

SENATE.....No. 7.

THE Committee who were appointed under a Resolve passed on the eighth day of January instant, to enquire into the doings of the Farmers Bank at Belchertown, and the present state thereof, and also to enquire whether the said Corporation have exceeded the powers granted them, or failed to comply with the rules, restrictions and conditions required by their act of incorporation, have attended to the duty assigned them, and ask leave to

REPORT,

That the act incorporating the Farmers' Bank at Belchertown was passed on the 26th of February, 1825, on the petition of a number of citizens of that town and vicinity, representing that it would afford them a great accommodation in the investment of their capital,

and convenience in the transaction of their business. Immediately upon obtaining it, a negotiation was entered into with the United States Insurance Company in Boston, to induce said Company to take the stock of the Bank. The Insurance Company subsequently subscribed for nine hundred and sixty-five shares, the whole amount of the capital was actually paid in, and the Bank commenced their operations in August of the same year. A majority of the Directors were residents in Boston, where the principal part of the business, particularly as regards loans, was done; having, in fact, within the same corporation, two distinct boards, who were acting at the same time, one at Boston and the other at Belchertown, and thus evading the positive provisions of their charter, which declares that the number of their Directors shall be nine, five of whom shall constitute a quorum for the transaction of business, and that the Bank shall be established and *kept* in the town of Belchertown. This connexion continued until January 1827, at which time the United States Insurance Company transferred all their interest in the bank, to Ralph Huntington, John P. Rice, and others, and all the books and other property belonging to the bank were delivered to them. Messrs. Rice and Huntington managed the affairs of the bank in Boston until the month of June following, at which time the following record is found in their books:—"At a meeting of the Directors of the Farmers' Bank at Belchertown, held

on the 11th June 1827, at the Counting Room of Ralph Huntington, (Congress Square) Boston, it was voted—that Ralph Huntington of Boston be the Agent of said Bank, with authority to manage its concerns in Boston in such manner as he shall think for the interest of the institution.” This arrangement continued until February 1828, at which time R. Huntington, having purchased of several others in Boston, sold ninety thousand four hundred dollars of the Stock of said bank to Philo Dickenson and Joseph Strong, at an advance of five per cent. above the nominal value, and received his pay therefor, by taking to himself, with the consent of Mr. Dickenson, who was at that time one of the Directors and also the President of the Bank, a note due from himself for the sum of eighty-seven thousand dollars, and other notes to the amount of the purchase money, all of which were the property of the bank, and were in his hands as agent thereof. On the return of Messrs. Dickenson and Strong to Belchertown, they lodged with the Cashier their notes for the sum, as your Committee were informed, of eighty-one thousand dollars, which was thus made a part of the Capital Stock of the bank. It was represented to your Committee that much dissatisfaction had prevailed in Belchertown respecting the management of the concerns of the bank in Boston, and previous to this time an unsuccessful attempt had been made to purchase this stock, and transfer the property into the country ; but it also appeared that no Director

at Belchertown, except Mr. Dickenson, had any knowledge of this transaction until the transfer had been made, and the notes lodged in the bank. It further appeared that at the time of the purchase, Messrs. Dickenson and Strong had expectations of being able to dispose of the stock, principally in the vicinity of the bank, and although they immediately offered it at par, they were unable to sell it, and many unsuccessful attempts have since been made in different places.

The effects of vesting in this manner so large a portion of their capital, was the immediate necessity of supporting their credit by borrowing, instead of loaning money. On the 31st day of March 1828, they authorized their President to borrow twenty thousand dollars, and afterwards used their credit so long as it would avail them. They have also obtained a considerable amount of money upon the individual responsibility of several gentlemen in Belchertown, who have much exerted themselves to sustain the bank, and to whom all the notes due to the bank, from which it is supposed the payment will be realized, are pledged for their security for the liabilities they have assumed for the benefit of the bank.

Your Committee find that notwithstanding the great embarrassment under which they were laboring, a dividend of three per cent. was paid in April 1829, to those who nominally held the stock of the bank. Of this transaction no satisfactory account has been given to

your Committee, and no record can be found, on their books, of any vote authorizing it. The bank was in fact at that time insolvent, and the holders of nearly the whole amount of stock, and to whom this dividend was paid, were indebted to the bank for a greater amount than the nominal value of their shares. The bank continued to struggle for existence, until the latter part of August last, when having paid out the funds at their disposal, to their last dollar, they were obliged to stop payment. The debts of Messrs. Dickerson and Strong had been increased from the former sum of eighty-one thousand dollars to almost one hundred and sixteen thousand dollars.

The following presents a view of the state of the Farmers' Bank at Belchertown, on the 11th January, instant, as made out by Theodore D. Lyman, their Cashier, and sworn to by him.

Due from the Bank.

Capital stock,	\$100,000 00
Bills in circulation,	27,822 00
Claims against the bank not bearing interest,	1,497 10
Claims against the bank bearing interest,	32,236 41
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Total amount due from the bank,	<u>\$161,555 51</u>

Resources of the Bank.

Specie,	1 25
Amount of all debts due to the bank,	157,394 43
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Total amount of resources of the bank	\$157,395 68
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Amount of debts secured by a pledge of stock,	\$72,000 00
Amount of debts due and not paid and con- sidered doubtful,	124,000 00

Although it is not improbable that some part of the debts now considered doubtful may be recovered, the Directors do not profess to believe that they shall be able to redeem, but a small proportion of the amount of bills in circulation from any claims due to them.

Your committee have attempted to give such a statement of the doings of the bank as would exhibit the causes of their present embarrassment. They commenced their operations by adopting a course of proceeding which cannot be justified. The transfer of the stock to Messrs. Dickerson and Strong has proved highly injurious to the bank, and its ruin has been consummated by a want of system and vigilance in the transaction of their business at Belchertown.

The Committee have not considered it necessary for them to pursue the inquiry whether the Corporation has exceeded the powers granted, or failed to comply with

the rules, restrictions and conditions, required by their act of incorporation, as if such has been the fact, it could only work a forfeiture of their charter, and this they are desirous of surrendering, they having placed in the hands of the Committee a petition for that purpose.

Your Committee, therefore, ask that they may be discharged from the further consideration of this subject. All which is respectfully submitted.

By order of the Committee.

JOHN W. LINCOLN, *Chairman*