

[DOCUMENT B.]

WESTERN SHORE TREASURY,
Annapolis, 30th January, 1840.

Dear Sir:—I proceed, as desired by your letter of the 25th, to communicate the result of my necessarily hurried consideration of Mr. Thomas' letter to you of the 20th.

Its disclosures could not but fill me with amazement and dismay.

In pursuance of ch. 241 of 1834, the State borrowed between the 20th June '35, and 3d January, 1837, and loaned to the Chesapeake and Ohio Canal Company, two millions of dollars, on interest of 6 per cent.

The president errs, I think, in terming it a deceptive contract. Neither the company nor the State looked to the revenue of the canal to supply the interest either of this loan or of any subsequent advance, until it should be completed.

Both, I am persuaded, have until now been disappointed, only in the failure of the loan and each subsequent advance, to accomplish its completion. The company, like any other borrower, relied, as did the State, upon all the resources of the company, including the money borrowed, for the fulfilment of its engagement—and it *was* fulfilled with sufficient punctuality, up to 1st April, 1839.

Finding that the loan would not accomplish the work, the State in pursuance of ch. 395 of 1835, subscribed (28th Sept., 1836,) three millions of dollars more, to the company's capital stock; and in pursuance of resolution No. 68 of 1837, paid this subscription (2d April, 1838,) by delivering to the president and directors its dollar bonds to the amount of \$2,500,000, bearing interest of 6 per cent., payable in London—reserving other like bonds to the amount of \$500,000, to be delivered to the company upon their paying for them into the treasury, \$600,000 for account of interest on this further debt and other charges.

Of the two and a-half millions so delivered, the canal board hypothecated one and a-half millions in London, and \$460,000 in the United States.

Finding that these bonds were unsaleable and that the money raised upon them would be insufficient to complete the work, the State, at the instance of the company, agreed to substitute for them its 5 per cent. sterling bonds, in pursuance of ch. 386, of 1838, and in pursuance of ch. 396, of 1838, subscribed (25th of May, 1839,) \$1,375,000 more to the company's capital stock, payable in like sterling bonds, and the company engaged, as the acts required, to pay the interest payable on all these bonds, for three years.