

UNITED STATES DISTRICT COURT,  
NORTHERN DISTRICT OF OHIO,  
EASTERN DIVISION.

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Chase Stewart,

PLAINTIFF,

-VS-

The Federal Reserve Bank of  
Cleveland, Fourth District of the  
United States, a corporate body,  
and John A. Best as Receiver of  
The Springfield National Bank of  
Springfield, Ohio.

DEFENDANTS.

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B I L L  
O F  
C O M P L A I N T.

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The plaintiff above named files this his Bill of Complaint  
herein, and for his cause of action respectfully shows to your Honor;

This is a suit of a civil nature in equity, in which the  
matter in controversy, exclusive of interest and costs, exceeds \$3000,  
and arises under the laws of the United States; and is for winding up  
the affairs of a National Banking Association.

FIRST.

That the plaintiff, Chase Stewart, was at the time of the  
commencement of this action and still is a resident and citizen of the  
City of Springfield and State of Ohio.

That the defendant, the Federal Reserve Bank, is a body corporate created and duly organized under the Federal Reserve Act of the United States, and was at all times mentioned herein and still is doing business in its said corporate capacity, with its principal place of business in the City of Cleveland in said District. The Springfield National Bank is a National banking corporation organized and existing under the National Banking Laws of the United States and has its principal office and place of business in the City of Springfield, Clark County, Ohio, and is a member bank of said Federal Reserve Bank.

SECOND.

Plaintiff avers that on March 6, 1923, said Springfield National Bank, by order of the Federal authorities, closed its doors and since that date has carried on no business, and the defendant John A. Best has been appointed Receiver of said bank by the Comptroller of the Currency, and is now duly qualified to act and act as such and is in control of said bank and its property and is proceeding to liquidate and wind up its business affairs.

Shortly prior to the closing of said Springfield National Bank, for value, it executed its certain promissory note for forty thousand dollars (\$40,000.00) in favor of the defendant, the Federal Reserve Bank of Cleveland, and U. S. Liberty Bonds in the sum of forty thousand dollars (\$40,000.00) accompanied said note as collateral for its payment, said note and bonds being sent to said Federal Reserve Bank by A. H. Penfield as Cashier of said Springfield National Bank, There was included in said collateral the following Liberty Bonds at the par value of \$14,000.00, all of which belong to the plaintiff,

to-witt:

G.	1435024	\$1,000.00	
G.	1435025	1,000.00	
G.	1435026	1,000.00	5th Victory
G.	1435027	1,000.00	
G.	74518	5,000.00	
L.	2421543	1,000.00	
	747555	1,000.00	
	747554	1,000.00	3d 4 $\frac{1}{4}$
	1387038	1,000.00	
	1220706	1,000.00	
TOTAL..		\$14,000.00	

Plaintiff avers that said bonds had been deposited by him in said Springfield National Bank for safe keeping prior to the closing of said bank and were wrongfully taken from the vault of said bank by its said Cashier and wrongfully appropriated by him as such Cashier and forwarded to said defendant, the Federal Reserve Bank, together with additional bonds as collateral, in the manner aforesaid, and all without the knowledge or consent of the plaintiff. At the time of the closing of said Springfield National Bank said bonds belonging to the plaintiff were in the possession of the defendant, the Federal Reserve Bank, and were retained by it until on or about March 8, 1923, when, as the plaintiff is informed and believes, said Federal Reserve Bank sold said bonds and applied the proceeds arising from such sale, to wit, more than \$14,000.00, in payment of said \$40,000.00 note. At the time of the sale of said bonds and since, said Springfield National Bank had and has a balance to its credit in said Federal Reserve Bank greatly in excess of the proceeds derived from the sale of plaintiff's said bonds.

Shortly after the closing of said Springfield National Bank and immediately upon learning of the wrongful misappropriation of his bonds and the shipment of the same to said defendant, the Federal Reserve

Bank in the manner aforesaid, plaintiff notified said defendant of his ownership of said bonds and demanded their return to him. Upon being advised by said defendant that said bonds had been sold and the proceeds applied in the manner aforesaid, plaintiff without delay notified said Federal Reserve Bank that if his said bonds were beyond its control and could not be recalled he would and did make claim for the proceeds arising from said sale; but neither said bonds nor the proceeds thereof have hitherto been returned to him. Plaintiff avers that the effect of the application by said defendant, the Federal Reserve Bank, of the proceeds arising from the sale of plaintiff's said bonds to the payment and satisfaction of said note of the said Springfield National Bank has been and is to cause the assets and property of said Springfield National Bank in the hands of said defendant, the Federal Reserve Bank, and subject to distribution to the creditors of the Springfield National Bank by the defendant John A. Best, Receiver, to be increased in an amount equal to the proceeds of said bonds, to which amount neither said Springfield National Bank nor its Receiver was at any time entitled; and he avers that said Federal Reserve Bank had the right in law and equity upon being advised of the wrongful taking and misappropriation of plaintiff's bonds in the manner aforesaid and since, to charge said Springfield National Bank account with the amount of the proceeds arising from the sale of plaintiff's said bonds in the manner aforesaid, and said Federal Reserve Bank is in law and equity under obligation so to do.

Plaintiff says that by reason of the premises he is entitled to be subrogated to all the rights of said Federal Reserve Bank in and

as against the balance that stood to the credit of the said Springfield National Bank in said Federal Reserve Bank at the time of the closing of said Springfield National Bank and thereafter, in an amount equalling the proceeds from the sale of plaintiff's bonds by the Federal Reserve Bank in the manner aforesaid.

Plaintiff has no adequate remedy at law and unless prevented by the order of this Court the property of the plaintiff will be turned over to said Receiver by the Federal Reserve Bank, and will be distributed by him to the general creditors of said Springfield National Bank on final distribution.

WHEREFORE, plaintiff prays that defendants be required to answer but not under oath, answer under oath being waived and for a decree that he succeed to or be permitted to avail himself of all the rights of the Federal Reserve Bank that it had at any time to the bonds of plaintiff, or to the proceeds derived therefrom, and that said Federal Reserve Bank be ordered to pay the plaintiff, if said bonds are beyond its control and cannot be recalled and delivered to plaintiff, the proceeds derived from the sale of said bonds, and that said account of the Springfield National Bank be charged with the amount so to be paid plaintiff as aforesaid, or in the event that the amount representing the proceeds derived from the sale of plaintiff's bonds applied on the indebtedness of the Springfield National Bank in the manner aforesaid is turned over to the defendant the Receiver of The Springfield National Bank, that said Receiver be ordered to pay to plaintiff the amount of his said claim therefrom, and for all proper relief.

S. H. WEST

JAMES G. JOHNSON

JOHN M. COLE

Solicitors for Plaintiff.

UNITED STATES DISTRICT COURT,  
NORTHERN DISTRICT OF OHIO,  
EASTERN DIVISION.

Chase Stewart, PLAINTIFF

vs.

The Federal Reserve Bank,  
Fourth District of the United  
States, a corporate body, and  
John A. Best, Receiver of The  
Springfield National Bank of  
Springfield, Ohio, a banking  
corporation,

DEFENDANT,

P R E C I P E.

The Clerk of said Court will issue separate writs of subpoenas to said defendants, one of which for The Federal Reserve Bank to be directed to the Marshal for the Northern District of Ohio, Eastern Division, and the other in duplicate subpoena for the defendant John A. Best, Receiver of The Springfield National Bank to be directed to the Marshal of the United States District Court for the Southern District of Ohio, Western Division, returnable according to law.

S. H. WEST  
JAMES G. JOHNSON  
JOHN M. COLE,  
Solicitors for Plaintiff.

IN THE DISTRICT COURT OF THE UNITED STATES  
FOR THE NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION.

In Equity No. 887.

Chase Stewart,	)	
	:	
Plaintiff,	)	
	:	
vs.	)	
	:	
The Federal Reserve Bank of	)	
Cleveland, Fourth District	:	ANSWER OF THE FEDERAL RESERVE
of the United States, a cor-	)	BANK OF CLEVELAND.
porate body, and John A. Best	:	
as Receiver of The Spring-	)	
field National Bank of Spring-	:	
field, Ohio.	)	
	:	
Defendants.	)	

The defendant, The Federal Reserve Bank of Cleveland, for answer to the bill of complaint filed herein says:

1. It admits that this is a suit of a civil nature in equity of which this Court has jurisdiction; That the plaintiff, Chase Stewart, was at the time of the commencement of this action, and still is, a resident and citizen of the City of Springfield, Ohio; that the defendant, The Federal Reserve Bank of Cleveland, Ohio, is a body corporate created and duly organized under the Federal Reserve Act, and was at all the times mentioned herein, and still is, doing business in the City of Cleveland, Ohio; that the Springfield National Bank is a national banking corporation organized and existing under the national banking laws of the United States, with its principal office and place of business in the City of Springfield, Clark County, Ohio, and was and

is at the times mentioned in said bill of complaint a member bank of defendant, The Federal Reserve Bank of Cleveland.

2. The defendant admits that said Springfield National Bank on March 6th, 1923, closed its doors by order of the federal authorities, and that since said date has carried on no business, and that the defendant, John A. Best, has been appointed Receiver of said bank by the Comptroller of the Currency, and is now duly qualified to act, and is acting, as such in the control of said bank and its property, and is proceeding to liquidate and wind up its affairs.

3. The defendant admits on February 26th, 1923, the said Springfield National Bank for value received executed its certain promissory note for \$40,000 in favor of this defendant, and deposited with this defendant United States Liberty Bonds in the sum of \$40,000, as collateral for its payment, said note being in letters and figures as follows, to-wit:

"February 26, 1923.

Ten days after date, for value received, the undersigned bank promises to pay to the order of

FEDERAL RESERVE BANK OF CLEVELAND,  
AT ITS OFFICE IN CLEVELAND, OHIO,

Forty thousand - - - - - Dollars,  
with interest at the rate of six per cent per annum, from and after the maturity hereof, if the indebtedness evidenced hereby is not then fully paid; having deposited with and pledged to said Federal Reserve Bank, as collateral security for the payment of this or any other liability or liabilities, whether direct or contingent, of the undersigned bank to said Federal Reserve Bank, due or to become due or that may be hereafter contracted, notes, drafts, bills of exchange, or bankers' acceptances, which are



hereby certified to be eligible for re-discount or for purchase by Federal Reserve Banks under the provisions of the Federal Reserve Act, or by the deposit and pledge of bonds or notes of the United States, as described in schedule of collateral hereto attached and made part hereof, marked for identification "Schedule of Collateral", and bearing the same date as this note.

Said Federal Reserve Bank is also given a lien, for the payment of this note and any other of said liabilities, on all the collateral deposited or pledged with said Federal Reserve Bank as security; and it is hereby agreed by the undersigned bank that the said Federal Reserve Bank has the right to call for such additional security as it may deem proper, and, on failure to respond forthwith to such call, or on the non-payment of this note, or on the non-payment of any other liability or liabilities of the undersigned bank as above provided, the said Federal Reserve Bank, or any holder hereof, is hereby given full authority to sell, assign and deliver, or collect, the whole or any part of the above named collaterals as per schedule, or any substitute therefor, or any addition thereto, at any public or private sale or on any brokers' board or stock exchange, at any time or times hereafter, without demand, advertisement or notice; and, upon such sale, the Federal Reserve Bank or the holder hereof may become the purchaser of the whole or any part of such collaterals, discharged from any right of redemption, and, after deducting all legal or other costs and expenses for collection, sale and delivery, may apply the residue of the proceeds of such collections, sale or sales to the payment of any, either or all of said liabilities, as said Federal Reserve Bank, or its assigns, shall deem proper, returning the over-plus to the undersigned bank.

SPRINGFIELD NAT'L BANK  
Springfield, Ohio  
By A. H. Penfield, Cashier."

4. Defendant admits that there was included in said collateral Liberty Bonds of the par value of \$14,000 as listed in said bill

of complaint, but this defendant has no knowledge, except by the allegations of said bill, that plaintiff was the owner thereof and, therefore, denies said ownership and asks proof thereof.

5. The defendant admits that at the time of the closing of said Springfield National Bank the entire \$40,000 of Liberty Bonds so deposited as collateral security to said note of the Springfield National Bank were in the possession of the defendant, as the bona fide holders thereof, it having acquired the same for valuable consideration in the ordinary course of business, and were retained by it until Saturday, March 24th, at 11:30 A. M., when instructions were given by the defendant Federal Reserve Bank to brokers in the City of Cleveland to sell said bonds, and that in accordance with said instructions said bonds were sold by the said brokers on Monday morning, March 26th. That after said bonds were sold, but prior to the delivery of the proceeds to this defendant, a letter was received from the plaintiff addressed to the defendant dated March 24th, advising that he was the owner of the Liberty Bonds listed in said bill of complaint, which were included in said \$40,000 of collateral.

6. Defendant avers that the amount realized from the sale of said bonds was \$39,715.95, which sum, together with \$85 which was realized from past due coupons dated March 15th, 1923, cut from \$4,000 Third Liberty Loan bonds which were among the bonds claimed by the plaintiff, were applied by the defendant in the payment of said note, which, with interest to said date, amounted to \$40,086.77, leaving a balance due on said note to the defendant of \$267.82, which said balance was on the 26th day of March, 1923, charged against the balance

of the Springfield National Bank, with the defendant, thereby liquidating said note of the Springfield National Bank to this defendant of \$40,000 and interest.

7. The defendant avers that the reserve of said Springfield National Bank required to be on deposit with the defendant under the Federal Reserve Act on March 1st, and subsequent thereto, was \$91,800, computed upon certain percentages of the average demand and time deposits of said Springfield National Bank for the two week period immediately prior to said March 1st. On the 6th day of March, when the doors of said Springfield National Bank were closed by the Comptroller of the Currency, said bank had on deposit with this defendant only the sum of \$28,350.45, and that on the 26th day of March, when said collateral was sold, it had only \$31,586.45 from which amount was deducted the balance due on said note, after applying the proceeds from the sale of said bonds and coupons, the sum of \$287.82, leaving a balance now on deposit with the defendant of \$31,298.63.

8. Defendant avers that in view of the character of the deposit required to be made by the Springfield National Bank with the defendant, thereby creating a fund for the protection of creditors of said Springfield Bank, it was not at liberty or required to apply said deposit to the payment of said \$40,000 note until it had first exhausted the collateral deposited as security for the payment of said note.

Further answering said bill of complaint, this defendant denies each and every other allegation thereof not herein specifically admitted or denied.

WHEREFORE, having fully answered said bill of complaint,  
the defendant, The Federal Reserve Bank of Cleveland, asks to go  
hence with its costs.

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Attorneys for The Federal  
Reserve Bank of Cleveland.