special sinking fund with the receipts from this tax, and dedicate it, as far as it would go, to the purpose for which it was imposed. Accordingly, your Excellency will find, by reference to "Statement E," that $43,883.06 of the balance of $69,028.62 mentioned above, were expended for this purpose during the year. The cost of this investment in premiums, as appears in same "Statement," was $3,518.90; showing the system devised by the Constitution, for the redemption of a loan when created, to be a rather expensive luxury, that can only be afforded when there is abundant money in the Treasury. On the first day of October, and therefore too late to be embraced in "Statement E," an additional $1,092.50 of this balance was in like manner invested, leaving $24,053 06 thereof unexpended, and for which the Treasury officers are now seeking an investment. There was also during the year, and in the early part of it, transferred from the Treasury proper to the general sinking fund, as appears in same "Statement," the sum of $15,750.00. The most of these investments—and all that could be—were made in the purchase of the 5 per cent. sterling bonds due in 1889, which were converted into State Loan bonds under Act of 1872, chapter 366. These sterling bonds when due, and the interest thereon, are payable in gold in London and are held by foreign capitalists.

The Act of 1872, chapter 366, under which this conversion was made, announces in its preamble that "the true interest of the State manifestly requires the taking up of this sterling debt;" and since then, all the past due sterling bonds have been paid and cancelled. The difficulty encountered now in carrying out the manifestly desirable object and purpose of this Act is, that the outstanding bonds are not due and the holders of them will not part with them. The Messrs. Baring Brothers, of London, have advertised for them and advise the State's Agent, Mr. Sloan, that none are offered.

The withdrawal of these funds diminished the balance in the Treasury to the extent of the amount withdrawn, to wit, $59,633.06, and the result practically to the State is the reduction of the State debt $54,874.16, at a cost of $4,758.90 in premiums.