

of Deal in C & O Canal." The asserted "deal" was between the two railroads, with the Western Maryland getting the portion of the canal above (west of) Hancock and the B & O getting the balance. "Any agreement between the Baltimore and Ohio and Western Maryland," said the article, "would practically include an agreement with the Pennsylvania Railroad Company, which is the power behind the Baltimore and Ohio."⁵⁹

The state treasurer, Murray Vandiver, was very much opposed to the sale, expressing the belief that the company was worth far more than the price bid for it, but he was outvoted by Gov. Edwin Warfield and Comptroller Gordon Atkinson. The board did, however, insist on one condition. The buyer, Landstreet, had to agree to obtain the consent of the C & O stockholders to an amendment to the company charter waiving the company's exemption from state taxes in the event railroad tracks were ever built on the company's property. This condition was reported satisfied by October 1905.⁶⁰ And so, 120 years after it made its first investment in the C & O venture, the state was finally clear of the mess.

Getting rid of the B & O was not much easier. A good bit of the preferred stock had been sold during the 1870s, as noted above, but the state still owned nearly 10,000 shares plus 5,500 shares in the Washington Branch of the B & O, a separately capitalized entity that was always regarded as somewhat special.⁶¹

It will be recalled that article 12, section 3, of the Constitution of 1867 drew a number of distinctions among the various internal improvement companies in terms of their sale by the state. The 6 percent preferred stock in the B & O could be exchanged for state bonds, at par, without further legislative direction. Stock in the Washington Branch could not be sold at all, and the sale of other companies was to be in accord with conditions established by the legislature.

Acting pursuant to this authority, the Board of Public Works managed to dispose of 9,686 shares of B & O preferred stock in 1890. Because by article 12, section 3 the consideration had to be "an equal amount of the bonds or registered debt now owing by the State" rather than cash, the transaction was two phased. On 22 May 1890 the board entered into two agreements with E. R. Bacon of New York. Under the first agreement Bacon agreed to purchase \$1,242,300 in 3 percent state bonds (this being part of the 1889 exchange loan authorized by Acts of 1888, chapter 201) at 101 percent and to pay for the same in cash by 15 June 1890. By the second agreement the state agreed to exchange its 9,686 shares of B & O preferred stock, valued at \$1,259,200, for the bonds, valued at par.⁶² The difference in values was, of course, largely resolved by the 1 percent premium paid for the bonds.

As things turned out, the state got a good price for the stock (\$130 a share). In 1896 the B & O went into receivership, and by the time the state was able to unload the rest of the preferred stock in November 1898, the best price it could get was \$75 a share. The state sold some of the stock to Johns Hopkins University and some to a New York firm.⁶³

To the extent that the distinction drawn in section 3 of article 12 of the Constitution of 1867 created any impediments to the sale of the other state investments, they were effectively removed by legislative action in 1890 and 1892. At last, it seemed, the General Assembly was getting serious about divesting the state of these corporate interests.

The first move was the proposal of a constitutional amendment, ratified by the voters in 1891, that rewrote section 3 of article 12 as follows:

59. *Baltimore American*, 12 December 1904, p. 11.

60. BPW Minutes, 4 January 1905, vol. 1883-1905, pp. 374-75; 4 October 1905, 1:176.

61. See chapter 2; Acts of 1831, ch. 330; 1832, ch. 175.

62. BPW Minutes, 22 May 1890, vol. 1883-1905, pp. 133-34.

63. *Ibid.*, 17, 29 November 1898, pp. 259, 260-61.