

They were accordingly issued and delivered since 1st July last,—
 \$2,090,666 $\frac{2}{3}$ to be substituted for the \$1,960,000 of
 the dollar bonds, hypothecated as
 aforesaid—
 576,000 in place of the \$540,000 remainder of
 the two and a-half millions first de-
 livered to the company as aforesaid,
 and 533,333 $\frac{1}{3}$ in place of the \$500,000 reserved as
 aforesaid, to provide for the payment
 of the said interest—
 making \$3,200,000 whereof the \$200,000 were a further
 specific provision for the payment of
 the interest—
 and with the 1,375,000 in payment of the said last subscrip-
 tion—
 a total of \$4,575,000

I did not doubt therefore, (although rumor had prepared me to learn that the stock hypothecated had been subjected to calamitous sacrifices,) that the canal board would be found in possession, not of money, but of the bonds confided to them, to a large amount, both for the prosecution of the work and for the payment of the interest, if they could be made available, and I submitted the last expedient suggested in my report, to make them so.

The acts last aforesaid, you will find, gave to the company the option either to secure the payment of the said interest by a lien on its property and revenues, and taking all the bonds themselves, including those devoted to that service, to perform it, or to leave in the hands of the treasurer so many of the said bonds as would be equivalent to the interest and the expenses of paying it, to be delivered to the company thereafter, as they should pay both—and they elected the former.

Under what overwhelming exigencies, they have disposed of all notwithstanding, and left the State to pay the interest, both upon the loan and these bonds, is not stated, but will doubtless be disclosed by the report of the president and directors now in preparation.

It simply authorizes the committee to assume the fact—and proceeding upon the assumption, I estimate the addition it will make to the charges upon the treasury for the current year, at 6 per centum, or \$274,500—which, with the deficit unprovided for already reported, 195,637.38

will make it \$470,137.38

And I recommend that it be supplied out of the State's special deposits in the Union Bank of Maryland and Franklin Bank of Baltimore—either upon the terms of the resolution No. 77, of 1838, or, if the committee on Education shall prefer it, upon the devotion by law, of the State's revenue from bank stock (averaging about the same amount) to the service of free schools, in place of the interest upon the deposits.