

tion, and preferred construction bonds were authorised to be issued to such capitalists, which bonds were to take precedence of the lien of the State on the revenues of the Canal, and the interest on which was to be provided for and paid out of the income of the Company before the State could derive any return for her immense outlay.

The State therefore occupies the position of a postponed creditor, and her interest runs parallel and is identical with that of the preferred bondholders, who have been already compelled from various circumstances, to wait a long time for the fulfilment of the obligations of the Company to pay the interest on those preferred bonds. A large amount of overdue and accumulated interest is still owing to these bondholders, and the State can derive no revenue from the work until these overdue coupons are first paid. The Canal Company therefore, in order to do justice to the State, must make the payment of these overdue coupons their first and paramount object, and the decision of the Court of Appeals made in a cause involving the status of the different liens, directs the Company to devote all the revenues of the Canal not absolutely required in the preservation of the work, to that purpose. The Board of Public Works representing the interest of the State, has for a number of years inculcated and pressed upon the officers of the Canal Company, by every means in their power to enhance the revenues of the work by the most judicious levying of tolls, and by husbanding every available source of profit; and to lessen the expenses by the strictest economy, and by lopping off all useless drains upon their resources. The amount paid towards liquidating the accrued interest on the preferred bonds during the past year, as appears by the report of the President and Directors, has been \$305,910. If the same amount can be devoted to this end regularly hereafter, the whole of the overdue coupons will be paid by the first day of July 1881, and after that time only the accruing interest for the current year, and the amount necessary for the sinking fund will be required, and the balance, which at the present rates of receipts and expenditure, would amount to \$164,337.59 will be available to the State Treasury. I have been thus particular in stating these facts, because the true interests of the State in regard to this matter, are not familiar to all the people of the State, and misrepresentations have been studiously made to induce discontent with what has been termed the extraordinary devotion of the State officers to the interests of the preferred bondholders. The people of the whole State have incurred the debt for the building of this great work, and are directly