

Feb '34

Dear Harry & Cooke

Rose seems to have given you all the particulars of the flood - I am very anxious to hear from you & wonder if the water is in Georges house but I suppose it must be I hope your bro & sister helped you Uncle & Sarah all you can, in taking up carpets &c. This town is all excitement it looks like fair time down street - nothing for any body to do, but to watch the water & help the needy - We have been ^{for three days} cooking bread & meat & send it down to ~~Wynne's~~ little school house next to the big brick & there it is distributed to 40 or 50 families - supposed to be about 300 persons who are in up stairs rooms unable

to cook for themselves + about
\$100 has been given in order
to those who can cook but can't
buy anything - Rose + Bess + your
father have spent about three
days in the little school house
helping distribute. Today
there are 5 boxes of provisions sent
from Winchester - Everything is
well organized + nobody will
starve - DeCampbell sent to
Lexington for 10 barrels of oread for
Calle + Stutz + it came yesterday
+ today - They are suffering greatly
a good many houses there are
upset + some floated away -
Denton is suffering more than we
are. When we look at the other
towns we think we are well off
we have 4 persons staying with
us - Write immediately as we
are anxious to hear from you
Yours aff
Mother -

2nd Nat June 1st 1934

STATEMENT OF OPERATIONS

<u>INCOME</u>	10 Mo. 1932	12 Mo. 1933	5 Mo. 1934	Total 2-29-32 to 5-31-34 Inc.
Interest on Loans	126,109.43	128,784.65	52,782.41	307,676.49
Int. on Bonds & Securities	23,607.75	44,433.90	24,040.75	92,082.40
Int. on Bank Balances	8,468.81	2,817.85	00	11,286.66
Exchange & Collection Fees	1,117.86	1,652.57	674.20	3,444.63
Profit on Bond Sales	27,828.26	24,856.62	38,713.37	91,398.25
Safety Vault Income	2,934.47	2,549.04	1,096.75	6,580.26
Trust Department Income	2,839.04	3,189.32	3,730.33	9,761.19
Office Rent (Gross)	40,592.99	45,158.97	18,275.68	104,027.64
Service Charge Income	2,430.95	1,969.99	674.03	5,074.97
Miscellaneous	254.21	588.57	288.39	1,131.17
Total Income	236,174.77	255,992.98	140,295.91	632,463.66
 <u>DISBURSEMENTS</u>				
Salaries	43,796.99	46,446.75	18,968.85	109,212.59
General Expense	15,722.48	15,396.14	6,325.84	37,444.46
Building Expense	17,612.04	21,118.79	9,615.12	48,345.95
Interest Paid and Accrued	38,653.19	41,254.43	19,160.80	99,068.42
Taxes Paid and Accrued	12,520.46	16,245.14	5,750.00	34,515.60
Depreciation	12,129.67	14,639.02	6,099.60	32,868.29
Total Disbursements	140,434.83	155,100.27	65,920.21	361,455.31
Net Operating Profit	95,739.94	100,892.71	74,375.70	271,008.35

Received from E. C. Means, and J. M. Seaton, Executors of the
Estate of Thomas Hildreth Means, as a partial distribution to
Ellison C. Means, a legatee under the will of Thomas Hildreth Means.

Check

\$1000 00

Ellison C. Means.

By _____

Apr 30th, 1934.

Witness

I will not go in to see him until Sat, when I may take Rusty in with me as I could not see Ann before then.

I ran a Garden Club Luncheon for Fri and Miss Beulah Hove and I am going to Gude's nursery to get some Joanna Hill, and Herbert Hove rose and a Nandina bush and white magnolia, and give the order for the dwarf box to be put around our cemetery lot on Sat out there on Tues, to see about them and then out to Va on the Garden Tour, and saw Drillington, now owned

Rockville Ind
April 25th 1935

Dear Cooke and Ruby,

When I received the letter asking about our subscribing to the Ashland Library Fund, I wrote to Lily and asked her what she wanted to give, as I would give the same amount and she said "One hundred dollars" and I will send the check for the same amount.

Now for my piece of news I have another grand son born at 4-30 this morning at Columbia Hospital in W,

by the Malcolm Mathewson's
(Julia Culbertson) to Ordleigh
Erneston Hall (the home of
Nellie Curtis given her by Washington)
Woodlawn and Gadsby's Farm
in Alexandria where we had
a very nice lunch.

It was our first real
nice day, and Olivia and
Percy enjoyed the day
with us.

I had a man
come this evening to go over
the yard with me and tell
me about some bushes and
trees to be taken out in order
for me to get some things else.

He advises removing all

the silver maples and old
cedars in order to let the
white pine trees have a better
chance to get a good shape
for we have entirely too much
in our rhodo-deuteron bed
and over on the east part of our
lawn.

I will enclose this interesting
letter from Miss Sheldon's
which Lily sent me.

I believe you have had
an earlier spring in ashland
than we had here and more
flowers in bloom. The wild crab
apple blossoms I took to the Park
Church today for Women's Club
luncheon for Blodgett Loan Fund.
Very perfectly beautiful.

Heartily and lovingly Ros. Dr. B.

Dec 28, 1936

I Sallie C. Ringo, a resident of the city of Ashland, Boyd County, Kentucky, do hereby make and declare this to be my last Will and Testament.

Item I.

I give, devise and bequeath all of my property, real, personal and mixed, including my wearing apparel, unto my four children, to-wit: Ruby R. Means, Nora R. Davis, Elizabeth R. Kirkpatrick-Howat and Bolivar Buckner Ringo, and to my two granddaughters, Lillian R. Beauge and Dorothy R. Mellin, children of my son Cresap M. Ringo, deceased, to be divided between them per stirpes, with this exception: I possess a number of articles of jewelry and other objects of adornment and art given to me by members of my family, including my son-in-law, the late Ferdinand C. Fischer. It is my desire and I direct, that these articles of jewelry, personal adornment and objects of art, be given to those or to the children of those who gave such of them to me.

Item II.

I authorize and direct my executor hereinafter named, to sell and convey, or divide in kind, any and all real estate, stocks, bonds and choses in action of which I may die possessed and the purchaser of any of such real estate, stocks, bonds and choses in action shall not be required

to look to the application of the proceeds of such sale.

Item III.

I hereby nominate Second National Bank of Ashland, Kentucky to be executor of this, my Will, and direct that in carrying out this will it, through its proper officers, advise and consult with Ellison C. Means, of Ashland, Kentucky.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name this the 22th day of February, 1936.

Signed, acknowledged and declared by Sallie C. Ringo to be her last will and Testament in our presence and we, at her request and in her presence and in the presence of each other, have hereunto subscribed our names as witnesses.

Wash 9th 1936

DEATHS

RINGO: Funeral services for Mrs. Sallie Cresap Ringo, widow of the late Willis L. Ringo, were held this afternoon from the residence of E. C. Means, 1806 Lexington avenue, and burial followed in the Ashland cemetery.

Mrs. Ringo died Saturday morning following a long illness. 75

She leaves the following children, Mrs. E. C. Means and Mrs. L. N. Davis of Ashland; Mrs. P. Y. K. Howat of Baltimore, Md., and Boliver Buckner Ringo of New York City; 11 grand children; 11 great grand children; and one brother, Robert O. Cresap, of Lakeland, Fla.

ASHLAND, KY.

Jan. 27, 1937. Flood crest 73.8 ft.

Om



POST CARD

CORRESPONDENCE

ADDRESS

■ A Z O ■
A PLACE A
Z STAMP Z
O HERE O
■ A Z O ■

The First Presbyterian Church

Samuel R. Curry, Minister
Winchester Avenue at Sixteenth Street
Ashland, Kentucky
February 16, 1937

Mr and Mrs E C Means
% The New Florida Hotel
Lakeland, Florida

Dear Friends:

I have been very slow about acknowledging the generous gift you sent to be used here at the church for flood relief work. Mr Boone Logan of the Second National Bank placed in my hands \$100 saying he had been authorized to do so by Mr Means. I cannot tell you how very much I appreciate such thoughtfulness and cooperation. Our church was on the job from the very first and I was proud of the way our people responded. Because of the generous gift which you sent and others which I received from different members of the congregation, we were able to carry on the work until our commissary began functioning. And our ladies here at the church always rise to the occasion. But never did they rise to greater heights than during the flood emergency. They just about worked themselves to death. I had to send some of them home for rest or I believe they would have stayed until they dropped in their tracks. During the two weeks that our dining room functioned here at the church we served between 6,000 and 7,000 meals. When the water drove us out of the basement we moved the kitchen and dining room upstairs. We had the kitchen under the balcony in the space occupied by Mr Geiger's Sunday School class. For the first nine days we were serving twenty-four hours a day. After that we closed about 8:00 at night. Some nights while the flood was at the crisis we would serve as high as 250 meals during the night, these being served mostly to National guardsmen, R O T C boys and the men who were on boat duty during the night. We had a boat landing at 16th and Winchester right by the Third National Bank. The ambulance was there backed up and ready to receive patients. A number of the Greenup people were brought to Ashland over this route. Capt. Parr who had a coast guard patrol here told me he never saw a town so well organized. He said this must be a wonderful community to live in.

On the Monday when the flood was at the highest we served 854 meals and the next day we lost all count as we had to press every one into service but I am sure we served between 1,000 and 1200 meals that day.

Mr and Mrs E C Means

February 16, 1937

And a great deal of credit must go to our city administration and especially to Mr Somerville. He did everything that was necessary and without any red tape. And he had his commissary most efficiently organized.

I am inclosing a picture showing how close the water came to our church. There were sixteen inches of water on Sixteenth Street. Two men ran a ferry boat, or I should say rowed a ferry boat, carrying passengers from the Sunday School entrance to the Railroad track.

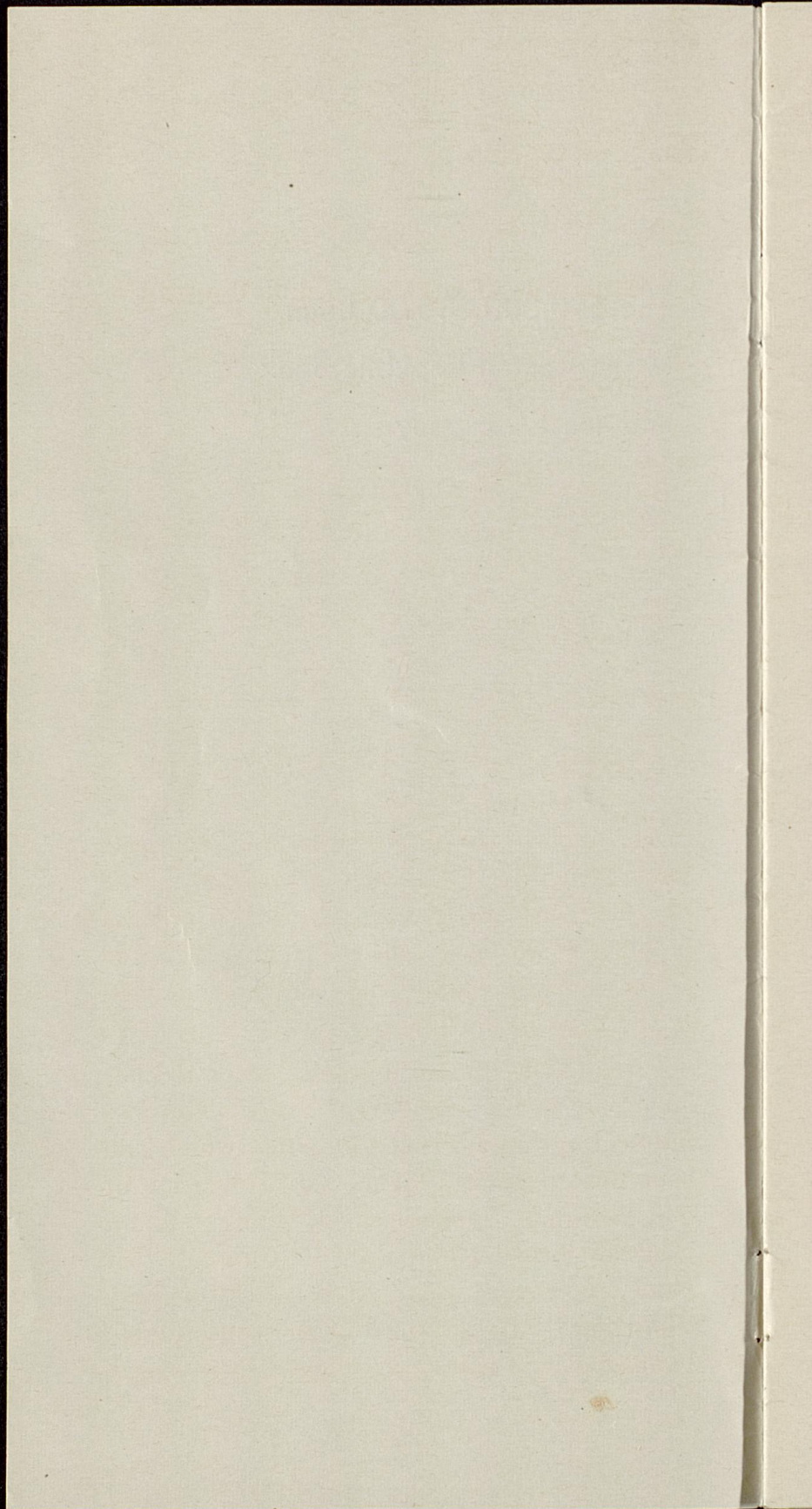
I must close, again thanking you for your thoughtfulness in sending your generous donation to this work. I hope both of you are well. We miss you very much here in Ashland but hope that Florida is proving very beneficial to both of you. Remember me to all the Ashland people there. We often think of you. All of my folks wish to be remembered. With all good wishes, I remain,

Most sincerely yours,

Samuel R. Curry

SRC:EHG

The \$90,000,000.00 Loan
to the Central Republic Bank
and Trust Company



STATE OF ILLINOIS, }
COUNTY OF COOK. } SS.

IN THE
Superior Court of Cook County

WYNNETT W. McILVAINE,
Plaintiff,

vs.

CITY NATIONAL BANK AND
TRUST COMPANY OF CHICAGO,
a national bank association, CEN-
TRAL REPUBLIC TRUST COM-
PANY, an Illinois banking asso-
ciation, CHARLES H. ALBERS,
as Receiver of the Central Repub-
lic Trust Company, and CHARLES
G. DAWES,

Defendants.

In Chancery
No. 37S 6430.

ANSWER OF CHARLES G. DAWES.

At the time of my resignation from the Reconstruction Finance Corporation, June 15, 1932, with the exception of a few months in 1929, I had been, since March 5, 1925, for seven years in public office and not engaged in the banking business.

I was at the time of my resignation neither an officer nor a director of the Central Republic Bank and Trust Company, which had been organized in 1931 as a consolidation of The National Bank of the Republic and the Central Trust Company of Illinois. My name, however, was used as "Honorary Chairman" of the Board of the consolidated bank and it is a fact, as alleged in this suit,

that the bank was called "the Dawes bank" because of my former connection with the Central Trust Company of Illinois.

That was why, during the bank panic of June 1932, I resigned from office to come to Chicago.

This consolidated institution, which had suffered a shrinkage in deposits within a year from \$240,000,000 to \$127,000,000, was in a critical situation with its 120,000 depositors, including 700 country banks, in grave danger. I felt the use of my name as Honorary Chairman, which implied to depositors my sponsorship of the bank, made it imperative for me to return and to transform a moral duty to them into a legal responsibility by becoming an officer of the bank.

During the week of my arrival, June 18th to the 25th, general runs existed on the banks of Chicago. Depositors seeking to withdraw their money from Chicago banks filled the streets around them to such an extent that reserves of police, mounted and on foot, were required to control the crowds. The banking situation in Chicago was unprecedented in its history. During the week the Central Republic Bank and Trust Company lost in deposits of \$13,474,000, of which over \$10,000,000 in increasing amounts was withdrawn during the last four days.

On June 25th the bank was not indebted to the Reconstruction Finance Corporation, although on June 24th, because of the panic

runs on all the Chicago banks, an application for a loan of \$16,000,000 was put in process of preparation and was authorized by the Reconstruction Finance Corporation on June 25th but not then consummated.

On Sunday, June 26th, because of the critical situation, I called in meeting the executive officers of the bank and several of the executive committee, and, in addition, representatives of four other leading Chicago banks. I made the statement that I would recommend to the Directors of the Central Republic Bank and Trust Company to close the bank on Monday morning in its business position of Saturday, June 25th. I notified, by telephone, the Chairman and some of the members of the Reconstruction Finance Corporation of my proposed action as they were concerned in the general banking situation in Chicago and in the country as well. I gave this information also to Jesse Jones and Wilson McCarthy, members of the Reconstruction Finance Corporation, who were present, being in Chicago at that time in attendance upon the Democratic National Convention. At the time no suggestions were made by me for help for the Central Republic Bank and Trust Company, either from the other banks or from the Reconstruction Finance Corporation. Later I made to all concerned the statement that I would not recommend to the Board of the Central Republic Bank and Trust Company the acceptance of any loan from the Reconstruction

Finance Corporation which would not place the bank in position to pay its deposits in full, thus protecting it in case it did not close its doors on Monday, June 27th, from the possibility of preferring depositors who drew out their money over depositors who did not.

After this statement, the suggestion of the commitment of \$95,000,000 from the Reconstruction Finance Corporation and the Chicago banks resulted primarily from consultation between the members of the Board of the Reconstruction Finance Corporation, the Chicago Clearing House bankers, the New York Clearing House bankers and others interested in the banking situation in Chicago and in the country.

On the morning of June 27, 1932, the commitment of the Reconstruction Finance Corporation for \$90,000,000, which included the \$16,000,000 before authorized, was made, and, in addition, a commitment was made by certain Chicago banks for a loan of \$5,000,000. To secure advances under these commitments the bank deposited with the Reconstruction Finance Corporation practically all its assets except cash on hand. Payments aggregating \$40,000,000 of this commitment by the Reconstruction Finance Corporation to the Central Republic Bank and Trust Company were made on June 27th and June 29th.

At the time this commitment was made, it was the intention of all concerned to continue the business of the Central Republic Bank

and Trust Company and save it as a going institution. The effort which was made to continue the Central Republic Bank and Trust Company as a functioning institution was, of course, in the interests of the stockholders as well as of the depositors and other creditors. But intentions were no guarantee against the adverse course of ensuing conditions and events which made it impossible.

The commitment of the Reconstruction Finance Corporation and the other banks did not, as was hoped, check the run on deposits. Additional deposits to the amount of approximately \$35,000,000 were withdrawn. The \$40,000,000 Reconstruction Finance Corporation loan, which was necessary to protect the cash position of the bank, subjected it to an interest charge at the rate of \$2,200,000 per year. In addition, the bank was committed on leases involving the impossible rent burden of approximately \$1,000,000 per year and constituting a contingent liability for future rent payments of over \$18,000,000.

It was soon apparent that the current loss of operation of the bank was so large that if it was not soon wound up, it could not pay its deposit liabilities even if it received the full amount of the \$90,000,000 Reconstruction Finance Corporation commitment.

It was attempted at that time to induce other large banks to take over its business and assume, without charge, its deposit liabilities to cover which at the time the balance

of \$50,000,000 due from the Reconstruction Finance Corporation, would suffice. The other banks were unwilling to take over the deposits of the Central Republic Bank and Trust Company although the latter would deposit with them the entire amount of cash to cover them. Apprehension of the adverse effect upon depositors of transfer of deposits, in those disturbed times of bank consolidations, was such that banks, except under pressure, would have nothing of them. Far from being desirable in those days, banking deposits were considered in the only available market as a dangerous liability.

The impossible burden of current rent and the contingent liability of \$18,000,000 for future rent could not be settled without furnishing the corporation owning the bank premises with a substitute lease from a corporation of unquestioned solvency. The business of the bank was steadily lessening and the ratio of expense to income increased in proportion. The Central Republic Bank and Trust Company reached such a condition that its continuance as an operating unit even for a matter of months would make it impossible to pay its depositors in full because of the accruing losses in operation.

In view of the fact that no other bank was willing to undertake the liquidation of deposits or take over the Trust Department of the bank under any circumstances, and despairing of any other method of protecting

the depositors, I submitted, on August 1, 1932, a plan to the Reconstruction Finance Corporation for the organization of a new bank to take over these deposits of the old bank, and thus protect the depositors. The sum I proposed as the capital of a new bank was \$3,000,000. The then President of the Reconstruction Finance Corporation, Charles A. Miller, sent back with approval a modified plan dated August 10, 1932, one provision of which increased the capital requirement from \$3,000,000 to \$5,000,000. To raise that enormous sum at that time in 1932, and in so short a time, seemed practically impossible. Of course the stockholders of the old bank were first offered the right to subscribe pro rata for the stock of the new bank, but only a few of them were able and willing to do so. The sword of Damocles hung by a thread over the situation for weeks, but somehow the miracle was accomplished, and the \$5,000,000 for the stock of a new bank was raised.

I do not believe that any one subscribed for the stock of the City National Bank and Trust Company except with the primary purpose in mind of saving a disastrous situation in the City of Chicago and in the country, and protecting the interests of over 120,000 depositors. Nearly four years elapsed before the market price of the stock reached its subscription price.

When the City National Bank and Trust Company was formed, it did not purchase the

trust business of the Central Republic Bank and Trust Company. It serviced the trust business under a contract which provided for a division of the earnings of the trust departments of both banks, and on this basis the Central Republic Trust Company received up to January 16, 1934, \$171,932.

At times for over a year after the City National Bank and Trust Company was formed efforts were made by the officers of the Central Republic Trust Company to interest other banks in the purchase of its trust business, but wherever they applied they received a negative answer.

Experience proved that the confidence necessary in trust relationships had been disturbed, and it was extremely difficult not only to retain the trust business, but to secure new trust accounts to replace those that were expiring by their own terms or being taken to other institutions because of lack of confidence.

Negotiations were then entered into between the officials of the two institutions looking to a revision of the relationships and the acquisition for compensation by the new bank of that portion of the trust business of the Central Republic Trust Company whose beneficiaries were willing to have the City National Bank and Trust Company as trustee.

The plaintiff's statement that "no consideration or anything of value was paid by the new bank to the old bank or was received by

the old bank for or on account of the trust business so acquired by the new bank'' is incorrect.

A contract was made January 16, 1934, which was authorized by a two-thirds vote of the stockholders of the Central Republic Trust Company, by which the City National Bank and Trust Company was permitted to solicit and acquire such trust accounts as were willing to change from the Central Republic Trust Company to the City National Bank and Trust Company.

The Central Republic Trust Company has received as compensation for its trust business under this contract, up to the date of this statement \$474,622.

The plaintiff in this suit represents that he is the owner of two shares of stock of the Central Republic Bank and Trust Company. He seeks to prosecute this claim of the Central Republic Bank and Trust Company against the City National Bank and Trust Company for the alleged value of good will of the Central Republic Trust Company.

He charges the Receiver of the Central Republic Trust Company with neglect of his duty to its stockholders in not bringing this suit notwithstanding the stockholders by a two-thirds vote have legally ratified the actions of which he complains.

It would be reprehensible for a Receiver to involve his trust in the expense and delay of a suit of this kind unless there was a reasonable hope of recovery. But in no event—even

the improbable event of a recovery under it—can this suit aid the stockholders of the Central Republic Trust Company. The claims of the Reconstruction Finance Corporation are prior to those of the stockholders.

Approximately \$58,000,000 has been collected from the collateral securing the loan of \$90,000,000 from the Reconstruction Finance Corporation, and \$32,000,000 will probably be paid from the remaining pledged assets and a reasonable recovery on the stockholders assessment, making \$90,000,000 in all. But it is not only the principal of the loan which is to be considered but the interest as well.

Even should the Reconstruction Finance Corporation receive the full stockholders assessment of \$14,000,000 (which is impossible), its claim for interest would exceed the amount of the recovery asked for in this suit, and that recovery, if made, would not go in any part to the stockholders but to the prior claim of the Reconstruction Finance Corporation.

A stockholders interest does not exist in this case, and a claim of it cannot justify an attempt to intervene and overturn the normal, proper and lawful liquidation of the Central Republic Trust Company, now proceeding enomically under a competent receivership and under court jurisdiction.

(Signed) CHARLES G. DAWES,
Attorney Pro Se.

From Chicago Daily News—June 10, 1937.

DAWES ANSWER IN SUIT GIVES
'32 BACKGROUND.

FIGHTING DECISION BEFORE RETURN FROM
WASHINGTON WAS HIS REAL TEST.

BY ROYAL F. MUNGER.

In all the discussion of the Dawes loan, given point today by the filing of the reply of Charles G. Dawes to the suit of a stockholder, the basic fact stands out that in 1932, at the time when security prices were hitting their lowest mark for the depression, when banks were toppling and depositors clamoring for their money, when "sullen, black despair sat on every brow," as Horace Greeley would have said, Dawes had more nerve, more stark financial courage, than any other financial man in Chicago.

* * *

His answer to the suit covers the same ground as the inside story revealed by Jesse Jones, chairman of the Reconstruction Finance Corporation, published earlier this week. But it covers the subject from a far-different angle, not that of the bystander, "in Chicago to attend the national Democratic convention," as Jones was.

* * *

Through the formal if pungently expressed phrases of Dawes' legal answer to

the suit of a former minor officer of the bank, looms the shape of his own mind back in the crisis of the depression. It is the viewpoint of a man right on the firing line, playing for keeps.

* * *

Everybody knows that Dawes called the famous meeting of bankers on June 26, 1932, with every intention of closing the doors of his bank the next day. There is not the slightest doubt that he meant what he said. If, as Jesse Jones comments, "he played his hand well," it is equally true that the only kind of a bluff that really works is the kind that is not a bluff at all. He would have done it! He was not asking help; he was telling them.

* * *

But there is more to it. That was after he was on the job in Chicago. The essential decision came earlier. On June 15, 1932, it will be remembered, he telephoned Washington newspaper men that he would have a statement to give out that afternoon at the Pennsylvania station. Knowing him, they were on hand. His blunt statement was that he was resigning from the Reconstruction Finance Corporation and taking the train immediately, in ten minutes, to resume the chairmanship of the Central Republic Bank in Chicago. Sensation!

* * *

But look at that picture for a moment. His statement today in the answer to the Supe-

rior court suit states that at that time, June 15, 1932, he was not an officer of the bank, not a director of the bank, hadn't been for seven years except as "honorary chairman," and by inference could have disclaimed all responsibility for its affairs if he had wished.

* * *

A weak man, a cowardly man, a pussy-footer, would have said: "Well, it's too bad, and of course I lose greatly as a stockholder. But really, you know, I've not been active in the bank for many years, as everyone knows. I have no personal responsibility for its affairs; the conduct of any institution is up to its directors." And there were some public men, in 1932, who would have taken exactly that course.

* * *

There was more risk facing him in Chicago than he ever faced in France. If his bank had crashed there is not the slightest doubt that a man with plenty of political enemies would have been indicted by the grand jury and perhaps ended an outstanding career in disgrace.

* * *

The depositors could not really have lost, for Joseph E. Otis, one of the soundest, squarest and most conservative men in Chicago, had so conducted the Central Republic that bad losses were impossible. The Central paid its depositors more than \$200,000,000 in cash in the deflation and had assets

which have already realized \$58,000,000 more, with a lot still to come.

* *

But the trouble with the banking situation at that time, when the state and national authorities failed to show enough moral courage to close any institution, was that if you were 90 cents on the dollar good, the smart money would take out its 90 cents and leave the suckers with the last 10 cents of deposits to get nothing. And the losers would be just as mad as if the whole thing had flopped.

* * *

That was just what Dawes was determined should not happen, and that was why he was sincerely and grimly ready in 1932 to close the doors of his institution and pay every depositor equally sooner than expose it to a run in which the smart money would have escaped and the suckers taken the losses. If every banker had done the same the city would have been better off, for the sums tied up in closed banks in Chicago were only 6 per cent of the 1929 peak of Chicago deposits.

* * *

But no one could see at that time what was going to happen and when Dawes came back from Washington to make a dramatic re-entry into banking, there were few in public life—and we can think of a lot of them who might be mentioned by name—who would have faced the risks of a similar step. Say what you will, that was a decision!

From Chicago Daily News—June 7, 1937.

DAWES FOUGHT FOR SMALL DEPOSITORS, SAYS JESSE JONES.

By ROYAL F. MUNGER.

Charles G. Dawes, tough fighter, peerless financial "poker player" when necessary, and a man whose fearless sincerity has taken him through a career, in his 71 years of life, that few men have equaled in drama, was exonerated completely of all criticism on the famous "\$90,000,000 Dawes loan" by—believe it or not—Jesse H. Jones, chairman of the Reconstruction Finance Corporation and one of the outstanding Democrats of the country! Nor is this done under a bushel. Jones states the case flatly in the course of an article in this week's Saturday Evening Post, the leading article of the magazine, which within forty-eight hours will smash into the hands of nearly 3,000,000 readers. That, if we may say so, is drama!

* * *

The article is not written to praise Dawes—Jones is telling his own story of the handling of billions and the support of the nation's banks in the banking crisis—but when he gets down to the subject of the Dawes loan, he tells the exact facts in a way that even a child could not fail to understand. It

is a habit of the big Texan and in this instance it makes a story.

* * *

“In June, 1932, I was in Chicago to attend the Democratic national convention,” writes Jesse Jones. “I had arrived in time to see something of the terrible runs on the Continental Illinois National Bank and Trust Company and the First National Bank, the two big banks of the middle west. These were more severe and more far reaching than any our country had ever known.

* * *

“The Chicago bank runs caused Gen. Dawes to call a meeting of Chicago banks on June 26. I was asked to the meeting by the late Melvin A. Traylor, president of the First National. We arrived at the bank about noon and the meeting was waiting for us.

* * *

“Gen. Dawes quietly, but with a firm jaw and an attitude that carried conviction, stated that he had called the meeting for the purpose of advising that his bank would not open the following morning; that he was not asking for help, but did not intend to sit quietly by and see smart money withdrawn, to the detriment and disadvantage of the smaller and more loyal depositors.

“His deposits were going off at the rate of more than \$2,000,000 a day. He stated that he wished to give the other banks notice, so

they could take such steps as they saw fit to protect their own institutions.

* * *

“The other banks could not allow so prominent a bank as the Central Republic to close unless they themselves were prepared to meet another run. They had paid out over the counter during the preceding week over \$100,000,000 in currency to say nothing of clearing-house withdrawals. If the Central Republic did not open on Monday morning the runs would start afresh, with inevitable disaster.

* * *

“When Gen. Dawes had finished his dramatic statement Mr. Traylor, on behalf of those present, requested me to telephone President Hoover. I was in Chicago as a delegate to the Democratic national convention and not on RFC business. Before calling President Hoover I called our chairman, Eugene Meyer, and Secretary of the Treasury Mills, whom I found at the Federal Reserve Bank in New York.

* * *

“It seemed clear that if the bank closed, an immediate nationwide moratorium—a bank holiday—or government guaranty of bank deposits could not be avoided. President Hoover thought the bank should not be allowed to close. For Gen. Dawes, this meant a loan commitment of \$95,000,000. Unless the bank was put in position to pay its de-

positors in full, if necessary, he stated that he would not open the next morning. He appeared determined on this course.

* * *

“Wilson McCarthy, another RFC director, was also in Chicago to attend the Democratic convention and participated in the meeting. The assistant chief of our examining division at Washington was there and one or two other members of our Washington staff. The Dawes bank loan was recommended by a special committee composed of Howard Preston, then manager of our Chicago agency and now vice-president of the Chicago Federal Reserve Bank; Ralph Buss, examiner of our Washington office; W. R. M. Milford, George M. Reynolds, who was chairman of the Continental Illinois, and the late Melvin A. Traylor.

“The loan was approved for \$95,000,000—\$90,000,000 by the RFC and \$5,000,000 by other Chicago banks. An effort was made to get the Chicago banks to take a larger participation, but it was finally decided that they had troubles enough.

* * *

“The Central Republic had a capital stock of \$14,000,000, surplus and undivided profits of \$12,000,000, and a stockholders' liability of \$14,000,000; a total margin of \$40,000,000, counting everything at face. In view of depressed values generally, the stockholders'

liability was appraised at 50 cents on the dollar.

“This left a margin of \$33,000,000, which seemed ample. We were assured by counsel that the stockholders’ liability would be enforceable to secure the loan, and the federal court has so held, though it was vigorously contested by some of the biggest lawyers or law firms in Chicago, some of which had previously advised the RFC that the assessment would be enforceable.

“Gen. Dawes told me, when the loan was made, that the stockholders’ assessment would cost the Dawes brothers’ interest more than \$1,000,000 if an assessment was necessary to pay the bank’s debts.

* * *

“When United States District Judge Wilkerson in Chicago ruled, in November, 1936, that the stockholders were liable for assessment on their stock, Gen. Dawes assured me that Dawes Brothers, Inc., would pay their assessment as soon as the court’s decree was entered.

* * *

“The decree was entered and became effective Saturday, May 1, but Judge Wilkerson imposed the condition that executions could not be levied for six months. May 3 Dawes Brothers, Inc., paid the receiver of the bank \$1,027,000 for that part of their assessment covered by the decree. The gen-

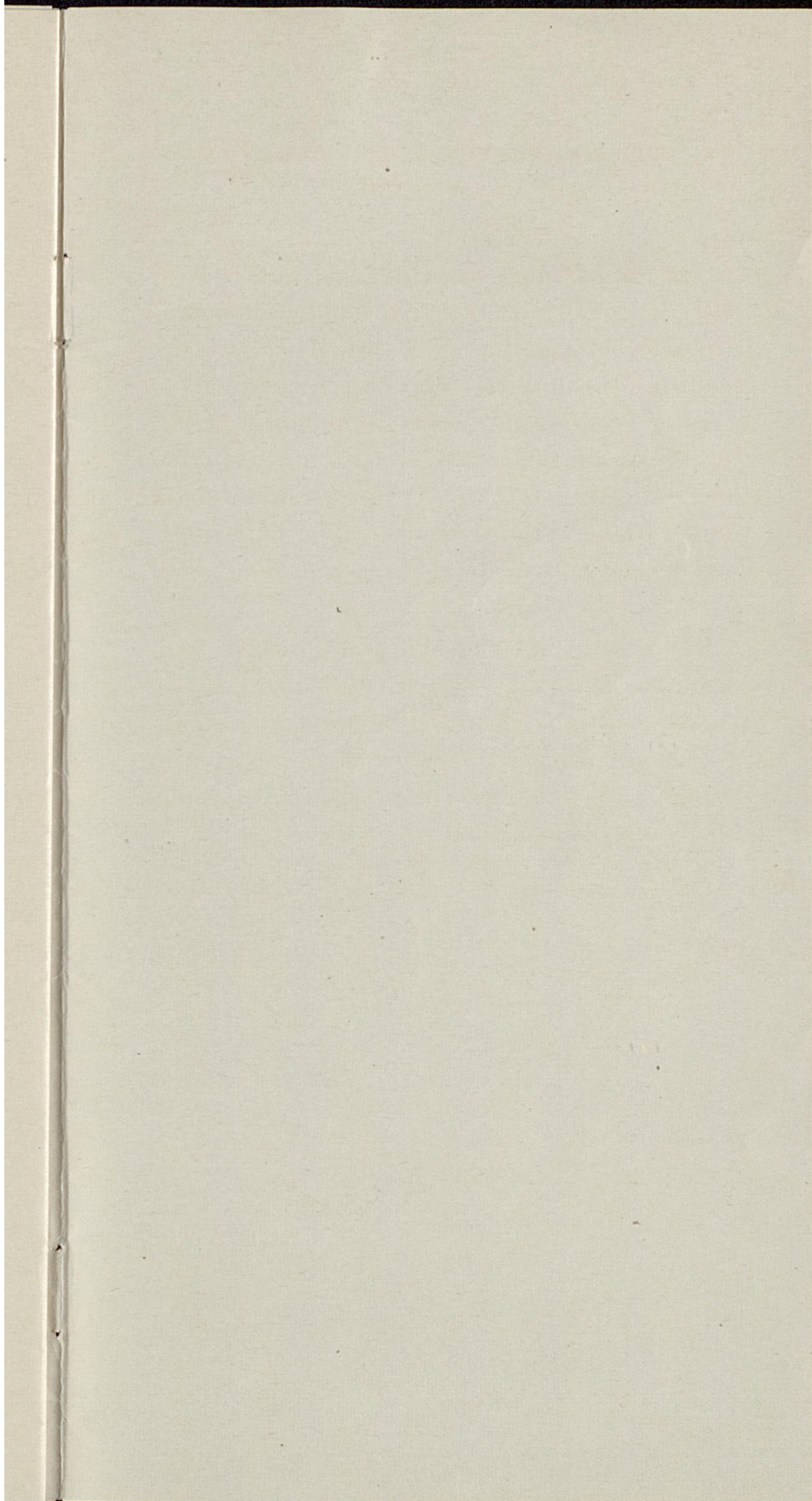
eral paid his personal assessment of \$5,200 as soon as suit was brought.

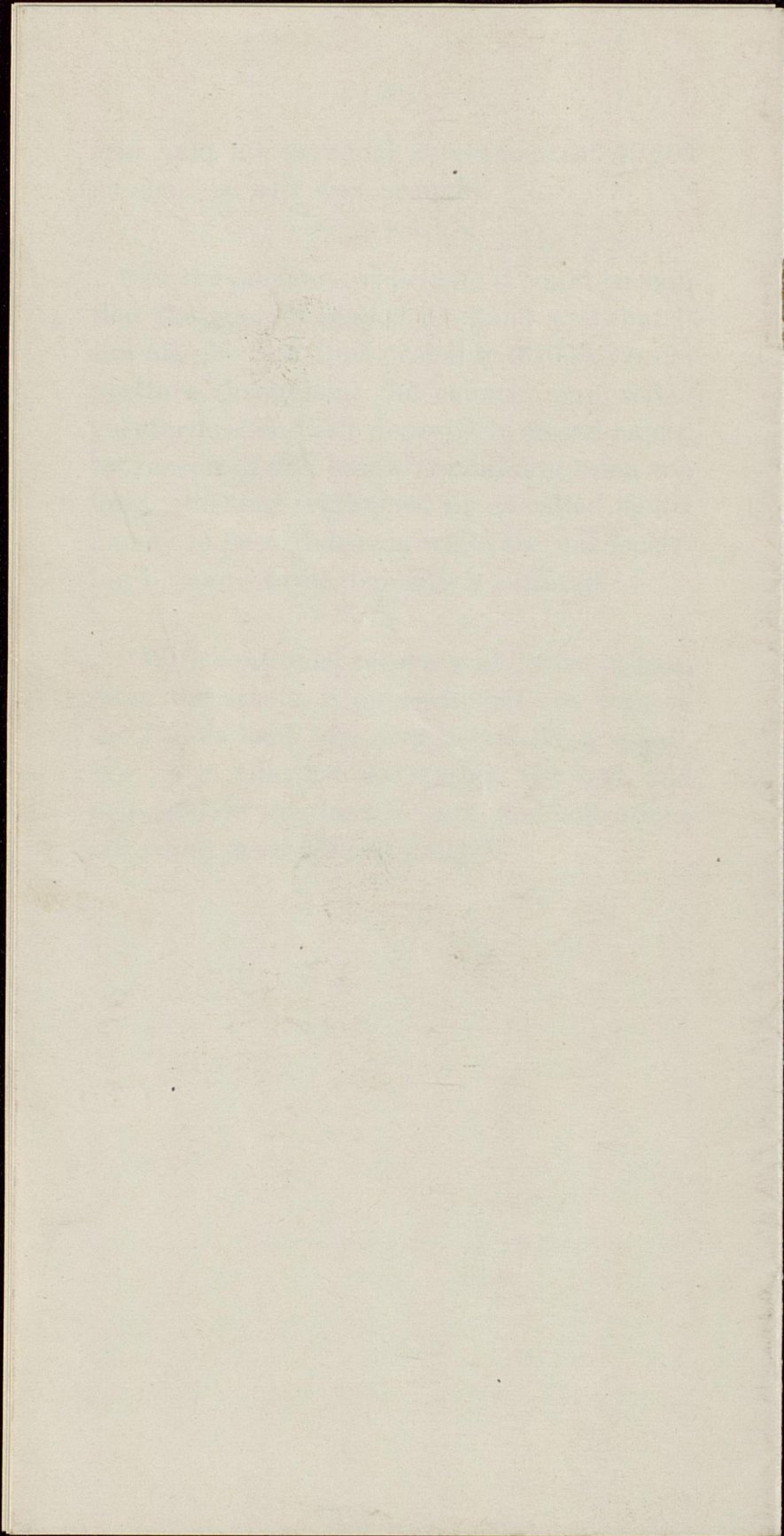
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“In the parlance of bridge, it could be said that the general played his hand well, but it can also be said that probably 20,000,000 depositors throughout the country suffered a greater loss on their deposits in closed banks, by reason of the banks' remaining open too long, allowing frightened or so-called smart money to be withdrawn, while the unsuspecting or more loyal depositors suffered.

* * *

“With continued recovery and care in handling the assets, it appears that any loss on the Dawes bank loan will be relatively small. We have collected \$58,000,000 interest and principal on this loan to date, and collections are being made almost daily.”





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1935

FRANK LYMAN, formerly president of the Low Moor Iron Co. and a member of the Legion of Honor of the Institute, having made his affiliation in 1877, died on April 26 in Florida. His home was in Northampton, Mass. Soon after his graduation from the Columbia School of Mines in 1878, he entered the iron mining business in Virginia, and consolidated blast furnaces at Covington and at Low Moor, Va., into the Low Moor Iron Co., of which he became president in 1920. The company was liquidated in 1932.

PHILLIPS ISHAM
30 CHURCH STREET
NEW YORK

May 2, 1938.

Dear Means:

I have just returned from Northampton and while there Miss Kerr asked me if I had written you about Mr. Lyman. Apparently they had not although by this time perhaps they have.

You will remember that when I was in Florida, or shortly after I returned to New York, we had word that Mr. Lyman was ill and I think it was said to be moisture on the heart; at any rate, he was ill and it seemed ominous.

About two or three weeks ago, he developed a bronchial affection which turned into bronchial pneumonia and his condition was known to be critical. Joe flew down to Miami and was there at the end when Mr. Lyman passed away, - April 26th. They had decided on a date for returning North, and were pretty well prepared for the journey, expecting Mr. Lyman would be well enough to stand it, but he passed away and they kept to their program, bringing him back to Northampton, where the funeral service was held at 11:00 a.m. Saturday, the 30th. We had supposed the burial would be in Greenwood but it will be in the cemetery at Northampton and the body has been cremated. Mrs. Lyman was very much exhausted from the long trip and worry and all the arrangements necessary so that I was not able to see her while in Northampton. Howard Dalton and Mrs. Dalton went up with me. Services were short, the Unitarian form of service used, which is a very impersonal form. The family and connections made quite a numerous body. Frederick Delano came up from Washington and Mrs. Roosevelt, mother of F.D.R. and cousin of F. L. at first signified her intention but later found it impossible.

You have probably had all this from others but I am writing in case not.

I hope by this time you are entirely over your bronchial trouble and feeling entirely fit. All of us here are in our usual health. Best regards to Mrs. Means and Mrs. Gill, and yourself.

Yours sincerely,

PI:sl

Phillips Isham