

# FORCED TO SUSPEND.

## HERMAN SCHAFFNER'S DISAPPEARANCE CLOSES HIS BANK.

**No Trace of the Missing Man Since Friday Night—The Concern Placed in the Hands of an Assignee by the Junior Partner—The Failure a Surprise in Banking Circles—No Aid Asked of the Clearing-House—Friends Fear an Unbalanced Mind and Suicide.**

The private banking firm of Herman Schaffner & Co. went into the hands of an assignee yesterday morning. The direct and immediate cause of this step was the disappearance of the senior member of the firm, Herman Schaffner. The assignee is the American Trust and Savings Bank. Levi Mayer is attorney for the assignee.

The firm of Herman Schaffner & Co. has been doing business since 1873. It is composed of Herman Schaffner and A. G. Becker. The chief business of the firm has been the handling of commercial paper, and in that line of business the firm occupied the leading position in the West. In normal times it sold in the neighborhood of \$150,000 commercial paper daily. It handled in this way last year over \$35,000,000 of paper. The firm also did a general banking business, receiving deposits and discounting notes. It offered an outlet for the paper of some of the most important commercial institutions in the West. The method of handling this business was to either buy the paper outright and then resell to other banks and investors or to receive the

tioned inside of the door leading to the corridor in the Title and Trust Building to keep out all curiosityseekers and allow those to enter who had a right to be there. G. B. Shaw, President of the American Trust and Savings Bank, was placed in charge and all matters of business were submitted to him.

### Think His Mind Is Affected.

The excitement over the disappearance of Mr. Schaffner was talked about in all portions of the building. The consensus of opinion seemed to be that the strain of the last three weeks had affected the banker's mind. This was the opinion of Attorney Jacob Newman, who has been legal adviser for the bank for some time. "There is no doubt in my mind," he said, "that Mr. Schaffner is laboring under temporary dementia, and that his leaving his business in such an abrupt manner was done with an unbalanced mind."

The clearances of Schaffner & Co.'s bank have been made in the past through three houses. These were the Merchants' Loan and Trust company, the Metropolitan National, and the Illinois National. The officials of the Illinois National Bank were aware of the impending failure several hours before the assignment was made. They had been advised by Mr. Becker in the morning as to the course to be pursued during the day, and were cognizant of the exact state of affairs. A prominent official in the bank said that it held collateral to balance all of Schaffner & Co.'s indebtedness to the bank.

"Mr. Schaffner's credit has always been excellent," said this official, "but the mere fact that he has disappeared under mysterious circumstances right at the time when the money market is in the worst condition it had been in for years has caused a suspicion which Mr. Becker was unable to overthrow. Possibly Schaffner could not have secured loans sufficient to take him over. It takes the best of security to obtain money now."

### Sues Out a Citation.

As a sequence to the failure L. Zukerman, a creditor to the extent of \$1,600, appeared before Judge Donnelly in the County Court shortly before noon yesterday and secured a citation against the partners in the firm of Schaffner & Co. to bring them into court and submit to an examination. The citation was made returnable forthwith. A Deputy Sheriff was sent out to serve the summons of the court, but could not find Mr. Becker, and, of course, could secure no trace of the whereabouts of Mr. Schaffner. It is probable that the partners will be brought into court some time during Monday. It is understood that Moses, Pam & Kennedy, who appear in Zukerman's behalf, are also the representatives of a creditor who has \$100,000 involved in the insolvent bank and who will become identified with the assignment later on.

Perhaps the most serious phase of the failure is in relation to some of the firms which have been floating large amounts of paper through Schaffner & Co. The suspended firm has been the channel through which a vast amount of commercial paper flowed. The suspension will disturb the natural flow of that paper, although it has no direct bearing on the character of the paper itself. It now becomes necessary for these firms to find other outlets for their paper and temporary embarrassment in doing that may in some cases be possible.

### Excitement on Stock Exchange.

The situation at the Stock Exchange at the opening was exciting. The quotations for the street railway stocks had been breaking enormously for several days. There had been a considerable amount of stock thrown on the market Friday and it was generally believed that it had been for the account of the suspended bankers. It was feared that more would follow and the market opened in intense excitement. There were some further declines, but the declines met steady buying orders. Investors had at last come out with their money, safety deposit boxes had been opened. There were orders for one, two, and three shares, which showed that the small investors were beginning to recognize the opportunities which panic brings, and there were orders for hundreds of shares from the men who had not been in the market since the Baring panic in 1890. These turned the scale and for the first time in days the market turned up from the low point and closed in a sharp rally under the influence of many buying orders.

There is profound personal regret over the misfortunes of the suspended firm met with at every turn. They had in a great degree the confidence of other bankers. The personal relations of Mr. Schaffner with the local bankers were much more than ordinarily close because of the large amount of business done with nearly all of them in the sale of commercial paper.

### Affect. No Other Institution.

"There is nothing in the Schaffner failure that affects any other institution," said President Lyman J. Gage, of the First National Bank, "I've known Mr. Schaffner for many years. Sixteen years ago he entered upon his banking career as cashier of the German National Bank, which failed about that time. Being out of business he did not pretend to have any money. He went into business as a negotiator or broker and picked up quite a nice business. He opened an office and small dealers and acquaintances came to him with their accounts, so he built up a moderate deposit business. In addition to that he did a large business in buying and selling commercial paper. He never sold it with his own indorsement, but on its merits. In the course of his business when he did not have any money of his own he borrowed from banks and pledged the commercial notes as collateral. He did not do this to a large extent, however."

"Mr. Schaffner is an honorable man, considered safe and conservative by all who know him," continued Mr. Gage. "He is a good judge of men and credits and as a commercial note broker he handled the better class of credit paper. I do not know what has got him into trouble; it is a mere matter of conjecture. He may have been caught on local stock and his losses broke his heart and ceased him to disappear. I do not see anything in the regular course of his business to have precipitated his failure. That is, looking upon the affair from an outside standpoint, for he did not do any business with us and I am not acquainted with his inside affairs."

Regarding the failure of Herman Schaffner & Co., John M. Smyth, the proprietor of the big Town Market on Madison street, had this to say:

"I have deposited with the firm of Herman Schaffner & Co. a great many years. I am sorry that they have been forced to assign. As far as the personnel of the firm is concerned, I consider them strictly honest, upright business-men. I know nothing whatever of their affairs, but I have no doubt they will remain in a short time and in good shape. So far as concerns the amount that I am involved, my feeling for them is such that they can have it and are welcome to it if it will do them any good."

HERMAN SCHAFFNER.



paper for sale and credit the maker with the proceeds less a regular brokerage commission when the sale was made. The personal indorsement of the firm was never added to the paper it negotiated and for that reason its suspension has no direct bearing on the large amount of paper now outstanding which has passed through its hands. The firm had a clientage which included at one time or another almost every bank in the West as well as a great many Eastern institutions. The paper it negotiated had proved through the long period in which the firm was prominent in this business to have been exceptionally well chosen and the judgment of the firm on commercial paper had come to be regarded with the greatest respect.

The assignment was filed in the County Court at 10 o'clock. The American Trust and Savings Bank is made the assignee, but no statement of the liabilities or assets of the concern or of the individual members was filed. The assignee took charge of the bank at 9:30 o'clock, and the doors were locked and a large force of clerks put to work on the books to prepare a statement of the financial condition of the institution. Until that statement is prepared nothing definite can be learned as to the amount involved in the assignment.

### Liabilities Will Be Heavy.

While nothing definite has been officially given out regarding the assets and liabilities it can be said that the liabilities will prove surprisingly large. It was not generally supposed that the deposit business of the institution was extensive, but the deposits at the time of the assignment will prove to be not far from \$850,000. There will be some liabilities in addition to these deposits.

The banking interests of Chicago are profoundly surprised at the failure. There are a number of incidents in connection with it. The fact that the bank should go down without any appeal for assistance was a surprise to Chicago bankers. Mr. Schaffner's standing among his associate bankers was irrefragable. There would not have been a moment's hesitation in coming to his assistance if he had presented a clean showing of his business. This makes the mystery of his disappearance at this time without making a serious effort to get outside relief particularly surprising. There is not a banker in Chicago who has not at one time or another done business with the firm, nor was there one who did not regard its methods as strictly legitimate and its practices conservative. It was generally supposed that the business was such that there could hardly be a suspension, and with its lines confined within the usual channels that would undoubtedly be the case.

That being true it follows that there was some element contributing to the embarrassment other than the general stringency of the money market. That element is undoubtedly to be found in the stock market. It is not believed that the firm speculated to any undue extent in local securities, on its own account, but its embarrassment was undoubtedly due to the enormous declines in the street railway stocks in the last thirty days. Collateral loans had been made on street railway securities, and the quotations ran away faster than margins could be made good.

Some months ago there were made some heavy purchases of North Side Street railway stock on a speculation for a prominent citizen. These purchases ran into several thousand shares, and as the stock was then selling not far below \$300 a share, it involved a great sum of money. A large part of the money to pay for these purchases was obtained on the purchaser's personal paper which was negotiated by Schaffner & Co., that firm placing the paper with various local banks, and these banks holding the stock as collateral security. In due time this paper matured. It was not possible to have it renewed in the form it was in then, and it is understood that Mr. Schaffner added the guarantee of the firm to a part of it, and thus shouldered a portion of the load of stock. Some of it could not be so extended, and it was sold out to satisfy the notes. That started the decline in the market. The paper by which Schaffner & Co. went under matured June 1. By that date the stock had declined frightfully. The forced closing out of the rest of it sent prices down still further. Yesterday the stock touched 183. It sold a short time ago at 300. It can readily be seen that in such an unprecedented decline the losses were enormous.

### Done to Avoid a Run.

The filing of the voluntary assignment in the County Court was due to A. G. Becker. He became alarmed at the disappearance of the senior member of the firm, and fearing that when the fact was made public there would be a heavy run on the bank, he decided to place the matter within the jurisdiction of the court. For three weeks the depositors of Schaffner & Co. have been steadily withdrawing their money from the bank, though at no time had the demand for money been greater than the bank could stand.

The strange action of Mr. Schaffner in leaving his business at a time when the bank was in a critical situation could not be explained by Mr. Becker. He had a consultation with a number of business friends before he decided to make this move. Accordingly, at a few minutes past 10 o'clock yesterday morning, the attorneys for the firm came into the office of the Clerk of the County Court and made a formal assignment. No schedule of the assets or liabilities was made, owing to the inability of Mr. Becker to furnish a statement of the firm's financial standing on such sudden notice.

The American Trust & Savings Bank, which was appointed assignee, immediately took possession. The doors of the bank were closed and locked and a notice was posted on a front window notifying the public that the assignee had taken possession. A large crowd gathered and the numbers increasing, blocked the sidewalk and extended it into the street. A policeman was sta-