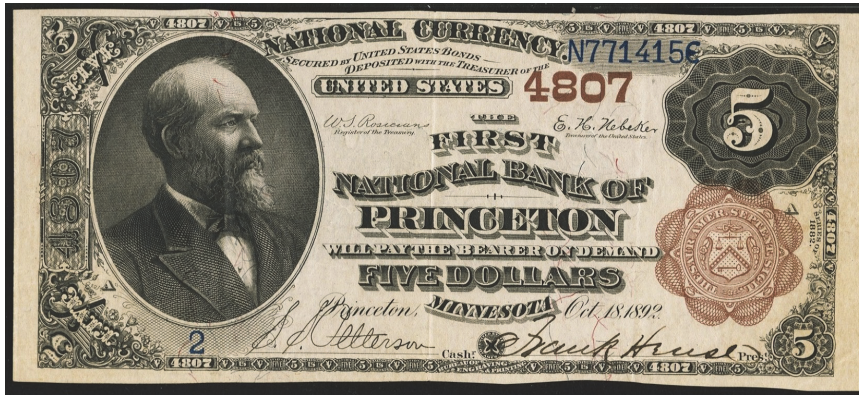


# The First National Bank of Princeton, Minnesota

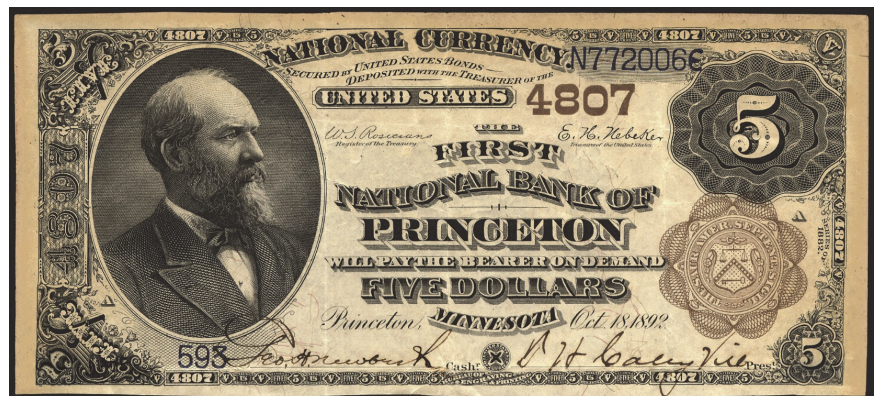
## Charter 4807

by R. Shawn Hewitt



\$5 1882 Brown Back (#2) issued by The First National Bank of Princeton, Minnesota (charter 4807) signed by S. S. Petterson, cashier and Frank Hense, president.

Princeton Brown Back (#593) signed by George Newbert, assistant cashier and T. H. Caley, vice president.



### History: The Bank

The First National Bank of Princeton, Minnesota (charter 4807) was one of the shortest lived national banks in the state, having been organized on October 18, 1892 and liquidating just 14 months later on December 18, 1893. Recent research in a contemporary newspaper, the *Princeton Union*, reveals the story of this esoteric institution.

Frank Hense became president of the Mille Lacs County Bank in July 1890. It was the first and only bank in this rural and sparsely populated county, and Hense saw opportunities for growth as the local agricultural economy expanded. While Hense called the Princeton area his home, he frequently traveled west to Centralia, Washington to nurture other businesses, including another banking enterprise, The First National Bank of Centralia.

On the local scene, competition in the banking business ramped up dramatically in the summer of 1892. When Hense heard talk of another bank being organized in town, backed by many of the town's leading citizens, he upped the stakes and opted to go national. The Citizens State Bank opened before Hense could fully convert his operations into a national bank, but only by a few weeks. The First National Bank of Princeton was capitalized at \$50,000 while the competition was much smaller. It opened under the new title on

FRANK HENSE, Pres't.		T. H. CALEY, Vice Pres't.	
S. S. PETTERSON, Cashier.		G. H. NEWBERT, Ass't Cashier.	
<b>First National Bank,</b>			
—OF—			
<b>PRINCETON, MINNESOTA.</b>			
<b>Capital,</b>	-	-	<b>\$50,000.</b>
Transacts a General Banking Business.			
Interest Allowed on Time Deposits.			
Loans made on Improved Farms and Approved Security.			
CORRESPONDENTS: Germania Bank, of St. Paul; Chase National Bank, of New York.			

Monday, October 31, 1892. While Hense tended to business in Centralia, cashier Swan S. Petterson managed the operations.

It did not take long for the first shipment of National Currency to arrive in Princeton. National bank notes promoting the home town would be yet another competitive edge, and Petterson took advantage of the free advertising that came with them in an eye catching story in the *Union* on December 8:

*A pile of sheets of five dollar bills several inches high lying on the paper cutter in the Union office last Saturday morning excited the cupidity of the editor, and had it not been for the restraining presence of Cashier Petterson of the First National Bank the editorial "we" might have turned up missing. The "boodle" in question had just been received from Washington by the First National, and as the notes were printed in sheets of four Mr. Petterson utilized our keen-bladed paper-cutter in severing and trimming the same. The notes bear date of Oct. 18, 1892 and are signed by S. S. Petterson as cashier and T. H. Caley as vice president of the bank, and on the upper left hand corner of the note is an excellent vignette of the late President Garfield. We volunteered to take charge of the currency but Cashier Petterson declined our offer with thanks.*

While the First National Bank had bragging rights for its financial power, its physical presence did not carry the same weight. The structure did not compare well to the newly built two-story Citizens State Bank, a vignette of which proudly appeared on its newspaper advertisements immediately adjacent to Hense's ads.

The dry spring and summer of 1893 led to predictable events in many small towns. Old wood-framed buildings were susceptible to fire, and late in the evening on Thursday, August 3 a business block of downtown Princeton was victimized. The inferno claimed several businesses. The brick walls of the First National Bank proved to be a flimsy barrier to the progression of the fire that night. The bank building was a total loss, but the safe withstood the ravages and kept its vital records intact, and saved its remaining inventory of national bank notes.

Within days a makeshift office of the bank was established within the same building as the Citizens State Bank. The newspaper was quick to point out that the two institutions had not consolidated, but that negotiations were pending to that end. Hense came to the conclusion that continued competition in the face of this loss would not be a productive use of his capital. He sold his interest and merged the First National Bank in November, and in the reorganization, cashier Petterson was promoted to president of the new Citizens State Bank.

This began a turbulent period of time for Frank Hense. A year later he closed his national bank in Centralia. He returned to Minnesota in 1895 to open a bank in Aitkin, about 75 miles due north of Princeton.

While in Aitkin he was indicted by a grand jury in Washington State on the charge of larceny in connection with his failed Washington bank, although Minnesota Governor Clough refused the demand for extradition. Hense resigned his position with the Aitkin County Bank in 1897. He continued to live in Aitkin for the remainder of his life, being a judge of probate, occasionally stopping in Princeton to see his old friends, as observed by the *Union*.

Swan S. Petterson took a page from the Hense play book and converted his state bank into the second First National Bank of Princeton (charter 7708) in 1905. He was president of the bank until it closed in the Great Depression.

**BADLY SINGED.**

—

**Princeton Has a Fiery Visitation  
and a Business Block is  
Laid Waste.**

—

**The North Star Hotel, First National Bank, and Other  
Buildings Wiped Out.**

The worst fire in the history of  
Princeton occurred last Thursday

**Citizens State Bank,**  
OF PRINCETON, MINNESOTA,  
(Incorporated.)

**CAPITAL PAID UP, - - - \$30,000**  
**AUTHORIZED CAPITAL, - - - \$100,000**

↑—OFFICERS—↓


S. S. PETTERSON,  
President.

F. M. CAMPBELL,  
Vice President.

G. A. EATON,  
Cashier.

↓—DIRECTORS—↓

R. M. Neely,  
R. F. McClellan,  
L. S. Libby,  
C. H. Hines,  
S. S. Petterson,  
F. M. Campbell,  
G. A. Eaton.



A General Banking  
Business Transacted.

Loans Made on  
Approved Security.

Interest Paid on  
Time Deposits.

Foreign and  
Domestic Exchange.



## Statistics: The Issue

The First National Bank, while capitalized at \$50,000, opted to maintain a minimal circulation of only \$11,250. This was accomplished with an initial shipment of 562 ½ sheets (2,250 notes) of \$5 Series of 1882 Brown Backs, the only denomination and type employed by the bank. Another 35 ½ sheets (142 notes) were delivered to the bank in the summer of 1893 to replace worn notes that were returned for redemption, totaling 598 sheets (2,392 notes) with bank serial numbers 1-598.

After the bank closed, its outstanding circulation continued to decline, as noted in the books of the Comptroller of the Currency. In 1910, the last year for which the circulation was tracked, it had the smallest outstanding circulation of any Minnesota bank, at only \$105 or just 21 \$5 notes.

## Collector's Experience: The Notes

A note from charter 4807 was on my want list the first day I discovered (in the late 1970s) that Princeton had a national bank, being one of only three note-issuing banks in Mille Lacs County, Minnesota, where I was born and grew up. I did not realize at that time how greatly the odds would be stacked against me in this quest.

I learned that surviving national bank notes from charter 4807 were found only in the dreams in serious collectors. John Hickman's records (in the late 1980s) had a notation of single well circulated note with no serial number recorded, but no collector had seen it and there was no confirmation of a note in existence.

With a miniscule outstanding circulation in 1910, how could any notes have survived for collectors to appreciate? I thought I would never live to see a note from this elusive home county bank.

The unthinkable happened in a 2006 Lyn Knight auction. The first ever national to publically appear on charter 4807 was offered to the collecting community. Thought to be unique, the note fetched over \$20,000. The winning bid was well over my budget and the note became part of Gil Sem's comprehensive Minnesota collection. It bore bank serial number 2 and was signed by Frank Hense and S. S. Petterson. Interestingly, a note from the short-lived First National Bank of Centralia, Washington, also signed by Hense, was offered in that same sale. Apparently a descendant of Frank Hense decided to sell these keepsakes. The dots were not all connected at that time, but this number 2 note would be the first of a small but powerful storm of notes to surface.

Only a few months later, at the ANA convention in Denver, I was walking the show. That in itself was serendipity, as the convention happened to be coincident to an already-planned vacation in Colorado. Among the dealer showcases was a collection of Minnesota national bank notes which looked vaguely familiar. Dead in the center of one case was another \$5 Brown Back on Princeton. This one was serial number 593, from the "A" plate position, and signed by George Newbert as assistant cashier and T. H. Caley as vice president. After frantic searching for the dealer in charge, it was none other than Richard Melamed, son of longtime collector and friend Mort Melamed. Not surprisingly, the notes were not for sale, rather for show, but the revelation of another Princeton note was beyond my comprehension. It was offered to Richard by private treaty about the same time the number 2 note was auctioned, also for a substantial ransom.

An opportunity to purchase serial number 593 arose in August 2011, when Richard's collection was to be sold by Lyn Knight. While the collection had several notes of interest, the \$5 Brown Back was my highest priority. After expecting serious competition, the note opened and closed with a single bid. The note was coming home.

But that was not the end of the story. A few months later, at the 2012 FUN auction by Heritage, another note from the same sheet (plate position "B") was offered, along with a Series of 1902 Red Seal from Mora, Minnesota signed by George Newbert. What was transpiring became apparent. Descendants of George Newbert, assistant cashier of the Princeton bank and cashier of the Mora bank, were selling their family keepsakes. Sheet 593, signed and likely saved as an uncut sheet by Newbert, was cut to give mementoes to family members many years ago. With two high grade notes from the same sheet now being known, there was the distinct possibility that the rest of the notes existed as well.

Year	Outstanding
1893	11,250
1894	6,740
1895	4,290
1896	2,690
1897	1,120
1898	570
1899	325
1900	240
1901	195
1902	190
1903	170
1904	170
1905	170
1906	120
1907	120
1908	115
1909	115
1910	105

Delightfully, this proved to be the case. Notes from plate positions “C” and “D” were offered by Heritage in their next two sales. The last note was brought home about a year after the first note was acquired. What was once considered an impossible dream became a reality. A cut sheet of national bank notes from charter 4807 actually existed, and it was reassembled after perhaps a century of separation. The final reward for patience was that the total cost of acquiring all four notes was under the sale price of the first single note that was sold in 2006. It remains the only reported sheet of Brown Backs, cut or uncut, from the state of Minnesota.

The final chapter of this story was written in January 2017, when the number 2 note, long held by collector Gil Sem, came to auction at the FUN show as part of his statewide collection was sold through Heritage. I was able to acquire this note, a beautiful choice very fine specimen, and thereby obtain examples of all four signatories from this institution. Persistence and a lot of luck helped this collector beat the odds.



Back of \$5 Brown Back on charter 4807.

Acknowledgements: Thanks to Lee Lofthus for annual circulation data gleaned from comptroller records.

# The International Paper Money Show is all new in 2017!

**June 9-11 (dealer set-up June 8)**

After 40 years in Memphis, the IPMS is moving to historic Kansas City. With a new start in a new city, the show is getting a makeover to appeal to a wider audience in the collecting community. The International Paper Money Show is an annual gathering of collectors and dealers that began in 1977. Over the last 40 years, the convention has been located in Memphis, TN. But for the 41st annual show, the IPMS is relocating to Kansas City and becoming even more interesting with several new additions to the show.

**Location:** Sheraton Crown Center, 2345 McGee Street, Kansas City, MO 64108

**IPMS Contact:** Doug Davis, Bourse Show Chairman. Call: 817.723.7231 or email

Doug@IPMSKansasCity.com