

stipulated to pay in London, agreeing to pay the interest ninety days before the periods when the State was required to pay it there, together with the difference of exchange between Baltimore and London. The State has of course provided for the payment of each half year's interest as it became due, and the Companies have from time to time made payments into the Treasury on these accounts, but which have been insufficient to meet the amounts paid by the State upon her bonds.

On the 1st January 1862, an adjustment was made under the authority of a previous Act of Assembly, between the officers of these Companies and the Comptroller of the Treasury, of the balance due from the Companies for interest and exchange; according to which this balance amounted on the 1st January, 1860, to \$183,701.74; the Companies have continued to make payments since that time on account of accruing interest, which in ordinary times would probably have been sufficient to cover the amount of such interest and the exchange, but owing to the condition of the country and the cost of foreign exchange during the past three years, these annual payments have fallen considerably short of the amount the State has been obliged to pay during the same time upon her bonds in London; consequently the arrearages due from the Companies have been constantly increasing, and amount now as supposed to more than \$300,000. I have had several personal interviews with the officers of these Companies, and they manifest an apparent anxiety to meet as far as possible their obligations to the State, and as one method of accomplishing it, they have made the following proposition: They offer to pay during the current year the whole amount of arrearages, reckoning the interest and exchange up to the time of the substitution hereinafter mentioned, and to provide and substitute for their obligations to the State, the Bonds of the U. S. Government, known as the Ten Forty Bonds, bearing an interest of five per cent., payable in gold, the State releasing the Companies' Bonds or assigning her interest therein as they may direct.

If the State deems it expedient not to redeem at present her own bonds, which, as I have said, became redeemable at her pleasure after the 1st January instant, then the substitution proposed by the Companies of the Government Bonds for their own, will enable the State to meet the payment of the interest that may hereafter accrue on her bonds in coin, provided the cost of transmitting the coin to London be borne by the Companies; but the principal question as to the expediency of accepting the Companies' proposition, seems to me to depend upon the view we may take of the time within