

This Paper not to be taken from the Library. ****

The Call



VOLUME LXXXV.—NO. 1. SAN FRANCISCO, THURSDAY, DECEMBER 1, 1898. PRICE FIVE CENTS.

SHERMAN IS SUED FOR A QUARTER OF A MILLION

Pacific Bank at Last Demands Restitution.

A MOST SENSATIONAL SUIT FILED The Great Conspirator Accused of Violating a Sacred Trust as the Agent of the Institution.

When The Call began its expose of the gigantic conspiracy that ruined the Pacific Bank and destroyed the People's Home Savings Bank, this paper promised to prove that a gang of unscrupulous gamblers and unprincipled thieves who had for nearly six years escaped public condemnation and punishment were the real destroyers of the institutions. The Call also promised to prove that something more substantial than this would be done and that the public would be shown where and how property belonging to the bank might be discovered and restored to its rightful owners. Both of these promises have been kept.

The Call has shown that Moses H. Sherman was the head and front and the master spirit of the entire conspiracy. This man has proved himself to be in his own handwriting one of the most unscrupulous and dishonest men who ever operated in this State. He has proved himself to be a corrupter of public officials, a briber of private individuals and a manipulator of the most dangerous character. He has won out of the Pacific Bank and the People's Home Savings Bank a tremendous fortune, and now the Pacific Bank demands at least a part of this fortune in restitution.

The Call has shown the appalling manipulations of the thieving McDonalds, father and sons. The record shows how these sons plunged into every wild scheme and deliberately robbed the men and women who had been deluded into confidence by the hypocrisy of the McDonalds. The association of every scheming scoundrel who fed upon the McDonalds has been sufficiently exploited to justify The Call's promise of exposure. While many of the most important letters written by these men have not been published, enough has been said to warrant the condemnation these parasites have received.

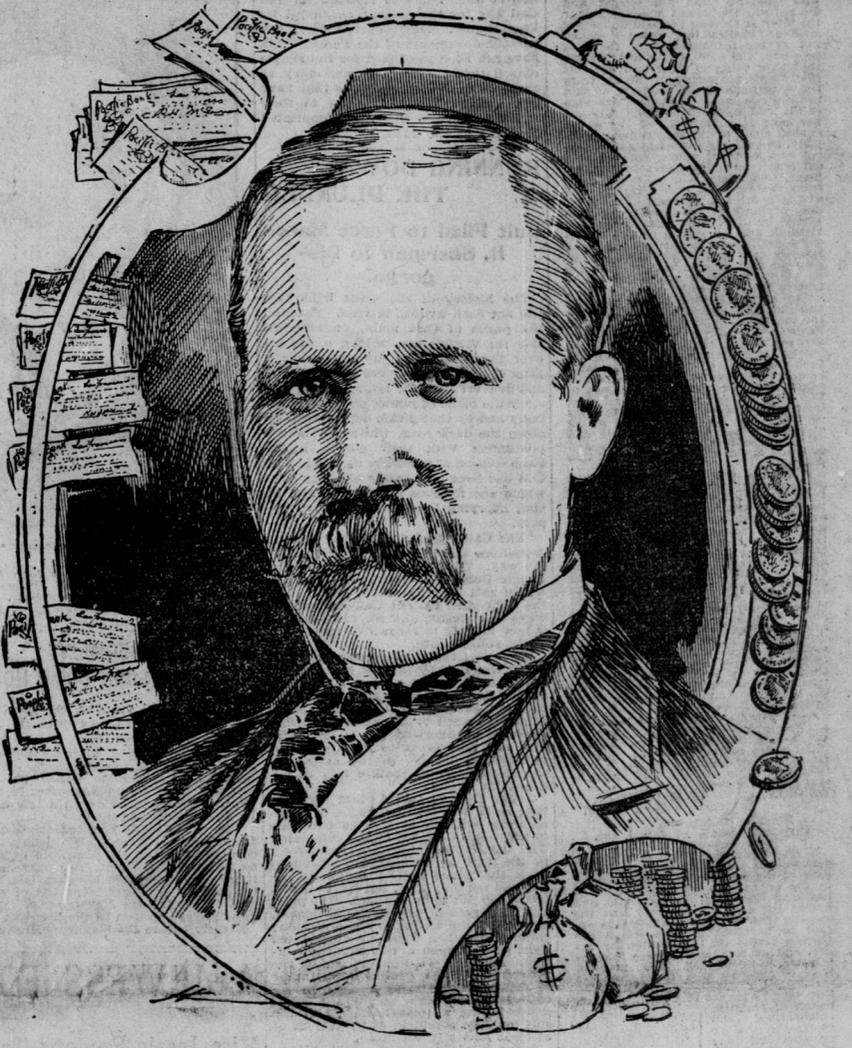
In the interests of justice and for the sake of the depositors and creditors of the two ruined banks, The Call will not continue the publication at this time. There is in justification of this course the fact that two very important suits have been instituted and others are threatened. In keeping its promise to show to the creditors and the depositors of the two banks where property belonging to the institutions might be recovered, reference is made particularly to the Market street property and the Norfolk land of Dr. R. H. McDonald and the possessions of Moses H. Sherman. The Call has published, as far as justice to the creditors would permit, every detail that was necessary to assist the creditors in regaining their property. The Market street land has already been attached by creditors of the bank. The Norfolk real estate has been proved to be unquestionably the possession of Dr. McDonald, but conveniently held in the name of bogus corporations. A sensational suit against Moses H. Sherman has been begun and with the publication of that fact The Call concludes for the present its expose of the ruin of two of the greatest banks that ever existed on the Pacific Coast.

Moses H. Sherman was sued by the Pacific Bank in the Superior Court of this city yesterday for a quarter of a million dollars. The authorities of the Pacific Bank have at last begun legal action to make the great Los Angeles manipulator disgorge some of his ill-gotten gains and to force him to a restitution of a part of the enormous sum of money he obtained from the defunct bank through his unexampled financial knavery. The sensational action which was commenced yesterday in this city will be prosecuted rapidly to a conclusion. The arch-conspirator who has been made defendant will be forced to give an accounting of his conduct of the Los Angeles Electric Railroad. The creditors and depositors of the Pacific Bank, if the suit against Sherman be successful, will recover dollar for dollar what had been stolen from them. The institution of the suit against Sherman is the direct result of the startling expose which has been made by The Call. In denouncing the scoundrels who ruined the bank and in exploiting the true history of the conspiracy that brought destruction to the institution, The Call has supplied the evidence upon which the creditors base their legal action for restitution. Through the efforts of The Call the valuable property situated upon Market street in this city was shown to be a possession of Dr. R. H. McDonald, against whom the statute of limitations has not run, and who may still be sued. This property has been seized by the creditors of the McDonald bank. The enormous landed estates of Dr. McDonald at Norfolk, Va., may also be attached, as The Call has proved that they belong to Dr. McDonald. It has been shown that other valuable property is subject to legal execution, and now Moses H. Sherman must show why he shall not give up one quarter of a million dollars that he received from the bank and which the authorities of the defunct institution now claim rightfully belongs to the creditors. The evidence upon which this claim is based has been kept for nearly six years a profound secret. There was a contract entered into between Frank McDonald and Sherman by which the latter became a trustee for the McDonalds in the great Los Angeles Electric Railroad. The history of this contract and of the measures dishonorably adopted by Sherman to evade the fulfillment of his obligation are of the greatest importance to the creditors. It has been claimed that the statute of limitations operated, but this is not the fact, as the suit has been brought by attorneys who thoroughly understand their business and are not engaged in the occupation of bringing useless suits. The action that was instituted yesterday was brought by Denson, Oatman & Denson, acting for the Pacific Bank. The complaint was sworn to and verified by H. G. Meyer, the president of the bank. Sher-

man must now defend his ill-gotten gains and explain a remarkable series of incidents that marked his operations in the Los Angeles Electric Railroad. In the complaint of the Pacific Bank the history of the secret agreement between the cashier of the institution and Sherman is set forth at length. It will be remembered that the Los Angeles Electric Railroad was incorporated in 1887 under the laws of the Territory of Arizona for \$5,000,000. The incorporation was made under these laws for the deliberate purpose of avoiding stockholders' liability. Sherman and the McDonalds intended to make great profit out of the cable road in the southern city, and Sherman's purpose was not only to ruin and then possess the cable road, but to bleed the Pacific Bank and every other corporation and individual that could be induced to enter into his scheme. After the incorporation of the railroad, B. O. Carr, the brother-in-law of Sherman, was manager of the People's Home Savings Bank, and in a variety of ways assisted Sherman to secure franchises from the Los Angeles Council and prevent the McDonalds from becoming uneasy. In 1889 Frank McDonald, acting not in his individual capacity, but as cashier of the Pacific Bank, entered into an agreement with Sherman to pool 25,500 shares of the capital stock of the railroad. This pool was made in order that Sherman and the McDonalds might retain a controlling interest in the railroad. The Pacific Rolling Mills had been induced to enter the scheme and Sherman was fearful that in the progress of the affair the control might be wrested from him. He therefore made his agreement with the McDonalds, scheming at that time not only to deceive the Pacific Rolling Mills and the capitalists interested in this institution, but ultimately to force out the McDonalds and seize entirely for himself the control of the road. With these thoughts in his mind Sherman made his agreement with the Pacific Bank, and it is upon this agreement that H. G. Meyer, the president of the defunct institution, now declares that Sherman has cheated the Pacific Bank out of a quarter of a million dollars. When Frank McDonald and Sherman made their agreement in 1889 they specifically provided that 51 per cent of the capital stock of the Los Angeles Railroad, or 25,500 shares, should be voted by the representatives of the Pacific Bank and Moses H. Sherman, under joint instruction from both. In case the two parties to the contract could not agree then the stock was to be voted by the person into whose hands it was placed in such a manner as to retain to Sherman and the Pacific Bank a control of the road. The pool was made for ten years and the agreement and the 25,500 shares of stock were placed in the hands of B. O. Carr, the manager of the People's Home Savings Bank, and the brother-in-law of Moses H. Sherman. Under the conditions named in the agreement

Carr was to act. There can be no question that the agreement was perfectly legal and bound both parties. One-half of the stock belonged to the Pacific Bank and, by the consent of that institution, foolishly given, the other half belonged to Sherman. Yet this great manipulator cheated the bankers out of their half and kept the whole for himself. The history of that financial knavery constitutes the evidence that will be submitted to the Superior Court of this city to compel Sherman to give up a quarter of a million dollars that the authorities of the bank insist does not belong to him, but to the creditors of the Pacific Bank. Under the circumstances indicated the Los Angeles Electric Railroad corporation was organized. The Pacific Bank and Sherman having retained fifty-one per cent of the stock, there remained for other uses forty-nine per cent, which was distributed in a variety of ways and for a variety of reasons. There was influence to be bought and stock was given to purchase this influence. When the conspirators went to the Pacific Rolling Mills to demand large concessions the names of suchmen as A. N. Towne, R. H. Pratt, Samuel Miller, J. T. Bass and J. M. C. Marble were shown as stockholders in the electric railroad. These men possessed power and standing, but they paid nothing for their stock. Later in the development of the scheme it was shown that certain officers of the Pacific Rolling Mills, such as L. B. Benchley, also possessed stock. These men were influential and Sherman needed them in furthering his scheme. After the organization of the corporation and the issue of the bonds Sherman possessed an absolute control. Even then Frank McDonald vigorously objected to the high-handed proceedings of his associate, but his objections were in vain. At one time two boards of directors were in existence and operating, but Sherman always won the victory. He had the absolute disposition of the funds of the railroad. He bought the site that the power house now stands on and paid for the purchase in bonds to Easton & Eldridge. In all the affairs, where money was involved, Sherman was forced to account to no one. He bought land and extra cars and franchises and the reputation of men and he was responsible to no one but himself. After he had gained this tremendous power and had won a fortune he determined to attack, and if possible ruin, the very men who had assisted him to give him power and money. Late in 1892 he was determined to issue new bonds and crowd the McDonalds out of the road completely. To do this it was necessary for him to obtain the stock which Frank McDonald, as cashier of the Pacific Bank had pooled with him. He went to New York with the deliberate and dishonest purpose of getting more money out of the McDonalds to support the danger-

ous venture in which the young banker had been caught. While deciding the agreement was perfectly legal and bound both parties. One-half of the stock belonged to the Pacific Bank and, by the consent of that institution, foolishly given, the other half belonged to Sherman. Yet this great manipulator cheated the bankers out of their half and kept the whole for himself. The history of that financial knavery constitutes the evidence that will be submitted to the Superior Court of this city to compel Sherman to give up a quarter of a million dollars that the authorities of the bank insist does not belong to him, but to the creditors of the Pacific Bank. Under the circumstances indicated the Los Angeles Electric Railroad corporation was organized. The Pacific Bank and Sherman having retained fifty-one per cent of the stock, there remained for other uses forty-nine per cent, which was distributed in a variety of ways and for a variety of reasons. There was influence to be bought and stock was given to purchase this influence. When the conspirators went to the Pacific Rolling Mills to demand large concessions the names of suchmen as A. N. Towne, R. H. Pratt, Samuel Miller, J. T. Bass and J. M. C. Marble were shown as stockholders in the electric railroad. These men possessed power and standing, but they paid nothing for their stock. Later in the development of the scheme it was shown that certain officers of the Pacific Rolling Mills, such as L. B. Benchley, also possessed stock. These men were influential and Sherman needed them in furthering his scheme. After the organization of the corporation and the issue of the bonds Sherman possessed an absolute control. Even then Frank McDonald vigorously objected to the high-handed proceedings of his associate, but his objections were in vain. At one time two boards of directors were in existence and operating, but Sherman always won the victory. He had the absolute disposition of the funds of the railroad. He bought the site that the power house now stands on and paid for the purchase in bonds to Easton & Eldridge. In all the affairs, where money was involved, Sherman was forced to account to no one. He bought land and extra cars and franchises and the reputation of men and he was responsible to no one but himself. After he had gained this tremendous power and had won a fortune he determined to attack, and if possible ruin, the very men who had assisted him to give him power and money. Late in 1892 he was determined to issue new bonds and crowd the McDonalds out of the road completely. To do this it was necessary for him to obtain the stock which Frank McDonald, as cashier of the Pacific Bank had pooled with him. He went to New York with the deliberate and dishonest purpose of getting more money out of the McDonalds to support the danger-



M. H. SHERMAN, THE MASTER SPIRIT OF THE CONSPIRACY

The sensational and startling expose of the secret history of the Pacific Bank reached a climax yesterday when suit was filed by the Pacific Bank against Moses H. Sherman to recover one-quarter of a million dollars. The Pacific Bank as a corporation and through its president, H. G. Meyer, alleges that Sherman has violated an important trust in which he was to give the Pacific Bank one-half of 51 per cent of stock of the Los Angeles Electric Railroad. It is asserted that Sherman appropriated all of the stock to his own use and now has disposed of it for five hundred thousand dollars. The Pacific Bank, therefore, demands that one-half of this sum belonging to it shall be restored.

interest it would be necessary for both of them to sign a joint note and thus commit the bank again. Rather than sign such a note Frank McDonald agreed to turn over all of the 25,500 shares to Sherman. When the wily conspirator had carried his point he did not tarry long in New York. He was soon on his way back to California to complete his arrangements for his new bond deal in which he wished to force the McDonalds out of the corporation. The McDonalds had not discovered a single trick of the great schemer. While Sherman was in New York and was showing Frank McDonald how absolutely necessary it was to obtain all of the stock that had been pooled the arch-conspirator was far-seeing. He secured from Frank McDonald a nominal bill of sale for his half of the stock. McDonald gave this bill of sale under several distinct understandings. He believed, because Sherman so represented to him, that there was a chance of securing a bona-fide loan with this stock as security. That assertion on the part of Sherman was a falsehood. Frank McDonald then believed that if he did not give a nominal bill of sale he would have to sign his name to a joint note with Sherman. The young banker protested against this, and Sherman declared that in consideration of the fact that Frank McDonald gave to him this nominal bill of sale, Sherman would sign the note himself, pledge the entire 25,500 shares of stock, receive the loan of \$150,000 and place the money to the advantage of the Los Angeles Electric Railroad. All of these assertions and promises were absolute falsehoods. Sherman's only scheme was to obtain possession of the stock in order that he might make a new bond issue for his road and clean the McDonalds out. This is the gigantic fraud upon which the Pacific Bank will now base its demand for restitution of a quarter of a million dollars. The correspondence and the other collateral evidences of Sherman's deceit will be produced in evidence, and it will be shown that the great schemer received this nominal bill of sale that gave him another great fortune under the grossest misrepresentation. As already indicated, when he had obtained the 25,500 shares of stock and Frank V. McDonald's nominal bill of sale, Sherman left New York and hurried on his way to this city to complete his plot and issue his new bonds. As usual, he was successful in his machinations. A new bond issue was made of \$3,000,000, with \$250,000 on the side, ostensibly for the improvement of the road. The company in this gigantic conspiracy was even to change its name. From being the Los Angeles Consolidated Electric Railroad Company it was to become the Los Angeles Railroad Company. Under the new deal Sherman had a great many influences to control. There was considerable dissatisfaction with his management of the road. It was said that he had not acted fairly

with the bondholders and there was some suggestion of a change of management. Sherman propitiated the various interests and was equal to every emergency that presented itself. He declared that he would surrender the controlling interest in the road and would give over for distribution among the bondholders 51 per cent of the stock. If he would do this in good faith the bondholders would then control the road, elect its directors, choose its managers and supervise the expenditure of its funds; but Sherman, as usual, was deceiving. Under the terms of his own agreement he was to retain 49 per cent of the stock and thus be in an apparent minority. As a matter of fact, however, under the terms of this agreement, which was accepted, Sherman succeeded in still retaining 51 per cent of the stock, and consequently a control of the railroad. As a stockholder he held 49 per cent of the stock, and as a bondholder he was entitled to 2 per cent on the terms of distribution among bondholders, which he had proposed, and the men with whom he was dealing had accepted. It was not until after the first board of directors was chosen that the shrewd financiers understood the knavery of Moses H. Sherman. When this board of directors was elected it was found that six of the nine members represented the interests of Moses H. Sherman. This was one of the cleverest and craftiest schemes that Sherman ever accomplished in his manipulation of the Los Angeles Electric Railroad, and in its accomplishment he went even further than has already been indicated. He received from the men he had duped \$40,000 as a bonus for bringing about the reorganization of the company and for fooling the bondholders into a belief that he had given up to them the control of the road. In outline this is the history of the great scheme by which the Pacific Bank now claims that Moses H. Sherman cheated its creditors out of one-half of 51 per cent of the capital stock of the electric railroad. The bank asserts that during all these proceedings and in all these transactions Sherman was acting as the trustee of the Pacific Bank and not in his individual capacity. The president of the bank, in the complaint which was filed yesterday, declares that Sherman has violated this trust and had since disposed of the pooled stock interests for \$500,000. The bank therefore sues for an accounting and for \$250,000. The complaint in which these various allegations are made is an interesting document and is given in full, as follows:

above named defendant this plaintiff avers: That this plaintiff is and at all times hereafter mentioned or referred to, was a corporation duly organized and existing under the laws of the State of California, and as such had the legal right to transact business in said State. That on or about the first day of October, A. D. 1888, this plaintiff and the said defendant were together the equal owners of 25,500 shares of the capital stock of the Los Angeles Consolidated Electric Railway Company, a corporation duly organized and existing under the laws of the Territory of Arizona, which said 25,500 shares of capital stock was of a par value of \$2,550,000 and constituted fifty-one per cent of the whole of the capital stock of said last named corporation. That for the purpose of securing and maintaining control and management of the affairs of the said Los Angeles Consolidated Electric Railway Company, this plaintiff and said defendant made an agreement whereby the said 25,500 shares of said capital stock were placed in the hands of one E. O. Carr, brother-in-law of said defendant, to be by him, the said Carr, held and voted in and for the interests of this plaintiff and said defendant, for a term of ten years. That on or about the 1st day of November, 1882, and while the said shares of stock were so held, the said defendant, representative of said plaintiff and the said Los Angeles Consolidated Electric Railway Company was in financial distress and required an arrangement whereby the indebtedness of said company had already been created, and bonds therefor had been issued, and although the said plaintiff had, prior to that time, advanced to the said Railway Company its money and was carrying on its works and operations; and further represented that it would be necessary to levy an assessment on each share of said Railway Company in order to meet its liabilities and expenses unless some other arrangement could be made, and in order to avoid the necessity of so levying and collecting an assessment on said shares of stock, the said defendant, had a friend, whose name was not given, who would advance and loan the necessary moneys, to wit: the sum of one hundred and fifty thousand dollars, to relieve the said company and would hold the said 25,500 shares of stock so belonging to plaintiff and defendant as collateral security for the advances so to be made and that when such advances should be required and assessed for the said Railway Company or otherwise, that said shares of stock should and would be returned to said plaintiff or its trustee as aforesaid, and upon such representations the defendant procured and induced the agent of this plaintiff to surrender and assign to him, said defendant, the whole of the said 25,500 shares of said capital stock. Said defendant did not hypothecate the said shares as he has proposed as aforesaid, and did not borrow any money thereon or otherwise to relieve the necessities of said railway corporation, but simply by the means aforesaid obtained the possession of the said 25,500 shares of stock for his own uses and purposes and with intent to defraud and cheat this plaintiff out of its interest therein and share thereof. And this plaintiff avers that the said defendant became and was and is the trustee of this plaintiff of and for its said one-half interest of, in and to the said 25,500 shares of stock and he has ever since held, managed and controlled the same until on or about the 1st day of August, A. D. 1894, when said defendant exchanged the said 25,500 shares of stock for other stocks and obligations which he, the said defendant, has, as this plaintiff is

LEGAL SUMMONS FOR SHERMAN TO DISGORGE

In the Superior Court of the City and County of San Francisco, State of California. Pacific Bank (a corporation), Plaintiff, vs. Moses H. Sherman, Defendant. For cause of action against the