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The failure of the Bank of Manitowoc. Monograph 31 1977

Thompson, Marjorie Barnes

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INTRODUCTORY REMARKS

In 1970 the Manitowoc County Historical Society published Occupational Monograph No. 12, which was entitled "The History of Banking in Manitowoc County." On page 4 the monograph stated, "There were two banks in the county which were able to survive the Civil War. One was known as the Manitowoc County Bank, and another known as the Shove Bank. These banking institutions continued in business until the 1890's, when a series of unfortunate circumstances occurred which caused them to suspend operations." There was only casual reference to what these circumstances were.

Mrs. Marjorie Barnes Thompson, presently residing in Albuquerque, New Mexico, in 1974 wrote "A Spoonful of Honey," which was the history of the Barnes family. (Occupational Monograph No. 25) In this monograph there was reference to the bank failure mentioned in the previous monograph about Banking in Manitowoc County. Mrs. Thompson has continued her research of this matter and has supplied the manuscript which we are now publishing as the 31st in this series of occupational monographs. It should complete the history of a chapter in Manitowoc County banking which has been somewhat fragmentary and conjectural.

One of the accounts relating to this chapter in Manitowoc County banking was written by Ralph Plumb in 1904. He stated in "History of Manitowoc County" in Chapter 16 which related to "Banks and Banking," (p. 282-3) "The Bank of Manitowoc and the Shove Bank weathered the stress of the Civil War period, although the former was twice obliged to reduce its capital. After the national banking act was passed, the Bank of Manitowoc was reorganized and in 1866 became the First National Bank of Manitowoc. For years these two banks sufficed to fill the financial needs of the whole county and it was not until January 1, 1884 that the Manitowoc Savings Bank was opened at the corner of South Eighth and Jay Streets with a capital stock of \$50,000, owned by John Schuette, Henry Schuette, J. Staehle and C. Estabrook. In the same year the Shove Bank was reorganized into the T.C. Shove

(continued on page 2)

THE FAILURE OF THE BANK OF MANITOWOC

AS TOLD BY MANITOWOC NEWSPAPERS

by Marjorie Barnes Thompson

The following history will be recorded solely from news accounts of the newspapers of Manitowoc during the period January, 1892 through the time of the bank failure, 1893 and 1894. These newspapers became available to the compiler via the microfilm files of the State Historical Society of Wisconsin at Madison.

MANITOWOC TRIBUNE, Jan. 14, 1892

NOTICE: is hereby given that at a meeting of the Stockholders of the First National Bank of Manitowoc held at their Banking House in Manitowoc, Wisconsin on the 26th day of December 1891, it was decided to go into voluntary liquidation. All noteholders and other creditors of said Assn. are hereby notified to present the notes and other claims against the Assn. for payment.

Dated 12/26/1891

Chas. Luling, Cashier

NOTICE: The business of the above institution will be continued as heretofore under the title of the State Bank of Manitowoc organized under the state law, with the same capital and under the same management as the former institution. This change from the National to the State System we believe to be in the interest of both our patrons and ourselves. We will be found at the old stand that we have occupied for the past 27 years ready to serve our customers and grant them all the same accommodation consistent with conservation and safe banking principles.

C. C. Barnes, President

Chas. Luling, Cashier

(The following will be included in this history because of the ramifications evident as the story proceeds.)

Feb. 4, 1892: Notice is going to (the) disgraceful State banking system. Unrest already at Green Bay, DePere, Juneau, Hartford, Berlin, Lake Geneva. Mistrust in State banking system. Comment about the First National changing to the State system not showing good sense. The only reason it will continue in business is because of the confidence in the past record of its managers and executive officers.

T.C. Shove Banking House, founded in 1858, still is shored up by public confidence and long experience of its officers' reputation for honesty.

Manitowoc Savings Bank safe from public distrust because of the Schuette reputation.

MANITOWOC TRIBUNE, April 14, 1892

BAD FIRE

Manitowoc Manufacturing Company burned to the ground Monday night. The plant in Manitowoc was the worst calamity to befall the city in years. It started about 11 o'clock and despite the efforts of the fire department, it became a mass of ruins. Between 200 and 300 men are out of work. A group of people are asking for donations to help rebuild the plant. J.W. Barnes, O. Torrison, Henry Esch, John Nagle, H.C. Richards, Geo. B. Burnett were appointed as a committee to see how much money could be raised. The large firms of the city are willing to take \$10,000 in stock.

(Note: The Manitowoc Manufacturing Company produced school desks. Information supplied by the late Mr. James Friar of Milwaukee.)

April 21, 1892: Much sympathy has been offered toward T.C. Shove. The loss of the Manitowoc Manufacturing Co. has wiped out the bank. The T.C. Shove Banking House is a failure. Assignee Pienning is looking into the Shove books. He has found too many advances, although the businesses are legitimate. He has been too liberal with bank funds.

April 28, 1892: The decision has been made not to rebuild the Manitowoc Manufacturing Plant, despite the efforts of the committee on both sides of the river to raise \$10,000.

May 5, 1892: Two Rivers Bank is making objections about T.C. Shove accepting County Funds when it could not have drawn to demand as far back as November last.

June 9, 1892: Court Calendar: Harvey F. Hubbard vs. F.H. Haley, T.C. Shove.

June 30, 1892: DIED: At his home in this city on Saturday night, June 25, 1892, Hon. Charles Luling, aged 62 years.

Mr. Luling has been a resident of this place for the past thirty years. He was born in Minden, Germany, October 6, 1830, and came to this country in 1848, settling in Chicago. A few years later he went to Fox Lake, Wis., and entered into the banking business, remaining there until 1859, when he came to Manitowoc.

Banking Company, including several new stockholders, and with a capital of \$45,000. Seven years passed without an addition in the number of banks, at the end of which time in 1891, the Bank of Two Rivers was opened to satisfy the growing commercial needs of that city. The original capital was \$10,000 and the proprietor was Edward Decker, whose banking interests in northern Wisconsin were quite extensive.

The next year witnessed the beginnings of a series of disasters which caused misery untold, the echo of which was years in dying away. At 10:45 P.M. on the 11th of April, 1892 fire, caused by an explosion, broke out in the plant of the Manitowoc Manufacturing Company and in a few hours the leading industry of the city, employing two hundred men, was no more. The loss was \$175,000, and the insurance but \$60,000. On the following morning the doors of the T.C. Shove Bank were closed.

Mrs. Thompson has done a service with undertaking the careful and painstaking research so that the complete story of this chapter in Manitowoc County banking history can be known.

Edward Ehlert (Editor)

In 1876 he was a presidential elector from this district. Mr. Luling was appointed a member of the State Board of Supervision in 1881 by Gov. W.E. Smith, he drawing the short term. He was re-appointed for five years in 1882 as president of the Board by Gov. Rusk, and also in 1887. In 1890 he was again appointed for the fourth time as a member of the Board by Gov. Peck, he being the only Republican of the five members of the new board, and was still a member at the time of his death.

The funeral took place on Tuesday afternoon and was conducted by the Knights Templars, who came from Milwaukee on a special train; the State Board of Control of which he had been so long a member attended in a body, and the entire city seemed to be present to testify to the sorrow they felt and to pay the last tribute of respect.

July 14, 1892: The naming of the new school building after Mr. Luling was a popular move.

(In later years, it seems to have been an equally popular move to re-name that school after McKinley.)

July 28, 1892: Mr. T.C. Shove, A.J. Endress and Fred Harris, all of the T.C. Shove Banking House, have been arrested on criminal charges. Public feeling is getting red-hot and it is just possible that it is better for the papers to keep rather still on the matter although there are some things connected with the proceeding open to criticism. The questions at issue are now properly before the courts, the Scales of Justice should be held with an easy and steady hand and whilst no

one guilty should be allowed to escape, no innocent person should be made to suffer.

Nov. 24, 1892: The MANITOWOC TRIBUNE cannot be condemned for "trying" the T.C. Shove case in its pages.

Dec. 8, 1892: Joliet Bank Failure, much like Manitowoc's — running a bank as an attachment to a manufacturing concern just doesn't work. When the disaster comes it is hardly just to throw all the blame on the banker. Shove believed in the Manitowoc Manufacturing Co., and aided it to prove it ultimately as a paying investment. Fire surely put it out of existence and with it went the bank. Mr. Shove has been mercilessly persecuted and charged with all sorts of crimes. (He) showed lack of business acumen by putting so much in one place. His was an error in judgment not a criminal act. His own losses were so great they wiped out a lifetime of work and accumulation of property. If the fire hadn't occurred, and the Manitowoc Manufacturing Co. had been a success as he felt it would be, he would not be judged a criminal, but a public benefactor.

(Note: The manager of the MANITOWOC TRIBUNE at this time was Mr. Henry Sandford. It is not known by this compiler if the comments above came from his hand.)

MANITOWOC TRIBUNE, Jan. 12, 1893

Court Calendar:

Jury Trials: Manitowoc County vs. T.C. Shove Banking Co., Horatio Truman, et al.

Court Trial: Various people vs. Manitowoc Manufacturing Co., and individuals vs. Adolph Pienning as Assignee of the T.C. Shove Bank.

Criminal Case: State of Wisconsin vs. T.C. Shove (2 counts). State of Wisconsin vs. A.J. Endress. State of Wisconsin vs. Fred Harris.

Jan. 19, 1893: Manitowoc County vs. T.C. Shove continued. State of Wisconsin vs. T.C. Shove removed to Sheboygan.

MANITOWOC PILOT, Jan. 12, 1893

T.C. Shove case continued vs. Manitowoc County. Tuesday pleaded 'not guilty' and moved for change of venue because he could not receive a fair trial with people in Manitowoc feeling about him the way they do. Motion granted and case sent to the court at Sheboygan.

Feb. 9, 1893 Vol. XXXV No. 19

T.C. SHOVE BANKING COMPANY

On Saturday last there were cases settled in the circuit court involving more money and affecting a greater number of persons than any others ever tried in this county and disposed of as expeditiously. The assignees of the T.C. Shove Banking Co. and the assignee of the Manitowoc Manufacturing Co. have had thrust upon them an amount of work which would be startling if it was understood. The attorneys, Schmitz, and Kirwan & G.G. Sedgwick for the former and Nash &

Nash for the latter have been at work night and day, and even trespassing a bit upon the Sabbath, to bring about the most favorable results possible for the creditors of these institutions. Delay were inevitable in matters involving so much money and in affairs so tangled up. On Saturday last a solution of the main difficulties was reached and this will result in a dividend being declared soon for the creditors of the T.C. Shove Banking Co.

The assignee of the bank received \$44,000 insurance money, \$803 collected on drafts and school orders held by the Manitowoc Manufacturing Co., \$1,000 from a similar source not yet collected by good. The assignee of the Manitowoc Manufacturing Co. received \$3,680 which was collected by the eastern agent, A.C. Miller and deposited in a New York bank after the failure of the bank here and in the name of the bank, secured a release of the mortgage on the site of the Manitowoc Manufacturing Co., and the \$2,000 paid by the Manitowoc Seating Co. for the cupola, boiler and engines of the old concern.

Judge Gilson in approving the settlement made took occasion to speak in terms of warm praise of the work done by the attorneys in the cases and of the spirit of fairness shown in the settlement reached.

Mr. Pienning will soon announce the dividend which he will be able to pay and the creditors will soon have a percentage of their losses returned to them. There are some claims of the bank unsettled but they do not amount to much as compared with (those which) have been settled. The expenses of the assignment are not yet discharged but will be by the odds and ends not yet disposed of. The claims of the creditors of the bank have been first consideration.

A settlement made by the committee appointed by the creditors of the T.C. Shove Banking Co., and presented to the court for its approval by the assignee was ratified by the court on Tuesday of this week. The bank's claim against Truman & Cooper was \$30,000 in round numbers. The settlement is for \$12,000 in cash. The settlement of the claims now made include all the more important ones. The debt due from the Manitowoc Manufacturing Co. was the largest item in the list of credits. Not much more than what has been secured from the insurance will be realized from this source.

Court Notes: The cases against Fred Harris and A.J. Endress were removed to Sheboygan for trial on the grounds of prejudice.

(Note: the editor of the MANITOWOC PILOT at this time was John Nagle.)

MANITOWOC TRIBUNE, Feb. 16, 1893

State of Wisconsin vs. A.J. Endress

(removed), 2 counts. State of Wisconsin vs. Fred Harris (removed) 2 counts.

MANITOWOC PILOT, Feb. 23, 1893.

Judge Gilson passed upon an almost innumerable number of cases relating to claims against the Manitowoc Manufacturing Co. on Tuesday and Wednesday of this week.

(Nov. 17, 1892. The summons and complaint of the county against the T.C. Shove Banking Co. and its bondsmen to recover the money lost in the bank this spring (of 1892), was served on the parties by the sheriff this week. The bondsmen are: T.C. Shove, George Pankratz, He. Truman, George Cooper. C.W. Freilow. W. Rahr, Max Rahr, Reinhardt Rahr. The case will probably be tried at the January term of the circuit court for this county. W.D. Richards, assignee for the T.C. Shove Bank. Note: As we have already read, the case was moved to Sheboygan.

Jan. 5, 1893: Criminal Cases: State of Wisconsin vs. T.C. Shove, receiving money when insolvent.

State of Wisconsin vs. A.J. Endress, receiving money when insolvent.

State of Wisconsin, vs. Fred Harris, receiving money while insolvent.

MANITOWOC TRIBUNE, Mar. 30, 1893

The State Bank of Manitowoc now succeeds the First National Bank. No change in its officers of management.

C.C. Barnes, Pres.

Chas. Luling (deceased)

Geo. B. Burnett, Assist. Cashier.

MANITOWOC PILOT, Mar. 2, 1893

Notice: The Shove trial at Sheboygan opens in April.

May 18, 1893: The State Bank of Manitowoc has moved into its new quarters.

MANITOWOC TRIBUNE, June 15, 1893

DON'T BE MISLEAD (sic) Rumor has been started that the State Bank losses are heavy. C.C. Barnes has turned over his personal assets. John Barnes says creditors will be repaid.

MANITOWOC PILOT, June 8, 1893

Chicago Bank Crash. Herman Schaffner & Co. closes its doors. Mr. Schaffner missing.

MANITOWOC TRIBUNE, June 18, 1893

CLOSED ITS DOORS

The State Bank had to close its doors on Monday after an unprecedented run of two weeks during which time it paid out about \$200,000. If any bank deserved to live and command the confidence of the people it was the State Bank for the splendid struggle it made for existence, but it had finally to yield for the people went crazy and there was no way to stem the tide. It's exact condition cannot be stated at this writing but the liabilities are reduced to about \$150,000 and the assets about \$200,000. Mr. Barnes, the presi-

dent of the bank made a clean and absolute assignment of every item of property he owns even to his homestead. It is a terrible wreck and it is sincerely hoped that when the depositors are paid there may yet be something left for him who has sacrificed everything to protect his customers. In the midst of all his misfortunes, he has the consolation of having made a glorious fight and preserved his character for honesty and integrity.

June 15, 1893: The Bank of Two Rivers closed, but gives assurance it will open again in a short time.

MANITOWOC PILOT, June 18, 1893

BANK FAILURE

On Monday just near the close of banking hours there were ominous proceedings at the State Bank. Business men who brought in their money received during the day were told by the bank officials that they would not accept it, as the long continued run made upon them made it uncertain what the outcome would be. With this knowledge came the certainty that failure was to follow and several succeeded at the last minute in getting their money out. When the hour to close arrived the curtains were drawn and the coming and going of officials with the occasional entrance of a stockholder, director or lawyer made it certain that steps for the permanent closing of the bank were in progress. The news flew like wild fire and it was the whole topic of conversation on the street. At nine o'clock Tuesday morning the four corners of the streets were lined with people. Soon a little placard was placed upon the door which read as follows:

Owing to a run on this bank which has continued for three weeks, its officers have concluded to make an assignment for the benefit of all its creditors. This has accordingly been done and the President of the bank, C.C. Barnes, has turned over his private means and property, including his homestead, to be used for the same purpose.

J.W. Barnes, Assignee

The causes which led to the failure are numerous. The basis of all was the panicky feeling which is general. The exciting causes were probably many. The fact that the factory was unable to get money was so generally known throughout the county that it called attention sharply to the stringency of the money market, which really had not been felt at all here up to that time. Often the question was asked "can it be that the bank has no money?" This query no doubt took the form of assertion by being repeated. The change of the bank from a national to a state bank measurably destroyed its confidence. It was not felt at first because there was no general feeling of distrust, but the change was recalled when suspicion began to take possession of men's minds. The change of location played an important part in starting rumors. Any little thing was

enough to create a panic and the fact that the doors of the old bank building were closed, no doubt received many a false representation. The run began as early as the 18th of May. It was quiet but steady. It let up occasionally but was resumed on the slightest cause. It has almost ceased when the Plankinton failure (at Milwaukee) started it afresh. The persistency of the run gave it accelerated force and on Monday it seems to have become an avalanche if the amount of money drawn out is an indication.

The statement made by the bank on January 1893 was as follows:

RESOURCES

Loans & Discounts	\$262,617
Due from Stockholders	3,449
Due from brokers, call loans	20,812
Overdrafts	6,067
U.S. & Other bonds	25,000
Real Estate & bank fixtures	12,164
Loss & expense account	7,523
Divid. from banks	69,637
Cash items	877
Specie	18,656
U.S. Currency	8,530
Total Resources	\$434,886

LIABILITIES

Capital	\$50,000
Surplus Profit & Loss	20,636
Due Depositors	364,252
Total Liabilities	\$434,886

On Saturday the first doubts of the ability of the bank to successfully withstand the terrible test it was subjected to were heard. On Monday everything was apparently quiet but the life blood of the bank was being sapped. The enormous sum of \$60,000 was drawn out on that day. No great amount had been drawn out on Saturday though on that day the "scary" feeling spread. Since the bank changed quarters it has paid out in redemption of certificates \$110,000.

The rumors of heavy draughts having been made on the bank on several days preceeding were without foundation. At no time was more than \$4,000 drawn out on any one day.

At this writing it is impossible to learn what the bank will pay. Estimates given by some of the directors might be given but the PILOT has a wholesome fear of venturing anything that is not absolutely correct, as in the T.C. Shove Banking Co. matter estimates were given and a storm followed the discovery that they were not correct.

The stockholders are C.C. Barnes, Dr. J.F. Pritchard, John W. Barnes and F. Armsby. John W. Barnes has been appointed assignee and the attorneys are Nash & Nash. The statement of liabilities and assets is not yet prepared.

The total indebtedness of the concern is \$151,755.35, of this sum \$139,650.55 are due depositors on certificates and \$24,105 on book accounts. The assets of the bank are, cash in hand \$21,881.16. Bonds, \$7,000, as good as cash, and

paper, \$167,668.42, the value of which the PILOT has no knowledge and on which there will unquestionably be a shrinkage. The real estate is inventoried as follows: Bank building \$15,000, building on 8th Street south of the bank building, \$10,000, old bank building, \$4,000. C.C. Barnes homestead \$7,000. The total assets thus foot up to \$232,550.58. Striking out the paper held by the bank, the assets which are good amount to \$64,881.16. If one-half the paper held by the bank is good it is very nearly solvent. This is allowing considerable shrinkage. But each person must figure for himself for reasons before given.

It is the purpose of the assignee to declare a dividend inside of the time limited by law so that money may be put in circulation. The dividend to begin with will not be a large one because there are not many assets available for that purpose. Collections on paper held by the bank will be made as rapidly as it matures.

* * *

Judge Wallbee has ordered the grand jury to investigate the failures of F.A. Lappen & Co. and of the Plankinton bank (Milwaukee) with a view of determining whether anyone is criminally responsible. This is a movement in the right direction. The failure of the Plankinton bank was the indirect cause of the suspension of other banks in this state and the direct cause of loss of confidence which seriously endangered many interests. There appears to have been a degree of looseness in the management of the Lappen business which borders closely on the criminal and the large credit extended it by the Plankinton bank was, under the circumstances, jeopardizing the interests of creditors beyond the limits of prudence.

Bank failure under conditions existing the last two months were to be expected. No bank can stand a long-continued run in a period of general panic. But banks which succumb to a run and which have assets upon which, with time, sufficient cannot be realized to cover their liabilities, or nearly so, furnish proof of mismanagement or dishonesty and are fit subjects for a grand jury.

The last legislature in its infinite wisdom denied the people the protection of a bank examiner, and thus encourage looseness and dishonesty. To punish through the courts what might have been prevented by law is all that is left people who have sustained loss through a reckless system of banking or worse, through dishonesty. The investigation ordered is wise and timely, and will place responsibility, if any exists, where it properly belongs.

* * *

The panic which is running over the country is exactly like the Indian scare in the early 60's, with the exception that the Indian scare injured no one while the

present panic is injuring every one by depressing business and in wiping away fortunes. There is just as much reason for the panic now prevailing as there was for the Indian scare. There is no bank in the world which can pay all its depositors if all call at once. If a farmer has a mortgage on his property he is not expected to pay it on demand. Not one in a hundred could do so...

... At Madison a farmer was refused a loan of \$200 at the First National Bank. He went home and reported that the bank had no money to lend. This caused a rush the next day and the next but the bank stood it all right.

Together with breaking the banks this frenzy of fear has paralyzed business. There is no money with which to do business. It is stowed away in secret places and burglars and foot pads will soon reap a harvest. They will not miss the opportunity they now have and will quit breaking safes for the less dangerous and more profitable business of "going through" people who have money stowed away.

* * *

NOTES FROM MISHICOT

The report that the State Bank at Manitowoc had closed its doors has caused quite a gloomy feeling among those of our business men who did business with them. But no losses have been so severe as to cause any suspension of business in this place.

* * *

The Two Rivers Bank closed its doors on Tuesday morning. There was a quiet run on it for the last three weeks. When it was learned that the State Bank of this city had succumbed the run became such that suspension was necessary. J.E. Hamilton was made the assignee of the bank.

* * *

There are runs on banks through the entire northwest. The Sheboygan banks had immunity from the panic until this week but the craze set in there on Monday. People seem to have lost their heads and have no trust in any bank. Few banks would fail but for the runs made upon them as it is impossible for any of them to have on hand the full amount of their deposits. Thus is precipitated the very thing that people fear — the breaking of banks. When a few rush to the bank, others follow as a matter of self defense and the result is disaster. This can easily be avoided if people keep their heads. The danger is in creating a panic and through it smashing concerns which are perfectly sound.

MANITOWOC PILOT June 15, 1893

Manitowoc has had its share of bank failures and no doubt its progress has been greatly checked by these disasters. The first failure was Bach's Bank in 1857. This was a season of great financial distress and failures were common throughout the country. This failure was

followed in the spring of 1858 by Wollmer's Bank. Wollmer's Bank was in the building now occupied by Carl Leubke as a saloon. T.C. Shove was clerk in the bank and he started in the business for himself shortly after Wollmer's failure.

In 1861 the Lake Shore Bank failed. This was organized by Ohio men, George Adams being president. It did business in the building now occupied by H. Wilcox which was then on York Street east of Eighth. This was a bank of issue.

Charles Kuehn started a bank shortly after in the same building. He was a financier of some ability and a man who could not bear to have his character for honesty impeached. He built the large brick residence on the Two Rivers Road now known as the Lakeside House. It is thought what when he found that failure was inevitable he took a dose of morphine and died before the announcement of his failure was made public. The usual stories were put in circulation and many contended that death was only pretended so that Kuehn might escape the country. It was Kuehn who planted the forget-me-nots which have since spread along the banks of the stream which flowed through his farm. Kuehn's bank paid 45 cents on the dollar.

For a long time Manitowoc had immunities from bank failures, until startled in the early spring of 1892 by the announcement of the failure of Shove's Bank. The affairs of this bank are not yet wound up and the events connected with it are too fresh in the minds of the people to need recapitulation. In a little over a year the failure of the State Bank completes the record. This failure will probably be the least disastrous of all. The early banks did not have very heavy deposits as farmers then had but little money which was not needed for immediate wants. We are over with bank failures now. Indeed a little coolness on the part of the people would have saved us from the evils of a bank failure this year.

MANITOWOC PILOT JUNE 29, 1893

The Bank of Two Rivers reopened its doors on Tuesday of this week. A committee had been appointed to examine its condition and the report was so favorable that the creditors at once decided to have the assignee re-convey the bank its property assigned.

THE BANK FAILURE

The assignee of the State Bank of Manitowoc filed his report with the clerk of the circuit court on Saturday evening. On the week of the failure, the PILOT gave the assets of the bank as \$232,550 and the liabilities as \$151,755.25. The real assets of the bank are only \$219,302. The report puts the liabilities at \$223,636 and the assets at \$237,254. The additional \$17,952 are the personal assets of

C.C. Barnes which are turned over to its creditors. This last is mainly real estate with the exception of about \$800 which is individual accounts. What was stated as a probability then can now be stated as a fact and that there is a considerable shrinkage in value of the paper held by the bank. The increase in liabilities from what the books showed when the bank was assigned and what investigators proved to be the real situation, will materially reduce the percentage to be paid the creditors. The increase in liabilities is the one feature which attracts attention and which is at present undergoing thorough investigation at the hands of the assignee.

The following estimate of available assets is as correct as a careful examination can make it. It agrees practically with estimates made by prominent business men who have gone over the statement of assets.

Cash on Hand	\$24,914.38
Cash in banks	5,723.37
Bills Rec.—consid. gd.	59,560.88
Bills Rec. — not gd. value placed at 50%	19,177.05
Real Estate	19,000.00
Bonds & coupons	7,350.00
Overdrafts	5,716.59
Total	\$140,442.27

To this is to be added real estate and personal accounts turned over by C.C. Barnes to the amount of \$17,952, which makes the grand total of \$158,394. Possibly the real estate may be inventoried at a higher figure than it will bring at a quick sale. Reducing the above amount by \$3,000 there is left as good \$155,394, which without the expense of administering would enable the bank to pay a nice per cent on the dollar. It is only proper to say that conservative estimates by business men are not so favorable.

The paper held by the bank which is considered almost worthless is as follows:

International Store Service	\$2,290
C.C. Barnes	37,983
S.C. & G.W. Howell	4,382
Union Loan & Trust Co., Sioux City	10,000
H. Grabo	4,866
Amer. Nat'l Bnk of Arkansas City	1,973
Bond Husted Investmt. Co.	2,000

Some of this will pay something though only a small per cent on the total. The International Store Service Co. was the cash carrier of Charles Fisher and Mattis Janeczek, which is wholly worthless. The claim against C.C. Barnes is the net loss in a deal with the Howell Lumber Co. This loss occurred in April 1892. The company settled for 35 cents on the dollar but paid only 20 cents, giving its notes for the balance which now must be settled at 50%. C.C. Barnes gave his notes for the deficit and these, of course, are worthless. The affairs of the Union Loan and Trust Co. are not yet settled but not much can be expected from this asset. The claim against this concern dates from

October 1892. The Grabo claim is wholly worthless and should have been charged to profit and loss long ago.

There are other securities whose value are doubtful such as:

Hoxie & Miller	\$5,000
F.H. Williams	1,244
Ed & Annie Conway	5,000

and a quantity of other paper for small sums.

The Howell Lumber Co. through which the bank sustained its heaviest loss, did a large business with the bank, commencing in 1885. During that time it handled the company's paper to the extent of two million dollars. Their failure practically bankrupted the bank for the reason that it had no capital. The Grabo loss dates from the year 1880.

The increase in the liabilities of the bank from what appeared on its books was a very disagreeable surprise. When the amount of outstanding certificates was footed up it was found that they amounted to \$195,886 instead of \$139,650. What caused the discrepancy? It was an increase of the bank's indebtedness of a sum exceeding \$55,000 and made plain the fact that the condition of the bank was not as good as was expected. The disclosure was startling. The losses which the bank had met through Howell & Co. and the Sioux City concern were in the legitimate line of business, but here was a discovery which seemed to indicate that the bank had sustained losses which did not appear on the books.

The assignee and his assistant, Mr. Burnett, went to work to examine the books in detail checking off the certificates on the register. In this way only could be found the source of the discrepancy. When the assignee's statement was filed, the books had been checked back to 1885 and an error of only 20 cents found in Mr. Burnett's books. While this systematic work was in progress, some time was spent in a less laborious but by no means so certain a way to find the cause of the discrepancy. It was found in old certificates which had been issued but never charged to the Certificate account.

The first certificate found was one of \$5,000, issued in 1870, John Eggers having deposited the money, the certificate running to Henry Baetz. Two other certificates of \$5,000 each making in all \$15,000 have been found. There remains \$40,000 to be accounted for. It will be no small job to ferret out the avenues through which this sum passed.

These certificates were issued in exchange for money received in the regular way and were paid on maturity. But they were never credited to certificates when issued. The liabilities of the bank as the books showed, were just the amount of these certificates less than they really were. So that the bank has been carrying liabilities for a long time, of

\$55,000 which its books or its statements did not show. One may well ask what the object of doing this could be? Seeing that the money received for these certificates was not dishonestly appropriated, and no personal dishonesty resulting in benefit to any individual, resulted from this peculiar proceeding. The explanation is that the bank started out with very little capital though assuming to have \$50,000. By means of these certificates which were not entered upon the regular bank books, the absence of capital was not discovered and the bank ran on with its capital seemingly paid up, until the inventory taken by the assignee showed the true situation. As said before there is no indication that any of the money received for these certificates was diverted to the personal use of anyone, but was used to give the bank a fictitious standing. Had it not met the heavy losses through the Howell Co. and the Sioux City concern and a few others, each less in amount than the last named, it would have paid dollar for dollar notwithstanding the absence of capital. Had it had capital paid up it would have paid over 80 per cent of its indebtedness.

This is as full a statement of the affair as the PILOT has been able to reach after considerable time spent in research. No one's word has been taken for anything and certificates issued as before stated have been personally inspected and their absence from entry in the books verified by examination. The books have at this writing been checked back to 1885 and no error or omission found with the exception of the 20 cents before mentioned.

Now as to the assignee of the bank. Naturally there was some comment made upon his selection because of his friendship and relation to parties connected with the bank. But it must be understood that these revelations have come through his agency. Few men would have done it and the temptation would be strong in most people to proceed with the assignment on the basis of facts discovered without probing to determine the origin of facts. In the end it would have been bad policy as the examination now being prosecuted by the assignee would have been attempted by others. But, notwithstanding, the temptation would have been strong with most men to cover up and run the chances that an exposure of the means taken to conceal a portion of the liabilities of the bank — or, in other words, its absence of capital — would not be made. Mr. Barnes decided to investigate thoroughly regardless of the consequences to individuals and he certainly has been doing so up to the present. His work may be reviewed, possibly he may request that it shall, but one thing is certain, he is doing as thorough work as any man can do and all who know John Barnes know that when he undertakes work of this kind he leaves a mighty small

field for those who follow him as he never fails to cover the whole territory himself. That there was dishonesty in the management of the bank designed to benefit any individual, the PILOT is free to say it does not believe that there was deception for the purpose of giving the bank credit, it does believe. All the facts bearing upon this point should be made public and a thorough investigation is desirable. This is being done now without cost to the creditors except that attendant upon the assignment, and by a man than whom there is no shrewder in the state. He had no interest in the bank at the time it was organized nor for a long time after, and is as much interested as any one in having its past affairs fully investigated.

Just as soon as the law will permit, a dividend such as the cash on hand might make possible to pay, will be declared. A dividend of 10 per cent is possible now as the cash on hand is amply sufficient to that extent.

MANITOWOC PILOT July 30, 1893

The usual things in cases of bank failures occurred on Friday of last week with reference to the State Bank — the arrest of its officers. A warrant for the arrest of G.B. Burnett, the cashier, was issued by Justice Markham at the instance of Maggie Prochazka who had \$143 on deposit in the bank at the time of the failure. The charge was accepting money when the bank was known to be insolvent. John W. Barnes and Dr. H.L. Banzhaf went on the bail bond which was fixed at the sum of \$4,000.

On the same day Thomas Choplaski swore out a warrant for the arrest of John W. Barnes one of the directors of the bank. Choplaski had \$600 on deposit in the bank. Joseph and J.S. Vilas went on the bond which was fixed at \$4,000. A warrant has also been issued for C.C. Barnes, the president of the bank. He is lying seriously sick at Charlevoix, Mich. His friends have written him to come to Manitowoc and answer the charge against him. This he will do as soon as he is able to undertake the journey, but there are serious doubts of his recovery.

The district attorney has secured the services of an expert bookkeeper from Milwaukee to make an examination of the books. The gentleman employed is Henry Moldt and he began work on Tuesday. He says that to make a thorough examination and without assistance it will take him about two years to examine the books. Of course it is not necessary that an examination so thorough be made and still in justice to all parties concerned an examination is necessary. If arrests had not been made until an examination showed who should be arrested it would have been far better for all parties concerned.

Arrests on general principles are

unwise. In the first place they may be unjust to the parties arrested and it is a serious matter to make a criminal charge against any person unless suspicion is pretty well supported by facts. In the second place it is unwise to bring public pressure upon an officer to act until he is in possession of facts which satisfy him that his action can be sustained. If an examination of the books showed that there was dishonesty and indicated who the guilty parties are, arrests should be made speedily and prosecution should be thorough. The district attorney is the proper person to judge these things and he should be allowed to act unhampered by the pressure of opinion which cannot be cognizant of the facts. He will shirk no duty nor be guilty of any acts of omission whereby dishonesty may escape punishment. But dishonesty should first be fixed with a reasonable degree of certainty before an attempt is made to administer punishment. Public clamor seldom points out the wisest course to be pursued and calm judgment is always most efficacious in securing justice.

MANITOWOC TRIBUNE July 20, 1893

Mr. John Barnes, the present assignee and stockholder and director in the State Bank and Mr. Geo. B. Burnett, "late" Cashier, were arrested Friday under a complaint for embezzlement. Both gave bail.

It is not the business of a newspaper to try a case before the courts, and we would simply suggest that a mere complaint followed by an arrest does not prove guilt or even allow a presumption of guilt, for the law presumes innocence until guilt is proven beyond a doubt. Mr. Burnett has been raised from childhood in this city and been employed in the bank in different positions for twenty years, and no one has ever up to the failure of the bank, believed him guilty of any wrong, but he has in that time, built up a reputation for business integrity and honesty. And while it may be true there may have been something rotten in the organization of the bank years before he was connected with it, yet there is nothing to show he had any guilty knowledge of it. But on the other hand the records of the bank show that under his hands the records are remarkably clear of errors. In regard to John Barnes, little need be said, his career as a merchant is a long one, and the people of this county know him well. He certainly needs no defense. There is but one man probably who knows all about the affairs of the bank from its origin, and from him the required information should be obtained.

The pecuniary losses of the unfortunate victims of this bank are very great and they have the sympathies of their neighbors, in fact the whole community suffers, but it hardly seems wise to add reputations unjustly wrecked to the other misfortunes.

MANITOWOC PILOT July 20, 1893

In this issue the assignee of the Manitowoc State Bank announces that on Friday next (tomorrow) he will pay a dividend within one half the time which the law permits an assignee to pay creditors. The dividend comes in good season as money is tight. The aggregate of money which will be paid out in these dividends is about \$46,000 — quite a nice sum of money to put into circulation.

There was cash in hand and sums due from other banks at the time of the failure, about \$30,000. The remainder has been collected up to this time. The assignee requires that certificates be presented for endorsement when claimants call for their dividends.

It is quite probable that a second dividend will be paid before the expiration of the time for filing claims, though what per cent is impossible to say. Collections are being pushed quite vigorously by the assignee.

MANITOWOC PILOT and MANITOWOC TRIBUNE July 27, 1893

ASSIGNEE'S NOTICE

Notice is hereby given to all the creditors of the State Bank of Manitowoc that the undersigned, as assignee for the benefit of the creditors of said bank will, on Friday the 28th of July, 1893, begin paying a twenty per cent dividend to such of the aforesaid creditors as have duly proved their claims in the manner provided by law and against which no known objection or defense exists. Each creditor will, upon receiving payment, be required to present his certificates of deposit, if his claim arises upon such a certificate, or his bank book, in order that the payment may be indorsed and receipted for thereon.

Payment will be made at the place of business lately occupied by said bank from 9 o'clock in the forenoon to 12 o'clock noon and from 1:30 o'clock to 4 o'clock in the afternoon of each business day until all payments shall have been made.

Dated July 31, 1893

John W. Barnes, Assignee.

MANITOWOC PILOT August 3, 1893

'General News'

Bank Cashiers and presidents are being arrested all over the United States. Courts will have busy times during the next few terms.

In spite of the failures, business (in Manitowoc) are running full time and nearly full time.

MANITOWOC PILOT August 17, 1893

C.C. Barnes died at Charlevoix, Michigan on Tuesday morning. For the last three years he has been failing; a man of less tenacity of life would not have sur-

vived the first attack of his disease. He was 72 years old, was born in New York and served as surgeon for the 23rd regiment in the war of the rebellion. Before coming to Manitowoc he lived at Napierville, Illinois and at Waukesha. In 1849 he crossed the continent to California and again in 1852. He came to Manitowoc in 1860, and since that time resided here permanently. The failure of the State Bank of which he was president brought him into unpleasant notoriety during the last two months and he died under circumstances which darkened his closing days. His funeral takes place today at Charlevoix.

MANITOWOC PILOT

August 24, 1893

Bank officials are being arrested in every quarter. The last arrest made was that of the president of the Indianapolis Bank.

August 31, 1893

DEATH OF GEO. B. BURNETT

On Friday morning people in this city were startled by learning that the body of Geo. B. Burnett was found in the river at the head of Park Street where the bluff rises precipitously from the river. He had been in the habit of going fishing for the last two weeks quite early in the morning, returning in time for breakfast. On Friday he failed to return and after the breakfast hour had passed some of his family went to the river bank in search of him. The box in which he kept his bait was found near a log which jutted out into the stream. The assistance of friends was secured and a search resulted in finding his hat in a little inlet by the bank. Grappling hooks were secured and his body was brought to the surface. His watch had stopped a few minutes before six, thus showing that the accident occurred about that time.

The place he selected for fishing is somewhat secluded and the steep declivity of the hill is continued below the surface of the water so that a person falling in there would find it quite difficult to regain the shore, even if he was a good swimmer. Mr. Burnett was wholly unable to swim and besides became entangled in his line. There is not much chance at the point where the tragedy occurred to swing a line owing to the proximity of hugh piles on either side of the log which juts out and on which he evidently stood. It appears that in attempting to throw his line out, the hook caught in the back of his coat and he attempted to remove it without stepping back to the shore and he lost his balance. An inquest was held and a verdict of accidental drowning was rendered.

Mr. Burnett was born in New York in 1849 and came to this county with his parents in the fall and resided for a time in Kossuth. In 1856 they removed to the city where Mr. Burnett has up to the time of his death remained uninterruptedly.

He taught school for some time and then entered the bank of T.C. Shove as clerk. Afterwards he became connected with the National Bank and rose to the position of Cashier.

He was always methodical in business and almost exquisitely exact, giving his friendship only where he felt he could give it unreservedly, and never inclined to believe evil of those in whom his confidence was reposed. He was far above the average in mental attainments and had the strength of conviction characteristic of positive men. He was beloved by those who knew him well, but never bent from the line of principle to win applause.

MANITOWOC PILOT

September 21, 1893

NOTICE of the opening of the T.C. Shove trial at Sheboygan. He is to be brought from Minneapolis if court-appointed doctors decide he is not too ill from nervous prostration, cholera, and slight dementia." The case was adjourned to the following week.

* * *

Miss Lizzie Merrill has purchased the Barnes Homestead which included the residence and seven acres of land. The sale is dependent upon the approval of the Circuit Court. The other property turned over by C.C. Barnes has not yet been disposed of. This sale amounted to \$5,500.

* * *

The examination of John W. Barnes which was resumed on Friday last was again adjourned in the evening owing to the opening of court in Sheboygan on Monday.

MANITOWOC PILOT and MANITOWOC TRIBUNE

October 5, 1893

ASSIGNEES NOTICE

Notice is hereby given to all the creditors of the State Bank of Manitowoc that the undersigned as assignee for the benefit of the creditors and said bank, will on Monday, the 9th day of October, A.D. 1893, begin paying a dividend of ten per cent to such of the aforesaid creditors as have duly proved their claims in the manner provided by law, and against which no known objection or defense exists. Each creditor will upon receiving payment be required to present his certificates of deposit, or his bank book if his claim arises on book account, in order that the payment may be endorsed and receipted for thereon.

Payment will be made at the place of business lately occupied by said bank from 9 o'clock in the forenoon to 12 o'clock and from 1:30 o'clock to 4 o'clock in the afternoon of each business day until all payments shall have been made.

Dated Oct. 3, 1893

John W. Barnes, Assignee

October 19, 1893

The only unemployed laborers in Manitowoc are those who choose to be.

November 9, 1893

Assignee Barnes is hustling about getting ready to pay another dividend soon — one of about 10 per cent. The bank will probably pay 60 per cent to creditors though there is no official authority for this statement. The assets of the bank are certainly being realized upon with surprising promptness and diligence.

September 28, 1893

THE STATE BANK

Though all the officials who were active in the management of the defunct State Bank are now dead, its affairs are undergoing a very thorough examination. The examination of John W. Barnes who was vice-president and one of the directors of the bank is now in progress, the purpose of the prosecution being to show that he took part in the management of the bank and knew its unsound condition. Mr. Barnes became a stockholder of the bank in 1886 at which time he purchased \$2,000 of its stock. At this time the bank's capital was so badly impaired that it really had no existence, if indeed, it had any when the bank was organized. Mr. Barnes claims that when he purchased this stock he was himself imposed upon, as he paid for stock which had not a cent's value.

Directly after the failure it was generally supposed that the bank would pay nearly 100 cents on the dollar, and that creditors would suffer mainly from the inconvenience of delay, and not through depreciation of their claims. The bank had suffered no great loss of which the people knew, and its management was believed to have been prudent and economical. J.W. Barnes was made assignee and expressed himself hopeful after a cursory examination of the books, of being able to pay creditors quite a large percentage. The preparation of the detailed statement of assets showed, however, such a discrepancy between the certificate register and the ledger as to increase the liabilities of the bank about \$55,000. The absence of capital stock became quite apparent, thus still further reducing the probability that the dividend which the creditors would receive would approximate the amount of their claims. When the bank was organized in 1858 there was a large number of stockholders apparently, but it appears that notes were given for stock and charged to Bills Receivable by quite a number of stockholders. No stock ledger was kept so that transfers of stock is difficult to trace. The manner in which the absence of paid up capital was concealed was explained in the issue of the PILOT of June 29.

When it became known that the condition of the bank was otherwise than what it would be under proper management, a demand was made for the arrest of its

officers. Two expert accountants, Mr. Meyers of Milwaukee and Mr. Brent of St. Louis, were employed. They have been at work on the books since the early part of August. They have made no formal report but what they found must be gathered from their testimony in the examination now in progress before Justice Markham.

Almost simultaneous with the arrests, a petition was put in circulation among the creditors asking for the appointment of a new assignee. The examinations and matters connected with the petition have absorbed a large share of local attention. The examination has however resulted in sifting out the truth from a great deal of rumor, and though it is not yet completed the facts as far as they have developed clearly indicated that when the examination closes the history of the bank will be complete.

On the 26th day of December 1891 the National Bank of this city published a notice that on that day the stockholders of the bank decided to go into voluntary liquidation, and all persons having claims against the bank were requested to present them for payment or renewal. Accompanying this was a notice stating that the business would be continued by the State Bank as a successor of the National Bank. The change was affected January 1, 1892, but the capital of the old bank was *non est*, and the new bank was organized on a transfer of the worthless old capital. The circumstances preceeding this change and which led to it are among the most important revelations connected with the bank's affairs, except in the earlier history when by manipulation the absence of capital was screened from detection.

The bank examiner had, some time prior to the change, discovered a large quantity of overdue paper sufficient to materially impair the capital of the bank should it become worthless or depreciate, and that loans were made to individuals in excess of what was allowed by the national banking laws for a bank with a capital such as this had. The president was notified of this by the bank comptroller and directed to have the overdue paper renewed with good security and the loans reduced to the limit required by law. Also that the examiner estimated that the loss on overdue paper would amount to \$26,000, and that an assessment of 20 per cent of the capital should be made and then an item of bad debts amounting to \$1,899 be charged off before a dividend be declared, and suggested that a stock ledger and stock certificates book be procured.

To this the president of the bank replied under date of October 23, sending statement of directors that at a meeting of that body the officers were instructed to act in every particular as directed by the comptroller. The comptroller replied that the notice assessment would be better if made by him and receipt of such

notice was acknowledged. On December 21, the president of the bank notified the comptroller that assessment of 20 per cent was ready but not yet credited. That past due paper was in suit, and was being pushed as rapidly as the law would permit, that the item of bad debts was reduced and the loan brought down to the limit fixed by law. On January 26, the officials were notified to certify to the payment of assessment, and this was (done) February 6. In the meantime letters passed on the examiner's report of his examination of the bank December 2, the last examination made, the overdue paper. The 2nd of March, proof of publication of voluntary assignment was forwarded to the comptroller and thus was brought to a close the career of the National Bank.

As a matter of fact, no assessment of 20 per cent had been paid in; the overdue paper was still in the bank or exchanged for notes equally worthless and it seems as if the bank officials were fighting for time so as to prevent the appointment of a receiver before the change could be made to a state bank, and they succeeded.

In the change the capital stock of the bank remained as it was, but C.C. Barnes' stock was increased from \$6,000 to \$37,000 — and later to \$40,000 — a change of no consequence as the stock was worthless. The many names of outside parties who figured as stockholders were dropped, their stock evidently being taken by C.C. Barnes.

It appears that dividends were declared and paid after the condition of the bank was such that its earnings should have been used to take up worthless paper which it held. In one instance the dividend was used to take up bad paper held by the bank. A note of Mrs. Conley which was given in 1889 amounting to \$1,015 was partially paid by a dividend declared in 1889, leaving a balance of \$265 together with other small notes which with this balance aggregated \$409, was charged to a profit and loss. The stockholders at the time received a partial dividend. A note given by --- deGarmo for \$5,000 was also charged to profit and loss in 1889, and the dividend then declared was used as far as it went in making good this note. The deGarmo note, however, had been used to take up a note given by Ed. Conway, the last note being charged to profit and loss; but it seems not to have been allowed to remain there, as it figures afterwards as live paper and is now a part of the bank's assets. A note of C.L. Barnes made in 1888 for \$2,000 to take up a note of C.C. Barnes made in 1886 for \$1,500, presumably for stock, was assumed by C.C. Barnes before the failure and destroyed. A note of G.B. Burnett for \$1,000 for purchase of Bennett's stock given in 1883 was dropped when the State Bank was organized, in which he was not a stockholder.

There were notes given by parties for a single day, charged to bills receivable and credited the day following to bills receivable; notes were taken and certificates issued therefor and re-exchanged the next day. No money passed in these transactions but it was done simply to make it appear the bank was doing a large business when under examination by the bank examiner.

There were many reports in circulation which have no basis of fact. Certain alleged shortages in the assignee's report have likewise been explained. The bank in its dealing with the Waterworks Co. used different names — Sometimes "Moffitt & Co." and sometimes "Waterworks Co." A note would be charged to the one and credited to the other and thus a certain account would seem to be open and an amount due. It was found that these accounts balanced. A note given by the Waterworks Co., of \$500 had been lost, but on receiving a bond a duplicate note was given by the company and is now a part of the assets. The bond account which was supposed to be short \$14,000, but the account balanced when a double credit given to an individual connected with the Co. was placed where it presumably belonged. A note of J.W. Barnes, for \$5,000, was balanced by a corresponding credit, though the reference in the item of credit was faulty, which led to the surmise that the account was still open. The \$60,000 account with Joseph Vilas as President of the Lake Shore road secured by railroad iron, upon which it was said but a nominal interest was paid, is found to be all correct, and the interest and principal all paid.

There is a note on the books, however, which appears to have been given by J.W. Barnes Co. for \$3,500 in 1876. This note is not satisfied on the books. Mr. Barnes says he never gave any such note and Mr. Mulholland says the firm never did and had no need to, and shows by their bank books for the month the note seems to be made that they had sums ranging from \$4,000 to \$13,000 to their credit at the bank.

There are various accounts with parties under fictitious names, such as "A.B.C. Co." etc., but these accounts are all closed up properly. The bank appears to have had indirect ways of doing business in many particulars which naturally threw suspicions on the deals, though if managed in the usual way, they might appear to be perfectly legitimate.

MANITOWOC PILOT and MANITOWOC TRIBUNE November 15, 1893

ASSIGNEES NOTICE

Notice is hereby given to all the creditors of the State Bank of Manitowoc that the undersigned as assignee for the benefit of the creditors of said bank, will on Friday, the 17th day of November, A.D. 1893, begin paying a dividend of 10 per

cent to such of the aforesaid creditors as have duly proved their claims in the manner provided by law, and against which no known objection or defense exists. Each creditor will upon received payment be required to present his certificates of deposit, or his bank book, if his claim arises on book account, in order that the payment may be endorsed and receipted for thereon.

Payment will be made at the place of business lately occupied by said bank from 9 o'clock in the forenoon to 12 o'clock and from 1:30 o'clock to 4 o'clock in the afternoon of each business day until all payments shall have been made.

Dated November 14, 1893

John W. Barnes, Assignee

MANITOWOC PILOT

November 23, 1893

Assignee Barnes has sold the old National Bank building to Dr. Paine for \$2,500.

January 4, 1894

L.J. Nash began his argument in the Barnes case on Tuesday, spoke all the balance of that day and occupied the next day until 5 p.m. D.A. Chloupek and A.J. Schmitz occupied the forenoon Tuesday, A.J. Schmitz is making the closing argument today.

May 24, 1894

MEETING OF THE STATE BANK CREDITORS

To the creditors of the State Bank of Manitowoc: The undersigned hereby request all of the creditors to meet at the Turner Hall in the city of Manitowoc on Tuesday, May 29, 1894 at 10 o'clock a.m. for the purpose of considering taking such action as may seem advisable, upon a proposition which will then be submitted to them and which has already been submitted by the undersigned, J.W. Barnes to the undersigned committee and to Schmitz & Kirwan and G.G. Sedgwick, the attorneys for the creditors who said, committee represent for the compromise, settlement and assignment of all their claims against said bank.

J.W. Barnes, Assignee

Pierre Burt, C. Muth, Ole Benson, Thomas Mohr, August Brey, Stephen Bertlee, Committee.

MANITOWOC PILOT

Nov. 15, 1893 (Back Flash)

Assignee Barnes announces in this issue that he will pay another dividend of ten per cent commencing tomorrow. This will make a total payment of 40 per cent paid to creditors within a period of six months. A large part of the real estate — in fact all except the homestead — had not yet been disposed of for the benefit of the creditors. If this can be sold to advantage the creditors will receive an additional 20 per cent before the final winding up of the affairs of the bank.

The impropriety of making comments on the work of an assignee pending litigation in which he is involved, has deterred the PILOT from commending the work done by Mr. Barnes as assignee. What remains to be done is but a small fraction of the whole though its completion will involve time. There never was more diligence shown by an assignee and never were there more bad debts collected in a short time and during a period when collections were extremely difficult. Those of us who are creditors of the bank and whose necessities made a quick realization of its assets particularly grateful can appreciate his promptness and the energetic manner in which he has discharged his duties.

The dividend to be paid tomorrow includes Mr. Barnes' statutory liability of \$2,000, that is the sum for which he is liable by virtue of being a stockholder of the bank in addition to his stock. It is understood that Mr. Armsby has likewise expressed a willingness to pay in his liability which is \$2,000. These sums coming without the pressure of legal procedure and attendant cost cannot be otherwise than satisfactory to the creditors. There is no question but that both are liable, but they are the only stockholders of defunct banks, so far as the PILOT knows, who have voluntarily and before the assets of the bank in which they were stockholders were exhausted, have paid their statutory liability and they are entitled to credit for it.

There is in all probability no other stockholder of the State Bank who can pay this double liability, or from whom it can be collected and so the end is within sight.

March 29, 1894

Manitowoc lawyers occupied the attention of the Supreme Court on Friday last. J.D. Markham, argued for the American Desk and Seating Co. and L.J. Nash for W.D. Richards as assignee of the Manitowoc Manufacturing Company. Michael Kirwan and G.G. Sedgwick appeared for the creditors of the State Bank who asked for the removal of John Barnes as assignee and L.J. Nash appeared for the assignee.

(Note: Obviously, though there seems not to have been a follow-up of this in the PILOT, Mr. Nash's argument must have met with success, as subsequent activities of Mr. Barnes proved out.)

April 12, 1894

Item: The Shove trial was begun in the first place on complaint issued by Mary Ann Kelley.

T. C. SHOVE BANK

The trial of T.C. Shove is set for April 24 at Sheboygan. It is rather unfortunate that there is no means apparently available to have the case against Shove discontinued. To begin with, the sense of pecuniary loss made the feeling against him strong on the part of many who had

lost money in the bank. The failure was so bad that people could not be blamed for believing there was dishonesty and that Shove profited by it. But it is certain that today Shove is financially in as poor circumstances, almost, as the poorest depositor who lost money in the bank. He was criminally visionary, not purposely dishonest, and he has suffered all that is reason for being more optimistic than sensible in handling large sums of money.

The bank's losses came from a wild attempt to build up home industries and the foolish part in the proceeding was that he did not inform himself sufficiently of the conditions of the enterprises he was to make flourish. He might not have felt sufficiently his responsibility to depositors but his overconfidence in his own business sagacity was accountable for this. He never had the faintest purpose of appropriating to his own use the money of depositors. He made just the same foolish use of his own money that he did of that of his depositors and lost his own as well as he did theirs. There is nothing more at variance with truth than that T.C. Shove is today even moderately well off. The crash which deprived depositors of their money, ruined him.

The prosecuting attorneys must do their duty; they act for the people. But the people should exercise the mercy which the circumstances attendant upon the case makes proper. The only criminality in the case is that of folly. If the county board could act upon the matter in season it should do so.

May 3, 1894

The Shove Trial is still in progress. General opinion is for acquittal.

Bank of Manitowoc is to be the name of the new bank which is to be opened Monday.

May 10, 1894

The jury was unable to reach a verdict in the case of T.C. Shove at Sheboygan last week, and after having been out thirteen hours were discharged by Judge Gilson. The case was given to them on Friday morning at 9:30 and at 10:30 Friday night the conclusion was reached that agreement was impossible. The jurors state that the informal ballot stood nine for conviction and three for acquittal, and in all the subsequent ballots stood ten for conviction and two for acquittal.

News regarding the case was eagerly sought here. Reports from Sheboygan by many witnesses from here were of such a nature as to arouse feelings which had practically died out and which for the interest of all parties concerned should have been allowed to remain permanently dormant.

The opening for the state was by District Attorney Chloupek. He was followed by Attorneys Phalen and Goldberg for the defense and A.J. Schmitz closed for the state. The arguments were

concluded on Thursday and the Judge charged the jury on Friday morning.

The disagreement puts the case over to the October term for Sheboygan county. Deputy Sheriff Pierce was present with a warrant to re-arrest Shove should he be acquitted, on the complaint of a man named Sams. But on consultation the prosecution decided not to do so no matter what the verdict should be.

MANITOWOC PILOT May 10, 1894 THE NEW BANK

The Bank of Manitowoc (National) was incorporated last week and began business in the office of the State Bank on Monday morning. Its deposits for the day were about \$25,000. The Bank has quite a stream of callers through the day, and north side business men congratulated one another on having a bank within easy reach. The stockholders are L.D. Moses, A.F. Morgan, Geo. W. Carter, C. Cowan and Clarence Hill, the capital stock being \$50,000. The officers are, President, L.D. Moses; Vice president, A.T. Morgan; Assist. Cashier, Clarence Hill.

Mr. Morgan is the head of the Morgan Manufacturing Co. of Oshkosh, the largest manufacturer of sash, doors and blinds in the state. Mr. Buckstaff, also of Oshkosh, is a heavy manufacturer. Col. Carter of Ripon was warden of the state prison. Mr. Cowan is a merchant of Ripon, and Mr. Moses, who is better known to our people than the others, is president of a national bank in Ripon. Mr. Hill, the assistant cashier had connection with a bank in Ripon. The stockholders are all men of substance and approved business ability as their success in the past proves. Mr. Moses says the bank will do what it can to advance the interests of the city in every way consistent with conservative banking methods. It will soon be reorganized as a national bank with a capital of \$100,000. It takes time to secure a charter and the bank has been organized under state laws so as to get to work at once and be prepared to do a large volume of business when the charter for the national bank arrives.

A national bank with a capital of \$100,000 will be capable of promoting the interests of the city to an extent which cannot be overestimated, particularly when backed by such men of means as are the stockholders of the Manitowoc bank.

May 24, 1894 A SETTLEMENT

For quite a long time negotiations have been going on between Schmitz & Kirwan and G.G. Sedgwick acting for a number of the creditors of the State Bank and John W. Barnes assignee of the bank and one of its stockholders, for a settlement and the terms have at last been agreed upon and will be submitted to a

meeting of the creditors which is called for the 19th instant.

The settlement is a very favorable one for the creditors, being a payment of 62 per cent of the claims against the bank. The assets of the bank outside of the responsibility of the stockholders, would pay about 50 per cent if the affairs of the bank were closed up in the ordinary manner of assignments.

The bank has already paid 40 per cent to creditors. The indebtedness of the bank at the time of the failure was \$225,000. It will take \$50,000 in round numbers to pay the 22 per cent which Mr. Barnes agrees to pay. One of the chief difficulties in the way of settlement was the valuation of certain of the bank's assets. There is a large quantity of paper on which nothing can be realized at present and it is very doubtful whether much will come from it in the future. There was considerable difference in the estimated value of this paper between the assignee and the attorneys and conference after conference was held only to result in disagreement. Finally, last Saturday all the details of the settlement were agreed to and the following notice was sent out to the creditors for whom the above named attorneys were acting.

Manitowoc, Wis. May 19, 1894

John W. Barnes, assignee of the State Bank of Manitowoc and the committee appointed by yourself and certain other creditors of said bank have called a meeting of said creditors to be held at Turner Hall in the city of Manitowoc at 10 o'clock in the forenoon of the 29th day of May next, at which time and place said Barnes will submit to said creditors to be voted on by the meeting proposition for settlement of all claims of said creditors against said bank. It is very important that every creditor shall attend the meeting and we request and advise you to do so without fail. Notify every other creditor you meet.

Schmitz & Kirwan and
G.G. Sedgwick
Attorneys for certain creditors of said bank.

There never has been a settlement made more favorable to creditors of any institution which failed with a like proportion of assets to liabilities than that announced here. Mr. Barnes, it must be understood, was the lightest stockholder of the concern. He lost his stock when the bank failed but on the second dividend, paid in his liability of \$2,000 to the creditors. In this settlement he throws in his services as assignee, and he certainly has been a diligent and able one — pays all expenses attendant upon the winding up of his affairs of the bank, and contributes largely from his private means toward the 22 per cent additional which is to be paid creditors. The settlement is not with the assignee but with Mr. Barnes as an individual, who assumes the full

obligation of paying this 22 per cent, realizing what he can on such assets of the bank as are not yet converted into cash. He estimated the amount he must pay in cash by reason of his connection with the bank at considerably over \$30,000. This sum coming without much litigation and through the process of arbitration, is extremely creditable to Mr. Barnes and shows his willingness to undo the wrongs of others as far as lies in his power, though he had no part in them and but little interest in a bank of which the control is in the hands of others. The creditors have come out well in this matter, but at great cost to one man who will be hard pushed to meet the obligations assumed.

MANITOWOC PILOT May 31, 1894

The meeting of the creditors of the State Bank held at Turner Hall Tuesday drew out a large crowd. There were not only creditors present but also a number of business men and lawyers, all anxious to hear the details of the proposed settlement. Thomas Mohr was chosen chairman of the meeting and then Judge Kirwan addressed the crowd, going into detail regarding the assets stating their face value, the estimates put upon them by the assignee and by the attorneys. He also explained in full the liability of stockholders and the peculiar liability of the stockholders of this bank because of the manner of its organization. He had not completed his explanation by noon and an adjournment was had until 1 p.m.

The meeting was addressed in the afternoon by L.J. Nash, G.G. Sedgwick, A.J. Schmitz and W.A. Walker — who was one of the parties instrumental in bringing about the accommodation of difficulties — all advising an acceptance of the terms offered. The vote for settlement was unanimous, not a creditor voting nay.

There were about 150 creditors present. After the terms were accepted, signatures to the agreement were made by those present and at least 30 per cent of the creditors signed at once — in fact all who were present except one who did not fully understand the proposition.

It is necessary to secure the signatures of 62 per cent of the creditors before payment of the claims will be made when presented. As soon as it is understood that the creditors present at the meeting have agreed to the terms proposed there will be no difficulty in securing signatures.

The conditions are as follows: Sixty two per cent of the creditors must agree to accept 62 per cent of their claims as payment in full. After this number of signatures are secured the claims will be paid after July 1, all certificates to be transferred to John W. Barnes when this amount is paid upon them. The agreement may be signed at the office of G.G. and C.H. Sedgwick, Nash & Nash, Schmitz & Kirwan and of course, the

assignee, J.W. Barnes. The expenses of settlement are to be paid at once. Those who do not sign any transfer their claims in the same manner as the others, but as 62 per cent must sign before any payment is made the complete and prompt settlement of the matter makes advisable for every creditor to call and sign the agreement.

Without any doubt the criminal prosecution against Mr. Barnes will be quashed at the term of court which opens here next week.

It is just about one year since the failure of the State Bank. There has been a great deal of effective work done during that time in winding up its affairs and perfecting a settlement very favorable to the creditors of that institution.

MANITOWOC PILOT June 14, 1894 (COMMUNICATED)

Now that the affairs of the State Bank are amicably settled and so well settled, a few words on the matter of the failure may not be out of place. The real cause of the inability of the bank to pay dollar for dollar is well known to many. The bank was organized on fraud and fraudulently managed for years of its early history has already been published. That the early officers of the bank knew that what finally happened would happen in time cannot be doubted when the business sagacity of the men is considered.

That in the mysterious ordering of events one of these men should die making no sign and the other survive the final crash by but a few weeks was unfortunate. The latter, however, did leave a written statement as to the responsibility for the condition of affairs shown by the early books of the bank.

That two men, John W. Barnes and George B. Burnett who were in no way immediate nor remote, responsible for the financial wreck should bear the burden and reproach of the faults of others is an instance of the inexplicable in life. That expressions of confidence and respect came to the one after death had removed him beyond need of them is the "way of the World" but a very sad way. That those who knew him never doubted his integrity should be a source of satisfaction to them. That he devoted the best years of his life and the most faithful service to that which proved like a dagger in the hand of a beloved friend is deplorable. All who saw him had ample demonstration of what it meant to him.

That Mr. Barnes is permitted to receive the commendation of all parties for arduous and disagreeable duties faithfully and acceptably discharged is a matter for which he and all concerned are to be congratulated.

In a small community like Manitowoc the joys and sorrow, the errors and virtues of each is felt by all the true-hearted and surely among the many trying experiences which will make 1893 memorable, there is none presenting more peculiarly sad and distressing features than the failure of the State Bank of Manitowoc.

(NOTE: Unless there is a record buried deep in some forgotten place, we may never know who wrote this piece.)

MANITOWOC PILOT June 24, 1894

All creditors of the State Bank have signed the articles of agreement with John W. Barnes except 30. These will sign eventually. This assures the settlement and the payment of claims on July 1.

June 28, 1894

All the creditors of the State Bank have now signed the articles of agreement with John W. Barnes except 12 and these are mainly persons who are not readily available. The amount represented by the creditors who have not signed is \$8,000.

The amount of work required to prepare for the payment of these claims and the intervention of July 4 on which business cannot be legally contracted, have led Mr. Barnes to postpone the date on which payments will begin to July 5. July 1 comes on a Sunday so that there are only 2 days on which payments could be made before the Fourth. It is expected that the whole matter will be cleared up within two weeks after payments are begun.

July 5, 1894

There are still several creditors who have failed to put in an appearance to sign the articles of agreement with the assignee of the State Bank. Mr. Barnes has made a great personal sacrifice in his offer to creditors and it would seem that everyone would have accepted the terms before this.

(NOTE: The reportage about the outcome of conditions of the State Bank ends here. Nothing further could be found in the MANITOWOC PILOT through July 25, 1895.)

EPILOG MANITOWOC PILOT July 4, 1895

WILLIAM BACH
William Bach died Sunday night. He

was born February 16, 1828 in Saxony, Germany of wealthy parents. In 1847, he came to America and directly to Wisconsin, where he lived in Kossuth for a short time before coming to Manitowoc Rapids, and from there to Manitowoc. He was in the banking business from 1854-1857 when his bank failed. In 1875, he was admitted to the bar, but did not practice law very much. He held several elective offices at various times. People will miss this scholarly gentleman.

MANITOWOC TRIBUNE June 3, 1897

ATTEMPTS SUICIDE Banker Shove of Manitowoc Seeks to Take His Life at Oshkosh . . .

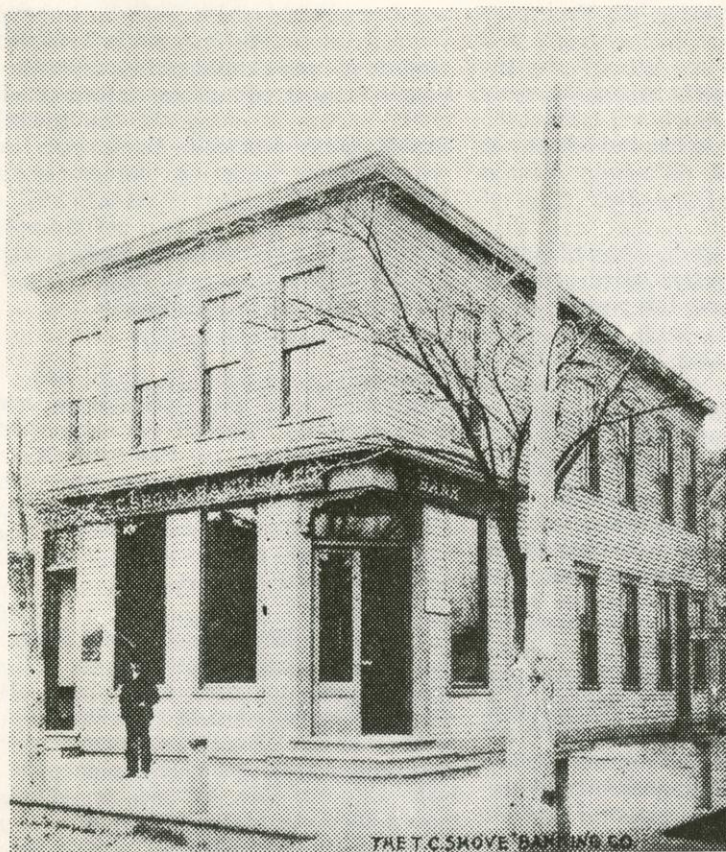
Oshkosh - May 29 - Special. Judge Burnell pronounced sentence on T.C. Shove, Manitowoc banker, convicted of receiving deposits when he knew the bank to be insolvent. Climax came when Shove drew forth a knife and tried to plunge the blade into his side, but was prevented from doing so by friends.

A large crowd came out to hear the sentence, the courtroom was packed. Attorney Goldberg of Milwaukee and Lawyer Jones of Minneapolis, pleaded with the Court on defendant's behalf. They asked for clemency on the grounds of advanced age, and that the offense charged was not as strong as the prosecution made it out to be.

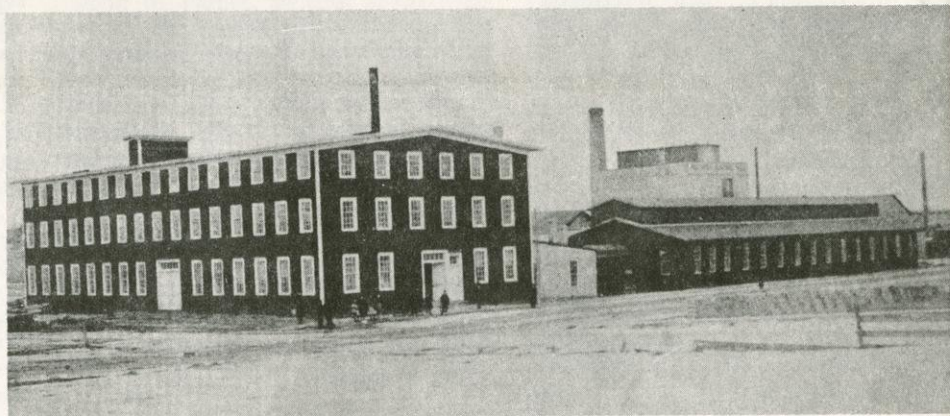
Judge Burnell waived prison sentence because of age, but he imposed a \$2,000 fine and costs. Failure to pay would impose prison sentence in Winnebago County jail at hard labor for four months. Shove was dazed throughout the whole performance. The fine and costs amounted to \$3605 and friends made arrangements to pay it. It is rumored that they are to raise \$5,000 for the old man. Additional costs of \$502 was added during the afternoon, which brought the total to \$4007.

On the night of April 11, 1892, Manitowoc Manufacturing Company burned to the ground. This opened the way to the bank failure. The case was brought by Hattie J. Gley, the complaining witness, made May 8, 1895. She had deposited on April 11, 1892, the sum of \$300. She alleged the bank was insolvent that day. G.W. Jones and J.W. Hamilton signed for \$3,000 bail. Judge N.S. Gilson was prejudiced, and a change of venue made to Winnebago County. (The earlier trial took place at Sheboygan.) The jury was out for 27 hours. Shove is 74.

After the bank failure, Shove went to Minneapolis and conducted a brokerage business in railway tickets and made his home there. He had to report to Wisconsin for sentencing.



Shove Bank located on southwest corner of South 8th Street and Quay Street.



The Manitowoc Manufacturing Company, South 16th and Wollmer Streets, Burned April 11, 1892.

MANITOWOC COUNTY HISTORICAL SOCIETY

Address all Communications To:

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Manitowoc, Wisconsin 54220

SEND TO:

Mr. F. Kelly
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Manitowoc, Wis., 54220

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