In the summer of 1860 it was found that large sums were due which were liens upon the iron rails. Other sums were due for arrears of wages, and for taxes to the State, and these, when added to the value of the rolling stock and property owned by others, and necessary to conduct the traffic of the Company, amounted to $500,371.75, exclusive of interest in arrears.

This sum it became the common interest of all those holding the last four mortgages to pay at once. From it there was no escape. Consultations were accordingly held between them. After much deliberation, the funding arrangement of 1860 was concluded. By this salutary compromise, it was substantially agreed that the last two mortgages should be foreclosed, and the bonds turned into Preference shares in a new organization. The entire net income of the road was to be applied to the payment of this debt, which was a lien on the Road, and to the purchase of the property used, but not owned by the corporation. To admit of this application of the income, the first and second bondholders of the Detroit and Milwaukee Railway funded five coupons, and the third and fourth, by accepting shares for bonds, resigned all claim for interest until this debt should be discharged. This, it was expected, would enable the Company to pay the debt in full.

Notwithstanding the most strenuous efforts to pay out of the net income the whole of this prior claim, there remains undischarged, as will appear by the accompanying statement, the sum of $186,449.60, besides the interest which has accrued.

But it will be recollected by the bondholders, that when this arrangement was entered into, one coupon had been overdue nearly six months, one more was about to fall due, and the time covered by the three coupons only, entered into the estimate of traffic necessary to pay the debt. The net traffic in the period between 1st October 1860, and 31st October 1862, and its application and results are set forth in the subjoined statement, marked A. Had it been equal to the estimate, the debt would now have been paid and the payment of the coupons would have been resumed. The causes of the failure to realize the estimated traffic are fully set forth in the report which accompanied the statement of accounts to the 31st December 1861.