

The Demise of Charles Haworth, Louis Eugene, Henry Clarke, and Clarke Haworth Spencer And the First National Bank of Grinnell.

The Daily Plainsman
(Huron, South Dakota)
17 Aug 1892, Wed • Page 1

An Iowan Accidentally Killed.
COLORADO SPRINGS, Colo., Aug. 17.—Charles H. Spencer, president of the First National bank of Grinnell, Iowa, was almost instantly killed in this city during the evening. He was standing on the platform of the Union depot when a passing train struck a baggage truck that had been left on the track and threw it into the crowd. Mr. Spencer was struck by it. Five ribs were broken and his head hurt. He lived fifteen minutes. He was about 70 years old and was quite wealthy.

FATE PURSUED BANKER'S FAMILY.

He Killed Himself 12 Years Ago
and Now Remaining Mem-
bers Have Died by Their
Own Hands.

(Special Dispatch to the Evening News.)
GRINNELL, Ia., Aug. 1.—Three men, father, son and grandson, are the victims of the fate that has mysteriously pursued the officials of the First National Bank of this city.

F. H. Spencer, founder and president of the bank, died by his own hand 12 years ago. Till now there has been no suspicion of irregularity in his management. His son, Henry C. Spencer, succeeded to the presidency, and the grandson became bookkeeper and confidential man. Ten days ago Henry C. Spencer and his son went in their launch to the middle of the lake on the edge of the town and jumped into the water. Both were drowned. Next day the bank was closed. The government examiner in charge has made no announcement of the bank's condition.

The bank is credited by its last statement with about \$250,000 in deposits. The best information is that if it really had such an amount there will be heavy losses. Sensational news is expected when the receiver makes his report.

FATHER AND SON BOTH DROWNED

GRINNELL BANKER TRIES TO
SAVE SON.

Father and Son Drowned in Arbor
Lake—Spencer Formerly Treas-
urer of Iowa College.

Grinnell, July 22.—Special.—Henry C. Spencer, a prominent banker of this place and his son Clarke H. Spencer, were drowned in Arbor lake last night.

They were out on a pleasure trip on the lake in a launch and Clarke by a sudden lurch of the boat fell overboard. His father jumped after him. Both struck out for the shore, Spencer reaching it safely, but he plunged in again after his son, and both went down a few feet from the bank.

Spencer was a former treasurer of Iowa College, Grinnell, and a prominent citizen.

Buffalo Evening News (Buffalo, New York) · 01 Aug 1904, Mon · Other Editions · Page 15

Iowa City Press-Citizen (Iowa City, Iowa) · 21 Jul 1904, Thu · Page 1

BANKER AND SON DROWN.

**HENRY C. SPENCER ATTEMPTS
RESCUE, BOTH PERISH.**

**Boy Falls Overboard from Launch at
Grinnell, Ia., and Father Jumps In
After Him—Dead Man Former Treas-
urer of Grinnell College—Judge Up-
ton Muir Loses Life in Surf at Cape
May, N. J.—Wisconsin Boy a Victim—**

DROWNINGS OF A DAY.

	Number dead.
Grinnell, Ia.....	2
Cape May, N. J.....	1
Chippewa Falls, Wis.....	1
Chicago	2
Warren, O.....	2
Total	8

Grinnell, Ia., July 20.—Henry C. Spencer, a banker of this place, and his son, Clarke H. Spencer, were drowned tonight in Arbor lake here. They were out in their launch when Clarke fell into the water and his father jumped after him. Both struck out for shore, Mr. Spencer reaching it safely, but he plunged in again after his son, and both went down a few feet from the bank. Mr. Spencer was former treasurer of Iowa college.

The comptroller of currency has declared a third dividend of 10 per cent in favor of the creditors of the First National bank of Grinnell, making in all 55 per cent on claims proved, amounting to \$334,590.17.

Evening Times-Republican
(Marshalltown, Iowa)
06 Jun 1905, Tue · Page 2

FIRST DIVIDEND ANNOUNCED

**Creditors of Wrecked First National
Bank of Grinnell Will Receive
25 Per Cent.**

WASHINGTON, Dec. 19.—(Special.)—The comptroller of the currency has declared the first dividend of 25 per cent in favor of the creditors of the First National bank of Grinnell on claims proved amounting to \$331,201.70.

The Des Moines Register
(Des Moines, Iowa)
20 Dec 1904, Tue · Page 3



The Grinnell News.

Special to Times-Republican.

Grinnell, July 25.—The double funeral of Mr. Henry C. Spencer and Clarke H. Spencer on Saturday afternoon, attested by the crowds attending, by the closing of places of business, by the profusion of floral designs and the masses of flowers, and by the long line of sincere mourners who attended the bodies to the cemetery, the general respect in which father and son were held, and the deep impression made upon the public mind by the awful double tragedy. Delegations were present from both Malcom and Montezuma, and individuals from other places. It required nearly an hour at the Congregational church for those who wished to do so to merely pass by and take a last look at the familiar faces. And so interwoven for so many years have been the life of the father and of his father with the most important interests of Grinnell that it was very difficult for a speaker, whose life has also been a part of the history of college and town during these same years, to find words to fitly express what he wished to say or to keep from intermingling the events of the two elder lives, as time seemed so short in the retrospect.

Willis Davis, of Montezuma, was here on Saturday to attend the Spencer funeral, and remained over Sunday with relatives.

Rev. J. F. Reinsch was not able to be here to conduct services in the German church yesterday.

Dr. B. G. McGuin and H. B. Westlake and their families are taking a brief vacation camping near Montour, on the banks of the Iowa.

The first of the informal talks at the Stewart library, given by Professor Bruce Fink last Friday evening, upon the subject, "Trees," was very interesting and instructive and fairly well attended.

A meeting of the directors of the First National bank will be held today to consider a successor to Mr. Henry C. Spencer as cashier.

Presiding Elder J. C. Willitts of Okaloosa district was a Grinnell visitor today.

Evening Times-Republican (Marshalltown, Iowa) · 25 Jul 1904, Mon · Page 2

Receiver is Appointed.

Washington, July 28.—The controller of the currency has appointed E. B. Shaw, a national bank examiner, receiver of the First National bank of Grinnell, Ia., whose doors were closed by the directors Tuesday. The following statement of the condition of the bank was shown by its last report, June 9, 1904

Resources.	
Loans and discounts	\$389,673
Overdrafts	2,498
United States bonds	25,000
Banking house	1,600
Due from banks and bankers	32,098
Cash and cash items	21,438
Redemption fund	1,250
Total	\$47,554
Liabilities.	
Capital	\$100,000
Surplus and undivided profits	26,562
Circulation	25,000
Deposits	321,992
Total	\$473,554

SHORTAGE WILL REACH \$245,000

Spencer Estate Paid Only \$23,000 of the \$268,000 Claims Against Failed Bank.

Grinnell, April 4.—H. W. Spaulding administrator of the estate of Henry C. Spencer, who wrecked the First National bank of Grinnell, filed his final report at Montezuma yesterday. The tragic death of Spencer and his son Clarke H. Spencer, who were drowned in Arbor Lake in the summer of 1904, followed by the discovery that Mr. Spencer, who had been for years the trusted cashier of the First National bank of Grinnell, was deeply indebted to the bank and the immediate closing of the bank and appointment of a receiver will be well remembered throughout the state. The claim of the receiver of the bank against the H. C. Spencer estate was approximately \$268,000 and the final report of the administrator shows that the estate paid \$23,000 of this claim, leaving an unsatisfied shortage of about \$245,000. The dividend of 8.63 per cent reported by the administrator as paid all of Spencer's creditors, exhausted the funds available. Geo. W. Swords, receiver of the bank, has already paid 65 per cent of the claims against the bank and probably when the affairs of the bank are wound up 75 per cent of its creditors' claim will be satisfied.

Quad-City Times (Davenport, Iowa) · 28 Jul 1904, Thu · Page 2

Quad-City Times
(Davenport, Iowa)
04 Apr 1906, Wed · Page 2

NINE SPURIOUS NOTES SHOW DEAD CASHIER WAS FORGER.

New Developments Disclose Dual Nature of H. C. Spencer's Operations in Grinnell, Ia., Bank.

Grinnell, Ia., Aug. 1.—Evidence that H. C. Spencer, cashier of the defunct First National bank of this city, who met death with his son in a mysterious double drowning two weeks ago, was not merely a defaulter but also a forger, came to light today in the discovery of nine bogus notes purporting to be signed by as many prominent farmers and business men of this section.

The notes aggregate \$7,479. The bank's receiver sent notices to men whose names were attached, and they appeared today and declared the signatures spurious. In each case there was a slight transposition of letters in spelling of names.

How many more notes of the same character are extant is not yet known. The bank receiver is not yet ready to make a statement, the affairs of the institution being badly involved.

Chicago Tribune (Chicago, Illinois) · 02 Aug 1904, Tue · Page 5

They Were in Contempt.

BEATRICE, Neb., Oct. 11.—[Special.]—The first of the street railway war cases growing out of the arrest of the officials of the Rapid Transit and Power company on a charge of obstructing the streets was tried yesterday with Secretary L. E. Spencer of the Rapid Transit company as defendant. Upon conclusion of the trial last evening the defense moved to dismiss, but Police Judge Callison, before whom the cases were tried, held otherwise, and Spencer was found guilty as charged in the complaint and was fined \$1 and costs. He at once appealed the case to the district court.

Name: Louis E Spencer

City: Beatrice

State: NE

Occupation: secretary

Year: 1893, 1894

Business Name: Beatrice Real Estate & Trust Co;
Beatrice Rapid Transit and Power
Co

Location 2: Front, corner Russell av

Lincoln Journal Star
(Lincoln, Nebraska)
11 Oct 1892, Tue • Page 1

Cancelled 1899.
Beatrice Rapid Transit Co., Beatrice, Neb. Nebraska Charter cancelled 1909.

THE UNDERWRITER

LIFE AND CASUALTY

The Men Who Take Risks

HISTORICAL AND BIOGRAPHICAL

ILLUSTRATED

CHICAGO
THE FIDELITY PUBLISHING COMPANY
1896

LOUIS EUGENE SPENCER

MANAGER OF IOWA AND NEBRASKA FOR THE UNITED STATES LIFE INSURANCE COMPANY.



There is little that interests one more than to trace the career of a man who, endowed with energy and ambition, enters boldly into the struggle of life and makes for himself a high place in the busy world. Thus it has been with **Louis E. Spencer**, Manager of Iowa and Nebraska for the United States Life Insurance Company. He was born at Grinnell, Poweshiek County, Iowa, July 22, 1856, but since his connection with the above company has made his home at Des Moines, Iowa.

He is a son of Charles Henry and Mary Ann **Spencer**, two of the earliest and most influential citizens of Grinnell, Iowa. The parents left York State and settled in Grinnell in the fall of 1855, joining the western colony organized by the Hon. J. B. Grinnell. Mr. **Spencer** soon became one of the leading citizens and established a small private bank, which was organized into the First National Bank of Grinnell in 1865. He was Cashier of this until his death, caused by a railroad accident, in August, 1892. He assisted liberally and actively in the organization and maintenance of Iowa College and the Congregational Church at Grinnell, as well as all public enterprises. Mr. **Spencer** was widely known throughout the State of Iowa for his business ability, honesty and high character. His wife, a woman of sound education, great strength of mind and high Christian character, joined with her husband in his life work, and wielded a powerful influence in the training and education of her children.

The **Spencer** family came originally from England, and our subject can trace his ancestry back in a straight line for over four hundred years. Mrs. Spencer's maiden name was Mary Ann Haworth, and she was born in Jefferson County, New York, March 24, 1824, and she is also of English origin. Her parents were Joel and Mary Haworth. The Haworths have ever been noted for excellent business qualifications, honesty, upright character, and the Spencers have been not less so.

Louis E. Spencer was educated in the public schools and preparatory department of Iowa College at Grinnell, and the Iowa Agricultural College at Ames, Iowa, graduating from the latter in 1876. Later he took a thorough commercial course in Bryant & Stratton College at Davenport, Iowa, followed by a law course at the

MORE OF THE SPENCERS

L. E. Spencer Now Admits Bankruptcy to the Extent of \$357,000

HIS BEATRICE SPECULATION

This Recalls First Inroads Upon First National Bank Made by the Father to Help the Son's Venture and Forgeries of Other Son to Cover the Crime.

Special to Times-Republican.

Grinnell, July 14.—The announcement that Louis E. Spencer, a life insurance agent of Chicago, has filed a petition in bankruptcy placing his liabilities at \$357,645 with assets of \$260 and \$86,980 of his liabilities secured excites little more than passing interest in Grinnell where the story of the Spencers, father, two sons and a grandson, is known by everyone. The above bankruptcy is not new. L. E. Spencer has been a bankrupt for many years. The appearance of Nathan and Maggie C. Blakely, of Beatrice, as creditors for \$25,736 and J. F. Wilson, of Grinnell, for \$8,237 merely recalls the story of the Beatrice town lot speculation in which the Spencers first fleeced their friends in Grinnell and made the first hole in the First National bank which finally resulted in engulfing the whole institution after the father, C. H. Spencer, had been struck by a railroad train in Colorado and the other son, H. C., with his son were drowned last summer.

L. E. Spencer studied law but never practiced his profession. He began his business career in Grinnell where he immediately developed sky rocket methods. The old town was too slow for him. So he and one Dr. Brumbach went to Beatrice, Neb., to exploit the people there and teach them the mysteries of high finance. Dr. Brumbach was a homeopathic practitioner. Seduced by the prospect of larger profits, he deserted the healing art, and entered the field of the real estate speculator.

Years and years ago two enterprising fellows platted a city in Sheridan township, this county. They bought and paid for 640 acres at a cost of \$800. They then drew a sketch of the city, not as it really was, a stretch of uninterrupted grass, rosin weed and golden rod, but as it was to be. A beautiful river ran thru the city on paper. On this river and close to a splendid dam, were two towering flour mills. The main street contained splendid business blocks, and the smoke stacks of factories loomed up in various places. This was lithographed and by means of these things lots sold in New England like hot cakes, at \$200 to \$600 apiece. Today the river no longer runs, the mills are silent, and the smoke stacks have given way to a sea of waving corn. The good people of New England still have their deeds, but others own the land.

Spencer & Brumbach were familiar with this story. They bought a large farm south of Beatrice, Neb., and across the river. They spanned the river with a splendid bridge and built a street car line across the river and around the "Spencer & Brumbach addition." They bonded the street car line and sold the bonds: they platted their lands, laid out broad avenues, planted shade trees, and bought \$500 advertisements in Harper's Weekly. But the lots wouldn't sell. Spencer built a fine house. So did Brumbach. Several other good houses were built and still the people were unwilling to buy residence lots two miles from the town.

They had to have money. They hired a man by the name of Talbott. To this fellow they conveyed the lots, three in a bunch, and he in turn gave Spencer & Brumbach mortgages for the purchase price, about \$100 a lot. Each lot was worth about \$10. With lithographed papers, an application and the certificate of their "examiner" they sold the mortgages and when sales fell off, they got Charles H. Spencer, the father, then cashier of the First National bank, to add his guarantee to theirs. In this way something like \$250,000 of these mortgages were sold in Grinnell to the oldest and best friends of the Spencer family, Charles H. Spencer all the time keeping a stiff upper lip and representing to his closest friends that he was worth \$100,000.

Sales got dull, Spencer's victims began to feel as if they had enough of his paper, but the mill kept grinding and calling for more. Then Charles H. Spencer lent L. E. Spencer more money from the First National bank, anticipating the sale of more straw mortgages that were never sold, and when his tragic death occurred in Colorado the bank held about \$20,000 of L. E. Spencer's paper, endorsed by Charles H. Spencer. These notes were never filed against the father's estate. It never became fully known to the public. Henry C. Spencer, the son and brother and administrator, pretended and led the creditors to believe that his father's bank stock, 150 shares, were pledged to the bank as collateral to secure his father's liability. Without inquiry the creditors accepted this plausible story as true. It was all a lie. H. C. Spencer simply appropriated his father's stock and substituted forged notes for those on which his father was liable.

The father's estate paid 16 2-3 cents on the dollar, on claims filed and proved. Old Dr. Cochran got all his money, \$1,500, by bringing a suit against the bank direct. The drafts had been so manipulated as to make the bank liable.

The story has all been told in the Times-Republican, "The True Story of the First National Bank of Grinnell," which appeared in 1904.

L. E. Spencer left Beatrice and turned up in Des Moines as an agent of the New York Life. Later he drifted to Chicago and must have become connected with the Northwestern, of Minneapolis, as they appear to be a \$17,000 creditor. No one will mourn over this. This is the company that bought out one of those gold bond companies at Des Moines and then tried to recover the assets, and was restrained by Auditor Carroll. Later, the Minneapolis offices were removed by the govern-

nor of Minnesota for scoundrelly practices. The gold bond companies were purely philanthropic schemes, by some Des Moines philanthropists, for the purpose of taking care of the surplus earnings of school teachers, servant girls and wash women. They became unpopular and sold out.

J. F. Wilson, of Grinnell, is not a creditor of Spencer at all. Old man Snider, the private banker, who failed so disastrously several years ago, loaned Spencer, who used to be a partner of his in what was called the Citizens' bank, \$8,000. This note, among others, was sold at auction for less than a dozen dollars. Wilson bought the bunch for fun.

Spencer reports \$86,000 secured claims. The fact is there are no secured claims, except as above set out, mortgages on worthless securities and C. H. Spencer's endorsement.

This will complete the chapter of the Spencers in Grinnell. Beginning with this real estate speculation in the early 80's L. E. and his father, C. H., and brother, H. C., have impoverished hundreds of their closest friends, have wrecked the pioneer bank of the city, left old people penniless in their dying years and strewn disaster and ruin about them.

TALE OF DUPLICITY BACK OF HOWA BANK WRECK

Explanatory of Mysterious Death By Drowning of Heir to Two Generations of Profligacy and Deceit.

GRINNELL, Ia., Oct. 10.

The true story of the First National bank of Grinnell has never been written. It is an astounding record of credulity on the one hand and duplicity on the other. How the Spencers managed to deceive their friends and confound their enemies for a long period of years is really stranger than fiction. More than \$500,000 of forged paper, an assessment of 100 per cent on the stockholders and many of them ruined, and depositors still unpaid with little prospect of their recovering the full amount of their claims while ring riders peddle saddles upon the wreck for an indefinite period a politician for receiver, whose salary and expenses eat still further into the substance of the bank, has now become an oft published story.

But what did Spencer do with the money? Since the 27th day of July a great many people have asked themselves this question, and it has been asked of others more than a thousand times. The answer is: He made, and made, it is true that H. C. Spencer used the bank's funds to build the storage building, he used the bank's funds to make a certain \$150,000 farm loan, he used the bank's funds to buy, of one of the original holders, forty shares of stock at a cost of about \$3,000. But all of this property is in sight and it is available. The mortgage was made payable to himself, for the purpose, evidently, of having the record show that he was in a financial condition to enable him to lend money at 5 per cent. The Raymond stock was purchased because it was offered. Spencer did not dare to depreciate it, and he did not dare let it fall into the hands of someone who might be unwilling to always take his word for the bank's condition. What is meant is, that Spencer did not squander the bank's funds in riotous living, nor in speculation. His salary, the income from the Hatch estate, and the annual dividends on the bank stock owned by his father, which he deliberately appropriated, concealing the fact from his father's creditors, were ample and more than sufficient to meet all expenditures. Possibly as an offset to some of the outlays above referred to the bank got the benefit of some surplus income.

Guess Back Thirty-five Years.

To get at the beginning of this defalcation, one must go back thirty-five years, and if ever it were true that truth is stranger than fiction, it is true in the story that follows:

Charles H. Spencer, the grandfather, came to Grinnell in 1854. He got interested in the little industries of the village in company with the late Dr. Holyoke. Dr. Holyoke was a physician and he secured a large and lucrative practice. Spencer owned a real estate office, but with "city" lots worth \$10 apiece, and with land that could be had for the asking, dealings were not large. Later Holyoke & Co. started and operated a small drug store, and about 1864 they opened a small private bank. This was abandoned when the First National was established in 1866, and Spencer became the cashier. His real estate holdings at that time were several pieces of land, and in company with Dr. Holyoke he owned a half interest in quite a number of the cheaper village lots. His entire holdings had

no considerable value. From time to time as he sold lands he picked up bank stock, and at the time of his death in 1893 owned 150 shares of the par value of \$15,000.

He became associated with C. G. Carmichael in the grain business. Carmichael failed in '68 or '69 and it was known at the time that Spencer lost heavily. An examination of his accounts with the bank showed that he had been using the bank's funds wrongfully. The money necessary to settle the Carmichael obligations probably came out of the bank, as Spencer, at that time, had no other known resource. The subsequent examination made the suspicion a certainty. Spencer was suspended for one year, and Mr. Lawrence was installed as cashier, at the end of the probation Spencer, by borrowing from his friends, made good the deficit, and again took his place as the head of the bank. The Carmichael loss could not have been less than \$5,000. The liabilities were certainly greater, but quite a salvage was realized out of real estate in course of time.

Trouble in the Family.

About this time soon after the relations between the elder Spencer and his wife became so strained that she agreed to go to Manitou, Col., and remain away, provided the husband would provide a home there, and an income. The Manitou property cost \$5,000, and is thought to have come out of the bank's funds.

About 1873 the Mowbray scandal occasioned very unfavorable public comment. Mowbray, the husband, taking advantage of his knowledge of the situation, had managed to become debtor to Spencer's bank in a large amount, and it was not secured. This culminated in Spencer relieving Mowbray of his financial obligation, and assisting him and his family to reach California, and Spencer became the owner of the brick building on Broad street, which was destroyed by fire in 1898. The affair cost Mr. Spencer about \$8,000, quite probably, came from the bank. Some time in the '80s Spencer's son-in-law, Dudley, went into the grain business with N. M. Cass. The firm was known as Cass & Dudley, and Spencer was Dudley's backer. This firm got on to the board of trade with the usual result. Spencer undertook to carry the debt through for them, but found the load too great, and the firm went to the wall. This cost Mr. Spencer, according to his own admission at the time, \$15,000. Those who knew Mr. Spencer at the time know that he could not have raised \$15,000 unless he borrowed it, or used the bank's funds.

Following this came the Denver situation. This lasted four or five years, and must have cost a great deal of money. Parties in Denver say that it cost \$10,000 simply to end the matter.

Fell Down on Beatrice Debt.

Then came the Beatrice, Neb., real estate speculation begun by Dr. Brumback and L. E. Spencer, son of the elder Spencer and brother of the dead cashier, and finally involving the elder Spencer. These men platted a new field, containing about 150 acres about two miles from the city, with a river flowing between. Connected it with the city by a street railway, laid off avenues and planted trees. They

came ominous; there was almost storm, and hot words were passed. A Spencer said that the time was a rousing when the Spencers had no longer be endured. Then, came the tragedy of July 29 and ended a

Paid Unearned Dividends.

In 1902 the leading bank of Grinnell was paying a semi-annual dividend of 3 1/2 per cent. Mr. Spencer, not to be outdone by a rival institution, by his directors that he could pay 5 1/2 also. As a matter of fact, with such an impairment of capital as must have existed at the time, the 3 1/2 per cent dividend had not been earned. The statement showing earnings was false, and from that date every statement submitted, down to the day of his death was false. When the dividend was paid it is likely that the bank was enlarged by the amount.

At the time taxes on stock were paid by the corporation, adds from such taxes, and including only ordinary expenses, the running expenses were about \$5,000. The net earnings could not have been more than \$10,000, and the dividend exceeded \$5,000 so that the dividends paid continued to grow worse down to 1903. As a result the other national bank would increase its dividends. Mr. Spencer's statements of earnings would show a steady increase, all false. About July 1903 the other bank paid a 4 per cent semi-annual dividend, and the First National promptly followed suit. The examination will show that in July, 1903 the deposits were in excess of the amount shown by the books, instead of less. There were not less than \$50,000. Of this \$50,000 were about 4 per cent on there were but \$20,000 good securities left, and these at 7 per cent would only yield \$2,800 more interest than the bank was paying. In other words, for the year the bank's net income must have been only \$2,800, and yet the dividend and expense were \$15,000. This alone would enlarge the hole by \$12,200.

How the books were manipulated is a mystery, and will probably always remain so. It is wholly incompetent to unravel the mystery. The history of the appointment of the receiver would throw some interesting side lights on the system of graft that Lincoln Steffens writes about in McClure's. It would reflect no credit on certain officials, and some Iowa politicians would appear in a light not complimentary, and their admiring constituents would have to revise their opinion. Depositors are now paying three men very high salaries for doing what one ordinary business man could do with out bringing about the ruin of a system. Unfortunately when a national bank goes into liquidation, the receiver is not selected on the ground of fitness, of competency or of family connections. The only question is, how can certain politicians pay their most pressing political debts, and advance their own personal political fortunes.

Beatrice Boom a Material Factor.

The story now arises after reading this question who does not know, at least suspect what was going on. The answer is that while the elder Spencer lived those who had interests in the bank had ample warning, but the system they turned a deaf ear. When he met his death in 1893 the audacious man who H. C. Spencer trusted to handle the estate's assets ought to have suggested inquiries, but the very boldness of his methods they acquiesced. Then there were men, quite a number of them, who knew something was wrong, but they only surmised, they knew still. Up to time the bank's statements were examined with misgivings. The trouble was believed to be the presence of a large lot of bad securities. Connected it of the Beatrice failure, but forgery was never suspected.

For example, the last semi-annual statement of July, 1904, The Merchants National showed a line of discounts of \$20,000, the First National of \$47,900. Both banks looked in the immediate vicinity of Grinnell to the same class of borrowers and at the same rates. The only difference between the earnings should have been six months interests, 7 per cent on \$67,900, or \$2,300. As a matter of fact the earnings of one bank appeared to be about \$11,000 and of the other about \$7,000, a difference of \$4,000. If the statement had been true it would have been impossible. As yet it is impossible to say that not over a half dozen men had these contradictions and comments on them.

MR. VERNON D'ARNALLE.

Opens University Place Y. M. C. A. Lecture Course With Vocal Recital.

on avenues and planted trees. They adopted Letson Ballet's methods of advertising and bought whole pages in Harper's Weekly at \$500 a page. But Beatrice wouldn't grow, and the failure was most disastrous. Spencer had endorsed his son's notes freely, and these notes secured by mortgages on lots sold freely on the strength of the elder Spencer's endorsement.

Just how much this Beatrice deal cost the First National bank may never be known. H. C. Spencer knew what his father was doing, but he said nothing. It is certain, however, that he protested with both his father and brother. H. C. Spencer knew the amount, but he is dead. The bank officials only knew what he chose to disclose. He resented inquiry always and met any such effort on the part of the officials with an injured air, threatening to resign. The amount at the time was publicly talked \$30,000.

In addition to this, when the elder Spencer was killed at Denver in 1893 H. C. Spencer represented to his father's attorneys and to their attorney that his father died owing to the bank \$15,000 and that his stock was held by the bank as collateral. The statement that he owed the bank at the time, in addition to the L. E. Spencer shortage of \$30,000, notes amounting to \$15,000 cannot be positively verified, but the statement that the bank claimed and held the \$15,000 stock was absolutely untrue. It was not held by the bank as collateral, but was simply seized by H. C. Spencer, and appropriated and never listed for the creditors as an asset at all.

Books Altered.

It is thus probable and reasonably certain that in 1893 H. C. Spencer was behind with the bank \$70,000 or \$80,000 and the capital was impacted to that extent. It was then that H. C. Spencer entered upon his amazing course of duplicity and deception. The books were altered to show a much smaller debt than really existed. The directors were made to deposit good H. C. Spencer, in some way make good his father's shortage. Some even suggested that this would be the price of his remaining in the bank. At last, driven to some course, and either too proud, or lacking the moral courage to tell the truth, he padded the bank's assets by submitting forged notes. These he would distribute through the note pockets the night before the semi-annual meeting and again abstract them and lock the map the next night. He was often seen emerging from the bank after 12 o'clock midnight.

As this deficit grew the burden grew. Gradually nearly all the work was shifted on to his own shoulders, as it would not do to let the bookkeeper who preceded his son Clark, nor the teller who preceded young Staak know the true condition of the bills received and certificate of deposit accounts.

The directors of the bank, nearly all of them old men, beyond the power of activity in business matters, trusted him implicitly. They had known his father and had trusted him. The ugly rumors which got into circulation some time ago connecting the elder Spencer with women and illicit use of his credit, were either condoned or forgotten. He was a man who, notwithstanding his shortcomings, never lacked friends to plead his cause. When H. C. Spencer's son Clark was put on the board by means of proxies and the creditable man removed because he was of an inquiry mind, there were rumblings of dissatisfaction. Up to this time the domination of the Spencers had been complete. When the advocates of the first directors were again defeated in January, 1904, the rumblings be-

Mr. Vernon D'Arnalle, the noted baritone, will appear tomorrow evening at the M. E. church, University Place, at 8:15 p. m. As his is one of the most expensive engagements of this year's Y. M. C. A. lecture course, and the concert the opening number of the season, a large and enthusiastic audience is expected.

Mr. D'Arnalle is known throughout musical circles of America particularly on account of his interpretative ability and his masterly execution of German Lieder.

He possesses an exquisite baritone voice, splendidly trained, has an immense repertoire, comprising practically all the songs of five countries, which he sings and plays entirely by heart.

As Mr. D'Arnalle was an accomplished piano virtuoso before the possibilities of his voice were fully comprehended he has a musical equipment that very few singers can boast of. This enables him to accompany himself whilst singing (even the most difficult songs), thus producing a unity of effect that perhaps only one other artist in America, Max Heinrichs, ever obtained successfully.

On Mr. D'Arnalle's repertoire are several of Mr. A. J. Vernon Spencer's songs. On Tuesday evening he will sing four of them, thus adding an amount of local interest to his recital.

His repertoire includes the following: 1. Lob der Thranen, Starnschen, Schubert.

Mein alteo Ross, Fruelingsnacht, Schumann.

U. Gesang Weylas, Ein Staendchen, Hugo Wolff.

In der Vaterstadt, Gefunden, Trost, Gute Nacht, A. J. Vernon Spencer.

3. Dixon is Chaplet, L'Angelus, Un jour, old folk songs of Lower Brittany, fifteenth century.

Viege a mol, Bemberg.

M. Edward, Loerer.

What is Love? Gans.

Mennon, Foot.

NEST IN A LION'S MOUTH.

One pair of little brown wrens, true to their instinct to place their nest as near to the abode of man as possible, or maybe because they are more venturesome than the others, have chosen a strange place

Distress After Eating

Nauseas between meals, belching, vomiting, flatulence, fits of nervous headache, pain in the stomach, are all symptoms of dyspepsia, and the longer it is neglected the harder it is to cure it.

Hood's Sarsaparilla and Pills

Radically and permanently cure it—strengthen and tone the stomach and other digestive organs for the natural performance of their functions.

Accept no substitute for Hood's. "I had dyspepsia twenty-five years and took different medicines but got no help until I began taking Hood's Sarsaparilla. Have taken four bottles of this medicine and can now eat almost anything, sleep well, have no cramps in my stomach, no burning and no distress." Mrs. WILLIAM G. BARRETT, 14 Olney St., Providence, R. I.

Hood's Sarsaparilla promises to cure and keeps the promise.

GRINNELL BANK LOSS A QUARTER MILLION

Grinnell, April 5.—H. W. Spaulding, administrator of the estate of Henry C. Spencer, who wrecked the First National Bank of Grinnell, filed his final report at Montezuma yesterday. The tragic death of Spencer and his son Clarke H. Spencer, who were drowned in Arbor Lake in the summer of 1904, followed by the discovery that Mr. Spencer, who had been for years the trusted cashier of the First National bank of Grinnell, was deeply indebted to the bank and the immediate closing of the bank and appointment of a receiver will be well remembered throughout the state. The claim of the receiver of the bank against the Spencer estate was approximately \$268,000 and the final report of the administrator shows that the estate paid \$23,000 of this claim, leaving an unsatisfied shortage of about \$245,000. The dividend of 8.63 per cent reported by the administrator as paid all of Spencer's creditors, exhausted the funds available. Geo. Sworis, receiver of the bank, has already paid 65 per cent of the claims against the bank and probably when the affairs of the bank are wound up 75 per cent of its creditors' claims will be satisfied.

Duck Hunter is Wounded. Storm Lake, April 8.—I. W. Gibson

Iowa College of Law at Des Moines, Iowa. Early in life young Spencer displayed a decided taste for music and art, and while a boy devoted much attention to drawing. He was also a good scribe and liked bookkeeping, and had much mechanical ability, especially in the line of wood work or cabinet work. Of a genial, sunny disposition, he easily made friends and, what was better, kept them. A lover of books and a great student, he has accumulated a large and select library.

As he was reared in the atmosphere of a bank it was but natural, perhaps, that he should take to the business. His commercial course and a subsequent law course was the foundation for this. After practicing law for four years at Grinnell, he merged his legal business into a private bank and loan office. In 1880 he organized and established the Citizen's Bank of Grinnell, and acted as its Cashier for eight years. While thus engaged he found that he had a decided taste and aptitude for life insurance work, and as he was pleasant and agreeable, with great persuasive powers, this branch of his business prospered.

He was first with the Mutual Life of New York, then the Mutual Benefit of New Jersey, but in September, 1895, he became connected with the United States Life Insurance Company as its Manager for Nebraska and Iowa, a position he holds at the present time. Previous to this, in 1888, he sold out in Grinnell and moved to Beatrice, Nebraska. There he took a deep interest in all its affairs, developed the city and became one of its most influential citizens.

In 1886 he was City Clerk and City Attorney of Grinnell, Iowa, and from 1890 to 1895 was Supervisor of Gage County, Nebraska. Since 1880 he has been a member of Herman Lodge, A. F. and A. M., and Palestine Chapter, R. A. M. He is Past Eminent Commander of St. Andrew Commandery, K. T., of Grinnell, and at present a member of Mt. Heman Commandery of Beatrice, Nebraska. In politics he is a Republican and an ardent advocate of protection and sound money.

On the 10th of June, 1884, Mr. Spencer married Miss Mary Briggs, of Grinnell, Iowa, daughter of Milton and Sylvia M. Briggs. She was born in Wyoming, Jones County, Iowa, June 10, 1862, and is a lady of intelligence and culture. She was educated in the public schools of Newton and Des Moines, Iowa, and in Iowa Agricultural College and Rockford Seminary, Rockford, Illinois. Three bright children have blessed this union, Raymond, Mabel and Helene.

GRINNELL HAS A BANK SENSATION

Shortage in Institution is Found After
Drowning of Father
and Son.

Grinnell, Iowa, July 27.—The First National bank of Grinnell, whose leading director, H. C. Spencer, and Cashier W. C. Spencer, father and son, were mysteriously drowned here last week, has been closed pending an investigation. It is known there is a shortage, but its amount will not be known until the examiner reports. The stockholders of the bank, however, will be abundantly able to take care of all deposits. The drowning of the Spencers, who were good swimmers, is a mystery which is still unexplained.

The Rock Island Argus and Daily
Union

(Rock Island, Illinois)
27 Jul 1904, Wed • Page 1

The Minneapolis Journal
(Minneapolis, Minnesota)
28 Jul 1904, Thu • Page 2

SHORTAGE MAY REACH \$100,000

Spencers at Grinnell Supposed
to Have Plotted to Preserve
Their Good Name.

Special to The Journal.

Grinnell, Iowa, July 28.—A shortage reported to be in excess of \$100,000 is alleged to exist in the affairs of the First National bank of this city, whose cashier, H. C. Spencer, and his son, W. C. Spencer, the bookkeeper, drowned in each others' arms in a lake near here ten days ago.

The doors of the bank are closed and the institution is in the hands of a national bank examiner.

If the alleged shortage exists, it seems to have been made by the son to protect the father. Charles H. Spencer was the cashier of the bank ten years ago. One day he was killed, presumably accidentally. Following his death a shortage of \$20,000 is alleged to have been discovered.

Now it develops that the alleged shortage may have been made good by securities that are worthless, and that these have been carried for ten years by H. C. Spencer, the cashier. Whether the grandson's name, who died with his father, will be mentioned in the same connection, is problematical.

Following the tragic drowning of the father and son, no coroner's inquest was held. The deaths were firmly believed to be accidental. The elder Spencer's wife was the only witness to the tragedy. Her version was accepted.

The possibility of a shortage in the bank's accounts was not considered until after one night's work the president found facts which warranted him in closing the doors of the place and calling the national examiner.

SHORTAGE MAY BE SMALL

Receiver Shaw at Work on the Books
of the Bank.

Special to The Journal.

Des Moines, July 28.—E. B. Shaw, national bank examiner, who has been appointed receiver of the First National bank of Grinnell, owing to the reported shortage discovered after the tragic death of Cashier H. C. Spencer and his son, C. H. Spencer, has computed the liabilities and is determining the assets. He fails to confirm the prevalent belief of a \$100,000 defalcation, but declines to make any statement.

Those who saw the drowning of the cashier and his son, who was the head bookkeeper of the bank, emphatically deny that it was suicide and absolutely establish the correctness of the accident theory.

The impression is gaining that after all no serious shortage exists and that the irregularities, if any, are slight.



Type to enter textThe home at 1110 Main Street (6th and Main)
was built in 1892 for Henry C. Spencer.



siect/grinnell:3267

House at 1206 Broad Street, built in 1884 for Louis E. Spencer, a
banker, attorney and realtor, to replace the earlier structure that
fell into its own cellar during the cyclone of 1882. [https://
digital.grinnell.edu/islandora/object/grinnell:kleinschmidt](https://digital.grinnell.edu/islandora/object/grinnell:kleinschmidt)

FORMER GRINNELL TRAGEDY RECALLED

GRINNELL, Ia., July 28.—A shortage reported to be in excess of \$100,000 is alleged to exist in the affairs of the First National bank of Grinnell, whose cashier, H. C. Spencer, and his son, W. C. Spencer, the bookkeeper, were drowned in each other's arms in a lake near Grinnell ten days ago. Further details have just come to light.

The doors of the bank are closed and the institution is in the hands of a national bank examiner.

Former Tragedy is Recalled

If the alleged shortage exists, it would seem that it has been made by a son, to protect his father. Charles H. Spencer was the cashier of the bank ten years ago. One day he was killed, presumably accidentally. Following his death a shortage of \$20,000 is alleged to have been discovered. In some manner the matter was straightened out and the depositors lost nothing.

Now it develops that the alleged shortage may have been made good by securities that are worthless, and that these have been carried for ten years

by H. C. Spencer, the cashier, whose death occurred ten days ago. Whether the grandson's name, who died with his father, will be mentioned in the same connection is problematical.

Deaths Not Investigated

Following the tragic drowning of the father and son a week ago, no coroner's inquest was held. Their deaths were firmly believed to be accidental. The son was swimming in the lake and had gone beyond his depth, it seemed, and the father went to his assistance. Before the two arm in arm could reach the shore they sank. The elder Spencer's wife was the only witness to the tragedy. Her version was accepted.

The possibility of a shortage in the bank's accounts was not considered either until after the president of the institution made a statement. He commenced an examination of the bank's books on the night following the tragedy. After one night's work he found facts which warranted him in closing the doors of the place and calling the national bank examiner.

The Daily Times
(Davenport, Iowa)
28 Jul 1904, Thu • Page 1

Evening Times-Republican
(Marshalltown, Iowa)
06 Aug 1904, Sat • Page 1

STOCKHOLDERS ARE ASSESSED

Grinnell Bank Failure Grows
Much Worse as Facts
Develop

SUICIDE IS NOW BELIEVED

Forgeries Tremendous and Even
Heartless Thievery of Petty Amounts
Appear—Stockholders Assessed 100
Per Cent—Depositors May Suffer—
Have Three Months to File Claims.

Special to Times-Republican.

Grinnell, Aug. 6.—As time passes, and the facts come to light the failure of the First National Bank grows worse instead of better. Stockholders today received notices from the receiver to the effect that they would be assessed to the full amount of their stock. This means that the depositors must lose something for it is estimated that only one-half the stockholders are able to pay. Just what the shortage will be will not be known for three months as notice has been published by Comptroller of the currency Ridgely that claims can be filed within that time.

Henry Spencer and his wife owned one-third of the bank stock. His stock cannot be depended upon for an assessment for the reason that his estate will all be taken before the assessment is used. About one-fourth of the other stockholders had their all invested in the bank stock and when this is gone they will not be able to pay an assessment besides.

As incidents come to light the di-

abolical work of the cashier becomes more and more appalling. It was learned today that when C. L. Gaddis of Hickory township, a very poor and aged farmer, died some two months ago, he prepared for his end by locking up in his safety deposit box at the Spencer bank a certificate of deposit for \$700, and entrusted the key to Mr. Spencer with instructions to deliver the contents to the widow. When the old lady called after the death she deposited \$500, the proceeds of their farm sale and asked for the certificate of deposit. Spencer denied all knowledge of the same and investigation shows that the certificates are marked paid. The old lady never got a cent of it and her \$500 is tied up in the deposits.

So hot had become the volcano over which the Spencers were sitting that there is no longer any doubt in the minds of Grinnell people that both father and son committed suicide. It now transpires that in Spencer's private desk was found a list of the forged paper amounting to \$204,000. Henry Spencer had been in the habit of personally keeping the note register, the certificate register and the discount register, which constitute about all the books of the bank. By keeping all hands off from these records he was compelled to work till midnight often and did about all of the bank work himself, but was able to perform almost any kind of a trick with the records.

The Grinnell Herald yesterday published a story to the effect that:

The bank would not be re-opened. That there will be a material loss to depositors.

That the report of the receiver is likely to show that the deposits were even greater than reported, and that the false entries were made to cause them to show less rather than greater as at first supposed.

That new evidences of forgery constantly appear.

The Times-Republican correspondent reported more than a week ago that there were evidences of forgery, and that the bank would never re-open; but for this the newspaper was censured for disturbing the Bradstreets rating of all Grinnell citizens in general. However, it is not yet certain that there will be a loss to depositors altho this is possible, and the facts will not be known for three months or until all claims are filed in the legal way. It is not true that the receiver's report will show any new developments in regard to the deposits for the men in charge of the investigation have not taken up the deposit accounts except to verify the official statement of \$321,000 deposits with the books which was found to be correct. What false entries will develop will not be known until all depositors file their claims. The Herald's mistake is excusable as all such newspaper errors should be but more care should be exercised or Bradstreets ratings in Grinnell will be memorialized by so-called "yellow journalism."

The True Strange Story of Grinnell's Bank Failure---Where the Money Went

Special to Times-Republican.

Grinnell, Oct. 4.—The true story of the First National bank of Grinnell, has never been written. It is an astounding record of credulity on the one hand and duplicity on the other. How the Spencers managed to deceive their friends and confound their enemies for a long period of years, is really stranger than fiction. More than \$200,000 of forged paper, an assessment of 100 per cent on the stockholders, and many of them ruined, and depositors still unpaid with little prospect of their recovering the full amount of their claims while ring ridden politics saddles up on the wreck for an indefinite period a politician for receiver, whose salary and expenses eat still farther into the substance of the bank, has now become an oft published story.

But what did Spencer do with the money? Since the 27th day of July a great many people have asked themselves this question, and it has been asked of others more than a thousand times. The answer is: He didn't take any. It is true that H. C. Spencer used the bank's funds to build the storage building, he used the bank's funds to make a certain \$1,500 farm loan, he used the bank's funds to buy, for one of the original holders, forty shares of stock at a cost of about \$5,000. But all of this property is in sight and it is all available. The mortgage was made payable to himself, for the purpose, evidently, of having the records show that he was in a financial condition to enable him to lend money at 5 per cent. The Raymond stock was purchased because it was offered. Spencer did not dare to depreciate it, and he did not dare let it fall into the hands of someone who might be unwilling to always take his word for the bank's condition. What is meant is, that Spencer did not squander the bank's funds in riotous living, nor in speculation. His salary, the income from the Hatch estate, and the annual dividends on the bank stock owned by his father, which he deliberately appropriated, concealing the fact from his father's creditors, were ample, and more than ample to meet all expenditures. Possibly as an offset to some of the outlays above referred to the bank got the benefit of some surplus income.

To get at the beginning of this defalcation, one must go back thirty-five

years, and if ever it were true that it is stranger than fiction, it is true in the story that follows:

Charles H. Spencer, the grandfather came to Grinnell in 1856. He got interested in the little industries of the village in company with the late Dr. Holyoke. Dr. Holyoke was a physician and he secured a large and lucrative practice. Spencer opened a real estate office, but with "city" lots worth \$10 apiece, and with land that could be had for the asking, pickings were not large. Later Holyoke & Co. started and operated a small drug store, and about 1844 they opened a small private bank. This was abandoned when the First National was established in 1866, and Spencer became the cashier. His real estate dealings at that time were several pieces of land, and in company with Dr. Holyoke, he owned a half interest in quite a number of the cheaper village lots. His entire holdings had no considerable value. From time to time as he sold lands, he picked up bank stock, and at the time of his death in 1893, owned 150 shares of the par value of \$15,000.

He became associated with C. G. Carmichael in the grain business. Carmichael failed in '68 or '69 and it lost heavily. An examination of his accounts with the bank showed that he had been using the bank's funds wrongfully. The money necessary to settle the Carmichael obligations probably came out of the bank, as Spencer, at that time, had no other known resource. The subsequent examination made the suspicion a certainty. Spencer was suspended for one year, and Mr. Lawrence was installed as cashier. At the end of the probation made good the deficit, and again took his place as the head of the bank. The Carmichael loss could not have been less than \$5,000. The liabilities were considerably greater but quite a salvage was realized out of real estate in course of time.

About this time or soon after, the relations between the elder Spencer and his wife became so strained that he agreed to go to Manitou, Col. and remain away provided the husband would provide her a home there, and an income. The Manitou property cost \$5,000 and is thought to have come out of the bank's funds.

About 1872 the Mowbray scandal occasioned very unfavorable public comment. Mowbray, the husband, taking

advantage of his knowledge of the situation, had managed to become debtor to Spencer's bank in a large amount, and it was not secured. This culminated in Spencer relieving Mowbray of his financial obligation, and assisting him and his family to reach California and Spencer became the owner of the brick building on Broad street, which was destroyed by fire in 1882. The affair cost Mr. Spencer about \$5,000, which, quite probably, came from the bank.

Sometime in the eighties Spencer's son-in-law, Dudley, went into the grain business with N. M. Cass. The firm was known as Cass & Dudley, and Spencer was Dudley's banker. This firm got on to the board of trade with the usual result. Spencer undertook to carry the deal thru for them, but found the load too great, and the firm went to the wall. This cost Mr. Spencer, according to his own admissions, at the time, \$15,000. Those who knew Mr. Spencer at the time know that he could not have raised \$15,000 unless he borrowed it, or used the bank's funds.

Following this came the Denver defalcation. This lasted four or five years, and must have cost a great deal of money. Parties in Denver say that it cost \$10,000 simply to end the matter.

Then came the Beatrice, Neb., real estate speculation begun by Dr. Brumback and L. E. Spencer, son of the elder Spencer and brother of the dead cashier, and finally involving the elder Spencer. These men plotted a corn field containing about 150 acres about two miles from the city, with a river flowing between. Connected it with the city by a street railway, laid out avenues and planted trees. They adopted Letson Ballitt's methods of advertising and bought whole pages in Harper's Weekly at \$500 a page. But Beatrice wouldn't grow, and the failure was most disastrous. Spencer had endorsed his son's notes freely, and these notes secured by mortgages on lots sold freely on the strength of the elder Spencer's endorsement.

Just how much this Beatrice deal cost the First National bank may never be known. H. C. Spencer knew what his father was doing but he said nothing. It is certain, however, that he protected with both his father and brother. H. C. Spencer knew the amount, but he is dead. The bank officials only knew what he chose to disclose. He resented inquiry always and met any such effort on the part of the

officials with an injured air, threatening to resign. The amount at the time was publicly talked \$20,000.

In addition to this, when the elder Spencer was killed at Denver in 1893 H. C. Spencer represented to his father's creditors and to their attorney that his father died owing the bank \$15,000 and that his stock was held by the bank as collateral. The statement that he owed the bank at the time, in addition to the L. E. Spencer shortage of \$29,000, notes amounting to \$15,000 can not be positively verified, but the statement that the bank claimed and held the 150 shares of stock was absolutely untrue. It was not held by the bank as collateral, but was simply seized by H. C. Spencer, and appropriated and never listed for the creditors as an asset at all.

It is thus probable and reasonably certain that in 1893, C. H. Spencer was behind with the bank \$70,000 or \$80,000 and the capital was impaired to that extent. It was then that H. C. Spencer entered upon his amazing course of duplicity and deception. The books were altered to show a much smaller deficit than really existed. The directors were clamorous that H. C. Spencer's name, in some way, make good his father's shortage. Some even suggested that this would be the price of his remaining in the bank. At last, driven to some course, and either too proud, or lacking the moral courage to tell the truth, he padded the bank's assets by substituting forged notes. These he would distribute thru the note pockets the night before each semi-annual meeting, and again abstract them and lock them up the next night. He was often seen emerging from the bank after 12 o'clock midnight.

As this deficit grew the burden grew. Gradually nearly all the work was shifted on to his own shoulders, as it would not do to let the bookkeeper who preceded his son Clark, nor the teller who preceded young Starr know the true condition of the bills receivable and certificate of deposit accounts.

The directors of the bank, nearly all of them old men, beyond the period of activity in business matters, trusted him implicitly. They had known his father and had trusted him. The ugly rumors which got into circulation from time to time, connecting the elder Spencer with women and illicit use of his credit, were either condoned or forgotten. He was a man who, notwithstanding his shortcomings never

loaked friends to plead his cause. When H. C. Spencer's son Clark was put on the board by means of proxies, and a very capable man removed because he was of an inquiring mind, there were rumblings of dissatisfaction. Up to this time the domination of the Spencers had been complete. When the advocates of the deposed director were again defeated in January 1904, the rumblings became ominous; there was almost a storm, and hot words were roused. Mr. Spencer said that the time was approaching when his domination would no longer be endured. Then came the tragedy of July 20th and ended all.

In 1893 the leading bank of Grinnell was paying a semi-annual dividend of 3 1/2 per cent. Mr. Spencer, not to be outdone by a rival institution, told his directors that he could pay 5 1/2 also. As a matter of fact, with such an impairment of capital as must have existed at that time, the 3 1/2 per cent dividend had not been earned. The statement showing earnings was false, and from that date every statement submitted, down to the day of his death was false. When the hole in the bank was enlarged by that amount.

At that time taxes on stock were paid by the corporation. Aside from such taxes, and including only ordinary expenses, the running expenses were about \$5,000. The net earnings could not have exceeded \$5,000, so that the dividends paid were not earned at all. This condition continued to grow worse down to 1904. As often as the other national bank would increase its dividends, Mr. Spencer's statements of earnings would show a steady increase. About July 1903, the other bank paid a 5 per cent semi-annual dividend, and the First National promptly followed suit. The examination will show that in July 1904, the deposits were in excess of the amount shown by the books, instead of less. They were not less than \$50,000. Of this, \$30,000 were drawing interest at 4 per cent. There were but \$20,000 good securities left, and these at 7 per cent would only yield \$2,000 more interest than the bank was paying. In other words, for that year the bank's net income must have been only \$2,000, and yet the dividends and expenses were \$15,000. This alone would enlarge the hole by \$13,000.

How the hole was manipulated in a mystery and will probably always remain so. The men now in charge are wholly incompetent to unravel the mystery. The history of the appointment of the present receiver would throw some interesting side lights on the system of graft that Lincoln Steffens writes about in McClure's. It would reflect no credit on certain officials and some Iowa politicians would appear in a light not complimentary, and their admiring constituencies would have to revise their opinions. Depositors are now paying three men very high salaries for doing what one ordinary business man could do without bringing about nervous prostration. Unfortunately when a national bank goes into liquidation, the receiver is not selected on the ground of fitness, of competency or of familiarity with the business. The only question is, how can certain politicians pay their most pressing political debts, and advance their own personal political fortunes.

A certain prominent politician may sometimes be called on to explain why he endorsed the application of a man thoroughly qualified, and pretended to support him, while all the time he was urging the selection of some one else. Voting for Cummins may be a heinous offense, but the people of Potoshick county and the creditors of the First National bank of Grinnell have yet to learn that it disqualifies a man from performing the duties of receiver.

The question now arises after reading this story why some one did not know or at least suspect what was going on. The answer is that while the elder Spencer lived those who had interests in the bank had ample warning, but to all suggestions they turned a deaf ear. When he met his death in 1893 the audacious manner in which H. C. Spencer juggled with the estate's assets ought to have suggested inquiries, but the very boldness of his methods silenced inquiry. There were men, quite a number of them, who knew something was wrong, but they didn't know what it was. As they could only surmise, they kept still.

From time to time the bank's statements were examined with misgivings. The trouble was believed to be due to the presence of another Spencer had done. Cold and deaf to the rights of his father's creditors, or to the suffering the inevitable disaster would bring to aged and innocent people he worked on in the small hours of the night to juggle the books, forge innumerable notes and

manufacture statements of earnings that were never earned until the mass became too bewildering for even his machinations, and the closing waters of Arbor Lake over his head seemed sweet repose after the strain of the life he had led. He did not contemplate suicide when he drove to the lake, it would seem, for he asked friends to go with him. How his son Clark got into the water no one knows. The father was seen to make for the shore then go back. They say the incidents of a lifetime will flash thru a man's brain when facing death and H. C. Spencer had lots to think about. Anyway the end came, the lid was lifted from a seething cauldron of bank affairs and once again truth was found infinitely stranger than fiction.

The true story of the Grinnell bank's failure goes back for nearly forty years in the bank's history and begins with the elder Spencer's adversity. By the time he died in '93 the bank's capital must have been impaired to the extent of \$70,000 to \$80,000. Had H. C. Spencer then called his bank directors together and shown them the facts, an assessment of less than 100 per cent could have repaired the damage, the bank would have been saved and its stock today could have been worth 50 per cent above par. No one would have been ruined. But he chose to run before the wind even when he could see the rocks ahead. He continued to pay out of the bank's deposits money to the stockholders which the bank had not earned. His personality did not attract depositors and he was compelled to pay 4 and even 5 per cent for deposits in order to attract money to his vaults. The thirty from far and wide came with their stockings until in 1903-4, considering the impaired capital which by that time must have grown from \$70,000 or \$80,000, in 1893 to twice that amount, the bank's running expenses were actually several thousand dollars more than its income. From \$50,000 the shortage grew. Stockholders got some of it in dividends that were not earned. Depositors got some of it in high rates of interest paid on deposits. Capital if not impaired in 1893 could have earned by 1904 \$61,000 more than it did earn when impaired by \$30,000 at that time. H. C. Spencer did not take any of the money. He lived the life of the damned that he might postpone the day when the world should know what another Spencer had done. Cold and deaf to the rights of his father's creditors, or to the suffering the inevitable disaster would bring to aged and innocent people he worked on in the small hours of the night to juggle the books, forge innumerable notes and

manufacture statements of earnings that were never earned until the mass became too bewildering for even his machinations, and the closing waters of Arbor Lake over his head seemed sweet repose after the strain of the life he had led. He did not contemplate suicide when he drove to the lake, it would seem, for he asked friends to go with him. How his son Clark got into the water no one knows. The father was seen to make for the shore then go back. They say the incidents of a lifetime will flash thru a man's brain when facing death and H. C. Spencer had lots to think about. Anyway the end came, the lid was lifted from a seething cauldron of bank affairs and once again truth was found infinitely stranger than fiction.

Chamberlain's Cough Remedy. No one who is acquainted with its good qualities can be surprised at the great popularity of Chamberlain's Cough Remedy. It not only cures colds and grip effectually and permanently, but prevents these diseases from resulting in pneumonia. It is also a certain cure for croup. Whooping cough is not dangerous when this remedy is given. It contains no opium or other harmful substance and may be given as confidently to a baby as to an adult. It is also pleasant to take. When all of these facts are taken into consideration it is not surprising that people in foreign lands, as well as at home esteem this remedy very highly and very few are willing to take any other after having once used it. For sale by all druggists.

Can You Eat? J. B. Taylor, a prominent merchant of Christman, Texas, says: "I could not eat because of a weak stomach. I lost all strength and ran down in weight. All that money could do was done, but all hope of recovery vanished. Hearing of some wonderful cures effected by use of Kodol Dyspepsia Cure I concluded to try it. The first bottle benefited me, and after taking four bottles, I am fully restored to my usual strength, weight and health." Kodol Dyspepsia Cure digests what you eat and cures. Sold by all druggists.

It brings to the little ones that priceless gift of healthy flesh, solid bone and muscle. That's what Hollister's Rocky Mountain Tea does. Best baby medicine on earth. 35 cents, tea or tablets. McBride & Will Drug Co.

DIVIDEND OF GRINNELL BANK

Creditors of Defunct First National
Institution To Receive About
\$33,000.

GRINNELL, Ia., Sept. 16.—Payment was begun today of a dividend of 10 per cent to the creditors of the First National bank of Grinnell. About \$33,000 is in the hands of the receiver for distribution. This makes the total received by the bank's creditors 75 per cent of their claims. The Grinnell First National, it will be remembered, was the bank wrecked by thefts amounting to about \$275,000, covering years, by Henry C. Spencer, cashier, who, with his son, Clark Spencer, assistant cashier, was drowned in Arbor lake near here in the summer of 1904. George W. Swords, receiver of the bank, is now attending to the affairs of a defunct bank at Minot, N. D., and the winding up of the settlement at Grinnell which will probably take but a short time now, is in the hands of Mr. Swords' assistant, E. W. Butler. Any further dividend paid will be small, probably not more than 2 or 3 per cent.



Photographs of the Spencer Block looking east to the Bank Block and the Eagle Block. The Spencer Block was built by H. C. Spencer in 1884. The buildings shown are from the NW corner of 4th. The Eagle Block built in 1879 by W.A. Probst and E. Holyoke. Visible are the Manly Building, built by J.C. Manly in 1892? and later occupied by Village Decorating (813 4th). East across the alley from the Manly Building was the Citizens Bank, built in 1881. L.E. Spencer was the bank's vice president. East of the Citizens Bank is the Beyer Block built in 1891-1892. East of the Beyer Block is the First National Bank Block, built in 1868 by J.B. Grinnell. Across Broad Street east from the National Bank is the spire of Congregational Church, completed in 1898. The Bank Block is also called the Grinnell Block.

<https://digital.grinnell.edu/islandora/object/grinnell:kleinschmidt>

TO PAY SECOND DIVIDEND

Creditors of Wrecked First National Bank of Grinnell Will Receive Aggregate of \$60,000.

GRINNELL, Ia., Feb. 28. —(Special.)—The checks for the payment of the second dividend of twenty per cent to the depositors of the broken First National bank were received by Receiver G. W. Swords from the comptroller of the treasury last night and represent a sum of about \$60,000. This will be paid to the depositors between banking hours on Wednesday of this week and between the hours of seven and eight on Wednesday and Thursday, at the savings bank where the office of the receiver now is. The freeing of this amount of money in so small a place as Grinnell is expected to have a somewhat stimulating effect on business which has, however, been little effected apparently by the failure of the bank.

In the six months of the receivership 45 per cent has been paid out on the total claims which amount to \$334,206. It is known that the treasury department is well pleased with the way the business of closing up the bank has been conducted. It is now believed that the depositors will fare more fortunately than was at first supposed and that Anna Eva Fay's prediction made in Des Moines that "the depositors of the First National bank at Grinnell will receive more than any one imagines," will come true.

ANOTHER DIVIDEND

Receiver Swords of the First National Bank at Grinnell Authorized to Pay Depositors Another Dividend of 10 Per Cent.

Grinnell, May 10.—The settlement of the affairs of the broken First National bank is progressing satisfactorily under Receiver G. W. Swords. Word was received Monday from the comptroller of the currency authorizing the payment of another dividend sometime between the first and the middle of June. It is understood that the dividend will be one of 10 per cent, which will make a total of 55 per cent paid to the depositors so far. This last dividend will put about \$35,000 in circulation here as the total amount of deposits was in the neighborhood of \$350,000.

It is the policy of the receiver to pay off the depositors as fast as he can obtain the money instead of holding it for the payment of larger dividends at rarer intervals. It is generally believed that other dividends will follow and that the depositors will receive at least 75 per cent of their money back. Bank property and the property of the Spencer estate is being rapidly sold off and in most cases at higher prices than the appraised valuation.

A satisfactory settlement to all parties concerned was made with Mrs. Spencer recently. Shortly after the settlement she purchased what is known as the old Hatch row of tenement houses in the west part of the city, which was built by her father, G. M. C. Hatch, about twenty years ago, and which were turned over by Mrs. Spencer as part of the assets of the bank after the failure.

SWORDS ASKS FOR REVIEW.

Receiver for Failed Bank Wants His Transactions O. Kd.

Special to Times-Republican.

Iowa City, May 10. — George W. Swords, the Iowa City politician whose appointment as receiver of the National bank of Grinnell, which failed a year ago, caused so much criticism of Secretary Shaw at the time, has applied to the federal courts for a review and verification of his acts while receiver and a discharge of the same. During the time that Swords had the bank in his charge he handled over three hundred thousand dollars in cash and succeeded in declaring a dividend of 55 per cent, which was considerably more than it was expected would be recovered at the time.

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FORGED PAPER IS IN EVIDENCE

Grinnell Banker Had Forged
\$204,000 in
Notes.

HAD RUINED POOR WIDOW

Known That the Bank Will Not Be
Reopened—Report Will Show Many
Ruined and That Defalcations Are
More Extensive Than Presumed.

Grinnell, August 8.—Developments in the mystery surrounding the peremptory closing of the First National bank of Grinnell have taken a turn which shows almost conclusively that Cashier H. C. Spencer was a defaulter in a sum a great deal larger than will permit the reopening of the institution and which will result in a complete loss to possibly half of the stockholders of their entire fortunes. An examination of the private accounts of Cashier Spencer has resulted in finding forged paper to the amount of \$204,000.

Although not known definitely, it is believed that the depositors must lose something, as the property of a number of the stockholders will not amount to double their holdings of stock. The stockholders have been notified that they will be assessed for the full amount of their stock, which makes it imperative that the less wealthy among them will lose their all.

Forgeries have been uncovered almost without cessation since the receivership of Mr. Shaw began. The exact shortage will not be known until Comptroller of the Treasury Ridgely has published his report, after three months. Notice has been published stating that this much time will be given for presentation of accounts.

Henry Spencer and his wife were joint owners of over one-third of the bank stock. Inasmuch as this will all be taken before the assessment is used, ruin will be the only outlet for one-fourth of the stockholders.

Peculiar as it may seem, the sentiment of the city which has since the death of the cashier and his son been greatly offended at the suggestion of suicide, has now seen a reversal, and the theory is practically adopted. That the Spencers have practiced a system of forgery and defalcation which will result in ruin to many, is not doubted. The stories of suicide and criminal practices, which were roundly denounced by the Grinnell citizens and the local press when first published, are now accepted as the true state of affairs, with a full realization of the indignity of the situation into which they have been pressed through the machinations of the bank cashier.

Among the many evidences of guilt on the part of the dead cashier is one of such ingenuity as to call forth censure from all the citizens. C. L. Glad-dis, a farmer residing near Grinnell, in preparing for his death, placed in his safety deposit box in the bank the sum of \$700, giving the key to Mr. Spencer, with instructions to render an account of the same to his widow in the event of his death. This Spencer promised to do. Soon after the death of Mr. Glad-dis, the widow brought the proceeds of the sale of her farm to the bank and depositing it, asked for the certificates of deposit of both the sum left by her and the one left by her husband. Spencer denied absolutely that he had seen either of the sums, and the poor old lady, her home gone and alone, was forced out into the world without a friend. The present state of the bank shows that she will be forced to lose her deposits along with the remainder of the depositors.

The theory of suicide, at one time never given the smallest credence, is now thoroughly accepted. It is thought that the awful load carried by the dead men was such as to render their positions further untenable. It is known that Spencer himself kept the books of the bank, and in this way manipulated them to his own satisfaction.

GOTHIC REVIVAL

The **Charles H. Spencer House** (figure 22), at 611 Sixth Avenue, was constructed in the late 1860s in the Gothic Revival style popular during that time. Originally located on the corner of Main Street and Sixth Avenue the structure has been moved twice and is now home to the Christian Science Society. With its front gabled roof, steeply-pitched at the top and decorated with elaborate verge boards, and central-arched window beneath the front gable, this building displays many features characteristic of the style in which it was built. Having been well maintained (despite its relocations!), the Spencer House is listed on the National Register of Historic Places.



Figure 22

The **Spencer Building** (figure 33) located on the northeast corner of Main Street and Fourth Avenue, was constructed in 1884 by the Des Moines architectural firm of Foster and Liebke. The endeavor was commissioned by H. C. Spencer, cashier at the First National Bank of Grinnell and son of the bank's founder. The original occupants included a clothing store on the ground floor called "Daylight Storeroom," offices on the second floor, and a barbershop and public bath in the basement. Several architectural features reflect a combination of Italianate and Chateausque styles popular in the 1880s, when this building was designed.



Figure 33

The decorative bracketed cornices and tall narrow windows with elaborate crowns above are characteristic of the Italianate form found through the 1880s. The five pinnacles set along the top of the building and triangular gable extension above the second story window on the entrance side are elaborations reminiscent of the Chateausque style which was just gaining popularity in the 1880s.