

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

DOCUMENTS

MAINE STATE LIBRARY

PRINTED BY ORDER OF

THE LEGISLATURE,
State - Library.
OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1841.

Augusta:
SEVERANCE AND DORR, PRINTERS TO THE STATE.

1841.

TWENTY-FIRST LEGISLATURE.

NO. 6.

HOUSE.

R E P O R T

O F T H E

B A N K C O M M I S S I O N E R S ,

I N R E L A T I O N T O T H E

FRANKFORT AND GLOBE BANKS,

FEBRUARY, 1841.

SEVERANCE & DORR,.....Printers to the State.

To the Senate and House of Representatives :

On the twenty-second day of January, the Bank Commissioners were directed by the Governor and Council to examine, forthwith, the Globe Bank, at Bangor, and the Frankfort Bank, at Frankfort. They have performed the duty promptly and faithfully, and I herewith communicate to you their Report. The facts detailed in the Report demand, and will, I am sure, receive your immediate and careful consideration. I cannot hesitate to renew the recommendations, on this subject, made in my Inaugural Address, and to express my firm conviction that prompt, decisive and efficient measures should be at once adopted to prevent the recurrence of such transactions as are detailed in the accompanying Report.

In addition to the suggestion in the Report, I would recommend to your consideration the expediency of providing by law, that the Bank Commissioners be authorized, when, upon examination, they are satisfied that a Bank is insolvent, or in such a condition as to render its further continuance hazardous to the public, or that it has violated its charter and is proceeding in a manner that evinces recklessness or intended fraud and imposition—to apply forthwith to any Judge of the Supreme Court for a temporary injunction, to restrain such corporation from further proceedings until a full hearing can be had, with such further provisions in relation to the subject as may be necessary. The existing law, which authorizes the interference of individual bill-holders or creditors, after thirty days delay from the time of refusal to pay, is defective as a means of prompt and efficacious remedy for existing or threatened evils.

A similar examination of the Citizens' Bank, in Augusta, has been ordered, and is now in progress.

EDWARD KENT.

COUNCIL CHAMBER, }
February 5th, 1841. }

REPORT.

To the Governor and Council—

Pursuant to your requisition of January 22, the undersigned, Bank Commissioners, have investigated the affairs of the Globe and Frankfort Banks, and now submit the result of their examination.

On the first day of February inst., the day on which we visited the Globe Bank, we found its capital stock owned as follows, viz:—\$48,700 by the Bank itself, having been taken in payment of debts for \$42,030; \$30,800 by persons in New York, under recent purchases; \$8,300 are owned in Bangor, \$6,400 in other parts of Maine, and \$5,800 in Massachusetts. The New York stockholders own a majority of the real capital of the institution, and are therefore capable of controlling its operations. The President and three Directors, who now compose the Board, own but *one* share each; at least no more stand in their names.

Previous to August 19th, 1840, when the first connection was formed with persons residing in New York, the Bank, although laboring under embarrassments from a large mass of unavailable debt, which absorbed nearly or quite all its capital, was yet gradually reducing itself by the liquidation of its liabilities and the securing and collection of its debts. It was following the only path of safety for any institution, when its affairs are embarrassed—to contract its issues, to gather in its debts, and to keep itself within the limit of its means. They had, frequently, during the year previous, been compelled to hire money on their best notes, and by a pledge of their bills,

and were incurring expenses which the very limited business they were doing could hardly defray. But still the process of reduction was going on through a struggle as painful as it was necessary.

In January, 1840, their circulation was \$10,029 ; in June it was only \$8,906 ; and on the 18th of August it did not exceed \$10,000. But from that time it was rapidly expanded, so that, August 31, in less than a fortnight, it went up to more than \$40,000, and at the present time it stands at the extravagant sum of \$74,720, without the Bank's having acquired any proportionate available means—having on hand at the present moment but about \$3,000 of immediate resources, and of this amount \$1,300 were procured by the Directors after we commenced our examination.

The cause of this sudden extension of the business of the Bank arose from the new relations it formed with persons in New York. The firm of H. M. & J. M. True, dry goods dealers, in that city, young men who had traded a short time in Bangor four or five years ago, had been for some time desirous of forming a connection with some eastern Bank, to increase their facilities ; and in one application, at least, prior to the present, had been unsuccessful. They became acquainted with Benjamin Wiggin, Esq., one of the Directors of the Bank, in the summer of 1840, at New York. On the 19th of August in that year they appear as applicants for a discount ; and their note for \$11,000, on 4 months, endorsed by Reuben Whittier, a farmer in Ogden, N. Y., and Lockwood & Gregory, of New York, was taken, and the bills paid out to them, under an agreement that they should be circulated in the western part of New York and the Western States, for the purchase of produce. The Directors who sanctioned this loan were Solomon Parsons, the President, Messrs. Bryant, Wiggin, Smith, and Shepherd, none of whom knew the ability of the parties to the paper, except Mr. Wiggin, who represented them to be in good standing and respectable business. This was followed,

on the 29th of August, by a further discount for Mr. True, of \$20,000, of which \$5,000 was the note of H. M. & J. M. True, endorsed by Reuben Whittier, and two notes of James L. Lockwood & Co. dry goods dealers in New York, endorsed by Reuben Whittier, for \$15,000, for all which notes, bills of the Globe Bank were paid to Joseph M. True, the only one of the parties who was ever present or known in the transactions.

The introduction of the New York customers into the Bank, was followed in October by more intimate connections. On the 5th of that month, the day of the annual meeting, Mr. Wiggin, one of the Directors, and the principal manager of the institution, and who, we regret to say, is now absent in New York, transferred 208 shares of the Stock standing in his name to several persons in New York, none of whom were present but J. M. True. The names of those persons are as follows, viz :

H. M. True of Rochester, N. Y.	39	shares.
George A. Neafus,	“	“ 39 “
P. G. Almy,	“	“ 39 “
Reuben Whittier, Ogden,	“	“ 39 “
Harrison Barrett, New York City,	39	“
Joseph M. True,	“	“ 13 “

The Stock, we are informed, was sold for \$100 a share, its par value, and Mr. Wiggin has often said that he had received his pay for it. The market value of the Stock was from \$20 to \$30 a share, which price Mr. Wiggin paid for a large proportion of what he conveyed. One of the Directors purchased, in January, 40 shares for \$20 a share. Yet we find these New York gentlemen paying \$100, for what could have been purchased at \$20. It may therefore be inferred that they were either deceived in regard to its just value, or were induced to enter into the speculation by other motives, which they might suppose to furnish an equivalent for the extravagant price they paid for the stock. Whether the discounts which

they obtained and further accommodations promised, were these inducements, we are left wholly to conjecture.

Mr. Joseph M. True, on the same day that he became a Stockholder, was elected a Director, although a citizen of New York; and notwithstanding he was ineligible by the laws of the State, he repeatedly officiated at the Directors' meetings. On three occasions, between October 5, and November 10, when but *two* of the Directors beside himself were present, there were discounted for his benefit two notes, signed by H. M. & J. M. True, secured with the names of the same parties as before mentioned, one for \$5000 and the other for \$11,000, for which the bills of the Bank were paid out; and a note of Lockwood & Co. which he had procured to be discounted, of \$10,000, was received for the same amount. Thus the whole amount of new paper discounted for Mr. True, in the short space of sixty-four days, was \$47,000.

But on the 26th of December, Joseph M. True, who then held Stock, which he had taken from his New York associates, to the amount of 156 shares, found himself in some trouble, and conveyed the whole,—117 shares to J. E. Dunn, of N. Y. and 39 to P. G. Almy, and is said to have suspended payment.

A new arrangement was now made, by which the Stock was shifted from the hands of the first purchasers into those of other gentlemen in New York. On Saturday evening, January 23, Mr. Wiggin returned from New York with Samuel Benedict, Jr. of Alexander, and Nathan Follett of Batavia, in New York, and on Monday the 25th of January, 269 shares of the Stock, embracing all which had formerly been conveyed to True and his associates, with 35 shares more belonging to Mr. Wiggin, were conveyed to Messrs. Benedict, Follett and their friends, whose names will appear in the list of Stockholders annexed to this Report. This Stock was also sold at par, and it was one of the conditions of the bargain, that the purchasers should receive from the Bank, a discount of \$58,000; in pay-

ment of which they should take the notes formerly discounted for J. M. & H. M. True, to the amount of \$27,000, which they did, although they were unacquainted, as we were informed at the Bank, with those men. The balance of the \$58,000, deducting the interest, was paid to them in the Globe Bank bills.

The notes given by Messrs. Benedict and Follett, were as follows, viz :

Sam'l Benedict, Jr.	endorsed by N. Follett,	on 6 mos.	\$12,500
“	“	“ “ “ “	“ 4 “ 9,000
“	and H. M. & J. M. True,	“	“ 3 “ 9,000
“	endorsed	“	“ 5 “ 12,500
Nathan Follet	“ Sam'l Benedict Jr.	“	“ 4 “ 5,000
“	“ “ “	“	“ 4 “ 10,000
“	and H. M. & J. M. True,	“	“ 4 “ 10,000
			\$58,000

It is worthy of remark, as indicating precipitation in this transaction, that the True notes were received at their face without any deduction for interest, although they were not due, and one especially of \$11,000, had more than four months to run, the interest on which for that time, would have been over \$220. On the other hand, it appears from the endorsement of the Trues' names on that paper, who were not here at the time, that the terms of the bargain must have been arranged before the parties left New York. The Directors present and ratifying this contract were Joseph Bryant, Benjamin Wiggin and Francis Shepherd. Mr. Shepherd observed that he was much engaged in his private affairs and paid very little attention to the negotiation, and did not know much about it. Mr. Bryant informed us that the Directors were present with Messrs. Benedict and Follett, at the Bangor House, nearly twenty-four hours before the arrangement was consummated; and that it was understood by them that the True notes which were to be taken up, had been given to pay for the Stock in the Bank which the Trues had purchased of Mr. Wiggin.

The Benedict and Follett notes, amounting to \$58,000, and the True notes which remain, amounting to \$20,000, making a total of \$78,000, now constitute the principal resources of the Bank. Most of the other paper is of a dishonored and depreciated character. The New York gentlemen were strangers to all the Directors but Mr. Wiggin. They however brought two letters of recommendation from New York, one of which is said to have been subscribed by the President of the Lafayette Bank of that city, of which we present a copy.

“New York, Jan. 14, 1841.

“To whom it may concern—

“I, being acquainted with Samuel Benedict, Jr. and Nathan Follett, Esq. consider them intelligent and correct business men, and from their reputed responsibility, should feel full confidence that they would perform such obligations as they might enter into.

BURN WAKEMAN.”

We do not know any thing of the character or responsibility of these gentlemen, but we should suppose, that a transaction of that magnitude, involving an amount larger than the actual capital of the Bank, would have demanded more deliberation and more knowledge of the ability of those men to pay their notes, than seem to have been bestowed, before advancing so large an amount of bills to go into circulation. The President observed that the appearance of the men, the representations of Mr. Wiggin and the recommendations they produced, inspired him with confidence in their integrity and responsibility. And their desire to reduce the amount of the True notes, in which they had lost confidence, with the promise of Messrs. Benedict and Follett to provide for the redemption of the bills in New York and Boston, induced them to enter into the arrangement.

From the moment the first connection was formed with the New York gentlemen, the operations of the Bank seem no

longer to have been intended for home accommodation, for all the discounts of new paper which it made, from August 19th to the present day, did not exceed \$5,340—less than \$1000 a month, for all other persons than those belonging to New York. For the latter description of persons the discounts have been \$78,000.

The manner of redeeming the bills of the Bank has been, since April 1840, through George F. Cook & Co. brokers, in Boston. A thousand dollars were deposited with them without interest, in consideration of which they were to take up the bills as long as they were kept in funds. The process was for Cook & Co. to take in the bills and immediately hand them over to George Miller another broker, who raised money upon them by putting them in circulation, and handed the proceeds over to Cook & Co. who were thus furnished with funds for redemption. The \$1000 is still in the hands of Cook & Co. and makes part of the funds of the Bank, as exhibited in the annexed statement.

We have thus exhibited all the material facts in this extraordinary case and proceed to detail the result of our examination of the Frankfort Bank, which will follow the tabular statements relating to the Globe Bank.

LIST OF STOCKHOLDERS IN THE GLOBE
BANK, FEB. 1, 1841.

NAMES.	RESIDENCE.	SHARES.
George W. Towle,	<i>Lincoln,</i>	3
Peoples' Bank,	<i>Bangor,</i>	5
Otis Small,	"	10
Samuel Smith,	"	1
A. Huntress,	"	2
Joseph Bryant,	"	1
Bank of Portland,	<i>Portland,</i>	2
Medomak Bank,	<i>Waldoboro',</i>	20
Wm. H. Parsons,	<i>Bangor,</i>	14
S. S. Fuller,	"	6
Francis Shepherd,	"	1
H. E. Carlton,	"	1
M. P. Sawyer,	<i>Boston,</i>	15
S. W. Marston,	<i>Newburyport,</i>	2
Globe Bank,	<i>Bangor,</i>	487
Jedediah Herrick,	<i>Hampden,</i>	14
Parker McCobb,	<i>Waldoboro',</i>	8
S. S. Stevens,	<i>Bangor,</i>	14
Benj. Wiggin, Jr.,	"	1
Samuel McLellan,	<i>Dexter,</i>	17
John Head,	<i>Boston,</i>	41
Bangor Commercial Bank,	<i>Bangor,</i>	20
George Wheelwright,	"	1
O. P. Shepherd,	"	6
P. G. Almy,	<i>Rochester, N. Y.,</i>	39
Moses Taggart,	<i>Batavia,</i>	39
William Davis,	" "	18
G. K. Benedict,	<i>Alexander,</i>	17
A. S. Churchill,	" "	39
Nathan Follett,	<i>Batavia,</i>	39
D. M. Chandler,	" "	39
Benj. Follett,	<i>Alexander,</i>	39
Samuel Bendict, Jr.,	" "	39
		<hr/> 1,000

Directors chosen October, 1839.

SOLOMON PARSONS, *President.*
 JOSEPH BRYANT,
 SAMUEL SMITH,
 BENJ. WIGGIN,
 FRANCIS SHEPHERD.

Directors chosen October, 1840.

JOSEPH BRYANT, *President.*
 BENJ. WIGGIN,
 FRANCIS SHEPHERD,
 SAMUEL SMITH,
 J. M. TRUE.

STATE OF THE GLOBE BANK, FEBRUARY 3, 1841.

Capital Stock,	\$100,000 00
Bills in Circulation,	74,720 00
Profits on hand,	5,203 03
Deposites,	2,392 98
	<hr/>
	\$182,316 01
Specie,	972 87
Real Estate,	3,389 91
Bills of other Banks,	720 00
Balance due from other banks,	19 10
Notes and Bills discounted,	133,184 13
Stock of Globe bank,	42,030 00
“ “ Bangor Commercial bank,	1,000 00
In hands of G. F. Cook & Co.,	1,000 00
	<hr/>
	\$182,316 01

*Schedule of Notes due the Globe Bank, Bangor, from persons
said to reside in the State of New York, Feb. 3, 1841.*

<i>Signers.</i>	<i>Endorsers.</i>	<i>When due.</i>	<i>Amounts.</i>
J. L. Lockwood & Co.	Reuben Whittier, (bal.)	1841, Mch. 18,	\$9,000
Samuel Benedict, Jr.	N. Follett, H.M.&J.M.True,	" " 29,	9,000
Samuel Benedict, Jr.	N. Follett, H.M.&J.M.True,	" April 25,	9,000
H. M. & J. M. True,	R. Whittier,	} " May 4,	11,000
	J. L. Lockwood & Co.		
N. Follett,	Sam'l Benedict, Jr.	} " " 25,	10,000
	H. M. & J. M. True,		
N. Follett,	Sam'l Benedict, Jr.	" " 28,	5,000
N. Follett,	Sam'l Benedict, Jr.	" June 28,	12,500
Sam'l Benedict, Jr.	N. Follett,	" July 28,	12,500
			\$78,000

FRANKFORT BANK.

The *Frankfort Bank* was established but a short time anterior to the commencement of the commercial difficulties, under which the country has since labored. Much of its capital went into the hands of persons who became embarrassed, and losses occurred which necessarily impeded its operations. A large amount of its funds have not for several years been of that available character which gives activity and vitality to a banking institution; it has therefore been obliged to make repeated loans to sustain its credit. Several operations of this kind took place in 1840, in procuring which, the President, Benjamin Shaw, Esq., who has made great efforts to redeem its bills and keep up its character, was brought into contact with brokers and persons employed in money negotiations in New York and elsewhere. He had numerous applications from such persons to purchase the stock, or acquire a control in the affairs of the Bank.

As early as May 16, 1840, the President received a letter from an exchange broker in New York, enquiring "if the charter could be purchased in whole or in part by a transfer of the stock." Another, dated New York, May 30, 1840, was received from H. M. & J. M. True, who became afterwards so conspicuous in the movements of the Globe Bank, saying that they were "in want of an eastern Bank for the purchase of wheat &c. in the west;" that they were "engaged in business in Rochester, N. Y.," and wish information "if the charter of the Frankfort Bank could be purchased, and for what."

There were several other letters of similar description addressed to this Bank, the overtures in which were rejected from want of confidence in the ability and objects of the persons who made them. But in July of that year, Mr. Shaw received proposals which seemed to him to afford a prospect of reviving the condition and hopes of the Bank, and which he deemed too favorable for its interests to reject.

A negotiation was accordingly opened with Henry Roop, President of the Bank of America, an institution established in Buffalo, under the general banking law of New York, which resulted in a contract that we shall hereafter particularly notice. Mr. Roop was highly recommended to Mr. Shaw, who informed us, that from careful inquiries which he made, he was entirely satisfied in regard to the character and responsibility of that gentleman. He exhibited to us a letter from Robert Pomeroy, Cashier of the Bank of America, at Buffalo, dated July 15, 1840, from which we are permitted to make the following extract: "This association holds \$41,800 in bonds and mortgages, and have also deposited in the hands of the Comptroller of the State of New York \$48,000 in State stocks, and \$23,490 in bonds and mortgages, on which this Bank has received \$57,900 in circulating notes. Mr. Roop is owner of all but \$53,000 of the stock of this institution." The writer of this letter is strongly commended in other correspondence "as a gentleman of the highest respectability."

In pursuance of the previous negotiation, an arrangement was completed between Mr. Shaw and Mr. Roop, and ratified Sept. 2, 1840, at a meeting of the Directors, at which were present Benj. Shaw, Nehemiah Rich, and Jones Shaw. By this agreement, Mr. Roop was to purchase 400 shares of the stock at its par value, and sustain the credit of the bills in New York and at home, by furnishing funds to redeem them. In consideration of which he received a discount of \$30,000 on the security of his own name and that of James Miller, a resident in Buffalo, who was unknown to any of the Directors, except by report. The notes discounted were as follows, viz:

Henry Roop endorsed by	James Miller	\$	9,000
“	“	“	10,000
James Miller	“	“	Henry Roop
			11,000

which notes remain in the Bank at the present time—having been once renewed.

Of this discount of \$25,000, less the interest, were paid to Mr. Roop in the bills of the Frankfort Bank. The account between Mr. Roop and the Bank is thus stated by the President. Mr. Roop is made debtor for

400 shares of the stock,	\$40,000	
Bills of the Bank,	25,000	\$65,000

and is credited by his notes,	\$30,000	
-------------------------------	----------	--

Certificates of money deposited in
the Bank of America endorsed

to the Bank,	20,000	
Current funds,	15,000	\$65,000

But Mr. Shaw was able to procure at that time only 314 shares of stock which was unincumbered, which, with 23 shares since conveyed, is all that has been transferred, up to the present time. It was part of the agreement, although it does not appear of record, that the certificates of deposit, which are in small sums, and in the shape of bank bills, should not be paid out faster than the bills were put into circulation at Buffalo, unless there should be a pressing emergency. Only \$400 of the certificates have yet been used, and the President informed us that the largest proportion of the bills taken by Mr. Roop are still on hand, their circulation having been prevented by rumors prejudicial to the Bank.

Of the stock conveyed \$25,400 or 254 shares, belonged to the Bank, which they had received at various rates in payment of debts. The remainder belonged principally to the President, much of which he had purchased at reduced prices, some as low as \$50 on a share, since the commencement of the negotiations with Mr. Roop. And it was agreed by a vote

of the Directors, that Mr. Shaw, in consideration of liabilities personally undertaken by him as hereinafter mentioned, should receive whatever sum was obtained on the stock belonging to the Bank, above the price at which the Bank received it. The amount of this premium we were not able to ascertain, as Mr. Shaw had so blended his own and the stock of the Bank together, which stood partly in his name as Trustee, that he was unable to throw any light on the subject.

In the arrangement with the Buffalo gentlemen, Mr. Shaw had undertaken to remove the liability to the Suffolk Bank of \$5,300, notes against the Bank to the amount of \$8,000, which it had given for loans, and about \$2,700 due on memorandums, &c. ; for which the Bank placed in his hands State scrip of Alabama for \$2,000, and sundry notes on the suspended list, part of which were secured by mortgage amounting to about \$15,000, and gave him the premium upon the stock as above mentioned, for his personal liability. So that the purchasers of the stock received it, as far as the guaranty of Mr. Shaw went, disembarassed of the old debts and the principal part of the suspended paper ; and to them the Bank came with the following resources :

Notes discounted	\$44,118 46	including their own notes ;
Deposit in the Bank of		
America,	20,000	
Real Estate,	15,000	

\$79,118 46

and was liable for the capital stock \$50,000, and circulation about \$30,000.

The Bank was, indeed, liable for the debts which Mr. Shaw had assumed to pay ; but with the means put into his hands, and the profits on the stock, it was supposed he would be able to remove all these claims. He has already paid a large proportion of them. Under those circumstances, it was proposed by Mr. Roop, and expected by Mr. Shaw, that the Bank

would be placed upon a solid basis, and commence a new career.

The stock which was sold was conveyed to several persons in Buffalo, whose names will appear in a table annexed ; but it was all purchased and owned, as understood at the time, by Mr. Roop. This gentleman sent on his Cashier, Gordon Bailey, of Buffalo, to take charge of the business, who receives a salary of \$800 a year, and his house; the President receives for his services and the use of the banking room \$600 a year. The extent of the duties of these officers may be imagined, when it is stated that not a single new piece of paper has been discounted since Sept. 2d, when the the new arrangement was carried into effect.

The circulation of the Bank, by the return made last June, was \$7,718; on Sept. 1, it was \$15,000 ; and Feb. 2d, the day of our examination, it was \$30,583. None of the bills are in circulation in the vicinity, as we found by inquiring at Bangor and Frankfort. On the second day of September, previous to the sale the following was the condition of the Bank:

RESOURCES.

Real Estate,	12,200
Alabama State Scrip,	2,000
Loan,	33,431 83
Stock of the Bank,	25,400
Profit and loss,	860 62
	<hr/>
	\$73,892 45

LIABILITIES.

Capital,	50,000
Circulation,	20,300
Deposites,	953 39
Unpaid Dividend,	10 71
Memorandum Checks, &c.,	2,628 35
	<hr/>
	\$73,892 45

The amount of the circulation in the foregoing table included

\$5,300 in the Suffolk, for which the Bank was indebted to that institution in the same amount.

We annex to this report a copy of Mr. Roop's agreement with the Bank, a list of its officers and stockholders, and an exhibit of its situation on the 2d February instant, the bills discounted, including Roop's liabilities for \$30,000. The exhibit does not include the liability of the Bank for the loan notes, nor the paper guaranteed by Mr. Shaw, nor on the other hand does it embrace the means placed in his hands to provide for them.

On a comparison of the facts in the two cases which have formed the subject of this report, they will be perceived to be of a somewhat different character. In the case of the Frankfort Bank, the sale was made by consent of the directors, and of stock belonging principally to the Bank, and is a matter of record. In regard to the Globe Bank, it was a private adventure, from which one individual only appears to have derived a benefit, while the Bank has been subjected to heavy liabilities. In both transactions however, an essential element was, that the purchasers were furnished with large and very unusual accommodations from the funds of the institutions.

We do not perceive that Mr. Shaw, who has from the beginning, been the principal if not the sole manager of the Frankfort Bank, was actuated in the late transaction, by other motives than a desire to resuscitate the Bank, and bring it into usefulness and honor. But that operations, which place the control of a Bank and all its substantial business beyond the limits of the State, are inconsistent with true banking principles, incompatible with the spirit of the charter, and inexpedient in point of public policy, we have no hesitation to affirm. The effect of the system is to create a circulation not to be used at home, but for the benefit or the injury of another State, to afford pecuniary facilities for strangers abroad, instead of the neighborhood in which the institution is established, and to place beyond the reach of scrutiny the character and responsibility

of the persons interested, as debtors or managers, in this important auxiliary to the business and prosperity of our people.

It is a fact which the recent examination has brought to our knowledge, that during the last year, repeated attempts were made by brokers and speculators to buy up eastern Banks to promote their private objects ; and generally the weaker Banks were seized on as a more willing prey.

We cannot for a moment entertain the belief, that such operations will receive the sanction of the government. They are not only injurious to its character but dangerous to its interests. They encourage irregular banking, and expose our institutions to be placed in the hands of irresponsible men, for whose honesty, fidelity or good management, the public have no guaranty.

We may therefore properly close our report by a recommendation that a provision be incorporated into our law, which shall require a majority of the stock of all Banks to be actually *owned* in the State. Improper practices may be committed against the strongest securities of the law, not only in banking but in every good measure ; it is the duty of the Legislature to place such guards as experience may suggest against the avarice and other passions of men—to strengthen the weak, to protect the innocent and unsuspecting, and to deter the wicked.

WM. WILLIS,
JAMES CROSBY.

February 4th, 1841.

CONTRACT WITH HENRY ROOP.

Whereas I, Henry Roop, of Buffalo, in the State of New York, have, on this second day of September, 1840, contracted with Benjamin Shaw of Frankfort, State of Maine, for the purchase of four hundred shares in the capital stock of the Frankfort Bank, to be transferred to me and to such other re-

sponsible persons as may become interested therein with me; three hundred shares of which have been thus transferred this day, and the remaining one hundred shares to be so transferred on or before the first day of November next.

Now, be it known, that in consideration of having become thus interested in said Bank, and for other valuable considerations, I do hereby promise and obligate myself to the President, Directors & Co. of said Frankfort Bank, their successors and assigns, to make a permanent arrangement with responsible and respectable agents in the city of New York, who shall, on or before the 10th day of this month, commence and continue to purchase all the bills of said Bank, which shall from time to time be offered to them, at a discount of not less than one per cent. or more than two per cent. giving therefor specie or current bank bills, and causing the bills of said Bank to be so quoted in all the principal Bank note tables in said city of New York. And I also further agree and obligate myself to furnish said agents, at all times, with funds sufficient for the purchase of said bills; and also to furnish from time to time all necessary aid to said Bank for the redemption of such portions of its bills as shall be presented at the counter for redemption, either by acceptance of sight drafts on the Bank of America at Buffalo, made payable at the city of New York, or furnishing the bills of the said Bank of America for that purpose. This agreement to continue in force till the same shall be mutually dissolved by the said President, Directors & Company and the said Henry Roop. Given under my hand at Frankfort the day and year before written.

Signed, HENRY ROOP.

Witness, BENJAMIN JOHNSON.

The above is a true copy of the original paper in the hands of the Frankfort Bank.

G. BAILEY, Cashier.

February 2, 1841.

LIST OF STOCKHOLDERS OF THE FRANKFORT
BANK FEBRUARY 2d, 1841.

NAMES.	RESIDENCE.	SHARES.	AMOUNT.
Benjamin Shaw,	Frankfort,	1 share	\$100
Nehemiah Rich,	“	10	1,000
Littleton Reed,	Bucksport,	10	1,000
Jones Shaw,	Northport,	1	100
Benjamin Johnson,	Frankfort,	1	100
Tisdall Dean,	“	5	500
Samuel Merrill,	“	5	500
Moses Baker,	“	1	100
Isaiah Rich, Jr.	“	3	300
Edmund Clements,	“	3	300
Jonathan Merrill,	“	3	300
Alvin Thomas,	“	2	200
Cushing Whitman,	“	1	100
Richard Rankin,	“	5	500
Benjamin S. Smith,	“	1	100
Daniel Norton,	“	1	100
Reuben Rich,	Bucksport,	50	5,000
Wm. B. Reed,	Bangor,	10	1,000
Boardman Johnson,	Jackson,	2	200
Joseph Drew,	Alton, N. H.	40	4,000
Mary Ann Tucker,	Boston,	2	200
Eliza Cotton,	“	1	100
Henry Roop,	Buffalo, N.Y.	100	10,000
James Miller,	“	50	5,000
Robert Pomeroy,	“	50	5,000
George Sherwood,	“	50	5,000
George C. White,	“	49	4,900
Miles Jones,	“	25	2,500
Jeremiah N. Peabody,	“	13	1,300
Gordon Bailey, <i>Cash. in trust</i>	Frankfort,	5	500
		500	\$50,000

GORDON BAILEY, *Cashier.*

EXHIBIT OF THE FRANKFORT BANK, FEBRUARY 2, 1841.

<i>Liabilities.</i>		<i>Resources.</i>	
Capital stock,	50,000 00	Specie,	525 79
Circulation,	30,583 00	Deposites with Dew,	
Nett profits,	1,128 85	Robinson, & Co.,	
Deposites,	420 00	New York,	2,130 00
Dividends unpaid,	10 71	Deposite in Bank of	
Due Suffolk Bank,	5,300 00	America, Buffalo,	19,600 00
Other liabilities,	93 69	Bills of other banks	247 00
		Bills discounted,	44,118 46
		Notes lodged with	
		B. Shaw, as col-	
		lateral to pay the	
		Suffolk Bank,	5,300 00
		Due from H. Roop,	615 00
		Real estate,	15,000 00

 \$87,536 25

 \$87,536 25

(Signed)

G. BAILEY, *Cashier.*

 STATE OF MAINE.

HOUSE OF REPRESENTATIVES, }
 February 5, 1841. }

ORDERED, That the foregoing Report be laid on the table,
 and 1000 copies be printed for the use of the Legislature.

[Extract from the Journal.]

ATTEST: GEORGE C. GETCHELL, *Clerk.*