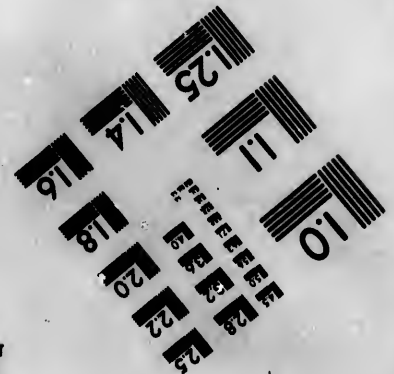
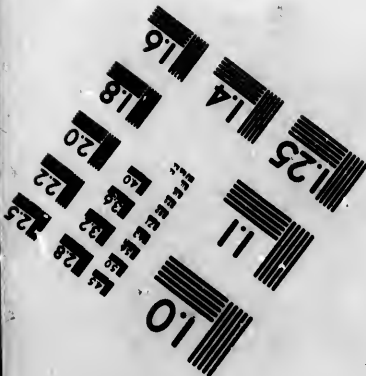
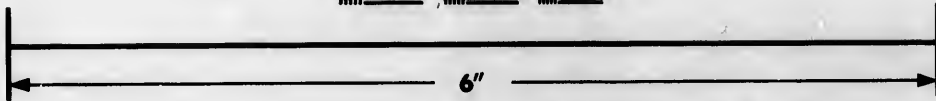
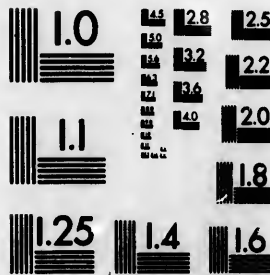


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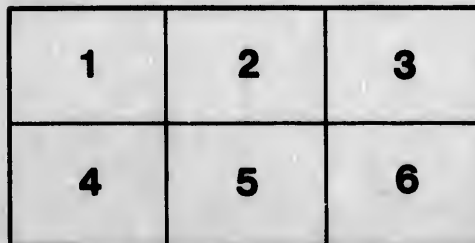
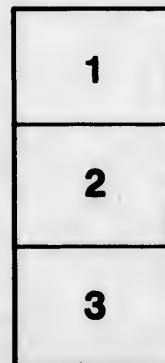
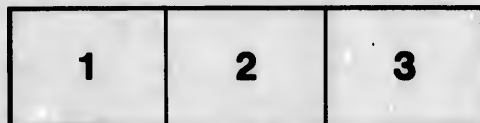
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**LETTER**

TO THE

**BONDHOLDERS**

OF THE

**DETROIT AND MILWAUKEE**

**RAILROAD COMPANY.**

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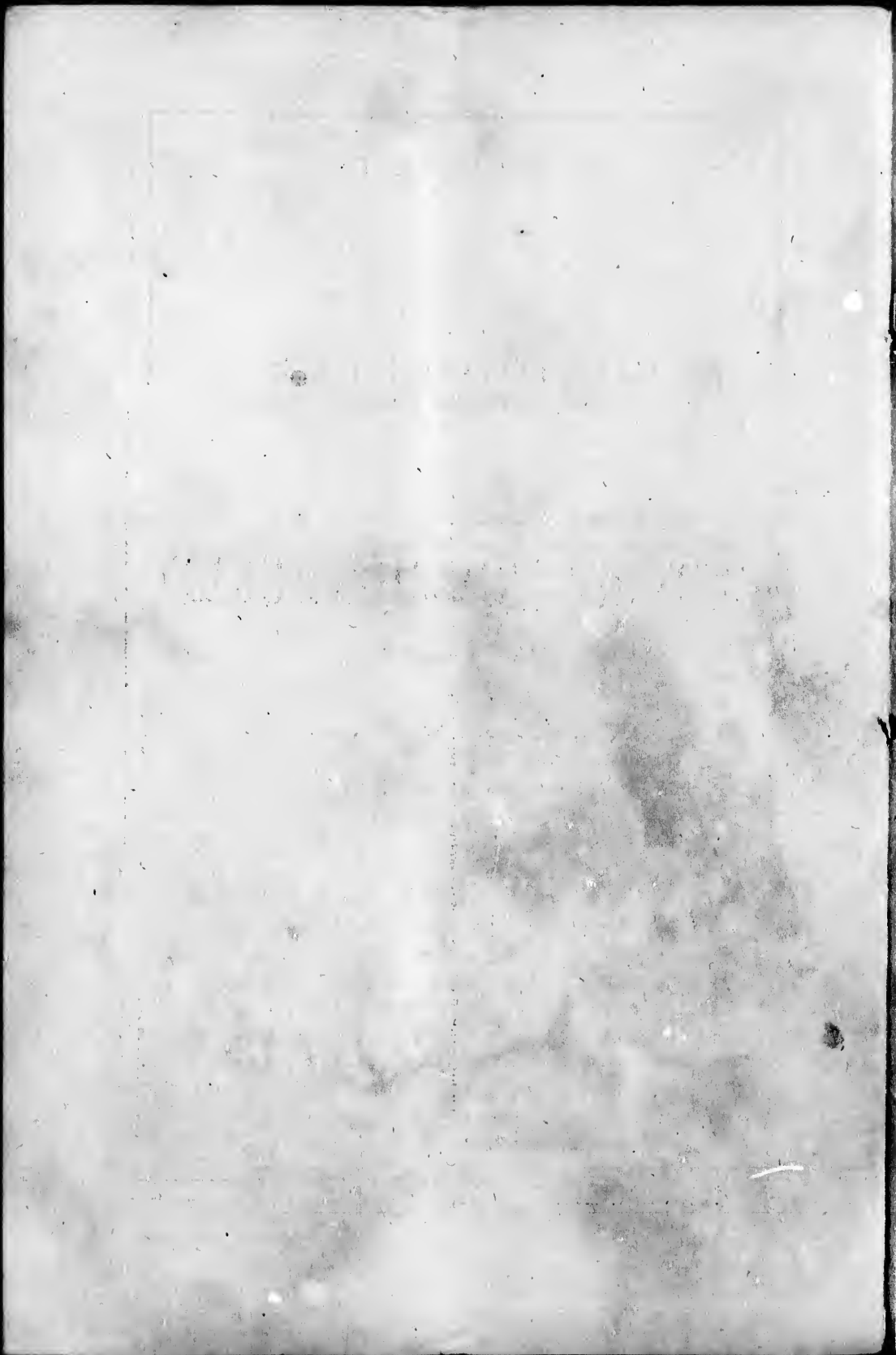
**DECEMBER 11, 1862**

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**DETROIT:**

**THE DETROIT FREE PRESS STEAM BOOK AND JOB PRINTING HOUSE, GRISWOLD ST.**

**1862.**



## Detroit and Milwaukee Railroad Company.

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The Company being unable to meet the interest upon the whole of its funded debt, and also to pay the balance remaining due of the liabilities recognized as obligatory in the Funded Coupon Mortgage of the 15th November 1860, the undersigned have been appointed a Committee by the Board, to confer with the Bondholders with respect to the funding of additional coupons. They think the following brief history and accompanying statements will secure the acquiescence of all in the plan submitted.

Anterior to 1860, when the former coupons were funded, there existed upon the property of the Company eight mortgages, amounting, in the aggregate, to about \$5,500,000. At the periods of their respective dates, the Road was in different stages of completion; some were executed before, and some after the amalgamation of the lines forming the Detroit and Milwaukee Railway; part of them covered the then existing property, while others attempted to extend their liens over future acquisitions. When the last loans were made, in 1857 and 1858, for which the mortgages now represented by Preference shares, were given, little more than two-thirds of the line was completed, viz.: from Detroit to Lowell, 124 miles out of 189. Such was the very low value of its bonds, and so large a sum was necessary to complete the line and enable it to earn anything beyond its expenses, that it was impossible to procure, upon the credit of the Company, the requisite equipment to run it. The only mode in which this could be effected was to procure third parties to purchase it, who, retaining the title, suffered the Company temporarily to use it.

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.



To secure the important advantages contemplated by the adjustment of 1860, it became indispensable to suffer this indebtedness to retain its priority, and it still remains in a condition which enables its holders to enforce its collection in advance of all other securities.

In order to remove this incumbrance upon our common property, it is necessary for the bondholders, under the first and second mortgages, again to consent to a temporary postponement of interest, by funding four half-yearly coupons, viz.: that which fell due 15th November 1862, and those payable in May and November 1863, and May 1864.

It should not be overlooked that the funding proposed is temporary only, and that the principal of the coupons to be funded is to be discharged before any application of income is made to the payment of dividends upon the Preference shares. The amount of interest too, upon all such funded coupons, is fully covered by the very moderate and careful estimate which is submitted herewith, marked B. By this estimate it seems clear, that at the close of May 1864, the whole of the remaining debt provided for in October 1860, will be entirely paid, and thenceforward, if no unforeseen circumstances occur, the Company will be able to meet the interest on the whole of its funded debt with regularity and promptitude.

It may increase the cheerfulness and confidence with which bondholders will acquiesce in the present necessity, to call their attention to the familiar fact, that since 1857, when the present management became interested in this Road, the security for their claims has been fully doubled, and that without the large expenditures subsequently made, and which, by the arrangements of 1860, were all devoted to the additional security of these bonds, they could by no possibility ever be worth their par value.

It will be satisfactory to know that the Company has regularly paid the interest on the prior mortgages, on the bonds issued for the surrendered coupons, and on the river front mortgages, excepting one of the latter, heretofore held in abeyance.

The Company's representatives have just closed a series of interviews with the Trustees of the funded coupon mortgage of the 15th November 1860, with the principal bondholders in the United

States and Canada, and with the agents of large bondholders in England, representing in the aggregate a very large portion of the bonds. At these interviews, the foregoing facts and estimates have passed in review, and all parties are fully agreed as to the necessity of at once adopting the course herein indicated.

Ample guarantees for the faithful application of the entire net income of the Road to the purposes proposed, will be given in the mortgage to be settled by Counsel for the Company and the Trustees.

Holders of the first and second Detroit and Milwaukee bonds are requested to give their consent to the proposed arrangement in the form inclosed, and to forward their coupons either to the Secretary in Detroit, Mr. W. C. STEPHENS, or to Mr. BRACKSTONE BAKER, the Secretary in London, at Gresham House, Old Broad Street. Receipts will be given in exchange for the coupons, and on the delivery of those receipts at the offices, in Detroit or London, proper bonds, bearing seven per cent. per annum, with interest coupons attached, which are in course of preparation, will be issued.

It is intended, as on the former occasion, that the coupons shall not be cancelled, but be held in trust for the owners thereof, by the Trustees to the mortgage, and that said mortgage and coupon bonds shall be made payable, as in the former case, on the first day of January, 1866, and the interest thereon half-yearly.

THOMAS SWINYARD,  
*Vice-President.*

C. C. TROWBRIDGE,  
*Resident Director.*

OFFICES OF THE COMPANY,  
DETROIT, December 11th, 1862. }

## STATEMENT A.

Statement of Receipts and Expenditures of the Detroit and Milwaukee Railroad Company, from 1st October 1860, to 31st October 1862, referred to in the foregoing circular.

Gross Traffic, including Rents collected from 1st October 1860, to 31st December 1861, as per printed report,.....	\$957,421.27
Gross Traffic, including Rents collected from 1st January 1862, to 31st October 1862, as per books,.....	675,089.29
	<u>\$1,632,460.56</u>
Working expenses, including Maintenance of Way, Repairs of Cars and Locomotives, General Charges, Taxes and Insurance:	
1st October 1860, to 31st December 1861, as per printed report,.....	\$529,490.63
1st January 1862, to 31st Oct. 1862, as per books, ..	394,699.62
Total 1st Oct. 1860, to 31st Oct. 1862, being 56½ per cent.,	<u>\$924,190.25</u>
Net Revenue,.....	\$708,270.31
Cash on hand, 1st October 1860,.....	2,585.47
Accounts due the Company, 1st October 1860, since collected,..	10,507.81
Total,.....	<u>\$721,363.59</u>
Thus accounted for:	
Paid for Lands, Works, Bridges, Permanent Way, Stations, Warehouses, Wharves, Workshops and Machinery, as per report, 31st Dec. 1861, ..	\$105,944.53
Do. do. 1st January 1862, to 31st October 1862, as per books,.....	61,178.80
	<u>\$167,123.32</u>
Paid for Interest, viz.:	
On prior Mortgages, 1860,.....	\$14,821.64
“ “ 1861,.....	59,444.84
“ “ 1862,.....	54,600.24
	<u>\$128,866.72</u>
On Funded Coupon Bonds, 1861,.....	\$18,704.89
“ “ “ 1862,.....	31,608.08
	<u>45,312.97</u>

On debt paid, and discount on uncurrent Western Bank Notes, and Exchange on New York and London, 1860,..	\$ 2,110.18	
" " " " 1861,..	19,885.28	
" " " " 1862,..	21,240.24	
	<u>\$43,235.65</u>	217,415.34
Payment on Account of Funded Coupon Trust, not written off,		1,000.00
Contribution to State Military Bounty Fund, do.		1,000.00
Amount of debt due 1st October 1860, as per books, besides interest.....	\$500,371.75	
Do. 31st October 1862, do	250,162.89	
Reduction of debt.....	\$250,208.86	250,208.86
Stores, Wood, and Materials on hand.....		20,903.28
Cash on hand, and Traffic balances equal to Cash, applicable to reduction of debt.....		63,713.29
Total.....		<u>\$721,363.59</u>

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**ESTIMATE B.**

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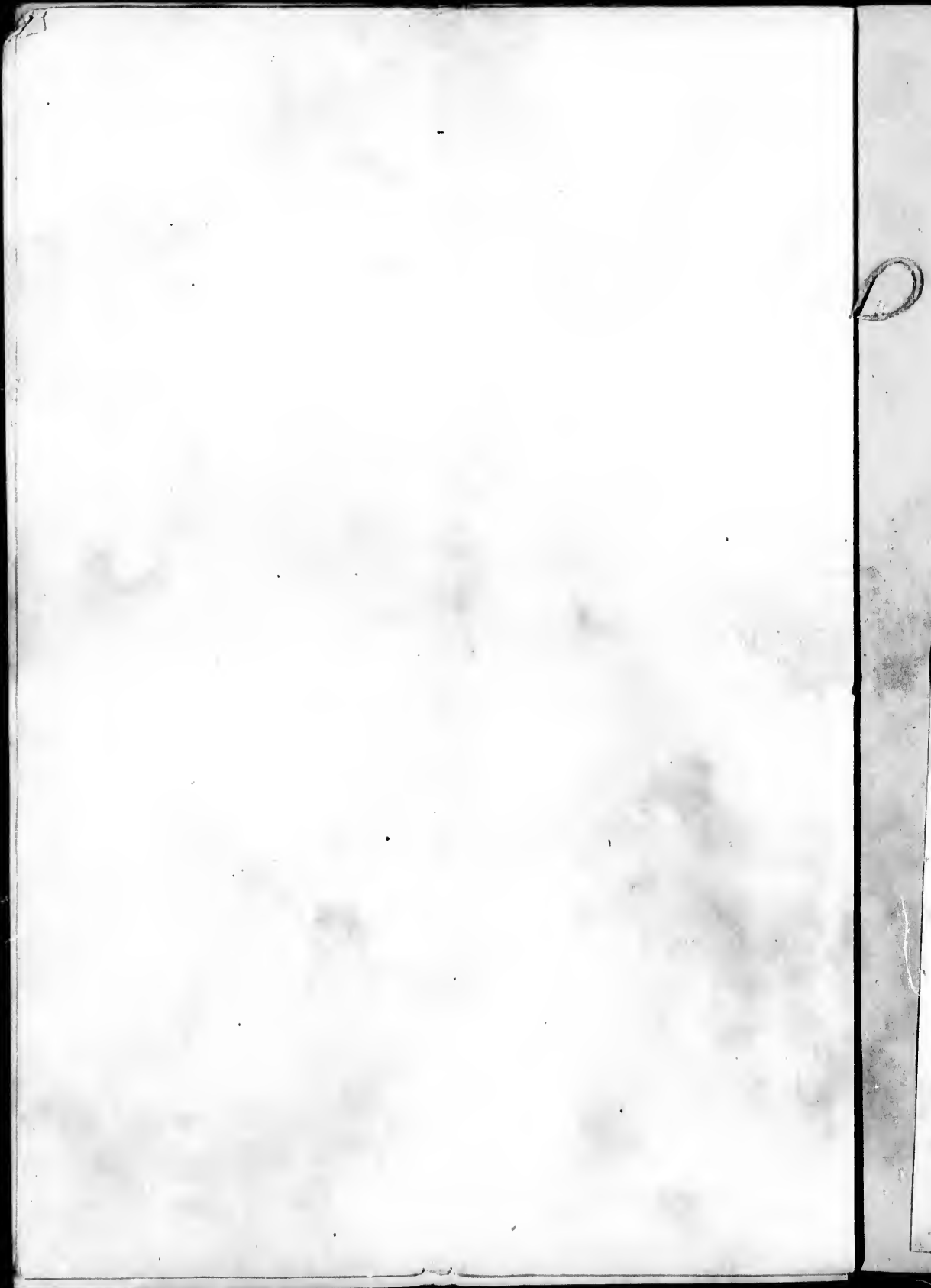
ESTIMATE REFERRED TO IN THE FOREGOING CIRCULAR.

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On the 31st October 1862, the Floating Debt of the Company, including the balance of the debts recognized as obligatory in the Funded Coupon Mortgage of 15th November 1860, to be paid in cash, had been reduced to.....	\$250,162.89
Against which the Company possessed, at the same date, cash and other available assets amounting to.....	63,713.29
Reducing the amount to.....	<u>\$186,449.60</u>
To this must be added the amount of interest accrued on the debt to 31st October 1862.....	27,420.48
	<u>\$213,870.08</u>
Add also the following interest to accrue up to 31st May 1864, viz.:	
1st. Interest on the Detroit and Pontiac Mortgages.....	\$60,000.00
2nd. Interest on the Oakland and Ottawa Mortgage.....	25,244.00
3rd. Interest on Mortgages, and on a Decree on a Mortgage on the Company's Depot Ground and Workshops, on the river front at Detroit.....	38,891.88

4th. Interest on the Funded Coupon Bonds, created under the mortgage of 15th Nov. 1860, say the three Coupons thereon due, 1st January and 1st July 1863, and 1st January 1864.	71,641.00
5th. Interest on the Bonds to be issued in exchange for the four D. & M. Coupons now proposed to be funded, up to the 31st May 1864.	26,772.00
6th. Interest on the Debt, from 31st October 1862, to date of payment, estimated at.	16,006.43
<b>Total amount to be provided out of Revenue, up to 31st May 1864.</b>	<b>\$452,425.39</b>
The income of the Line, from 31st October 1862, to 31st May 1864, is estimated, for the purposes of this Statement, at the same rate as that of the year 1862, without any addition for the natural increase which usually occurs, and at that rate it will produce, Gross,	
	\$1,309,337.59
Less working expenses, at 57 per cent.	746,322.42
And there will remain out of the income for one year and seven months, to 31st May 1864, a net balance of.	\$563,015.17
From which deduct the above estimated debit of.	452,425.39
Leaving a surplus of.	<b>\$110,589.78</b>

The above surplus is expected to be sufficient to provide for the completion of the Ballasting of the Line, Renewals, and other contingencies.



Nos. \_\_\_\_\_

Amount, \$ \_\_\_\_\_

For the amount of the Coupons (inclosed herewith) from the 15th November, 1862, to the 15th May, 1864, inclusive, I consent to receive 7 per cent. Bonds, as proposed in your Circular.

I am,

Sir,

Your obedient Servant,

Signature, \_\_\_\_\_

Address, \_\_\_\_\_

Date, \_\_\_\_\_

To W. C. Stephens, Esq.,

SECRETARY,

*Detroit and Milwaukee Railroad Company,*

DETROIT.

SIR:

I have read the Circular issued by the Detroit and Milwaukee Railroad Company, dated 11th December, 1862, and I consent to the Funding arrangement there proposed, as far as my interest is concerned.

I hold the following Bonds in the Company, namely:

FIRST MORTGAGE BONDS,

Nos. \_\_\_\_\_ Amount, \$ \_\_\_\_\_

SECOND MORTGAGE BONDS,

Nos. \_\_\_\_\_ Amount, \$ \_\_\_\_\_

For the amount of the Coupons (inclosed herewith) from the 15th November, 1862, to the 15th May, 1864, inclusive, I consent to receive 7 per cent. Bonds, as proposed in your Circular.

I am,

SIR,

Your obedient Servant,

Signature, \_\_\_\_\_

Address, \_\_\_\_\_

Date, \_\_\_\_\_



