The Sun.

THIRTY-SIXTH YEAR. NEW YORK, SATURDAY, NOVEMBER 14, 1868. PRICE TWO CENTS.

THE WHISKEY RING.

The Latest Phase of the Whiskey Frauds.

Charges Preferred Against District Attorney Courtney and Marshal Murray.

The Charges and the Answers of the Accused.

An Interesting Hearing and Important Developments.

Full Exoneration of the Defendants.

Letters from Collector Bailey, Mr. Fullerton, and Attorney-General Evarts.

The charges which have been made against United States District Attorney Courtney and Marshal Murray, implicating those officials with a participation in certain whiskey frauds, formed the principal topic of conversation yesterday in the political circles of this city. The fact that these charges were preferred in the course of an investigation now going on in Washington under the direction of President Johnson, added special interest to the case, and was the cause of some pretty lively criticism both of the President and Mr. Fullerton, who has been retained to conduct the prosecution.

A HISTORY.

In connection with this proceeding against Mr. Courtney and Marshal Murray, there is a history of frauds perpetrated by the Whiskey Ring of sufficient interest to be briefly written here.

In September last a man named Binckley, whose reputation was not of the most enviable character, appeared before a United States Commissioner in this city and proceeded to make arrests, present charges, summon witnesses, &c., with the expressed view of procuring aid in unmasking the villainy which seemed to involve Commissioner Rollins in the whiskey frauds which had been carried on in this city and vicinity. Binckley represented himself to be Special Agent of the Internal Revenue Department at Washington. Communication being had with Secretary McCulloch, it was ascertained that the Secretary was not even aware of the presence of Binckley in New York, and that the Attorney-General entertained him entirely, and said he could only appear in a Court of the United States by the courtesy and with the consent of the District Attorney, who was the official on whom the responsibility of the whole proceeding must rest. Shortly afterward, Binckley withdrew from the case, owing to his alleged incompetency to conduct it. After his withdrawal, Mr. Courtney, not desiring to assume the responsibility for the prosecution of the case, asked for the aid of some other lawyer, and Mr. William Fullerton was authorized by Attorney-General Evarts to appear on behalf of the Government. The inquiry which Binckley began into the official conduct of Commissioner Rollins, Deputy Commissioner Hurlard, and Deputy Marshal Smith, of the Eighth District, was then continued and completed, resulting in the discharge of Smith and the dismissal of the charges against Messrs. Rollins and Hurlard.

Mr. Binckley's connection with the case probably resulted from the following facts: Last spring a man named Belknap, who had been a paymaster in the navy—a position which he lost owing to the disappearance of a large sum of public money which he alleged had been stolen from his office—was appointed a special agent of the Treasury Department, to investigate the frauds of distillers and others in this city on the internal revenue. This man Belknap, conceiving that he was within the scope of his commission to inquire into the conduct of Government officials, engaged Mr. Fullerton to conduct the investigation in his behalf, and subsequently obtained a warrant before Belknap, accusing Ex-Collector Smith of gross misconduct and corruption in connection with the duties of his office, and upon the affidavits Mr. Fullerton applied to Commissioner Osborne for a warrant of arrest against Smith, which the Commissioner refused to issue, on the ground that the affidavits were extrajudicial, and that the persons making them could not be held for perjury, even if everything they had sworn to should prove to be false. The object was carried by having some one else swear to the facts before the Commissioner himself, who thereupon issued a warrant for the arrest of Smith. This warrant was not given, as it should have been, to the United States Marshal, or to any of his deputies; but was served by a man in the interest of Belknap, who, representing himself as a Deputy Marshal, took Smith into custody and with him, which included Belknap, Bickley, and others, to a lager beer saloon in this city, where, after some negotiation, it was arranged that if Smith would pay $20,000, the prosecution should not be pressed against him. Smith, on or subsequently, paid the demand, $10,000 in cash and notes for the balance, to secure a release from custody. Smith subsequently gave nominal bail to appear for trial, and then left for Canada, at the suggestion of some of the parties engaged in his arrest and the settlement of the case. Smith returned to this city after a short absence and was again arrested—this time by Marshal Murray, upon the testimony being offered against him, was discharged. All of these proceedings against him were intended to be kept secret.

Belknap did not stop with Smith. His next proceeding was against Collector Bailey, of the Third District, who was charged with corruption and official misconduct. The Collector, however, was not disposed to allow the proceeding to go on without an exposition on his part. He accordingly made a full statement of the whole transaction, and commended the boldness with which he had met the charge of perjury. Two witnesses made a full confession of the crime, and stated that they were hired to make the affidavits. Some of them surrendered the sums of money by which their perjured affidavits had been purchased. These guilty parties are still in a lamentable plight.

While the investigation of the charges against Messrs. Rollins and Hurlard was proceeding, Smith made a motion, of which was entirely unexpected by the parties against whom it was directed. He demanded the return of the $10,000 cash and $20,000 notes which he had given to secure his release from the so-called arrest, which demand was refused. This denial, probably accompanied by threats of exposure and prosecution, was answered by a return on the seven notes, and of $3,000 as a part of the cash paid down by Smith.

Collector Bailey, becoming aware of the transaction, made inquiries into its details with a view to the arrangement of Belknap and the other parties engaged in it. Mr. Fullerton made every possible effort to deter the Collector from pursuing that course, but without avail. The investigation into the transaction resulted in finding some money collected by Collector Bailey has been presented to the Grand Jury of the United States for its action.

The facts detailed in this history of the recent internal revenue investigations in this city probably account for Mr. Fullerton's connection with the prosecution of the charges which have been preferred in Washington against Mr. Courtney and Marshal Murray, both of whom had a hearing at the White House on Thursday, on which occasion the charges were read to the accused.

THE CHARGES.

The accusations made against Mr. Courtney comprise scores of affidavits. The first charge grows out of four offenders against the revenue laws. Money was to be made by letting them up, but, it is alleged, two other persons were found to be connected in the same frauds as the four others, and these two new victims were men of heavy weight, pecuniarily, and could afford to be bled freely. Accordingly, if the charge be true, one of these two men, or both, were induced to think that a considerable sum could be satisfactorily settled. The consideration was $1,500, which was intrusted to a certain lawyer of the whiskey ring, who, according to the affidavits, gave this $1,500 to the District Attorney, and the rest of the offenders in consequence were allowed to go free, while the quieted parties were reserved as proper subjects to satisfy the demands of justice. But the attorney of one of these four poor victims in hunting up the case stumbled upon several suspicious circumstances, and at length had an interview with one of the two repeated rich men. He inquired of the rich man how it was his case had not been prosecuted? "Oh," said the rich man, "I have had my case hushed up for a consideration," or words of the same meaning. The attorney asked for an explanation, and the rich man explained about the payment of $1,500. The attorney thereupon went in search of the indictment against the two rich men, but could not find it. It was not to be found filed away in the right pigeon hole, but after considerable search was exhumed from the records of some years previous. On asking why this was done, the District Attorney's clerk explained that he had been ordered to file it away in that manner by his superior.

The second principal charge is one of permitting the removal from a distillery in a period of time covering about three months of a quantity of whiskey, the tax on which amounted to $900,000. The operation was discovered by a Government detective, who kept an exact memorandum of every barrel removed, when it was taken and where, and the names of the truckmen who conveyed it to the Harlem Railroad depot. The detective and informer having watched the operations during the whole period, at length thought it time to "blow" the business, and therefore went to the District Attorney and exhibited his memorandum. The prosecuting officer of the Government, it is alleged, said to the informer:—"Why do you meddle with those people? You had better not meddle with them at all," or words to that effect.

The third principal charge is based on the case of a $200 check said to have been given to Mr. Courtney on condition of releasing a distillery that had been seized. The specific charge is that Mr. Courtney was first handed a check payable to his order, which he refused to receive, but that afterwards, on receiving a check payable to bearer he brushed it into his drawer, and the next day the distillery was released.

The principal charge against Marshal Murray is that of running a Fifty-fourth-street distillery, which had been seized, and pocketing the profits. He is charged with making a pretended effort to arrest the guilty parties, and with letting the chief offender besides him, one Martin, escape, though he could easily have apprehended him.

THE DEFENCE.

These charges were read in the presence of the President and the Attorney-General, Mr. Fullerton acting as legal prosecutor. Mr. Courtney, in presenting his defence, said the garrets and cellars had been ransacked to hunt up charges against him and his brother officials; the vilest offenders were the leading accusers brought up to blacken his reputation and the good name of his associates. The whole thing was a miserable conspiracy, contrived to harass and impede him in the discharge of his duty. At the very moment he was ready to enter upon the prosecution of offenders against the law, these charges were trumped up in order to shield and protect the real guilty parties. Mr. Courtney then proceeded to answer each of the charges. His line of defence in regard to the $1,500 check was understood to be a positive denial of the charge, which as to the second principal charge he declared that the informer's story was an entire infatuation so far as he (Courtney) was concerned. He had never seen the memorandum sworn to by the informer at all. In regard to the $200 check, he said that he did remember something of an occurrence of the kind. It was altogether a regular business proceeding. He had performed some legitimate professional service for the party referred to, and he remembered about that time to have received $200 or $300 from him in the regular course of business, and that was all there was in it.

Marshal Murray's answer to the charges made against him is to the effect that the keeper Martin, whom he had appointed to watch the distillery, proved dishonest, and without his (Murray's) knowledge set the distillery in operation. He further says that nearly all the illicit whiskey thus made was seized by him, so that the Government was not in point of fact defrauded by the operation.

MR. FULLERTON'S REPLY.

In reply to Mr. Courtney's speech in his own defence, Mr. Fullerton said, although he had been solicited by the President to undertake the prosecution, he assumed the task very reluctantly, and only after repeated requests to do so. As to the charge that he had trumped up charges against the official offenders at a time when the District Attorney was about to launch into an earnest prosecution of the culprits, the only answer was that it was the President himself who had selected both the time and the mode, and that charge, therefore, if it amounted to anything, was directed against the President himself, and not against him (Fullerton). It had been charged that he had sought for aliases in the garrets and cellars of New York, and that he had track the guilty of the District Attorney. His reply to that was that he should never dream of searching in churches and holy places for the traces of the iniquity of the whiskey offenders. He sought help where he could find it. He looked for crime in its customary haunts, not where it was the least likely to be encountered. However, the case could not be disposed of in this trifling way. The President had employed him to find evidence of fraud, and that duty he had discharged. It remained for the Executive to decide what should be done. It was for the President to say whether or not the management of the revenue officers of official frauds that had been erected around our internal revenue operations should be pulled out, or whether it should remain standing. It was for the President to announce whether the Treasury should be robbed of hundreds of millions yearly, or whether it should be protected from the wasteful and insolent hordes of public robbers and plunderers, by the removal of dishonest officials and the appointment of men of sterling integrity. Of course an accused party would say, "Not guilty!" It would be unnatural to expect otherwise. Mr. Courtney was not a criminal. He could not be expected to confess his sins and thus condemn himself. But his defence was most weak and impotent. Mr. Fullerton has referred to all the points made by his opponent. As to the gold clerk, which Courtney had represented as having been received in the ordinary course of business, he (Fullerton) was glad to hear such an circumstance that the seized distillery should have been released the very day after the payment of that check.

At the conclusion of proceedings Marshal Murray returned to New York, Mr. Courtney remaining in Washington to water the course of events.

Letters from Collector Bailey.

In connection with this case, the following letters from Collector Bailey present facts of special importance:

HOW THE WHISKEY PROSECUTIONS WERE STOPPED.

UNITED STATES INTERNAL REVENUE, COLLECTOR'S OFFICE, FOURTH DISTRICT, NEW YORK, 348 PEARL-ST., NEW YORK, NOV. 13, 1868.

To the Editors of the Evening Post:

In yesterday's Evening Post I observed the following statement in your editorial columns:

"Now, we do not mean to cast blame on men like Collector Bailey and District Attorney Courtney, but we would like to know from them, and the public would like to know from information, why all the cases should have been long under indictment, while the property has long ago been seized and sold, and about whose guilt there was little room for doubt, the accused are still not brought to trial. Way is justice so tardy in these cases? Who makes the delays? Who stands between the people and justice? Had the County Court Judge the power to compel the production of such information as is within my knowledge in respect of the matters referred to.

In regard of the indictments against the Kentucky Bourbon Company, bills were found against ten persons—five of the Company and others—in the early part of last March. The warrants issued upon them were not returned until the June following. The trial of the defendants was originally set down for the first day of the term, but on being called the Government announced that it was not ready to proceed. The trial was then postponed to the November following. At that time Messrs. Barney, Beebe & Parsons, special counsel in the case, were with the District Attorney in Cincinnati, engaged in prosecuting the Millers, who had been tried together by me. When the case was called, the defendants proceeded from the Court a postponement for one week, when again called, the prosecution had not made its appearance, it was again postponed, at the instance of the defendants, for one week. When called the third time, it was formally postponed, on the ground that the witnesses were not in attendance, and before anything could be done it was so near the close of the term that Judge Hatchcock was unable to try it, he not being able to sit while the defendants had a right to compel the trial to take place in July.

It was the last day of the November term, O. the last day of the term, the witnesses had been in attendance for one week, and were in the Court room, and the District Attorney and special counsel were all ready to proceed. But a letter had been received from Washington, signed by Mr. Evarts, directing the postponement of the trial.

So much for the causes why the Kentucky Bourbon Company indictments have not been tried, into far as I have any connection or responsibility therewith.

The following are the facts in relation to the failure to bring the indictments against the members of the firm of Walton, Gray & Price to trial. These indictments were found in the month of April or May last.

When the case was first called, the wife-case were brought down by me from a Mobile and New Haven, and the District Attorney was very anxious that the defendants should be tried at that time, but he was not prepared to proceed, he said, for want of a witness who was then supposed to be in Europe, and who was detained by the illness of his father. The witness was expected daily, and he directed a paper to be subpoenaed, and the witness was subpoenaed accordingly. The witness was detained by the illness of his father, and the case was continued over the term.