

NEBRASKA

REPORT ON DEPOSITORS'

GUARANTY FUND

August 1, 1930.

Mr. A. C. Shallenberger,
Chief Examiner,
State Capitol Building,
Lincoln, Nebraska.

Dear Sir:

We have audited the books, records and accounts of the Department of Trade and Commerce with reference to the Depositors' Guaranty Fund of the State of Nebraska for the period from the date the Depositors' Guaranty Fund law became effective on January 3, 1911 to January 2, 1930, a period of exactly nineteen years.

The results of this audit are presented in our comments which follow and the four exhibits accompanying the report, but not typewritten. We also submit an untypewritten addendum with the report which consists of a list of the state banks of Nebraska, arranged alphabetically, showing the Guaranty Fund certificate number of each, so that any bank desired may be readily located in Exhibit "A" by certificate number.

Respectfully submitted,

THE
ASSOCIATED CERTIFIED PUBLIC
ACCOUNTANTS OF NEBRASKA,

By s/ R. H. Walker
Certified Public Accountant.

SCOPE AND NATURE OF AUDIT

We examined and checked for the period audited the statements of average daily deposits on file with the Department of Trade and Commerce which were submitted by the various going state banks in Nebraska as required by law to be used as a basis for computing the assessments for the benefit of the Depositors' Guaranty Fund. Statements submitted as a basis for two assessments made during the period audited were missing and could not be located. A few errors of minor importance were discovered in a few of the statements examined.

The assessments shown by the statements examined were compared with those made against each individual bank as entered in the ledger accounts.

Schedules were prepared from the books of the Department of Trade and Commerce showing the assessments, withdrawals, refunds and other data affecting each of the 1126 banks contributing to the Depositors' Guaranty Fund. The drafts drawn on these banks, constituting withdrawals from the going banks for the payment of losses in failed banks, were checked against the books or reports of the various receivers who received and disbursed the money to claimants.

The refunds made by the various receivers, in the case of receiverships, or the Guarantee Fund Commission, in the case of "sale asset" trusts to the Department of Trade and Commerce for the benefit of the Guaranty Fund were checked against the books and reports of the receivers and the Guarantee Fund Commission.

The cash as shown by the books of the Department of Trade and Commerce to have been on hand to the credit of the Depositors' Guaranty Fund on January 2, 1930, was verified by certificates obtained from the depositories and examination of bank statements in the case of funds on hand but not deposited until subsequent to this date.

We did not verify the balances due the Guaranty Fund from going banks, by correspondence with them, for the reason that many of the banks have not credited recent assessments to the guaranty Fund on their books due to the litigation pending involving the legality of same.

The balances due the Guaranty Fund from failed banks represented by the difference between amounts received from the fund and those refunded to it were taken from the books and reports of the various receivers and the total was reconciled with the monies shown to have been received and disbursed by the books of the Department of Trade and Commerce.

OPERATIONS OF DEPOSITORS' GUARANTY FUND

PERIOD FROM

JANUARY 3, 1911 TO JANUARY 2, 1930.

Accompanying this report and designated as Exhibit "A" is a list of the state banks of Nebraska, 1126 in number, which contributed to the Depositors' Guaranty Fund in accordance with the law which became effective January 3, 1911. This exhibit shows for each bank the transactions, in summary form, between it and the Department of Trade and Commerce on account of the Depositors' Guaranty Fund.

Below are shown the grand totals for all banks during the nineteen year period covered by our audit as shown by Exhibit "A":

Total Guaranty Fund Assessment Made	\$19,811,378.83	
Refunds Deposited With Banks By Department of Trade and Commerce.	2,211,258.75	<i>Proceeds from liquidated banks</i>
Charges Due to Bank Consolidations.	83,614.71	
	<u>\$22,106,252.29</u>	
Drafts Paid By Banks From Assessments And Refunds Made	\$18,694,668.59	
Credits Due to Bank Consolidations	83,614.71	
Miscellaneous Credits to Banks	28,907.62	
Total Credits to Banks	<u>\$18,807,190.92</u>	
Balances of Unpaid Assessments and Refunds Due Fund January 2, 1930:		
Going Banks	\$ 2,954,108.59	
Closed Banks	344,952.78	
	<u>\$ 3,299,061.37</u>	<i>Never collected under decision of Supreme Court</i>

We found that the balances shown to have been due from banks as of January 2, 1930, per the individual ledger accounts kept by the department, were in agreement with the controlling account. However, in auditing these accounts we found errors in the accounts of thirteen banks of \$195.08, net, which, when corrected, increased the balances shown to have been due from banks by the same amount. We conclude that the controlling account kept by the department was found to be in agreement with the individual balances in the ledgers because of arbitrary adjustments made therein.

The attention of the department will be called to these errors so that corrections may be made.

Net assessments collected!
 Total assessments made (omitting charges due to consolidations)
 Deduct misc. credits 28,908
 " unpaidd assessments 3,299,061

19,811,379
 3,327,969
16,483,410
 -3-

Drafts paid by banks 18,694,669
Returned to Commission by receipts from liquidated 2,211,259
16,483,410

In checking the monies drawn from the various banks by the Department of Trade and Commerce for the payment of losses in failed banks, we found that the books and records of the receivers of failed banks, which were made available to us, showed the receipt of \$18,695,101.34 while the books of the Department of Trade and Commerce show only \$18,694,668.59, or a difference of \$432.75. The books of the department show less money paid to receivers than the latter's books show, it will be observed. We were unable to locate the difference because some of the receiver's records were incomplete or missing.

In the case of refunds made to the department by receivers, in the case of receiverships, and by the Guarantee Fund Commission, in the case of "sale asset" trusts, arising from the realization of assets in their charge, the department's records show the receipt of \$2,250,817.90 while the records of the receivers and the Guarantee Fund Commission show refunds amounting to \$2,253,702.93, a difference of \$2,885.03. It will be noted that the records of the department show less money received than those of the receivers and the Commission. This difference could not be located from the records available to us.

Of the amount shown by the department's books to have been received by it from refunds, the sum of \$2,208,741.31 was deposited with and charged to the contributing banks.

Deposits of these refunds were not made with the contributing banks subsequent to April 29, 1929, although received by the department. Consequently, the balance of the refunds amounting to \$42,076.59 received by the department of Trade and Commerce to January 2, 1930, not turned back to contributing banks, must be accounted for separately.

department from receivers and "sale asset" trusts. This difference consists of refunds made to the department subsequent to April 29, 1929, by the following trusts which monies were accounted for previously herein:

	<u>Receiverships</u>	<u>"Sale Assets"</u>	<u>Total</u>
Pioneer State Bank, Omaha		\$16,500.00	\$16,500.00
Homer State Bank, Homer		3,000.00	3,000.00
Wayne County Bank, Sholes	1,664.61		1,664.61
Neligh State Bank, Neligh		3,000.00	3,000.00
Security State Bank, Lynch	4,000.00		4,000.00
Atlas Bank, Neligh	13,179.95		13,179.95
	<u>18,844.56</u>	<u>22,500.00</u>	<u>41,344.56</u>

The total refunds for the period audited would, therefore, be divided as follows:

Receiverships	\$2,055,040.09
"Sale Asset" Trusts	<u>195,777.81</u>
	<u>\$2,250,817.90</u>

Reference is made to Exhibit "C", attached, which shows the failed state banks of the Depositors' Guaranty Fund to pay its losses during the nineteen year period audited. These payments aggregate \$18,717,021.13, as will be noted. Of this amount \$18,691,-580.70 was paid from the proceeds of drafts drawn on and paid by solvent banks during the period. The balance of \$25,440.43 was paid subsequent to April 29, 1929 from refunds made to the Guaranty Fund by receiverships and "sale asset" trusts, as was set out previously herein.

The total drafts drawn on, and paid by, solvent banks was \$18,694,668.59 during this period, as is shown by Exhibit "A". The balance of \$3,087.89 thus withdrawn but not paid to failed banks to pay losses therein is accounted for below:

Deposited with Contributing Banks (Considered as Refund)	\$2,517.44
Check to Bridgeport State Bank (Error in Draft)	459.12
Check to State Treasurer (Paid in Error)	94.09
Collection Expense	17.24
	<u>\$3,087.89</u>

There were 125 failed banks during the period audited whose losses were paid from the Depositors' Guaranty Fund, as shown by Exhibit "C", of which number 89 refunded to the Guaranty Fund a portion of the amounts received from the realization of assets. In addition, the Guarantee Fund Commission in charge of the "sale asset" trusts made refunds to the fund from 30 of these trusts.

The largest payment made from the Guaranty Fund to any failed bank during the period audited as to the Atlas Bank of Neligh, Nebraska, in the amount of \$809,348.89 and the smallest amount paid was to the Trumbull State Bank of Trumbull, Nebraska, in the amount of \$3,072.50.

The largest refund made to the Guaranty Fund by Receiver-ships during the period audited was from the American State Bank of Lincoln, Nebraska, in the amount of \$307,358.38 and the smallest amount was \$1,000.00 made by each of six receiverships. The largest refund made by "sale asset" trusts to the Guaranty Fund was by the American Bank of Sidney, Nebraska, in the amount of \$34,250.00. The smallest refund made by these trusts was by the Bostwick State Bank in the amount of \$400.00.

The balances due from failed banks represented by the difference between the amounts paid to them from the Guaranty Fund and the refunds to the fund, plus credits on account of assets purchased by the Guarantee Fund Commission at receivers' sales are shown in Exhibit "D", as shown by the books of the various receivers. These amounts aggregate \$16,330,620.92. The books of the Department of Trade and Commerce are not kept so as to show the amounts due from failed banks, but we are able to reconcile the total shown above with the total indicated by data compiled from the books of the Department of Trade and Commerce as follows:

Payments to Failed Banks From Guaranty Fund . . .	\$18,717,021.13
Refunds from Receiverships	<u>2,055,040.09</u>
Balance	\$16,661,981.04

Deduct:

Bid Price of "Sale ASsets" Allowed as Credit	\$331,509.37	
Difference Between Refunds to Guaranty Fund per books of Receivers and Department of Trade and Commerce . . .	<u>2,885.03</u>	<u>334,394.40</u>
		\$16,327,586.64

Add:

Payments to Receivers by Guarantee Fund Commission from Sale Assets(Considered as Charge)	2,601.53	
Difference Between Payments from Guaranty Fund per books of Receivers and Department of Trade and Commerce. . . .	<u>432.75</u>	<u>3,034.28</u>
Balance Due from Failed Banks Per Exhibit "D"		<u>\$16,330,620.92</u>

Of the total bid price of the Guaranty Fund Commission for the assets acquired by it at receivers' sales in the amount of \$331,509.37, the sum of \$195,777.81 has been refunded to the Guaranty Fund, to December 31, 1929, as is shown by our summary report on audit of 74 "sale asset" trusts dated July 29, 1930. It is estimated that the remaining assets of these "sale asset" trusts had a value of \$163,426.91, as of December 31, 1929, which would provide for the refund of the balance of the Guaranty Fund's investment therein amounting to \$135,731.56 and \$27,695.35 in excess thereof. The sum of \$2,601.53 has already been paid back to receivers as provided by law for the payment of expenses, which amount has gone to reduce the total payments to failed banks from the Guaranty Fund.

The balances due the Depositors' Guaranty Fund for unpaid assessments and refunds from 652 solvent banks on January 2, 1930 was \$2,954,108.59 while the balance due from 314 failed banks amounted to \$344,952.78 on the same date.

Attention is directed to the fact that, in our opinion, the Department of Trade and Commerce did not protect the interests of the Depositors' Guaranty Fund, except in a few cases, with reference to the balances due the fund from failed banks aggregating \$344,952.78 on January 2, 1930 by filing claims with the various District Courts at proper times. These claims would, of course, be classified as general claims but would share in any amounts recovered on stockholders' double liability with the preferred and other general creditors, according to the decision of the Nebraska Supreme Court on this question. While the recovery might not have been large by the filing of claims in the case of each failed bank owing the Guaranty Fund, it would have, no doubt, been worth while.

We recommend that claims be filed for these amounts in the future and that steps be taken to file claims in the case of past failures, where possible.

During the nineteen year period audited there were 38 regular semi-annual assessments made against solvent banks aggregating \$4,680,337.08 and 21 special assessments aggregating \$15,131,041.75, a grand total of \$19,811,378.83. This is an average of over one million dollars per year for the past nineteen years. Drafts were drawn by the Department of Trade and Commerce against these assessments 66 times for amounts aggregating \$18,694,668.59. Refunds received from receiverships and "sale asset" trusts by the departments were returned to, and deposited with, solvent banks 27 times in amounts aggregating \$2,211,258.75..

BOOKS AND RECORDS

Our audit of the Depositors' Guaranty Fund, proper, was somewhat handicapped by the inadequate books and records kept by the Department of Trade and Commerce.

Ledger accounts were kept with each solvent bank showing the assessments, refunds, withdrawals and balances as to each. A controlling account was also kept. We have no serious criticism to make of this portion of the department's records. The other books kept were not adapted to the department's needs and, in fact, only served as memorandum books.

Neither a regular cash book was kept showing the receipts of cash nor was a check register used to enter all checks drawn by the department in connection with the Guaranty Fund.

One of the most serious defects in the accounting records in this department, in our opinion, is the absence of a permanent record containing accounts with the failed banks which have received payments from the Guaranty Fund. There is no record available in this department at present showing the balances owing the fund from failed banks which have received payments therefrom on account of losses. In our audit we were obliged to obtain this information from the receivers' books.

It is our judgment that the department should keep such records that it will be able to account for all monies coming under its control in such form that it can be readily verified and comprehended by those interested. We were obliged to spend an unusual amount of time in auditing the records kept to obtain and verify the data and information desired. An adequate system would have eliminated a large part of this work.

As to the method of keeping documents belonging to the office, we found considerable carelessness and laxity. We could not locate the bank statements from 1914 to 1923, inclusive, and

no one seemed to know their whereabouts. Drafts for the earlier years were not available. Some of the statements of average daily deposits submitted by banks were also missing. No uniform system of filing such documents seems to have been in use. Needless to say this matter should have attention with a view to correcting such methods. All of the records pertaining to the department should be systematically filed and kept so that they can be readily examined. The department's officials and employees should desire this for their own protection.

SOURCE OF REFUNDS TO DEPARTMENT OF
TRADE AND COMMERCE BY TRUSTS

*Blue pencil entries
Additional amounts shown
in total of report - page 6*

DEPOSITED WITH BANKS

PERIOD FROM JAN. 3, 1911 TO JAN. 2, 1930

Exhibit "B"

<u>Location</u>	<u>Name of Trust</u>	<u>Receiver- ship</u>	<u>"Sale Assets"</u>	<u>Total</u> <i>refunds</i>
✓ Superior	First State Savings Bank	35,550.09		35,550.09 ✓
✓ Decatur	Farmers State Bank	35,118.69		35,118.69 ✓
✓ Halsey	Farmers State Bank	31,074.81		31,074.81 ✓
✓ Valparaiso	Valparaiso State Bank	26,508.30		26,508.30 ✓
✓ Aurora	American State Bank	5,000.00		5,000.00 ✓
✓ Page	Farmers Bank	20,672.23	5,000.00 ✓	25,672.23 ✓
✓ Dunning	Home State Bank	8,157.07		8,157.07 ✓
✓ Merriman	American State Bank	40,795.59	5,000.00 ✓	45,795.59 ✓
✓ Ceresco	State Bank of Ceresco	41,329.61		41,329.61 ✓
✓ Blair	Banking House of A. Castetter	95,786.02		95,786.02 ✓
✓ Long Pine	Brown County Bank	37,187.78	17,000.00 ✓	54,187.78 ✓
✓ Hoskins	Farmers State Bank	7,668.01		7,668.01 ✓
✓ Hadar	Farmers State Bank	93,540.65	2,000.00 ✓	95,540.65 ✓
✓ Oshkosh	First State Bank	46,559.17		46,559.17 ✓
✓ Allen	Farmers State Bank	50,199.69		50,199.69 ✓
✓ Pleasanton	Farmers State Bank	26,276.61	21,366.90 ✓	47,643.51 ✓
✓ Anselmo	Peoples State Bank	7,424.60	2,000.00 ✓	9,424.60 ✓
✓ Omaha	The Pioneer State Bank	135,331.49	16,500.00 ✓	151,831.49 ✓
✓ Lincoln	American State Bank	307,358.38		307,358.38 ✓
✓ Sidney	The Nebraska State	25,762.64		25,762.64 ✓
✓ Octavia	Octavia State Bank	3,446.34		3,446.34 ✓
✓ Table Rock	Community State Bank	7,051.80		7,051.80 ✓
✓ Obert	Obert State Bank	1,000.00		1,000.00 ✓
✓ Gurley	Gurley State Bank	14,270.32	1,000.00 ✓	15,270.32 ✓
✓ Springfield	Farmers State Bank	6,502.66	1,000.00	7,502.66 ✓
✓ Plattsmouth	Bank of Cass County	72,833.78		72,833.78 ✓
✓ Fairbury	Goodrich Bros. Banking Co.	37,086.02		37,086.02 ✓
✓ Ogallala	The Exchange Bank	45,663.55		45,663.55 ✓
✓ Bayard	The Farmers State Bank		2,000.00 ✓	2,000.00 ✓
✓ Homer	Homer State Bank	43,130.71	3,000.00 ✓	46,130.71 ✓
✓ Winside	Farmers State Bank	104,325.72		104,325.72 ✓
✓ Newcastle	Newcastle State Bank	18,509.07		18,509.07 ✓
✓ Long Pine	American State Bank	7,000.00	4,500.00 ✓	11,500.00 ✓
✓ Shelton	Shelton State Bank	12,393.90	24,167.26 ✓	36,561.16 ✓
✓ Milligan	Nebraska State Bank	4,000.00		4,000.00 ✓
✓ Waterloo	Bank of Waterloo	24,176.66	5,300.00 ✓	29,476.66 ✓
✓ Endicott	Endicott State Bank	6,964.16		6,964.16 ✓
✓ Sholes	Wayne County Bank	1,664.61	4,500.00 ✓	6,164.61 ✓
✓ Hemingford	First State Bank	58,880.88		58,880.88 ✓
✓ Morrill	Farmers & Merchants Bank	20,259.28		20,259.28 ✓
✓ Waco	Waco State Bank	4,200.00		4,200.00 ✓
✓ Omaha	American State Bank	28,039.22		28,039.22 ✓
✓ Kimball	Citizens State Bank	4,424.17		4,424.17 ✓
✓ Bennett	Farmers Bank	11,920.05		11,920.05 ✓
✓ Chambers	South Fork State Bank	1,000.00		1,000.00 ✓
✓ Berwyn	Berwyn State Bank	17,480.00	4,748.00 ✓	22,228.00 ✓
✓ Henry	Henry State Bank	5,889.47	7,500.00	13,389.47 ✓
✓ Gross	Gross State Bank	1,577.80		1,577.80 ✓
✓ Neligh	Atlas Bank	27,000.00		27,000.00 ✓
✓ Crookston	Bank of Crookston	1,102.07	1,000.00 ✓	2,102.07 ✓
✓ Wayside	Wayside State Bank		1,000.00 ✓	1,000.00 ✓
✓ Broadwater	Broadwater Bank	3,445.17		3,445.17 ✓
✓ McCook	Citizens State Bank	86,076.07		86,076.07 ✓
✓ Royal	Citizens State Bank	1,700.00		1,700.00 ✓
✓ Dix	Farmers State Bank	16,000.00		16,000.00 ✓
✓ Potter	Citizens State Bank	12,500.00		12,500.00 ✓
✓ Waverly	Bank of Waverly	5,500.00		5,500.00 ✓
✓ Lorenzo	Lorenzo State Bank	3,652.72		3,652.72 ✓

+15,000.00

+1,500.00

+13,179.95

1779,956.39

125,428.79

1905,385.18

58

11/2, 1934, from receiver's records examined by us.

<u>Location</u>	<u>Name of Trust</u>	<u>Receiver- Ship</u>	<u>"Sale Assets"</u>	<u>Total</u>
✓ McGrew	Security State Bank	14,000.00	5,000.00 ✓	19,000.00 ✓
✓ Culbertson	Farmers State Bank	1,416.76	600.00 ✓	2,016.76 ✓
✓ Bartley	Farmers State Bank	1,500.00		1,500.00 ✓
✓ Nickerson	First State Bank	1,250.00	2,000.00 ✓	3,250.00 ✓
✓ Trumbull	Trumbull State Bank	1,000.00		1,000.00 ✓
✓ Crawford	Farmers Bank	1,000.00		1,000.00 ✓
✓ Valentine	Valentine State Bank	3,000.00	1,500.00 ✓	4,500.00 ✓
✓ Ames	Farmers State Bank	4,750.00	2,000.00 ✓	6,750.00 ✓
✓ Carroll	Citizens State Bank	9,800.00		9,800.00 ✓
✓ Riverton	Republican Valley Bank	6,500.00		6,500.00 ✓
✓ Chadron	Citizens State Bank	24,000.00		24,000.00 ✓
✓ Adams	Farmers State Bank	2,590.00		2,590.00 ✓
✓ Naponee	Republican Valley Bank	6,500.00		6,500.00 ✓
✓ Niobrara	Niobrara Valley Bank	8,500.00	4,900.00 ✓	13,400.00 ✓
✓ Neligh	Neligh State Bank	39,000.00	11,845.65 ✓	50,845.65 ✓
✓ Stapleton	Farmers State Bank	1,000.00	3,000.00 ✓	1,000.00 ✓
✓ Peru	Peru State Bank	4,000.00		4,000.00 ✓
✓ Bloomfield	Citizens State Bank	24,000.00		24,000.00 ✓
✓ Beverly	Beverly State Bank	5,750.00	700.00 ✓	6,450.00 ✓
✓ Holdrege	Citizens State Bank	4,185.75		4,185.75 ✓
✓ Sidney	American Bank	24,000.00	34,250.00 ✓	58,250.00 ✓
✓ Orchard	Orchard State Bank	2,000.00		2,000.00 ✓
✓ Hastings	Bank of Commerce	20,750.00		20,750.00 ✓
✓ Randolph	Farmers State Bank	2,700.00		2,700.00 ✓
✓ Bostwick	Bostwick State Bank	5,200.00	400.00 ✓	5,600.00 ✓
✓ Lynch	Security State Bank	8,000.00		8,000.00 ✓
✓ Santee	Santee State Bank	1,500.00		1,500.00 ✓
✓ Brownville	Brownville State Bank	7,000.00		7,000.00 ✓
✓ Stratton	Citizens State Bank	1,000.00		1,000.00 ✓
✓ Seneca	Seneca State Bank	4,000.00		4,000.00 ✓
✓ Lyons	Citizens State Bank		1,000.00 ✓	1,000.00 ✓
<i>Total including items in text (p.6)</i>		2,036,195.53	173,277.81	2,209,473.34 ✓
Add: Amount refunded to banks by Department from assessments		2,055,040.09	195,777.81	2,250,817.90
				2,517.44
Deduct: Amount not refunded and on hand January 2, 1930				732.03
				<u>2,211,258.75</u>

31

*total
w/ret*

8,000.00

*withheld for use in paying losses
imposed banks - but returned*

304,078.16

PAYMENTS FROM DEPOSITORS' GUARANTY FUND

TO FAILED BANKS

PERIOD FROM JAN. 3, 1911 TO JAN. 2, 1930

DO NOT USE

Exhibit "C"

Net (Total minus refunds)

This is not usable - based on wrong assumption re handling of "bad assets"

Refunds received (Exhibit B) adjusted for gain or loss on "bad assets" (computed in Exhibit D) pending in Exhibit D

Location	Name of Bank	Total Amount	Net (Total minus refunds)
35,550.09	Superior First State Savings Bank ✓	54,526.17	18,976.08
35,118.69	Decatur Farmers State Bank ✓	79,048.14	43,929.45
31,074.81	Halsey Farmers State Bank ✓	37,206.62	6,131.81
26,508.30	Valparaiso Valparaiso State Bank ✓	338,379.74	311,871.44
4,850.00	Aurora American State Bank ✓	155,311.04	150,311.04
16,368.08	Page Farmers Bank ✓	206,722.35	181,050.12
8,157.07	✓Dunning Home State Bank ✓	93,815.76	85,658.69
42,337.59	✓Merriman American State Bank ✓	74,251.59	28,456.00
41,279.61	✓Ceresco State Bank of Ceresco ✓	150,122.84	108,793.23
95,786.02	✓Blair Banking House of A. Castetter ✓	698,786.02	603,900.00
24,433.78	✓Long Pine Brown County Bank ✓	231,965.39	177,777.61
5,671.01	✓Hoskins Farmers State Bank ✓	91,334.39	83,666.38
93,215.45	✓Hader Farmers State Bank ✓	97,022.48	1,481.83
46,559.17	✓Oshkosh First State Bank ✓	89,818.04	43,258.87
45,561.69	✓Allen Farmers State Bank ✓	195,507.85	145,308.16
30,643.51	✓Pleasanton Farmers State Bank ✓	135,960.65	88,317.14
	✓Belvidere Farmers State Bank ✓	20,216.07	20,216.07
7,360.55	✓Anselmo Peoples State Bank ✓	117,202.21	107,777.61
148,158.44	✓Omaha Pioneer State Bank ✓	300,761.32	165,429.83
301,858.38	✓Lincoln American State Bank ✓	550,594.25	249,235.87
25,762.64	✓Sidney Nebraska State Bank ✓	170,280.38	144,517.74
3,404.34	✓Octavia Octavia State Bank ✓	112,207.30	108,760.96
7,051.80	✓Table Rock Community State Bank ✓	82,051.80	75,000.00
- 7,537.25	✓Kilgore Kilgore State Bank ✓	154,102.69	154,102.69
- 10.50	✓Obert Obert State Bank ✓	108,269.18	107,269.18
14,270.32	✓Gurley Gurley State Bank ✓	82,270.32	67,000.00
5,905.41	✓Springfield Farmers State Bank ✓	65,026.65	57,523.99
69,888.98	✓Plattsmouth Bank of Cass County ✓	239,880.70	167,046.92
37,086.02	✓Fairbury Goodrich Bros. Banking Co. ✓	50,035.23	12,949.21
45,263.55	✓Ogallala Exchange Bank ✓	116,663.49	70,999.94
- 2,600.00	✓Bayard Farmers State Bank ✓	145,147.08	143,147.08
34,293.71	✓Homer Homer State Bank ✓	233,130.71	190,000.00
102,984.72	✓Winside Farmers State Bank ✓	365,721.42	261,395.70
- 1,010.00	✓Walton Farmers & Merchants Bank ✓	47,200.00	47,200.00
14,686.51	✓New Castle New Castle State Bank ✓	395,009.07	376,500.00
142.39	✓Long Pine American State Bank ✓	296,162.17	284,662.17
26,561.16	✓Shelton Shelton State Bank ✓	275,522.75	238,961.59
2,930.00	✓Milligan Nebraska State Bank ✓	81,179.72	77,179.72
22,959.88	✓Waterloo Bank of Waterloo ✓	69,176.66	39,700.00
6,964.16	✓Endicott Endicott State Bank ✓	29,964.16	23,000.00
1,481.60	✓Sholes 1183.61 Wayne County Bank ✓	93,173.60	88,673.60
	✓Benedict Farmers State Bank ✓	139,868.68	139,868.68
58,880.88	✓Hemingford First State Bank ✓	207,075.68	148,194.80
20,259.28	✓Morrill Farmers & Merchants Bank ✓	193,259.28	173,090.99
4,200.00	✓Waco Waco State Bank ✓	19,200.00	15,000.00
- 15,000.00	✓Gering State Bank of Gering ✓	214,893.59	214,893.59
25,880.22	✓Omaha American State Bank ✓	400,039.02	371,999.80
3,574.17	✓Kimball Citizens State Bank ✓	305,124.17	300,700.00
9,779.05	✓Bennett Farmers Bank ✓	82,920.05	71,000.00
- 688.50	✓Bristow American Exchange Bank ✓	303,558.84	303,558.84
953.00	✓Chambers South Fork State Bank ✓	29,670.70	28,670.70
15,380.00	✓Berwyn Berwyn State Bank ✓	208,817.68	186,589.68
	✓Maskell Maskell State Bank ✓	130,837.57	130,837.57
8,389.47	✓Henry Henry State Bank ✓	110,889.47	97,500.00
1,314.80	✓Gross Gross State Bank ✓	83,577.80	82,000.00
	✓Kenesaw First State Bank ✓	115,775.00	115,775.00
38,725.66	25,595.41 ✓Neligh Atlas Bank ✓	809,348.89	782,348.89
- 7,642.43	✓Crookston Bank of Crookston ✓	74,936.57	72,834.50
343.50	✓Wayside Wayside State Bank ✓	12,200.00	11,200.00
	✓Eddyville Security State Bank ✓	98,000.00	98,000.00
3,220.17	✓Broadwater Broadwater Bank ✓	145,445.17	142,000.00
		10,616,166.16	8,836,209.97

4882.7221

Location

Name of Bank

Amount

Location	Name of Bank	Amount	Amount
86,076.07 ✓	McCook Citizens State Bank ✓	206,576.17 ✓	120,500.10 ✓
- 1,475.00 ✓	Dixon Farmers State Bank ✓	21,561.06 ✓	21,561.06 ✓
- 3,221.16 ✓	Bushnell Farmers State Bank ✓	107,311.86 ✓	107,311.86 ✓
283.00 ✓	Royal Citizens State Bank ✓	19,871.38 ✓	18,171.38 ✓
- 109.66 ✓	Springview Springview State Bank ✓	4,000.00 ✓	4,000.00 ✓
16,000.00 ✓	Dix Farmers State Bank ✓	54,000.00 ✓	38,000.00 ✓
12,500.00 ✓	Potter Citizens State Bank ✓	105,101.47 ✓	92,601.47 ✓
5,500.00 ✓	Waverly Bank of Waverly ✓	222,537.25 ✓	217,037.25 ✓
3,652.72 ✓	Lorenzo Lorenzo State Bank ✓	20,402.72 ✓	16,750.00 ✓
	Theford Theford Bank ✓	74,650.00 ✓	74,650.00 ✓
12,875.52 ✓	McGrew Security State Bank ✓	65,000.00 ✓	46,000.00 ✓
223.84 ✓	Culbertson Farmers State Bank ✓	92,916.76 ✓	90,900.00 ✓
910.76 ✓	Bartley Farmers State Bank ✓	20,000.00 ✓	18,500.00 ✓
- 2,103.00 ✓	Monowi Monowi State Bank ✓	148,466.41 ✓	148,466.41 ✓
1,035.22 ✓	Nickerson First State Bank ✓	208,940.17 ✓	205,690.17 ✓
	Clinton Clinton State Bank ✓	78,159.85 ✓	78,159.85 ✓
1,000.00 ✓	Trumbull Trumbull State Bank ✓	3,072.50 ✓	3,072.50 ✓
- 1,410.90 ✓	Crawford Farmers Bank ✓	90,000.00 ✓	89,000.00 ✓
- 1,557.50 ✓	Valentine Valentine State Bank ✓	125,500.00 ✓	121,000.00 ✓
4,537.00 ✓	Ames Farmers State Bank ✓	14,000.00 ✓	7,250.00 ✓
- 1,000.00 ✓	Angora Angora State Bank ✓	39,338.66 ✓	39,338.66 ✓
3,520.00 ✓	Carroll Citizens State Bank ✓	151,632.15 ✓	141,832.15 ✓
6,500.00 ✓	Liverton Republican Valley Bank ✓	66,000.00 ✓	59,500.00 ✓
- 1,200.00 ✓	Hooper Dodge County Bank ✓	59,898.50 ✓	59,898.50 ✓
24,000.00 ✓	Chadron Citizens State Bank ✓	401,507.27 ✓	377,507.27 ✓
2,360.13 ✓	Adams Farmers State Bank ✓	55,790.00 ✓	53,200.00 ✓
6,500.00 ✓	Naponee Republican Valley Bank ✓	80,000.00 ✓	73,500.00 ✓
- 789.54 ✓	Macy Macy State Bank ✓	64,909.16 ✓	64,909.16 ✓
	Taylor Old Gold Bank ✓	90,690.00 ✓	90,690.00 ✓
	McLean McLean State Bank ✓	107,062.81 ✓	107,062.81 ✓
5,568.00 ✓	Niobrara Niobrara Valley Bank ✓	202,500.00 ✓	189,100.00 ✓
39,355.65 ✓	Neligh Neligh State Bank ✓	200,000.00 ✓	149,154.35 ✓
1,000.00 ✓	Stapleton Farmers Bank ✓	18,000.00 ✓	17,000.00 ✓
- 5,409.00 ✓	Peru Peru State Bank ✓	63,000.00 ✓	59,000.00 ✓
24,000.00 ✓	Bloomfield Citizens State Bank ✓	716,250.00 ✓	692,250.00 ✓
5,499.94 ✓	Beverly Beverly State Bank ✓	24,500.00 ✓	18,050.00 ✓
4,185.75 ✓	Holdredge Citizens State Bank ✓	227,185.74 ✓	222,999.99 ✓
1,434.00 ✓	Sidney American Bank ✓	415,000.00 ✓	356,750.00 ✓
1,630.04 ✓	Orchard Orchard State Bank ✓	125,000.00 ✓	123,000.00 ✓
	Ralston Citizens State Bank ✓	161,097.73 ✓	161,097.73 ✓
20,750.00 ✓	Hastings Bank of Commerce ✓	358,750.00 ✓	338,000.00 ✓
1,981.00 ✓	Randolph Farmers State Bank ✓	36,484.01 ✓	33,744.01 ✓
4,400.00 ✓	Bostwick Bostwick State Bank ✓	121,000.00 ✓	115,400.00 ✓
12,000.00 ✓	Lynch Security State Bank ✓	302,481.02 ✓	294,481.02 ✓
	Cotesfield Farmers State Bank ✓	19,228.33 ✓	19,228.33 ✓
995.57 ✓	Santee Santee State Bank ✓	10,000.00 ✓	8,500.00 ✓
5,324.00 ✓	Brownville Brownville State Bank ✓	21,858.02 ✓	14,858.02 ✓
	Harvard Union State Bank ✓	102,420.00 ✓	102,420.00 ✓
1,000.00 ✓	Stratton Citizens State Bank ✓	77,000.00 ✓	76,000.00 ✓
	Wolbach Farmers State Bank ✓	133,366.49 ✓	133,366.49 ✓
4,000.00 ✓	Seneca Seneca State Bank ✓	38,500.00 ✓	34,500.00 ✓
- 1,74.00 ✓	Lyons Citizens State Bank ✓	141,310.00 ✓	140,310.00 ✓
- 2,500.00 ✓	Papillion State Bank of Papillion ✓	421,000.00 ✓	421,000.00 ✓
	Omaha Security State Bank ✓	438,113.50 ✓	438,113.50 ✓
	Ord Ord State Bank ✓	83,622.33 ✓	83,622.33 ✓
- 334.00 ✓	Richfield First State Bank ✓	35,500.00 ✓	35,500.00 ✓
- 1,414.28 ✓	Omaha Commercial State Bank ✓	80,000.00 ✓	80,000.00 ✓
	Craig Farmers State Bank ✓	256,000.00 ✓	256,000.00 ✓
	Sweetwater Sweetwater State Bank ✓	16,000.00 ✓	16,000.00 ✓
- 851.91 ✓	Angus Bank of Angus ✓	9,000.00 ✓	9,000.00 ✓
	Ericson Farmers State Bank ✓	78,499.10 ✓	78,499.10 ✓
	Brayton Brayton State Bank ✓	42,006.76 ✓	42,006.76 ✓
	Nelson State Bank of Nelson ✓	29,000.00 ✓	29,000.00 ✓
	Bazile Mills First State Bank ✓	297,284.99 ✓	297,284.99 ✓

836.0 11.91

525,127.51

39,355.65

12,000.00

125 banks

18,716.020.33
 2,209.473.34 ✓
 16,506,546.99 ✓

18,716.020.33
 difference 1,000.80

7,670,337.22
 16,506,546.99 ✓

429,784.09

BALANCE DUE DEPOSITORS' GUARANTY

FUND FROM FAILED BANKS

PER RECEIVERS' BOOKS

JANUARY 2, 1930

Exhibit "D"

<u>Location</u>	<u>Name of Banks</u>	<i>Fund loss vs gain on "sale assets" ✓ loss unless marked</i> <u>Payments From Guaranty Fund</u>	<u>Refunds To Guaranty Fund</u>	<u>"Sale Assets" Bid Price</u>	<u>1-2-30 Balance</u>
Superior	First State Savings Bank	54,526.17	35,870.16		18,656.01
Decatur	Farmers State Bank	79,051.81	35,130.67		43,921.14
Halsey	Farmers State Bank	37,206.62	31,074.82		6,131.80
Valparaiso	Valparaiso State Bank	338,386.74	26,508.30		311,878.44
Aurora	American State Bank	^{150.00} 156,527.44	5,000.00	150.00 ✓	151,377.44
Page	Farmers Bank	^{4,304.15} 206,722.35	20,672.23	9,304.15 ✓	176,745.97
Dunning	Home State Bank	93,657.07	8,157.07		85,500.00
Merriman	American State Bank	^{1,544.00 gain} 74,248.16	40,795.59	3,456.00 ✓	29,996.57
Ceresco	State Bank of Ceresco	^{50.00} 150,122.84	41,329.61	50.00 ✓	108,743.23
Blair	Banking House of A. Castetter	698,786.02	95,786.02		603,000.00
Long Pine	Brown County Bank	^{12,454.00} 231,965.39	37,187.78	29,754.00 ✓	165,023.61
Hoskins	Farmers State Bank	^{1,997.00} 91,334.39	7,668.01	1,997.00 ✓	81,669.38
Hader	Farmers State Bank	20.00*			
Hader	Farmers State Bank	^{325.00} 97,034.72	93,540.65	2,325.00 ✓	1,189.07
Oshkosh	First State Bank	89,818.01	46,559.17		43,258.84
Allen	Farmers State Bank	^{4,638.00} 195,507.85	50,199.69	4,638.00 ✓	140,670.16
Pleasanton	Farmers State Bank	^{4,366.90 gain} 135,960.65	26,276.61	17,000.00 ✓	92,684.04
Belvidere	Farmers State Bank	20,216.07			20,216.07
Anselmo	Peoples State Bank	^{64.05} 117,202.21	7,424.60	2,064.05 ✓	107,713.56
Omaha	Pioneer State Bank	^{3,427.00 gain} 300,761.32	135,331.49	8,673.00 ✓	156,756.83
Lincoln	American State Bank	^{5,500.00} 549,858.38	307,358.38	5,500.00 ✓	237,000.00
Sidney	Nebraska State Bank	170,280.38	25,762.64		144,517.74
Octavia	Octavia State Bank	^{42.00} 112,196.34	3,446.34	42.00 ✓	108,708.00
Table Rock	Community State Bank	82,051.80	7,051.80		75,000.00
Kilgore	Kilgore State Bank	509.02*			
Kilgore	Kilgore State Bank	^{7,537.25} 154,051.01		7,537.25 ✓	147,022.78
Obert	Obert State Bank	^{1,010.50} 108,271.18	1,000.00	1,010.50 ✓	106,260.68
Gurley	Gurley State Bank	^{even} 82,270.32	14,270.32	1,000.00 ✓	67,000.00
Springfield	Farmers State Bank	^{597.25} 65,026.65	6,502.66	1,597.25 ✓	56,926.74
Plattsmouth	Bank of Cass County	^{2,945.00} 239,880.70	72,833.78	2,945.00 ✓	164,101.92
Fairbury	Goodrich Bros. Banking Co.	50,035.23	38,302.55		11,732.68
Ogallala	Exchange Bank	116,663.49	47,000.00		69,663.49
Bayard	Farmers State Bank	^{2,600.00} 145,147.08		4,600.00 ✓	143,547.08
Homer	Homer State Bank	^{3,837.00} 233,130.71	43,130.71	6,837.00 ✓	183,163.00
Winside	Farmers State Bank	^{1,341.00} 365,721.42	104,325.72	1,341.00 ✓	260,054.70
Walton	Farmers & Merchants Bank	^{1,010.00} 47,200.00		1,010.00 ✓	46,190.00
Newcastle	Newcastle State Bank	^{822.50} 395,009.07	18,509.07	822.50 ✓	375,677.50
Long Pine	American State Bank	^{6,857.61} 296,162.17	7,000.00	11,357.61 ✓	277,804.56
Shelton	Shelton State Bank	^{14,167.26} 276,522.75	12,393.90	10,000.00 ✓	254,128.85
Milligan	Nebraska State Bank	^{1,070.00} 81,179.72	4,000.00	1,070.00 ✓	76,109.72
Waterloo	Bank of Waterloo	^{1,216.78} 69,176.66	24,176.66	6,516.78 ✓	38,483.22
Endicott	Endicott State Bank	29,964.16	6,964.16		23,000.00
Sholes	Wayne County Bank	^{481.00} 93,173.60	1,664.61	4,981.00 ✓	86,527.99
Benedict	Farmers State Bank	139,868.68			139,868.68
Hemingford	First State Bank	207,075.68	58,880.88		148,194.80
Morrill	Farmers & Merchants Bank	193,259.28	20,259.28		173,000.00
Waco	Waco State Bank	19,200.00	4,200.00		15,000.00
Gering	State Bank of Gering	^{15,000.00} 214,893.59		15,000.00 ✓	199,893.59
Omaha	American State Bank	^{2,159.00} 400,039.22	28,039.22	2,159.00 ✓	369,841.00
Kimball	Citizens State Bank	^{850.00} 305,124.17	4,424.17	850.00 ✓	299,850.00
Bennett	Farmers Bank	^{2,141.00} 82,920.05	11,920.05	2,141.00 ✓	68,859.00
Bristow	American Exchange Bank	^{658.50} 303,558.84		658.50 ✓	302,900.34
Chambers	South Fork State Bank	^{47.00} 29,680.60	1,000.00	47.00 ✓	28,633.60
Berwyn	Berwyn State Bank	^{2,100.00} 208,817.68	17,480.00	6,848.00 ✓	184,489.68
Maskell	Maskell State Bank	130,837.57			130,837.57
Henry	Henry State Bank	^{gain} 2,500.00	110,889.47	5,000.00 ✓	100,000.00
Gross	Gross State Bank	^{263.00} 83,577.80	1,577.80	263.00 ✓	81,737.00
Kenesaw	First State Bank	115,775.00			115,775.00
Neligh	Atlas Bank of Neligh	^{1,404.29} 809,348.89	40,179.95	1,404.29 ✓	767,764.65
Crookston	Bank of Crookston	^{8,744.50} 74,936.57	1,102.07	9,744.50 ✓	64,090.00
Wayside	Wayside State Bank	^{gain} 343.50	12,200.00	656.50	11,543.50

↓ Bid price less the
the
refunds on sale assets shown in Exhibit B

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П
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1.50
 93.04
 34.56
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 2 97.54
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 20.64
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 14.17
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3.336.60 П
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 331.509

Location	Name of Banks	Payments		Refunds		"Sale Assets" Bid Price	Balance 1-2-30
		From Guaranty Fund	To Guaranty Fund	To Guaranty Fund	To Guaranty Fund		
Eddyville	Security State Bank		98,000.00				98,000.00
Broadwater	Broadwater Bank		100.00*				
Boardwater	Broadwater Bank	225.00	145,445.17	3,445.17		225.00✓	141,875.00
McCook	Citizens State Bank		206,576.07	86,076.07			120,500.00
Dixon	Farmers State Bank		600.00*				
Dixon	Farmers State Bank	1,075.00	21,561.06			1,075.00✓	21,086.06
Bushnell	Farmers State Bank	3,221.16	107,311.86			3,221.16✓	104,090.70
Royal	Citizens State Bank	1,417.00	19,871.38	1,700.00		1,417.00✓	16,754.38
Springview	Springview State Bank	109.66	4,000.00			109.66✓	3,890.34
Dix	Farmers State Bank		54,000.00	16,000.00			38,000.00
Potter	Citizens State Bank		105,101.47	12,500.00			92,601.47
Waverly	Bank of Waverly		222,537.25	5,500.00			217,037.25
Lorenzo	Lorenzo State Bank		20,402.72	3,652.72			16,750.00
Theford	Theford Bank		74,650.00				74,650.00
McGrew	Security State Bank	1,124.48	65,000.00	14,000.00		6,124.48✓	44,875.52
Culbertson	Farmers State Bank	1,192.92	92,916.76	1,416.76		1,792.92✓	89,707.08
Bartley	Farmers State Bank	589.04	20,000.00	1,500.00		589.04✓	17,910.96
Monowi	Monowi State Bank	2,103.00	148,466.41			2,103.00✓	146,363.41
Nickerson	First State Bank		500.00*				
Nickerson	First State Bank	214.78	208,940.17	1,250.00		2,214.78✓	205,975.39
Clinton	Clinton State Bank		78,159.85				78,159.85
Trumbull	Trumbull State Bank		3,072.50	1,000.00			2,072.50
Crawford	Farmers Bank	2,410.90	90,000.00	1,000.00		2,410.90✓	86,589.10
Valentine	Valentine State Bank	4,557.50	125,500.00	3,000.00		6,057.50✓	116,442.50
Ames	Farmers State Bank		262.51*				
Ames	Farmers State Bank	213.00	14,000.00	4,750.00		2,213.00✓	7,299.51
Angora	Angora State Bank		65.00*				
Angora	Angora State Bank	1,000.00	39,338.66			1,000.00✓	38,403.66
Carroll	Citizens State Bank	6,280.00	151,632.15	9,800.00		6,280.00✓	135,552.15
Riverton	Republican Valley Bank		66,000.00	6,500.00			59,500.00
Hooper	Dodge County Bank		250.00*				
Hooper	Dodge County Bank	1,200.00	59,898.50			1,200.00✓	58,948.50
Chadron	Citizens State Bank		401,507.27	24,000.00			377,507.27
Adams	Farmers State Bank	229.87	55,790.00	2,590.00		229.87✓	52,970.13
Naponee	Republican Valley Bank		80,000.00	6,500.00			73,500.00
Macy	Macy State Bank	789.54	64,909.16			789.54✓	64,119.62
Taylor	Old Gold Bank		90,690.00				90,690.00
McLean	McLean State Bank		107,062.81				107,062.81
Niobrara	Niobrara Valley Bank	2,932.00	202,500.00	8,500.00		7,832.00✓	186,168.00
Neligh	Neligh State Bank	1644.35	200,000.00	39,000.00		15,490.00✓	145,510.00
Stapleton	Farmers Bank		18,000.00	1,000.00			17,000.00
Peru	Peru State Bank	9,707.00	63,000.00	4,000.00		9,707.00✓	49,293.00
Bloomfield	Citizens State Bank		716,250.00	24,000.00			692,250.00
Beverly	Beverly State Bank	250.06	24,500.00	5,750.00		950.06✓	17,799.94
Holdrege	Citizens State Bank		227,185.74	4,185.74			223,000.00
Sidney	American Bank	22,566.00	415,000.00	24,000.00		56,816.00✓	334,184.00
Orchard	Orchard State Bank	369.96	125,000.00	2,000.00		369.96✓	122,630.04
Ralston	Citizens State Bank		161,097.73				161,097.73
Hastings	Bank of Commerce		358,750.00	20,750.00			338,000.00
Randolph	Farmers State Bank	719.00	36,484.01	2,700.00		719.00✓	33,065.01
Bostwick	Bostwick State Bank	800.00	121,000.00	5,200.00		1,200.00✓	114,600.00
Lynch	Security State Bank		302,481.02	12,000.00			290,481.02
Cotesfield	Farmers State Bank		19,228.33				19,228.33
Santee	Santee State Bank		220.00*				
Santee	Santee State Bank	504.43	10,000.00	1,500.00		504.43✓	8,215.57
Brownville	Brownville State Bank	1,676.00	21,858.02	7,000.00		1,676.00	13,182.02
Harvard	Union State Bank		102,420.00				102,420.00
Stratton	Citizens State Bank		77,000.00	1,000.00			76,000.00
Wolbach	Farmers State Bank		133,366.49				133,366.49
Seneca	Seneca State Bank		38,500.00	4,000.00			34,500.00
Lyons	Citizens State Bank	1,741.00	141,452.00			2,741.00	138,711.00
Papillon	State Bank of Papillon	2,500.00	421,000.00			2,500.00	418,500.00
Omaha	Security State Bank		438,113.50				438,113.50
Ord	Ord State Bank		83,622.33				83,622.33
Richfield	First State Bank		75.00*				
Richfield	First State Bank	334.00	35,500.00			334.00	35,241.00
Omaha	Commercial State Bank	1,414.28	80,000.00			1,414.28	78,585.72
Craig	Farmers State Bank		256,000.00				256,000.00
Sweetwater	Sweetwater		16,000.00				16,000.00
Angus	Bank of Angus	851.91	9,000.00			851.91	8,148.09

<u>Location</u>		<u>Payments</u> <u>From</u> <u>Guaranty</u> <u>Fund</u>	<u>Refunds</u> <u>To</u> <u>Guaranty</u> <u>Fund</u>	<u>"Sale</u> <u>Assets"</u> <u>Bid</u> <u>Price</u>	<u>1-2-30</u> <u>Balance</u>
Ericson	Farmers State Bank	78,500.00			78,500.00
Brayton	Brayton State Bank	42,006.76			42,006.76
Nelson	State Bank of Nelson	29,000.00			29,000.00
Bazile Mills	First State Bank	297,284.99			297,284.99
		2,601.53*			
		<u>13,717,453.88</u>	<u>2,057,925.12</u>	<u>331,509.37</u>	<u>16,330,620.92</u>
		18,720,055.41			331,509.37
					2,057,925.12

* Paid to Receivers by Guarantee Fund Commission from "Sale Asset" trusts.

18,720,055.41

Total "Sale assets" bid price adds to 334,509.
 Difference appears to be Brayton Farmers State Bank
 But whether bid price should be \$1,600, or
 whether error is in totaling is not clear.
 So figures for Brayton re payments, refunds
 and sale assets bid price have been
 used as given
 Number of "sale assets" bid price listed 73 banks

REPORT OF BANK INVESTIGATION

MARCH 3, 1930

EXHIBIT "B"
(Exhibit "B" of Governor's message
to special session of Legislature)

(Report of Bank Investigation)

To Governor Arthur J. Weaver,
Lincoln, Nebraska.

Lincoln, Nebraska,
March 3, 1930.

Your Excellency:

For your information and that of the members of the Legislature, whom you have convened in extraordinary session to consider the banking question, I submit a preliminary report of the work of the investigation and audit, which by legislative authority and your order I have been conducting.

After deliberation as to what should be the scope and object of the investigation, I have determined that the intent and purpose of the Legislature was to have an audit made of a sufficient number of failed banks to determine the chief causes of failures, secure evidence of law violations by officials, or waste of property assets by those entrusted with them. Also to audit the work of the Guarantee Fund Commission and other liquidating agencies. My chief object, and I believe the most important result to come from this investigation, is to determine as far as may be possible the fundamental causes that have brought disaster to so many banks in Nebraska, in order that the future may be free from such conditions.

The audit is not completed, but enough has been accomplished to show substantially a picture of the causes and reasons for the failures of the past and I trust some truths that will be helpful in solving the problems of the future.

This office has had every assistance asked for from the various departments of the state and the earnest and unqualified support of the Governor and the Attorney General.

The Legislature appropriated \$150,000.00 for the expenses of the investigation authorized. The entire amount was available for the expenses of the audit, as well as the costs of the Attorney General's office because of legal actions resulting from the investigation.

Up to March 1st, 1930, there has been expended by this office approximately \$55,590.53, divided as follows:

AUDITING DEPARTMENT

Salaries to March 1st, 1930 - - - - -	\$37,576.05	
Traveling Expense - - - - -	<u>531.93</u>	\$38,107.98

LEGAL DEPARTMENT

Salaries to March 1st, 1930 - - - - -	3,930.64	
Traveling Expense - - - - -	<u>1,395.70</u>	5,326.34

CHIEF EXAMINER'S OFFICE

Salaries to March 1st, 1930 - - - - -	10,590.43	
Expense, including traveling expense of Chief Examiner, S. M. Patterson, Assistant to Chief Examiner, R. T. Jones, Special Investigator, and telephone, telegraph, postage and supplies - - - - -	1,165.21	
Furniture - - - - -	<u>400.57</u>	<u>12,156.21</u>
		\$55,590.53

There have been varying numbers of auditors and assistants employed. Per diem pay was fixed by contract, the certified public accountants receive \$20.00 per day when actually at work and assistant accountants \$12.50 per day. No charges for expenses while employed in Lincoln are allowed. Actual expenses only when on work outside of Lincoln or Omaha are paid.

Two legal assistants are employed under direction of the Attorney General. Hon. Frank S. Howell of Omaha and Mr. Lee Basye of Lincoln are assigned to this work by the Attorney General. Both have had wide experience in the work in which they are engaged. Mr. Howell receives \$500.00 per month and \$25.00 per day while actually employed in trial of cases. Mr. Basye is paid \$325.00 per month. A large number of law suits and prosecutions have been begun by them in various courts and many more are being prepared and made ready for filing. Almost every report from the auditors recommends legal action because of law violations. Twenty-one indictments are pending trial. So far no case has been dismissed and each one brought to trial has resulted in conviction. The legal work growing out of the disclosures resulting from this investigation is only fairly started. It will probably continue long after the bank audits are finished.

The investigation was authorized by legislative act to cover a period of ten years beginning with 1919, but since the Statute of Limitations begins to run against most violations of criminal statutes after three years, I have centered the work of the auditors and examiners upon the more recent failures. It seemed a waste of money to work on cases that could only result in findings of little value as basis for legal action in the courts because outlawed by Statute of Limitations.

The banks that have failed since the Guarantee Fund Commission was abolished by act of legislature in May, 1929, are now in the hands of the Department of Trade and Commerce. A number of them have been reorganized and reopened and the others are being investigated and examined by that department.

I have, therefore, directed this audit chiefly to the examination of those banks taken over and supervised or operated as going banks by the Guarantee Fund Commission. By doing so we have investigated the work of the Commission in handling and operating these banks and at the same time gone thoroughly into the conduct of the bank officers of failed banks who were responsible for their management and operation under the laws of Nebraska.

From 1919 to May 1929, when the Guarantee Fund Commission was abolished, 270 banks were closed by the Department of Banking. 225 were closed in the six year period during which the Guarantee Fund Commission operated.

Since July last this office has had under investigation and audit 106 banks and the reports are mostly completed. These banks were closed since 1923, when the Guarantee Fund Commission was created. Practically one-half of the banks that were closed during the six years following the creation of the Guarantee Fund Commission down to May 1929, when it was terminated, have been audited or are still under investigation.

Every failed bank for which there has been a request for an investigation from a depositors' committee has been ordered audited. Wherever reliable information or evidence concerning any failed bank has indicated reasons for an investigation, an audit has been directed. It is expected that the investigation can be completed by July 1st next and a full report made to your excellency of the work when completed and the results obtained.

This audit and investigation has had three principal objects in view:

First - The audit of a sufficient number of failed banks to determine the cause of the many bank failures in Nebraska and to secure evidence of law violations in certain banks that should result in the punishment of guilty offenders, and to investigate thoroughly the liquidation and disposition of bank assets so as to protect as far as possible the interests of depositors.

Second - To investigate and report on the work of the Guarantee Fund Commission as administrators of the affairs of failed banks.

Third - To investigate and report on the efficiency and effectiveness of the supervision and examination of state banks as conducted by the Department of Trade and Commerce.

Enough banks are now audited or under investigation to show the causes and reasons for the failures of the past and to point out needed reforms necessary to insure sound banking in the future. The audit of those banks liquidated or operated as going banks by the Guarantee Fund Commission gives a picture of the workings of the law creating the Commission as applied to the banks audited.

The auditors are now beginning a general audit of the work of the Guarantee Fund Commission as a whole, and also an audit of the administration of the Guarantee Fund and bank examinations and supervision of state banks by the Department of Trade and Commerce.

CAUSES OF FAILURE

In analyzing almost every bank failure there are important facts and law violations disclosed that pertain to that bank along, but there are certain economic causes as well as violations of both statutory law and sound business practice that are constantly disclosed as the underlying reasons for failures in almost every case. Since 1920, economic causes general in scope and character destroyed agricultural and commercial credit and made bankruptcy widespread throughout Nebraska and her sister states with consequent disaster to the banks of Nebraska and the states surrounding her. The World War inflated prices, both of land and other property, to such an extent that a wild business boom broke out which swept bankers, business men and farmers before it. Standards of values and basis of credit were completely lost sight of and speculations took the place of sound business ideas. Banks were increased in numbers until competition in limited fields brought disaster because there was not sufficient safe and profitable business for all those who were fighting for it. Land speculation, a most dangerous disease for bankers to contract, became epidemic either through loans on lands or by indirect purchases by bank officers. The forced deflation of farm property swept away values of supposed securities and caused the most complete destruction of credit the west has ever known. Agricultural prices fell eight billions in one year. Only the strong, careful and experienced banker could weather this storm.

During the war boom period the number of state banks was increased by 315. It is interesting to note that 296 banks have been closed since the boom blew up in 1921. Banks that were the product of boom conditions collapsed when the boom that brought them into being broke. When the courts decreed that the State Banking Department could not refuse charters, they struck a deadly blow at the safety of banking and the security and sufficiency of the Bank Guaranty Fund. Hundreds of banks were chartered for which there was no economic use and men permitted to operate them who, for want of ability and honesty, have disgraced the business of banking.

In the year 1917, one hundred and one new banks were chartered and in 1918 and 1919, one hundred and two more were permitted to begin business. The irresistible economic law that unprofitable banks, the same as any other losing business, must finally fail or discontinue has cancelled nearly every one of those chartered mistakes, but at a sad cost to the depositors of the failed banks. This mistake in our banking administration has been corrected. The courts now permit the Banking Department to judge as to community need for a bank and also as to the ability and character of the officers who manage it. As a result in the first six months of 1929, only one new state bank has been chartered in Nebraska. No one protests that any just demand has been denied.

The unsafe and unnecessary expansion in banking during the boom period led to an extraordinary and unsafe increase in loans and credits.

Where too many banks make competition ruinous, bad loans become common because there are not enough good borrowers to absorb the funds that must be loaned to make a show of profit at least on paper. The millions of dollars of worthless loans that encumbered the note cases of the banks audited by this office is astounding. Very often more than half of the notes in failed banks audited by this office are found worthless because the officers making them were speculators, not bankers. These bad loans were not made to earn reasonable interest upon undoubted security, which should be the bankers sole purpose, but for many unsound and dangerous reasons. The drunken desire to get rich quick by using depositors' money in real estate and other speculative businesses has ruined about every bank and banker that engaged in it.

No banking law however sound and carefully drawn will be effective in protecting the interests of the depositor and the public if bankers are permitted

to continually violate its most important provisions. Moses himself could not make a law that would save bankers who would not obey it. The Guaranty portion of the banking laws of Nebraska established an insurance policy for the protection of depositors. The annual assessments for the payment of losses were based upon the average losses in national banks during the entire life of that system since it was established in 1862. For fifteen years before the war boom multiplied the number of banks and inaugurated an era of disastrous speculation, failures were few, depositors lost no money and public confidence in our state banks was complete.

If all banks had obeyed the law prohibiting unlawful loans and refused to risk the funds of their depositors in speculations of any sort, failures of state banks would have been few and the Guaranty Fund could have readily paid any losses of depositors.

It is a felony for officers of a bank to receive deposits after it is insolvent. The Department of Banking is empowered to close banks found insolvent upon examination. Stockholders are liable for an additional amount equal to their capital investment. These provisions of law, if enforced, would make depositors' losses negligible.

With proper supervision and competent examinations, bankers would not have been permitted to break their institutions by illegal loans and unlawful speculation. Under proper administration of the banking laws now on the Statute books of Nebraska, a bank failure should only result in loss to the stockholders and to them only because of violations of the trust in their charge.

The many bank failures in Nebraska were not caused by the laws of the commonwealth. Failures became epidemic because the banking laws were violated and not enforced.

Hundreds of banks have failed in the states surrounding Nebraska. The laws of states may differ, but the causes of bank failures are ever the same. All laws are useless unless obeyed. Banking laws are the result of long years of experience and cannot be broken by bankers without both banker and the public paying the penalty. No law, however salutary, can ever be a substitute for honest and competent bank management. Bad bankers and poor supervision broke the failed banks of Nebraska. The Guaranty Law brought prosperity and strength to the state banks and saved depositors from losses of millions of dollars. It has been discredited and destroyed by those who should have been its staunchest defenders.

The wreck of agricultural prosperity, betrayal of their trust by faithless bankers and inefficient supervision have nullified the law, taken from the people the benefit of its protection and destroyed the confidence it had established. Security of depositors is the corner stone of prosperous and stable banking.

It is the task and duty of the Legislature to re-establish this confidence. The people will be quick to show their approval of any action that will make the depositor secure and the banking system of the state prosperous.

The Guaranty Fund has been the chief agency of the state for the liquidation of failed banks during the period covered by this investigation. It was advocated by bankers and composed of bankers recommended to the Governor by banking groups.

The law provided that the Commission acted for the stockholders of closed banks. The Commission was authorized to operate failed banks, receive and pay out deposits without regard to the solvency of the institution. The operation of failed banks by the Guarantee Fund Commission resulted in payment of millions of dollars of preferred claims to certain depositors by agents in charge of Commission managed banks. Governor Weaver pointed out, in his statement issued when convening the extra session, that in 73 such banks there were preferences paid some depositors to the amount of \$5,000,000.00. It should be said that the Commission claims that before December 1st, 1927, it was represented to them by the Department of Trade and Commerce that losses would finally be paid in full from the Guaranty Fund. All unequal preferences in payments to depositors were discontinued after December, 1927. This audit first disclosed the magnitude of these discriminations.

There have been many cases reported to this office of compromises of debts owing to failed banks. Also numerous reports of sale of lands or property at unfair prices. All these reports have been carefully investigated. The Commission has left a very complete and well kept set of records showing the history of every transaction performed by itself or its agents.

The auditors will make a record of their finds and recommendations upon the work of the Commission for the information of the Governor and the Attorney General's office.

From 1909, when the present law was enacted, to 1925 when a long series of bank disasters began to undermine the Guaranty Fund, deposits in Nebraska State banks increased almost 500 per cent. The increase was from 62 million to 272 million dollars. During that period 91 banks closed, but depositors suffered no losses. Since 1925 there has been a total of 325 state bank failures in Nebraska and deposits have decreased to \$190,708,825.00. There were 615 state banks in operation in 1908. By 1921 the number was 1009, an increase of 394. December 31, 1929, 647 state banks reported to the Department of Banking. A decrease of 362 from the high water mark of 1921.

Liabilities of banks closed prior to May 1st, 1929, when the Guarantee Fund Commission was abolished amounted to - - - - -	\$79,106,559.78
Liabilities of banks closed since May 1st, 1929 - - -	<u>19,712,373.67</u>
Grand Total of Liabilities - - - - -	\$98,818,933.45

Based upon realization of assets of failed banks and payments from the Guaranty Fund, Mr. Van Peterson estimated the deficit from the 79 million of liabilities as of May 1st, 1929, at 16 millions of dollars. Since May 1st, 1929, failures have added over 19 million of liabilities of failed banks. At the same rate of realization as figured for prior liabilities, there would be added 4 million dollars more to the estimated deficit, or a total amount of 20 millions as estimated in the Governor's statement.

If the State and the banks will jointly assume the payment of this deficit, as your excellency has recommended, Nebraska will indeed have "told a story no other state can tell."

Respectfully submitted,
 s/ A. C. Shallenberger
 CHIEF EXAMINER.
