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**The Day the Public Learned For Sure
That Jake Butcher's United American Bank
Was in Serious Trouble**

By Don K. Ferguson
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[The recent death of former banker Jake Butcher brought to mind the following untold stories involving our court.]

A long-forgotten lawsuit filed under seal in federal court 34 years ago confirmed to the press and the public that **Jake Butcher's** United American Bank was nearing its end.

The contents of the lawsuit were not revealed, but the fact that it was under seal was enough to alarm depositors and fire up the media.

Until that time on Tuesday, February 8, 1983, there were only rumors that the flagship bank of the Butcher brothers' banking empire was in trouble.

The filing of the lawsuit under seal also created a bit of drama in the U.S. District Court Clerk's Office and the chambers of **U.S. District Judge Robert L. Taylor**.

One of the deputy clerks in our office had a brother-in-law who was an FDIC examiner, and she told us he had been in town for weeks, along with a battery of other FDIC examiners, auditing the bank's records. The deputy clerk, now deceased, kept telling us that the bank was in trouble, and a few days before February 9, she told us privately that the FDIC was going to take over the bank and that it would occur on February 9.

The First Signal

So when one of the bank's lawyers called me in the late afternoon of Monday, February 7, saying he might need to see me after-hours at my home, that he had an important complaint to file, I knew what was in the offing.

But I did not hear from him again until the following day. The lawyer told me on the morning of Tuesday, February 8, that his associates were preparing some documents and would like to meet with the judge that afternoon in an ex parte hearing, if he would grant them one.

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Judge Taylor had gone home early that day, but he told me he would come back to the office at 3 o'clock to see the lawyers.

At 3 o'clock, three attorneys representing the bank filed into the Clerk's Office--**G.W. Ridenour Jr.** of Knoxville and **Michael Friedlander** and **Robert Blum** of Washington. I ushered them into the judge's chambers and remained in the room. [Also present were the judge's two law clerks, who today are members of the Court Historical Society--**Mona Butler Alderson**, Mountain City, now retired from a career with the federal government in Washington, D.C., and **Doug Pierce**, a member of the King & Ballow law firm in Nashville.]

The lawyers explained the bank's plight and asked for a protective order to forestall an FDIC takeover, and they asked that it be filed under seal. They said they needed time to work out a merger or make other financial arrangements to save the bank. The judge readily approved, saying he wanted to protect the interests of the bank.

No Fanfare

With no fanfare at all, I walked the lawyers back to the Clerk's Office, stamped the papers and placed them in the file under seal. I explained to the four other deputy clerks what had been done but didn't tell them the nature of the lawsuit. I told them the case was under seal and that no one was to see it.

Knowing how matters of this sort leak out, I fully expected news reporters to be at our office door the next morning, Wednesday, February 9, asking about the filing, but no reporters were there.

At about 11 o'clock, a Knoxville News Sentinel reporter arrived, making her routine check of the court's case filings. She saw the docket sheet pertaining to the case and asked about it. I told her it was under seal and that I could not comment. She called her editor, and that set off a press chain reaction that eventually resulted in attorneys for the newspaper filing with the U.S. Sixth Circuit Court of Appeals a petition for a writ of mandamus, asking that court to order Judge Taylor to unseal the case.

On Thursday, February 10, both Knoxville daily newspapers had Page One stories about the sealed lawsuit but not the details. With the bank's condition now pretty well confirmed, customers began lining up at the bank's main office on Gay Street and at its several branches and at the bank's ATM machines to withdraw their money. Although the full story was not yet public, enough information was known to alarm depositors.

Because the run on the bank had now begun--the very thing Judge Taylor had wanted to prevent--he put down an order on Friday, February 11, unsealing the case. He did so without the Court of Appeals acting on the petition for a writ of mandamus, and it was eventually dismissed. Judge Taylor lifted the protective order and dismissed the case.

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Agents Move In

Sometime before the bank opened on Monday, February 14, 1983, FDIC auditors and FBI agents secretly moved into the bank's headquarters, and when the first employees arrived for work that morning, they were greeted by the auditors and agents.

The first employee to arrive, an officer of the bank, described that morning for me years later:

"At about 7:10 that morning I arrived at the bank, came in the side door where you had to have a code to get in, came up on the elevator to the fourth floor--my floor--and normally there was no one here at that hour. On this morning, when the elevator door opened, the place was full of FBI agents, Blue Hawk policemen, bank examiners, all kinds of officials. There were 50 or 60 people in here."

The examiners, agents and policemen had arrived at the bank in the wee hours of the morning. "They got in (with the aid of the building's security personnel) and literally secured the building. Eleven floors of Plaza Tower were occupied by the bank, and all of those floors had FDIC examiners on them," the bank officer said.

Money in Paper Bags

Regarding withdrawals by depositors, he said UAB tellers paid out hundreds of thousands of dollars. "People were walking out of here with cash in paper bags. It would have been a burglar's heyday that weekend," he said, adding that tellers told him a few customers carried out as much as \$100,000 in cash. "They were literally taking it out any way they could."

"We were running shuttles to and from the Federal Reserve Bank at Nashville to make sure the branches were flush with cash.

"The Federal Reserve knew they had a bank in need of cash and they were backing it." Over these few days, the Federal Reserve shipped in more than \$10 million in cash, he said.

The bank was closed on the day of the takeover, but within hours, it was purchased by First Tennessee Bank, and the next day, things began to return to normal, the officer said.

[Editor's Notes]

Judge Taylor called me at home on Saturday morning, February 12, and said someone had telephoned him at home late the evening before identifying himself as

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Horace Wells, editor of the Clinton Courier News newspaper, and saying **Jake Butcher** had committed suicide.

He asked me to check with Wells, which I did, and the editor promptly replied that he had been ill for two days and hadn't called anybody. Wells said he and the judge were friends, and "if I had any business with the judge, I would have come to see him in person." The judge had also called his friend, attorney **Robert Young**, who had a close association with the bank and Jake, to ask him about the report. Young called the Butcher home and learned from Jake's wife that Jake was alive and on his way to the bank, and Young reported this to the judge.

Weeks after the bank spiral began and was by then a major news story, I ran into **Harry Nacey**, the former president of Hamilton National Bank, which had been taken over in 1975 by Jake and was the predecessor bank to UAB. He and I briefly discussed the bank failure news and the impact on Jake, whether he could survive it. Nacey said he had wondered if Jake would commit suicide, a comment that surprised me.

A suicide did occur, however, that of **G.W. Ridenour Jr.**, one of the attorneys who had come to Judge Taylor's chambers on February 8, 1983. Ridenour was convicted of income tax fraud in connection with the collapse of the banking empire and sentenced to prison. He committed suicide on February 1, 1986, on the day he was to have reported to prison, almost three years to the day from when he came to Judge Taylor's chambers, seeking to halt the FDIC takeover of UAB.

That fateful February 8, 1983, lawsuit filed under seal was the first of hundreds of cases--civil and criminal--that eventually filled the dockets of the Eastern District of Tennessee courts and other courts throughout the 1980s and on into the 1990s. Two of the criminal cases involved **Jake Butcher** and his brother, **C.H. Butcher Jr.** Both pleaded guilty to bank fraud and served prison sentences of just under seven years. Jake died three months ago. C.H. died in 2002.

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