

SEMINOLE PUBLIC ACCOUNTANT REPLIES TO FRANK G. TOMPKINS

Letter of Chas. H. Highley Charges That Frank G. Tompkins Made Misleading Statements in his Letter to Governor Blease Concerning Seminole Matter.

The Advertiser has been requested by those close to Messrs. John Y. Garlington and J. Stobo Young to publish the letter of Chas. H. Highley, certified public accountant, in reply to the letter of Frank G. Tompkins to Gov. Blease some time ago. The Advertiser did not publish the letter of Mr. Tompkins when it came out for the simple reason that it was rather lengthy and because it could be seen in the daily papers by most of those who really were interested.

Believing that those of its readers who are interested in the case are already familiar with the letter of Mr. Tompkins, The Advertiser does not take up the space of its readers with it as this time, feeling that an omission of it is doing no injustice to Mr. Tompkins.

The letter is as follows:

Columbia, S. C., Jan. 1, 1912.
To His Excellency, Hon. Cole. L. Blease, Governor of South Carolina, Columbia, S. C.

Sir: I have read with great care the letter addressed to Your Excellency by Mr. Frank G. Tompkins, Chairman of the Board of Receivers of the Seminole Securities Company, and feeling that there are many statements therein which are misleading to yourself, the stockholders and the public, I feel it my duty to lay before Your Excellency such facts as to my mind clearly show that Mr. Tompkins is mistaken in many of his statements and conclusions.

Mr. Tompkins confesses in his letter that he has not seen the petitions for clemency or heard any of the reasons advanced to Your Excellency why these young men should not receive clemency at your hands; and, therefore, his conclusion that he has never heard of the "slightest repentance on the part of either of these young men" for what he terms "these outrageous and destructive acts which made a precedent in South Carolina in circles of high finance" must consequently be based upon bias and prejudice. Your Excellency has read the petitions and heard the reasons given by these young men and the appeal of their friends and is in a better position than Mr. Tompkins to determine whether they are repentant or not.

In justice and fairness to the young men, and as auditor of the books of the Seminole Securities Company and being, therefore, perhaps more familiar with them than any other man, I wish to make the following statements in contradiction of the statements made by Mr. Tompkins in his letter or which may correct any misleading statements made by him.

I make these statements from my report of audit, which was used and put in testimony in the case and is now a part of the records thereof and in possession of the Court.

The total assets, as shown in said report, exclusive of the stock of the Carolina Agency Company, amounted to \$361,086.31. The liabilities, claiming the amount shown to be due to John Y. Garlington as balance of the \$75,000 of stock of the Carolina Agency Company, viz.: \$24,397.23, was \$42,152.39. The book value of the stock of the Southern Life Insurance Company was \$324,985.72, which is also included in the above assets. Among the liabilities are bills payable due the Southern Life Insurance Company as balance of purchase of stock in said company of \$154,197.37. By reducing the book value of the stock of the Southern Life Insurance Company the amount of the notes due them as of December 22, 1908, and deducting same from the bills payable, which appear in the liabilities, the Seminole Securities Company would have liquidated on December 29, 1908, and paid \$12.23 per cent on the par value of the stock. I am informed that the receivers have paid a dividend to the stockholders of but 20 per cent. I am also credibly informed that some of said stockholders have not received said dividend.

Mr. Tompkins states that the receivers have only been able to collect \$115,000 up to this time, and that it will be impossible to add to this sum a greater amount than \$35,000; and that the probability is that they will never be able to collect in addition to what they have already collected more than from \$2,000 to \$5,000. Assuming that \$5,000 will be the maximum amount collected in addition to the \$115,000 stated, will make \$120,000. This statement must certainly be incorrect, as the Trustees paid to the Southern Life Insurance Company, as per letter of W. A. Clark, Chairman of the Board of Trustees of date December 23, 1908, and as per pages 52-53 of my audit report, \$97,928.87. The officers of the Seminole Securities Company paid to them or their representatives \$46,856.85 in cash; and in addition made a payment on account of a note issued to the Southern Life Insurance Company in settlement of said purchase of stock of \$26,002.63; making a total paid to them or their representatives by the officers and Trustees of the Seminole Securities Company of \$170,788.35, and for which I delivered to the receivers vouchers to cover. In Mr. Tompkins' statement he says that upon advice of counsel and for other reasons the receivers compromised with the Southern Life Insurance Company for \$110,000, which means a loss to the stockholders of \$60,788.35, which sum is more than the total amount with which Garlington and Young were charged with misappropriating.

Mr. Tompkins also states that so far as the stockholders were concerned at the time of the receivership there should have been in the treasury nearly \$100,000 in cash. I presume he means in actual figures \$394,062.10, the

original amount collected from the sale of the stock; but he does not state that of this amount collected there was paid into the hands of the trustees \$101,504.48, which they subsequently paid out to the Southern Life Insurance Company and the receivers. He also fails to state that there was paid out to agents for the selling of the stock \$137,829.34; and paid to the Southern Life Insurance Company \$72,859.48, to say nothing of other disbursements, a detailed statement of which I annex, amount to \$82,754.28. Hence, this statement of Mr. Tompkins is not only incorrect but misleading.

The printed letter of Mr. Tompkins says that "considering that that transaction accounted for \$17,000," which I presume was evidently intended for \$97,000, "the balance of the \$394,062.10 has disappeared from the treasury of the company, and it has been the contention of the State, the receivers and the stockholders generally that this money was fraudulently misappropriated by Messrs. Garlington and Young, who were the officers of the company charged with its custody." The statement above made by me shows that he is absolutely incorrect in his statement and that it is misleading to the public mind; and the inference to be drawn from his statement is that the balance of the sum collected from the sale of the stock was misappropriated by Garlington and Young. The Court records show that Garlington and Young were charged with a misappropriation of \$50,602.77, and not the amount as implied by Mr. Tompkins.

The amount it is alleged they misappropriated is made up as follows:

Actual cash	\$ 2,984 75
Stock	7,959 00
Directors and gratuitous stock	510 06
Total	\$10,553 75

Making a total of \$10,553 75 in addition to this there were disbursements made at sundry times for purposes unknown to me, for which no vouchers were submitted, and consequently I was obliged to charge same to Mr. Garlington, amounting to \$14,549 02

In addition to this they paid to A. D. McKinney and Willie Edwards, in stock of the company \$25,500 00

Which was in accordance with a resolution of the Board of Directors to cancel a contract which these parties had with the company for the sale of the stock.

The total of which amounts to \$50,602 77

The amount alleged to have been misappropriated by Garlington and Young.

The stock issued to McKinney and Edwards was charged to Mr. Garlington, but Garlington and Young did not receive any benefit whatever from the issue of this stock.

It will be seen from the above that the statement made by Mr. Tompkins is misleading, as it implies that they misappropriated a much larger sum.

Mr. Tompkins further states that in July, 1908, Garlington and Young issued stock to Garlington in the sum of 34,500 shares; but he fails to state that at a subsequent time he cancelled 27,441 shares, leaving a net amount of stock 7,059 shares, as stated above.

Mr. Tompkins states that Mr. Garlington has filed a claim against the estate of the Seminole Securities Company for some \$24,000, balance due him on account of this transaction. The actual amount for which Mr. Garlington has filed his claim is \$24,397.23, which is the difference between the amount charged to Mr. Garlington, namely, \$50,602.77 and the \$75,000 of the Carolina Agency stock, which was exhibited to me and in my possession for several days, properly signed by the officers of the Carolina Agency Company in the name of John Y. Garlington.

I will not attempt to make any statement in reply to Mr. Tompkins in regard to the suit of the Carolina Agency Company against John Y. Garlington for \$25,000, as I know nothing about it; but I do know that it was not a matter considered in the trial of Garlington and Young, and, therefore, a matter not before Your Excellency in the consideration of this case.

In reply to the remarks of Mr. Tompkins in reference to the books shipped from Laurens, for which the express company paid a claim of \$50 for the loss of same, I would state that at the stockholders' meeting of the Seminole Securities Company, held in Columbia, S. C., on December 29, 1908 it was thought that I had something to do with the loss of the books of that company en route from Chattanooga, Tenn., to Columbia, S. C., to the said meeting. I could not explain to the stockholders how the books were taken out of my possession, and it was intimated by some that I had a knowledge of same, whereas I was perfectly innocent and it was afterwards discovered that the books were taken off the train at Knoxville, Tenn., by a party living in Knoxville, who after discovering it was not his grip turned them over to the ticket agent at the union station at Knoxville, where I subsequently recovered them. So you can see that I was falsely accused; and it reasonable to suppose that if the books from Laurens were shipped to Columbia and the express company subsequently paid a claim for the loss of same, that they were responsible for said loss and that they could not have disappeared by any act of Garlington and Young; and, therefore, I cannot see why Mr. Tompkins should have mentioned this as bearing upon the matter before Your Excellency. I

make this statement because the statement of Mr. Tompkins would naturally prejudice your mind and the mind of the public against Garlington and Young, which seems to me to be an injustice.

In regard to the minutes which Mr. Tompkins says mysteriously disappeared, it was testified in the case that those minutes, or what purported to be the minutes, were at the stockholders' meeting in Columbia, S. C. on December 29, 1908, at which time I read extracts from same, of my audit, and compared at said meeting by attorneys and others while I read same. It was also testified to before a Special Master, on December 5, 1911, by an attorney present at the meeting, that the extracts from the minutes, which appeared in my report of audit and which are a matter of record in the Court, were exactly the same as appeared in the minute book of the Seminole Securities Company which was present at the stockholders' meeting of December 29, 1908.

It is not necessary to reply in regard to no testimony being offered in evidence by Garlington and Young. This matter has already been discussed before Your Excellency at a recent hearing given to the defendants and Your Excellency is familiar with the reasons why they did not testify.

It seems to me that Mr. Tompkins' charge that this scheme was founded for the sole purpose of loot is wholly gratuitous, as he admits in his letter that the larger portion of the stock was sold to bankers and the richer class of people; and, as a matter of fact, the stock was sold in large blocks to their own relatives and friends, which would not be indicative of loot.

The information given to Your Excellency, that Mr. Garlington is under indictment in the courts of this county jointly with others on another charge, I would suggest is irrelevant to this issue and has nothing to do with the consideration of the matter before Your Excellency.

Mr. Tompkins also states in his letter to Your Excellency that a large proportion of the stock was sold in South Carolina. For your information I will state that the stock was sold as follows:

States	Shares
North Carolina	53,534
Georgia	12,275
Virginia	7,421
West Virginia	6,167
Florida	5,167
Alabama	5,046
Mississippi	400
Tennessee	4
Total	90,014

South Carolina180,658

Total270,672

Of two-thirds sold in the state of South Carolina and one-third in other states.

Below I give you the statement of receipts and disbursements as taken from the books and data of the Seminole Securities Company, which information Your Excellency, the stockholders and the public are not in the possession of, and which shows conclusively that the enormous sum forever lost to the stockholders, as charged by Mr. Tompkins as being misappropriated by Messrs. Garlington and Young is incorrect.

I respectfully submit that this reply to Mr. Tompkins' letter bears me out in the contention that the statements in said letter are misleading both to Your Excellency and the public. They are made from my own personal knowledge and most of them are taken from the records in the case, and, in my judgment, are not susceptible of contradiction. I am sure that Your Excellency will give them the credit that they bear upon their face and will not be controlled in your decision by the statements in said letter, which, coming as they do from a source naturally opposed to Messrs. Garlington and Young, should not be given the same weight as coming from an unbiased source and the actual records

in the trial of the case.
Respectfully yours,
CHAS. H. HIGHLEY,
Certified Public Accountant.
Statement of Cash Received and Disbursed by J. S. Young, Treasurer, to December 22, 1908.

Receipts.	
Sales of stock	\$394,062 10
Cash, loans from banks	12,000 00
Interest	17 93
Bills receivable, collected	3,865 00
Total receipts	\$409,945 03
Disbursements.	
Paid to Trustees	\$101,504 48
Paid to Agents, commissions	137,829 34
Southern Life Insurance Co., cash	46,856 85
Southern Life Insurance Co., account note	26,002 63
Total	\$312,193 30

John Y. Garlington, account contract	\$ 55,596 77
Traveling expenses	1,325 00
Office salaries	1,557 85
Printing and stationery	769 22
Furniture and fixtures	745 70
Interest	547 32
Attorneys' fees	1,035 00
Telegraph and telephone	613 38
Brokerage (certificates of deposit sold)	6,146 15
Office rent	479 88
Postage	200 00
Prizes to Agents	260 00
Office expense	55 44
Painting sign	35 10
Express and drayage	41 31
Taxes and license	55 00
Exchange	48 02
Typewriter rental	6 00
Light and water	2 20
Fuel	1 99
Advertising	472 23
Actuary expense	413 95
Trustees' fees	2,000 00
Commercial Agency	175 25
Auditing expense	872 20
R. M. Marshall, account cancellation certificate No. 948	700 00
Organization expenses	4 17

W. S. Bogburn, loan	150 00
Stock retired	8,430 00
Moving office	15 15
Total	\$82,754 28
Balance	\$ 14,997 45
Cash and certificates of deposit	\$ 14,997 45

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