

The First National Bank Lakota, North Dakota

by FORREST W. DANIEL

In the three years and seven months of its existence the First National Bank, Lakota, North Dakota advertised its stock at five percent premium, guaranteed a twelve percent annual dividend, released two issues of national currency notes and burned to the ground. It was one of the more conservative banks controlled by E. Ashley Mears.

THE Mears organization consisted of about a dozen state-chartered banks, several unchartered banks and four national banks; there was a sheep company, a title insurance company, the Phoenix Insurance Company, and, from official and unofficial records, the hint of several other enterprises. The principal business was lending money to farmers and homesteaders and selling the mortgages.

The small banks generated mortgages that were funneled into the Mortgage Bank and Investment Company at Fargo where they were documented into the form of coupon bonds which were sold to investors in the eastern United States. The Mortgage Bank and Investment Company financed the mortgages by the sale of certificates of deposit which in turn were guaranteed by other mortgages or stock deposited in a Mears-controlled national bank. Everything was handled within the organization.

Other bankers and state banking officials declared that Mears had a method of banking unique unto himself and that

it was incomprehensible to them. He was accused by newspapers of usury and sharp practice in his method of selling the mortgages. Mears was charged with land fraud by encouraging false homestead entries onto federal land, but a series of delaying tactics were successful and it appears the case was abandoned.

E. Ashley Mears was born in Vermont, studied law and at age twenty-one became a member of the Chicago bar. He made a fortune in scrap iron during the Civil War; he later married the daughter of a prominent Baptist clergyman. Early in the 1870s he was in the wholesale hardware and stove business in Chicago. In the early 1880s he arrived in Ipswich, [South] Dakota, as a town lot salesman. He went into banking in Ipswich.

In 1887 he established banks in Edgeley and Minot in northern Dakota; the Bank of Minot became the financial center for his several other banks in the north central area of North Dakota. Mears's financing of homesteaders is credited with the early settlement of the region. His First National Bank, Minot,* was chartered in April 1889. In late October that year Mears moved to Fargo where a fine new building was erected to house his several enterprises.

The Bank in Lakota

The first inkling Lakota residents had of the new bank came from a New York newspaper. In reprinting the advertisement, the editor of the *Nelson County News* commented, "you must go away from home to learn the news."

12 per cent. First National Bank, Lakota, Dakota, stock at \$105. It will declare 12 per cent. payable 3 per cent. quarterly. The First National Bank at county seat, with county deposits, can have handsome surplus over 12 per cent. We will guarantee to repurchase stock any time during year at \$105 and 12 per cent. per annum added. Two directors, one residing in New York and one in Connecticut, have just returned home after making personal examination. Send for their names and for other references. MORTGAGE BANK & INVESTMENT COMPANY, Fargo, Dakota.

The editor added that the county treasurer would be surprised to learn that county deposits were in that bank. That bomb was dropped on July 4, but the bank did not receive its charter (No. 4143) until October 23, 1889. Cashier W.J. Strain, "an exceedingly pleasant young man," arrived from Minot and opened the bank for business on Monday, November 9.

The first shipment of national currency notes, \$6,500, arrived early in December. They were dated October 23, 1889,



E. Ashley Mears, banker. Unknown date.
(Courtesy of Mrs. A. Lyman Beardsley,
Laguna Hills, Calif.)

* This was the original First National Bank, not the later bank described in "Minot Bank Issues Souvenir Notes," *Paper Money*, Vol. 23, No. 3, 1978.



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Specimen sheet of territorial notes for The First National Bank of Lakota, Terr. of Dakota, dated Oct. 23, 1889. (Courtesy of Smithsonian Institution.)

E. A. MEARS, Pres. H. F. SALYARDS, Vice-Pres. J. G. DARTER, Cashier

BANK OF TOWNER,

Want to loan every man in McHenry County any sum
From \$1 to \$50.

MONEY LOANED ON FINAL PROOFS. COLLECTIONS WILL BE
GIVEN PROMPT ATTENTION.

Advertisement of another Mears bank showing the type of business he would accept. It appears in the McHenry County Independent in May 1893.

and had the designation "Terr. of Dakota." Since North Dakota achieved statehood on November 2, the notes were obsolete even before they were released. Another shipment was expected to arrive in a few days. Eventually the 250 sheets printed (10-10-10-20) of territorial notes were disbursed. A new (revised) plate with the North Dakota designation and the date Nov. 2, 1889, was approved on May 7, 1891. The result was two issues of national currency notes dated only ten days apart. Only eighty-five sheets were issued from the second plate and only \$90 was outstanding at the latest count in 1915. None of the notes are known to exist within the numismatic community.

During the time the First National Bank of Lakota was in operation Mears established the National Bank of North Dakota at Fargo, bought and sold controlling interest in the Merchants National Bank, Devils Lake, and sold the First National Bank, Minot, to H.F. Salyards. Salyards was cashier of the Minot banks and an officer of other banks in the Mears organization. Mears continued with his "unique" banking system to the dismay of other bankers, state and federal banking officials and newspaper editors. Early in 1893 things began to change, not only for Mears but eventually the whole banking system.

The second month of the year began with a ten-day cold spell. About 10 p.m. on the second of February a fire was discovered in the rear of a butcher shop and, with a twenty-mile-per-hour wind and minus thirty-degree temperature, an entire business block of Lakota was destroyed. The First National Bank, however, was covered by insurance; it was carried by the Phoenix Insurance Company, a Mears enterprise.

The bank immediately occupied rooms over a drug store and only one day's business was lost. To furnish the new quarters, furniture from the recently closed Edgeley Bank was scheduled to be shipped to Lakota. Before it could be moved, however,

the LaMoure County treasurer placed an attachment on the fixtures for unpaid taxes. The Edgeley Bank was one of the oldest in Mears's organization; it was closed for lack of business. Another bank, operated on more usually accepted banking principles, had opened in Edgeley and gobbled up most of the business.

Late in April it was reported that C.W. Brauer of Spring Valley, Minnesota had purchased the First National and would build a new two-story bank building, the first story stone and the second, brick. Brauer had been in charge of the Mears bank in Cando a few years earlier. Brauer did not complete the purchase and a month later a local newspaper said the bank had been purchased by Salyards and Gregory of Minot.

National bank examiners checked the Lakota and Fargo banks on May 12 and 13. Both were found wanting and closed on May 29. Incompetent banking was the stated cause of failure of both banks.

At the time of the failure E. Ashley Mears was in Chicago advertising for sales tax certificates and offering free trips to the World's Columbian Exposition to investors in his securities. He left immediately for Washington to confront newly installed Comptroller of the Currency James H. Eckles.

He entered the office with bold confidence that he could repair the situation in short order; he left a very subdued man. Several published versions of the encounter were denied by Mr. Mears but in essence the conversation was: "Such men as you will not be permitted to run national banks in this country." "There are a lot of national bankers no better than I am," cried Mears. "That may all be," said the comptroller. "We will get them in good time. We simply happened to begin with you. . . ." There is a hint Mears had a personal enemy in the new administration.



Bottom two notes from a specimen sheet of state notes for The First National Bank of Lakota, North Dakota, dated Nov. 2, 1889, statehood day. (Courtesy of Smithsonian Institution.)

Mears asked if he could sell the Lakota bank to H.F. Salyards as had been announced earlier. Eckles said he knew Salyards had been cashier of a Mears bank, and although there had been no connection between them for a year, the First National Bank at Lakota would be closed, period.

The bank examiner was quoted as saying he expected the bank to repay depositors in full; a 30 percent payment was made early in the receivership but nothing later. Receivership ended May 7, 1904; after nearly ten years the First National Bank, Lakota, North Dakota, was finally closed. The receivership of the National Bank of North Dakota at Fargo, the other Mears national bank closed at the same time, ended after only twenty-seven months with a payout of 103 percent.

With the closure of his national banks Mears was beset by litigation relating to the land fraud case and the closing of his state banks and other ventures. It appears he was able to delay the fraud case until it was abandoned. By late 1895 E. Ashley Mears's banking and business operations in North Dakota were liquidated and the family moved to Minnesota.

If this subject intrigues you and you wish to know more about Mr. Mears, I recommend "E. Ashley Mears: Boomer Banker in North Dakota" by Forrest Daniel. This 17-page article is included in *North Dakota History*, Journal of the Northern Plains, Vol. 57, No. 1. Single copies may be ordered from the State Historical Society of North Dakota, North Dakota Heritage Center, 612 E. Blvd., Bismarck, ND 58505 (ed.).

New Literature

Collecting U.S. Obsolete Currency by the members of the Professional Currency Dealers Association (PCDA) Committee on Education and Gene Hessler. Published by the PCDA, P.O. Box 589, Milwaukee, WI 53201. Copies are available from any PCDA member for \$1, by mail \$2.

This 34-page booklet is the first in a series to be published by the PCDA providing new and potential collectors with basic information on how to collect the various types of paper money. Printed on high quality paper with colored covers, this profusely illustrated booklet describes the many different ways that obsolete currency can be collected. Also described are remainder, proof, altered, raised and spurious notes, as well as college and advertising notes.

This booklet will fill the need for information often requested and seldom found in the pages of most publications.

Ronald L. Horstman
Numismatist and Financial Historian

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