

availed of, all limits as to price and sales are to be withdrawn insomuch as may be required to cover us; and after we shall be so covered, the same power to draw to be renewed under the same conditions. Interest to be charged at whatever may be the Bank rate from time to time, not under 5 per cent. per annum. The principal and interest of the bonds to be made payable with us; and our commissions are agreed to be:

- 1 per cent. upon sales,
- $\frac{1}{4}$  " for brokerage,
- 1 " additional, upon sales needful to cover our acceptances of the company's drafts in anticipation of sales,
- 1 " upon the amount of dividends to be made payable with us.
- $\frac{1}{2}$  " on the redemption of the bonds, and should we at any time have cash in hand arising from the sales, it is agreed that we shall allow the company interest thereon at the rate of 4 per cent per annum."

After stating in my message the conditions upon which the bonds were left with the Barings, I remarked, that "in making this arrangement, the Baltimore and Ohio Rail Road Company has entered into the system of hypothecation which has been so disastrous to the credit of the State." I did not say that the Company *had hypothecated* the bonds, but that it had *entered into the system of hypothecation* which *had been* so disastrous to the credit of the State. In another part of the message, it is remarked that the State had entered by degrees, into a connexion with canal and rail road companies, and still more cautiously into the plan of borrowing money for their support. If no previous law had been passed for that purpose, the Legislature, in passing the loan law of 1835, would have *entered into the plan* of borrowing money for these companies, even if none of the loans had been afterwards negotiated. According to the agreement between the Barings and Mr. McLane, the bonds were to be sold at such limits and prices as the company might give from time to time; and after the end of February, *advances were to be made in anticipation of sales*; and Mr. McLane, in his letter to the Barings, stipulates that "in case of such valuing in anticipation of sales, the company will withdraw the limits as to price, and leave it to their discretion to sell so far as will cover the advances."

It appeared to me, that this was an arrangement for hypothecating the bonds, or for "valuing in anticipation of sales," and pledging it for temporary loans. The terms of the agreement as stated in the message, show that the bonds are still under the control of the company, and that the hypothecation will not be consummated till the Barings begin to make advances in anticipation of sales. That the company intended to avail itself of the permission to "value in anticipation of sales," is evident from the agreement itself; from the proceedings which led to it, and from the letters of Mr. McLane to the Treasurer of the Western Shore. In his first letter to that officer after his return from England, da-