

LOANS TO THE DETROIT AND MILWAUKEE.

In assisting the Detroit and Milwaukee Company to float their bonds and land shares, it was scarcely possible even for the Committee of Inquiry to contend that your Directors had done anything peculiarly injurious to the Great Western Company of Canada. These matters, therefore, appear mainly to have been brought forward to support the still more serious allegations which follow, to the effect that your Directors most improperly induced you to advance two Loans of £150,000 and £100,000 to the Detroit and Milwaukee Company; that they did so without duly protecting your interests; and, above all, that the members of the Board then in office, with the Secretary and the Registrar, received direct money payments from the Detroit and Milwaukee Company for effecting the arrangement.

Your Directors will consider these charges under the several heads of—*I. The Policy of the Loans. II. The Security obtained for them. III. The Charge against your Board and Officers.*

I. The Policy of these Loans. The attempt of the Detroit and Milwaukee to raise money on their free land shares had proved a partial failure. It was made in July, 1857; and, in September, 1857, the Detroit and Milwaukee Company had fallen into serious difficulties, and on the 7th of that month an application was made to your Board, on the part of the Detroit and Milwaukee Company, for a Loan.

Your Directors continued to be influenced, in 1857 as in 1856, by considerations of the great importance of securing the Detroit and Milwaukee Line in the Great Western interest. Up to the period in question they had confined themselves to circulating the proposals issued in England by the Detroit and Milwaukee Company. Your Directors knew that unless money was obtained from some quarter, the Detroit and Milwaukee Company could not complete their Line and provide rolling stock and stations. They knew also that means must be found by that Company to meet the interest upon their bonds before the Line could be opened and earn revenue. Considering the financial position of Europe and America in the autumn of 1857, it was not surprising that the Detroit and Milwaukee Company should need a loan, or that they should ask the Great Western of Canada for such assistance.

These and other representations tallying so much with the opinions of your Board, derived from official sources, your Directors, at the meeting of Great Western Shareholders, held in London on the 8th of October, 1857, proposed:—

"That the Directors should be authorized to advance to the Detroit and Milwaukee Railway Company such an amount, not exceeding £150,000, as may be necessary to secure the completion of the Railway across Michigan, in connexion with the Great Western of Canada, such advance being made as a temporary loan on sufficient security, the expenditure of the same being subject to the control of the Great Western Railway."

This resolution was unanimously adopted by one of the largest meetings of Great Western of Canada Shareholders that was ever assembled, and it should be mentioned that, previous to the meeting, a circular had been issued to each Shareholder saying, that as financial measures of great importance were proposed to be brought before them as stated in the Report, each proprietor was requested, if unable to attend, to give his individual opinion.

II. The Security obtained. It is imputed to your Directors that in recommending their Shareholders to make this loan they did not take sufficient precautions to ascertain the position of the Detroit and Milwaukee Company, or to secure the proper application of the money.

It is further stated by the Committee, that—

"Three days before the Meeting of Shareholders Mr. Brydges received a letter from Mr. Trowbridge, the Secretary of the Detroit and Milwaukee Company; and which letter he says he laid before the Great Western Directors, containing a report upon the state of the Company's affairs at that time wholly at variance with all previous statements furnished to the Great Western Directors, and with the representations of the Chairman at the Meeting of Shareholders."