

Schley and Reynolds expressed great optimism with respect to the B & O, stating that "the completion of the western connections of the Baltimore and Ohio Railroad, open up a prospect of immense usefulness and profit to that great work; and the time is foreseen, when the state's investment in the stock, already productive, will be reimbursing." A review of the railroad's tolls indicated that they were "equitable, and generally free from partial discrimination or popular complaint," although some modifications might be desirable in the future.<sup>30</sup>

The main part of the report, supplemented by four attached exhibits, concerned the C & O Canal Company, the financial and working condition of which, the two commissioners stated, "are alike deplorable." They noted that for the first time in five years the company's expenses for the calendar year 1857 had exceeded its revenues—by \$112,921. Moreover, the company had been forced to expend \$89,180 to repair breaches to two dams and "other casualties" not specified in the report. The commissioners believed, however, that when the masonry dams then under construction were completed a recurrence of such extraordinary expenses "need not be apprehended." Finally, the commissioners promised they would "be assiduous to prevent a competition in the rates of tolls between the Internal Improvement Companies, that may prove injurious to the interests of the State."<sup>31</sup>

The four exhibits appended to the commissioners' report illustrated both how precarious the canal's fiscal situation was and how heavy the state's investment in it had become. Exhibit 1 showed the aggregate investment of the state in the company, which totaled \$14,121,061, as follows:

First-class mortgage debts, including interest due and in arrears	\$4,888,587
Second-class preferred stock, including guaranteed dividends in arrears	8,443,750
Third-class common stock	625,000
Value of stock and debt of the Potomac Company, exchanged for stock in C & O Canal Company	<u>163,724</u>
Total	\$14,121,061

The exhibit also noted that \$3,080,040 in other debt (including accrued interest), authorized by the General Assembly in 1844 to finance completion of the canal to Cumberland,<sup>32</sup> took precedence over the liens of the state.

Exhibit 2 was an income and expense statement for calendar year 1857, showing revenues of \$99,590, and expenses of \$212,511.

Exhibit 3 was a cash-flow statement and showed how really bad conditions were. Total receipts by the company during 1857 amounted to \$164,010, of which \$76,500 were from temporary loans, only \$82,274 being from tolls. Disbursements, on the other hand, amounted to \$217,547. The initial cash balance of \$61,874 in the company treasury on 1 January 1857 had dwindled by 31 December to \$8,337 and were it not for "temporary loans" would have evaporated completely.

On 18 March 1858, twelve days after submission of this report, the four commissioners attended a general meeting of C & O stockholders, which they had called in February. Upon Schley's motion, but against the objection of Peter, who thought the meeting itself to be illegal, all of the directors and principal officers of the company were fired and new ones were appointed.<sup>33</sup>

In November 1858 the board's attention turned to the B & O, and a split developed between Schley on the one hand and Lankford and Reynolds on the other. The occasion

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30. *Ibid.*

31. *Ibid.*, p. 4.

32. Acts of 1841, ch. 281.

33. BPW Minutes, 18 March 1858, vol. 1851-83, pp. 73-76.