

3373 of the General Code, all purchases of trucks by township trustees, where the amount involved exceeds five hundred dollars, shall be made in pursuance to competitive bidding, in accordance with said section. I am further of the opinion that the principle governing purchases of articles that are essentially and absolutely non-competitive, has no application in making such purchase.

Respectfully,
 GILBERT BETTMAN,
Attorney General.

409.

NOTE—MUNICIPAL—HOLDER'S RIGHT OF INTEREST UPON INTEREST, DISCUSSED.

SYLLABUS:

When a note issued by a municipality for a period of sixty days with interest at the rate of six per cent per annum, is not paid at maturity, interest due at maturity may be added to the principal amount of the note, and such interest due at maturity and the principal amount of the note should bear interest at the rate of six per cent per annum until paid, but interest upon interest may not be compounded annually.

COLUMBUS, OHIO, May 16, 1929.

Bureau of Inspection and Supervision of Public Offices, Columbus, Ohio.

GENTLEMEN:—Your letter of recent date is as follows:

“Section 2293-8, G. C., 112 O. L., page 367, provides in part that bonds or notes issued by any subdivision shall bear interest at not to exceed six per cent, per annum.

The city of _____ issued a note for \$11,600.00, dated March 1, 1927, for a period of sixty days with interest payable at the rate of six per cent per annum. Said note was not paid when due and was not paid until April 24, 1929.

Interest thereon was due in sixty days after the date of the issuance of the note and the question arises as to the manner of computing interest due the bank from the due date of the note to the date of actual payment, the bank claiming interest compounded annually.

QUESTION: When interest on certificate of indebtedness of a city issued by the city is not paid when due, is the holder of such certificate entitled to interest on interest?

Opinion No. 1753, page 1230, year 1920, may be pertinent.”

The opinion to which you refer holds that interest coupons which have matured on a bond and have not been paid, bear interest from the date of maturity at six per cent. This principle is in accordance with the provisions of Section 8305, General Code, cited in that opinion and also in accordance with the holding of the Supreme Court of Ohio in the case of *Cramer vs. Lepper, et al.*, 26 O. S. 89, the second branch of the syllabus being as follows:

“Under a contract for the payment of interest at a specified rate annually,

upon default of payment, interest on the interest will be computed at six per cent."

The note in question dated March 1, 1927, became due April 29, 1927, at which time there was a fixed obligation of the city in the amount of \$11,600.00, plus sixty days' interest at the rate of six per cent. Applying the above rule, the principal and interest bear interest at the rate of six per cent per year until paid.

The next question to be considered is whether or not on April 29, 1928, a new balance shall be struck and interest at six per cent be figured on this new balance from April 29, 1928, until April 24, 1929. In other words whether interest upon interest may, in this case, be compounded annually.

In the case of *Anketel vs. Converse*, 17 O. S. 11, the fourth branch of the syllabus is as follows:

"Where interest is payable annually, or at other stated periods, it bears *simple* interest from the time it falls due till paid; and payments are to be applied, first, in satisfaction of the interest due upon interest; secondly, in satisfaction of interest due upon the principal; and, thirdly, in satisfaction of the principal; *but in no case will the interest upon interest be made to bear interest.*"

(Italics the writer's.)

Also in the case of *Marietta Iron Works, et al. vs. Lettiner*, 25 O. S. 621, it was held as set forth in the third branch of the syllabus:

"A judgment taken on such a note for the amount due, including unpaid interest, will bear the stipulated rate of interest only, *without rests*, until payment."

(Italics the writer's.)

In view of the foregoing, I am of the opinion that when a note issued by a municipality for a period of sixty days with interest at the rate of six per cent per annum, is not paid at maturity, interest due at maturity may be added to the principal amount of the note, and that such interest due at maturity and the principal amount of the note, should bear interest at the rate of six per cent per annum until paid, but that interest upon interest may not be compounded annually.

Respectfully,

GILBERT BETTMAN,
Attorney General.

410.

DISAPPROVAL, LEASES TO LAND OF MRS. A. V. DICKERSON AND
GEORGE P. MULLIN, IN GREENE COUNTY, FOR USE OF THE DAY-
TON STATE HOSPITAL.

COLUMBUS, OHIO, May 16, 1929.

HON. H. H. GRISWOLD, *Director of Public Welfare, Columbus, Ohio.*

DEAR SIR:—This is to acknowledge the receipt of your recent communication, submitting for my examination and approval, two certain leases in triplicate executed