

Squeezing the Short Interest

A Short Story by William Walker Hines

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"I AM sincerely sorry that you take this view of the situation, Mr. Marchmont," said the younger of the two men in the private office, "and I beg to remind you that your daughter will be of age in a few weeks. She has promised that she will marry me then, whether you give your consent or not."

"In that case, Mr. Heath," said the older man, "the matter will have passed beyond my control. I have nothing to urge against you except that I do not consider you a good business man and I would wish my son-in-law to be capable of entering the firm of Marchmont & Co. You are, I am sorry to say, too impulsive and prone to be taken in. In short, you are not at all the kind of a man I would pick out for a son-in-law."

"Since you have been so frank, Mr. Marchmont, I trust that you will not think me discourteous when I state that you are not at all the kind of a man I would pick out for a father-in-law."

The elder man was a fighter by instinct and training and there was an appeal to him in the sharp reply of the young man which a softer answer would not have carried. The rather slight frame of the young man was not indicative of a great physical strength, but a glance at his keen gray eye and square cut jaw revealed great nervous strength and acuteness.

"You beat me pretty badly on that wheat deal last spring," continued the young man, "but I have got on my feet again and some fine day I hope to catch the house of Marchmont & Co. napping and get back some of the hundred thousand dollars you squeezed out of me."

The elder man laughed. That wheat deal was a pleasant recollection.

"I suppose you think I was skimming pretty close to sharp practice when I made you settle on my own basis, didn't you?" he asked.

"Not at all," said Heath. "When a man sells what he hasn't got he has no kick coming when he is made to pay for his folly. I think I got a hundred thousand dollars' worth of experience out of that deal!"

"I wouldn't mind selling you a little more experience at the same rate," said Marchmont. "What are you doing now?"

"Oh, I am working on that San Remo Mining company proposition. Think it is a pretty good thing. I have organized a company and believe we will be paying dividends inside of a year."

"Humph! What's the capital stock?"

"Hundred thousand."

"How much do you control?"

"Fifty-one per cent, 510 shares."

"Who holds the rest?"

"Jim Dodson has 200 shares; John Folk, as attorney, holds 100 and the other 100 are held in scattering five and ten-share lots."

What's the truth of the rumor I hear that the mines are suffering from an overflow of water?"

"Not much. When our pumps are put in place we will have that water out in a month. The stock is good. I believe it's worth all of par, maybe more."

"Want to buy any?"

"I might take a few shares if you make it an object."

"I'll sell you 50."

"Didn't know you had any. It is dangerous business selling what you haven't got to deliver," said Heath flippantly.

"I guess I can deliver them all right. I don't need any advice from you on the subject. The trouble is with you that you are afraid of the stock yourself." Evidently old man Marchmont was somewhat angry.

"Not on your life, I'll take 400 from you at 50."

Marchmont made some figures on a slip of paper. "Well," he said aggressively, "if you will not acquire any stock in the meantime, or have your friends acquire any, I will deliver you 400 shares of this stock within sixty days at 50."

The agreement to deliver was signed and acknowledged, and then Marchmont said:

"I am making this deal just to teach you another lesson. Jim Dodson was in here this morning trying to sell me his 200 at any price. I believe that you will learn something about business some day, and then I'll be proud of you as a son-in-law. Meanwhile, I might as well get your money as anybody's."

"Thanks for the good wishes and the bad compliment," said Heath, with a laugh. "Now I know, or rather believe, that the San Remo is one of the best mining properties in the world, and I think you are going to have more difficulty in corraling those 400 shares than you anticipate. I shan't endeavor to acquire a share directly or indirectly, as I promised, but if anyone asks my advice as to selling I shall certainly advise them to hold on to their stock for a price considerably above par. And I won't be losing any money by taking 100 or any other number of shares from you at 50. But your agreement says 400, and you can wager that I will hold you to just as strict an interpretation of the letter of the contract as you held me on the wheat deal. So look sharp," and Heath took himself out of the office.

Once outside he laughed, laughed long and none the less heartily because the laughter was noiseless. "Four hundred



"YOU ONCE SAID IF I COULD SHOW YOU MY ABILITY IN BUSINESS YOU WOULD GIVE YOUR CONSENT TO OUR MARRIAGE."

shares at 50! Got to be delivered! Talk about wheat! But won't the old man howl!"

There was evidently something very enjoyable in the idea, for he concluded to drop business for the day and call on Marchmont's daughter Emily, his fiancée. He told her the whole history of the deal, and, by a good deal of explaining, finally made her understand the situation. She knew more about business than most women do and said:

"It is a little out of the way, but I am willing to take your word for it that it is perfectly honest. I know that it is nothing more than papa would do to you. I have heard him say a thousand times that a man who sells something he hasn't got deserves to get squeezed. That is what he said about you when you got the worst of that wheat deal."

"I must confess," said Heath, "that it comes a little nearer to sharp practice than I would care to go under ordinary circumstances, but you say you would like to have his consent before we are married, and this is the only way I know of getting it. Then I am doing no more to him than he did to me on the wheat deal, and we will have to proceed on the supposition that the end will justify the means. And the money will be all in the family, anyhow."

Emily was sworn to preserve the most inviolate secrecy in regard to what she knew of the deal, and Marchmont went away happy in the thought that he was going to treat his father-in-law-to-be to a very bad quarter of an hour or so.

Marchmont was not alarmed. He went to work in his usual quiet and businesslike way to accumulate the 400 shares of San Remo. The stock was not listed on the exchange, but the "curbstone" agents of his brokers managed to pick up a few shares at around thirty, and he found no difficulty in buying Dodson's for the same price. As a stockholder he demanded and was readily granted permission to examine the records in the company's office and obtained a list of the stockholders.

Having bought Dodson's two hundred and having picked up about a hundred through the "curb" market, Marchmont found that he must either get the 100 shares which stood in the name of John Folk, as attorney, or pick up all the rest of the outstanding and secure ten shares of this 100 lot. He wrote to Folk, whom he knew slightly, offering thirty for 100 shares held in his name, and sent out a circular letter to the ten or twelve smaller stockholders whose stock he had not yet secured, offering them the same price and enclosing newspaper clippings which showed that the San Remo property was suffering from an overflow of water.

From the smaller holders he secured enough stock to run his holdings up to 280 shares, one man answering that he would hold his ten shares for par.

This was encouraging progress, but a letter from Folk informed him that his client did not care to name a price on the stock, preferring to keep it as an investment.

Marchmont promptly wrote to the holder of the ten-share lot and bought his shares at the price asked, par. He had now bought 280 shares at an average price of 30, and ten shares at 100, his purchases having cost him \$12,400. At 50, Heath would have to pay \$20,000 for 400 shares, so he could pay an exorbitant price for the ten shares of stock which he needed to make his contract good and still a profit.

He wrote to Folk again, and told him that he was willing to pay any reasonable price for ten shares, and received the reply that his client was well satisfied with the prospects of the San Remo mine, but might consider an offer to take the whole of the 100-share lot.

This was putting another face on affairs. The sixty days within which he had agreed to make delivery lacked only one week of being up, and it began to dawn on Marchmont that in some way Heath was behind this refusal of Folk's client to sell.

"Some old fogy who knows nothing of business and believes everything Heath says about the future of the company, no doubt," said Marchmont to himself. "I must make an effort to see him or to get Folk to explain the situation. It is very peculiar that he does not want his name mentioned. That is Heath's work, I am sure. Don't want this unknown to hear the truth about the state of affairs."

It was not now a question of getting out with a profit that confronted Marchmont. If he could see and talk with this person who held the 100 shares, he could possibly persuade him to sell the shares at a price not so far above par but that he could come out of the deal without a loss, but there seemed to be no prospect of this. On the other hand, he could either go to Heath and settle at any price Heath chose to exact or let Heath bring suit for nonfulfillment. It was not in accord with his nature to own his defeat to anyone, much less to Heath, and a suit brought against him for nonfulfillment of contract might do the ruin of Marchmont & Co. an incalculable amount of damage. He had often said, and he realized the truth of the statement, that the reputation of a banking firm was like that of a woman, even a breath of scandal may do it an injury that nothing on earth can ever repair.

He resolved that the best plan was to go to Folk and explain the whole case

to him. Folk was sympathetic. He understood Marchmont's position and regretted extremely that he should be so embarrassed. But he could do nothing. The ethics of his profession forbade that he should give any clue to his client's identity, nor could he promise to arrange a meeting. He would do his best to get his client to name a price for the stock. He did not believe his client would consent to sell unless a very large price was offered.

"I'll give a very large price," said Marchmont. "I'll give 200 per share. I think it is your duty as an attorney to advise your client to accept."

Mr. Folk needed no instructions from Mr. Marchmont as to his duties to a client. Nor was he disposed to receive any. Nevertheless, he would ask his client to name a price.

Marchmont was to call at 10 o'clock on the last morning of the sixty days. Delivery would have to be made by noon of that day.

At 10 o'clock he entered Folk's office, a little less color than usual in his cheeks, but bearing no other testimony of the fact that he had not slept the night previous.

Folk met Marchmont in the outer office and told him that his client was in the inner office and did not wish to meet him unless an agreement for the sale of the stock should be made. His client had named a price, but it was so enormous that Folk hesitated to mention it.

"Name it, man. Name it. I must get them at any price, and make the transfer before noon. I told you I would pay 200, I'll pay 250 if it is necessary, but I must have them at any price. The credit of my firm is at stake, and I can not afford to wait a moment."

"The price is \$1,000 a share."

"Outrageous! Man alive, \$10,000 for ten shares! But I will pay it."

"The price is not named for ten shares. You can have 100 shares at \$1,000 a share, or you may have ten shares at \$10,000 a share."

"It's blackmail!" said Marchmont, pacing up and down the office. "By —! Heath is behind this, and it is nothing more or less than blackmail! I won't pay it!"

"I will inform my client of your decision," said Folk, with quiet dignity, "and bid you good morning."

"Stop a moment, Folk," said Marchmont. "Give me time to think. I am in a trap and I don't see any way out of it. If I don't buy from your client I've got to buy from Heath, and I haven't a doubt but what he is dictating the price you named to me. Give me a moment. I'll pay the \$100,000. My check is good, isn't it?"

"Unquestionably so. I have the stock all