



The Paper Column

The First National Bank in Arizona Territory

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Figure 1. The First National Bank of Tucson was the only bank in the Territory of Arizona to issue Series of 1875 notes. This note is from the first sheet delivered to the bank and territory.

The First National Bank of Tucson was the first national bank organized and chartered in Arizona Territory, events that occurred respectively on January 24 and March 1, 1882. The bank opened April 17, 1882. It was the only bank in the territory to issue Series of 1875 notes and only \$5s were issued.

The C note in superb gem condition has been discovered from the first sheet sent to the bank as well as to the territory! Jess Lipka reeled in this whale.

The Comptroller of the Currency sent a total of 2,120 sheets (8,480 notes) to the bank between March 28, 1882 and January 13, 1885 to maintain its circulation, which topped out at \$30,600 during 1883.

The bank was liquidated January 31, 1885 to be reorganized as the Bank of Tucson.

The signers on the note are Pinckney Randolph Tully president and Barron M. Jacobs cashier. Their personal stories and that of the founding of the bank follow.

The First National Bank of Tucson was the outgrowth of two pioneering Tucson mercantile firms, Tully-Ochoa and the Mark I. Jacobs Company, the principals of which joined to organize the Pima County

Bank in 1879. They nationalized the bank in 1882, but found it advantageous to relinquish their national charter and to reorganize as the Bank of Tucson in 1885.

The information that follows pertaining to Pinckney R. Tully comes from the three websites labeled Tully, Tucson Officeholders and Ochoa.

Two scholars have written definitive works on the Jacobs: Gerald Stanley (1971) and Dawn Teresa Santiago (1988), who respectively treated the Jacobs mercantile and banking ventures. Both mined extensive troves of the Jacobs' papers at the Arizona Historical Society (10 boxes) and Special Collections at the University of Arizona Library (22 boxes and 175 volumes of correspondence). The material that follows on the Jacobs' mercantile business is taken from Stanley and that on their banking career from Santiago.

The president of The First National Bank was Pinckney Randolph Tully who was born in Mississippi, March 25, 1824. His family struck out to Oregon by wagon train in 1845, but they were forced to abandon their trip because his father died in western Missouri. Tully went on to Santa Fe in 1846 and then to California in 1849. He returned through Arizona where he was attacked by Indians and received a scalp wound.

For a time, Tully was a post trader at Fort Thorn, New Mexico Territory, on the west bank of the Rio Grande. From there, he moved on to Mesilla, New Mexico Territory, in 1854 where he developed a partnership with Estevan Ochoa, a merchant and freighter who had stores in Mesilla and Las Cruces. They formed the freighting and mercantile firm of Tully & Ochoa.

One of their early business ventures involved having Tully take a large supply train to Tucson in 1858. After the goods sold out in just a few hours, they decided to open stores in Tubac, south of Tucson, and Tucson. Ochoa moved to Tucson in 1860. Their Arizona operations were interrupted by the Civil War, when the commander of a Confederate column that reached Tucson summoned Ochoa to swear allegiance to the Confederacy. This he wouldn't do. Ochoa was loyal to the Union, having immigrated from Chihuahua to the United States after the Mexican-American War. He was given a horse, a rifle, 20 rounds of ammunition and sent packing back to the Rio Grande through hostile Indian country.

Following the war, Tully & Ochoa reopened a store in Tucson in 1866. They secured a number of lucrative government contracts supplying Indian reservations and military outposts. Their freighting business became highly regarded because they brought goods to Arizona and New Mexico from as far away as Kansas City, Missouri. The firm's armed convoys, which frequently had to fight off Apache attacks, became a primary link during the 1860s and 1870s between Tucson and the outside world. The firm also operated a stagecoach line between Yuma and Santa Fe.

The freighting business collapsed with the arrival of the railroad to Tucson in 1880.

Tully served as mayor of Tucson during 1882 while The First National Bank was being founded and remained on the city council during 1883-4 while it was in operation.

The story of the Mark I. Jacobs Company began in San Diego where Polish immigrant Mark Israel Jacobs, who was born in 1816, established himself in the United States in 1851 in a general merchandise



Figure 2. Pinckney R. Tully from the mercantile and freighting firm Ochoa & Tully was installed as president of The First National Bank of Tucson. He was serving as mayor of Tucson at the time. Photo from Sonnichson (1982, p. 94).

business. He was drawn to the states by the allure of the gold rush. He moved his family to San Bernardino in 1857 where he operated a store and hotel.



Figure 3. Mark I. Jacobs, the San Francisco patriarch of the Jacobs family, shipped goods and capital to his sons Lionel and Barron who established and operated the Mark I. Jacobs Company in Tucson, Arizona Territory. Their enterprise developed into a banking business that gave rise to The First National Bank of Tucson. Photo from University of Arizona Southwestern Jewish Archives.

At Yuma, the load was transferred to freight wagons bound for Tucson along the Gila road. Transit times ranged from two to three months.

They tested an alternate route between 1872 and 1874 using the port at Guaymas, Mexico, with overland haulage northward through Hermosillo and the border crossing at Nogales, Arizona. This added a hundred miles to the overland part of the trip but it cut a month in transit time and was cheaper. However, customs issues developed and that avenue was abandoned.

The Tucson merchants seldom had cash sales equal to more than a third of their gross sales. Instead they bartered their goods for staples such as wheat, flour and cattle that they sold to military posts thereby compounding their profits.

Tucson was without a formal bank, so it was natural for the Jacobs brothers to enter into the exchange and bullion business, which they did in February 1870. They purchased

When he learned that the Arizona territorial capital was to be moved from Prescott to Tucson on November 1, 1867, he saw opportunity in the government and military payrolls that would stimulate the economy of the town. He sent two of his sons, Lionel M. and Barron M. with a wagon load of merchandise to establish a mercantile business there, a trip that took two months. Lionel and Barron were in their twenties at the time, with Lionel being the older.

What they found on their arrival was a town of about 1,300 people, three quarters of which were Mexican-Americans, living mostly in one-story flat-roofed adobe buildings scattered along dusty streets on the east bank of the Santa Cruz River. They rented an empty store on the corner of Main and Mesilla streets, set up the Mark I. Jacobs Co. and began to scrape together a financial empire from the dust.

Mark moved his remaining family to San Francisco in 1868. There he purchased supplies, arranged for their transport to Tucson, and the sons sent remittances for more. The logistics were daunting. The routine that developed was for Mark to purchase 10 to 15 tons of supplies about every two months. The cargo was loaded onto a steamer bound for Yuma, Arizona, which is located upstream from the mouth of the Colorado River. The material had to be offloaded onto a flat-bottom river steamer at the mouth of the river and transported upriver to Yuma.



Figure 4. Lionel M. Jacobs was the eldest of the Jacobs brothers who were the principals in organizing The First National Bank of Tucson. Photo from University of Arizona Southwestern Jewish Archives.

greenbacks in Tucson at 65 to 85 cents on the gold dollar, whereas Mark in San Francisco could sell them for 86.5 to 89 cents. At the time, they were turning \$100 to \$250 per week. By the fall of 1870 they renamed their Tucson business Mark I. Jacobs & Company, Money, Bullion and Exchange Brokers. By December they ventured into making short term loans at 3% per month. 1872 found them dealing in Mexican gold and silver coin, which circulated in Arizona, particularly in the outlying mining districts.

In 1875 the brothers bought out their father and renamed their Tucson firm L. M. Jacobs & Company. They increasingly learned and took on additional banking functions, including making collections for creditors and providing for the safe deposit of customer's papers and valuables.

The economic prospects and population growth for Tucson brightened as the Southern Pacific Railroad approached from the west, reaching Yuma in 1877 and silver was discovered in what became Tombstone with Tucson serving as the supply center. The first formal bank in the territory, The Bank of Arizona, was opened in Prescott that year by Martin Kales and Solomon Lewis. On December 24, 1878, along with other stockholders, the Jacobs who held a majority interest filed the articles of incorporation for the Pima County Bank, and the bank opened January 1, 1879 with Lionel as cashier.

Pinckney Tully, co-owner of the prosperous mercantile-freighting firm of Tully & Ochoa, was brought in during January 1880 and elected president, with Lionel vice-president and Barron cashier. The railroad arrived in Tucson that spring, which was good for the export of cattle and crops. The bankers next established a branch in Tombstone called Agency of the Pima County Bank. At this point the Jacobs were fully committed to the banking business, so they liquidated their mercantile firm and sold the last of its assets in May 1880.

The early 1880s were golden for the southern Arizona economy. Production at the Tombstone silver mines was peaking, and agricultural and business was growing. The Jacobs decided to nationalize the Pima County Bank, which they accomplished in early 1882. The First National Bank was capitalized at \$100,000. A big incentive for doing so was that it would facilitate getting the bank qualified as a Federal Depository, so that it could handle all the government and military transactions in the territory.

Although the Jacobs retained majority ownership, they spun off and reorganized their Tombstone agency as the Cochise County Bank. By 1883 Lionel focused his energy on managing the Tombstone bank whereas Barron managed the Tucson operation.

Silver prices continued to decline through the early 1880s. Passage of the Bland-Allison Act in 1878, which obligated the Treasury to purchase between \$2 and \$4 million worth of silver per month for coinage, failed to stabilize silver prices owing to overproduction throughout the west. Worse for Tucson, the silver mines in Tombstone began to flood as the miners dug ever deeper below the water table. As the mines began to close and the economy soured, a competing private bank, Hudson & Company with main office in Tucson and branch in Tombstone, failed May 9, 1884. Deposits flowed out of The First National Bank and Cochise County Bank.

After Hudson & Company failed, a man named David Henderson set himself up as D. Henderson, Banker, in Tucson, in the belief that Tucson could still support a second bank. This competitor opened November 17, 1884. Previously Henderson and his brother had operated a mercantile store in Prescott in the late 1870s, which they moved to the silver mining town of Globe.

Downsizing of The First National Bank was imperative, so the Jacobs liquidated the bank January 31, 1885, and reorganized as the Bank of Tucson, with half the capital of the former. Barron continued to manage the Tucson bank whereas Lionel supervised the Tombstone bank. Barron was a more cautious

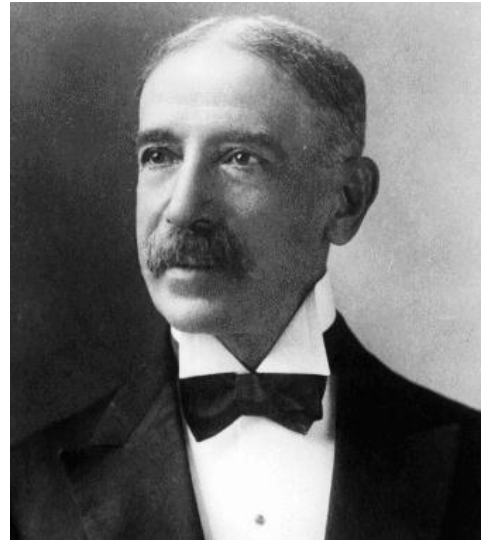


Figure 5. Barron M. Jacobs served as cashier of The First National Bank of Tucson, the key management position in the bank. Photo from Arizona Historical Society.

individual than his brother and operated the Bank of Tucson very conservatively, resulting in flat to slow growth. In contrast Lionel employed an aggressive manager named Albert Springer who cultivated business with the copper interests in Bisbee and Sonora, Mexico, and cattlemen throughout southeastern Arizona. By diversifying, he caused the fortunes of the Cochise County Bank to rebound.

The First National Bank of Tucson was history, but not the involvement of the Jacobs brothers in national banking. The Henderson of D. Henderson, Banker, sold a share of his bank to former Tucson postmaster Merrill P. Freeman in 1886 so he could pursue other opportunities. Freeman sensed that both Henderson and the Jacobs were casting beyond banking or at least beyond banking in Tucson, so he proposed that they merge the Bank of Tucson and D. Henderson, Banker.

Thus, the Consolidated Bank of Tucson was born and opened June 23, 1887. Barron Jacobs was named president, Henderson vice-president and Freeman cashier. Henderson filed incorporation papers for the bank on April 15, 1888, effective April 2nd.

The story gets a bit complex over the next couple of years.

Concurrently Lionel Jacobs and Henderson had organized The San Diego National Bank, charter 3780, on July 29, 1887. Lionel set up residency in San Diego at the Horton House on D Street between 3rd and 4th streets, whereas the bank was on the northeast corner of 5th and H. Lionel served as operations manager in the capacity of cashier and Henderson held the presidency.

Unfortunately for Lionel, his right-hand man Albert Springer had moved on from the Cochise County Bank in Tombstone and banking prospects there continued to diminish as the economy of Tombstone withered.

The Consolidated merger joined the Jacobs and Henderson under one umbrella in Tucson, each carrying imposing personalities to the venture along with Freeman who was developing into a very able banker in his own right. Differences in personal styles were inevitable that caused internal friction. In time Freeman's loyalties more closely aligned with the Jacobs than with Henderson.

The San Diego bank did not last long, because the economy in San Diego at that time was on the brink of collapse. The bank was liquidated on November 7, 1888, after barely over a year in business. Lionel moved to San Francisco.

In Tucson, Freeman became seriously ill in late 1888 and moved to San Francisco to recover. Henderson approached him in January 1889 with the proposition that he buyout Henderson's interest in the Consolidated Bank. Freeman demurred, so instead Henderson emerged as cashier of the Consolidated Bank in February 1889.

In June 1889, it was announced in the press that Henderson sold his interest in the Consolidated to Lionel Jacobs, whereupon Lionel returned to Tucson to become cashier. Lionel simultaneously liquidated the Cochise County Bank in Tombstone, possibly to raise some of the money to buy Henderson's interest, but more likely to put the money from the Tombstone bank to better use.

In the meantime, Merrill Freeman was regaining his health in San Francisco and he pulled together a group of investors to organize another bank in Tucson. One was Samuel Hughes, a prominent Tucsonan and former stockholder in The First National Bank. Their bank was called The Santa Cruz Valley Bank and it opened August 1, 1889. Hughes served as president and Freeman returned to Tucson as cashier to run it.

In a surprising upset, Henderson bought out the Jacobs' interest in the Consolidated Bank and installed himself as president in March 1890. He quickly applied for a national charter, which was granted April 15, 1890, giving rise to The Consolidated National Bank of Tucson, charter 4287. The Consolidated National Bank formally opened April 19th.

Once out of The Consolidated Bank, the Jacobs bought control of Freeman's Santa Cruz Valley Bank in May of 1890, wherein Barron Jacobs replaced Hughes as president, Hughes became vice president and Freeman remained cashier. The next step was for them to nationalize, which they did on October 10, 1890 under the title The Arizona National Bank of Tucson, charter 4440. The new bank opened with its national title on October 30th.

The Consolidated National under Henderson was the larger, but The Arizona National under the Jacobs carried their cachet and prospered. Henderson was gone as president of the Consolidated in 1891,

having been replaced by H. E. Lacy. Lionel Jacobs replaced Freeman as cashier of The Arizona National in 1896.

Lionel and Barron retired from active banking in 1912. Lionel was 72 and Barron 66. Lionel died February 7, 1922 and Barron November 15, 1936. Pinckney Tully died November 10, 1903 at age 79.

Ultimately, The Arizona National Bank was merged into The Consolidated National Bank on August 4, 1928.

The convoluted history of early Tucson banking as viewed through the prism of these men reveals the fluidity of corporate structures and shifting personal alliances that such entrepreneurs use as they claw their way to wealth. These are not sentimental types. To understand the path that each pursued, all you have to do is follow the money, or more correctly, follow the opportunities that their money sought in an ever-changing financial environment.

Lipka's note is beyond remarkable. It is so perfect and fresh, even the most finicky type collector would classify it as a superior specimen for its type.

Four of these \$5s have been reported. I owned the 1-D note, the cut of which perfectly matches the bottom of Lipka's note. Mine had been carried as a pocket piece in the wallet of one of the bankers for a long time so it has strong creases and wear commensurate with that fate. Amon Carter owned the 2-D note, a pressed vf, and Dewitt Prather owned 1013-A, an off unc with the upper right corner tip missing. Clearly and thankfully the bankers saved these notes.

The numismatic importance of Lipka's note cannot be overstated. It is the finest survivor of its type and it is from the very first sheet issued in the Territory of Arizona.

It probably ranks in the top 10 of all nationals, and for certain would make anyone's top 20 list based on its condition, location and type.

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