

Europe. This made a sale of the hypothecated bonds unavoidable; and they were disposed of on terms, to be seen in the appendix No. 39.

The terms of sale were very low indeed; and it is proper therefore to remark, in proof that the prices were as good, as the money market would at that time justify, that 80 of those bonds, were afterwards offered, by the purchaser from the company, at public auction, and were, according to the auctioneer's statement, "sold in twenty lots of four bonds each as follows: 1 lot at 72, 1 lot at 65, 1 lot at 62, 1 lot at 61 1 lot at 58, 1 lot at 57, and the balance at 60 per cent." In fact, only two lots, one for 72 and the other 61 actually changed owners. The others were bought in for want of purchasers. On the same day, Illinois six per cents were offered publicly, and a sale could be made of but one of \$1,000, at 66 per cent. These facts are stated, in the hope that they may satisfy the Legislature, that the sacrifices made were unavoidable, and do not serve to show, that the credit of the State is such, as to make a further issue of the bonds, inexpedient.

After this most disastrous issue to exertions to meet the engagements of their predecessors, the board determined to pay no more interest to the State, nor money to the contractors until a favorable change should take place in the condition of the money market. Neither of these decisions ought, it is believed to be condemned. The canal company never had an income sufficient to pay the officers in its employment, and keep the work in repair. When my predecessors entered into an obligation to pay the interest to the State, they knew it could only be done, by a sale of the bonds of the State itself. The present board know, that the Legislature has authorized the Treasurer of the State, to use the surplus revenue of the State, for the payment of this interest, in the event of a failure of the canal company to comply with its engagement. Could the present board be justified under such circumstances, in selling the bonds of the State at less than 70 in the 100, to pay a debt to the State, when the Treasurer could get for the same purpose, their full nominal value for the bonds of banks held by the State, and bearing an interest of but 5 per cent. per annum? The board believed that such a proceeding would not be approved; and they have left the interest unpaid, considering that it will be their solemn duty, to make payment of the whole amount due, as soon as it can be done, without too much sacrifice of the State securities.

The board hope too, that their determination at that time, neither to sell, nor hypothecate more bonds, for the purpose of fulfilling the agreements of their predecessors, with the contractors, will be approved. The circumstances which imperiously forced a submission to the terms of sale above mentioned, could not be foreseen. It was easy however to guard against a recurrence of any similar losses.

Having come to the conclusion last mentioned, the Chief Engineer was directed to proceed to the line of the canal to make arrangements to suspend, as far as practicable, the works in pro-