

COPY

OCTOBER THIRTIETH  
1 9 3 3

United States Natl. Adjustment Co.  
3408 South Michigan Ave.  
Chicago, Illinois.

Attention E.F. Rice, President.

My dear Mr. Rice:

I am inclosing herewith formal certificate showing that you have complied with the provisions of the statute governing the conduct of a collection agency.

This bond will be in effect from October 7, 1933 up to and including October 7, 1934.

I am also returning herewith all your exhibits in the hearing which was held during my absence by Mr. Bengtson and Mr. Brown.

After considering the matter thoroughly I am indoubt as to whether I have jurisdiction in this case and am therefore returning the exhibits without prejudice, so that any legal rights accruing to one or both parties may not be endangered.

Trusting this will be satisfactory, I am,

Yours very sincerely,

Secretary of State.

B/RS

6572

958 Livingston Ave.,  
St. Paul, Minn.  
Sept. 27th, 1933.

Sec. of State,  
St. Paul, Minn.

Dear Sir:

Re: Corporation Division.  
U. S. Nat. Adjust Co.,  
Chicago, Ill.

Please find attached affidavit setting forth basis of my complaint against the above firm. If they do not make some reasonable adjustment with me following your notification to them of this complaint, I wish to ask that a hearing be set, and you give consideration to cancellation of their license to operate in this state.

I also find that they had a personal solicitor and agent in this state in 1928, and according to your letters, they were allowed only to handle by mail.

As to your letter of Sept. 20th, in which you state you are unable to find where this was referred to you before, permit me to refer to your letters of Nov. 19th, 1930, and Nov. 26th, 1930, in which you acknowledge receipt of the correspondence which forms the actual evidence in this matter, and your return to me. I presumed that when your office had perused the letters at that time, that you would call for their explanation, or cancel their license, for the letters signed by their officers certainly clearly showed their neglect, and when this was called to your attention, it appeared to me that your office would have felt the evidence sufficient to make the necessary action without my hiring an attorney and following it through.

Your early attention will be appreciated, and I would also like to have copies of your correspondence with this firm so that I will know what course is being followed.

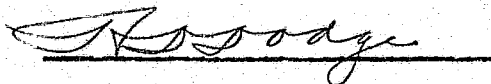
Very truly yours,




State of Minnesota, )  
County of Ramsey, ) ss.

H. D. Dodge, being first duly sworn, deposes and states:

- First: That on Oct. 29th, 1928, he referred for collection to United States National Adjustment Co., 3408 Michigan Ave. South, Chicago, Ill., certain claims, among which was one against Howard Chatfield, amount \$122.00.
- Second: That this party Howard Chatfield was employed at Austin and still is so employed, and that there has been during the period from Oct. 29th, 1928, to this time, a reasonable prospect of collection of this item, providing it were in good legal standing during that time.
- Third: That on May 9th, 1929, following several requests for results or a definite report on what action had been taken with regard to the items held by the U. S. Nat. Adj. Co. for collection, I demanded return of the items, and called their attention to the outlaw date in the Chatfield case which was approaching, asking that they either get action or return it to me so that I could. On May 16th, 1929, they returned all items but Chatfield item, and acknowledged receipt of my notice as to outlawing date, stating that the item was in their local attorney's hands for action.
- Fourth: Following repeated demands, they returned the item, outlawed, saying that it had been outlawed while in the hands of the attorney at Austin, and that they did not in any way feel responsible for this neglect. Since that time they have repeatedly refused to make any adjustment for the damage and impossibility of collection caused by their letting this item outlaw.
- Fifth: The undersigned therefore makes complaint against this firm, claiming that they have not fulfilled the requirements of reasonable collection attention, and that they are not entitled to further license in this State until they make satisfactory adjustment for this failure to give reasonable attention to items given them for collection.



Subscribed and sworn to before me this 26th day of Sept., 1933.



E. F. HERBOLD  
Notary Public, Ramsey County, Minn.  
My Commission Expires April 10, 1935

OCT 10-  
10 A.M.

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
**FILED**  
SEP 29 1933

*Wm. H. H. H.*  
Secretary of State.

## UNITED STATES NATIONAL ADJUSTMENT COMPANY

INCORPORATED 1912

3408 MICHIGAN AVENUE, SOUTH  
CHICAGO

E. F. RICE, PRESIDENT & TREASURER  
W. C. KRUMBEIN, COMPTROLLER  
B. E. BROWN, MANAGER  
J. F. BULTAS, ATTORNEY  
L. M. KAPLAN, GENERAL COUNSEL

October 11, 1933.

Mr. Mike Holm  
Secretary of State  
Saint Paul, Minnesota

Attention: Mr. W. M. Brown, Chief Clerk.

Dear Sir:

This is in the matter of H. D. Dodge, complainant versus United States National Adjustment Company, a Corporation, a Collection Agency.

At a hearing before the Secretary of State on the 10th day of October, A. D., 1933 in the above named matter, it was stipulated in a record that affidavits might be filed by Mr. Edward F. Rice, President of said Corporation and Larry Lawrence, Sales-Manager of said Corporation and that said affidavits when filed might be considered as further evidence given at the hearing. We are enclosing those affidavits, together with an additional copy thereof to send to Mr. Dodge if you so desire, and a further affidavit by Mr. Euce Brown showing an examination of the premises at the Palace Building where Mr. I. George Brown testified he maintained an office. We trust that this further affidavit may be also filed and considered as further evidence.

At the same time we are executing the collection agency bond and sending it to the Massachusetts Bonding and Insurance Company for execution as surety so that it may be tendered to you for the purpose of filing. Inasmuch as we would like to continue our solicitation of accounts in Minnesota we would appreciate hearing from you as soon as the Secretary of State finds it convenient to look over the evidence and testimony given. At the same time if there is anything further we can do, we should be pleased to hear from you as it is our desire to co-operate in every way with the Secretary in the State of Minnesota.

Very truly yours,

UNITED STATES NATIONAL ADJUSTMENT COMPANY

By Euce Brown

AFFIDAVIT

State of Illinois } 22  
County of Cook }

In the matter of H. E. Dodge, complainant  
versus United States National Adjustment  
Company, a corporation, a collection agency.

Edward F. Rice being duly sworn both deposes and says that he is now and has been for more than five years last passed the President of the United States National Adjustment Company, a corporation organized and doing business under and by virtue of the laws of the State of Illinois with its principal place of business at 2493 South Michigan Avenue in the city of Chicago, State of Illinois.

Deponent further says that in his capacity of President of said corporation, he has supervision over all of the activities of said corporation including the solicitation of accounts for collection and the collection of accounts and that he supervises in said capacity one Larry Lawrence, the sales-manager of said corporation, and all solicitors working under said Larry Lawrence in the solicitation of accounts in the State of Minnesota and elsewhere in the United States;

Deponent further says that some time prior hereto during to-wit three months last passed, one I. George Brown was employed by the United States National Adjustment Company as a solicitor of accounts for collection and that some time thereafter said Brown went to the State of Minnesota to solicit accounts; that it was understood and agreed between the said Brown and said Corporation that said Brown should be paid for accounts sent in to said Corporation on a commission basis if and when accepted for collection by said corporation and that said Brown was to receive no other remuneration from said Corporation; said deponent further says that said Brown was never at any time authorized by said Corporation to rent any office space in the State of Minnesota, to maintain an office for said Corporation or to sign the name of said Corporation to any lease or other instrument and that if said Brown has signed the name of said Corporation to any lease or other instrument, said Brown has done so without the authority of said Corporation;

The deponent further says that said Brown was never at any time authorized to collect for said Corporation or any of the clients of said Corporation any accounts turned in to said Corporation for collection, but that the extent of authority of said Brown was the solicitation of accounts only and that said Brown had no authority to accept lists of accounts in the name of said Corporation for collection but that all of said lists so solicited by said Brown or through him were to be sent to the offices of said Corporation in the City of Chicago, State of Illinois for the approval or rejection of same by said Corporation; and that said Brown had no authority to make payment to any solicitor soliciting accounts for said Corporation but that all commissions earned in the solicitation of accounts in the State of Minnesota were paid by check of the Corporation sent directly from the office of said Corporation in the City of Chicago, State of Illinois to the solicitor so soliciting said accounts;

The deponent further says that said Corporation does not now, or at any time heretofore has it, employed collectors to collect accounts within the State of Minnesota except they be duly qualified attorneys, admitted to practice law in the courts of the State of Minnesota, to the best of said deponent's knowledge and that all of said attorneys' names are selected from reputable law lists;

The deponent further says that he is furnishing this affidavit in accordance with the stipulation set forth in the record concerning the complaint of H. E. Dodge versus the United States National Adjustment Company and understands that this affidavit is to be presented to the Secretary of State and considered and accepted by both parties to said complaint as testimony in said matter.

Further affiant sayeth not.

Edward F. Rice

Subscribed to and Sworn  
before me this 11  
day of October, 1933.

Oliver F. Erickson  
Notary Public.

6572

STATE OF MINNESOTA

DEPARTMENT OF STATE

FILED

OCT 1 1923

*W. H. H. H.*  
Secretary of State.

AFFIDAVIT

State of Illinois )  
County of Cook ) SS

In the matter of E. D. Dodge, complainant  
versus United States National Adjustment  
Company, a Corporation, a Collection Agency.

Larry Lawrence being first duly sworn both deposes and say that he is employed by the United States National Adjustment Company, a Corporation organized and existing under and by virtue of the laws of the State of Illinois in its principal place of business at 5408 South Michigan Avenue, City of Chicago, State of Illinois;

Deponent further says that he is employed as Sales-Manager by said Corporation and that his duties as Sales-Manager are to employ solicitors in the State of Illinois to solicit accounts for collection throughout the United States and to directly supervise said solicitors under the supervision of Edward F. Rice, President of said Corporation;

Said deponent further says that some time prior to the date of this affidavit and within the three months last passed said deponent employed one I. George Brown as solicitor for said Corporation and that with the consent of said deponent said I. George Brown went to the State of Minnesota for the solicitation of accounts;

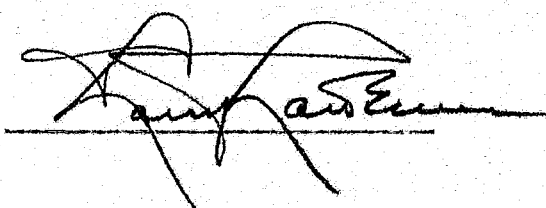
Said deponent further says that he never, at any time, authorized said I. George Brown to represent said Corporation in any manner other than that of solicitor and that said I. George Brown had no authority to rent an office in the State of Minnesota in the name of said United States National Adjustment Company or sign the name of the United States National Adjustment Company to any lease or other instrument for the purpose of leasing any premises within the State of Minnesota or for any other purpose and that if said I. George Brown did execute any lease or other instrument, signing the name of said United States National Adjustment Company he did it without authority from said Corporation and without the authority of said deponent, or the knowledge of either.

Said deponent further says that said Brown had no authority to collect any accounts for said Corporation, or any account placed with said Corporation by any client of said Corporation; and that the deponent had no authority to accept any lists of accounts tendered to said Corporation for collection but that said deponent was instructed that all said lists must be sent to the office of said Corporation in the City of Chicago, State of Illinois to be accepted or rejected; And that said Brown had no such authority;

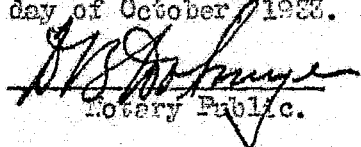
Said deponent further says that all commissions paid to solicitors for the solicitation of accounts in the State of Minnesota were paid by the said United States National Adjustment Company by check of said Corporation made payable to and sent to the solicitor so soliciting said accounts;

Said deponent further says that he understands this affidavit is being made to be filed with the Secretary of the State of Minnesota in the complaint pending before him against the United States National Adjustment Company, a Corporation, by one E. D. Dodge in accordance with the stipulation filed of record in the said matter and that this affidavit is to be considered as evidence taken in said courts.

Further affiant sayeth not.



Subscribed to and Sworn  
before me this 11th  
day of October 1933.

  
Notary Public.

STATE OF MINNESOTA  
DEPARTMENT OF STATE

F. L. D.

OCT 1 1933

*Wm. L. G. Baker*  
Secretary of State.

INTERVIEW

State of Illinois }  
County of Cook } ss

In the matter of E. D. Dodge, complainant  
versus United States National Adjustment  
Company, a Corporation, a Collection Agency.

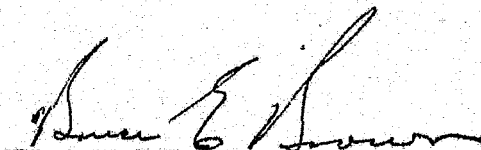
Bruce E. Brown being first duly sworn both deposes and says that he is the  
same party who represented the United States National Adjustment Company,  
a Corporation duly organized and existing under and by virtue of the laws  
of the State of Illinois in its principal place of business at 3408 South  
Michigan Avenue, City of Chicago, State of Illinois;

Deponent further says that pursuant to the testimony given before the  
Secretary of the State of Minnesota on the tenth day of October, A. D.,  
1933 in the complaint therein pending against said Corporation filed by  
one E. D. Dodge, said deponent went to suite 303 Palace Building in the  
City of Minneapolis, Minnesota where one I. George Brown said he maintained  
an office during the course of his testimony before the Secretary of State  
and that said deponent examined the door and the windows in the corridor  
of said suite at two-thirty P. M. on October 10th, and that there was  
no sign or other writing bearing the name of said United States National  
Adjustment Company printed or written on the door or windows of said suite;

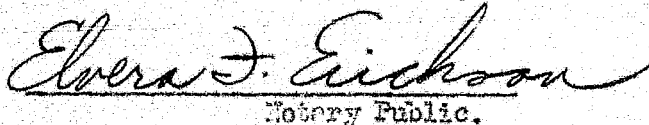
Said deponent further says that he examined the directory maintained by  
said Palace Building in the lobby of said building and that the name of  
said United States National Adjustment Company was not included among the  
names listed in said directory;

Said deponent further says that he was informed by the agent of said building  
that the name of said Corporation had not been printed or written in any way  
theretofore on either the directory or on any of the windows or doors in said  
building;

Further affiant sayeth not.



Subscribed to and Sworn to before  
me this 11th day of October, 1933.

  
Notary Public.

STATE OF MINNESOTA  
DEPARTMENT OF STATE  
RECEIVED  
OCT 18 1933

*Wm. H. H. H.*  
Secretary of State

Mr. Holm:

You asked me to review the evidence presented at the hearing called on the complaint of H. D. Dodge, Complainant, versus the United States National Adjustment Company, a collection agency.

My research in connection with this case has lead me to certain conclusions which I wish to communicate to your personal attention without having them appear in any way in connection with my final statement on the hearing. They may be of consequence; they may not. They may not be founded on sufficient information or the result of good judgment, but I give them to you for what they are worth, and here they are:

1. The law does not impose upon the secretary of state any duty which made a hearing of this nature necessary. In conducting the hearing, I think we assume, unnecessarily, a responsibility for collection agencies doing business in this state.
2. We should not issue to a collection agency a certificate saying, as we do, that it "is hereby authorized to commence and continue business . . . . .". This unnecessarily assumes responsibility which we do not have. It would be better to say "thereby authorized".
3. It is not up to the secretary of state to pass upon the methods of doing business employed by any collection agency. The only duty, according to the law, that I can find that the secretary has is that he shall pass upon the sufficiency of the bond submitted by the collection agency.
4. False assurance is given to the public by the clause in the bond which provides as a condition that the agency "shall comply with all requirements of law relating to the conduct of the collection agency". This implies that there are specific provisions as to the manner in which collection agencies' business shall be conducted. This phrase taken together with our certificate, I think, unduly encourages the public to feel that their interests are protected by the certificate which we give implying that in our judgment they are conducting their business properly.

I appreciate, of course, that the form of the bond is prescribed by the attorney general, but the public does not know that. They see the certificate in the hands of the solicitor and they come to this office to read the bond. They rely upon these as statements of the secretary of state to indicate that the agencies are conducting a legitimate

business regulated by law and approved by the secretary of state. They do not read the law.

Please refer to Chapter 35A, G. S. 1923. There are only six comparatively short sections covering the whole subject.

Respectfully submitted.

October 17, 1933

J. B. Johnston  
Assistant Sec. of State

H. D. Dodge, Complainant

vs.

United States National  
Adjustment Company,  
A Collection Agency, Defendant

Hearing on Complaint  
October 10, 1933

THE COMPLAINT

"State of Minnesota,) ss.  
County of Ramsey, )

H. D. Dodge, being first duly sworn, deposes and states:

- First: That on Oct. 29th, 1928, he referred for collection to United States National Adjustment Co., 3408 Michigan Ave. South, Chicago, Ill., certain claims, among which was one against Howard Chatfield, amount \$122.00.
- Second: That this party Howard Chatfield was employed at Austin and still is so employed, and that there has been during the period from Oct. 29th, 1928, to this time, a reasonable prospect of collection of this item, providing it were in good legal standing during that time.
- Third: That on May 9th, 1929, following several requests for results or a definite report on what action had been taken with regard to the items held by the U. S. Nat. Adj. Co. for collection, I demanded return of the items, and called their attention to the outlaw date in the Chatfield case which was approaching, asking that they either get action or return it to me so that I could. On May 16th, 1929, they returned all items but Chatfield item, and acknowledged receipt of my notice as to outlawing date, stating that the item was in their local attorney's hands for action.
- Fourth: Following repeated demands, they returned the item, outlawed, saying that it had been outlawed while in the hands of the attorney at Austin, and that they did not in any way feel responsible for this neglect. Since that time they have repeatedly refused to make any adjustment for the damage and impossibility of collection caused by their letting this item outlaw.
- Fifth: The undersigned therefore makes complaint against this firm, claiming that they have not fulfilled the requirements of reasonable collection attention, and that they are not entitled to further license in this State until they make satisfactory adjustment for this failure to give reasonable attention to items given them for collection.

(SD) H. D. DODGE

Subscribed and sworn to before me this 26th day of Sept., 1933.

(SEAL)

(SD) E. F. HERRBOLDT

E. F. Herrboldt  
Notary Public, Hennepin County,  
Minn.

My Commission Expires  
April 10, 1940."

### THE ISSUES

The hearing disclosed substantial agreement between the complainant and the defendant as to the facts set forth in the first, second, third and fourth items of the affidavit of complaint.

The complainant bases his charge of lack "of reasonable collection attention" principally upon the fact that the defendant allowed the Howard Chatfield account to become outlawed while in its possession for the purpose of collection. The defendant admits that the account became outlawed before any collection was made because the account had been transferred to attorneys at Austin for collection and that, as a result, the responsibility for the outlawing of the account rests with the attorneys as agents of the complainant. The complainant denies that the attorneys served as his agents. He contends that the attorneys were agents of the defendant and that the defendant, therefore, was responsible. In analyzing this issue attention is called to certain terms of the contract under which the defendant agreed to make collections for the complainant:

1. Commission at the rate of 50% is charged on the first \$100.00 of the aggregate amount collected on the within listed claims or accounts, and on claims or accounts settled or collected through Magistrates, Attorneys or Legal Process, and on Installment Collections.
2. Commission of 25% is charged on all other collections or settlements.
3. Claims not in process of adjustment will be released upon request in nine months.

Items one and two indicate that the defendant in its regular course of business distinguishes between its efforts at direct collection through its own office without further assistance and collections for which it is obliged to employ Magistrates, Attorneys or Legal Process. Reasonableness for the greater commission for service under Item No. 1 as compared with service under Item No. 2 can only be claimed upon the assumption that the defendant is responsible for and should have credit for the service performed under No. 1.

Files of correspondence introduced in evidence indicate that the complainant wrote to the defendant frequently about the accounts between the date when the account was assigned to the defendant for collection and the date when the account became outlawed. Replies to these letters by the defendant reported that the defendant was working on the accounts and that developments would be reported to the complainant "as they mature".

On April 9, 1929, the defendant wrote as follows:

"Spec 2540

April 9th, 1929.

"Mr. H. D. Doge,  
Box 297,  
Vernon Center, Minnesota.

"Dear Sir:

"We acknowledge receipt of your letter of April 2nd and wish to advise that although we are working hard on your accounts, we have as yet had no reaction on them.

"Inasmuch as your accounts were assigned to us for an initial collection period of nine months, with an indefinite extension of time on all accounts in process of adjustment, we cannot release them to you at this time.

"Meanwhile, we shall be pleased to keep you advised of developments as they mature.

Very truly yours,

UNITED STATES NATIONAL ADJUSTMENT COMPANY.

"MAS:M

(SD) M. A. SELLERS  
SERVICE DEPARTMENT"

On May 9, 1929, the complainant wrote with reference to the Chatfield claim as follows:

"May 9th, 1929.

"United States Nat. Adjustment Co.,  
Chicago, Ill.

"Gentlemen:

Re: Spec. 2540-M. A. S.

"Among claims with you for collection is one against Howard Chatfield of Austin. I am in doubt as to when it outlaws. Will you please look this up? If it is likely to out law before you make a collection, please return it to me at once, and I will have a local attorney reduce it to judgment. Please advise me by return mail so that I will know.

"Yours very truly,

"(SD) H. D. DODGE"

On May 16, 1929 the defendant replied as follows:

"UNITED STATES NATIONAL ADJUSTMENT COMPANY  
3408 Michigan Avenue,  
Chicago

"Spec. 2540-S

May 16th, 1929.

"Mr. H. D. Dodge,  
Box 297,  
Vernon, Minnesota.

Re: Your claim  
Vs: Howard Chatfield

"Dear Sir:

"We are in receipt of your letter dated May 9th and advise that according to the Statute of Limitations in Minnesota this account will become outlawed on August 20th, 1929.

"We are forwarding this item to our local attorney for personal attention.

"As soon as favorable developments take place, we shall inform you to that effect.

Very truly yours,

(SD) R. M. CIUCIO  
SERVICE DEPARTMENT "

"RMC:R

On June 24, the defendant again wrote as follows:

"UNITED STATES NATIONAL ADJUSTMENT COMPANY  
3408 Michigan Avenue,  
Chicago

"Spec 2540-

June 24th, 1929

"Mr. H. D. Dodge,  
Box 297,  
Vernon Center, Minnesota.

"Dear Mr. Dodge:-

"We acknowledge receipt of your letter of June 10th, and in compliance with your request, we are releasing and you may consider returned to you herewith all accounts assigned to us for collection, with the exception of the Howard Chatfield claim. This account is in the hands of our attorney

"in the debtor's locality and in accordance with the terms of our agreement, not subject to release at this time.

"We are also returning herewith the notes evidencing the claims we are returning. We ask that you be good enough to sign and return to us by return mail the enclosed receipt.

"Meanwhile, we shall be pleased to keep you advised of developments as they are reported to us by our attorney on the Chatfield account.

Very truly yours,

(SD) M. A. SELLERS  
SERVICE DEPARTMENT"

"NAS:M  
ENCLOSURES:

That the defendant was responsible for the collection while the account was in the hands of the attorney is indicated by the fact that:

1. The defendant speaks of the attorney as "our local attorney". ( The defendant did not so far as evidence disclosed ever inform the complainant who the attorney was.)
2. The defendant returned all the accounts except the Chatfield account which they retained "in accordance with the terms of their agreement not subject to release at this time". (This refers to an item in the contract which provides "claims not in process of adjustment will be released under request in nine months".)

From this, it fairly appears that, at that time, the defendant not only admitted but claimed responsibility for the work of collection in process for if this particular account had not been "in process of adjustment", the defendant should have and would have released it to the complainant with the others.

Somewhat indefinite letters written by the attorneys selected by the defendant for collection indicate a disposition on the part of the attorneys to deny responsibility for the outlawing of the account on the grounds that advance costs for starting suit were not given them as required by Minnesota law. The defendant argues that the complainant should have provided these costs. The complainant argues that he could not possibly send the attorneys costs because he had not been informed who the attorneys were and the complainant holds the defendant responsible for not calling upon him to advance the costs if that was necessary.

On the basis of the evidence introduced at the hearing, it would seem that the complainant is not without cause for complaint; that the defendant's actions and statements fairly represented to the complainant that the defendant was looking after the complainant's interests; and that the defendant was responsible for the actions, or any lack thereof, by the attorneys. The secretary of state cannot, of course, adjudicate this controversy between the complainant and the defendant so far as it concerns restitution to the complainant by the defendant. For such adjudication, the complainant has recourse through action in court. In fact, it is just for such disputes as this that the law provides for a bond by the collection agencies to protect the interests of their clients.

Another element was introduced at the hearing through representations on the part of one I. Geo. Brown intended to show that the United States National Adjustment Company, the defendant, at the hearing, was not complying with Minnesota statutes governing foreign corporations doing business in this state. Said I. Geo. Brown claimed that the United States National Adjustment Company maintains a branch office in this state and that he is employed as a branch manager of this Minnesota office. Cross examination, however, tended to show that said I. Geo. Brown has been employed merely as a solicitor and that the United States National Adjustment Company had nothing to do with any office that he may have maintained here. Affidavits submitted by the president and the sales manager of the United States National Adjustment Company deny any responsibility on the part of the company for any office maintained by said I. Geo. Brown and claim that said I. Geo. Brown was merely employed as a solicitor being paid only on a commission basis for what accounts he secured for the company, that under the terms of his employment said I. Geo. Brown had no authority to accept or to bind the company to any agreements and that no accounts he solicited could be approved or accepted by anyone except the Chicago office of the company.

I. Geo. Brown was given permission to submit to the secretary of state, after the hearing, affidavits that might substantiate his allegations. Up to date, he has not submitted any such further evidence, and it must be concluded, on the evidence before the secretary of state, that the United States National Adjustment Company does not appear to be maintaining a branch office in Minnesota, but that it conducts its business entirely by mail. In fact, the evidence submitted in connection with the complaint in this case indicates that the defendant does not employ collectors in Minnesota except as accounts may be turned over to attorneys resident in this state for collection. Evidence further indicated that the defendant's direct efforts at collection through the Chicago office are entirely by form letters which are the same in all cases,--so much so that no carbon copies are kept of the letters written by the defendant to demand payment on accounts that are held for collection.

### Conclusion

In this case, therefore, we have to conclude that the bond posted by the defendant as required by law sufficiently protects the interests of the complainant so that through action in court, he may recover if he can successfully maintain there that through neglect or inefficiency or failure on the part of the defendant under the contract, he suffered loss. On the evidence produced at this hearing, we are lead to the further conclusion that the United States National Adjustment Company has not violated Minnesota law governing foreign corporations doing business in this state.

HEARING HELD IN THE  
OFFICE OF SECRETARY OF STATE  
OCT. 10, 1933

H.D. Dodge, Plaintiff

vs

U.S. National Adjustment Company, Defendant  
(collection agency.)

Mr. J.P. Bengtson, Assistant Secretary of State presiding

Assisted by Mr. W.N. Brown, Chief Clerk.

The meeting was called to order by Mr. Bengtson at 10 o'clock  
A.M. All persons sworn by Mr. W.N. Brown.

Mr. Dodge, the plaintiff, proceeded to introduce letters:

It was mutually agreed to omit the first paragraph of the complaint  
as far as testimony was concerned, as it was admitted that the statement  
therein contained was correct.

Mr. Dodge: On May 9, 1929 I notified them with reference to the out-  
lawing of the claim in question and asked that they return the same  
to me, - letter submitted as Plaintiff's Exhibit A.

Here is letter in which they acknowledge receipt of the above letter  
dated May 9, 1929 - letter submitted as Plaintiff's Exhibit B.

I would like to submit the complete file of letters which all  
have bearing on the case.

(Letters here reviewed by Mr. Bruce Brown, Attorney for the  
defendant and Mr. Kieve Flakne, attorney, representing the company. -  
statements were made to the effect that some of the letters had no  
bearing on the case.)

Mr. Bruce Brown introduced himself as an attorney at law from  
Chicago, Illinois - office address at 29 So LaSalle Street. "In  
1928 and 1929 I was employed by the U.S. Natl. Adjustment Company  
as manager of their home office at Chicago and I had charge of the  
accounts turned over to the U.S. Natl. Adjustment Company by Mr. Dodge.  
Mr. Dodge referred 4 accounts to us in October 1928, one account of  
which was against Howard Chatfield of Austin, Minnesota in the amount  
of \$122. Among other things the contract provided or contemplated  
that we might refer the claim to attorneys for collection. In May of  
1929 Mr. Dodge did write to us saying something to us about the  
outlawing of this account. Immediately upon receipt of his letter  
we forwarded the claim to Catherwood, Hughes and Alderson at Austin

At the same time in answer to Mr. Dodge's inquiry about the outlaw date we wrote to him that it was outlawed, and there is no dispute but that it was outlawed but while in the hands of local attorneys. We had authority under the contract to turn this matter over to the attorneys for collection. We use our best efforts to choose good attorneys from our preferred list. Perhaps there was some neglect on their part. We do not feel that it was an act of gross negligence on our part so that our bond in the state of Minnesota should be forfeited. This happened in August 1929. Therefore any correspondence in 1932 has no place in this record.

(In going over letters in Plaintiff's Exhibit C, Mr. Bruce Brown, again stated that he would object to any evidence going into the records after the outlawing of the account in 1929; as being immaterial, incompetent and irrelevant and not of sufficient importance to be introduced.)

Mr. Dodge stated that he was offering these letters as evidence of whether or not the U.S. Natl. Adjustment Co. was following reasonable collection service.

Mr. Bruce Brown objected to the letter of Feb. 18, 1929 addressed to the U.S. Natl. Adj. Co. as incompetent, immaterial and irrelevant to the complaint which is specifically the case of the Howard Chatfield claim.

Same objection to the letter of February 23, 1929.

Same objection to the letter of April 2, 1929.

Same objection to the letter of April 9, 1929.

Same objection to the letter of June 10, 1929.

No objection to letter of June 24, 1929.

I object to the letter of October 19, 1929 on the ground that there is no showing that it was ever received by the U.S. Natl. Adjust. Co.

I object to the letter of Oct. 31, 1929, as it was after the date on which any complaint of Dodge, if any, arose as incompetent, immaterial and irrelevant.

I object to all the rest of these letters introduced by Mr. Dodge on the same ground as I object to the last letter of Oct. 31, 1929.

(All letters objected to were initialed "obj." by defendants.)

Mr. Bengtson: These comprise all of the letters which you submit to be Exhibit C in this case?

Mr. Dodge: No, I have some other letters which I would like to introduce and comment on.

Mr. Bengtson: Did you write all of these letters which are addressed to the U.S.Natl.Adjustment Co.?

Mr. Dodge: Yes.

Mr. Bengtson: Did you mail them?

Mr. Dodge: Yes.

Mr. Bengtson: In envelopes addressed as the letters are?

Mr. Dodge: Yes.

Mr. Bengtson: The letters will be considered by the Secretary of State and your objections to them, and the facts in the case as they seem to him.

Mr. Dodge referred to the contract, and the things specified therein, - Mr. Bruce Brown asserted that the contract would be introduced as evidence when he made his statement.

Upon producing the contract, Mr. Dodge admitted that it was his signature on the same.

Contract introduced as Plaintiff's Exhibit D.

Mr. Dodge continues: In my complaint I claim that the company has not fulfilled the requirements of reasonable collection service. The evidence will show as admitted by them that they received the claim in October 1928. They also admit receiving my notice to them of outlawing of the note.

(Mr. Bruce Brown admitted receipt of the letter marked Exhibit A.)

Mr. Dodge: In the evidence there is a letter from the U.S.Natl. Adjustment Co. specifying the outlawing date as August 20, 1929 and stating that they were forwarding it to their local attorney. There is no evidence in the file indicating that I was notified by them as to the name of this attorney.

Supporting the 4th paragraph of the complaint, the evidence shows that they did not give reasonable collection attention. Letter of Sept. 7, 1932 from Catherwood, Hughes and Alderson outlined the

terms under which the collection was referred to them by the U.S. National Adjustment Company.

Plaintiff's Exhibit E introduced at this time, to which there was no objection by the defendant.

Mr. Dodge submits letter of August 15, 1932 from the same firm of Catherwood, Hughes and Alderson, marked Plaintiff's Exhibit F in which they refer to this collection and the U.S. Natl. Adj. Co. specifying the outlawing date of the first item. (No objection to introduction of this letter by the defendant---- letters read in each case by Mr. Bruce Brown, attorney for defendant.)

Mr. Dodge refers to paragraph 4 of complaint. Opposes to the further licensing of the U.S. Natl. Adj. Co. in the state because they have not given reasonable collection attention. I call attention to the letters in the file indicating that they received the claim in October '28; that they did not refer it to any local people until after I had notified them regarding its outlaw. The evidence will show that they sent it to Catherwood, Hughes and Alderson two weeks before the first cause for action outlawed. They did not give any instructions to sue or reduce to judgment. They did not send any advance costs. They have at no time notified me in whose hands the collection was at Austin even to this date. At no time did they ever ask as to any preference on local attorneys. Letters in the exhibits will show that they contend the attorney at Austin was my attorney but in the exhibits in their letters of 5/16/29, 6/24/29, 2/20/30, 2/28/30 and 6/3/30 they refer to the attorneys without giving name as "our" attorney", above the signature of the U.S. National Adjustment Company or B.E. Brown, Attorney. In their letter of February 28, 1930, introduced as evidence they <sup>have been</sup> advise my rights/not/prejudiced by the outlawing of this claim. In their letter of July 25, 1930 they claim they have exercised care, but the evidence introduced in the former letter from the Austin attorneys indicates that they did not send instructions towards the preventing of the outlawing nor did they state the advance costs. In the files is a copy of a letter I sent-- them, receipt of which they acknowledge,

in which letter I notified them of the prospective outlawing and asked that if they did not expect to take care of it to return it to me and I would. My letter of May 9, 1929, acknowledged by them on May 16, 1929, Exhibits A and B, they refer to the outlawing date as August 20, 1929 wherein the first cause for action outlawed in June 1929. That is all the complaint so far as the Chatfield matter is concerned. They have been violating their license insofar as having local agents. I understand the Secretary of State licenses firms to do business in Minnesota and as a state department they are interested in any objections or complaints.

At this point Mr. Wm. Brown Chief Clerk spoke of the fact that if a foreign corporation makes application for a collection agency license, they must first set up the fact that they are not operating a branch office within the state of Minnesota, but by mail only, whereupon a collection agency license can be issued to them without the qualification under the foreign corporation law. This was done in the case of the U.S. Natl. Adjustment Co. Letters on file in the office of the Secretary of State prove that they made statements to the effect that no office was established in the state of Minnesota.

Mr. I. Geo. Brown upon being sworn says that he lives at 3310 Fremont Ave. South, Minneapolis and is employed as a branch manager of the U.S. National Adjustment Co.,

Much discussion was had at this point, but the question<sup>ing</sup> of Mr. I. Geo. Brown was as follows:

Mr. Bengtson: What is your position in connection with the U.S. National Adjustment Company?

Mr. I. Geo. Brown: I have charge of the soliciting of accounts in Minnesota, Wisconsin and North Dakota.

Mr. Bengtson: How long have you held this position?

Mr. I. Geo. Brown: Five weeks.

Mr. Bengtson: Have you any evidence or can you give testimony showing that the U.S. Natl. Adjust. Co. is violating the terms of their contract in Minnesota, of your own knowledge?

Mr. I. Geo. Brown: They have gone out with letters of recommend-

ation from different firms in Minneapolis that were never authorized.

(Objection to the above by Mr. Flakne- sustained)

(Mr. Wm. Brown, Chief Clerk- suggested that there should be gotten into the records anything that is germane to the particular point involved. - Asks Mr. I. Geo. Brown questions)

Question: Do you know, Mr. Brown, of any money having been paid in to the U.S. Natl. Adj. Co. on accounts taken for collection in Minnesota upon which proper returns have not been made to the party who gave the account for collection?

Mr. I. Geo. Brown. Only as the men have reported to me.

Question: Do the men report verbally or in writing?

Mr. I. Geo. Brown. They report things like that verbally, but they report their claims in writing.

Question: Do you maintain a business office in the city of Minneapolis?

Mr. I. Geo. Brown: I do, at 802 Palace Bldg.

Question: How many men have you working under you?

Mr. I. Geo. Brown: At the present time I have two.

Question: Does any money collected by the U.S. Natl. Adj. Co. in Minnesota go through your hands?

Mr. I. Geo. Brown: No sir.

Mr. Bengtson: You said you were local manager for this concern?

Mr. I. Geo. Brown: Yes.

Mr. Bengtson: That you maintain an office over there. Just briefly tell me what your duties are as such?

Mr. I. Geo. Brown: I have charge of men who go out soliciting accounts. The men go out and solicit accounts from the merchants, bringing them back to me.

Mr. Bengtson: Then you give them orders to go out and collect them?

Mr. I. Geo. Brown: I donot do any collection work at all. They are sent to Chicago for collection.

Mr. Bengtson: Then you don't have any responsibility at all with reference to the collection?

Mr. I.Geo.Brown: My responsibility ceases as soon as I send the accounts to Chicago. I do not know whether they are ever collected or not. The men go around and call on the merchants and get the accounts.

Mr. Bengtson: You are employed by the U.S.Natl.Adj.Co. to maintain an office for the soliticing of accounts?

Mr. I.Geo.Brown: Yes.

Mr. Bengtson: All of the men who work for you are solicitors, and not collectors?

Mr. I.Geo.Brown: Yes.

Mr. Bengtson: The company does not inform you as to the results of the collections?

Mr. I.Geo.Brown: No.

Mr. Bengtson: Do you of your own personal knowledge know of collectors working for the company in the state of Minnesota and doing actual collecting- of money?

No.

Mr. Bruce Brown questioning Mr. I.Geo.Brown:

What sort of a contract do you have with the U.S.Natl. Adj.Co?

I over-write contracts at 10¢ per name for any name solicited.

Who signed that contract?

It is a verbal contract.

Does that verbal contract authorize you to use the name of the U.S. Natl.Adj.Co?

Yes.

What representative of the company authorized you?

Mr. Lawrence the sales manager.

You say you are branch manager?

Yes.

How long have you been?

Five weeks.

Were you employed by them in Chicago as branch manager as you say, or where was the contract made?

I said it was a verbal contract.

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It was made in Chicago not in Minnesota?

Yes.

Now you rented an office up here at 802 Palace Bldg. Mpls?

Yes.

You rented it yourself?

Yes.

In the name of the U.S. Natl. Adj. Co. and with their knowledge,

Yes.

Who signed the lease?

I signed it.

Did you sign the name of the U.S. Natl. Adj. Co.?

Yes, by myself.

You say you pay rent for this office, does it come from Chicago?

No.

Where do you get the money to pay the rent?

I get it from what I get on my overwriting.

Who authorized you to sign the name of the U.S. Natl. Adj. Co. to any lease?

Mr. Lawrence did.

In writing or orally?

Orally.

Where did he give you this authority?

In Chicago.

The exact nature of your duties as you say as branch manager, is to solicit accounts for collection?

Yes.

Do you solicit them under the terms of a contract or do you just tell the client orally what he is going to get? Have you got a contract you take accounts on?

Certainly.

Do you employ men in the state of Minnesota.

Yes

These men go out to prospective clients soliciting accounts, and write them on a contract?

Yes.

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What happens to the contract?

It is sent to Chicago.

By you?

Yes.

Do you pay the solicitors at that time?

No. I do not pay them at that time because it is not part of my agreement.

Isn't there another reason why you do not pay them, - because you do not know whether these contracts are going to be accepted by the company or not?

Yes.

Isn't it a fact that many of the contracts turned into Chicago by the solicitors are returned from Chicago because the home office will not accept them?

No, it is not true- they never return a contract to me.

Isn't it a fact that many contracts you send to Chicago contain a request for commission and the home office replies that they will not pay commissions because the business is not acceptable?

Yes.

Isn't it a fact that the contract<sup>which</sup> are not acceptable are returned by the home office direct to the client?

No, it is not my understanding.

It is a fact in the matter, isn't it that you do not determine yourself whether any business sent in by the solicitor is acceptable to the company or not?

That is true.

Isn't it your understanding that the home office in Chicago is the only place where that business can be accepted?

Yes.

None of the accounts are ever sent to you for collection?

No.

As far as you personally know we have no collectors outside of qualified attorneys at law in the state of Minnesota?

I know that they tell me there are collectors.

(Mr. I. Geo. Brown was asked to answer the questions either yes or no)

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I can't answer it in that way. To my knowledge they have collectors.

You have never seen collectors in the state of Minnesota?

No.

Now you mentioned somewhere here a few minutes ago about complaints having been made to you by solicitors that some clients said that money was not turned over to them which had been collected. You don't know of your own personal knowledge of one client where you personally know a payment was made to the U.S.Natl.Adj.Co. which was not accounted for upon request in strict accordance with the terms of the contract?

No.

You don't know of a single instance in which a solicitor turned in business of your own personal knowledge where the U.S.Natl.Adj.Co. accepted the business where the solicitor did not receive his commission?

Yes, the Nathanson Fruit Company of Minneapolis.

Who solicited them?

Wm. Haupe.

What was the number of accounts?

26 accounts.

How much was the commission due?

\$4.50.

What kind of accounts were they?

Wholesale fruit accounts.

When was it solicited?

I don't remember the exact dates- but it was within the last two months.

How do you know the company accepted the business?

Because they received letters that payment was made on one account.

Did you see the letters?

No.

Mr. Bruce Brown moved that the testimony be stricken out because Mr.

I. Geo. Brown does not know this of his own personal knowledge,--- somebody told him so.

Mr. I. Geo. Brown. the men report to me, and this is the only knowledge I have of the matter.

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Mr. Bruce Brown made further objection to the testimony re: the non-payment of solicitors on the particular account just spoken about as being incompetent immaterial irrelevant, as the testimony was not of the personal knowledge of Mr. I. Geo. Brown, purely hearsay. Mr. I. Geo. Brown asked for permission to submit at a later date a letter from the Minneapolis Credit Association in re: U.S. Natl. Adjustment Company.

Continued the questioning by Mr. Bruce Brown, answered by Mr. I. Geo. Brown.

You say you have been employed by the U.S. Natl. Adj. Co. for 5 weeks?

Yes, that is right.

How much money have you made?

I haven't made much.

About how much have you made?

About \$30.

How much have your expenses been for 5 weeks?

About \$25 for the office.

You know Mr. Dodge?

Never saw him before today.

How did you receive notice of this hearing?

I called at the office of the Secy. of State to inquire about your bond and Mr. Brown (Chief Clerk) told me about the complaint made against you. And so I came over.

How long ago did you decide to quit the U.S. Natl. Adj. Co.? or when did you decide that you were going to quit?

I haven't decided to quit them. Because if I quit them I never will get my money.

How much money?

About \$75.

Have you any correspondence in regard to the accounts which you turned in for collection?

No. This was turned over to the Chicago office and they were to send duplicates. They never returned the duplicates.

The U.S. Natl. Adj. Co. does not pay the rent, electricity or any other expenses of your office in Mpls.?

No, they do not.

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They are not required to under the contract?

No.

It is purely your own office?

Yes, it is.

The company never authorized you to sign the lease for it?

Yes, they did.

Bruce

(Mr. Brown stated that he could present an affidavit from Mr. Lawrence to the effect that Mr. Lawrence never had authorized the signing of any lease in the name of the U.S. Natl. Adj. Co. by Mr. I. Geo. Brown or that he was delegated to do this.)

(Mr. Bengton and Mr. W. N. Brown, suggested that Mr. I. Geo. Brown be given the privilege of submitting letters from the Nathan-son Fruit Company substantiating the above testimony.)

Mr. Flakne speaking for the defendant made a brief statement in which he mentioned the collection agency bond under which the U.S. Natl. Adj. Co. were operating in Minnesota, saying that it seemed to him that the important thing under inquiry here is whether or not the company has collected money that they have failed, refused or neglected to turn over and that the hearing was for the purpose of proving or disproving whether or not they were violating any of the provisions of this bond. If this company has not done anything violating the laws of the state of Minnesota, then he submits that the case should be dismissed

Mr. W. N. Brown, Chief Clerk, asserted that competent evidence should be received to prove or disprove the fact that the U.S. Natl. Adj. Co. are doing business in this state through an established office, not in keeping with their letter filed with this department, wherein they stated that they did business by mail only, and therefore not subject to the provisions of the foreign corporation law. That the testimony of Mr. I. Geo. Brown was submitted to decide whether or not they had fulfilled the conditions of their contract. Mr. Brown stated that from the 7th day of October, 1932 until the 20th day of May, 1933 the company was not bonded in this office as required by law at all.

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But between the days of October 8, 1932 up to and including the 19th day of May 1933 you did not comply with the law of Minn. Whether you were operating in this state at that time will have to be proven by the facts in the case.

Mr. Bruce Brown questioning Mr. Dodge:

This is the contract isn't it, under which you are working with our company?

Yes.

Introducing Defendant's Exhibit 1, which is also Plaintiff's Exhibit D

Mr. Bruce Brown reads portion of contract:

e-- "Here are the Terms on which Collections are made:

Commission at the rate of 50% is charged on the first \$100.00 of the aggregate amount collected on the within listed claims or accounts, and on claims or accounts settled or collected through Magistrates, Attorneys or Legal Process, and on Installment Collections. -----  
No agent has authority to alter this agreement, verbally or in writing, or to make any verbal or written agreement relative to terms of agreement or modes of collecting, or to receive or receipt for any money from debtors or client, and Company is not bound by any stipulation or representation not embodied herein." -----

When you signed this contract you contemplated that these accounts were or any of them might be turned over to attorneys for collection, is that right?

No.

Isn't it a fact that the contract commission rate is 50% in the event attorneys are hired to collect?

Yes.

Still you hold that you did not know that attorneys might be hired to effect collection of the accounts?

No, Mr. Sorte told me you had local adjusters.

Is it true that you had full knowledge of the provisions of the last paragraph of the contract as shown when you signed it?

I do not recall.

Did you read it?

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I don't believe I did----- with the name of the U.S.Natl.Adj.Co. on it,----- a bonded firm.

If you had read it you would have known that Mr. Sorte did not have any authority to make representations not embodied in the contract? Certainly.

If you had read the contract and particularly the first paragraph of it you would have known that the U.S.Natl.Adj.Co. was authorized and contemplated employing attorneys in some instances to effect collection?

I would have known.

You have a copy of the account against Chatfield?

I do.

Do you know what comprised that account?

A \$70 note/

Do you know the firm of Catherwood, Hughes and Alderson, at Austin, Minn.?

No, I am not acquainted with them personally.

You don't know of any complaints against them?

No, I do not.

As far as you know they were a reputable and capable firm of attorneys for collecting the account against Chatfield?

Mr. Dodge referred to letter of February 28, 1930 written by U.S.Natl.Adj.Co. signed by B.E.Brown as Manager, quoting portion of letter: "However, we do not feel that your rights have in any manner been prejudiced in view of the fact that Mr. Chatfield has made definite arrangements with our local attorney to make payment, and that he has definitely promised to do so. Of course, you are aware that under the Statute such a promise is sufficient to waive the Statute of Limitations." (This particular letter is part of Plaintiff's Exhibit C.)

What do you see in that letter that indicates that Catherwood, Hughes and Alderson aren't perfectly capable and honest in their practice of law?

I see that they told you that Mr. Chatfield had made definite promises and that my rights were not prejudiced by the outlawing of the contract.

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Have you got any other letters?

Yes.

Mr. Dodge introduced Plaintiff's Exhibit F, letter of Aug. 15, 1932 from Catherwood, Hughes and Alderson, indicating that they accepted a \$7.50 check from him as advance costs to start action against Chatfield, and that it was held by them for several months with the contention that he had never paid them this and finally without any reason they refunded the money.

Your contention is that they were incapable incompetent to handle this claim in 1929?

I do. I contend that any attorney who will accept advance costs when he knows that the case is outlawed isn't very capable.

You sent your money to them in 1932. So far as you know there was nothing in 1929 to indicate that they were not capable?

I don't know anything about it. The first I knew about them was in 1932.

The first letter you wrote to us in regard to the Howard Chatfield claim in particular saying that the matter was about to outlaw was dated May 9, 1929?

That is correct. --- being letter in the evidence as Plaintiff's Exhibit A. That is the only one specifically mentioned. There were other letters sent calling their attention to the lack of progress which bears out my complaint that they were not giving diligent attention. to the matter.

That letter of May 9, 1929 was answered by our letter of May 16, 1929 in which we advised you that <sup>under</sup> the statute of limitations <sup>this account</sup> /did outlaw on August 20th, 1929, and that <sup>we</sup> /were forwarding it to our local attorney? Yes.

You inform us that you sent us the promissory note, --- have you any receipt for it?

No.

Have you got any communication to show that we ever had the promissory note from you?

No, except your acknowledging of the letter in regard to the outlawing of the same, and letter from Catherwood Hughes and Alderson stating that the cause for action on the note outlawed in June, 1929.

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Did you say anything about the note?

No, I don't believe so.

Mention about the note?

No.

You didn't reply to that letter of May 16 in any way asking who the attorney was that <sup>we</sup> were sending it to?

Ofcourse not.

How did you know that the claim did not outlaw until Aug. 20, 1929 except for what the attorney might say?

I knew the outlaw date because I had a copy of the note at home.

No note was sent to this office. You havenot any receipt for it.

You cannot produce evidence that we ever had it.

(Mr. Dodge asserted that the note was pinned to the papers when it was sent it, following the company's instructions.)

You were not opposed to our sending this out to our local attorney were you?

Certainly not.

In fact, you thought it was the proper thing to do?

I did not think about it.

You don't knowwhether we sent the claim out to the local attorney or not.

You donot know whether we sent it out at all?

I do not.

Were each of your letters to the company asking for information about the claim properly answered?

They were not.

Did you write to us at any timebetween May 16, 1929 when we replied to your letter of May 9, (being Plaintiff's Exhibit B and A respectively), prior to Aug. 20, 1929 which was the date upon which the Chatfield claim outlawed in regard to what action we had taken on that claim?

Yes, - on June 10, 1929 ( Letter in file marked Plaintiff's Exhibit C.)

You don't mention in your letter of June 10, 1929 the Chatfield claim in particular or any claim outlawing. You didn't find anywhere in our contract that we are required to file suit for you?

No. But you promise to give diligent attention to these matters.

The first time you wrote to us specifically mentioning the Chatfield

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claim after our letter to you of May 16, 1929 was your letter of Feb. 14, 1930 isn't it?

After the claim had outlawed I did not.

Did you ever send us court costs to file suit in the Howard Chatfield claim?

No.

Don't you know as a matter of fact that the statutes of Minnesota contain a statute known as the Champerty Act which prevents anybody not a party to the suit from advancing court costs for a party to the suit?

No.

You don't say that there wasn't such a statute?

Certainly not.

There isn't any provision in the contract with the U.S. Natl. Adj. Co. which requires the company to advance costs?

Certainly not.

They never told you they would advance costs, did they?

Not exactly.

Or in-exactly either, did they?

They implied it and their representative implied that they would take reasonable care of the collection.

But they did not say at any time that they would advance court costs?

Not definitely.

And you know that they could not under the statutes of Minnesota advance court costs?

I did not.

You were in the banking business, Mr. Dodge?

Yes.

How many suits have you filed for the banks?

None prior to that time.

How many since?

Two.

They certainly advanced costs for you in these cases?

Yes.

You do not know anything that would indicate that the U.S. Natl. Adj. Co. did not use diligence in attempting to select the proper attorney when

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they picked Catherwood, Hughes and Alderson to handle this account?

I did not know there was such a firm in 1929.

Did you type all the letters you sent to the U.S.Natl.Adj.Co?

Yes.

Did you seal them and mail them yourself?

Yes.

Will you look over these letters which are on yellow paper and put your initials on them if you received them in due course of the mail from the U.S.Natl.Adj.Co?

(Mr. Dodge went through letters and initialed all of those which he received)

Mr. Wm.Stradtman was your attorney in the handling of the Chatfield claim?

Yes, at one time.

(Mr. Bruce Brown submits that all of the carbon copies which have been initialed by Mr. Dodge are carbon copies of the original letters which were received by Mr. Dodge in the course of the mails just subsequent to the date that the carbon copies bear)

#### STATEMENT OF MR. BRUCE BROWN.

My name is Bruce Brown, I am an attorney at law, my office is at 29 SoLalle St. Chicago Illinois.

In 1928, 1929 and 1930 I was employed by the U.S.Natl.Adj.Co. who has an office in Chicago at 3408 So. Michigan Ave., as manager of their collection department. As such manager I had charge of all accounts for collection and the correspondence in regard to them and the safe-keeping of the files.

I have before me the files of the U.S.Natl. Adj.Co. being our  
(Defendant's Exhibit 3)  
Number Special 2540/covering all the transactions with one H.D.Dodge the plaintiff in this case and covering all the accounts turned over to the U.S.Natl.Adj.Co. for collection by Mr. Dodge.

These accounts came into the office at Chicago under the terms of a contract dated Oct. 23, 1928, having been solicited from Mr. Dodge by Mr. John C.Sorter, whom I know to have been a solicitor for the company at that time.

I know the usual customary and ordinary business handling of such contracts with the U.S. Natl. Adj. Co., and that the course of business is that upon receipt of such a contract as this Dodge contract, it is turned over to Mr. Edward F. Rice, the then and now President of the U.S. Natl. Adj. Co. for acceptance or rejection, and it is accepted or rejected in the office at Chicago, Illinois. Then at the time of acceptance a stamp is placed on the contract such as the one on Defendant's Exhibit 1, reading as follows: "ACCEPTED DATE OCT. 29 1928, United States National Adj. Co. By \_\_\_\_\_"

Upon receipt of the 4 accounts from Mr. Dodge they were listed off on what is known as a verification list, having two copies and an original, one copy and the original was sent to Mr. Dodge and one copy retained by the company. Mr. Dodge was requested to O.K. the original verification list and return it to the home office at Chicago. The instrument marked Defendant's Exhibit 2 is the verification list sent to Mr. Dodge and returned by him and bears Mr. Dodge's signature at the bottom.

The Howard Chatfield claim was among the 4 originally sent to the U.S. Natl. Adj. Co. by Mr. Dodge. Between October 29, 1928 and May 13, 1929, 12 letters were sent to Mr. Chatfield, demanding payment of the claim, as is shown on the face of the folder marked Defendant's Exhibit 3, which contains a record of the letters that were sent.

(Mr. Dodge objected unless the actual letters were attached, -carbon copies showing the letters that were sent out)

Mr. Bruce Brown explained that these are in form letters and no carbon copies are kept of them, but they are general letters which are sent out on all cases, and notice is entered on the front of the folder as "audits", showing the date on which the letters are actually sent out. That this is the way in which the company keeps their records and the folder should constitute evidence as such.

(Mr. Dodge again suggested that it would be a good thing to produce copies of these form letters) - Mr. Bengton and Mr. <sup>Wm.</sup>/Brown both admitting that this would be wise)

Mr. Bruce Brown submits the folder, D.E. 3, as admission that they did send out 12 letters on this account.

Mr. Bruce Brown also stated that he did not have with him copies of the form letters, but they could be secured if it was necessary that they be submitted.

He stated that he was manager of the U.S. Natl. Adj. Co. and had charge of the sending out of the letters--he knows that in the usual course of business it was customary to make slips similar to the one marked Defendant's Exhibit 3 on claims and each time a letter was sent it was noted thereon as "audited" followed by the date the letter was sent out. Each of the dates on this Def. Exh. 3 show when the letters were sent to Mr. Chatfield, and Mr. Bruce Brown knows that in the due course of business these letters were sent out. The letters were not mailed out by him, as there are about 4,000 letters sent out probably at once on cases of this kind. No one can testify that the letters were actually mailed out to Mr. Chatfield.

(Mr. Dodge objects to the testimony that these letters were sent out unless proof can be made that they were actually mailed out.)

Mr. Bruce Brown further states:

The first letter we received from Mr. Dodge in regard to the Howard Chatfield claim in particular was dated May 9, 1929 and received by us on May 11, 1929 which is in evidence as plaintiff's exhibit A. Upon receipt of that letter the claim was referred to Miss Rose Ciucio in charge of the forwarding department which sends claims to attorneys for attention, and the letter in evidence as Plaintiff's exhibit B was sent to Mr. Dodge in answer to that letter.

On May 21, 1929 the claim of Howard Chatfield together with all evidence in the hands of the U.S. Natl. Adj. Co. at that time was forwarded to attorneys Catherwood, Hughes and Alderson at Austin, Minn. under the terms of a form letter, the original of which is marked Defendant's Exhibit 4 and introduced in evidence as such. The only evidence in the hands of the U.S. Natl. Adj. Co. on May 21, 1929 was an itemized statement of the account against Howard Chatfield which was forwarded to Catherwood, Hughes and Alderson at that time. There is no record in any files of this company that any note of any kind signed by Mr. Howard Chatfield was ever sent to the U.S. Natl. Adj. Co. for collection and if a note had been received by the U.S. Natl. Adj. Co.

the usual and ordinary course of business would be to stamp on the outside of Defendant's Exhibit 3 the words "note enclosed" in place of "ISST. Enclosed" which means itemized statement enclosed.

On May 25, 1929 we received letter from Catherwood, Hughes and Alderson dated May 24, 1929 which is introduced here as Defendant's exhibit 5.

(I understand Mr. Secretary, that all of the exhibits- introduced by either side will be received in evidence unless there is an objection and ruling to the contrary).

On June 24, 1929 all claims presented to the U.S. Natl. Adj. Co. were returned to Mr. Dodge by the U.S. Natl. Adj. Co. and all evidence held by the U.S. Natl. Adj. Co. except that in the Howard Chatfield Claim, and that the U.S. Natl. Adj. Co. received in the mails a receipt for this,- evidence which is marked defendant's exhibit 6 and bears the signature of Mr. Dodge.

On the same day a letter was sent to Mr. Dodge explaining the reason why the Chatfield claim was not released which is introduced here as Defendant's Exhibit 7.

From May 24, 1929 up to and including September 6, 1929 and thereafter the Howard Chatfield claim was in the hands of and under the jurisdiction of the attorneys, Catherwood, Hughes and Alderson, of Austin, Minn.

On September 6, 1929 a letter was received from this firm of attorneys reporting on the Chatfield claim, which is introduced as defendant's exhibit 8.

Now, Mr. Secretary, I don't know who you feel about this matter, I can go on and introduce my whole file of correspondence here, showing that everyone of these letters sent by Mr. Dodge to the U.S. Nat. Adj. Co. were answered by the U.S. Natl. Co. in the due course of business and that they go up from 1929 to 1932. Now, if any claim arose<sup>it</sup> arose at the time the claim outlaws which was in August 1929. There is nothing to do after that time except to adjust the dispute, if there was a dispute, which arose at that time.

Mr. Bruce Brown goes on to say that the facts are that if Mr. Dodge had a claim it accrued in 1929 when the claim outlawed. If the U.S.Natl.Adj.Co. were negligent it was at that time not now. Therefore if they want him to, he will go ahead and introduce these letters. As these letters were written after the claim outlawed he did not know whether they should be introduced or not.

Mr. Bengtson asked Mr. Dodge if he believed these letters which could be introduced by Mr. Bruce Brown would be of importance, and he answered that he thought they would.

Mr. Bruce Brown asked that the exhibits be preserved and asked if his understanding was correct that after they have been considered by the Secretary of State they would get all of the exhibits back.

Mr. Wm.Brown assured him that they would be returned.

Mr. Bruce Brown made the further statement that he did not think there is any complaint between the plaintiff and the defendant that no money was ever collected on any of these claims, and said: "It is hereby stipulated by the complainant and the U.S.Natl.Adj.Co. that no money was ever collected on any claims turned over to this company by Mr. Dodge." That Mr. Dodge makes no claim for failing to account for money collected.

Mr. Bruce Brown further states: I know of my own personal knowledge that the U.S.Natl.Adj.Co. employs no personal collectors to collect claims placed with it for attention in any state except possibly Ill. which is our home state, unless the men so employed are duly qualified attorneys as far as the U.S.Natl.Adj. Co. can determine in the state where they reside. I know of my own personal knowledge that no solicitor has any authority to accept any contract containing claims under the terms of the contract unless it is first sent into Chicago for acceptance or rejection.

Mr.Bengtson asked Mr. Bruce Brown when he was employed by the U.S.Natl.Adj.Co.

Since 1925 to about 1931. Since that time I have<sup>not</sup> been manager but I have been an attorney for the company and have handled some of their forwarding business and do know these facts of my own knowledge.

Mr. Bengtson further asked Mr. Bruce Brown if he still knows that the company does not employ collectors, to which Mr. Bruce Brown answered none outside of the state of Illinois.

Mr. Bruce Brown further said that he was going to supply an affidavit or deposition or anything the Secretary desired of Mr. Lawrence and Mr. Edw. Rice who are respectively the salesmanager and president of the U.S. Natl. Adj. Co. relative to the testimony of Mr. I. Geo. Brown, with the Secretary's permission.

Mr. Bengtson asked Mr. Bruce Brown what his relationship was with the U.S. Natl. Adj. Co. which makes it possible for him to have this knowledge relative to the collectors when he ceased to be in this department as an employee. Mr. B. Brown answered that he is connected 3 or 4 hours a day with the forwarding work, spending a great deal of that time with Mr. Lawrence. Because of that fact he knows in the ordinary course of business that there are no changes and none have been made in that policy. If there were any collectors employed outside of the state of Illinois, he would know about it.

The attorneys who collect the accounts are only employed to collect the particular account forwarded to them through the mails. They are not on a retainer basis for all accounts we send them. They don't work on a per diem but <sup>on</sup> a contingent basis on that particular claim, and so they are not our representatives in the sense of being our branches over the country or agents.

Mr. Bengtson: I don't expect you to reveal the secret workings of your department, but it is interesting for me to know how you happen to select the different attorneys.

Mr. Bruce Brown: There are published what is known as preferred lists of attorneys, there are organizations such as the Mercantile Adjusters Clearing House Quarterly which is published here in Minneapolis, American Lawyers Annual, U.S. Fidelity and Guaranty Company and many more of that kind, who publish lists of attorneys throughout the country. Among collection agencies and lawyers these lists are considered responsible agencies from which to choose attorneys.

We have been doing a forwarding business at the U.S.Nat.Adj.Co. for more than 15 years. In that time we have had our own experiences with attorneys throughout the country and developed our own preferred list. The name of Catherwood, Hughes and Alderson was chosen from our preferred list based on past experiences and it is noted right on the slip that their name comes from our list. They have handled work for us before on other claims, on a contingent basis. Our contention here is that Mr. Dodge knew or should have known when he signed that contract that we contemplated or had authority to employ attorneys for the collection<sup>of</sup>/accounts if we felt it advisable. In May, 1929 Mr. Dodge wrote to us asking when the claim was outlawed. We looked around for the most responsible attorneys and we immediately sent the claim to them for attention when the outlawing date was called to our attention. We used our best efforts to choose the proper attorneys. Under authority of the contract with Mr. Dodge, these attorneys became the agents of Mr. Dodge. If these attorneys whose reputation is not attacked in any way, who had charge of this claim failed to give it the proper attention and allowed the claim to outlaw, we who are not attorneys certainly should not be frowned on as criminals who are not worthy of doing business in this state. We employed competent attorneys. I will point out that Mr. Dodge's claim was based upon a promissory note. He has produced no evidence to show that it was ever placed in our hands. Without the note it would have been impossible to file suit; on the itemized statement there would have been a small portion of the claim, --- \$16.00 for a repair bill. Now I cannot see how you can think, Mr. Secretary, that we are unfit to do business in this state. We have shown you that we have taken action on the matter in no less than 50 letters. We have given it our diligent attention. It is unfortunate that the claim outlawed but when it was in the hands of the attorney, it was not in our hands and I don't believe that we who are not attorneys should be condemned and declared unfit to go ahead with business in this state. I appreciate how you feel Mr. Brown (Mr. Wm. Brown, Chief Clerk) that we are doing business in the state of Minnesota based on

on the testimony of a disgruntled employe. There is no question about his being disgruntled--- his very outburst would indicate that such is the case. I want to present affidavits in support of my statements. I do not want Mr. Brown to think that we were violating the terms of our agreement under the bond, and if we were doing business through an established office in this state, we would not hesitate to qualify as a foreign corporation. We are simply doing business by mail through attorneys, the firm of Henderson, Gates and Flakne, of which Mr. Flakne is a member, being one of them. We have other attorneys in the state of Minnesota, with whom we do business. Under these conditions I do not think we are required to qualify. That of course is for your opinion. I shall present the affidavits of Mr. Rice, Mr. Krumbein and Mr. Lawrence. These gentlemen could have been brought up here to testify, but it would have entailed considerable expense to bring them up. It would have been much easier for us to send \$60 or so to Mr. Dodge to settle this matter and withdraw. But we do not feel that we have violated our contract in any way, and ~~neither~~ neither are we coming into this state to collect accounts.

Mr. Kleve Flakne, speaking for the defendants: It seems to me that the purpose of this hearing is to determine whether or not the U.S. Natl. Adj. Co. has violated in the law in any respect. As I see it, the purpose of the bond is to protect anyone who has placed their accounts with them. (Reads portion of collection agency bond form) "I shall pay and turn over to all persons for whom it may have collected any account, bill or other indebtedness taken by it for collection, the proceeds of such collection in accordance with the agreement upon which such account, bill or other indebtedness is received for collection, and shall comply with all requirements of law relating to the conduct of a collection agency, etc., etc." The mere fact that they have placed this particular claim in the hands of an attorney, and assuming ~~assuming~~ that they were grossly negligent, I do not see that it has any bearing upon the issues before the Secretary. I do not believe you have power under the law to pass on any other

question other than whether or not this company has withheld funds in its possession, which was the basis of this claim by Mr. Dodge.

Mr. Wm. Brown called attention to the fact that this is the only bond in the state of Minnesota which requires the unqualified approval of the Secretary. He is the sole judge as to whether he shall grant this license. He is not compelled to grant any license. He has a wide latitude in collection agencies which he has not in any other bond.

The hearing is to bring out all the facts we can get, not only important so far as this particular case is concerned but it will also have a bearing upon the question coming before the office when this company applies for another license.

Mr. Bruce Brown made the statement that the fact of Mr. I. Geo. Brown having an office in Minneapolis comes to his knowledge for the first time. I do not know whether he has opened it with the knowledge of the company. The office will be closed as soon as I get out of this place, as far as I am able to close it, so if you feel we're running an office up here, we inform you that the office will be closed as soon as I get out of here.

Mr. Dodge's further statement:

My reason for bring<sup>ing</sup> the complaint was that I did not think the U.S. Natl. Adj. Company were handling the account I referred to them in a spirit of their advertising and their solicitations and their own correspondence, nor in accordance with what should be construed as ordinary diligent collection handling by a collection service of their attorneys when viewed from the standpoint of what a lay man has a right to expect, from so-called expert collectors and attorneys. J.C. Sorte who appeared to be a reliable solicitor for collections in 1928, picking them up together with evidence of the debts and taking the original copy of the contract, which contract does not on its face include much detail and which a layman naturally is not likely to turn over and read. The instructions by the solicitors are that all

evidences of notes- and otherwise are to be sent with and attached to the claim, which presumably in this case was done. I have not yet received the note in the Chatfield matter from the collection service. While it is true that the back of the list says that verbal statements of the solicitor are not binding, still it is natural for the payment to take the solicitor's general remarks especially when there is a letter from the U.S. Natl. Adj. Co, saying that he was one of their solicitors, he has his cards printed, leaves his cards around indicating to the layman that they were working with the approval of the company.

Showing commitment of these claims with that general viewpoint as per evidence in the files the company was notified on May 16, 1929 regarding the outlawing of the Chatfield claim with the request that if they didn't wish to take care of it, to return it at once so that I could refer it to local attorney.

The natural presumption would be that it was their intention to give it reasonable attention when they did not return it to me. I call attention to the fact that they do not refer to the attorney as my attorney but as "our attorney". Evidence will show that they did not send me instructions who their attorney at Austin was to bring legal action to prosecute before the outlawing, nor did they advise me to send costs which they as expert collectors should have seen was needed. They also overlooked the fact that part of the claim - a major portion - outlawed within two weeks after the claim was to outlaw. There should be no question in the secretary of state's mind that they should have known of this. Letters in evidence show that they received sufficient information from the U.S. Natl. Adj. Co. to indicate that this first item would outlaw in May, this being the only source they should have received this information from. I did not at any time receive any notice from the U.S. Nat. Adj. Co. as to the name of the attorneys this claim was sent to, and did not until I ran on to it myself and found out who the attorneys were.

Their letter of instructions to this firm of attorneys as per their own exhibit in the file indicates that they did not instruct in any way to protect the outlawing. It would seem very negligent on their part

on this point.

With reference to the 12 letters presumed to have been sent to Chatfield, copies or similar letters which Mr Bruce Brown referred to should be placed in the files showing what form they were written in. It is my contention that the sending of 12 of their form letters of the forms used over a period from Oct 1928 until May 1929 does not constitute reasonable methods of collecting when a claim is so nearly outlawing and when the party in question is employed and subject to garnishment. It is further my contention that this party was collectible during that period and is today if the claim were in legal standing.

The file does not show responses to several letters sent by me to this firm asking for a report on the case. It is further my contention in line with the complaint that there have been times in the past when this firm had solicitors in the field and were soliciting by mail after their bond expired and before its renewal which is in direct violating of the statutes. The Secretary of State's office records will show that from Oct. 7, 1931 until March 11, 1932 they were without bond. During that time, on February 10, 1932 they solicited by mail, accounts for collection, as per letter submitted in evidence- Plaintiff's Exhibit G.

These accounts were solicited in October 1928 by J.C. Sorte and the Secretary of State record will indicate whether or not their bond was on file at that time..

Mr. Bruce Brown: one of the first things I ever learned in logic is that you cannot argue from a particular to a general. If Mr. A is a crook I cannot thereby reason that all men in the world are crooks. I <sup>do</sup> not believe it can be argued that we are not fit or competent to conduct a collection agency. It is not proper logical reasoning that from the handling of one account we ~~are incompetent~~ are incompetent to handle all accounts.

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STATE OF MINNESOTA  
DEPARTMENT OF STATE  
**FILED**  
NOV 2 1990

*Will Holm*  
Secretary of State.