

It appears from the books of the Comptroller of the Treasury, that the amount received from the Northern Central Rail Road during the year was \$89,168.48, or less by the sum of \$831.52 than the annuity which by its last engagement with the State it stipulated to pay. Upon inquiry at the Treasury Department for the reason of this deficit, I understand that this amount has been withheld by the Company upon the ground of a tax imposed, I believe upon incomes, by the State of Pennsylvania, and the Company has on that account made this deduction from the amount of the State's annuity. I regard this abatement as unauthorized by any fair construction of the mortgage given by that Company to secure this annuity, or of the Act of Assembly which required its execution; on the contrary the Act of 1854, ch. 260, under which that mortgage was executed, only authorized the release of the State's previous interest in that road, on the express condition that the Company should secure by such a mortgage the annual payment to the State of \$90,000, and required a stipulation therein assenting to a sale of the mortgaged property in case of a failure for three months, "*to pay the whole amount of the annuity which may fall due in any one year.*" The Company has been informed by the Comptroller, as I understand, that the State insists upon the payment of the annuity without abatement, and I hope that upon reconsideration, it will perceive the justice of the demand, and by remitting the balance due will continue to maintain that faithful regard of its obligations to the State, that has heretofore distinguished it.

In my communication to the last General Assembly I called attention to the arrearages of interest and exchange due to the State from the Susquehanna and Tide Water Canal Companies, and to the fact that the time limited for the payment of the principal due on the Bonds of these Companies to the State expired on the 1st of January, 1864.—The history of the financial connection between the State and these Companies, is briefly this: under the authority of the Act of 1838, ch. 416, State Bonds to the amount of one million of dollars were issued by the Treasury for the benefit of these Companies, payable in London, the interest semi-annually, at the rate of 5 per cent. per annum, and the principal at the pleasure of the State at any time after the 1st of January, 1865. To indemnify the State for these liabilities, these Companies deposited with the Treasury as required by the Act, their corporate obligations, the principal of which was payable on the 1st January, 1864, and by which they pledged all their property and revenues to secure to the State the amount of the principal and interest which she had