

DISSIPATED THE ASSETS

Receiver Howard Loots the Assets of the Exchange Bank at Atkinson.

ANOTHER POLITICIAN GONE WRONG

The Fusion Candidate for the Important Office of State Treasurer the Main Character in a Corrupt and Effective Conspiracy.

O'NEILL, Neb., Oct. 22, 1900.

Perhaps the most high-handed corruption ever practiced by a man appointed by a court as receiver was practiced by Samuel B. Howard, candidate for state treasurer on the fusion ticket, as receiver of the Exchange bank at Atkinson, Neb.

The story of the closing of the bank, the manner in which the receiver was appointed and the looting of the assets by the receiver and his political lieutenants, is a story pregnant with rottenness, fraud and corruption from start to finish.

At the time the bank was placed in the hands of a receiver it was perfectly solvent. The fusion bank examiner had been sent there but a short time before and had given it a clearing. Nobody had asked for a receiver and the depositors had absolute confidence in its solvency and stability.

At the time of the closing there was enough cash assets to pay all the depositors in full, aside from Bartley, and there was absolutely no cause for the depositors losing a cent of their deposits. In the settlement, however, they received only 75 cents on the dollar.

Fraud surrounds the manner in which the receiver was appointed. There was a district judge on the spot at O'Neill, the county seat of that county, but instead of applying to him the conspirators went 219 miles to Judge W. H. Westover and had Howard appointed receiver.

Howard was required by the court to give bond in the sum only \$2,500, whereas the property and money placed in his hands amounted to upwards of \$100,000. There is nothing on file with the records of the transaction to show that Receiver Howard ever filed a bond. Search of the records high and low failed to bring any bond to light or anything to show that one was ever filed.

In order that the public may have a clear and impartial understanding of all the facts of record in the case, the following is given in chronological order:

May 6, 1897: Bank Examiner Coad reports that the Exchange bank of Atkinson is in an unsafe condition, not having 15 per cent. of its deposits in available cash.

May 7, 1897: State banking board orders bank closed, and Attorney General Smyth files petition in district court at O'Neill, asking for the appointment of a receiver with authority to "compromise bad assets and convert all property into money as speedily as possible."

May 10, 1897: Judge W. H. Westover, who lived 219 miles from the scene of proposed operations, appointed S. B. Howard receiver, on a bond of \$2,500, ordering "said receiver to report his doings in the premises to this court from time to time as required by law."

The public got its first tip on the scheme in the announcement of this favorite by a judge who resided over two hundred miles away. There was a judge of the same district residing at O'Neill. The bond required of Howard, if any was given, was never filed with the other records where the public could inspect it. The responsibility which this "bond" was supposed to cover, amounted to nearly \$100,000.

May 17, 1897: Receiver Howard applies for authority to employ an attorney. Two days later Judge Westover grants the request, and Howard employs J. J. Harrington, a brother of Mike, and who has since been elected district judge. The compensation is not stated.

July 6, 1897: Attorney General Smyth files petition stating that Bartley had \$55,000 deposited in the bank, which property belonged to the state.

July 6, 1897: County attorney of Holt files petition, stating that Bartley owed the county \$8,000 in the form of a judgment.

July 9, 1897: Attorney general files claim against the assets of the bank, and says the state "repudiates the act of Bartley in depositing the money, and refuses to ratify or be a party to said act."

August 25, 1897: Petition by Mike Harrington that if the claim of the state is allowed the individual depositors will get nothing.

August 25, 1897: Petition of H. K. Bennett and others that their attorney, Mike Harrington, and the receiver go to Lincoln to confer with the state officials, the expense of the trip to be paid out of the assets of the bank. Application promptly granted by Westover. The expense bill of this junket has never been made public.

February 5, 1898: Offer of the individual depositors to take certain choice securities amounting to \$30,000, and \$2,750 in cash. Later evidence that Mike Harrington arbitrarily settled with the depositors at 75 cents on the dollar.

August 5, 1898: Howard files notice that he has on hand \$7,500 to divide between the state and county.

August 15, 1898: Judge Westover, having waited until Harrington had taken his pick of the assets, now decides that the bank and Bartley owe the state \$55,000 and the county \$8,000. On this same date Howard files another notice that he has \$7,500 to divide. A pro rata division is agreed upon by the state and county.

November 29, 1899: Howard filed the following notice:

"Samuel B. Howard, as receiver of the Exchange bank of Atkinson, Nebraska, informs the court that, in his judgment, it will be to the best interests of all concerned to have all the assets of the Exchange bank sold at public sale to the highest cash bidder, and upon disposition of said assets, to immediately close up the affairs of said bank."

"SAMUEL B. HOWARD, Receiver."

On the same date Judge Westover issued an order that the assets be sold at public sale on December 16, 1899, and that the sale be continued from day to day until all were sold.

"said assets to be either sold separately or collectively, as the receiver shall believe to be to the best interests of all concerned."

This order plainly gave the receiver full swing, and he certainly "sawed." There is not another scratch of a pen on file in the district clerk's office from that day to the present date to show the result of the sale, but oral evidence is that the receiver bargained off all the best assets of the bank to the chairman of the pop county committee for \$40, without allowing any one else a chance to bid. This was done by "adjourning" the sale when bona fide bidders were present, and "reopening" as soon as the said bidders had gone away.

While up to the time of the final sale most of the operations of the receiver were concealed from the public, there were occasional filings on the record to show that certain debts were compromised at low figures, so that at the time of the \$7,500 divide between the county and state the receiver must have had in his hands two or three thousand dollars more than that amount, which had probably been used for "expenses." No report or statement has ever been filed, and the scattering bits put in the record only furnished a cloak for the general operations. This is in direct contrast to the action of Mr. E. Opp, another bank receiver in the same county, who filed regular balance sheets four times a year, showing all transactions.

One stroke of business which was performed in March, 1899, was never recorded in the district clerk's office but comes to light elsewhere. The bank of Atkinson had a fine brick building, which was bought in 1894 at a cost of \$7,500. It was well fitted up, and besides the vault had a safe which cost \$1,500. The property had \$10,000, and after the collapse there were a number of people ready to buy it if given an opportunity. Howard, however, had other plans. On February 23, 1899, he notified Judge Westover that he had an offer of \$1,000 for the property, "and after diligent effort could find no better bid." Westover promptly authorized him to sell, and the deal was made in secret.

The bank building, safe and fixtures were sold to Ed Gallagher of O'Neill for \$1,000, and a rent bill for \$210 owed by Gallagher was deducted from the purchase price, so that the property went for \$790. On this principle of "financing," if Gallagher had rented the property a year or two longer his arrearages would have covered the entire purchase price and made the sale unnecessary. Other parties who would have paid four or five thousand dollars, and had notified Howard of their desire to invest, were given no chance to buy. The transaction was kept in concealment so far as the district court records at O'Neill were concerned, but copies of the application and permission to sell were filed in the office of the county clerk two days after the date of the sale. This was done to make the deed good, and the delay in filing was a proper precaution to prevent interference. Gallagher, who bought the property, also owned a building at O'Neill and rented offices to the two Harringtons, one of whom was attorney for the receiver and the other for the busted bank. It was a happy "back-scratching" tournament, in which only the interests of the state of Nebraska suffered.

To summarize: The bank was closed up for political purposes and a pop judge 219 miles away appointed a pop politician as receiver on a nominal bond, which latter has never been seen. The receiver went ahead "compromising" claims and slaughtering assets without making any complete public report. The Harrington brothers, prominent pop bosses, acted as attorneys for everybody. They settled the claims of the individual depositors by taking \$20,000 worth of good notes and \$2,750 in cash. The depositors received less than \$8,000 for their claims. The remaining assets were eased down into the hands of political favorites. The state's interests suffered at every hand, and record of the expenses, receipts or operations, and no detailed report of assets has ever been placed before the public.

In Holt county the performances of this clique of grafters has caused common talk, and there are many surmises as to why the Harringtons so anxiously worked Sam Howard into the nomination for state treasurer, after they had dictated a warden of the penitentiary and after they had fostered the boom of Westover for governor. The people believe that there is a method or reason behind every act of this crowd.

Some information may be gained as to the value of the property looted from prominent citizens of Atkinson, as follows:

John P. McNichols, a prominent democrat, said: "I consider the building and lot, exclusive of furniture, a good investment at three thousand dollars, and stood ready to pay \$2,000 for the building or a little more. Talked with the receiver several times about wanting to buy the property, but he seemed to want to evade the matter. Several others here wanted to buy. No person in Atkinson knew when the sale was made, or had opportunity to make a bid. Howard seemed to want to favor somebody."

B. W. Johnson, for sixteen years a resident of Atkinson: "The sale was a clandestine arrangement. Several people in Atkinson wanted to buy, but got no opportunity. The building and fixtures were well worth \$5,000. The safe cost \$1,500. The general opinion was that there was no occasion to close up the bank in the first place."

A. J. Stillson, member of the town board of Atkinson: "The bank was doing well when it was closed. The building was worth more than three times what it sold for. Among the assets were some gilt-edge securities. The judgment against the city was worth face value, and the school district judgment as good as government bonds."

J. E. Allison, formerly cashier of the bank: "No occasion for closing the bank. Depositors were not uneasy, and none of them applied for a receiver. A bank examiner had been there shortly before and given a good clearance to the bank. The liabilities were fully secured and the paper was good. The books balanced to a cent when the receiver took charge. The judgments against the village and school district were worth face value. The building, safe and fixtures were carried on the books at \$10,000. The safe cost \$1,500 and was good as new. The building and fixtures would easily have sold for \$5,000 at hard times prices. The extra room in the building, aside from the banking room, brought in \$25 per month. Among the first-class paper were the two judgments aggregating \$1,000, and decrees of foreclosure against lands in Holt county worth \$500. These and some other securities, I understand, were quietly sold to McCarty for \$40. I understand McCarty has since disposed of some part of these securities for \$400, or ten times more than he paid for the whole. Howard disposed of all the good paper and the building on the quiet."

E. G. Schultz, druggist: "The bank building was easily worth \$4,000. The location was good. There was no notice given of the sale."

Dr. McDonald, office next door to the bank: "The bank building and lot would be cheap at \$5,000. Sale was under cover. No notice in the papers. After the bank closed M. F. Harrington was made attorney for the depositors. He arranged the settlement with the receiver, and then notified the depositors in a circular letter that he had settled on a basis of 75 cents on the dollar, and he sent them each a check. He must have kept the securities got from the receiver in the deal. No reason why the depositors should have lost 25 per cent. The assets were sold in O'Neill and it was worked pretty smooth."

J. F. Brady: "I went to the sale of the assets last December. McCarty, Harrington, the sheriff and a young man who works for Harrington were there with Howard. I wanted to buy in a mortgage on W. E. Scott's place. Howard had a package in his hand, and he said, 'Let's open the sale.' He turned to me and asked if there was anything I wanted in particular. I told him about the Scott mortgage, and he knocked it down to me at \$20 on the first bid. Its face value was \$400. Then I asked him what else he had, and he told me everything else was bargained for in advance. He said he would adjourn the sale a while. I went away, and in a short time I came back only to find that McCarty had got all the valuable stuff for \$40. Nobody else got a chance to bid. McCarty is the populist chairman, and a great friend of Howard and Harrington. The stuff he bought was worth several thousand dollars."

One gentleman who was on the ground and knew of the whole proceeding, writes to a friend at O'Neill as follows:

"It seems to be no secret around Atkinson that the bank's assets were indiscriminately slaughtered by Mr. Howard. I am confident a little inquiry would bring a good deal to light."

"The fact that the building and fixtures, which originally cost about \$7,500, were sold by Mr. Howard for less than \$1,000, without giving any notice or allowing any one to bid, is pretty good evidence of what he was doing. I knew of several parties who were watching this building and fixtures with a view of purchasing when it was to be sold, and I know that Mr. Howard could have realized at least three or four thousand dollars out of them if he had not sold them underhandedly and on the sly."

"While I only looked upon Howard as a tool of the pop ring, I cannot help but feel that any man who will lend himself to such work is unfit for public office."

In an effort to get further light on the operations of Howard the office of the State Banking board at Lincoln was visited Wednesday. Dr. Hall, the secretary, who is also chairman of the democratic committee, was not present, but his deputy was there and handed over the last printed report of the Exchange bank, dated March 23, 1897. This showed that the bank had loans and discounts, \$88,303.13; overdrafts, \$608.91; stocks, bonds and judgments, \$79,228.82; banking house, furniture and fixtures, \$10,000; due from other banks, \$6,822.59; cash on hand, \$3,861.55. The capital stock was \$30,000

and the deposits were \$70,934.48. "Will you please let me see the last report of the examiner on the condition of this bank?" was asked of the deputy in charge of the banking board records.

"No, you cannot see that," said he; "the examiners' reports are not public records."

"Not even when the bank has failed, and owes money to the state?"

"Well—I can't let you see it. Of course if the report is filed in the district court in the county where the bank was located, and you can see it there, that is all right."

"Has the receiver ever filed a report here?"

"No, he makes his report to the district court where the bank is located. Our jurisdiction ends when the receiver is appointed."

"How much money has been turned over to the state by the receiver?"

"I do not know."

At the state treasurer's office the information was received that on August 26, 1898, the state received \$6,762.30, and on June 15, 1900, it received \$1,442.81. This last payment was made after Harrington and Howard's badges were printed announcing his candidacy for the state treasuryship, and was a happy afterthought. According to the records at O'Neill he must have been carrying that money just six months, the date of the final sale of assets "to the highest cash bidder" having been on the 16th of December, 1899. There is nothing filed to show where this money came from, or how much remained. It is presumed the receiver was still receiving salary at the date of this last payment, and that he will continue to hold the affairs open as long as any money remains to be used up by himself and his attorney.

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