

All of these investments pay promptly an annual interest or dividend, and outside of the Sinking Funds they all pay 6 or 7 per cent., and \$550,000.00 of the stocks yield annually dividends amounting to 10 per cent.

There is not anything in this whole list comprising the offset to the State's indebtedness, save perhaps the over-due obligations of the State, which would not bring to-day a handsome premium—a *million and a quarter of dollars would not be too large an estimate*—but deducting them at their face value and we have as the net debt of the State at this time the sum of \$6,014,159.68.

It was proposed at the last Session of the Legislature to sell some of these stocks and bonds, and with the proceeds thereof, pay the overdue obligations of the State instead of funding at a lower rate of interest.

In my report to the Legislature I recommended that the State should hold these high interest bearing securities and refund the past due debt by issuing new bonds bearing not more than $3\frac{1}{2}$ per cent. interest.

In this view I was sustained by some of the best financiers of the State, and my recommendation was finally adopted by the Legislature by the passage of the Act of 1886, Chapter 449.

Under this Act of Assembly the Treasury officers have exceeded their expectations by exchanging the matured bonds of the State to the amount of \$628,000.00, bearing interest at the rate of 6 per centum per annum, for a fourteen-year bond redeemable at the pleasure of the State after ten years, bearing interest at the rate of 3 per centum per annum.

By pursuing this method instead of selling the securities which the State holds, the State receives 6 and 7 per cent. interest per annum on these securities, and at the same time pays but 3 per cent. on what it owes on account of the new issue, and thus the Treasury and the taxpayer alike reap the benefit of the high credit and financial standing of our State in commercial circles, which such transactions necessarily imply.