THE PAPER COLUMN

by Peter Huntoon

19-YEAR BANKS and the NATIONAL BANK ACT OF FEBRUARY 25, 1863

PURPOSE

This article explains the less than twenty year corporate lives awarded to banks organized under the National Bank Act of February 25, 1863. A total of 488 banks with charter numbers up through 473 and a few in the range 477 to 555 were organized under this act (Comptroller of the Currency, 1901, p. xxiv).

THE EXPIRATION PROVISION

SECTION 11 of the National Bank Act of February 25, 1863, specified that each bank "shall have succession by the name designated in its articles of association for the period limited therein, not, however, exceeding twenty years from the passage of this act." This provision simply required every bank organized under it to expire before February 25, 1883.

The Act of June 3, 1864, changed the succession requirement to 20 years from the date of organization of the bank. However, all banks organized between February 25, 1863 and June 2, 1864 were caught in the requirement to expire before February 25, 1883. How they chose to do this was up to them, but their formulas had to be specified in Article 7 of their articles of association. Two dominate patterns developed, along with a few exotics.

FEBRUARY 24, 1883 EXPIRATIONS

The most common means for complying with the expiration requirement was simply to allow the bank to exist for the maximum life possible. Two common forms for Article 7 accomplished this objective.

> This association shall continue for the period of twenty years from the 25th day of February 1863 unless sooner dissolved by the act of a majority of the stockholders thereof (First National Bank of the City of New York, NY, charter 29, July 9, 1863).

> This association shall continue until the 25th day of February 1883, unless sooner dissolved by the act of a majority of the stockholders thereof (First National Bank of Seneca Falls, NY, charter 102, September 14, 1863).

Notice in each case that the bank would be finished after the close of business on February 24, 1883. Of course these mandated extinctions did not have to take place, because the Act of July 12, 1882 provided for another twenty years extension of corporate life should the banks wish to apply for it.

19-YEAR BANKS

Another means for dealing with the expiration requirement was to give the bank a 19-year life from its date of organization. The date of organization is defined as the date when the last of the signatures of the incorporators was applied to the organization certificate, a standard form submitted along with the articles of association during the process of applying for a charter.

In the cases of banks organized before February 25, 1864, the 19-year life complied with the provision of Section 11. Ninety-eight banks used the 19-year formula, of which 21 suffered the gravest of consequences. Here is typical language, an example taken from Article 7 of the articles of association for our number one bank.

> This association shall continue for the period of nineteen years unless sooner dissolved by the act of a majority of the stockholders thereof (First National Bank of Philadelphia, PA, charter 1, May 29, 1863).

The Philadelphia articles of incorporation were dated May 29, 1863, and its certificate of organization was dated June 11, 1863. Notice that the bank had to expire at the close of business on June 10, 1882. It did just that, because the Act of July 12, 1882 was not passed in time to save it.

The only option for banks caught in this bind was to liquidate and reorganize under entirely new charters. Ninety-eight banks used the 19-year formula. Of these, the corporate existence of 21 simply expired. Seventeen of those reorganized under new charters. Another 60 banks nearing deadlines voluntarily liquidated before their charters actually expired and were succeeded by new banks (Comptroller of the Currency, 1901, p. xxiv). The First National Bank of Philadelphia was reorganized under the same title but a new charter number, 2731, which carried an organization date of June 10, 1882, the same day that charter 1 was liquidated. In the eyes of the law, the first 19 years of the life of the bank were thrown away, an issue that caused a great deal of sensitivity in an industry that prides itself on roots.

OTHER FORMULAS

Other formulas were certainly used to comply with the expiration provision of the Act of February 25, 1863. For example, a bank could simply pick any expiration date prior to February 25, 1883. One bank that did this was The First National Bank of Pontiac, Michigan (434), which chose January 1, 1882 as its expiration date. It went into voluntary liquidation December 31, 1881, and was succeeded by a bank with the same title but charter 2607. The new bank received its charter January 3, 1882, and was one of only eight banks reorganized under a new charter to receive Series of 1875 notes.

An historic footnote to the interplay between the expiration requirements for the Act of February 25, 1863, and the beginning of the organization of banks on June 10, 1864 under the Act of June 3, 1864, is that no banks were in existence to be extended during the period February 26, 1883 to June 9, 1884, a span of over 15 months.

BANKS ORGANIZED UNDER THE ACT OF FEBRUARY 25, 1863

In 1901 the Comptroller of the Currency summarized the status of banks organized under the Act of 1863 as follows:

> Under this act 488 national banking associations were organized, of which 98 were for a period of nineteen years only. Of the total number of associations organized prior to June 3, 1864, in other words, under the act of February 25, 1863, 208 were closed—151 by voluntary liquidation, 21 by reason of expiration of corporate existence, 35 by insolvency, and 1 by reason of failure to complete organization. Sixty of the banks placed in voluntary liquidation were succeeded by new associations and six were consolidated with other banks; 17 of the 21 whose corporate existence expired by limitation were reorganized under the same or different titles (Comptroller of the Currency, 1901, p. xxiv).

Banks organized under the Act of February 25, 1863 include charters 1 - 473, 479, 487, 491 - 492, 494, 548 and 555. This list contains 481 entries, not the 488 reported by the comptroller in 1901. The discrepancy of seven appears to be banks with charters greater than 476 that went into voluntary liquidation, thereby leaving no record of their dates of organization to verify whether they were Act of 1863 or 1864 banks. Because of this, it is not certain that charter 555 (Fond Du Lac, WI) is the highest charter number in the 1863 group.

The First National Bank of Iowa City (charter 18) was a 19-year bank organized June 24, 1863. It was forced to liquidate June 24, 1882, and was succeeded by 2738, the reorganized successor with the same title. Charter 18 was reassigned to the bank December 2, 1911. Notice "Act Approved Feb. 25, 1863" in lower border. The same act date appears in the counterfeit clause on the back. Photo courtesy of Dean Oakes.

FIRST BANKS ORGANIZED UNDER THE ACT OF JUNE 3, 1864

The first bank organized under the Act of June 3, 1864 was The Merchants National Bank of Boston, MA (475), which was organized June 10, 1864, and chartered July 2, 1864 (Comptroller of the Currency, 1882, p. xii). The lowest charter number organized under the act was 474, The First National Bank of Greenfield, MA, which was organized on June 23, 1864.

ACT OF 1863 $5 PLATES

The short life of the Act of February 25, 1863, gave rise to an interesting variety on Original and Series of 1875 $5 face plates. These bear the language "Act Approved February 25, 1863" along the bottom margin. The Act of 1863 plates were used throughout the Original Series and Series of 1875 periods.

The backs of $5 Original Series and Series of 1875 notes contain the act date as part of the counterfeit clause, thus producing both Act of February 25, 1863 and Act of June 3, 1864 back plate varieties. The back plate varieties were faithfully matched with proper face plates throughout the Original Series and Series of 1875 issues.

REASSIGNED CHARTER NUMBERS

Seventy-seven active banks lost their early charter numbers during the 1882 reorganizations. It is obvious that they felt victimized and lobbied for the reinstatement of their early prestigious numbers, because provisions eventually were made by the comptroller to allow them to use these numbers. In all, twenty-nine banks (listed in Huntoon, 1986) took advantage of the procedure, two in 1902 and the rest during the period 1909 to 1913. All they got were their old charter numbers. The organization and charter dates attached to the old numbers were the 1882 dates associated with the reorganized banks, not the 1863 dates of predecessors.

In essence, retrieval of the low charter numbers was a cosmetic solution. Recovered early charter numbers included 1, 2, 3, 5, 7, 8, 11, 15, 17, 18, 19, 20, 25, 30, 32, 42, 43, 46, 47, 48, 51, 59, 62, 64, 66, 70, 77, 117 and 153. These numbers were used for the first time in over twenty years on Series of 1902 plates. They replaced charter numbers in the 2600 to 2800 range, which had been used on the Series of 1882 issues for the reorganized banks. In all cases, except charters 1 and 48, it is possible to find both the original and reorganized charter numbers on Series of 1902 notes for the same bank.

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"Shake Rag Street" on New U.S. Postal Card

by BARBARA R. MUELLER

A SIGNIFICANT post-script to my article on "Rags from Shake Rag Street—The Story of a Wisconsin Broken Bank" in the March/April 1986 issue of *PAPER MONEY* has come, appropriately enough, from the U.S. Postal Service. On July 3, 1986 it issued at Mineral Point a special 14¢ commemorative postal card marking the 150th anniversary of the establishment of Wisconsin Territory. Mineral Point was chosen for the first day of issue ceremony because it was the site of the territory's first public land office.

The pictorial indicia, or design, on the card features a painting by Weston, Connecticut artist David Blossom. Prominent in the foreground of the multicolor design are four miners at work with pick and shovels. Shake Rag Street, the collection of miners' cottages, is visible on a ridge in the background.

The name "Wisconsin" comes from an Indian word meaning a "gathering of the waters." Originally part of the old Northwest Territory and later incorporated in the territories of Indiana, Illinois and Michigan, Wisconsin achieved its own territorial status in 1836. The town of Belmont was the site of the first territorial government, but the capital was later moved to Madison.

Wisconsin existed as a territory for 12 years until 1848, when it was admitted to the Union as the 30th state with boundaries as they exist today.

French missionaries and fur traders were frequent visitors to Wisconsin as early as the 17th century, but the first real settlements did not take hold until the "lead rush" of the 1820s. News of abundant lead and iron ore deposits attracted thousands to the mining regions in the southwestern corner of the present state.

The first settlers to come in great numbers were Yankees and later Germans, Scandinavians and British immigrants. The miners' homes depicted on the postal card are typical of the sturdy cottages built of limestone block by Cornish miners in the fashion of their native Cornwall in southeast England.

True to their rough frontier character, most of the early Wisconsin mining villages adopted colorful names such as "Red Dog," "Nip and Tuck" and "Shake Rag." The latter town, which would be renamed Mineral Point, was one of the most prosperous settlements in the lead region.

Collectors who own notes on the Bank of Mineral Point will find this card a useful addition to their displays, bringing to life in a colorful way the setting for the very broken bank rags from Shake Rag Street. The cards are available at large post offices or at the philatelic "postiques" located in metropolitan offices. They may be ordered from the Philatelic Sales Division, U.S. Postal Service, Washington, DC 20265-9997. Ask for their bi-monthly catalog that contains ordering information.

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CONCLUSIONS

The provision of Section 11 of the Act of February 25, 1863, requiring the expiration of charters before February 25, 1883, resulted in corporate lives of less than 20 years for 488 banks. Ninety-eight of these banks chose corporate lives of 19 years in order to comply with Section 11. Twenty-one of the 19-year banks lost their lives in 1882 before the Act of July 12, 1882 was passed providing for the first 20-year extensions. Another 60 banks facing expiring charters and unsure of passage of the Act of 1882 voluntarily liquidated. Of the 81 liquidated banks, 77 used the Act of June 3, 1864 to reorganize under the entirely new charters. In the process they lost their low charter numbers, and the new banks were treated as entirely separate entities with 1882 organization and charter dates.

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