

REPORT

OF THE

COMMITTEE OF INVESTIGATION,

TO

THE STOCKHOLDERS

OF THE

NEWMARKET MANUFACTURING COMPANY,

AT AN

ADJOURNED MEETING,

AUGUST 21, 1850.



SALEM:

PRINTED AT THE OBSERVER OFFICE.

1850.

REPORT.

The Committee appointed at the annual meeting of the Newmarket Manufacturing Company, held on the 10th of July, 1850, "to investigate all the affairs of the Company," herewith submit their Report. They are much indebted to the Treasurer, Directors and other officers of the Corporation for prompt and detailed replies to all their enquiries, and have been greatly aided by them in obtaining information concerning the early history and condition of the Company.

The Newmarket Manufacturing Company was organized in July, 1823, commenced operations the same season and completed the first Mill in the fall of 1824. Machinery, consisting of 2560 spindles, was put in, and started early in 1825. No. 2 Mill was completed in the fall of 1825; and early in the year 1827 machinery consisting of 4096 spindles on No. 30 yarn was started. No. 3 Mill was completed in 1827. No machinery was put in till nearly two years afterwards, when 2048 spindles were started on No. 30 yarn. In 1830, 1024 spindles were added, and in the spring of 1832, 2816 spindles were put in operation on No. 30 yarn. The Establishment then consisted of 5376 spindles

on Nos. 16 and 18 yarn, and 8448 spindles on No. 30 yarn, making in the whole, 13,824 spindles.

The Committee have annexed a tabular statement, showing the amount of assessments paid in cash, the amount of stock and cash dividends, the surplus earnings, the cost of the establishment, and the amount appropriated to reduce the cost, and for additions to machinery, &c. From this it will appear, that the cost of the Real Estate and Machinery in 1832, for 13,824 spindles, had reached the sum of \$656,297 41, with a debt over and above the amount of the personal property of \$17,928 98. Following the operations of the Company from that time, through successive years to May 31, 1850, we find the number of spindles increased from 13,824 to 18,208, the amount charged to Real Estate and Machinery *reduced* from \$656,297 41 to \$398,768 26, (after deducting the reserved acc'ts,) with surplus earnings, amounting to \$201,231 74; and during the same period cash dividends have been made amounting to \$354,000.

From the year 1832 to 1848 there has been appropriated from the earnings, to reduce the cost of the establishment, to improve the water power, to add to the machinery, and for other purposes, the sum of \$516,503 01. Of the Capital Stock,

Capital Stock,	.	.	.	\$600,000
there has been paid in cash,	.	.	\$484,600	
— an increased valuation of the	}	Establishment in 1825,	25,000	
— Stock Dividends,				.

At the same time it should be borne in mind, that the Company has labored under great disadvantages from an

abundant water power. Much of the Machinery has at times been stopped from this cause and large expenditures have been made in constructing reservoirs to remedy the defect. This has been a very serious drawback upon their success, which nothing for the time being could remove.— It was well stated in a communication from one of the Directors, "Capital may be borrowed at some price, but it is not to be borrowed." During such interruptions the diminution of the product, and the necessity of keeping the help under pay, caused a heavy loss to the Company. In 1840 a new reservoir was made and there was an abundant supply of water till 1846, when the drought was very severe, and the mills for two months could only be run about 1-4 of the time. At this period, the Directors, very wisely in the opinion of the Committee, caused an engine to be put in at an expense of about \$21,000.

It is very easy now to see the great mistake in the first instance, in placing so much machinery upon such an inadequate stream. Whether this was owing to a general want of knowledge of the business of manufacturing at that early period, or to other causes, the Committee have not considered; but they have been much impressed, in pursuing this investigation, with the apparent devotion and fidelity, on the part of some of the Directors, to the interests of the Company, through a long series of years. Without their personal influence and pecuniary aid, it would seem that the Corporation could not have struggled through several years in its history.

The Committee do not hesitate to say that, considering the difficulties with which the Company has contended, in

an insufficient supply of water, in heavy losses and expenditures connected therewith, in the want of active capital, and in the enormous cost of the Establishment as it stood upon the books in 1832, the *general* results of the business, are highly satisfactory, and are unparalleled in the history of Manufacturing Corporations.

At the same time the product of the Machinery and the cost of the goods do not compare so favorably as could be desired with the results of other well regulated Mills. In reference to this subject it has been stated that the price of labor is necessarily higher in this, than in larger manufacturing places. Some allowance should also be made for interruptions in the work, which the repairs of old Machinery necessarily cause, and for the fact that the Machinery, though kept in good repair—the expense of which forms an important item in the cost of the goods—is, some of it, inferior to that of modern construction.

Since the present Treasurer and the present Agent at the Mills came into office, the Committee find no falling off in results, excepting at the time of a drought in 1846 and a turn out in 1848; and during the past year there has been a marked improvement. From June, 1846, to June 1850, a period of 4 years, the earnings under their management have been \$133,337 11, and the dividends \$126,000 or 5 1-4 per cent on the par value of the stock. It is to be presumed that these dividends were not larger than the Directors felt warranted in making, as the names of those of them who reside in Salem are subscribed to all the votes by which they were declared. During this period, there

was expended upon the Establishment the amount of
 \$52,752 96
 of which there was charged to construction acc't 38,334 74
 and the surplus capital was reduced by the am't of 45,415 85

The Machinery now belonging to the Company, consists of 18,208 spindles.

No. 1 Mill, containing 108 Looms, 3,584 Spindles, on No. 14 Yarn.			
" " " " " 239 " 8,544 " " 30 "			
" " " " " 188 " 6,080 " " 14 "			
	525	18,208	

At the request of the Committee the Machinery has been examined by two competent manufacturers, from whose report it appears that the Machinery in Nos. 1 and 3 is generally good, but that an outlay of \$15,000 to \$20,000 is required in No. 2. The Committee are also satisfied that the valuation of the Real Estate and Machinery should be reduced; and in view of the great competition in the description of goods manufactured by this Company, and for other reasons, they do not anticipate any objection on the part of the Stockholders to a reduction of the property to its proper value. The fact that it cost a high price does not make it worth a high price; and it is better for Corporations as well as for individuals, to value their property by a real rather than by an artificial standard. The great advantages of a correct valuation are that a comparison of results can be more easily made and that there is a greater incentive on the part of the Agents and Directors of the Corporation to make the results satisfactory.

The Committee propose to the Stockholders a reduction

of the par value of the shares from \$1,000 to \$700, and the
Capital stock from \$600,000 to . . . \$420,000
leaving the

Real Estate and Machinery at . . .	\$240,000	
and the active capital . . .	180,000	
	<u> </u>	\$420,000

With the balance

at the Cr. of Guarantee acc't of . . . 5,235 30

and at the Cr. of Insurance acc't the sum of 1,000 00

And that the proper entries be made on the books of the
Company, bearing date May 31, 1850, to correspond with
the general statement herewith submitted.

They have reduced in their statement the valuation of
goods on hand, at the time of making up the last accounts,
by the amount of \$8,389 56. The goods were taken then
at cost, in accordance with the established custom of the
Directors, but the Committee do not consider it a prudent
valuation in view of the uncertainty of prices.

They have placed to the Cr. of Guarantee acc't the sum
of - - - - - \$11,842 18

and they propose to charge to that acc't the
amount of suspended debts in the acct's of

Hacker, Lea & Co., say - - - 7,527 67

in hands of S. Frothingham, jr. & Co. - 1,719 63

 9,247 30

2,594 88

and to Cr. it with am'ts rec'd on acct of sus-)
pended debts by Hacker, Lea & Co. say) 2,203 94

by S. Frothingham, jr. & Co. 436 48

 2,640 42

leaving at Cr. . . \$5,235 30

In the amount of suspended debts, as stated above, in the
hands of Hacker, Lea & Co. the Committee have not
included a debt against Hacker, Bro. & Co. as they under-
stand it to be an open question whether that loss will
ultimately fall upon this Company. They would recom-
mend to the Directors to have the matter speedily settled.
In the amount stated as received by Hacker, Lea & Co. on
account of suspended debts, there may be a slight variation.

With these explanations the Committee proceed to give
a general statement of the affairs of the Newmarket Manu-
facturing Co. on the reduced scale.

GENERAL STATEMENT.

Capital Stock—600 Shares, at \$700 per share . . .	\$420,000 00
Notes and Bills payable . . .	\$2,803 25
Personal accts . . .	29,471 19
do. . .	14,667 61
Guarantee acct . . .	5,235 30
Insurance acct . . .	1,000 00
Profit and Loss . . .	15,000 00
	<u> </u> 68,177 35
	<u> </u> \$488,177 35

Real Estate and Machinery	-	-	-	\$240,000 00
Personal acct's.				
Hacker, Lea & Co.	-	49,381	12	
S. Frothingham, jr. & Co.		11,879	80	
Lawrence, Trimble & Co.		6,875	79	
Tiffany, Ward & Co.	-	1,817	56	
T. Downing & Co.	-	104	32	
Personal acct's at Newmarket,		3,466	80	73,525 39
Manufacturing Materials	-	-	-	8,138 41
Cotton, 293,130 lbs. a 12,051 cts.	-	-	-	35,326 76
Cloth in Agents hands—				
No. 2 - 548,233 $\frac{3}{4}$ a 6 $\frac{1}{2}$	-	35,635	20	
R - - 44,815 7 $\frac{1}{4}$	-	3,249	09	
T - - 257,105 $\frac{1}{4}$ 6 $\frac{3}{4}$	-	17,354	61	
At the Mills—				
No. 2 - 285,814 $\frac{1}{4}$ 6 $\frac{1}{2}$	-	18,577	93	
R - - 4,414 $\frac{3}{4}$ 7 $\frac{1}{4}$	-	320	07	
R R - 287,758 7 $\frac{1}{4}$	-	20,862	45	
T - - 255,605 $\frac{1}{2}$ 6 $\frac{3}{4}$	-	17,252	37	
				113,252 72
Cash	-	-	-	9,466 56
Notes	-	-	-	8,467 51
				248,177 35
				<u>\$488,177 35</u>

As the immediate prospects of the Manufacturing business are very unfavorable, the Committee recommend to the Directors the stoppage of the Machinery, as soon as the present stock of Cotton is used up, or sooner if they deem it expedient, and that they proceed to put in new machinery and to make repairs, in accordance with a vote to be submitted.

To conduct the business of any Corporation successfully, it is indispensable that competent men should be selected

to superintend the several departments, and that they should be made to bear the whole responsibility of their respective positions. Agents thus appointed, with the feeling that their business, reputation and character are dependent upon the result of their labors, will exert their whole moral, mental and physical energies to make those results satisfactory. In this way the most economical and most efficient organization is obtained. It is the opinion of the Committee that this system of individual responsibility has not been sufficiently observed in the general business of the Company.

The Committee do not approve of the manner of keeping the Treasurer's acc'ts with the selling agents, which has been of long existence in his department. The sales are made (with a trifling exception) at the risk of the Company; and the system of making settlements should be such as to expose them to no farther possibility of loss. They recommend to the Directors, that hereafter in making up the Profit and Loss acc't of the Company, there shall be charged to Cloth acc't, 2 per ct. on the amount of sales, and that the same be credited to Guarantee acc't; and that all suspended debts shall hereafter be charged to Guarantee acc't, and that any sums which may be collected from suspended debts shall be credited to that account.

The Committee, as authorized, have drawn upon the Treasurer for expenses connected with their investigation, for the sum of one hundred and five dollars—all of which has been paid to other parties for services rendered.

They close their report by offering the following votes:

Resolved, That the By-Law adopted in 1825, by which the

Treasurer of the Corporation was made ex-officio a Director, be hereby repealed.

Voted, That the Selling Agent or Agents be required to render monthly sales to the Treasurer, and to pass over to him monthly all cash, notes, or other paper, received on account of said sales, with a list and description of the same, collecting such paper as early as practicable; and they shall take in settlement for goods sold, notes or acceptances payable to the order of the Treasurer of the Newmarket Manufacturing Company, and shall keep the same distinct and separate from those belonging to any other Company or concern.

Voted, That the Directors be authorized to expend the sum of Twenty Thousand Dollars (in addition to the amount that may be received from sales of old machinery) for the purchase of such new machinery as may in their opinion be required in No. 2 Mill, and for general repairs and improvements, and to charge the same to "Improvements in Machinery;" and that there shall be appropriated to the credit of this account, from the first earnings of the Company, before any farther dividends are declared, a sum sufficient to balance the same.

Voted, That the valuation of the property of the Corporation be reduced in accordance with a statement embodied in this Report, and that the Treasurer be requested to make the proper entries in his books, bearing date May 31, 1850.

Respectfully submitted.

SAM'L LAWRENCE,	}	<i>Committee.</i>
WM. W. TUCKER,		
N. J. LORD,		

The foregoing Report was accepted, and votes adopted, and ordered to be printed
distribution among the Stockholders.

DATE.	Amounts Paid.	DEBT.	Number of Spindles	Real Estate and Machinery.	Barrels	DIVIDEND	Stock	Cash	Fund for Reduction
1825 Mar. 31.	175,000								
1826 Apr. 15.	200,000		2,560						
Shares sold.	16,000								
1827 Dec'r.	.	90,954 11	6,656						
1828 "	93,600	118,276 61	7,936			\$60 pr share	Stock		
1829 "	.	44,907 48	9,984	624,396 49		\$75 "	"		
1830 "	.	31,312 40	11,008						
1831 "	.	17,928 98	13,824	656,297 41		\$40 "	Cash		
1832 "	.	20,033 31	15,104			{ 60 "	"		
1833 "	.		15,872			{ 83 97 "	Stock		
1834 "	.				19,208 89				July, 38,368 43
1835 "	.				37,786 61				Mar. 52,025 01
1836 "	.				69,972 02	\$30 "	Cash		Jan. 52,550 97
1837 "	.				106,036 99	\$30 "	"		Jan. 24,475 00
1838 "	.		13,824		116,928 16				{ Jan. 42,262 00
1839 "	.				176,959 58				{ Dec. 60,724 80
1840 "	.				191,860 90				- 20,921 38
1841 "	.				139,471 08	\$40 "	Cash		{ Jan. 63,007 38
1842 "	.		14,080		204,396 72				{ Dec. 30,000 00
1843 "	.				199,177 41				{ Jan. 7,000 00
1844 "	.		14,336		194,728 21				{ Dec. 6,000 00
1845 "	.		15,936		205,466 30	\$100 "	Cash		June, 8,038 43
1846 June	.		17,184		228,095 22	\$80 "	"		Aug. 5,881 03
1847 "	.				246,647 59	\$100 "			{ Jan. 10,258 24
1848 "	.				215,325 12	\$100 "			{ July, 20,000 00
1849 "	.		17,568		210,928 85	\$20 "			{ Jan. 7,735 59
1850 "	.		18,208		198,268 45	\$40 "			{ Aug. 20,000 00
					201,231 74	\$50 "			{ Jan. 15,000 00
	\$484,600			398,768 26					{ July, 15,000 00
									July, 17,254 75
						\$590 pr share	\$354,000		\$516,503 01