

MYSTERY IN VANISHED \$4,000,000 LOST BY 8,000 VICTIMS OF DIER FAILURE

(Continued From First Page.)

time, or immediately prior to the time the New York Stock Exchange ripped out its ticker service, Charles A. Stoneham & Company, who had decided to go out of the brokerage business, made an arrangement with Dier & Company under which the latter took over the accounts held by Stoneham & Company in their New York, Chicago and Milwaukee offices.

There has been an element of mystery regarding some of the vital details of this transaction. Since the failure of Dier & Company, C. A. Stoneham, under an order of the Federal Court, was examined by interested attorneys regarding it, but unlike the many other witnesses in this now famous case his examination was held in the seclusion of a room in the Bar Association Building on February 22, a legal holiday, and the fact that such examination was held was not made public for some time afterward. Wrath of certain creditors of the defunct Dier firm, who are endeavoring to learn what salvage might be saved from the wreck was thereby rekindled by what they considered the unseemly consideration shown a person who, they allege, transferred their accounts to the Dier firm without first obtaining their express approval.

At any rate, it now appears that for turning over the accounts in his New York, Chicago and Milwaukee offices, together with the debit balances attached to them, Stoneham received as remuneration \$210,000.

It is stated by an auditor who checked up the transaction between Stoneham & Company and Dier & Company that the latter firm received from Stoneham securities valued at \$5,173,533. Because of the objection raised by certain customers at the time \$1,917 of securities had to be retransferred to other houses so that the net amount of securities received was slightly less than \$3,000,000. Dier paid for these securities approximately \$1,300,000 and the cash or asset position of the firm was increased about \$1,700,000.

There is no greater mystery attached to Dier & Company's business than that surrounding the disposition of these securities after they were transferred to the Dier firm. Investigation thus far pursued throws little light on the subject. The \$1,700,000 added to Dier's asset position was in some unobtainable manner almost immediately dissipated.

Undoubtedly, part of it went to Philadelphia to meet the demands of customers who made a run on the firm following the announcement that Colonel Hughes had been expelled from the Philadelphia Stock Exchange. It had been the custom of the organization at that time to keep the accounts of the New York and Philadelphia offices separate, but apparently because of rash speculation in the Philadelphia office, which was under the direct supervision of Colonel Hughes, that office was unable successfully to meet the demand of customers and it became necessary to ship \$700,000 from the New York to the Philadelphia office.

CALLED STRONG INFLUENCE TO HELP.

Meanwhile matters in the New York office were going from bad to worse and desperate measures were adopted to rehabilitate the firm's standing. One of the main objectives was to have tickers giving New York Stock Exchange quotations restored.

According to a person in a position to know the facts it was decided to seek membership on the New York Cotton Exchange. Membership on this exchange carries with it considerable prestige, and the move was adopted as an opening wedge in a campaign to regain favor with the New York Stock Exchange.

Upon the application for membership to the New York Cotton Exchange there were indorsements on the firm by men of nation-wide prominence. One of these, so it is stated, was one of the best known United States Senators of the time.

But this move soon proved barren of results. Membership on the Cotton Exchange was not gained and other measures were decided upon.

At this time panic conditions prevailed within the firm's organization. Through a house account known as number 23 and through other numbered accounts, the firm had sold out practically all of the securities it was supposed to be carrying for customers. From the evidence in the case thus far adduced it does not seem to have made much, if any, difference whether these securities were owned outright by customers or were carried on margin. All or nearly all, so it seems, were dumped on the market for the purpose of satisfying the wild personal extravagances of Dier and to meet the payroll and other expenses that were the talk of the Street on account of their size.

FAILED TO GET TICKER RESTORED.

It was at this time that Dier called into consultation State Senator Clayton Lusk, whom he has said that he had known for about a month. This was in August after Colonel Hughes had withdrawn from the firm and when Dier decided to organize a new firm known, though the fact did not become public, as Dier, Lawrence & Starr.

To the account of this new firm Dier transferred 250 accounts, with securities properly checked up against them. The books were shown to Senator Lusk and an examiner was invited from the Stock Exchange to inspect them. But the dodge did not work and the tickers were not restored.

In Dier & Company management was so inefficient that no one can be found who knew in the year prior to the failure how the firm stood, or what its position was. Employees who should have accurate information regarding the matter state that the securities in the box were never checked up. Amazing as it may seem affairs were in such state that any one who might happen to gain access to the security box could have helped himself without serious danger of detection through a tally of securities in the box.

Yet, during all this time, no effort was made, apparently, to retrench in expenses. The salary account alone footed up to \$1,000,000 a year. Clerks who had started to work for the firm at from \$50 to \$100 a week two or three years before the crash were drawing down from \$12,000 to \$30,000 a year aside from expense money. These, of course, were paid in whole or in

substantial part out of money and securities entrusted to the firm by customers.

Private wire bills to the firm's branch offices situated in fourteen of the principal cities throughout the country footed up to more than \$100,000 a year. Office rental totalled approximately \$125,000 a year and other items such as paper, printing and advertising swelled the expense account to approximately \$2,000,000 a year.

SAY DIER DREW OUT \$4,437 A WEEK.

An auditor who went over the books for 1920 for the purpose of making up the firm's income tax statement for that year states that for the period the firm showed a loss. The following year losses were tremendous, yet persons who have recently had access to the books assert they indicate Dier, in 1921, drew out for his personal account \$250,708.44, or an average of \$4,437 a week.

Even persons totally ignorant of the ways of bucketeers can easily imagine what desperate measures it was necessary to adopt to meet this huge expense bill.

The commission asked by brokers on the New York Stock Exchange for buying or selling a medium priced stock is \$15 for each hundred shares. In order for Dier & Company to meet the expense account it is alleged to have had in 1921 it would have been necessary to execute customers' orders for nearly 15,000,000 shares of medium priced stock on the lists of New York Stock Exchange commissions.

This is on the assumption that the firm could have retained for itself the commissions it charged its customers. But it appears that the bulk of Dier's business, strange as it may seem, was in stocks and bonds listed on the Stock Exchange. To buy and sell these securities Dier & Company had to turn over to Exchange houses all the commission received on New York Stock Exchange business from its clients.

The only profit it could secure from its customers on Stock Exchange stocks was to charge customers interest on debit balances. For instance, if a person desired to purchase say 500 shares of United States Steel at 90 he would be required to deposit as margin \$5,000. To make this purchase Dier & Company, like all other brokerage houses, would have to put up or loan the customer the balance of the purchase price, which, in this instance, would be \$40,000. For loaning this money there would be charged the customer interest at the rate of from 6 to 10 per cent., depending largely on money market conditions. But it was the practice of Dier & Company to charge customers interest on debit balances, although the stock purchased for customers' account was immediately sold out and the money was not really loaned. Dier & Company not only took a customer's money for margin, but charged him interest in addition for the use of it.

Matters finally reached such a state that expedients were resorted to which were new even to bucketeers. For instance, it became a practice to ship a block of customer's securities over to an ex-employee for the purpose of arising a loan on them. But these securities, so it is said, were immediately, or as soon as practicable, sold in the market. Management of Dier & Company was so lax it is alleged no report was received from this "loan" broker for weeks prior to the failure.

The last measure adopted to avert the fast approaching and inevitable crash was to attempt to realize on stock of the Eli Progresso Company, owned by Dier. The chief asset of this company is a disputed title to mining property in Mexico. To operate this mine between \$2,000,000 and \$4,000,000 would be required. The person who was endeavoring to raise a loan for Dier at the time of the failure has since been asked if he told persons buying the stock that a vast amount of money would be needed for development purposes. His answer summarized the code of the Wall Street bucketeer. It was, "One never tells that sort of thing to a prospective stock client."

The reply is no less interesting and educational than the one given by Dier when he was asked where the assets of his firm and the several millions of dollars of customers entrusted to it had disappeared. He said, in a

plaintive manner, as though being abused: "I don't know. I'm not responsible." And no one has been arrested!



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