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BY THE HOUSE OF DELEGATES,
January 18th, 1843.

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COMMUNICATION

FROM THE

CHESAPEAKE AND OHIO CANAL COMPANY,

TO THE

GOVERNOR OF MARYLAND,

INCLUDING

Copies of a Correspondence between said Company and the Messrs. Baring
& Co. in relation to certain Maryland Bonds.

1870

THE UNIVERSITY OF CHICAGO

RECORDS

OFFICE OF THE DEAN

CHICAGO, ILL.

THE UNIVERSITY OF CHICAGO PRESS

CORRESPONDENCE.

OFFICE OF THE CHES. AND OHIO CANAL CO.

Frederick, January 12th, 1843.

To His Excellency,

FRANCIS THOMAS, *Governor of Maryland:*

SIR,—The Board of Directors of the Chesapeake and Ohio Canal Company have the honor herewith to enclose to you copies of a recent correspondence between the Messrs. Baring, Brothers & Co. of London, and this Company, in relation to certain State of Maryland bonds which were placed in their hands under an arrangement entered into with them, as agents of the company, in December 1839. You will perceive from the letters and accompanying statements that they hold £133,000 Maryland 5 per cent. sterling bonds, belonging to the company, upon which they have made advances, principally in the year, 1840, which, with an allowance of credit, now amounts to £80,151 0 8. And they propose to the company to take the said bonds at 50 per cent. in part payment of the amount thus due them, and the company's bonds for the balance; and in case the company will not assent to the proposal, they give notice that they will sell the bonds either in this country or in Europe, unless some satisfactory arrangement is made to reimburse them for their advances. This determination on their part appears to result from the failure of the State to pay the last July instalment of the interest due on the bonds, and the failure to meet the January interest will doubtless render them still more urgent for a settlement. The reply of the board, under date of the 10th inst. a copy of which is herewith communicated, marked No. 4, will put you in full possession of their views on the subject, and the grounds on which they have placed their objections to the proposed sale, but as it is a subject in which the State of Maryland is much interested, the board have deemed it their duty to communicate the matter to you in order that, if deemed expedient, it may be brought to the notice of the General Assembly now in session. It is scarcely necessary to add, that the company have no funds to redeem the bonds in question, or pay the arrears of interest due on them, and unless the State adopts some measures in this latter behalf, the bonds will probably be sold at a sacrifice by the Messrs. Baring, either under the agreement as they understood it, or under the cover of a proceeding at law. The accompanying papers are numbered from 1 to 6, inclusive.

I have the honor to remain, very respectfully, by order and on behalf of the board,

Yours,

THO. TURNER,

Clerk Ches. and O. C. Co.

No. 1.

(copy.)

*To the President of the**Chesapeake and Ohio Canal Company,—Baltimore:*

BOSTON, 6th July, 1842.

SIR,—Messrs. Baring, Brothers & Co. of London, inform me that they hold 133 M. £ of bonds of the State of Maryland, on which they have advanced 76 M. £.

In the present state of things they cannot reimburse themselves by sale of the stock, and I shall be much obliged if you will inform me if the company can do anything for their payment.

The nominal quotation in London at last dates, was 50 per cent. but at which price purchasers could not be found. If they can be sold in Baltimore at a price to cover the account of Messrs. Baring, which I believe would be about 57 per cent. and 2 per cent. commission, Messrs. Baring, Brothers & Co. will be much relieved thereby. And if this cannot be done, Messrs. Baring will take the bonds at the nominal quotation of 50 per cent. and the obligation of the company for the balance, which may be due them beyond the proceeds of the bonds.

I shall be obliged by hearing from you on the subject.

I have the honor to be, sir,

Very respectfully,

Your obedient servant,

(Signed,)

T. W. WARD, *Attorney.*

No. 2.

(copy.)

CANAL OFFICE, FREDERICK,

July 23rd, 1842.

T. WARD, Esq. *Boston.*

DEAR SIR,—Your letter, in behalf of Messrs. Baring, Brothers & Co. of London, of 6th inst. addressed to the President of the Chesapeake and Ohio Canal Company, was presented to the consideration of the board on the 21st inst. Whereupon it was

“*Ordered*, That the board cannot consent to a sale of the bonds in question, at the price proposed—not feeling justified, under existing circumstances, in departing from the terms of the agreement of December 1839, upon which the said bonds were placed in the hands of Messrs. Baring, Brothers & Co.”

In communicating which, I have the honor to be,

Yours, respectfully,

(Signed,)

THO. TURNER,

Clerk Ches. and O. C. Co.

No. 3.

(COPY.)

THOS. TURNER, ESQ.

*Clerk Ches. and Ohio Canal Co.**Canal Office, Frederick City, Md.*

LONDON, 3rd December, 1842.

SIR,—Mr. Ward has transmitted us copies of his letter to you, the President of your company, and of your answers, by which we observe, that in declining Mr. Ward's proposal, the Board of Directors do not feel themselves justified in departing from the terms of our agreement. By this agreement we were at liberty to cover ourselves for our advances at any time by sale of the bonds deposited with us. We refrained from exercising this right, partly because there has been no regular demand for these bonds since we were in possession of them, and partly because it was the wish of your direction that we should hold on, but now that the State of Maryland has failed in paying its dividends, and that the balance is consequently increasing, as your company does not even remit us the interest on the sum due to us, we feel it necessary to come to a settlement of this account. We have, as you are aware, exercised great patience and forbearance in remaining for so long a period in such a heavy cash advance at only 5 per cent. interest, and waiting for any commission or remuneration until the sale of the bonds, and we have done so in compliance with your wishes; but we have long felt a strong desire to have the debt due to us repaid, or at least very materially diminished. At the same time we were aware, that whatever the nominal price might be, the attempt to sell here so large a sum as £133,000 stock would be vain, for the last one or two years, and would injure the credit of the State, by reducing the rate of its bonds to those of the worst securities. Unfortunately, events on your side have destroyed the credit of Maryland, and rendered my calculation of the value of its bonds impossible, whilst they have made us more anxious to settle or diminish the balance due to us, and we desired our agent, Mr. Ward, to beg you to remit us funds, or if that were impossible, to come to some settlement of the account, which we thought would be as much your wish as ours. It would be impossible to sell £1000 at 50 per cent. whilst much might be bought at that price, so that if we wanted to speculate in Maryland bonds we could buy them in this market at more advantageous terms for us than by our offer to you.

We have now the honor to enclose a copy of the account current of the Chesapeake and Ohio Canal Company with us, showing a balance on 31st December next, to its debit, of £80,151 0 8, which please note in conformity, and we beg to add, that if we are not placed in possession, by the arrival of the Boston steamer of 1st February next, of some means of providing for the payment of

the balance, we shall proceed to the sale of the bonds in our hands, either here or in the United States, as may appear most advisable. We shall thus give to the company any advantage which may arise from the measures of the legislature during the present session, as our desire is to consult the interests of the company, consistently with the speedy settlement of our account, which cannot be left open for an indefinite period, with a constantly increasing balance to its debit. We send this letter open to our agent, Mr. Ward, begging him to forward it to you, and should you have any communication to make to which you would wish a more prompt reply than can be obtained from London, we beg to refer you to him.

We remain, respectfully,

Sir, your obedient servants,

(Signed,) BARING, BROTHERS & CO.

No. 4.

(COPY.)

OFFICE CHESAPEAKE AND OHIO CANAL CO.

Frederick, Md. 10th January, 1843.

To Messrs. BARING, BROTHERS & Co. London—

GENTLEMEN,—We have the honor to acknowledge the receipt of your letter of the 3rd ultimo, enclosed in one from your agent, Mr. Ward, of Boston, in which you acknowledge the receipt of the resolution of the Board of Directors of this company declining your proposition in regard to a sale of the State of Maryland bonds in your hands, belonging to the company, at 50 per cent. As from the tenor of your present letter, it appears that the existing arrangement between yourselves and this company, in reference to those bonds, is misunderstood on your part, or, at least, that you understand it differently from the Board of Directors, we respectfully beg leave to call your attention to the letters in which it is embraced, and to quote, for your consideration, such extracts therefrom as immediately apply to the question at issue. After doing this we will again more particularly consider the subject of your present letter.

The terms of the original agreement are set forth in the letter from your house to Geo. Peabody, Esq., dated London, November 27, 1839. The 5th proposition reads as follows:

“Should we decide not to avail of the above option (*i. e.* to take the bonds at 70 per cent. at any time before the 1st of January, 1840, in amount not exceeding £300,000 nor less than £200,000,) then you shall give us the choice of making such advances on Maryland bonds at 65 ex. January dividend, at the bank rate of interest, as you may require to meet all engagements for the Chesapeake and Ohio Canal Company, not exceeding £200,000. Such advances to be repaid by sales of the stock at our discretion, (advising with you, however, before making any large sales,) in-

cluding our commission of 2 per cent. and brokerage, as usual on sales. Where no advances are required, our commission is to be reduced to one per cent. it being distinctly understood, that it is most material to our interests, that we should have the sole and entire control of the sale of the bonds, and that it is your wish to do every thing in your power to give us such control."

By letter of the same date, November 27, 1839, dated from London, Mr. Peabody acknowledges the agreement as above stated, and expresses to you "the pleasure it will afford him to carry out the views and expectations embraced in your letter."

In a letter from George Peabody to the President of the Chesapeake and Ohio Canal Company, dated London, December 6, 1839, he says:

"In the agreement with Messrs. Baring, Brothers & Co. which I forwarded, no positive mode of effecting sales of the bonds belonging to you was pointed out, I have therefore suggested that what may belong to you should be sold *pro rata* with what they may hold on their own account. This arrangement they have confirmed in the letter enclosed, which will place your interests on as favorable a footing as I could reasonably ask."

The letter from the Messrs. Baring, Brothers & Co. (enclosed in the above) dated Bishopsgate Street, 6th December, 1839, and addressed to Geo. Peabody, Esq. is as follows:

"In reference to your enquiry as to the best mode of protecting the Chesapeake and Ohio Canal Company against losses from *forced sales* of Maryland State bonds, at present hypothecated with various institutions in the United States, and of following up at the same time the agreement between us, we would suggest that you should authorise drafts on you, against the consignment of the bonds at the rate of £65 per £100 capital, and we engage to provide for your acceptances on delivery of such bonds (being the same form and tenor as those we have purchased of you) to us, provided, that the whole amount of drafts do not exceed £200,000—that not more than £30,000 fall due per month, and that we receive, as stated above, £100 capital for every £65 we are called on to provide. In this mode &c." The letter then proceeds thus: "Although we must reserve to ourselves the right of covering our cash advances by sales, yet our interests are now so closely identified with those of the company, and our wish is so sincere to meet its views, that you may rely on our not uselessly sacrificing its stock, and we shall consult with you as to prices, and are willing to admit, what is consigned to us in *pro rata* proportion with what we hold for our own account in our gradual sales."

Upon the receipt of those letters and communications, embracing the terms therein contained, the Board of President and Directors of the Chesapeake and Ohio Canal Company unanimously confirmed the agreements, and by a resolution, passed 8th January, 1840, appointed your house the agents of the Chesapeake and Ohio Canal Company, for the transaction of its business in London. All which was communicated to you through Mr. Peabody

by letter, dated 24th January, 1840. And the agency was accordingly established.

In a letter addressed to you by the Governor of this State, (at that time President of the Chesapeake and Ohio Canal Company,) under date of January 5th, 1841, he says:

“The condition of the money market of Maryland bonds in London, as is described from time to time in your letters, has induced me to refrain from attempting to modify, or to change in any respect the arrangement entered into between yourselves and Mr. Peabody. That arrangement was approved of by the Board of Directors as soon as we had learned its terms, and the chief clerk was directed to forward to you evidence of that approbation, &c.”

Upon the terms then of this agreement and agency, as set forth in the various extracts we have quoted, it appears that you now hold Maryland 5 per cent. sterling bonds to the amount of £133,000—that the balance due you for cash advances made at various times, amounts now to £80,151 0 8—and by your letter of the 3rd December, 1842, dated at London, received through your agent, Mr. Ward of Boston, as we have already mentioned, you repeat your proposition to become the purchasers of the £133,000 of the bonds belonging to the company in your hands at 50 per cent., and state, that unless the company assents to this proposition, or unless by the arrival of the Boston steamer, which is to sail on the 1st February, you are placed in possession of some means of providing for the payment of the balance due you for advances, viz: £80,151 0 8, you will proceed to a sale of the bonds in your hands, either here (in London,) or in the United States as may appear most advisable.

In the present embarrassed condition of the company, and with an outward pressure from all quarters, we regret exceedingly that your house also should manifest so peremptory a disposition to press for a settlement of accounts, but inasmuch as it has been done, the only alternative of this company is to shelter itself under the stipulations of the agreement existing between yourselves and it, in regard to *forced sales*, and to insist upon the full benefit of the provisions of the arrangement as respects the mode of regulating the sales.

In a few words, then, we think that under the existing arrangements you are not at liberty to sell the bonds of the company without the assent of the company, even to reimburse yourselves for cash advances, except for the same price that you make sales of similar bonds held on your own account, and in *pro rata* proportion according to the terms of your letter of the 6th December, 1839, from which we have quoted an extract. Under this arrangement, as this company understands it, you are to make advances at the rate of £65 for every £100 of Maryland bonds placed in your hands. You reserved to yourselves the right to cover your cash advances by sale, but to secure the company against the sacrifice of its bonds to meet such advances, you agreed not to sell

its bonds except when you sold your own, and in a *pro rata* proportion, at the same price at which yours were sold.

If such be not the true meaning of the understanding entered into between yourselves and the company, through the intervention of its agent, Mr. Peabody, we are at a loss to comprehend the benefit that could accrue to the company from the *pro rata* arrangement, inasmuch as at the very time when it was entered into, it was agreed that *advances* should be made on the bonds at 65 in the £100 capital. How, indeed, could forced sales be made at the loss of the company except to pay advances upon drafts? If the company did not receive advances there could be no motive in *forcing sales*, and no ground or excuse for compelling them, and it was to guard against the alternative, the very predicament in which the company is now placed, when the bonds are at a great and unjust depreciation, and balances are due upon advances, that the stipulation was made against forced sales, except upon the terms and under the limitations we have mentioned.

It is true that Maryland bonds are now at a great depreciation, growing mainly out of the failure to *collect efficiently* the tax which was laid by the Legislature of 1841, to pay the State debt, and for the same reason the July instalment of interest failed to be paid, but there is still an unquenchable determination in the bosoms of the people of this State to sustain its faith, and we have no fears of the ultimate result. The present Legislature will certainly adopt such amendments as will effectuate the due collection of taxes, and will also probably pass a law to authorise the receipt of coupons of the State bonds, and certificates of interest due on State stock, in payment of the taxes, which will at once stamp them with credit, and enhance the value of State stocks in this market. These reasons, together with others looking to the completion of the Chesapeake and Ohio Canal, to say nothing of the movement now being made in Congress in relation to the providing of means to pay off State liabilities, must in a short time greatly raise the price of the Maryland bonds, both in this country and in Europe, and we therefore feel bound respectfully to decline the proposal of selling to you the bonds in your hands belonging to the company, at the half price mentioned in your letter, or of assenting to a sale of them at all under existing circumstances. The Legislature of Maryland is now in session and will not adjourn until the 10th of March. Most of the measures of importance will probably be delayed until the latter part of the session, and you therefore do not, as you state, by requiring an answer by the steamer of the 1st of February, "give us the advantage which may arise from the measures of this Legislature during the present session" to offer to you the terms of a settlement. Relying therefore upon the desire which you have expressed, "to consult the interests of the company," we, in conclusion, ask of you to postpone all measures in relation to the sale of the bonds until after the close of the session alluded to, when we will probably be better able to propose a mode of adjusting our accounts

in a manner satisfactory to all parties. At all events, we will then communicate further with you on the subject.

By order of the Board of Directors of the Chesapeake and Ohio Canal Company. (Signed,) THO. TURNER,
Clerk Ches. & O. C. Co.

No. 5.

Statement of the advances made by Messrs. Baring, Brothers & Co. on account of the Chesapeake and Ohio Canal Company.—viz:

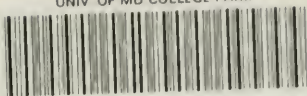
			Sterling.
1840.			
April 10,	To George Peabody,	- -	£22,000 0 0
June 5,	“	- - - -	4,000 0 0
6,	“	- - - -	3,000 0 0
19,	“	- - - -	3,500 0 0
July 23,	“	- - - -	9,000 0 0
25,	“	- - - -	2,500 0 0
18,	“	- - - -	1,000 0 0
Aug. 27,	“	- - - -	10,000 0 0
Sept. 3,	“	- - - -	5,500 0 0
16,	“	- - - -	4,000 0 0
Oct. 6,	“	- - - -	3,000 0 0
19,	“	- - - -	5,000 0 0
Nov. 3,	“	- - - -	5,000 0 0
6,	“	- - - -	1,500 0 0
17,	“	- - - -	1,500 0 0
19,	“	- - - -	2,000 0 0
Dec. 24,	“	- - - -	1,127 4 5
1842.			
Oct. 18,	To drafts of the Company, dated 16th July, at 60 days,	- -	10,000 0 0
			<hr/>
			£93,627 4 5

1840. April,	To Maryland 5 per ct. sterling bonds, deposited with them by Geo. Peabody, £123,000		1840. April to Dec. 31,	By cash at various dates paid to Geo. Peabody, as per detailed statement herewith,	£3,627 4 5
July 1,	To coupons on £107,500 Md. 5 per cent. sterling,	£2,687 10 0	1841. Oct. 18,	By do. our drafts of 16 July, at 60 days,	10,000 0 0
" 7,	To nett proceeds of \$51,000 Pennsylvania 5 per ct. stock,	9,059 10 3		By interest and hostages to 31 Dec. 1840, £1,539 17 10	
" 24,	To coupons on 64 Maryland 5 per cent. sterling bonds,	606 5 0		By do. 1841, 3,495 0 0	
1841. Jan. 1,	To do £133,000 sterling Maryland 5 per cent stock,	3,325 0 0		By do. per last account to 3,817 11 0	
July 1, 1842.	To do do.	3,325 0 0			
Jan. 1,	To do do.	3,325 0 0			
	To balance this date,	22,328 5 3			
		80,151 8 0	1842.	By balance this date,	£102,479 13 3
		£102,479 13 3			£80,151 8 0





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N. MANCHESTER,

