the South Carolina Pacific and also a proportionate share of the bonds issued under the following mortgage:

South Carolina Pacific Railway
Company
to
Peter L. Breedon, Hope H. Newton
and Frank P. Tatum, *Trustees*.

First Mortgage.
Dated November 17, 1884.
To secure 6% bonds, due October 1,
1914, to be issued at the rate of
\$10,000 per mile of road.

CONVEYS:

The line from Bennettsville to North Carolina State line.

There were \$104,600 of bonds issued under this mortgage, of which \$74,600 came into the possession of the C. F. & Y. V. and passed into the treasury of the North State Improvement Co. Most of these bonds have since been acquired by the Atlantic Coast Line. The trustees named above were the acting trustees in 1898.

The line was duly constructed under this contract and was opened from Fayetteville through to Bennettsville on December 5, 1884, when the C. F. & Y. V. went into possession and began to operate it. In order to obtain specific authority for such operation and for all the proceedings had under the contract of July 20, 1883, there was thereupon procured an amendment of the charter of the South Carolina Pacific in an Act approved December 23, 1884 (XVIII Stat. S. C., No 422, p. 696), which specifically ratified the mortgage of November 17, 1884, and also authorized the company

"...to purchase, lease or consolidate with any other railroad company now existing or which may hereafter exist under the laws of this or any other State."

The right of the C. F. & Y. V. to operate the South Carolina line was thereafter cemented under the following instrument:

South Carolina Pacific Railway Company to Cape Fear and Yadkin Valley railway Company	Lease. Dated January 8, 1885. Term: To expire December 5, 1914. Rental: Payment of interest on \$104,600 of 6% bonds of lessor.
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LEASES:

The line from Bennettsville to North Carolina State line.

The leasehold estate of the C. F. & Y. V., under this instrument passed through the Atlantic and Yadkin to the Wilmington and Weldon, in 1899.

(3) The "B" and "C" Divisions.

After the "A" Division had been opened for business from Greensboro, N. C., to Bennettsville, S. C., and was engaged in a lucrative traffic the stockholders of the company living west of Greensboro began to clamor for the promised extension to Mount Airy, subsequently known as the "B" Division. In this they were backed by the municipalities of that section of North Carolina who promised to subscribe their bonds (see Laws of N. C. 1887, ch. 213, p. 451), and the State offered a further inducement in extending the time within which the bonds promised in the reorganization Act of 1883 for a Western Extension might be procured (see Laws of N. C. 1887, ch. 48, p. 98). At the same time the people of Wilmington offered a subscription of \$150,000 in city bonds for an extension down the Cape Fear River from Fayetteville to the Atlantic, which in realization was subsequently known as the "C" Division (see Laws of N. C. 1885, ch. 77, p. 952). Yielding to these influences and to the allurements of a scheme for a through line extending from the ocean at Wilmington to the northwestern boundary of the State, where connection could be made with some other railroad system for western traffic, the company embarked upon what proved to be a disastrous enterprise.

In order to raise the funds for these proposed extensions a new issue of bonds was necessary, but the holders of the \$1,500,000 of bonds issued under the

mortgage dated June 22, 1883, which represented the construction of the "A" Division, declined to surrender their security; and as only a first lien bond could be sold for the construction of the new lines, a compromise with the holders of the existing bonds was reached in the issue of serial bonds which would preserve to the holder of the existing bonds their existing valuable security. There was accordingly executed the following mortgage:

Cape Fear and Yadkin Valley Railway
Company
to
Farmers Loan and Trust Company,
Trustee,

First Gold Mortgage.
Dated June i, 1886.
To secure 6% bonds, due June 1,
1916, to be issued in series "A," "B"
and "C" at the rate of \$10,000 per
mile of road.
(Foreclosed March 31. 1897.)

CONVEYS:

1. As security for series "A" bonds:

A first lien on the from Greensboro via Fayetteville to South Carolina line.

A second lien on lines

(a) From Greensboro to Mount Airy.

(b) From Fayetteville to Wilmington.

2. As security for series "B" bonds:

A first lien on line from Greensboro to Mount Airy. A second lien on lines

(a) From Greensboro via Fayetteville to South Carolina line.

(b) From Fayetteville to Wilmington.

3. As security for series "C" bonds:

A first lien on line Fayetteville to Wilmington.

A second lien on lines

(a) From Greensboro via Fayetteville to South Carolina line.

(b) From Greensboro to Mount Airy.

There were issued under this mortgage the following bonds:

Series A (total amount authorized)\$1,500,000

Series B	734,000
Series C	820,000
Total	<u>\$3,054,000</u>

upon which default in the payment of interest was made on December 1, 1893, and foreclosure of the mortgage followed on March 31, 1897. The property being sold as a unit, the decree allotted to the bondholders secured by this mortgage the following proportions of the proceeds of sale, vis: Series A, 55%; Series B, 19%; Series C, 19.4%; the balance going to the Consolidated Mortgage bondholders.

Thereafter the "B" Division from Greensboro to Mount Airy, about 69 miles, was opened on June 11, 1888, and the "C" Division from Fayetteville to Wilmington, about 83 miles, was opened on February 17, 1890.⁹

(4) The Branch Lines.

After the three main divisions of the line were well under way inducements were offered to the company to build certain branch lines and to do this a new issue of bonds was determined upon. This opportunity was taken to lay the foundation for a refunding of the outstanding serial bonds in one consolidated issue, and to that end the following mortgage was executed:

Cape Fear and Yadkin Valley Railway Company to Mercantile Trust and Deposit Company of Baltimore, <i>Trustee</i> , (W. A. Lash, Substituted Trustee.)	Consolidated Mortgage. Dated October 1, 1889. To secure 6% bonds, due October 1, 1919, to be issued at the rate of \$15,000 per mile of road. (Foreclosed March 31, 1897)
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CONVEYS:

1. A third lien on the "A," "B" and "C" Divisions.
2. A first lien on all branches and further extensions.

Of the bonds to be issued under this mortgage \$3,054,000 were reserved to refund the outstanding First Gold Mortgage Bonds, and \$1,868,000 were actually issued for the construction of the branch lines, all of which were acquired by the North State Improvement Company. The April 1890, coupon from these bonds was defaulted.

⁹ For authority to bridge the Cape Fear River at Fayetteville and other navigable rivers on this line see the Act of Congress approved June 6, 1882 (25 U. S. Stat., at L., p 171).

After proceedings had been begun to foreclose the First Gold Mortgage, and action was necessary for the protection of the holders of bonds issued under this mortgage, the original Trustee resigned in favor of W. A. Lash, who assumed the trust on July 20, 1894, and thereupon intervened in the pending litigation praying foreclosure of this mortgage also. As a result this mortgage was foreclosed by the decree of March 31, 1897; and the Consolidated Mortgage Bondholders were allowed six and six-tenths per cent of the proceeds of the sale of the property as a unit.

With the proceeds of the sale of these bonds the Ramseur (or Factory), Madison, Granite,¹⁰ Gulf, Furnace, and Aldrich Quarry Branches were subsequently constructed or extended in 1890, making a total addition of about thirty-three miles of road to the system.

(f) Bankruptcy and Foreclosure. 1894-1899.

One of the purposes recited in the Consolidated Mortgage of 1889 was the extension of the "B" Division from Mount Airy to the Virginia Line, there to connect with a proposed extension of the Norfolk and Western Railroad Company from its New River or Cripple Creek Coal District, in Carroll County, Virginia. Such a connection would, it was hoped, yield the C. F. & Y. V. sufficient through traffic to support the line which it had constructed through a country yielding practically no local business. Accordingly an alliance was entered into with the Norfolk and Western for the interchange of traffic after the connection had been accomplished. But this contemplated connection was never realized, although on the opening of the Roanoke Southern line the C. F. & Y. V. did achieve a connection with the Norfolk and Western system. The lack of through traffic combined with the general business depression then upon the country soon after developed the consequences of the construction of the unnecessary "B" and "C" Divisions, so that whereas a profitable business had been enjoyed on the "A" Division, there resulted in 1892 and 1893 a net deficit from the operation of the entire system of over \$10,000 per annum. In a last desperate attempt to meet these conditions and save a default in the payment of the fixed charges a plan for again refunding the debt of the company on a five per cent basis was devised, and for this authority was obtained in an Act, ratified February 27, 1893 (Private Laws of N. C. 1893, ch. 123, p. 180), which authorized the issue of a new series of five per cent fifty-year bonds at the rate

¹⁰ For the agreement under which the Granite Branch was built see 73 Fed., 712.

of \$40,000 per mile of single-track road and \$60,000 per mile of double-track road, with a corresponding increase in the capital stock.

At the same session of the legislature there was also procured an Act, ratified January 20, 1893 (Private Laws of N. C. 1893, ch. 3, p. 3), which amended the original charter of the Western Railroad Company by providing that that corporation and its successors might enjoy the franchises granted by that charter, beyond the year 1900 as originally limited and until the year 1999.

The plans to save the company from disaster which were outlined by this legislation were not accomplished, and as a result the company was forced to make default in the payment of the interest on its First Gold Mortgage Bonds and thereafter a receiver was appointed and foreclosure accomplished in the following proceedings:

IN THE CIRCUIT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF NORTH CAROLINA, AT WILMINGTON.

Farmers Loan and Trust Company
against
Cape Fear and Yadkin Valley Railway
Company et. al.

W. A. Lash
against
Cape Fear and Yadkin Valley Railway
Company et al.

CONSOLIDATED Cause.

1894.

Mch. 28. Bill filed by Farmers Loan and Trust Company for foreclosure of First Gold Mortgage, dated June I, 1886.

Mch. 31. Order appointing John Gill receiver.

Nov. 28. Cross-bill filed by W. A. Lash, Substituted Trustee, for foreclosure of Consolidated Mortgage dated October 1, 1889.

1895.

Dec. 20. Order allowing intervention of New York and Baltimore Reorganization Committees. See *Farmers L.& T. Co. v. C. F. & Y. V.*, 71 Fed., 38.

1897.

Mch. 31. Decree of foreclosure and for sale by E. S. Martin and Clement Manly, Master Commissioners. *See Farmers L.& T. Co. v. C. F. & Y. V., 82 Fed., 344.*

July 1. Decree confirming foreclosure decree upon rehearing. *See Farmers L.& T. Co. v. C. F. & Y. V., 82 Fed., 350.*

Aug. 10. Appeal by New York Reorganization Committee from final decree to Circuit Court of Appeals.

1898.

May 7. Decree of Circuit Court of Appeals affirming final decree as entered. *See Low v. Blackford, 87 Fed., 392.*

May 11. Petition of New York Reorganization Committee to Supreme Court of the United States for *writ of certiorari*, which was allowed.

Nov. 29. Dismissal of *writ of certiorari* on consent of all parties. *See Low v. F. L.& T. Co., 43 U. S. Supreme Court Reports (L. ed.), 1181.*

Dec. 29. Sale by Master Commissioners at Fayetteville, N. C., of entire property to Henry Walters, B. F. Newcomer, Michael Jenkins and W. G. Elliott, who bid—

For railroad property	\$3,110,000
For rolling stock and South Carolina Pacific leasehold	\$15,000
Total.....	\$3,125,000

1899.

Jan. 13. Decree confirming sale and ordering conveyance to purchasers.

III.

The Atlantic and Yadkin Railway Company.

(a) Reorganization. 1899.

After a receiver had been put in charge of the C. F. & Y. V. the holders of the various bonds of that company set about the devising of plans for reorganization of the company.

The series "A" bonds, which were almost all held in New York, and which were secured by a first lien upon the valuable portion of the line, were the basis of a plan published by what was later known as the "New York Reorganization Committee" which contemplated a separate sale of their security and a reorganization independently of the B and C Divisions. On the other hand the holders of the series B and C bonds were intent upon the sale of the property as a unit so that they might get some benefit from the continued operation of the A Division in harmony with their less valuable securities. Accordingly they published a rival reorganization plan under the auspices of what was known as the "Baltimore Reorganization Committee." Both of these committees intervened in the litigation so as to insist upon their different views of what should be the nature of the foreclosure decree. Meanwhile the Baltimore Committee in aid of their plan, procured the enactment of a statute of North Carolina ratified March 8, 1897 (Public Laws of N. C. 1897, ch. 305, p. 178) which purported to amend Section 698 of the Code of North Carolina and to provide that the purchasers of a railroad at foreclosure sale

"...shall succeed to all the franchises, rights and privileges of said original corporation only when such sale is of all the railroad owned by the company and described in the mortgage or deed of trust, and when said railroad is sold as an entirety."

Being confessedly influenced by the intent of this Act, Simonton, J., entered the foreclosure decree in accordance with the contentions of the Baltimore Committee (see 82 Fed., 344), holding that the charter of the Cape Fear and Yadkin Valley indicated that

"...the purpose and intent of the State was to secure an entire line of railway from its principal seaport to the Virginia line,"

and that as a consequence the property must be sold as a unit although the proceeds of sale might be divided among the different classes of bondholders in proportion to the value of their respective security.

This view was upheld by the Circuit Court of Appeals (sec 87 Fed., 392), but the New York Committee carried the matter to the Supreme Court of the United States where the case was pending when a settlement of the contending interests was effected and the property was brought to sale under the original decree. At the sale the Baltimore Committee bid for the property, but it was struck off to certain individuals having interests in the Atlantic Coast Line.

These purchasers thereupon proceeded to reorganize under the provisions of the general law of North Carolina found in the Act ratified March 1, 1873 (Laws of N. C. 1872-73, ch. 131, p. 208) which as subsequently codified as Sections 697 and 698 of the Code of 1883 provided that when a conveyance was made to the purchasers of the property of a corporation at foreclosure sale

"...the said corporation shall ipso facto be dissolved and the said purchaser shall forthwith be a new corporation by any name which may be set forth in the said conveyance,"

and that the new corporation thus organized

"...shall succeed to all such franchises, rights and privileges, and perform all such duties as would have been or should have been performed by the first corporation but for such sale and conveyance."

In pursuance of this legislation the purchasers of the property of the Cape Fear and Yadkin Valley set forth their new corporate name as

ATLANTIC AND YADKIN RAILWAY COMPANY

in the following conveyance by which they were now vested with title to the property purchased by them:

Eugene S. Martin and Clement
Manly, *Master Commissioners;*

John Gill, *Receiver;*

The Farmers Loan and Trust
Company, *Trustee;*

Henry Walters, Benjamin F.
Newcomer, Michael Jenkins and
Warren G. Elliott, *Purchasers,*

Deed.

Dated January 31, 1899.

Consideration: \$3,125,000.

to
Atlantic and Yadkin Railway
Company.

CONVEYS:

1. The line from Greensboro via Fayetteville to the South Carolina line.
2. The line from Greensboro to Mount Airy.
3. The line from Fayetteville to Wilmington.
4. The following branches :
 - Factory (Ramseur), Madison, Granite, Furnace, Aldrich, Bluff Quarry.
5. The leasehold estate of the C. F. & Y. V. in the property of the South Carolina Pacific Railway Company.
6. Certain rolling stock formerly of the C. F. & Y. V.

Thereafter this reorganization was approved in an Act of North Carolina entitled:

"An Act to incorporate the Atlantic and Yadkin Railway Company."

Ratified February 23, 1899. Private Laws of North Carolina 1899, ch. 98, p. 196.

which recited and confirmed the reorganization effected under the general law and provided that the new company should have all the rights, powers and franchises which were enjoyed by the C. F. & Y. V. and furthermore specified that it might issue \$1,972,900 of stock, and bonds

"...to such an amount as it may deem proper and necessary for the general uses and purposes of the company,"

and secure the same by mortgage; of which stock and bonds it might issue and deliver in settlement with the purchaser as much and as many *"as it may deem proper."*

Power was also given to consolidate

"...with any other railroad company organized under the laws of this State with which it may connect directly or indirectly."

(b) Partition. 1899.

On May 13, 1899, the Atlantic and Yadkin Railway was partitioned at Sanford, N. C., where its main line was crossed by the Seaboard Air Line, between Southern Railway Company, which assumed control of the northern half, and the Atlantic Coast Line, which assumed control of the southern half. This was

accomplished as follows. There had been procured an Act ratified February 24, 1899 (Private Laws of N. C. 1899, ch. 105, p. 212) which provided:

"That authority hereby is given to the Wilmington and Weldon Railroad Company to consolidate or to merge its railroad with or to buy or lease the railroad or railroads of any other railroad company with which it may connect either directly or indirectly, organized under the laws of this State or of any adjoining State, which under the laws of this or such other State may have power to consolidate, merge, sell or lease its road; and any such other company shall have the right to consolidate, merge, sell, or lease its railroad in whole or in part with or to the Wilmington and Weldon Railroad Company"

In pursuance of the power thus vested both in the Wilmington and Weldon and the Atlantic and Yadkin the following deed was executed:

Atlantic and Yadkin Railway Company to Wilmington and Weldon Railroad Company.	Deed. Dated May 13, 1899. Consideration: \$1,800,000.
CONVEYS:	

1. The line beginning at a point 100 feet west of the center line of the Seaboard Air Line at Sanford, N. C., thence to Wilmington.
2. The Aldrich Quarry Branch.
3. The line from Fayetteville to South Carolina line, being in all about 164.69 miles of road.
4. The leasehold estate of the C. F. & V. V. in the South Carolina Pacific Railway.
5. One-half the rolling stock formerly of the C. F. & Y. V.

The consideration for this conveyance was paid in bonds of the Wilmington and Weldon, secured by the following purchase money mortgage:

Wilmington and Weldon Railroad Company to Safe Deposit and Trust Company of Baltimore, Trustee.	Yadkin Division First Mortgage. Dated May 13, 1899. To secure \$1,800,000 of 4% bonds, due June I, 1949.
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The property purchased from the Atlantic and Yadkin Railway Company by deed of even date.

Simultaneously with this conveyance to the Wilmington and Weldon the entire capital stock of the Atlantic and Yadkin Railway Company was transferred to

Southern Railway Company, which thereupon assumed the operation of the railroad still remaining the property of the Atlantic and Yadkin and caused that company to issue its bonds secured by the following mortgage thereon:

Atlantic and Yadkin Railway
Company
to
Central Trust Company of New York,
Trustee.

First Mortgage.
Dated May 15, 1899.
To secure \$1,500,000 of 4% bonds,
due April 1, 1949.

CONVEYS:

1. The main line from Sanford to Mount Airy.
2. The Gulf Branch.
3. The Factory Branch.
4. The Furnace Branch.
5. The Madison Branch.
6. The Granite Branch, being about 165.88 miles of road.
7. One-half of the rolling stock formerly of the C. F. & Y. V.

All of the bonds authorized by this mortgage were immediately issued and were endorsed with a general guaranty by Southern Railway Company, the Annual Reports of that company showing this obligation in its Income Account under the head of Fixed Charges.