

LATE NINETEENTH CENTURY SPECULATIVE MINING PROMOTION IN BRITISH  
COLUMBIA: A CASE STUDY OF ENTREPRENEURIAL INGENUITY,  
THE NESTEGG MINING COMPANY, 1896-1898

BY

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A Thesis  
Submitted to the Faculty of Graduate Studies  
in Partial Fulfilment of the Requirements  
for the Degree of

DOCTOR OF PHILOSOPHY

Department of History  
University of Manitoba  
Winnipeg, Manitoba

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**THE UNIVERSITY OF MANITOBA**  
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**Late Nineteenth Century Speculative Mining Promotion in British Columbia: A Case Study of Entrepreneurial Ingenuity, The Nestegg Mining Company, 1896-1898**

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**of**

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To my family,  
and in memory of my father, Jack, and Cathy's mother, Shirley

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ABSTRACT

Between 1880 and 1910, the dominant form of Canadian business changed dramatically from family oriented firms to joint stock corporate entities.<sup>1</sup> During this period a series of mining companies booms precipitated one of the most significant peaks of new corporate activity in Canadian history. These late 1890s booms would have important consequences for the course of the nation's economic development: Toronto was launched on its way to supplanting Montreal as the nation's leading securities market and a new breed of entrepreneurs received their first taste of joint stock corporate management. Yet promoting speculative mining companies was a business like no other. Besides learning how to share their company with public investors, these pioneering entrepreneurs grappled with new methods of advertising, creative financing, and long-distance management. How did so many of them do it—and do it so often and for so long? Was this a case of Canadian ingenuity or did transplanted business expertise from the American mining frontier play a precedential role?

A nearly complete collection of 1890s business records in the British Columbia Archives has provided a rare opportunity to study the day-to-day operations of a short-lived Victoria-based company running a mine in Rossland, B.C. The records of the Nestegg Mining Company include account books, share ledgers, minute book, letter book, and other miscellaneous original documents. The following dissertation is based largely on an analysis of the Nestegg collection and draws some interesting conclusions. The Company's corporate leadership was surprisingly tenacious and innovative, while American business expertise proved to be inferior and overrated. Although the Nestegg men shared many characteristics with Canada's other new breed of entrepreneurs, Victoria's unique geographic and cultural environment seems to have made it more difficult for them to break out of the "family firm" mould.

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<sup>1</sup>T.W. Acheson, "Changing Social Origins of the Canadian Industrial Elite, 1880-1910," in Glen Porter and Robert D. Cuff, eds., *Enterprise and National Development: Essays in Canadian Business and Economic History* (Toronto: Hakkert, 1973), 51.

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## ABBREVIATIONS

BAC	British America Corporation
BCA	British Columbia Archives
BCAGRG	B.C. Attorney General, Register General's Files
BCERC	British Columbia Electric Railway Company
BCLIA	British Columbia Land and Investment Agency
BCSC	British Columbia Supreme Court
CDRC	Canadian Rand Drill Company
CIHM	Canadian Institute for Historical Microreproductions
CPR	Canadian Pacific Railway
GMC	Gold Mining Company
MC	Mining Company
MTUA	Michigan Technical University Archives Collection
NEMC	Nestegg Mining Company
NEFFGMC	Nest Egg and Firefly Gold Mining Company
OGM&MC	Ottawa Gold Milling and Mining Company
RCC	Rossland County Court
TSE	Toronto Stock Exchange
VSC	B.C. Supreme Court (Vancouver)

## CHAPTER I

### INTRODUCTION: BUSINESS AND SPECULATIVE MINING PROMOTION IN LATE NINETEENTH-CENTURY BRITISH COLUMBIA

#### The Merits of Examining Failure

The following chapters will examine the incredible, yet in many respects unexceptional, life of the Nestegg Mining Company,<sup>1</sup> one of hundreds of speculative ventures that sprang to life in Canada during the mining companies boom of 1896-97.<sup>2</sup> In spite of appearances, the story of the Nest Egg is not a mining history. Mining histories typically follow the development and decline of a producing mine or mining region. Although the Nestegg Mining Company did succeed in removing a few tons of material from its mineral claim in Rossland, no ore of marketable quality or quantity was ever found. Like many of its peers, the Nestegg venture never amounted to much, dying in less than three

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<sup>1</sup>The Company's incorporation documents spell the corporate name as one word, "Nestegg." However, most references in the press and correspondence (including the corporate stationery letterhead) use the two-word spelling. Hereinafter the two-word term "Nest Egg" will indicate the mineral claim and the single word "Nestegg" will refer to the Company.

<sup>2</sup>Based on John Spencer Church's research, Jeremy Mouat estimated more than seven hundred mining companies were "formed to work properties" in Rossland and the West Kootenays during 1896 and 1897. (Jeremy Mouat, *Roaring Days: Rossland Mines and the History of British Columbia* [Vancouver: University of B.C. Press, 1995], 36; from John Spencer Church, "Mining Companies in the West Kootenay and Boundary Regions of British Columbia, 1890-1900, Capital Formation and Financial Operations" [M.A. thesis, University of British Columbia, 1961], Appendix R., 490.) Patrick R. Chapin's research turned up one hundred and thirteen mining companies that were licensed, incorporated, or applied for incorporation in Ontario between 1896 and 1897 (Patrick R. Chapin, "Northwestern Ontario Gold Mining 1880-1902: The Gold Boom That Didn't Pan Out" [M.A. thesis, Lakehead University, 1996], Appendix C, Table 1 and subsequent unpublished research). A similar but less spectacular gold mining boom was also underway in Nova Scotia (D.E. Stephens, "The Gold Fields of Eastern Nova Scotia," *The Nova Scotia Historical Quarterly* 1, no. 2 (1971) : 41-56; George R. Evans, "Gold Mining in Nova Scotia During the 19<sup>th</sup> Century," [M.C. thesis, Dalhousie University, 1938]).

years without yielding an ounce of gold.<sup>3</sup> A short-lived, non-producer, the Nest Egg mine was certainly not the kind of operation that would make a mining history.

Rather, this thesis is a business history *about* a mining company. However, here again the usual literary parameters do not seem to fit. Business histories tend to focus on entrepreneurs or companies with long and productive lives. The Nestegg Company was effectively in operation for just fourteen months, and none of its "company men" or managers became important figures in the economic history of either Canada or British Columbia. What follows is a thorough biography of a short-lived, insignificant, publicly owned joint stock company run by a small group of relatively insignificant businessmen. The obvious question would be what historical significance can be derived from studying such a seemingly unworthy subject?

### **The Nestegg Within the Canadian Context**

While business historians have given the building of Canada's railroad, banking, financial, and commercial empires considerable attention, the mining companies boom of the late 1890s has been relatively ignored.<sup>4</sup> Yet this phenomenon has long been recognized as a significant historical event in Canadian economic history. Fuelled by discoveries in Northwestern Ontario and the interior of B.C., the mining lands speculation and company incorporations booms of the 1890s would set the stage for Canada's economic growth during the Laurier Boom (1896-1914). Important new financial facilities responded to the phenomenal growth in mining securities trading. The Toronto Stock and Mining Exchange was chartered in 1896 and the Standard Stock and Mining Exchange was born the

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<sup>3</sup> "...the vast majority of these companies were either hopelessly optimistic or fraudulent. ...Very few ...ever engaged in serious mining activity; scarcely any mines in the district were shipping ore, let alone paying dividends to shareholders" (Mouat, *Roaring Days*, 36.).

<sup>4</sup>The Klondike Gold Rush really had no connection to the mining companies boom in Canada. The Klondike discovery was made in August 1896 but not known to the public until the first shipments of gold arrived in San Francisco and Seattle in July of 1897. By then the companies booms in BC and Ontario had already peaked. It is, however, certainly possible that "Klondike Fever" helped sustain investor interest in B.C. and Ontario hard rock mining ventures.

following year.<sup>5</sup> Toronto Stock Exchange biographer John F. Whiteside observed that “the unprecedented volume of business being generated by the mining share boom” compelled the Toronto Stock Exchange [TSE] to relax its restrictions on listing mining issues and add a Clearing House.<sup>6</sup> Another Canadian financial historian has even claimed that the TSE’s timely response to the mining booms set it on the road to eventually supplanting Montreal as the securities exchange capital of Canada.<sup>7</sup>

Yet, in spite of the historical significance of the Canadian speculative mining promotion industry of the 1890s, little is known about the very unique characteristics of this “business.”<sup>8</sup> There are two possible explanations: First, historic business records are

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<sup>5</sup>John F. Whiteside, “The Toronto Stock Exchange to 1900: Its Membership and the Development of the Share Market” (M.A. thesis, Trent University 1979), 68; E.P. Neufeld, *The Financial System of Canada; Its Growth and Development*, (Toronto: Macmillan, 1972), 479. Numerous local stock exchanges also sprang up across Canada during the 1890s “mining mania.” In present day Kenora, Ontario, the Rat Portage Metals Exchange was incorporated in 1896 although as early as 1894 there was “a movement afoot” to form a local exchange there. (*Rat Portage News*, XV, August 3, 1894). In 1897 an unincorporated “Rossland Stock Exchange (private)” briefly operated out of a room on 28 East Columbia Avenue. (*Henderson's British Columbia Gazetteer and Directory and Mining Encyclopaedia for 1897 Comprising Complete Alphabetical Directories of the Cities, and a Classified Business Directory*, volume IV [Victoria and Vancouver: Henderson Publishing Co.], 502). The British Columbia Mining Prospectors’ Exchange was incorporated the same year and headquartered in Vancouver. (Church, “Mining Companies in the West Kootenay,” 341). Other local stock exchanges were established in Victoria, Seattle, and Spokane.

<sup>6</sup>Whiteside, “Toronto Stock Exchange,” 68.

<sup>7</sup>Neufeld, *Financial System of Canada*, 479.

<sup>8</sup>Whiteside’s thesis included a brief case study of one purely fraudulent B.C. mining promotion. However, his information was drawn almost entirely from sensationalised reports in the *Monetary Times*. The *Mining Encyclopaedia* in the *Henderson's Directories* for the period lists hundreds of companies *and their many properties*. Presumably, if these companies owned property they were not “purely fraudulent.” Robert Kubicek’s study of the finance of South African gold mining during this period traces the corporate history of several speculative ventures that quickly became serious enterprises but provides little information on the untold hundreds of mining promotions that quickly faded. (Robert Kubicek, *Economic Imperialism in Theory and Practice: The Case of South African Gold Mining Finance 1886-1914* [Durham, N.C.: Duke University Press, 1979]). Clark Spence and W. Turrentine Jackson have meticulously traced the extraordinary history of the Emma Silver Mine whose collapse created an international scandal and precipitated a U.S. Senate investigation (Clark Spence, *British Investments and the American Mining Frontier, 1860-1901* [Ithaca: Cornell University Press, 1958], c. 5; W. Turrentine Jackson,



generally in short supply in Canada. Secondly, due to the peculiar nature of the business, speculative mining ventures typically have short and unhappy lives. Such characteristics are not encouraging for long term or, one would imagine, even short term retention of business records.

Fortunately, around 1900 the nearly complete collection of Nestegg records was boxed up and set aside by the Victoria financial firm that ultimately assumed control of the mining company's affairs. The documents lay forgotten in the B.C. Land and Investment Agency's Victoria headquarters for decades before being donated to the city's archives in the mid 1970s.<sup>9</sup> With the recent re-discovery of these records it is now possible to reconstruct the day-to-day operations of a speculative gold mining operation and assess the "success" of inexperienced, asternal corporate leadership and preconditioned, on-site mine managers as they struggled to keep a high risk, publicly owned, long distance Canadian business venture afloat.

This study also reveals that in many respects, the Nestegg saga was very much a success story. The Company was formed with virtually no assets, yet in less than a year it was debt free and owned two properties, one of which was on its way to achieving full mechanization. These were significant achievements for a venture that never produced any gold ore even a respectable assay report. In its short lifetime it did, however, produce tons of anxiety and ingenuity. Literally from its inception the Nestegg corporate management fought through one predicament after another. Besides the classic "risk factor" associated with mining – extraction and processing mineral deposits of unknown quantity and quality – the company men grappled with claim jumpers, an anaemic treasury, a succession of transient and circumlocutory mine managers, a powerful and precocious press, rapacious creditor "sharks," unpredictable courts, and unreliable lawyers. Managing a *local* business

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"The Infamous Emma Mine: A British Interest in the Little Cottonwood District, Utah, Territory," *Utah Historical Quarterly*, 23 (October 1955): 339-62. However, the spectacular Emma Mine fiasco involved a producing mine not an unproven prospect.

<sup>9</sup>The collection was subsequently transferred to the B.C. Provincial Archives in March 2000.

under these conditions would certainly have been challenging, but the group of Victoria merchants who kept their Nest Egg mine in Rossland afloat in this sea of difficulties supervised the Company's affairs hundreds of miles from the mine site.<sup>10</sup>

### **The Western Context: Two Worlds Collide**

The distance between Victoria and Rossland was greater than mere miles. In 1896 the two communities were worlds apart, and their antipodal atmospheres would prove to be the most serious impediment to successful management of the Nest Egg mine. Different cultural, political, and geographical factors had produced two very dissimilar attitudes towards business ethics in each city.

When the Nestegg Company was organized, Rossland was first appearing on the maps of British Columbia. Victoria was, however, already more than fifty years old. Established as the Hudson's Bay Company's Vancouver Island trading centre in 1843, the little fort gradually grew to become the centre of Great Britain's, and later Canada's, Pacific Coast commerce, industry, finance, and political administration. The transformation from fur post to commercial centre accelerated dramatically when news of the mainland Fraser River gold discovery reached San Francisco in 1858. Anticipating a repeat performance of the fabulous Forty-Niner boom in California, more than 25,000 mostly American would-be miners, traders, capitalist, and speculators rushed to the new gold fields. Most of these

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<sup>10</sup>The difficulty of managing mines from long distances has been studied by several historians. See for example: Clark Spence, *British Investments and the American Mining Frontier*, and also Spence's *The Conroy Placer Mining Company: A Pioneer Gold-Dredging Enterprise in Montana, 1897-1922* (Helena: Montana Historical Society Press, 1989); W. Turrentine Jackson, *The Enterprising Scot: Investors in the American West After 1873* (Edinburgh: Edinburgh University Press, 1968) and also by W.T. Jackson, "The Infamous Emma Mine"; Larry Lankton, *Cradle to Grave: Life, Work, and Death at Lake Superior Copper Mines* (New York: Oxford University Press, 1991); Charles K. Hyde, "From 'Subterranean Lotteries' to Orderly Investment: Michigan Copper and Eastern Dollars, 1841-1865," *Mid-America*, 66 (January 1984): 3-20; Duane A. Smith, "The Promoter, the Investor, and the Mining Engineer: A Case Study," *Huntington Library Quarterly*, 39 (August 1976): 385-401.

Argonauts came through Victoria,<sup>11</sup> changing it overnight from a sleepy little supply station into a blossoming commercial entrepot.

Within six weeks [in the spring of 1858], 223 buildings, nearly 200 of them stores, 39 owned by jobbers or importers, were constructed. Land values rose: The Hudson's Bay Company, which owned the water frontage and all the good building sites near the harbour, raised the price of town lots from \$50 and \$75 to \$1,500 and \$3,000 and even higher. The Colonial government ... did less well; but its sales increased fivefold.<sup>12</sup>

The complexion of Victoria appeared to change just as suddenly from a proper British countryside village to a commercial satellite of San Francisco. The Stars and Stripes could be seen everywhere in the city and American holidays were enthusiastically celebrated. However, as one historian has noted, "although many [gold rush] merchants came to Victoria from California, and especially San Francisco, the majority were not Americans but were of British descent, and they were often representatives of British firms that operated in San Francisco."<sup>13</sup> Labour, capital, and entrepreneurial expertise flowed into Victoria from California, but the business and financial community remained solidly British. The general population was quite cosmopolitan but economic and, consequently, political power remained in the hands of the city's British "gentlemen."<sup>14</sup> Throughout the last half of the nineteenth century this ethnic/cultural power base closed its ranks behind a network of political patronage, intermarriage, exclusive social institutions, and intimate business

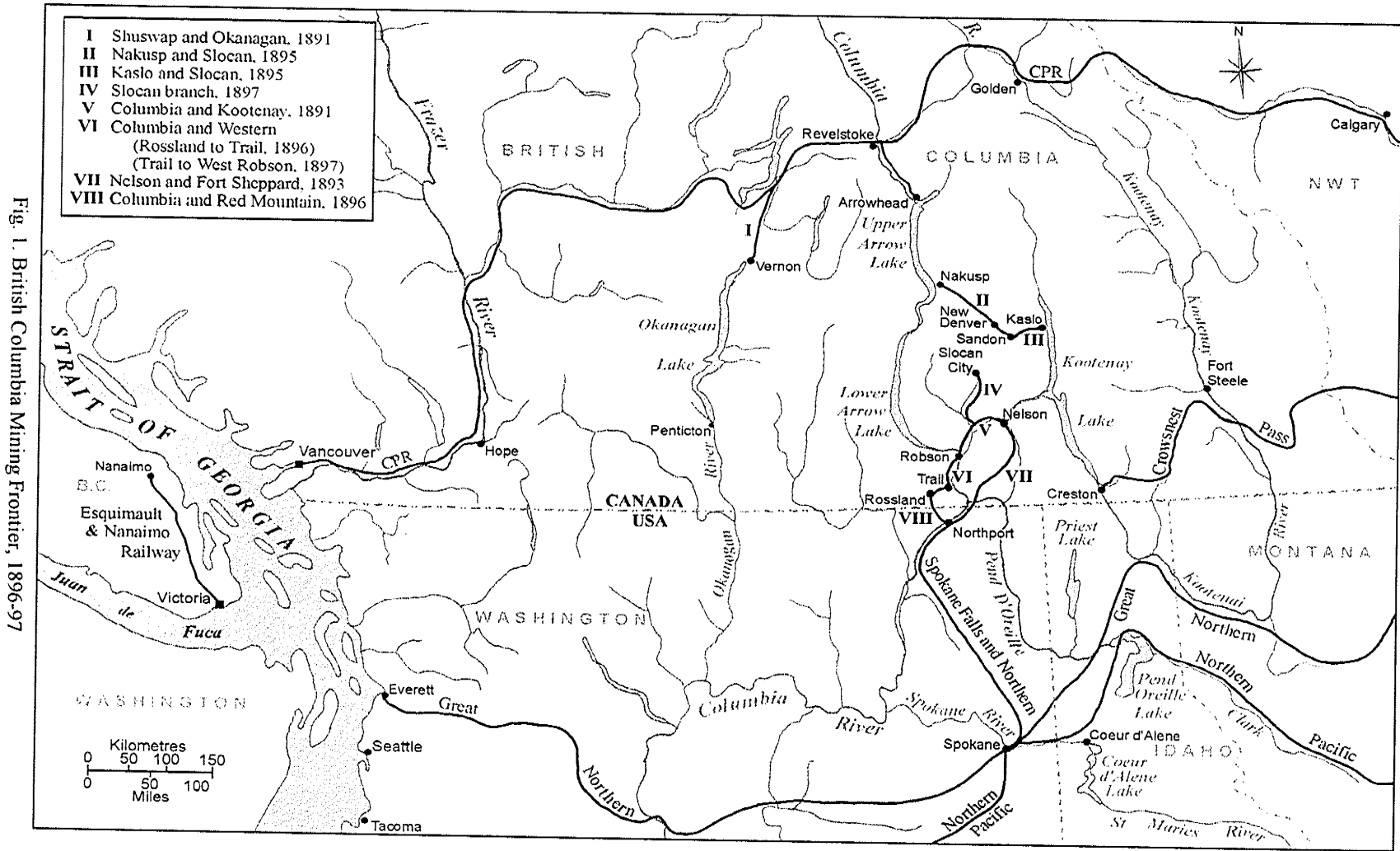
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<sup>11</sup>According to one source "nearly twice as many miners chose to come by the water route to the gold fields, thus making Victoria their first port of call and their supply centre" (Irene Elaine Robertson, "The Business Community and the Development of Victoria, 1858-1900," [M.A. thesis, University of Victoria, 1981], 18).

<sup>12</sup>Margaret A. Ormsby, *British Columbia: a History* (Vancouver: MacMillan of Canada, 1958), 141.

<sup>13</sup>Robertson, "The Business Community of Victoria," 24.

<sup>14</sup>*Ibid.*, 29. An excellent analysis of the class lines that defined a British "gentleman" can be found in Geoffrey Best, *Mid-Victorian Britain, 1851-1875* (London: Weidenfeld and Nicolson, 1971), 245-256. On the acceptance of these class lines in British Columbia see Jean Barman, "Ethnicity in the Pursuit of Status: British Middle and Upper-Class Emigration to British Columbia in the Late Nineteenth and Early Twentieth Centuries," *Canadian Ethnic Studies*, 18 (1986): 32-51.



affiliations.<sup>15</sup> The class lines were nearly as rigid in Victoria as they were in the Old Country. Opportunities for success existed for entrepreneurs who were industrious, but only if they were also well-connected to Victoria's elite.<sup>16</sup> Innovation took a back seat to fraternization. Would the Island City's Nestegg entrepreneurs possess the creativity to succeed in an alien business environment where their gentlemanly capitalism did not prevail?

In 1896, Rossland was undergoing a rapid metamorphosis very similar to what had occurred in Victoria in 1857-58. Up until 1895 the mineral development of British Columbia's interior had proceeded slowly and fitfully. The Fraser River gold rush quickly faded when high waters flooded the "diggings" the following spring. Fortunately, subsequent discoveries further inland kept mining alive in B.C. until 1867 when the Cariboo alluvial<sup>17</sup> deposits finally played out. Various efforts failed to revive the Cariboo by mining its lode (hard rock) deposits and treating them with the latest technology.<sup>18</sup> For the time being, machinery-intensive lode mining in the inaccessible B.C. interior remained

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<sup>15</sup>On patronage linkages see Jean Barman, *The West Beyond the West: A History of British Columbia* (Toronto: University of Toronto Press, 1996), 103, and "An Early Barbecue: 1871-1903" in Martin Robin, *The Rush for Spoils: The Company Province 1871-1933* (Toronto: McClelland and Stewart, 1972), 49-86; on intermarriage see Harry Gregson, *A History of Victoria, 1842-1970* (Vancouver: J.J. Douglas, 1977) and Robertson "The Business Community of Victoria," 135-136; on social institutions and business affiliations see Robertson, "The Business Community of Victoria," 68-84 and 117-137.

<sup>16</sup>In his biography of Edgar Crow Baker, G.W.S. Brooks maintained that in business, Victoria followed the "American tradition" of idolizing "the entrepreneur as a hero in the ...conquering of the frontier" and approving "of the economic rewards and accorded social recognition to those who succeeded in business" (G.W.S. Brooks, "Edgar Crow Baker: An Entrepreneur in Early British Columbia," *B.C. Studies*, [Autumn, 1976]: 43). Baker, a wealthy, retired British naval officer who immigrated to Victoria from England via Halifax, seems to have been a poor illustration of the true American frontier entrepreneurial ideal – the self-made businessman. Baker's social status and political connections obviously served him better than any dubious entrepreneurial skills he may have possessed.

<sup>17</sup>Alluvial or placer deposits contain particles of usually fine (pure) gold freed from their former host hard rock veins by the processes of erosion. They are usually mined by simple gravitational sorting: panning, rocking, sluicing, hydraulicking, or dredging.

<sup>18</sup>Mouat, *Roaring Days*, 8-10.

prohibitively expensive. The completion of two trans-continental railways in the early 1880s: the Northern Pacific through Spokane in 1883 and the Canadian Pacific through Revelstoke in 1885, put the province's mining potential back in the limelight once again. With steamer and rail transportation networks in place, the well-known but complex silver-lead deposits in the Kootenay Lake region could at last be profitably mined and shipped to American smelters for refining. Two years after the C.P.R.'s last spike was driven, five hundred miners were working the famous Silver King and other area mines near Nelson.<sup>19</sup>

The excitement generated by the East Kootenay activity stimulated a rush to find other economical mineral deposits. In the summer of 1887 two prospectors made the first Rossland discovery: the Lily May, a marginal mineral claim on Deer Park Mountain not far from the Nest Egg. Two years later the rich deposits on nearby Red Mountain were located and a stampede to "the new Eldorado" was on. As luck would have it, news of the Red Mountain discoveries coincided with the inauguration of regular steamboat service at Trail Landing only seven miles away, providing the new camp with connections to both transcontinental railways. Transportation and treatment costs still remained prohibitively high until 1893 when year-round wagon road access to Spokane and Trail was finally completed.<sup>20</sup> But then, just as overhead costs for processing the rich but complex Rossland ores dropped to realistic levels, the bottom fell out of the venture capital market as a financial panic swept across the world. The Rossland gold rush would not regain its momentum until February 1895 when the War Eagle Mine's American owners proved it could be spectacularly profitable in spite of transportation and financing limitations.<sup>21</sup>

Like Victoria forty years earlier, the stampede to Rossland was largely American. The lay of the land, particularly the mountains and rivers, dictated that transportation and migration would prefer north-south rather than east-west routes. And for Rossland, the

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<sup>19</sup>Ibid., 14.

<sup>20</sup>Because the gold in Rossland ores was found in combination with copper, treatment at a smelter was required to separate the two metals (Mouat, 21). At that time the nearest smelters were in Butte and Helena, Montana, and Tacoma, Washington.

<sup>21</sup>Mouat, 19.

Northern Pacific railway and the city of Spokane were much more accessible than the CPR and Victoria or Vancouver. Besides geography, the element of readily available mining expertise and capital would figure largely in determining the early development and character of Rossland:

A number of men [in Washington state] had prior experience in mining and quickly perceived the lucrative possibilities of the new discoveries. When the first transcontinental railway was built through the region just prior to the construction of the Canadian line, the northern states had enjoyed their own mining boom. Newly discovered mineral deposits created prosperous communities in Montana and Idaho in the 1880s. As a consequence, veteran American prospectors and business people were alert to the economic potential of the area north of the border and were well positioned to take advantage of economic opportunities in southeastern British Columbia. Residents of the city of Spokane ... were in the vanguard of the movement north. To some extent this also reflected an economy gone flat.<sup>22</sup> ... [Rossland] and its mines attracted wealthy developers who were seeking new outlets for their energy and capital. In the early 1890s, the price of silver dropped from \$33.63 to \$20.25 a kilogram, a fall that had a crippling impact on many silver mines, including those in nearby Idaho.<sup>23</sup>

In early 1896 Rossland's booming business community developed, due to geography and "poised" expertise, as a satellite of Spokane. But the "expertise" possessed by the men from Spokane went beyond just finding mines, miners, and money. These were entrepreneurs who were shaped by the unique heritage of the American mining frontier. Building on Frederick Jackson Turner's frontier thesis, Rodman Paul and others have analysed the peculiar pattern of cultural, economic, and political developments that accompanied the ceaseless march of mining discoveries in the American West.<sup>24</sup> Huge

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<sup>22</sup>Ibid., 17.

<sup>23</sup>Ibid., 19.

<sup>24</sup>Rodman Paul, *Mining Frontiers of the Far West, 1848-1880* (New York: Holt, Rinehart & Winston, 1963); Frederick Jackson Turner, *The Frontier in American History* (New York: Holt, Rinehart & Winston, 1962); William S. Greever, *The Bonanza West: The Story of the Western Mining Rushes, 1848-1900* (Norman: University of Oklahoma Press, 1963); Michael P. Malone, *The Battle for Butte: Mining and Politics on the Northern Frontier, 1864-1906* (Seattle: University of Washington Press, 1981); William J. Trimble, "The Mining Advance Into the Inland Empire: A Comparative Study of the Beginnings of the Mining Industry in Idaho and Montana, Eastern Washington and Oregon, and the Southern Interior of British Columbia: and of Institutions and Laws Based Upon That Industry," *Bulletin of the University of Wisconsin*, no. 638, vol. 3 (1914): 137-392; Ralph Mann, "The Decade after the Gold Rush: Social Structure in Grass Valley

mining camps sprang up overnight in vacuums where rules for social order, security of property, and the limits of personal liberties – particularly those of visual and ethnic minorities – developed with little guidance from established authorities or knowledge of (or regard for) other precedents. The impermanence of mining, especially in boomtown situations, naturally encouraged short-term, feckless attitudes towards morality and ethics.<sup>25</sup>

Another important feature of the American mining frontier that penetrated Rossland in 1896 was its cultivation of innovation.<sup>26</sup> Extracting valuable metals from complex minerals in remote locations required expertise that was often produced on-site after extensive experimentation.<sup>27</sup> And locating or manufacturing the capital necessary to finance

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and Nevada City, California, 1850-60," *Pacific Historical Review* 41 (November 1972): 484-504; Sally S. Zanjani, "To Die in Goldfield: Mortality in the Last Boomtown on the Mining Frontier" *The Western Historical Quarterly*, 21 (February 1990):47-69.

<sup>25</sup>The sources cited in the previous note devote considerable attention to this phenomenon. Numerous first-hand accounts have also been published documenting the "wide-open" social, business, and legal ethics that evolved in the mining camps. Of particular interest to this study is mining litigation lawyer Grant H. Smith's *History of the Comstock Lode, 1850-1920* (Reno: Nevada State Bureau of Mines and the Mackay School of Mines, 1943). One American social historian maintains that a predilection for innovation was in fact standard business practice for the times. Many American entrepreneurs during the mid to late nineteenth century operating in environments of "loosely structured social roles ...prided themselves on a high degree of independent action, doing what they wanted to do regardless of law, order, or tradition. Novelty and innovation were often positively sanctioned, and profitable change was seldom opposed" (Thomas C. Cochran, *Business in American Life: A History* (New York: McGraw-Hill, 1972), 86).

<sup>26</sup>According to one social historian, innovation was an important component of America's entrepreneurial success during the latter half of the nineteenth century when the West was being settled. American frontier businessmen operated in environments of "loosely structured social roles ...[and] prided themselves on a high degree of independent action, doing what they wanted to do regardless of law, order, or tradition. Novelty and innovation were often positively sanctioned, and profitable change was seldom opposed" (Thomas C. Cochran, *Business in American Life: A History* (New York: McGraw-Hill, 1972), 86).

<sup>27</sup>See Otis E. Young, Jr., *Western Mining: An Informal Account of Precious-Metals Prospecting, Placering, Lode Mining, and Milling on the American Frontier from Spanish Times to 1893* (Norman: University of Oklahoma Press, 1970), especially Chapter VIII "Developments Sacred and Profane," 204-233; Cedric E. Gregory, *A Concise History of Mining* (New York: Pergamon Press, 1980); and Lynn R. Bailey, *Supplying the Mining World: The Mining Equipment Manufacturers of San Francisco, 1850-1900* (Tucson: Westernlore Press, 1996). One Canadian historian has argued that mining developers in pre-1890 Ontario were as technologically innovative as their counterparts south of the border (Dianne Newell, *Technology on the Frontier: Mining in*



risky and expensive experimental mining ventures inspired as much if not more creativity.<sup>28</sup>

Not surprisingly the American mining frontier produced unique entrepreneurial niches. The most crucial and pivotal of these were the promoters, the men (and occasionally, women) who specialized in finding and joining together prospectors and capitalists. Mining promotion was not an easy life. As Lewis Atherton and others have shown, most of the West's mining promoters were as transient as their prospector vendors.<sup>29</sup> Promoters aspired to quickly acquiring great reputations, big homes, and important social or political connections. However, the high rate of failure among mining prospects required that they spread their "expertise" and their resources thin to keep as many irons as possible in the fire. Success, indeed survival, required the highest degree of salesmanship, endless travel, and a lot of burned bridges. It was a business where one never looked back but always forward.

Other entrepreneurs on the American mining frontier adopted the cut-and-run, short-term attitudes towards business that characterised the promoters. Chronic shortages of capital and the high mortality of poorly regulated frontier financial institutions,<sup>30</sup> especially in the boom communities, led to a proliferation of loose borrowing and lending backed with speculative collateral (mining properties or shares).<sup>31</sup> Everyone in a mining camp knew that the slightest incident (a failed dividend, a bad report on a mine, or a new strike somewhere else) could bring the community's tenuous credit network crashing down. Unlike the agricultural frontier, businessmen and promoters on the mining frontier did not hesitate to

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*Old Ontario* [Vancouver: University of B.C. Press, 1986]).

<sup>28</sup>See Grant Smith, *History of the Comstock Lode* and David Dary, *Entrepreneurs of the Old West* (New York: Knopf, 1986).

<sup>29</sup>Lewis Atherton, "The Mining Promoter in the Trans-Mississippi West," *Western Historical Quarterly*, 1, no. 1 (January 1970): 35-50. See also Duane Smith, "The Promoter, the Investor, and the Mining Engineer" and Professor Matt Bray's description of R.H. Ahn in *Dictionary of Canadian Biography*, XIII (Toronto: University of Toronto Press, 1994), 4-5.

<sup>30</sup>See Edward Hungerford, *Wells Fargo: Advancing the American Frontier* (New York: Random House, 1949), especially 189-206.

<sup>31</sup>See the biography of the Nest Egg's banker-turned-manager John M. Burke in Chapter 2 herein.

liquidate what debts and assets they could on a moment's notice and move on to the next bonanza.

And lastly, the nineteenth century American mining experience yielded real-life entrepreneurial legends who became fabulously wealthy with astonishing speed. As often as not these were men who started their mining careers with little or no expertise or money: men like miner-turned-magnate Marcus Daley of Butte's Anaconda Mine; prospector John Mackay of Comstock fame; George Hearst, developer of rich Comstock and Black Hills deposits; and W.S. Stratton, a carpenter who cleared ten million dollars from the Independence mine he discovered near Cripple Creek, Colorado.<sup>32</sup> These self-made men became instant tycoons mostly, it seemed, by simply being in the right place at the right time. Their stories nurtured the American frontier myth of riding from rags to riches on the back of "land, liberty, and serendipity for all."

Thus, in 1896 the Nestegg Company's coastal head office and its remote mining operation functioned in two very different business environments. Victoria was an established entrepot and socially stratified "shopocracy."<sup>33</sup> A few hundred miles away lay the brand-new Americanized mining boomtown of Rossland: socially fluid,<sup>34</sup> fast-and-loose, and predestined to a fleeting existence. Victoria was a commercial centre built upon British men and money, formal financial institutions, and close personal associations. Business decisions were made privately between individuals after careful consideration. Corporate dissension was not unheard of but in Victoria clarity was acquired face to face between men who coexisted on the same social plane. Failure could have serious social and economic consequences for a Victoria businessman.

Rossland's Spokane-based mining entrepreneurs, on the other hand, were specialists at manufacturing capital out of thin air. The rules of business on the mining frontier had a

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<sup>32</sup>For a biography of Marcus Daly see Malone, *Battle for Butte*; Grant Smith, *History of the Comstock Lode* for John Mackay; Rodman Paul, *Mining Frontiers*, 62-63 for George Hearst; T.A. Rickard, *History of American Mining* (New York: McGraw-Hill, 1932), 144-146 for W.S. Stratton.

<sup>33</sup>Barman, *West Beyond the West*, 103.

<sup>34</sup>Visual minorities excepted.

long history of being stretched or fabricated to create an image of profitability. In contrast to Victoria, public investment was a prerequisite for entrepreneurial survival in capital-starved Spokane and Rossland. And consequences were never a top priority: routine failure was viewed as an acceptable cost of success on the mining frontier. Experience had taught Spokane mining men that their business was always a gamble, and even successful gamblers expected to lose most of the time. The size of the pot when they did win was all that really mattered.

The entrepreneurial consequences of the Nestegg Company's short-lived, turbulent marriage of seemingly incompatible partners is the dominant theme of this study. The wedding of Victoria's British commercial centre with its rigid class boundaries to Rossland's American free-enterprise mining frontier would seem to be an illogical union. From the beginning it was, however, a convenient, if not necessary, arrangement for both parties. By the mid-1890s the company men in Victoria were watching in horror as their hereditary position as the province's entrepot devolved to Vancouver, the terminus of the Canadian Pacific Railway.<sup>35</sup> Supplying the mining rushes in B.C. had always been the Island City's bailiwick and its entrepreneurs were not going to give up that role easily. While it would be difficult to compete with better connected suppliers in Eastern Canada and Spokane's "Inland Empire" (although protective tariffs certainly inhibited the latter), Victoria's businessmen had one or two cards left that they could play in the contest for hegemony over B.C.'s mineral development: their domination of the province's Legislature and courts and their well-established connections to capital resources within the city and in Britain. However, playing these cards would require that they plunge directly into the complex business of mining development rather than indirectly as they had in the past. They

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<sup>35</sup>On the decline of Victoria and rise of Vancouver see Robert A.J. McDonald, *Making Vancouver: Class, Status, and Social Boundaries, 1863-1913* (Vancouver: University of British Columbia Press, 1996), 92-93 and also McDonald's "Victoria, Vancouver, and the Economic Development of British Columbia," in Alan F.J. Artibise, ed., *Town and City: Aspects of Western Canadian Urban Development* (Regina: Canadian Research Centre, 1981), 31-55; and John Lutz, "Losing Steam: The Boiler Engine Industry as an Index of British Columbia's Deindustrialization," *Historical Papers: Communications historiques* (Ottawa: Canadian Historical Association, 1988), 168-208.

knew little about mining so, quite naturally, Victoria entrepreneurs looked to Rossland and Spokane for the management expertise needed to guide their desperate experiment.

For the mining men of Rossland, Victoria's two political and financial "hold cards" were extremely desirable attributes. Access to legislative influence was an important asset in a business that was always on the edge of legitimacy. Besides protection, political connections could also supply them with insider information on pending statutes or court decisions affecting mining speculation, transportation, or labour. In an Inland Empire still reeling from the financial panic of 1893 and the recent collapse of the silver market, Victoria was also a welcome funnel for untapped foreign sources of capital. And finally, the Island City was the undisputed centre of the province's newspaper industry. The Nest Egg's Rossland mining men knew that successfully managing the Nest Egg's image of profitability required control over the quality and quantity of the mine's media exposure. How better to accomplish this than to have a Victoria daily paper in their back pocket?

When these two different and distant worlds of business were melded in early 1896, they were on course to collide with another planet. Perhaps even more significant than the Nestegg company men's reaction to the physical and cultural distance factors, was their attempted quantum leap from what Alfred Chandler described as classical "family capitalism" to the new "financial capitalism" and of the coming century.<sup>36</sup> For most of the

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<sup>36</sup>Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Belknap Press, 1977), 490-493. Gregory Marchildon maintains that this transition was critical to inaugurating what he termed Canada's second industrial revolution between 1896 and 1913:

This intermediate, or bridging stage [from family to financial capitalism], in economic history was marked by the development of an international market in industrial securities, the rapid growth and linking of organized exchanges for the trading of securities, and the predominance of promoter-financiers in manufacturing industry.

...[Canada's first industrial revolution during the 1850s-1860s] was not accompanied by significant changes in finance. Retained earnings and the occasional loan from family, friends, or financial intermediaries were generally sufficient for the relatively modest requirements of single-plant operations manufacturing for local needs.

By contrast, Canada's second industrial revolution produced fundamental changes in industrial financing. Security issues became a critical source of capital, for retained earnings and family wealth were found to be inadequate in meeting the

Victoria company men, speculative mining promotion would be their first serious encounter with “going public” to raise development capital. Consequently, they would have to learn how to share corporate management decision-making processes with a host of unfamiliar investors far removed from the company men’s sharply defined geographic and class boundaries. Going public also meant adopting new attitudes towards advertising and fiscal accountability. But in the 1890s, corporate financing techniques and the face of advertising were both changing rapidly and constantly. As we shall see, “financial capitalism” proved to be a difficult pill that the Victoria company men were ill-prepared to swallow.

When the Nestegg Company was formed, two very different business worlds were joined, for better or for worse. Though it was only a brief encounter, did this union have any lasting effects? Did the Rossland mining men learn to become accountable, modern business managers?<sup>37</sup> Was this even necessary in their line of work? The extraordinary schemes employed by the Victoria company men as they floated their mining venture and then conquered its detractors and creditors reveals a surprising level of entrepreneurial skill for this place and time in Canadian business history. But were they skilful enough? Did the “family” of company men possess the right stuff to take the crucial step over the line from gentlemanly capitalism into the new era of financial capitalism and managerial capitalism? The Nestegg’s life was short but its story can tell us much about the different ways one

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very large capital needs of the enterprises that were springing up in new industries (Gregory Marchildon, *Profits and Politics, Beaverbrook and the Gilded Age of Canadian Finance* [Toronto: University of Toronto Press, 1996], 12).

Obviously, most of the entrepreneurs involved in the late 1890s mining companies booms (certainly the Nestegg company men) were not compelled to bridge the gap between family and financial capitalism because of inadequate “retained earnings and family wealth” or even “very large capital needs,” but rather because of to disperse the high risks involved in mining development.

<sup>37</sup>Apparently “mining operators” were not inclined to embrace changes to their way of doing business. One historian who has studied the evolution of Canadian engineering maintains that the mining community staunchly resisted regulation or certification of the profession in the late nineteenth and early twentieth centuries (J. Rodney Millard, *The Master Spirit of the Age: Canadian Engineers and the Politics of Professionalism, 1887-1922* [Toronto: University of Toronto Press, 1988], 143).

group of entrepreneurs responded to Canada's diverse, isolated, and rapidly changing business environments at a crucial moment in its economic history. It can also help us understand the complexity of that moment and those environments.

## CHAPTER II

### GETTING STARTED: INCORPORATION, PROMOTION, AND PROPERTY ACQUISITION

January-October 1896

#### Setting Up The Company

Incorporated under British Columbia's "Companies Act, 1878" c[hapter] 21, part II, [of] the Consolidated Acts of 1888, and amending Acts," the Nestegg Mining Company, Limited Liability received its provincial certificate of incorporation on January 31, 1896.<sup>1</sup> Headquartered in Victoria, the new company was capitalized at \$500,000 in shares of one dollar par value each. Three trustees were named in the certificate: Rossland "gentleman" Patrick Aloysius O'Farrell and Victoria merchants Archibald Blair Erskine and George Alan Kirk.<sup>2</sup> The Company was formed to purchase and "prospect, work, explore, develop, and turn to account" the Nest Egg claim located in a recently discovered mineral zone called the "South Belt" just outside the Rossland townsite.<sup>3</sup> Besides the usual powers necessary to build and operate a working mine, the certificate of incorporation authorized the Board to "sell and dispose of Company stock from time to time, and as often as may be deemed expedient, for such price or in exchange for such property as the Trustees may think fit."<sup>4</sup> This clause was included to facilitate the all too common practice of acquiring mining property at lightning speed with fully paid up "vendors shares." Uncalled capital could be mortgaged – subject, of course, to legal restrictions of the Companies Act.<sup>5</sup> Personal liability was limited to the "proportion ...of assessments legally levied ...upon a share or

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<sup>1</sup>From a clipping attached to the front of the NEMC *Minute Book*, probably cut from the *B.C. Gazette*.

<sup>2</sup>Ibid.

<sup>3</sup>Nestegg Mining Company, certificate of incorporation, January 31, 1896, paragraph 3, part "a."

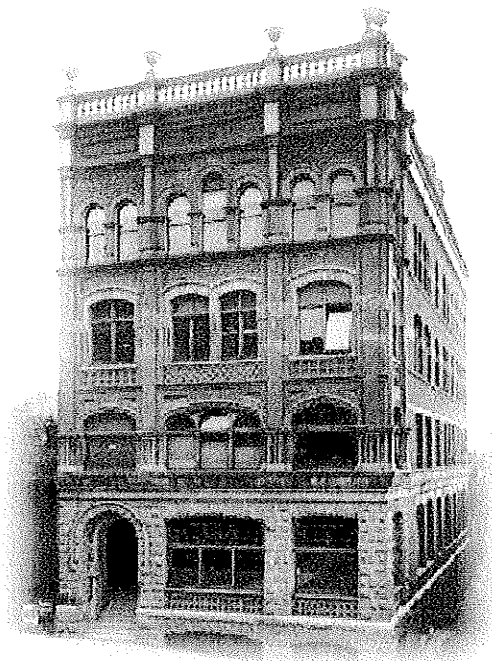
<sup>4</sup>Ibid., part "j".

<sup>5</sup>Ibid., part "f".

shares of which he is a holder.”<sup>6</sup>

A handwritten document buried in the correspondence files suggests the history of the Nestegg Company actually predated its incorporation by at least three months. In an “Agreement” dated October 16, 1895, P.A. O’Farrell promised he would not “dispose of further interest in the Nest Egg Gold Mine, but what has been already arranged for, at a figure less than 10 cents a share.” O’Farrell’s admission that he was selling his stock in the Company well before it was formed proves shares were already committed to him, presumably for value received. Just how many shares were committed is not clear but the remaining terms of the agreement indicate it must have been a large enough block for him to be a considerable threat to the Victoria men. To set them at ease O’Farrell agreed to three important concessions: “[that Victoria would be] selected as the head quarters [*sic*] of the Company to be formed to own and operate the mine and that the Bank of Montreal shall be bankers of the Company. And also that one of the three directors shall be named by the Victoria interest in the mine.”<sup>7</sup>

The value received from the Spokane promoter could not have been anything less than the property itself. However, since there is no record of O’Farrell receiving title to the Nest Egg claim it is presumed he secured an option on the property prior to the involvement of the “Victoria interest.” This was a very common practice in the mining game. Promoters lacking the funds or courage necessary to purchase promising claims outright often took



2. B.C. Board of Trade Bldg.  
Nestegg Mining Co. Headquarters  
From B.C. Archives; BCA F-04195

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<sup>6</sup>Ibid., para. 7.

<sup>7</sup>“Agreement” dated October 16, 1895 found in NEMC Correspondence files [PR5, Ser 2, Box 44B55, file 1].



them “on bond.” For a small down payment of cash (or some other value) and a contracted “option” to pay the remainder of the purchase price later, the bonding party was given the mineral rights to a claim for a fixed period.<sup>8</sup> With the legally transferrable option in hand a promoter could then proceed to make a sales pitch to prospective investors or organize a company to buy out his interest. Any portion of the selling price exceeding the bond paid to the vendor went into the promoter’s pocket. The option was therefore a method of securing a sales commission from the purchasers instead of the vendors. While it was still under option, title to the property remained legally in the hands of its original owner.

On the date of incorporation the first general meeting of the shareholders was held in Victoria. At the top of the agenda was the adoption of by-laws prepared by company solicitor Gordon Hunter. Next the officers were elected: George A. Kirk, President; P.A. O’Farrell, Managing Trustee; and W.H. Ellis, the editor/manager of the *Victoria Daily Colonist*, became Secretary/Treasurer. Although there should have been nothing unusual in these proceedings, the Minutes of the meeting do reveal peculiar irregularities. For one thing, it seems only one of the four people supposedly in attendance, P.A. O’Farrell, could have been a shareholder on the day of the Meeting – and even he was technically not yet in possession of his shares when the by-laws were adopted and officers elected.<sup>9</sup> The Minutes also reflect that the shareholders went through the motions of electing officers, but then the

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<sup>8</sup>Frequently the down payment was a large number of shares in a company yet to be formed or a guarantee to the claim owner by the “bond” holder to perform a certain amount of development work in a given period of time.

<sup>9</sup>The three attendees were supposedly the Trustees A.B. Ersine, G.A. Kirk, and P.A. O’Farrell (“Minutes of 1<sup>st</sup> General Meeting,” January 31, 1896 [NEMC *Minute Book*, 1]). However, on January 31, only four individuals could possibly have held shares in the Company: O’Farrell, John M. Burke, Ross Thompson, and either R.P. Rithet or W.H. Ellis “in trust” (NEMC *Share Transfer Ledger*, 11, 20, 18). O’Farrell held 100,000 shares but by himself he would not have made a quorum. And since the property transfer was the *second* order of business it appears R.P. Rithet was still in possession of all but 1,000 treasury shares when the by-laws were adopted and the officers elected (see the following discussion of the motion to purchase the property). Technically, therefore, *no shareholders were present at the first Shareholders’s Meeting*. Even if the property purchase and Treasury stock transfer had been the first order of business, it appears Ellis, who would have received Rithet’s shares “in trust,” was not at the Meeting since the Minutes were not recorded in his hand.

entire exercise was struck out.<sup>10</sup> Instead, the same officers and the mine manager were installed at the first Meeting of Trustees held immediately after the General Meeting adjourned<sup>11</sup> Appointment of officers by Trustees is ordinarily contrary to the law, but B.C. statutes did allow for an exception. Because they were named as interim Trustees when the Company was formed, Kirk, Erskine, and O'Farrell could legally continue to run operations as if they were elected officers for the first three months after incorporation.<sup>12</sup> However, the three men continued to hold onto their temporary positions on the Board long after the emergency grace period authorized by law had lapsed. Ratification of officers and Trustees would not take place until the next (actually, the first genuine) General Shareholders Meeting on October 15, 1896, almost seven months after the Trustees' temporary authority expired.<sup>13</sup> Not surprisingly, the first order of business at this, the first *genuine* shareholders' meeting, was to obtain approval of the Trustees' actions to date, thereby legitimizing the first ten months of their tenure.<sup>14</sup>

The man simultaneously appointed by the Trustees to be mine manager, John M. Burke of Spokane, seemed to be eminently qualified although his best credential was likely the fact that he agreed to work "without salary."<sup>15</sup> Notwithstanding what was officially

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<sup>10</sup>"Minutes of 1<sup>st</sup> General Meeting," January 31, 1896 (*NEMC Minute Book*, 1). It is interesting that the resolution approving the by-laws was allowed to stand.

<sup>11</sup>"1<sup>st</sup> Meeting of the Trustees of the Nest Egg Mining Co. Ltd. Lbty., 31<sup>st</sup> Jan. 1898," (*NEMC Minute Book*, 3).

<sup>12</sup>B.C., *Statutes of B.C.*, 1890, 53 Vict., c. 6, "Companies Act, 1890," s. 5. The law did provide a loophole that allowed Directors or Trustees to be appointed after the fact, however, three-fifths of the issued shares would have to concur at an extraordinary meeting called for the purpose (*Ibid.*, 1892, 55 Vict., c. 7, "An Act to Amend the 'Companies' Act, 1890," s. 3).

<sup>13</sup>"Minutes of the Extraordinary General Meeting of the Shareholders, October 15, 1896," (*NEMC Minute Book*, 10-11).

<sup>14</sup>*NEMC Minute Book*, 10-11; The shareholders could conceivably have rejected the Trustees' actions and sued them personally for any expenditures made after the grace period expired on March 29, 1896.

<sup>15</sup>"First Trustees' Meeting, January 31, 1896," *NEMC Minute Book*, 3. The incorporation documents state Burke resided in Rossland but his correspondence indicates he spent more time in Spokane than he did in B.C. Burke's obituary also confirms that he maintained a residence in Spokane from 1882 (*Spokesman Review*, September 24, 1908). Burke's credentials and

recorded in the *Minutes*, Burke's generosity probably did not go unrewarded. The same day he received his appointment Burke acquired 5,000 Nestegg shares which in all likelihood he did not purchase.<sup>16</sup> Later, on at least two occasions, Burke's son/power of attorney was also reported to have possessed large blocks of shares.<sup>17</sup> Though their new mine manager officially received no compensation, the Company did agree to pay his monthly expenses which, as the months wore on, became increasingly weighty.<sup>18</sup>

Even more unusual than the appointment of its non-salaried manager was the Company's arrangement for procuring the Nest Egg mining property. At the same first General Meeting of shareholders – who were not yet shareholders – a unanimous resolution was passed authorizing the “purchase” of the Nest Egg mineral claim from Victoria real estate and shipping magnate R.P. Rithet for 499,000 paid-up shares.<sup>19</sup> The “vendor” was, however, not a typical mining claim peddler. Highly respected in Victoria's social and business circles, ex-mayor Rithet was a Member of the Provincial Legislature and President of R.P. Rithet & Co., Ltd., “importers & commission merchants,



3. “Vendor” R.P. Rithet  
City of Victoria Archives  
96604-01-2753

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background are discussed in the following chapter.

<sup>16</sup>NEMC *Share Transfer Ledger*, 20.

<sup>17</sup>In October of 1896 John Burke's son Dan was reported to have sold between ten and twenty thousand shares to an Oregon railway tycoon (NEMC Correspondence, Gaston to Ellis, October 26, 1896). Writing to the Company six months later, the younger Burke requested that 30,000 shares in the Nestegg Company be converted into shares in the reorganized Nest Egg and Firefly Company and issued in his name (NEMC Correspondence, D. Burke to Munro, February 12, 1896). There is, however, no record in the *Share Ledgers* for either the old or the new companies of any stock being issued to Dan Burke.

<sup>18</sup>See various entries in the NEMC *Journal*, 76-79. Burke routinely charged the Company for his office rent (\$10.00-\$25.00/month), horse hire, (\$2.00-\$4.50/month), and postage and office supplies. Given the number of companies employing Burke at the time, he must have been realizing a considerable combined income from just the office rent expenses charged to each of them.

<sup>19</sup>Typed attachment, “Minutes of the first meeting of the shareholders of the Company held the 31st day of January 1896,” (NEMC *Minute Book*, 1).

shipping and insurance agents, wholesale grocers & liquors, etc.”<sup>20</sup> He also owned huge tracts of timberland on Vancouver Island as well as the mainland and was involved in a number of successful railway, lumber, salmon canning, and shipping ventures.<sup>21</sup> Rithet was a former President of the Board of Trade (for seven years), and British Consul-General for Hawaiian Islands where he had invested heavily in the sugar business.<sup>22</sup>

The pitfalls of the mining business were nothing new to Rithet. In the early 1870s he was elected secretary of the Victoria Silver Mining Company and president of the New Eureka Silver Mining Company. Both companies owned and operated promising properties near Hope, B.C. Some of the ore from these mines proved to be incredibly rich (over \$400 per ton) but the mines were crippled by high transportation costs, litigation, and mismanagement.<sup>23</sup>

Rithet also had several business connections with the other Nestegg founders. The secretary of the old New Eureka Company was accountant G.A. Sargison, W.H. Ellis’s partner in the Colonist Printing and Publishing Company.<sup>24</sup> Robert J. Ker, another important early Nestegg investor, was secretary/treasurer of Rithet & Co.<sup>25</sup> As a prominent spokesman

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<sup>20</sup>*Henderson’s Directory, 1897*, 810. An April 1896 special edition of the *Victoria Daily Colonist* reported that Rithet & Co. was “handling the production of: Fraser, Northern, and Skeena River Canneries; Delta Canning Co.; Laidlaw and Co.; Wellington Packing Co.; Harlock Packing Co.; Wannock Packing Co.; Standard Packing Co.; Skeena Packing Co.; Lowe Inlet Packing Co.; Cascade Packing Co., etc.” The firm was reportedly the largest provincial exporter as well as “agents for and owners of Columbia Flour Mills of Enderby, and also of the Vernon Flour Mill at Vernon, and the Pacific Coast Steamship Co.” (“Special,” *Colonist*, April 2, 1896).

<sup>21</sup>R.E. Gosnell, *A History of British Columbia*, Part 2, 134. See also Rithet’s biography by Dan Clayton in *Dictionary of Canadian Biography, 1911-1920*, vol. XIV (Toronto: University of Toronto Press, 1998), 873-75.

<sup>22</sup>“Special,” *Colonist*, April 2, 1896, 3.

<sup>23</sup>Information on Rithet’s involvement with the Victoria Silver Mine was obtained from an undated on-line “Prospectus” posted by Homegold Resources, Ltd. of Port Coquitlam, B.C. (<<http://www.homegoldresources.com/goldsil/eureka-victoria.htm>> [August 10, 2001]); *Henderson’s Directory, 1897*, 250.

<sup>24</sup>“Special,” *Colonist*, April 2, 1896.

<sup>25</sup>Ker acquired three certificates of 1,000 shares each on February 26, 1896. He never transferred any of his holdings (*NEMC Share Ledger*, 9).

in the Legislature, Rithet was well acquainted with Premier John Turner, another Nestegg shareholder and business associate of President G.A. Kirk.

Once "vendor" Rithet finished trading with the Company it *appeared* there would be little capital remaining with which to develop the mine. Obviously, 1,000 shares of Treasury stock would not go far. But appearances can be deceiving. A bit of ledger magic and the Company's capital base reappeared as fast as it vanished. On January 31<sup>st</sup>, the same day Rithet's mountainous share certificate was issued, it was cancelled and reissued "in trust" to Secretary Ellis.<sup>26</sup> Within four days the Secretary then reissued 377,125 (75 percent) of these shares to the Company's founders and a select group of stock brokers from Victoria and Rossland. The return to the Treasury was a mere \$2,625.00 or about seven tenths of a cent per share.<sup>27</sup> Obviously, many of the initial "investors" paid nothing for their stock.

The pattern of share distribution in the first few days after the Company was formed reveals the identities of the remaining founders who were not Trustees. On the date of incorporation, January 31, 1896, the following share allotments were made: 50,000 shares to Rossland broker Ross Thompson, 100,000 shares to P.A. O'Farrell, and 5,000 shares to manager John M. Burke. The next day saw a much larger distribution: 20,000 shares each to Rithet and Kirk, 80,500 additional shares to O'Farrell, and 64,000 shares to the Nestegg's solicitor Gordon Hunter. On February 4<sup>th</sup> the last of the founders received their allotments. Trustee Erskine was finally issued his surprisingly meagre 2,500 shares and 10,000 shares each were issued to C.A. Holland of the B.C. Land and Investment Agency, local wholesale grocer Simon Leiser, and Captain John Irving, a Provincial Legislator and manager of the Canadian Pacific Navigation Company.<sup>28</sup> Also on February 4<sup>th</sup> Alfred Flumerfeldt, Victoria manager for the Montreal based shoe manufacturers Ames, Holden Co., was issued two

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<sup>26</sup>NEMC *Share Transfer Journal*, 1; NEMC *Share Ledger*, 10-11. Although no documents have survived describing the legal arrangements for the "purchase" from Rithet and subsequent return of the shares, the terms of a similar dummy sale a year later were outlined in detail when submitted for Nestegg shareholder approval ("Minutes of General Meeting," January 20, 1897, [NEMC *Minute Book*, 23]).

<sup>27</sup>Unspecified bank deposit, February 1, 1896 (NEMC *Cash Book*, 4).

<sup>28</sup>NEMC *Share Ledger*, 10, 16, 18-27, 128-131.

blocks totalling 4,625 shares, the first of his many large acquisitions.<sup>29</sup>

The peculiar routing of the Company's capital base out of and then back into the Treasury reflects just one of a number of techniques used for the start-up of speculative mining companies. Typically, a vendor agreed to sell his property to a company for a fixed number of shares and the company either purchased back most or all the shares at a guaranteed price or an undertaking was secured from the vendor to keep the stock off the market for a fixed period of time.<sup>30</sup> In the case of the Nest Egg, while the Company was still in the process of being organized, the middleman "vendor," Rithet, made arrangements to purchase the rights to the mining claim from its owner of record, Richard Cooper, and the current option holder, P.A. O'Farrell.<sup>31</sup> Rithet in fact never owned the mineral claim he supposedly sold to the Company. Instead, the Company only purchased the right to buy the property later.

This popular strategy provided an aspiring mining company with several advantages. First, a single person could conduct purchase negotiations efficiently and discretely while the company was being organized – and speed and discretion were both critical for a successful acquisition during the heat of a mining boom. A real estate tycoon and experienced mining man like Rithet would be well-equipped to deal expeditiously with the owners of the claim and its mineral rights. The real vendor also remained in the dark as to the financial capacities (or lack thereof) of the founders who were buying the mine. Sometimes, however, keeping a seller in the dark was not easy. If, for example, payment was to be made with shares, the owner usually insisted on a company being organized *before* the property was sold. In such situations the initial incorporators might be "dummies" – legal clerks, bookkeepers, etc. – who were promptly replaced by a *bona fide* board of

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<sup>29</sup>Ibid., 27.

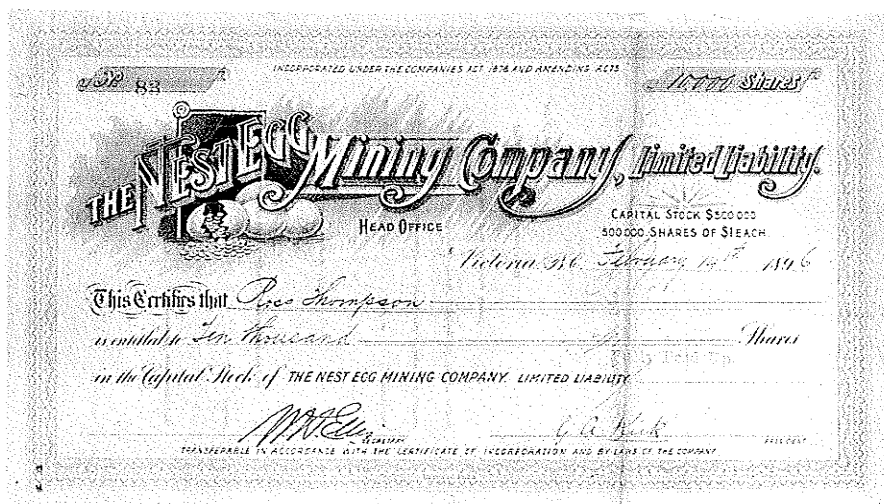
<sup>30</sup>The second method was more common. To keep the price of stock stable, the bulk of the vendor's shares were usually held in escrow at a bank for a specific period while the company was being promoted and/or preliminary development of the property commenced.

<sup>31</sup>NEMC Correspondence, Gaston to Ellis, August 17, 1896.

directors once the mine was safely in the company's hands.<sup>32</sup>

To expedite the sale and avoid any unnecessary disclosures, Rithet personally took charge of the property negotiations with the parties holding interests in the Nest Egg. The final settlement included a buy-out of the existing option – no doubt with the huge block of shares O'Farrell received in the initial distribution – and an undertaking that a yet to be formed company would purchase the property from its original owner in cash installments.<sup>33</sup> Until the Company got on its feet, Rithet was apparently solely liable to the vendors. For shouldering the risk he undoubtedly received a discount on his 20,000 founders' shares.<sup>34</sup>

The dummy vendor transaction also fostered a perception that the property was more



#### 4. Nestegg Mining Company Share Certificate

Courtesy of Ronald Greene, Victoria, B.C.

<sup>32</sup>British speculative mining companies were particularly prone to follow this pattern. When examining the prospectuses of English companies operating in Ontario it is not unusual to see a rather unimportant list of incorporators alongside a glittering first directorate full of peers, tycoons, and generals. (see for example the list of incorporators and directors in the “Memorandum of Association” for the Sultana Mine of Canada, Ontario Public Archives, Provincial Secretary’s Files, RG 8-1-1, file 4933/99).

<sup>33</sup>See entries for payments on Nest Egg mineral claim, February 1 and October 24, 1896, NEMC *Cash Book*, 4, 6. It is not known if Rithet merely took over O’Farrell’s existing option or renegotiated a new contract.

<sup>34</sup>A letter written by Rithet in October 1896 stating he was “not disposed to put up more money on the proposition” indicates he paid something for some of his initial shares (BCLIA Correspondence, Rithet to Holland, October 27, 1896).

valuable than it actually was. It goes without saying that promoting a company in possession of a piece of property worth half a million would be much easier than one owning only an unproven five thousand dollar claim. Public investors were also led to believe that the Company possessed a valuable asset when in fact the mining claim was not transferred to the Company until months after it was formed. In the meantime the cash to purchase the property would be raised from the sale of the very shares that had supposedly already been used for that purpose.<sup>35</sup>

As an added bonus, most of the Company's capital base of 499,000 fully paid-up vendors' shares was subtly transformed into founders' shares without the unsavoury stigma usually attached to the latter. While potential investors may have found fully paid-up mining stock of any kind more attractive than the assessable variety, vendors' shares were usually viewed more favourably than founders' shares. Perhaps this was because vendors were generally assumed to be acting more or less independently of the company when disposing their shares, whereas founders' shares were frequently manipulated with pooling agreements intended to take advantage of the public investor.

The proceeds from the sale of redistributed shares could also be ingeniously and advantageously misrepresented in the company's books. Typically, a stock premium is defined as any amount received for the sale of treasury shares which exceeds their par value.<sup>36</sup> However, in cases where the Treasury shares were returned "in trust," a premium could be something altogether different. A Nestegg Company balance sheet prepared on June 28, 1897, lists "premium" income totalling \$14,809.00 even though the 1,000 designated "Treasury Shares" were never sold.<sup>37</sup> Using some creative accounting, the

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<sup>35</sup>The NEMC *Share Ledger* for the Nestegg Mining Company contains no record of shares being sold or given to Richard Cooper, the original vendor. The NEMC *Cash Book* does show debits to R. Cooper for \$2,500.00 (February 1, 1896, p. 4) and \$2,227.00 (October 24, 1897, p. 6).

<sup>36</sup>For example, shares with a par value of one dollar selling at \$1.48 would be returning a premium of 48¢ each. See definition for "share premium" in Michael Greener, *The Penguin Business Dictionary* (London: Penguin Books, 1987), 267.

<sup>37</sup>"Balance Sheet [June 28, 1897]" found loose inside the NEMC *Journal*.



Company Secretary credited the books with “premiums” which were in truth the proceeds received from the sale of paid-up shares he held in trust.<sup>38</sup> This slightly fraudulent white-lie served a very important purpose in the promotion of Nestegg share sales.<sup>39</sup> Entering the proceeds from stock sold as “premium” on the Balance Sheet would give uninformed shareholders (or potential shareholders) the false impression that Company stock had been selling at a true premium and was therefore an attractive investment.

The fake purchase scheme also ensured that the “in trust” shares returned to Ellis kept their voting as well as their selling power. Until they were sold and reissued, the Secretary legally retained sole voting authority for the stock remaining in the Treasury.<sup>40</sup> If the Company’s capital had remained in the Treasury as ordinary shares instead of being returned to it “in trust,” they would have been voteless. Without power over this stock it could conceivably have been more difficult for the founders to maintain control of the Company once shares – both their own and those “in trust” – were sold to the public.

By far the greatest advantage to the Nestegg Company’s startup strategy was that it ensured virtually all its shares would be entirely immune from any risk of liability. British Columbia corporate law limited shareholder liability for registered companies to the total

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<sup>38</sup>Ibid. Another attachment, the Company’s year end statement as at December 5, 1896, shows the 1,000 shares were still in the treasury while \$13,965.00 had at that point been received from “proceeds sale of stock”. The same amount is referred to on page 3 of the *Cash Book* as “Premium.” On December 8, 1896 and January 28, 1897 the balance of \$844.00 found on the 1897 Balance Sheet was received from 9,340 shares taken up by Sargison, Ellis, and Holland (*NEMC Cash Book*, 7).

<sup>39</sup>Technically, the Secretary may not have been totally incorrect when he categorized these funds as premiums. Since the shares held in trust were fully paid-up when originally issued, anything received for their sale might be viewed as exceeding their par or nominal value (which, of course, could never be paid in during sale since it was already paid-up). Nonetheless, it is still generally understood that premiums are derived from the sale of *treasury stock* not second-hand shares.

<sup>40</sup>B.C., *Statutes, 1890*, “Companies Act, 1890,” 53 Vict., c. 6, s.18. “Whenever any stock is held by any person as executor, administrator, guardian, or trustee, he shall represent such stock at all meetings of the company, and may vote accordingly as a stockholder.” It is interesting that Ellis always chose to vote on behalf of the “in trust” shares rather than his own private holdings (“Minutes of General Meetings,” October 15, 1896 and January 20, 1897 (*NEMC Minute Book*, 10, 21).

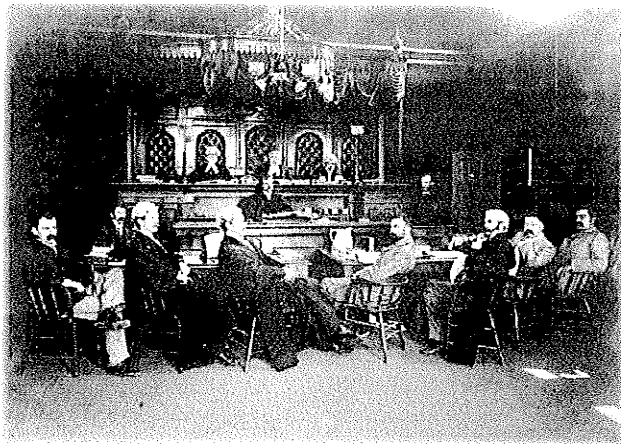
assessments called up.<sup>41</sup> Since the Nestegg shares were all fully paid up, no assessments could be called and therefore *all* shareholders *should have been* absolutely free of liability for any debts incurred by the Company – forever. The founders as well as the investing public found this extremely attractive. The down side was that a company with a register full of paid-up shareholders *should have been* considerably less attractive to prospective creditors who would find it difficult to attach shareholder assets in the event the venture folded up.

Although the limits of limited liability may explain why mining companies preferred a paid-up capital base, it still does not explain the logic behind the Nestegg Company's preliminary stock shuffle. When the founders incorporated, why did they not simply declare all the Treasury stock to be non-assessable? For the answer it is necessary to look at current events in both the B.C. and British Imperial judiciary.

An important recent ruling in Britain's highest court was certainly the greatest incentive for organizing the Company with a dummy vendor. In *Ooregum Gold Mining Co. of India v. Roper* the Privy Council held that any shares issued by a company at a discount

to an "original allottee or by original allottees represented by him, were subject to the liability of the holders to pay to the Company, in cash" the balance remaining unpaid on the shares.<sup>42</sup>

Later, in an unusual 1895 case involving a protracted dispute between a mining company and some of its directors (*Fraser River Mining v. Gallagher et al*), the B.C. Supreme Court



5. B.C. Supreme Court, 1895  
From B.C. Archive; D-00808

<sup>41</sup>"Total assessments called up" being the amount received for each Treasury share sold (the company's selling price) plus all calls made on the difference between that selling price and the share's par value.

<sup>42</sup>*Ooregum Gold Mining Co. v. Roper*, V Brit. Col. 100 (App. Cas. 1892).

declared that notwithstanding the *Ooregum v. Roper* precedent, the provincial courts could not order the enforcement of a call on the unpaid balance of non-assessable vendors' shares owned by individuals who *were not the "original allottees."*<sup>43</sup> Chief Justice McCreight's opinion even went so far as to elucidate (indeed, advertise) the exact procedure employed by the Fraser River Company's solicitor to avoid the pitfalls of the *Ooregum* precedent:

But perusal of the evidence shews that [the solicitor] Mr. Washbourne has with considerable care and skill so directed the formation and constitution of the Company that none of the three [defendant founders] were *original allottees* [emphasis added]. ...[At the company meeting when the stock certificates were first being issued, Defendant Gallagher questioned the solicitor Washbourne as to why the defendant founders were not receiving their shares *directly* from the company rather than through another director.] Gallagher: "I objected that the 85,000 [share certificate] should have been made direct to Alworth." By the Court: "All that was made out to Crockett [the founder who transferred it to Alworth]?" Answer: "Yes, my Lord. Their solicitor, Mr. Washbourne, stated there in the meeting that *there was an object for doing so* [emphasis added]."<sup>44</sup>

The "object for doing so" was, of course, to ensure that the shares were acquired second-hand and therefore truly and absolutely non-assessable under the law. Thus, the transferral of virtually all the Nestegg shares to Rithet and then back to Ellis "in trust" was a clever tactic designed to protect the founders (who received their shares second-hand through Ellis) from possible future assessments levied by a hostile board of directors, disgruntled shareholders, or bankruptcy courts.<sup>45</sup> Rithet, as the "original allottee," was the only one who was ever at risk – however momentarily – for assessments or writs of executions. When he returned *all* the shares to the Company they *all* became second-hand stock and thereafter thoroughly non-assessable under the law.<sup>46</sup>

Considering the quality of its legal staff it is not surprising that the Nestegg Company would be so well advised about current precedents in the B.C. courts. E.V. Bodwell, who

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<sup>43</sup>Fraser River Mining Co. v. Gallagher et al, V Brit. Col. 101 (BCSC 1896).

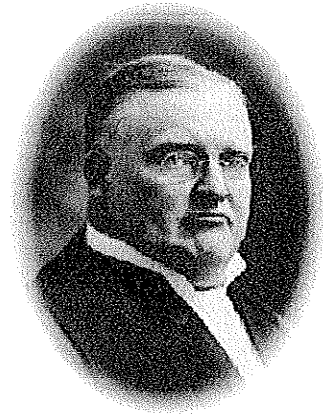
<sup>44</sup>Ibid.

<sup>45</sup>Transferring the shares back to Ellis "in trust" also ensured he would remain free of liability while he held the Treasury stock – and its voting privileges.

<sup>46</sup>The exception being the 1,000 shares set aside, apparently for cosmetic purposes, as treasury stock when the Company was formed.

represented one of the defendants in the ongoing *Fraser River* case, was simultaneously also handling some of the Nest Egg's legal affairs.<sup>47</sup> Gordon Hunter, the Company's official solicitor, was a regular contributor and soon-to-be-editor of the *B.C. Law Reports*. There can be little doubt that he too was well versed in the implications of the *Fraser River* case.<sup>48</sup>

The dummy vendor scheme had numerous advantages but it was not without its risks. The fact that the vendor's shares were a sham needed to be concealed as long as possible if enough "premiums" were to be generated to at least secure the property and carry out initial development. During this period favourable press coverage was absolutely essential. The public, especially prospective investors and creditors, needed to believe the Company actually did own a valuable mine and that development was proceeding smoothly. Share sales also had to be carefully orchestrated. While having just one man, W.H. Ellis, in control of the "in trust" Treasury stock may have made coordination easier, it also left the Nestegg's illegitimate Secretary with the voting power over a huge quantity of shares he did not own. If abused, such a situation could easily lead to shareholder revolts and lengthy corporate litigation.



6. Solicitor Gordon Hunter  
From City of Victoria Archives  
PR 104-3433

The most risky aspect of the scheme was the complete reliance on "premiums" to survive – at least until the fabled bonanza was found. There were no true treasury shares to speak of and therefore no possibility of collecting assessments. Once the vendors's shares were all sold, "premiums," the only source of income outside of the ore, would dry up. If the mother lode was not found by then the game would be over. Also, because its sole

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<sup>47</sup>Ernest Vining Bodwell, a partner in one of Victoria's most prominent law firms, Bodwell, Irving & Duff (*Henderson's Directory, 1897, 725*), was retained to handle an early dispute over the title to the Nest Egg mineral claim (see below). Bodwell attained some notoriety in 1896 when he was selected "associate counsel for the Dominion Government Bering Sea case" (*Who's Who and Why, 1913, vol. 3* [Vancouver: International Press, 1913], 68).

<sup>48</sup>The *Fraser River* decision was also well publicized prior to the Nestegg Company being formed. The judgment and reasons were reprinted in the November 1895 issue of the *Canadian Mining Review, 203-204*.

source of income depended on salesmanship, the Company's survival depended on promotional technique from the moment it was incorporated – which essentially meant that it was dependent on the volatile newspaper media.

Would the Company have been better off choosing a more orthodox method of organizing itself? Probably not. Withholding a larger block of ordinary treasury shares and disposing of them publicly in the usual manner would likely have been less successful, since paid-up shares were so much more in demand than the assessable variety.<sup>49</sup> It is true that if ordinary treasury stock failed to sell well a company might try to compensate by making calls on shareholders for the un-paid value of their stock. However, for a high risk speculative mining promotion a call on stock was usually the kiss of death. Speculators in mining stock typically paid less for their shares than what could be sensibly called on them. Consequently, it usually made more sense to give their stock up than pay assessments. Therefore, the Nestegg Company had very little to lose and everything to gain by choosing the non-assessable approach.

And the *Cash Book* figures seem to indicate the plan met with some success. "Premiums" carried onto the books on November 30, 1896 indicate almost \$14,000.00 was received during the year for 189,650 shares sold.<sup>50</sup> Certainly, if its *paid-up* shares were fetching only a nickle or a dime, it is reasonable to assume that assessable shares probably would not have sold at all. Rather than selling assessable treasury stock and avoiding

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<sup>49</sup>Victoria merchant Charles Hayward, who would later become a significant cash supporter of the Nest Egg venture, was particularly wary of the usual variety of assessable shares. Hayward at one point held large numbers of Deer Park Mining Company as security for a personal loan. However, he refused to transfer the stock into "his own name which he has been unwilling to do in other cases on account of the uncertainty of the law as to the liability to shareholders" (BCLIA Correspondence, Holland to O'Farrell at Queen's Hotel, Toronto, August 25, 1896).

<sup>50</sup>NEMC *Cash Book*, 3. Although there was no accounting of the "premiums" until November, several bank deposits of share sales proceeds were made throughout the year: \$2,625.00 on February 1; \$225.00 on February 12; \$180.00 on February 18; \$330.00 on February 17; \$100.00 on February 26; \$35.00 on March 16; \$875.00 on April 7; \$250.00 on May 7; \$320.00 on May 28; \$200.00 on June 2; \$95.50 on October 9; \$3,600.00 on October 24; \$375.00 on October 26; \$2750.00 on November 10 (NEMC *Share Ledger*, 4, 6, 8). The disposition of the \$569.50 in premiums not deposited in the bank is not known.

making calls anyway, as was usually the practice, the Nest Egg's promoters capitalized on the fact that the Company *could not* make calls. They also simultaneously created the illusion that the stock being sold retained zero liability and was not founders' shares, that valuable property had been acquired, and that Nestegg stock was in demand – all very important ingredients for a successful speculative mining promotion.

### “Puffing It Up”

During the Company's first month, promotion of the Nest Egg went rather smoothly. Ellis's *Colonist* newspaper began setting the stage as early as December 1895 when it reported the Montreal and British Columbia Prospecting and Promoting Company found paying ore on the “south belt.”<sup>51</sup> Then, a week before the Company was formed, Ellis quoted a prominent Rossland promoter as saying he believed the Nest Egg would become an ore “shipper” once the “tramway” to Trail was finished.<sup>52</sup> On February 5<sup>th</sup> a prospectus of sorts published in the *Colonist* provided the public with the first physical description of the Nest Egg mine:

The Nest Egg [*sic*] Mining Company is the name of a company formed in Victoria for the purpose of developing the Nest Egg mineral claim in the Trail Creek district. The company has been incorporated on the same lines as those followed by nearly all the mining companies of Rossland, the capital being \$800,000 [a typo?]. ...The property *purchased by the company* is said to be one of the most promising mines in the southern Trail Creek group [emphasis added]. On it are two distinct veins of ore, one of three and the other four feet in width. A shaft is down fifty feet in the latter, being in ore all the way. There is a shaft down twenty feet on the three-foot vein. As a mining man from Rossland said, “It has all the ear-marks of a good mine.” It is a short distance from the Homestake mine recently acquired by Vancouver parties. The newly formed company will immediately begin to place the property on a shipping basis, the tramway now being built from the smelter at Trail Landing passing near the survey line of the claim. This is the first mine acquired by Victorians, and will bring this city in nearer touch with the busy mining camp of Rossland.<sup>53</sup>

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<sup>51</sup>“Mines of Rossland,” *Colonist*, December 24, 1895.

<sup>52</sup>Interview with Ross Thompson, *Colonist*, January 21, 1896. The local press referred to F. Augustus Heinze's narrow gauge Columbia & Western Railway between Rossland and Trail as a “tramway.”

<sup>53</sup>*Colonist*, February 5, 1896.

The following day another Rossland "mining man," W. Y. Clark, added his praises: "The Nest Egg is quite near town and is, I believe, as promising a property as there is on the south belt. Indeed, I have always considered it the best on that side of Trail."<sup>54</sup>

Having whetted the public's appetite with just the right amount of promotional pump-priming, Ellis started advertising "in trust" shares for sale exactly a week after the Nestegg Company was formed. A single column ad in the February 8<sup>th</sup> *Colonist* announced 25,000 shares were being offered to the public at ten cents each: "The money will be altogether expended in the development of the property. It is expected that the work authorized by the company – sinking on the shaft, which is now down 50 feet in solid ore, will place the mine on a shipping basis in the course of another month."<sup>55</sup>

In the following weeks further glowing, albeit carefully uninformative, reports of the Company's mine appeared in the *Colonist* regularly. On February 14<sup>th</sup> William J. Harris, a major investor and one-time manager of the "famous Le Roi" described the discovery of \$40 to \$70 per ton ore bodies all around the Nest Egg claim, leaving the reader to conclude the property was situated in the middle of a bonanza.<sup>56</sup> Two days later John Finch of Spokane, part owner of Rossland's other "famous" mine, the War Eagle, was quoted as saying he thought the South Belt mines would "prove nearly if not equally as rich" as the War Eagle and the other North Belt mines. Furthermore, Finch claimed he had looked at the Nest Egg and "expressed his opinion that it makes a very favourable showing for the amount of work done on it."<sup>57</sup> The following week the *Colonist* reprinted an excerpt from the *Rossland Prospector* stating "the Nest Egg, a claim on the south belt recently stocked by a Victoria company, has a splendid showing of ore in the shaft" and would soon put its shareholders

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<sup>54</sup>*Colonist*, February 6, 1896. Clark was not listed as residing in Rossland in the 1897 *Henderson's Directory*.

<sup>55</sup>*Colonist*, February 8, 1896.

<sup>56</sup>"The Golden Wealth of the Trail Creek District Being Further Proved Day by Day - Wonderful Ore Deposits in Both the Northern and Southern Groups of Mines," *Colonist*, February 14, 1896.

<sup>57</sup>"Rich Rossland: What an Experienced Mining Man Thinks of its Future," *Colonist*, February 20, 1896.

“on velvet.”<sup>58</sup>

The hype Ellis was generating produced its desired effect. By the end of the month the first block of 25,000 shares designated for public sale had nearly all been sold. On February 13<sup>th</sup> Ellis transferred 11,000 “in trust” shares to fourteen Victoria investors (six of whom were women). The following two days saw 9,100 more shares sold to twenty-two men and five women, again nearly all were Victoria residents.<sup>59</sup> Finally on February 21<sup>st</sup> and 24<sup>th</sup> the last three public certificates totalling 2,100 shares were issued.<sup>60</sup> But in the last days of the month, just as stock sales were swinging into high gear, the promotional campaign came to an abrupt halt. The cause of the sudden turn of events was a property dispute, the Company’s worst nightmare.

### Property Problems

Given the mine’s checkered past, the nightmare should have been no surprise to certain individuals with inside information about its past. The Nest Egg claim was discovered by Richard Cooper on October 7, 1896, and registered six days later.<sup>61</sup> Sometime in the summer of 1895 Cooper “bonded” the property to Paul Gaston, a future mine manager and major shareholder, for twenty thousand dollars.<sup>62</sup> Shortly afterwards a dispute erupted with a neighbouring claim owner as to the position or repositioning of Cooper’s “No. 2 stake.”<sup>63</sup> Nothing was resolved and it appears all parties temporarily put their difficulties aside once the Victoria men began to express an interest in the claim. O’Farrell

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<sup>58</sup>*Colonist*, February 22, 1896.

<sup>59</sup>This figure does not include 23,000 “in trust” shares issued to Rithet, Kirk, Frank Sargison, and the Ellis family on February 15, 1896. Because of their attachments to the Company these individuals would hardly classify as public investors. Only one public recipient, Helen Armstrong of Vancouver, was not a resident of Victoria (*NEMC Share Transfer Ledger*, 79).

<sup>60</sup>*NEMC Share Ledger*, 11.

<sup>61</sup>P.A. O’Farrell, “Trail and Vicinity,” *Colonist*, May 7, 1896, 6.

<sup>62</sup>O’Farrell indicated the property was bonded for \$20,000 (*ibid.*) and the *Rossland Miner* confirmed that Paul Gaston held the option (*Rossland Miner*, February 29, 1896).

<sup>63</sup>P.A. O’Farrell, “Trail and Vicinity,” *Colonist*, May 7, 1896, 6.





7. Mines of Rosland, B.C. circa 1897  
P.R. Chapin, 2003

seems to have played the role of peacemaker and in the process picked up Gaston's option for at least 55,000 shares in a company to be formed.<sup>64</sup> A "jumper claim" was therefore lurking in the shadows well before the Nestegg Company paid out the first installment on the mine in February 1896. There is, however, evidence suggesting O'Farrell concealed this information from the Victoria men when they made their decision to purchase his interest in the mine. Writing to Burke in March 1896, Ellis claimed the Victoria men knew nothing of the earlier disputes when they bought the claim: "...with regard to lawsuit, ...it is thought that a clear title should have been delivered to the company."<sup>65</sup>

Whether it was anticipated or not, premature public exposure of the dispute was

<sup>64</sup>O'Farrell transferred the shares to Gaston on February 14, 1896 (*NEMC Share Transfer Ledger*, 18, 59).

<sup>65</sup>NEMC Correspondence, Ellis to Burke, March 6, 1896.

bound to have disastrous consequences. As indicated earlier, the unorthodox scheme for promoting the Company and developing the mine hinged on the covert post-incorporation purchase of the property with proceeds from the sale of the "in trust" shares. Ellis's *Colonist* had sealed the deception when it reported the property was paid for and that the proceeds from share sales would only be used for development. Unfortunately the deception became public knowledge just a month after incorporation. On February 29<sup>th</sup> the *Rossland Miner* exposed the scheme:

From private sources we learn that the people of Victoria have gone crazy on Nest Egg stock. When the first installment of these investors get to Rossland we expect to see them crazier still. The stock has been selling like hot cakes at 10 cents a share, which is equivalent to a valuation of \$50,000 for the property. The most sanguine operator in Rossland never valued this claim at half that amount and *as the title to the property is in dispute, no less than three adverses having been filed against it*, we can see no good reason for this boom [emphasis added]. It can only result in harm to the whole camp in our opinion.<sup>66</sup>

According to Ellis the effect of the *Miner*'s smear was immediate and devastating. Writing to Burke a week later he reported, "The item in the *Miner* was reproduced in the [*Victoria Times*] here and has worked a good deal of harm already."<sup>67</sup>

Correspondence records and the Company's *Share Transfer Ledger* both suggest that at least one person with an inside edge knew in advance the *Miner* was going to run its exposé. The day before the story was published Ellis wrote to a mining broker in Tacoma explaining why no Treasury shares were for sale: "Some outside shares at original price [10¢] were offered here yesterday and are 'queering' the market [20-25¢]."<sup>68</sup> The broker quickly discovered O'Farrell was the source of the "outside shares" and purchased nearly half of the 5,000 shares dumped by the Managing Trustee the day the story broke in

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<sup>66</sup>"The Nest Egg Boom," *Rossland Miner*, February 29, 1896. The *Miner* was the brainchild of mining promoter David Bogle and published its first edition in March of 1895 (Harold Kingsmill, *First History of Rossland, B.C. with Sketches of Some of its Prominent Citizens, Firms and Corporations* [Rossland: Stunden & Perine, 1897 {CIHM no. 15439}], 4). John R. Reavis took over the paper sometime in 1896 after its "virile" former editor fell afoul of his landlord (*ibid.*, 6; H.S. Reavis, "John R. Reavis," *Fuel Oil Journal*, February 1914, 50).

<sup>67</sup>NEMC Correspondence, Ellis to Burke, March 6, 1896.

<sup>68</sup>*Ibid.*, Ellis to W.H. Fife at Tacoma, February 28, 1896.

Rossland.<sup>69</sup>

Within days B.T.A. Bell, editor of the Ottawa-based *Canadian Mining Review*, caught wind of the affair and echoed the *Miner's* sentiments:

I cannot too strongly impress upon the outside investor in Trail Creek mining stocks, the necessity of close investigation into the merits of the various claims that are daily being foisted upon an unsuspecting public. Recently the Nest Egg claim was stocked in Victoria, and blocks of stock put on the market at 10c. per share, which is a valuation of \$50,000 for the property. Now as a matter of fact, this claim, even if it had a clear title, which it has not, and is not likely to have, was never considered to be worth \$20,000. Consequently there is nothing to warrant such a price as 10c. per share for the stock. Such reprehensible practices as the above can only result in harm to the camp, and the sooner they are exposed the better. Rossland has good mines, and mines that do not need such booming.<sup>70</sup>

Bad news being broadcast everywhere caused the price of stock to fall precipitously. To preserve some semblance of integrity the Secretary pulled the Treasury shares off the market until the property issue could be resolved.<sup>71</sup>

The Nest Egg's legal difficulties were the inevitable consequence of the purchase agreement negotiated with the claim's owner prior to the Company being organized. The terms stipulated that the vendor, Richard Cooper, would be paid in two cash installments.<sup>72</sup> In the meantime he was to fulfill the requirements necessary to transform the mineral claim into a Crown grant.<sup>73</sup> However, this was a complicated process that required some

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<sup>69</sup>The remaining 2,830 shares were purchased from O'Farrell by a Pierce County (Tacoma) Commissioner for his two daughters (*NEMC Share Transfer Book*, 5, 6, 7, 18).

<sup>70</sup>*Canadian Mining Review*, March 1896, 75.

<sup>71</sup>NEMC Correspondence, Ellis to Isabella Morkill of Victoria, April 1, 1896. Between February 24<sup>th</sup> and June 1<sup>st</sup> only fifty Treasury shares were sold (*NEMC Share Transfer Book*, 12, 44).

<sup>72</sup>Several pieces of correspondence and the Company's financial books verify that one payment of \$2,500 was made on February 1, 1896 with a second installment of the same amount to be made on August 1, 1896. (*NEMC Cash Book*, 4; NEMC Correspondence, O'Farrell to Ellis, May 23, 1896; *ibid.*, Gaston to Ellis, August 17, 1896).

<sup>73</sup>Essentially, the owner of a mineral claim could, upon payment of an annual fee and completion of certain improvements, remove its minerals – even though they still technically remained the property of the Crown (*B.C. Statutes*, 1891, 54 Vict., c. 25, "The Mineral Act, 1891," s. 31). A Crown grant deeded over the same mineral and surface rights to the owner in perpetuity (*Ibid.*, s.43 and 44).

expenditure on Cooper's part. The mineral claim had to be properly surveyed, a fee paid to the government, and, most importantly, any conflicting claims made by neighbours had to be resolved.<sup>74</sup> Nevertheless, as promised, Cooper undertook to obtain clear title after the first installment was made on February 1<sup>st</sup> – and set in motion the processes that would expose the Company's deceptive claims to ownership. The procedures for obtaining the deed were anything but discreet. The law required that a notice of application for the Crown grant be publicly posted in Rossland and published in both the *B.C. Gazette* and a local newspaper in the vicinity of the claim.<sup>75</sup> Any persons wishing to make trouble for whatever reason were invited to make a counter-claim or forever hold their peace.

Much to the surprise of the Victoria men, "adverse" litigants literally sprang up left and right as soon as it became public knowledge the Nest Egg mine was being purchased by a new company that was selling shares like hotcakes. Claims were initiated by the owners of adjacent properties who disputed the Nest Egg's boundaries. One of the claimants, H.P. Toronto launched an action on behalf of his claims "Excelsior" and "Best" while a separate group of men, E. Lavallee, N.A. Mackenzie, H.F. McLeann, and A.T.R. Blackwood, sued in support of their "Fire Fly" claim.<sup>76</sup> To make matters even more confusing, the Fire Fly's

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<sup>74</sup>*B.C., Statutes*, 1891, 54 Vict., c. 25, "The Mineral Act, 1891," s. 35 and 36, and subsequent amendments thereto (55 Vict., c. 32, s. 12, 13; 56 Vict., c. 29, s. 9).

<sup>75</sup>*Ibid.*, s. 46.

<sup>76</sup>Correspondence, Burke to Ellis, June 6, 1896; *Ibid.*, F.M. McLeod, Rossland barrister to Ellis, June 5, 1896. H.P. Toronto obtained miner's license #80410 at Midway, B.C. on August 27, 1897 (*Henderson's Directory, 1897*, 126, 194). There is no record of his "Best" or "Excelsior" properties in any of the published maps of the mineral claims in the Rossland vicinity. Events would later reveal that neither of these mineral claims, if they ever existed, was involved in the jumper actions. Maclean was a Rossland druggist and Lavallee owned a shoe shop which he eventually expanded into the Spokane Hotel (Kingsmill, *First History of Rossland, B.C.*, 3). Mackenzie's vocation is unknown although he did obtain his free miner's license in Rossland in 1897. (*Henderson's Directory, 1897*, 121, 128, 488). In 1897 Winnipeg merchant A.T.R. Blackwood was issued his B.C. free miner's license at Lardue ("Free Miner's Directory," *Henderson's B.C. Directory, 1897*, 47). Blackwood and his brother William started out operating a "soda water works" in Port Arthur, Ontario ten years earlier (*Henderson's Manitoba and North-Western Ontario and Northwest Towns and City of Winnipeg Directory, 1886-87* (Winnipeg: Winnipeg Directory Publishing Co., 1887?), 352). By 1896 they were both already quite experienced in mining speculation. In 1889 they joined with the McMicken clan of Winnipeg and several prominent British investors to organize the ill-fated Ontario Mining Company which

prospective litigants split into factions with Lavallee, who supposedly owned half the claim, acting independently of Mackenzie, McLean, and Blackwood.<sup>77</sup> Apparently Toronto disputed the position of a boundary stake (a simple “adverse”) while the Fire Fly owners maintained they owned of a sizable chunk of the Nest Egg property by virtue of the timing of mineral claim filings (a “jumper claim”).<sup>78</sup>

Because the Nest Egg was still technically the property of Cooper – and would remain so until he received the last installment – any defence the Company might wish to mount would have to be done through him. Cooper was understandably anxious about the potential personal consequences of litigating the matter. If his adversaries succeeded, Cooper, as defendant on record, would be responsible for paying the judgment plus any costs awarded to the other parties. His cooperation was also essential if the Nestegg Company was to obtain the improvement certificate necessary for a Crown Grant.<sup>79</sup> Clearly Cooper was in a dangerous position and would likely require some security if he was to be kept safely on board.

And there were other unforeseen obstacles besides the cost of keeping Cooper happy. The claim boundaries proved to be a complicated “network of survey lines & stakes” which would require some time for a qualified – and expensive – professional surveyor to sort

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became more famous for its Privy Council litigation than its minerals (Chapin, *Northwestern Ontario Gold Mining*, 52-53, 192). Some of the funds Blackwood obtained from the Fire Fly settlement may have been used to purchase another briefly famous property near Mine Centre, Ontario. In November of 1896 he and his brother organized the first of several companies to develop the Preston location which they later renamed the Olive Mine (*ibid.*, 196, 218).

<sup>77</sup>NEMC Correspondence, F.M. McLeod to Ellis, June 5, 1896.

<sup>78</sup>The conclusion of who claimed what is based on O’Farrell’s summary of the problems facing the company published in the *Colonist* on May 7, 1896, and a report of progress published earlier in the *Rossland Miner* (reprinted in *Colonist*, May 7, 1896; *ibid.*, April 2). Contemporary maps of the mineral claims indicate considerable areas of both the Nest Egg and Fire Fly likely overlapped each other at one point in time.

<sup>79</sup>The improvement certificate verified that sufficient labour and/or disbursements had been expended to meet the statutory requirement for a legally maintained claim. (*B.C. Statutes*, “The Mineral Act, 1891,” s. 24).

out.<sup>80</sup> The thought of going to court in Rossland was also unsettling given the unpredictability of the judiciary and the poor quality of available local legal assistance. Burke was quite frank in expressing his low opinion of the solicitors available in Rossland: "Am confident we can win but lawyers here are so uncertain and so poor that I am afraid to trust them by themselves."<sup>81</sup> Months later C.A. Holland bluntly summarized one local solicitor's handling of the preliminaries: "...the Co's lawyer in Rossland behaved like an idiot."<sup>82</sup> Gordon Hunter was equally critical of local County Court Judge John Forin claiming that his was "not a court of competent jurisdiction."<sup>83</sup>

The property litigation left the Company in a very difficult position. Its financial foundation was built on the successful resale of the "in trust" vendors' shares which in turn depended on the public believing these shares had been used to purchase the mine. A trip to court would bring to light the fraudulent "purchase" as well as consume precious funds desperately needed for development work. However, since the matter was already in the papers the Trustees accepted Burke's advice and instructed Hunter



8. Judge John A. Forin  
B.C. Archives; F-02500

& Oliver to cautiously explore a preliminary defence.<sup>84</sup> At the last minute another prominent Victoria lawyer, E.V. Bodwell, was sent to Rossland where he successfully argued a change of venue to the Victoria Supreme Court.<sup>85</sup>

The Company had the benefit of the home court advantage but continuing with the litigation was daily becoming a more difficult proposition. After the *Rossland Miner*

<sup>80</sup>NEMC Correspondence, Rolt to Munro, October 25, 1897.

<sup>81</sup>Ibid., J. Burke to Ellis, March 3, 1896. In fact, Cooper was at this time allegedly represented by a solicitor who had been disbarred "though he was bringing suit through another lawyer" (ibid., Munro to Rolt, July 31, 1897).

<sup>82</sup>BCLIA Correspondence, Holland to Rithet, October 7, 1896.

<sup>83</sup>Quoted in NEMC Correspondence, Ellis to J. Burke, March 6, 1896.

<sup>84</sup>NEMC Correspondence, J. Burke to Ellis from Victoria, March 3, 1896.

<sup>85</sup>Ibid., Ellis to J. Burke, March 6, 1896 and J. Burke to Ellis March 19, 1896. According to Burke, Bodwell was already familiar with Cooper, having been previously retained by him (ibid., J. Burke to Ellis, March 11, 1896).

published its searing denunciation on February 29<sup>th</sup>, it was clear that a trip to court would only provide the troublesome newspaper with more ammunition.<sup>86</sup>

### Newspaper War

Ellis and his paper naturally led the crusade to minimize the *Rossland Miner's* embarrassing accusations. But mining camp editor John R. Reavis's extensive experience in the newspaper business was more than a match for Ellis's ten year association with the *Colonist*.<sup>87</sup> Having survived literally by his wits in Missouri during the terrible years of the Civil War, Reavis afterwards graduated from the University of Kentucky before returning to his home state in 1875 to take his first newspaper job.<sup>88</sup> Within two years he was working for Joseph Pulitzer's *Post-Dispatch* in St. Louis. In 1880 Reavis began publishing his own *Spectator*, a St. Louis weekly devoted to "literature, drama, and society." After Pulitzer bought the *New York World* a few years later, Reavis "retired" from the *Spectator* and joined his former patron's editorial staff in 1884. He was responsible for political coverage in Washington D.C. until taking over the *World's* London office in 1886. While supervising Pulitzer's overseas fundraising campaign for the Statue of Liberty, Reavis suffered a physical breakdown and was forced to retire – for the time being. In 1889 he visited Spokane during his convalescence and decided to stay. He dabbled in real estate and was secretary of the city's Chamber of Commerce for eight years before purchasing the *Rossland Miner* in 1896.

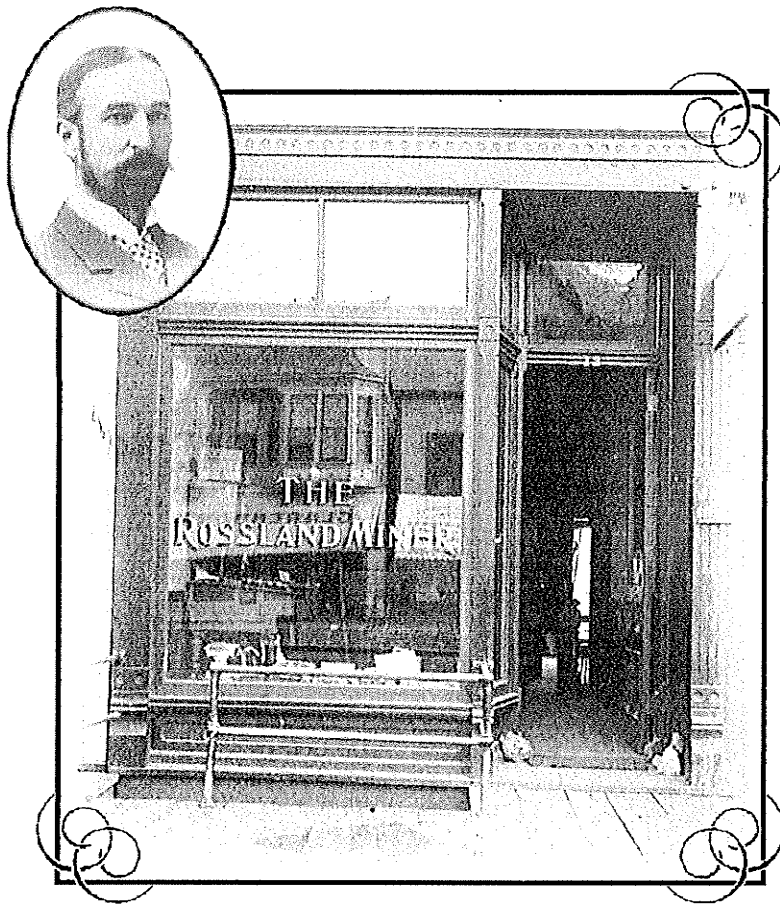
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<sup>86</sup>The *Rossland* papers carried weight well beyond the interior of British Columbia. The *Toronto Globe* and the *Canadian Mining Review* both regularly reprinted mining news published in *Rossland*. The Nestegg Company correspondence files also contain numerous letters from shareholders wanting verification of reports they had read in the *Rossland* papers (see for example NEMC Correspondence, George S. Wallis, Beaverton, Ontario to Munro, September 29, 1897).

<sup>87</sup>W.H. Ellis & Co. (partnership between Ellis and G.A. Sargison) purchased the *Colonist* in October 1886 and subsequently incorporated the operation as Colonist Printing and Publishing Co. (*Colonist*, April 2, 1896).

<sup>88</sup>Biographical information on Reavis was obtained from an obituary written by his son Holland and published on pages 49-50 of the February 1914 *Fuel Oil Journal* and from page 22 of "The City of Spokane Falls and its Tributary Resources," a pamphlet printed for the 1890 Northwestern Industrial Exposition, (Buffalo: Matthews, Northrup & Co., 1890).

Reavis was also no stranger to the mining promotion game. He became secretary of the O'Kanogan Railway & Mining Company in 1890 and in 1895, the year before he left for Rossland, he was listed in the Spokane city directory as a "capitalist" rooming at the Hotel Spokane, a well-known haunt for area mining men and company promoters.<sup>89</sup> There can be little doubt that he was "capitalizing" mining ventures.



9. Office of *Rossland Miner* and editor John R. Reavis

Reavis from *Fuel Oil Journal*, Feb. 1914, 49

*Miner* Office from *Rossland* in 1898, 36

Undaunted by his adversary's credentials, Ellis tried every angle to repair the damage caused by Reavis. Since Burke was highly thought of in Rossland, Ellis implored him to use his influence on the *Miner*'s editor: "I trust you will see that Reavis amends the statement

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<sup>89</sup>*R.L. Polke & Co's Spokane Directory, 1895*, (Spokane: R.L. Polk, 1895), 414.



in the next issue. ...It is especially necessary that an explanation of that paragraph should appear in the *Miner* and trust you will have it printed.”<sup>90</sup> As added insurance Burke was also instructed to send “some excellent samples of ore that you have already tested by assay so that I may show them and if doubters want to try, can take away and have them assayed.”<sup>91</sup>

The *Colonist* was, of course, Ellis’s chief instrument for restoring the Company’s image. Just as the *Miner* was getting wind of the Nest Egg’s property problems, the Secretary was softening the blow by promoting an image of widespread claim jumping in Rossland. It was hardly a coincidence that an inordinate amount of a February 28<sup>th</sup> published interview with “distinguished Spokane lawyer” J.B. Jones was devoted to deprecating Rossland’s alleged epidemic of adverses and jumping claims:

I should also like to say in reference to legislation for the prevention of jumping that in case it were proved that the jumper’s object was extortion, he should be liable to prosecution for felony. Invariably the jumper gets in his evil work at the moment of selling or transferring mining property, and he does so almost entirely for blackmailing purposes. Many important sales or purchases have been marred by the tactics of the jumper, and very often the owners buy him off through inability to send him to prison and to punishment.<sup>92</sup>

Once the Nest Egg’s title problems were exposed Ellis accelerated his sanctimonious crusade against claim jumping. On March 8<sup>th</sup> the *Colonist* published another of O’Farrell’s lengthy fulminations singling out “the jumper and the blackmailing, unscrupulous lawyer ...the rogues and parasites that haunt industry and enterprise in mining camps.”<sup>93</sup> For the purported purpose of setting the record straight Ellis reprinted on March 19<sup>th</sup> the *Rossland Record*’s description of the current state of the Nest Egg, claiming “we are glad to publish these facts about the Nest Egg on account of a gross misstatement in regard to this property which appeared in the [Rossland] *Miner* week before last.”<sup>94</sup> The article did not, however,

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<sup>90</sup>NEMC Correspondence, Ellis to J. Burke, March 6, 1896.

<sup>91</sup>Ibid.

<sup>92</sup>*Colonist*, February 28, 1896.

<sup>93</sup>Ibid., March 8, 1896.

<sup>94</sup>Ibid., March 19, 1896 (quoted from the *Rossland Record*).

specifically refute any of Reavis's allegations.<sup>95</sup> To further rebut "misstatements made by designing parties injuring the value of [the Nest Egg] as a mining investment" Ellis published two favourable "expert" assessments of the mine in the *Colonist's* April 2<sup>nd</sup> special business edition. Four weeks later the *Colonist* printed an interview with the editor of the *Nelson Miner* that more or less recycled the complimentary cajolery of one expert in the April 2<sup>nd</sup> "special."<sup>96</sup>

In early May, when the long anticipated courtroom showdown was looming, Ellis made a final effort to whip up public sentiment by publishing yet another of O'Farrell's colourful commentaries. Implying that the Nest Egg's persecutions were something to be expected under the circumstances, O'Farrell complained bitterly that "around every mining camp you will find a host of loafers and parasites who are ready to sell their evidence to the black-mailing attorney and the professional jumper, and it is astounding how many of such have appeared at Rossland."<sup>97</sup> The events supposedly responsible for one of the Nest Egg's adverse actions were described in florid detail and O'Farrell concluded with a reassurance for investors that the Company's lawyers had the matter in hand.<sup>98</sup>

In spite of Ellis's whitewash campaign – and the *Rossland Miner's* temporary deference – the jumpers would not be cowed and the company men were forced to decide between abandoning their venture or settling out of court. Abandonment was out of the question since it would almost certainly lead to a damage suit by angry shareholders. Continuing the litigation was not much of an option either. Ellis in fact later confessed to Holland that he thought the Nest Egg "had no leg to stand on against the Firefly [*sic*]."<sup>99</sup> Yet

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<sup>95</sup>The *Rossland Record's* editor, anxious to avoid a day in court himself, did not specify what was "misstated" by the *Miner*. The *Record* falsely implied that the *Miner* had lied about the adverses.

<sup>96</sup>Reports of Frank Loring and George Crane, *Colonist*, April 2, 1896, p. 16; *Ibid.*, April 30, 1896, p. 8.

<sup>97</sup>*Ibid.*, May 7, 1896, p. 6.

<sup>98</sup>*Ibid.*

<sup>99</sup>BCLIA Correspondence, Holland to Rithet, October 7, 1896.

the Company's Victoria founders and its Rossland management were plainly divided on the choice of strategy. In late March, writing with characteristic grandiloquence (and horrible penmanship), O'Farrell pleaded against negotiating with the claimants on any terms:

[Burke] is utterly adverse to any kind of settlement with the jumpers. It is another case of a well laid conspiracy & blackmail and it would be folly to give them a dollar. They are hungry for a settlement but they will not get it with Burke's consent or with mine. However, we shall be guided by Kirk & Rithet and yourself but be sure you do not talk of a settlement. If you insist Burke can easily effect one. They have not a ghost of a show of winning and they know it and you may be thoroughly satisfied that they will never go to the expense of a legal contest when they are liable to be convicted of conspiracy and blackmail out of their own mouths. ...You can depend on Burke in the lawsuit he knows more than [solicitors] McLeod or Bodwell about it. ...and you people ...should not worry your souls or give money to the blackmailers.<sup>100</sup>

O'Farrell was not ashamed to admit that both he and Burke's opposition to an out-of-court settlement was founded on personal motivations: "Those who have to live in this Camp and who have to operate here would be indignant at your giving blood-money to the blackmailers. Even J.B. McArthur [Rossland's most prominent lawyer/promoter] told me this morning that he was satisfied that the Camp would decide for the Nest Egg."<sup>101</sup>

Notwithstanding the objections of their Rossland managers, the Trustees could ill afford to have their questionable business practices laid bare in a court action. They had no choice but to buy their way out of the problem. On April 10<sup>th</sup> O'Farrell was instructed to undertake negotiations for the purchase of the neighbouring Fire Fly. A total expenditure of \$2,000.00 was authorized to acquire a controlling interest in the property.<sup>102</sup> There is no record of any specific instructions being given to O'Farrell regarding settlement of Toronto's claims.

With cash in hand, the Company's Managing Director travelled to Rossland to meet with Burke and begin negotiations. Finally, on May 23, O'Farrell reported from Spokane that part of the problem was resolved – but it was not the part he had been charged with

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<sup>100</sup>NEMC Correspondence, O'Farrell to Ellis (on J. Burke's letterhead), March 29, 1896.

<sup>101</sup>Ibid.

<sup>102</sup> "3rd Meeting of Trustees," April 10, 1896 (NEMC *Minute Book*, 7).

fixing. With Burke and Cooper's assistance he struck a settlement with "the Toronto crowd" for \$1,500.00. To get O'Farrell to come to terms with Toronto, Cooper reportedly agreed to refund a \$500.00 rebate from the final installment due him on August 1<sup>st</sup>.<sup>103</sup> Desperate to print something optimistic, Ellis published the news as fast as he received it – with a few embellishments of his own thrown in for good measure:

NEST EGG ALL RIGHT – The secretary of the Nest Egg Mining Co. last evening received a telegram from P.A. O'Farrell, which stated that all adverses against the Nest Egg had been withdrawn, and that the title to the property is now clear. A full force of men will be started at work on Monday, and machinery will be ordered at once. As a result of the announcement, the price of shares in Rossland advanced to twenty-five cents. All who have seen the Nest Egg mine are agreed that it is one of the most valuable in the camp, and the arrangement just completed has added fully half a claim to the former holding. As soon as the tramway to Trail is running ore will be shipped to the smelter. Mining men believe that the Nest Egg will be one of the great mines of Trail Creek.<sup>104</sup>

The story was, however, anything but "All Right". No settlement had yet been made with the Fire Fly litigants, the title was not yet clear, and there is no indication the Trustees authorized or even contemplated ordering machinery.

Over the next two days the *Colonist* ran a similar piece on the front page proclaiming the "adverses against the mine have been removed making the title clear, a piece of adjoining ground has also been purchased, which gives the Nest Egg nearly 2,500 feet of vein." Thinking the tide had turned, Ellis eagerly pushed the Treasury stock on the local market – although the logic behind his new advertising angle is difficult to comprehend: "A number of the mining companies now placing stock on the market are stocked at a million dollars, so that the price of the Nest Egg at 25¢ is a much better investment."<sup>105</sup> It is anybody's guess what kind of conclusion the readers were supposed to make when comparing the capitalization of other companies to the price of Nestegg shares.

While the Rossland papers seemed to accept Ellis's assurances that the Nest Egg was

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<sup>103</sup>NEMC Correspondence, O'Farrell to Ellis, from "The Spokane" Hotel, May 23, 1896; "4th Meeting of Trustees," June 17, 1896 (NEMC *Minute Book*, 9).

<sup>104</sup>*Colonist*, May 23, 1896.

<sup>105</sup>*Ibid.*, May 24 and 25, 1896.

“all right” the *Colonist*’s competition in Victoria was not so sure. As the months dragged on without any news of the Crown grant, the *Victoria Times* and *Province* both began to question the authenticity and ethics of Ellis’s promotional rhetoric. On June 22<sup>nd</sup> Ellis responded to his competitors’ accusations in a vitriolic “letter to the editor.” It was a masterpiece of deceptive and evasive misinformation:

On May 24 last the Nest Egg Mining Company advertised that the adverses on their mineral claim had been removed, and the title to the property thereby cleared [it was not]. All documents relating to the matter were recorded in Rossland and forwarded to the Gold Commissioner in Nelson on the 26<sup>th</sup> May [but the deal for the Fire Fly was not yet consummated]. They remained at his office until Wednesday last, when a certificate of improvement was issued and forwarded to Victoria. A member of the Rossland Miner staff, in temporary charge of that excellent paper, for reasons best known to himself, published a false statement about the arrangements which had been made [the “statement” was in fact the truth]. Always willing to circulate anything false or damaging personally or against the interests of those in opposition to them, the *Times* and *Province* both reprinted this false statement. On Wednesday last Mr. G.A. Kirk, president of the Nest Egg company, wired Premier Turner, his business partner [Turner was actually Kirk’s brother’s partner], then in Nelson, asking the reason for the delay in issuing the certificate of improvement. The reply stated that the same had been issued. As many Victorians purchased Nest Egg stock and were interested in knowing that the title to the property was clear, an advertisement was inserted in the *Colonist* stating that fact over the secretary’s signature.

This information, it seems, is not satisfactory or palatable to the *gentlemen* [*sic*] who edits the *Province*, and in the issue of that paper of Saturday last an endeavor is made to continue the doubt in the public mind as to the title of the Nest Egg Company’s property. There can be but one motive assigned for the remarks in Saturday’s *Province* – they were dictated by pure malice. It may be that its editor has still in mind the financial and other methods followed in the Ottoman empire, and that his experience there has caused him to be suspicious of the honesty of his fellow men, or that having set himself up as a censor of everything and everybody, he measures all by his own standard. This combined with a malicious disposition, will account for the many discreditable attacks upon the integrity of individuals and the honesty of organizations formed to develop the resources of the country.<sup>106</sup>

Victoria’s other newspapers had good reason to be suspicious. The title to the Nest Egg

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<sup>106</sup>*Colonist*, June 22, 1896. The referred to notice signed by Ellis appeared as an advertisement in the *Colonist* for several weeks. It stated simply that Turner had wired Kirk that the notice of improvement was issued and that a Crown grant “would at once be given.” Accordingly “There can now be no further question with regard to the title” (*ibid.*, July 1, 1896).

claim may have been “clear” of adverses but it was still in Cooper’s name, and ownership of the Fire Fly proved to be a confusing network of property transfers that, in spite of O’Farrell’s assurances, never was sorted out.

According to the Managing Trustee, Lavallee was first approached separately from the joint owners of the other half of the property. This supposedly gave O’Farrell and Burke the advantage of working the two halves against each other, all parties recognizing that as soon as the Company owned one half the claim the threat of litigation would diminish greatly. Lavallee quickly capitulated (and for very good reason, as we shall see), selling his half interest for \$1,375.00.<sup>107</sup> But O’Farrell and Manager Burke were not satisfied with merely defusing the Fire Fly litigation.<sup>108</sup> Sensing that the remaining partners were ready to sell, the two Company agents quickly struck a similar deal with them as well. But what was the deal? Almost immediately conflicting reports of the details of the second purchase emerged. At the June 17<sup>th</sup> Trustees’ Meeting O’Farrell claimed the price for the other half of the Fire Fly claim was \$250.00 cash and a further 100,000 shares in a new company yet to be formed.<sup>109</sup> Yet Burke had already reported the previous week that the remainder of the claim was purchased for \$1,350.00 with \$250.00 being paid down in cash by O’Farrell from the \$1,000.00 allowance sent to Rossland after the previous Trustees’ Meeting.<sup>110</sup> Burke made no mention of any promised shares in a new company.

Documents discovered much later “among the old vouchers” revealed the involvement of miscellaneous third parties that neither Burke nor O’Farrell acknowledged in the spring of 1896.<sup>111</sup> On a scrap of paper O’Farrell scrawled an undated “Note of

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<sup>107</sup>F.M. McLeod, the Company’s Rossland solicitor, indicated Lavallee settled first. (NEMC Correspondence, McLeod to Ellis, June 7, 1896).

<sup>108</sup>The Trustees were only interested in putting a halt to the litigation and therefore directed O’Farrell to purchase only a “controlling interest” in the Fire Fly: a half ownership in the mineral claim certainly would have sufficed.

<sup>109</sup>“4th Meeting of Trustees, June 17, 1896” (NEMC *Minute Book*, 9).

<sup>110</sup>NEMC Correspondence, J. Burke to Ellis, on Nest Egg Company letterhead, June 6, 1896.

<sup>111</sup>*Ibid.*, Munro to Rolt, January 19, 1898.

Transfer” indicating he “Paid Potts and Toronto by draft to John M. Burke \$1500 To quit adverses on Nest Egg.”<sup>112</sup> O’Farrell did not provide any information about who Potts was and what role he played.<sup>113</sup> The “Transfer” also specified that \$1,375.00 was paid to unspecified individuals “For half interest of Fire Fly,” with an equal payment being made to “McKenzie and others” for the other half interest. The “Note of Transfer” also specified that E.J. Kelly, one of Rossland’s best known mining promoters, was paid (or was to be paid) “100” something-or-other (shares or dollars?) for “Commissions.”<sup>114</sup> The mystery surrounding Kelly’s involvement in the matter deepened when Ellis received a letter from him dated May 25<sup>th</sup> requesting that the Secretary “pleas” [*sic*] forward the 500 shares promised him in an attached “Memorandum of Agreement.”<sup>115</sup> According to Kelly’s “Agreement,” O’Farrell agreed on behalf of the Company to pay him the shares “in consideration of the services rendered ...in arranging a settlement of the differences and disputes between the owners of the ‘Firefly’ [*sic*] and ‘Nestegg’ [*sic*] Mineral Claims.”<sup>116</sup> Since there had been no mention of Kelly’s assistance by either Burke or O’Farrell, Ellis chose to ignore the request, and although the shares were supposed to be



10. E.J. Kelly  
From *Canadian Mining Review*, March 1897, p. 109

<sup>112</sup>“Note of Transfer,” undated, signed by P.A. O’Farrell found in NEMC Correspondence [PR5, series 3, box 44B6, file 1].

<sup>113</sup>“Potts” was probably either Rossland miner Frank Potts or A. Stewart Potts, a law student working at the Drake law office in Victoria. Both men were issued miner’s licenses in 1897 (*Henderson’s Directory, 1897*, 164, 806).

<sup>114</sup>“Note of Transfer,” undated, signed by P.A. O’Farrell. Kelly was the current manager of another of O’Farrell’s projects, the Deer Park mine. In 1890 Kelly sank the first shaft on the Le Roi for fellow Spokane promoter Oliver Durant (B.C. “Annual Report of Minister of Mines, 1896, Bulletin No. 2,” 15, 32).

<sup>115</sup>Note from E.J. Kelly, Box 496, Rossland to W.H. Ellis, May 25, 1896, found in NEMC Correspondence [PR5, series 3, box 44B6, file 1].

<sup>116</sup>*Ibid.*

transferred within ten days Kelly did not receive his commission until July 30, 1897.<sup>117</sup> Thus, when O'Farrell finished settling the adverses it seemed he left more loose ends than he resolved.

As if O'Farrell had not caused enough confusion, Burke added a few unexpected wrinkles of his own to the transaction. Capitalizing on the opportunity to conduct an unsupervised remote sales transaction, the manager – with O'Farrell's blessing – successfully injected his son, Dan, into the Company's affairs by making him the new dummy vendor.<sup>118</sup> The terms of the purchase agreement stated that the “deed and withdrawal of Adverse” were to be placed in escrow at the Bank of B.N.A. on June 5<sup>th</sup>. The younger Burke would receive the documents upon payment of the remaining \$1,125.00 to Mackenzie, et al. on or before June 21, 1896 (the \$250.00 earnest money being non-refundable).<sup>119</sup> The father quickly reassured the Nestegg head office that he had complete control of the situation: “D.J. Burke is my son and will deed to whom I say. I have also his power of attorney.”<sup>120</sup>

The men in Victoria doubtless found little comfort in Burke's reassurances. Though they may have been puzzled at first, it surely did not take them long to grasp the possible implications of Dan Burke's role. They had authorized O'Farrell to be the purchasing agent *not Dan Burke*. The fact that O'Farrell *was* charged with making the purchase is probably the very reason why he chose not to do it. Likewise, John Burke's well documented official capacity with the Company also likely caused him to avoid being a signatory. Acting as agents on record, either of these men would have legally been bound to turn the deed over

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<sup>117</sup>NEFFGMC *Share Transfer Ledger*, 27. The agreement with Kelly was eventually honoured when a potential sale of the Nestegg was in the works. The offer hinged on a clear title and the Company needed to eliminate any possible claims that might obstruct completing the Crown Grant for the Fire Fly property.

<sup>118</sup>“In accordance with Mr. O'Farrell's instructions...” (NEMC Correspondence, J. Burke to Ellis, June 6, 1896).

<sup>119</sup>NEMC Correspondence, J. Burke to Ellis, June 6, 1896. The additional \$25.00 was to cover the bank's fees and interest.

<sup>120</sup>NEMC Correspondence, J. Burke to Ellis, June 6, 1896.



to the Nestegg Company once they received it. But the younger Burke had no such binding ties and, if necessary, he could conceivably claim to be acting on his own behalf. Indeed, John Burke's assertion that his son would "deed to whom I say" may have been more of a warning than a reassurance. Under the circumstances the Victoria head office seemed to have little choice but to honour Burke's arrangement with the vendors. If they refused to purchase the other half of the Fire Fly, the Burkes would be free to either buy out the option themselves or sell it to the highest bidder. If that happened no real asset would be realized out of the money already spent and the threat of litigation would linger on. In short, the Burkes *appeared* to be in a potential position to make finalizing the Nest Egg purchase, and any development of the Fire Fly, very complicated.

The final cost of "quieting the adverses" can, with some difficulty, be traced through the Company's correspondence and account books. In settlement of Toronto's litigation (reportedly on behalf of the "Excelsior" and "Best"), O'Farrell agreed to pay \$1,500.00, with \$500 to be refunded by Cooper at a later date. On May 28<sup>th</sup> the Managing Trustee signed a draft "in favour of J. Burke" for the full amount.<sup>121</sup> A few days earlier one half of the Fire Fly was purchased for \$1,375.00 and on June 1<sup>st</sup> a cheque for \$1,378.45 was issued to the Rossland bank holding the escrow papers.<sup>122</sup> It is not known why Ellis chose to send the full amount *including* the \$250.00 earnest money already supposedly paid in by O'Farrell.<sup>123</sup> The other half of the Fire Fly was purchased for either about the same price *or* for \$250.00 plus 100,000 shares in a new company, depending on which manager's version the Trustees chose to accept. Apparently, the Company went with Burke's account of the settlement terms. On July 7<sup>th</sup> O'Farrell was paid \$600.00 "on a/c of purchase" of the Fire Fly mineral claim, presumably to partially reimburse him for paying off Lavallee.<sup>124</sup> And finally, in early

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<sup>121</sup>NEMC *Cash Book*, 6. O'Farrell never explained why he gave the draft to Burke and not to Toronto and "Potts" directly.

<sup>122</sup>NEMC *Cash Book*, 6; NEMC Correspondence, O'Farrell to Ellis from Spokane, May 23, 1896.

<sup>123</sup>Burke clearly indicated that only \$1,125.00 was owing (NEMC Correspondence, J. Burke to Ellis, June 6, 1896).

<sup>124</sup>NEMC *Cash Book*, 6.

October, Ellis reimbursed the managing director a further \$625.00 “on a/c” of the Fire Fly purchase, again presumably to reimburse him for a payment he made to Lavallee.<sup>125</sup>

When the property litigation negotiations were finished a number of unanswered questions remained. Was there anything in writing from Cooper regarding his promised \$500.00 rebate? Who paid Lavallee what and when? Was there an obligation to give the McKenzie group shares in a future company?<sup>126</sup> What was Kelly’s role? What happened to the \$250.00 earnest money? In total, the negotiators agreed to settle all litigation for \$4,250.00 but according to the Nestegg account books, by the end of October \$4,353.85 in cash was paid out specifically for settling the adverses and/or acquiring the Fire Fly. Somehow the Company wound up paying \$103.85 more than O’Farrell had settled for and twice what the Trustees budgeted at their April 10<sup>th</sup> meeting.<sup>127</sup>

The Fire Fly episode produced other more serious hidden costs that would continue to surface over the next two years. Although the threat of property litigation ended – for the time being – the company was never able to obtain clear title to its second property.<sup>128</sup> The Rossland managers remained dodgy when questioned about progress towards obtaining a Crown grant. At first it was claimed the delay was related to a legal dispute between two other neighbouring claims, the “Monday” and “Redneck.” The right judgment would supposedly benefit the Fire Fly but only if it remained unsurveyed in a mineral claim state.<sup>129</sup> And then there was the confusion surrounding the survey that was allegedly completed. Sometime before November of 1896 a surveyor, G. Ellacott, was hired to straighten out the boundaries of the claim but nearly a year passed and the Company still did not have his

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<sup>125</sup>“Extraordinary General Meeting,” October 15, 1896, (NEMC *Minute Book*, 11).

<sup>126</sup>The *Share Ledger* for both the original and the reorganized Nestegg companies indicates no stock was ever issued to any of the adverse claimants.

<sup>127</sup>“3<sup>rd</sup> Meeting of the Trustees,” April 10, 1896, (NEMC *Minute Book*, 7).

<sup>128</sup>Blaming the “loose ways in which this Company’s affairs have been managed,” the second Secretary was still unable to straighten out the ownership to the Fire Fly a year and a half after the purchase (NEMC Correspondence, Munro to Rolt, January 19, 1898).

<sup>129</sup>NEMC Correspondence, Munro to Scolley, April 30, 1897.

plans<sup>130</sup> In September of 1897, then-manager F.W. Rolt reported that the surveyor's "notes" were not sent to Victoria for several reasons. Besides the still unresolved Monday-Redneck litigation, Rolt also claimed the "work" done in the Nest Egg shaft (which was to be applied to statutory requirements for the Fire Fly Crown grant) was never measured by Ellacott.<sup>131</sup>

### The "Rake Off"

It was not until January of 1898 that the real reasons behind the problems with the Fire Fly's Crown grant came to light. The Company's second secretary eventually ascertained that the deal with Mackenzie, McLean, and Blackwood was never consummated. Apparently, Mackenzie failed to convey his interest in half the mineral claim which was, of course, necessary if the Company was to get a Crown grant.<sup>132</sup> Smelling something suspicious, the mine's last manager decided to look for other surprises lurking in the Fire Fly's past. In January 1898, after considerable digging at the Rossland Land Registry Office, F.W. Rolt at last determined what transpired during the May 1896 negotiations.<sup>133</sup> Originally, Toronto and Lavallee each held a half interest in the mineral claim.<sup>134</sup> On April

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<sup>130</sup>On October 22<sup>nd</sup> Ellacott indicated he had finished the survey per instructions from Gaston and would drop the map off at the Bank of BNA in Rossland as soon as the draft for his services was accepted (NEMC Correspondence, Ellacott to Ellis, October 22, 1896). Nine days later the draft for \$85.00 was paid but there is no record of the bank receiving or forwarding the map to Ellis (NEMC *Cash Book*, 8).

<sup>131</sup>NEMC Correspondence, Rolt to Munro, September 17, 1897 and October 20, 1897. Work done on an adjoining location was transferrable for the "proving up" of a mineral claim provided the same person/company owned both properties (B.C., *Statutes, 1891*, "Mineral Act, 1891," 54 Vict., c. 25, s. 138). The mine shaft was almost certainly full of water in late 1897 but should have been dry a year earlier when it was supposedly surveyed.

<sup>132</sup>NEMC Correspondence, Munro to Rolt, January 19, 1898 and February 22, 1898.

<sup>133</sup>The land transfer history of the Fire Fly was detailed in a January 14, 1898 letter from Rolt to Munro which was summarized in NEMC Correspondence, Munro to Rolt, February 22, 1898.

<sup>134</sup>H.P. Toronto apparently never did make a claim on behalf of his "Best" and "Excelsior" but rather on behalf of his ownership in the Fire Fly. The fact that both Toronto and Lavallee originally held the claim jointly probably is illustrative of a typical grubstaking agreement whereby the merchant (hotelkeeper Lavallee) staked the prospector (Toronto) for a half interest in anything he found (the Fire Fly.).

11, 1895 Toronto transferred half his interest (one fourth of the Fire Fly) jointly to McLean, McKenzie, Blackwood, and two others named Leith and Norman.<sup>135</sup> Five weeks later Leith and Norman transferred their interests (1/10 each) jointly to McKenzie and McLean (increasing their ownership to 3/20 each). And finally, on October 23, 1895 Lavallee sold his entire half interest in the Fire Fly to McKenzie, McLean, and Blackwood. Therefore, O'Farrell and Burke paid Lavallee \$1,350.00 on May 22, 1896 for the same half interest the Registry records indicate *he had already sold seven months earlier*. This half was then supposedly transferred to Kelly who in turn, for a fee of 500 shares, transferred it to D.J. Burke. One can only imagine the disgust in Victoria once it was learned half the Fire Fly was purchased from a fictitious owner and that almost one third more was spent for the property than it actually cost. And what happened to the \$1,375.00 supposedly paid to Lavallee? It is safe to assume the man who was sent to negotiate a "controlling interest" in the Fire Fly engineered a "rake off" instead.<sup>136</sup> It is also reasonable to assume that he shared his booty with his accomplices Burke, Lavallee, and the lawyer McLeod.

By January 1898 it was embarrassingly evident that the sloppiness which attended the property negotiations was in fact a smokescreen used to conceal a cunning fraud. D.J. Burke was never in a position to threaten anyone since the bill of sale he was holding was not worth the paper it was written on. He was actually meant to take the blame in case the fake transaction with Lavallee was exposed. The Company's Rossland lawyer F.M. McLeod was the key to making the scam work and he played his role well. Weaving his

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<sup>135</sup>The only person named Leith possessing a Miner's License in 1897 was a New Westminster schoolteacher named Thomas Leith (*Henderson's Directory, 1897, 123, 419*).

<sup>136</sup>Once O'Farrell learned Rolt was on the trail he anxiously volunteered to solve the mystery in a feeble effort to sow more confusion and cover his tracks. Writing to Holland in early 1898, Rolt incorrectly speculated on the reasons for O'Farrell's sudden interest in the Fire Fly's paper trail:

The Firefly [*sic*] title is certainly defective as fas the entries on the Records here are concerned.... O'Farrell by the by is here now & is fussing about after the said papers in a manner that only too clearly proves that he knows nothing whatever about it. ...But no doubt our friend [O'Farrell] is actuated by the benevolent wish to repair his former errors if possible (BCLIA Correspondence, Rolt to Holland, January 31, 1898).

THE FIRE FLY CLAIM "RAKE OFF"

LOCATED OCTOBER 9, 1894

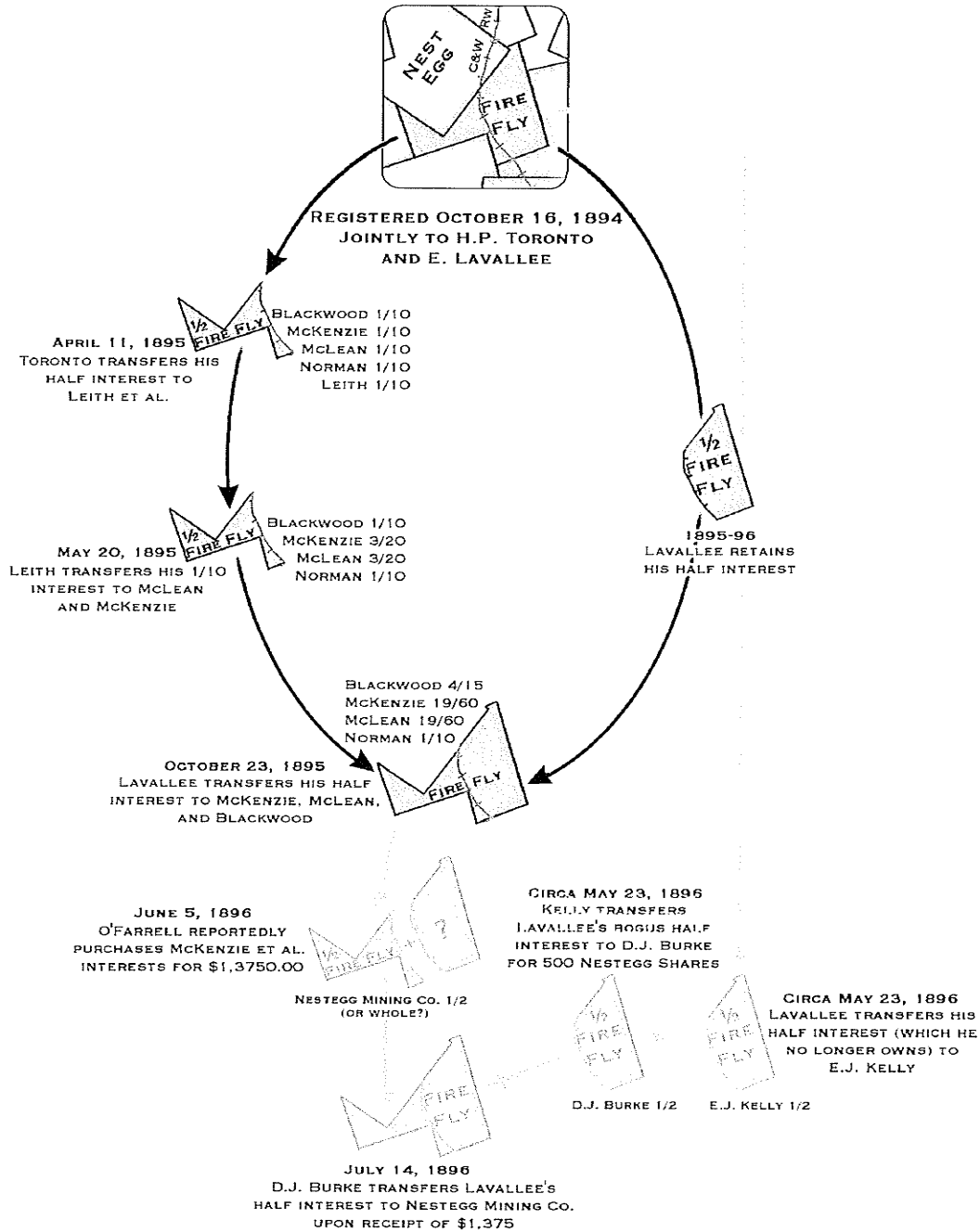


Fig. 11

silver-tongued magic, O'Farrell fed McLeod the false ownership scenario and apparently the lawyer bought the story without checking it out. Not yet aware that their Rossland solicitor was such "an idiot," the Victoria head office accepted McLeod's version of events without

hesitation when it was received in June of 1896. With McLeod's confirmation in hand, Ellis proceeded to reimburse O'Farrell for payments he supposedly made to purchase half a claim the Company already owned.<sup>137</sup> Later events seem to indicate a nice chunk of bait may have been attached to the end of the line the Managing Trustee fed to the "idiot" lawyer. Writing to Ellis at the end of August, O'Farrell generously agreed to knock \$75.00 off the funds owed him for paying off the Fire Fly claims if the Company would send the balance remaining (\$600.00) to McLeod.<sup>138</sup>

### Cooper's Costs

The Fire Fly affair yielded other hidden, albeit less engineered, costs long before 1898. During settlement negotiations an agreement of sorts was made with Cooper to cover his legal expenses related to the motion for change of venue (as stated earlier, this was probably essential for Cooper's cooperation). Eventually, however, the debate over the amount he was to receive blew up into a source of a considerable grief. When Rithet negotiated the pretend purchase before the Company was formed, he allegedly promised to repay Cooper "all and every expense that arose on the Nest Egg property."<sup>139</sup> Cooper's lawyers were more than happy to take advantage of Rithet's blank cheque, and, since their client still controlled the Certificate of Improvement necessary for the Nest Egg's Crown grant, they were in an excellent position to force a concession from the Company. Exactly how much Cooper and his lawyers wanted seemed to vary from moment to moment. A

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<sup>137</sup>McLeod outlined the fictitious trail of ownership as provided to him by O'Farrell: "I have been asked by Mr. P.A. O'Farrell to write you concerning [*sic*] the Nest Egg title..." (NEMC Correspondence, F.M. McLeod to Ellis, June 6, 1896). Payments were subsequently made to O'Farrell on July 7 and October 24, 1896 to reimburse him for payments allegedly made to acquire Lavallee's half of the Fire Fly (NEMC *Cash Book*, 7).

<sup>138</sup> "...tell Kirk that if he allows payment for the \$600 I wired McLeod to draw for amt the \$675 the company owes me now I shall be satisfied to ask no commission on the second 25,000 shares of Nest Egg" (NEMC Correspondence, O'Farrell to Ellis, August 27, 1896).

<sup>139</sup>NEMC Correspondence, Cooper to J. Burke, June 11, 1896. In early March Burke sent the Victoria office a note and attached a copy of an agreement between Rithet and Cooper. Unfortunately, the attachment has been lost (*ibid.*, Burke to Ellis, March 8, 1896).

demand letter sent June 11, 1896 was deliberately vague about the amount of the costs judgment against him.<sup>140</sup> They were probably testing the water to see what the market would bear. Burke reported shortly afterwards that at one point Cooper agreed to accept \$45.00:

I offered to pay the \$45 to him if he would give me a receipt in full for it and if he would instruct his surveyor to forward the Certificate for Crown Grant. This he agreed to do, but when I got to the Surveyors office and examined the Certificate of Improvement, which is all right, and offered him the \$45, he then wanted \$50, claiming to have some other little expenses of \$5. I refused then to be flinched [filched] out of that \$5 as it was nothing more than a piece of rascality."<sup>141</sup>

Burke thought that time was not in Cooper's favour and advised procrastinating. He assumed that when the final installment was paid at the end of the summer, title to the claim would be released from escrow and, "we will get rid of him entirely." But the head office knew it was more important to keep Cooper quiet and Burke was instructed to pay the \$50.00.<sup>142</sup> Their hands were already full of Fire Fly property problems and they needed to avoid having any more business secrets dragged into court over such a trifling amount. It was also cheaper to give Cooper \$50.00 than pay someone else to redo the survey and assessment work.

But by the end of July Cooper and his back-country lawyers were putting the Victoria men through the proverbial wringer. Besides holding up progress on the Nest Egg Crown grant, the Cooper gang discovered an opportunity to mulct the Company out of its \$500 rebate on the purchase price. An agreement specifying the rebate was made during settlement negotiations with H.P. Toronto but now nothing could be found in writing to authenticate it. Responding to Ellis's frantic inquiries, Burke wired at the end of July: "That order was not left with me. The lawyer says it was made between O'Farrell and Cooper but don't [sic] know what became of it."<sup>143</sup> Paul Gaston, a major investor and aspiring manager, pinned the blame on O'Farrell. Gaston, who claimed he was present when the agreement

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<sup>140</sup>NEMC Correspondence, Cooper to Burke, June 11, 1896.

<sup>141</sup>Ibid., Burke to Ellis, June 22, 1896.

<sup>142</sup>The *Journal* and the *Cash Book* verify that the Company reimbursed Burke for paying Cooper \$50.00 in June of 1896 (*NEMC Journal*, 77; *NEMC Cash Book*, 6).

<sup>143</sup>NEMC Correspondence, Telegram from J. Burke to W.H. Ellis, July 30, 1896.

was written up by Cooper's lawyer, reported that O'Farrell "seemed" to have forgotten to take a copy with him.<sup>144</sup> In his defence, O'Farrell tried to shift the blame onto the Company's Rossland solicitor declaring: "McLeod played a vilanous [*sic*] part in not forwarding the agreement with Cooper. There is no excuse for him. He must be either fool or knave or both."<sup>145</sup> By now the men in Victoria should have been forming a different opinion about who was the fool and knave.

As with the adverses, there was a lack of consensus within the management on how to deal with Cooper. Burke now recommended placing \$500 in escrow pending settlement of the dispute, with the remainder of the last installment to be paid out as previously agreed.<sup>146</sup> Interim manager Paul Gaston suggested something more devious. He thought the Company should write Cooper a cheque for the full amount he was demanding, then bring suit as soon as the documents were turned over and have the funds in the bank "attached" before the cheque was cashed.<sup>147</sup> However, the Victoria men, and the President in particular, were not interested in writing cheques to Cooper. Kirk was reportedly adamant that the Nestegg Treasury would not be "at the chief expense of the settlement with Toronto."<sup>148</sup> However, Kirk's intractability belied a more pressing and less publicized reason for delaying Cooper's settlement – the Treasury was empty. Writing to Rithet in early October, Holland confessed that the Trustees were contemplating throwing the remaining shares on the market to pay the miner's back-wages and "get the Crown grant in our hands."<sup>149</sup>

The person in whose hands the Crown grant rested had proven to be tough customer. A "very sullen, sulky, and unapproachable" Cooper refused Gaston's offer of \$2,000 on August 17<sup>th</sup> claiming he would only do business with Rithet.<sup>150</sup> Then, two days later Cooper

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<sup>144</sup>Ibid., Gaston to Ellis, August 17, 1896.

<sup>145</sup>Ibid., O'Farrell to Ellis, August 27, 1896.

<sup>146</sup>Ibid. J. Burke to Ellis, July 30, 1896.

<sup>147</sup>Ibid., Gaston to Ellis, August 17, 1896.

<sup>148</sup>Ibid., Ellis to J. Burke, August 1, 1896.

<sup>149</sup>BCLIA Correspondence, Holland to Rithet, October 7, 1896.

<sup>150</sup>NEMC Correspondence, Gaston to Ellis, August 17, 1896.



finally did the unthinkable and took his story to the press declaring the Company had defaulted on its final installment causing the property to revert to him.<sup>151</sup> On the 21<sup>st</sup> he went a step further and posted notices at the mine threatening prosecution of anyone trespassing on *his* property. The Nest Egg's mining crew promptly departed *en masse*.<sup>152</sup> With their wages in arrears and no property as security for their back pay, there was no incentive for the men to keep working. A new crew was put on, courtesy of interim manager Paul Gaston, but the real damage was done. Eventually, at the end of September, the ill effects of the bad publicity brought both sides to their knees and a compromise was reached. The Company would immediately pay Cooper \$2,000 with a further \$500 to be placed in the bank to "cover any costs etc. that Cooper may be called upon to pay."<sup>153</sup> The deal was struck but Cooper still had to wait another month until the funds were raised. On October 26<sup>th</sup>, Cooper was at last paid the final installment on the Nest Egg plus \$27.00 towards the costs of his lawyer for the Toronto litigation and \$200.00 towards the costs of his present lawyer. With "some adjustments" the total was supposed to be \$2,250.00.<sup>154</sup>

### A Shaky Beginning

After ten months of anxiety the Nestegg Company finally obtained title to the mine it supposedly purchased on the day of incorporation. But the mineral claim the Trustees thought in January they were buying for \$5,000.00 eventually cost them almost twice that amount or nearly three fourths of the working capital raised from sales of "in trust" Treasury shares.<sup>155</sup> Just as serious were the hidden costs produced by the property problems. During

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<sup>151</sup>Ibid., Gaston to Ellis, August 19, 1896.

<sup>152</sup>Ibid., Gaston to Ellis, August 21, 1896. The land was the best security the miners had to ensure they would be paid. As long as the Nest Egg's title was disputed it would be difficult for them to initiate a Mechanics' Lien action.

<sup>153</sup>NEMC Correspondence, Gaston to Ellis, September 23, 1896.

<sup>154</sup>Ibid., Gaston to Ellis, October 26, 1896. The \$2,227.00 was paid out (without Gaston's "adjustments") on October 24<sup>th</sup>. On December 5<sup>th</sup> the Treasury received \$117.50, the residue from the \$500 deposited in the bank for Cooper's costs (NEMC *Cash Book*, 6, 7).

<sup>155</sup>The final cost of settling the property dispute was broken down as follows: \$6,109.50 for the Nest Egg, \$2,943.70 for the Fire Fly, and \$859.25 for legal expenses almost entirely

the process of resolving the disputes, the Burkes, Paul Gaston, and O'Farrell entrenched themselves firmly but inconsistently in the Nest Egg's management. The Company's inability to maintain stability in the managerial chain of command during the property crisis was to have grave consequences for business affairs at the mine. Even more disastrous was the bad press that came out of the affair. Besides derailing sales of "in trust" Treasury stock, which were apparently moving well in Victoria, Toronto, Montreal, "and Quebec," the newspaper coverage probably killed at least one opportunity to unload some of the Company's property. At the end of August, just when O'Farrell was about to seal a deal in Toronto for a bond on the Fire Fly property, the *Rossland Miner* exposed the new problems with Cooper.<sup>156</sup> It was likely no coincidence that the proposed option evaporated soon thereafter.

Could the Company have avoided the problems encountered during the acquisition of the property? Probably not. Taking up O'Farrell's option on the mineral claim was the most expedient and least risky approach to acquiring the property. In the unlikely event that shares did not sell or if initial exploration and development proved the prospect to be barren, the Victoria founders could bail out with minimal financial losses. Picking a mineral claim instead of a Crown grant was simply a matter of economics. The claim was cheaper and therefore reduced the risk factor even further. But why did the Company apply for a Crown grant *before* any real development work was done? Why not wait and see? On the face of it, this seems to have been a mistake, but in fact it may have been unavoidable. The *Rossland Miner* learned adverses were lurking in the shadows within a month after incorporation and used the *Colonist's* exaggerations to paint the company into a corner. The company men had to choose between quitting before they had a chance to assess the mine's potential, or securing title to the Nest Egg, clearing its reputation, and resuming the promotion to see what the funds raised would find underground. They also knew that

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incurred as a result of the property disputes ("Statement as at December 5<sup>th</sup> 1896," attachment to NEMC *Cash Book*).

<sup>156</sup>NEMC Correspondence, O'Farrell to Ellis, August 27, 1896. Admittedly, the substance, if any, of the alleged deal is questionable since O'Farrell was prone to exaggerate.

quitting was not really an option. The public shareholders invested under the assumption that clear title to the mine was transferred from Rithet and they would almost certainly sue if the venture wound up. The Company's difficult course seemed to be set the moment the complicated decision was made to acquire the option on the Nest Egg mineral claim.

While a property dispute or two may not have been an unexpected aspect of developing any B.C. speculative mining venture, the route chosen to resolve the Nest Egg's adverses certainly exhibited poor judgment and carelessness on the part of the Victoria management. The supposed settlement with Toronto, owner of the two mystery claims "Best" and "Excelsior," was too fast and too quiet. O'Farrell supposedly paid out \$1,500.00 to effect settlement of an adverse for which no legal records exist. And, as we have seen, the acquisition of the Fire Fly was fraught with frauds from beginning to end, all of which could easily have been exposed had anyone bothered to make a simple enquiry at the Land Registry Office. The difficulties with Cooper were also unnecessary. The cavalier handling of his negotiations with the Company's representatives in Rossland (O'Farrell, Burke, and Gaston) was inexcusable. If this petty spat had been avoided, Cooper's final payment might have been made on time before the interim mine manager had a chance to squander what remained in the Treasury. The Cooper conflict also generated harmful publicity just when the Nest Egg's tarnished image – and the value of its shares and properties – was finally being restored.

It is difficult to understand why businessmen like Holland, Rithet, and Kirk, who were heavily involved in B.C. real estate, could be so easily bamboozled by O'Farrell and his Spokane friends. The distance factor certainly may have been a contributing factor. However, it is also obvious that the Victoria men did not trust themselves to operate in the peculiar business and courtroom environs of Rossland's mining boom. After all, securing a mineral property was much more complicated than acquiring town lots or woodlands. The Spokane men were *supposed to be* well versed in the practice of "Inland Empire" mining promotion and it was natural, maybe even essential, for the Victoria men to trust their guidance. O'Farrell's extremely powerful pen was also a force to be reckoned with. His access to the press could easily become a double-edged sword – as the directors of the Palo

Alto enterprise discovered.<sup>157</sup> And lastly, some of the Trustees may have had a vested interest in keeping O'Farrell happy. Various pieces of correspondence found in the B.C. Land Company's files refer to several promissory notes given by O'Farrell to Holland and Charles Hayward.<sup>158</sup> If there was a serious falling out before the debts were paid, the note holders would likely find themselves holding the bag – or more likely, a bag full of O'Farrell's worthless share certificates.

An appraisal of the Nestegg Company's start-up strategy might best be summarized as “innovative but disappointing.” The Victoria men chose a novel approach when organizing their venture. Although promising in many respects, the success of their scheme was always contingent upon the property being acquired quickly and discreetly *after* the false image they promoted generated the necessary capital. Clever as it was, the plan was extremely vulnerable. Any slight bump along the way would bring down the Nest Egg's house of cards. Yet, in spite of more than a few bumps the company persevered. Securing the mine eventually did cost twice what was anticipated, but the company also ended up with twice as much property as expected.<sup>159</sup> And they were seemingly attractive acquisitions. Both claims contained “mineralized” deposits and were adjacent to the recently completed Columbia and Western Railway.<sup>160</sup> The railway connection to the new

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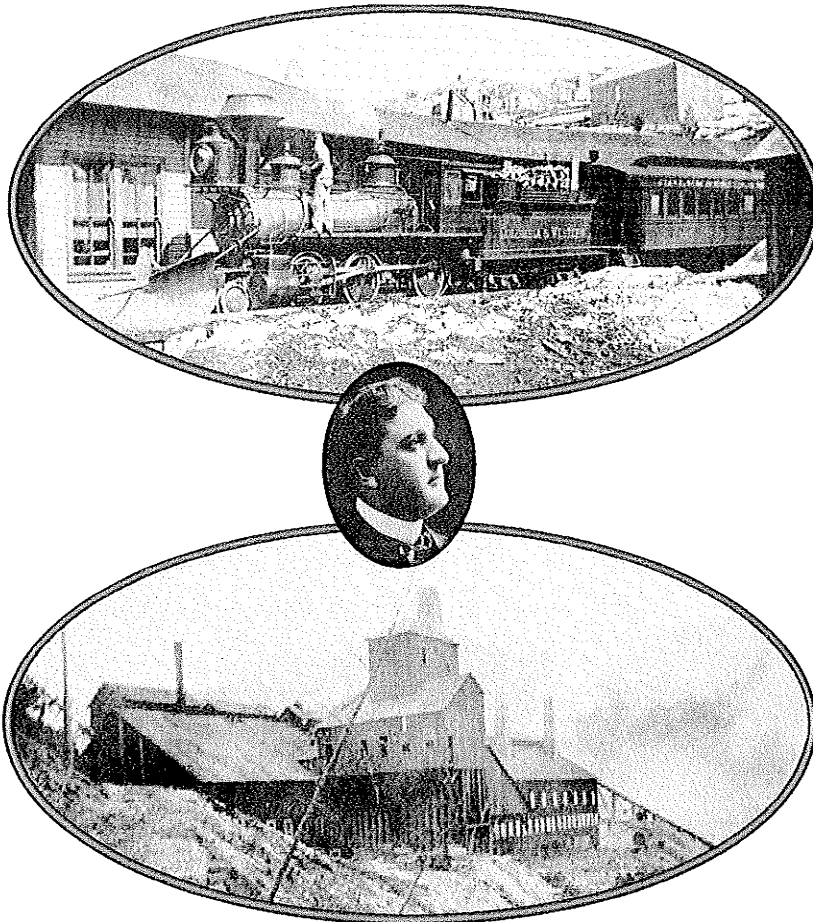
<sup>157</sup>When the Palo Alto's trustees deposed him in October 1896 O'Farrell responded with a series of virulent counterattacks in the press. The result was a civil war among the investors and a serious decline in share values (*Colonist*, October 25, 1896).

<sup>158</sup>BCLIA Correspondence, Holland to O'Farrell, August 25, 1896; *ibid.*, September 17, 1896; *ibid.*, O'Farrell to Holland, October 28, 1896). For a detailed discussion of the financial relationship between Holland and O'Farrell see Chapter IV.

<sup>159</sup>This statement is somewhat misleading. Although the idea was tossed around from time to time, the Company never did (or never could) obtain a Crown grant for the Fire Fly. Instead it continued to complete the annual \$100 assessment work necessary to retain it as a mineral claim. (NEMC Correspondence, Gaston to Ellis, September 22, 1896; *ibid.*, Scolley to Munro, March 30, 1897; *ibid.*, Rolt to Munro, September 17, 1897; *ibid.*, Munro to Rolt, September 20, 1897; *ibid.*, Munro to Scolley, November 3, 1897; *ibid.*, Rolt to Munroe, November 9, 1897; *ibid.*, Munro to Rolt, May 4, 1899).

<sup>160</sup>The ore found in the Nest Egg vein was at least modestly promising. A sample taken in June assayed \$13.60 per ton silver and gold and 3.3 percent copper. (NEMC Correspondence, “Certificate of Assay,” from Richard March, Rossland Assayer, June 6, 1896).

smelter in Trail meant that even if the Nest Egg's ore was somewhat low grade, the Company could still conceivably turn a profit. The Victoria men were also convinced that



12. Columbia & Western Railway, Trail Smelter, and F.A. Heinze  
 C&W Railway from Rossland Historical Society; F.A. Heinze from  
 World Museum of Mining, Butte; Trail Smelter from B.C. Archives, B-06598

selling the undeveloped Fire Fly claim would fetch twice what it cost to secure both locations.<sup>161</sup> Regardless of the supposed potential of its newfound asset, the Company had veered dangerously off course from the original simple objective of acquiring and exploring

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<sup>161</sup>NEMC Correspondence, Munro to Thomas Howarth, March 30, 1897. Responding to inquiries by Howarth, a prospective underwriter with British connections, Munro quoted from a report by Burke dated December 5, 1896: "The purchase of the 'Firefly' [*sic*] was a most fortunate thing for the Company. It secured the Company a claim worth today \$20,000.00 & a claim which I am confident will develop into a very valuable mine."

the Nest Egg mineral claim. By the time the property problems were resolved the operation was in a desperate financial condition and struggling to overcome a bad image – certainly not the best environment for managing a successful mining promotion. In the final analysis it is difficult to say to what extent the Victoria men should be held accountable. Could they have anticipated or avoided the problems that foiled their unusual method of starting up the company? It seems doubtful. Ellis and O’Farrell, the two trouble-makers ultimately responsible for the company’s difficulties, were, in spite of their shortcomings, absolutely essential to the scheme. Success depended upon the *Colonist’s* publicity and O’Farrell’s connections and “expertise.” The Company would simply have to find ways to manoeuvre around the pitfalls these two created.

Ultimately, much of the blame for the Nest Egg’s growing pains must be attributed to the cultivated confusion that developed between the Board of Trustees and its managers in Victoria and Rossland. While the methods employed to start up and promote the mine placed it in a vulnerable position from the start, the technique initially proved to be surprisingly successful. The property problems that derailed promotion plans were largely due to a lack of confidence, supervision, and communication – in short, a lack of skill in handling an unfamiliar business over long distance. Nevertheless, with some help from Ellis’s newspaper, Kirk’s pocketbook, and flexible financing from the Victoria banks, the founders managed to overcome the damage caused by Ellis’s protracted press war and O’Farrell’s subterfuge.

## CHAPTER III

### MAKING A MINE—IN VICTORIA AND ROSSLAND

January to September 1896

#### The Company Men

The Nestegg Company's management contained three tiers: the British company men in Victoria, the mostly American mine managers in Rossland, and a third level of in-between administrators who did not fit exactly within either group. At the



13. President G.A. Kirk  
Courtesy Brad Morrison,  
Victoria, B.C.

top of the ladder were the company men, a small circle of Victoria merchants connected to each other economically, politically, and socially. President G.A. Kirk, was prominent in local business circles and an excellent asset to any budding mining enterprise. At twenty-six years of age his star appears to have risen rather quickly in Victoria. The 1894 *Henderson's Directory* lists him as a clerk with Turner, Beeton & Company, "wholesale dry goods and liquors, commission merchants, agents," but by 1898 he had ascended to the presidency of Victoria's B.C. Board of Trade.<sup>1</sup> Besides an office in Victoria,

the Turner, Beeton Company also had branches in Nelson, Vancouver, and, most importantly, London, England—the happy hunting ground for late nineteenth century mining investment.<sup>2</sup> Kirk's standing in Victoria's business community was further enhanced by the

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<sup>1</sup>*Henderson's Directory, 1894*, 319; *ibid.*, 1898, 766. There is no record of Kirk in the 1890 Victoria City Directories.

<sup>2</sup>"Almost all the promoters in London have formed some sort or other of company to deal with mining in [British Columbia]" (*Engineering and Mining Journal* [New York], January 8, 1898, p. 45), as cited in Mouat, *Roaring Days*, 48. Mouat also pointed out that by 1898 sixty-four B.C. mining companies were floated in London, or "nearly half of the year's total for all of North America." (*ibid.*, 180, n. 4).

fact that a partner in his firm, John Turner, was the current Premier of the Province.<sup>3</sup> The Nestegg's President also had family connections that would prove important for the new venture: his brother, R.A. Lawrence Kirk, was a London director of both Turner, Beeton Co. and the British Columbia Land and Investment Agency.<sup>4</sup> Besides being a business associate of Premier Turner and connected to English commercial and financial interests, George Kirk was soon to be linked by marriage to the powerful Dunsmuir clan.<sup>5</sup> At the time the Nestegg Company was being formed, its new president was quickly acquiring experience in the speculative mining business, having become involved in numerous other ventures across the province.<sup>6</sup> Kirk took his role as Nestegg President very seriously, personally presiding over most formal business meetings.

The extent of "Vendor" R.P. Rithet's influence in Company matters is difficult to

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<sup>3</sup>Turner received 1,000 shares in the initial distribution but there is no evidence in the NEMC *Minute Book* indicating he ever took an active role in the administration of the Nestegg Company. In fact, the Secretary later vehemently denied allegations in the press that the Premier was involved in managing the Company (*Colonist*, August 19, 1896).

<sup>4</sup>*Henderson's Directory, 1900*, 1099; R.A. Lawrence Kirk eventually obtained a considerable interest in the Nestegg venture. On October 27, 1896 he acquired 5,000 shares from a block of 14,500 "in trust" shares cancelled by Ellis four days earlier (*NEMC Share Transfer Ledger*, 12, 150).

<sup>5</sup>In 1903 Kirk married Elizabeth Harvey, the granddaughter of Robert Dunsmuir's widow (E.O.S. Scholefield and F.W. Howay, *British Columbia from the Earliest Times to the Present*, vol. 3 [Vancouver: S.J. Clarke Publishing Co., 1914], 510). The Dunsmuir's extensive coal and timber interests made them arguably the most powerful family in B.C.

<sup>6</sup>Kirk was reputed to have invested heavily in Nelson mining properties during 1895 (*Colonist*, February 27, 1896). In 1896 he reportedly paid \$10,000 cash for a two-thirds interest in the Palo-Alto claim near Rossland although he was never listed as a trustee of the company subsequently organized to develop the location (*ibid.*, May 7, 1896; *ibid.*, May 17, 1896). Kirk was also "chief owner" of the Duke of York Mining Company and a director of the Quadra Mining and Milling Company, both promoting development of mines in the Alberni mining camp (*ibid.*, May 18, 1896; *ibid.*, July 16, 1896).



pin down. Although never officially on record as a Trustee, Rithet and Kirk were often jointly referred to as the captains of the Company.<sup>7</sup> Yet, during the property dispute when Rithet's intervention was desperately needed (actually demanded by Cooper), there is no indication he became personally involved.<sup>8</sup> By the fall of 1896 Rithet became dissatisfied with "the parties who have now the direction of affairs" and dropped out of the management scene entirely.<sup>9</sup> He never even bothered to convert his 20,000 founders' shares when the Company was reorganized under a new name in 1897.<sup>10</sup>



14. Trustee A.B. Erskine  
From B.C. Archives, O-2132

Archibald Blair Erskine, a Victoria boot and shoe merchant who dabbled in mining properties, joined Kirk and O'Farrell to become one of the three incorporators of the Nestegg Company.<sup>11</sup> In spite of his modest capital contribution (4,500 shares), Erskine remained an important factor in the Nestegg's corporate management.<sup>12</sup> His name never appears in any of the Company correspondence but he attended every Trustee Meeting prior to his resignation in October 1896 and never missed any of the General Shareholders' Meetings.<sup>13</sup>

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<sup>7</sup> "... we shall be guided by Kirk & Rithet and yourself." (NEMC Correspondence, O'Farrell to Ellis, March 29, 1896). "To satisfy you and them [Kirk and Rithet], that the looks of the property more than justified the report, I had Mr. Crane ...examine the property." (ibid., J. Burke to Ellis, April 4, 1896).

<sup>8</sup> "[Cooper] mentioned Mr. Rithet's name and says he will do business with him only." (NEMC Correspondence, Gaston to Ellis, August 17, 1896).

<sup>9</sup>BCLIA Correspondence, Rithet to Holland, October 27, 1896.

<sup>10</sup>Nestegg Mining Company (NEMC) *Share Transfer Ledger*, 10.

<sup>11</sup>In 1899 Erskine was also listed as one of many directors of the British Pacific Gold Property Company. (*Williams' Directory, 1899*, advertising insert at page 584).

<sup>12</sup>Erskine received 2,500 shares during the initial vendors' distribution and picked up an additional 1,942 shares on August 11, 1896. (NEMC *Share Ledger*, 2, 19, 20).

<sup>13</sup>NEMC *Minute Book*, 1, 3, 5, 7, 10, 13, 17, 40.

When the Board of Trustees was expanded in October of 1896 three more Victoria men were added to the corporate management.<sup>14</sup> Two of the new directors, Arthur J. Weaver-Bridgman and Charles Hayward, were also successful Victoria businessmen and actively speculating in B.C. mining. Weaver-Bridgman was a partner in a local real estate/financial agency and the president of the Caledonia General Mining



16. Trustee Charles Hayward  
From Victoria City Archives  
PR234-1702

Association.<sup>15</sup> He had a legal background and was married to the daughter of Supreme Court Chief Justice Montague William Tyrwhitt-Drake.<sup>16</sup>

Hayward, a local undertaker and contractor, was the president and general manager of both the Alberni Gold Mining Company and the Minerva Mining Company as well as being a co-director with Erskine in the British Pacific Gold Property Company.<sup>17</sup> He was also one of the founding members of the short-lived British Columbia Stock Exchange formed in Victoria earlier in the year.<sup>18</sup> The Nestegg Company share register reveals that, like Erskine,

Hayward was initially a rather insignificant shareholder. However, he increased his holdings



15. Trustee  
A.J. Weaver-Bridgman  
Courtesy of Brad Morrison  
Victoria, B.C.

<sup>14</sup>Minutes of General Meeting of Shareholders, October 15, 1896 (NEMC *Minute Book*, 11).

<sup>15</sup>*Henderson's Directory, 1897*, 220, 410. Arthur J. Weaver-Bridgman was usually referred to in Company documents and the local press as Mr. Bridgman.

<sup>16</sup>*Who's Who and Why, 1913*, 83.

<sup>17</sup>*Henderson's Directory, 1897*, 225, 247; *Williams' Directory, 1899*, advertising insert at page 584.

<sup>18</sup>*Colonist*, May 6, 1896. Hayward was a member of the Exchange's Standing Committee on Mining.

considerably in 1897.<sup>19</sup> Both Hayward and Weaver-Bridgman had connections to the British Columbia Land and Investment Agency [BCLIA], a firm that came to play a large role in the Nest Egg's affairs.<sup>20</sup> Weaver-Bridgman was an active participant in the Nest Egg's corporate management from the moment he came on board. He never missed a Board Meeting and was not shy about going on record in opposition to his fellow Trustees.<sup>21</sup> Hayward also had a perfect attendance record and was very active in the Company's management, occasionally chairing the Board and even issuing orders.<sup>22</sup>

The last of the Nestegg's new company men, Cuyler A. Holland, was "chief manager" of the B.C. Land and Investment Agency.<sup>23</sup> Unlike Weaver-Bridgman and Hayward, Holland was one of the founders, having received his first block of 10,000 shares on February 4, 1897.<sup>24</sup> He was elected vice-president at the October General Meeting and

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<sup>19</sup>Weaver-Bridgman did not acquire any stock in the Company until June 5, 1896, and he never owned more than 2,625 shares. Hayward first invested shortly before his appointment in October 1896 and by year's end he still held only 3,750 shares (*NEMC Share Ledger*, 62, 143). However, at the end of 1897 Hayward's holdings had increased to nearly 70,000 shares (Nest Egg and Firefly Gold Mining Company [NEFFGMC], *Share Transfer Ledger*, 4).

<sup>20</sup>Weaver-Bridgman arrived from London in 1889 and worked for at least two years as a clerk with B.C. Land and Investment (*Colonist*, "Special" April 2, 1896; *Henderson's Directory*, 1889, 437). A month after he arrived he picked up twelve ordinary BCLIA shares. In December of 1892 Charles Hayward acquired ten shares in BCLIA. Both men held their shares through the life of the Nestegg Company (shareholder information supplied by BCLIA historian Brad Morrison of Victoria.). Numerous pieces of correspondence also indicate BCLIA "chief manager" C.A. Holland was personally looking after many of Hayward's mining investments (BCLIA Correspondence, Holland to O'Farrell, August 25, 1896 and September 17, 1896.).

<sup>21</sup>At the January 29, 1897 meeting of the Board, Weaver-Bridgman alone opposed the motion authorizing the Company to borrow funds to cover the cost of returned drafts for the first machinery installment and "other expenses. (*NEMC Minute Book*, 26.).

<sup>22</sup>See Minutes of Trustees Meetings, January 29, February 4 and 22, and March 3, 1897 (*NEMC Minute Book*, 26-28, 30). On July 6, 1898 Hayward was reimbursed for telegraphing instructions to the Rossland mine manager on June 15<sup>th</sup> (Receipt found in NEMC Correspondence [PR 5, Series 3, Box 4486, file 5]).

<sup>23</sup>*Henderson's Directory*, 1897, 767. Certainly his large holdings encouraged the Company's attention. Holland received 10,000 shares in the initial distribution and still held 11,792 shares at the end of 1896. (*NEMC Share Ledger*, 23, 262).

<sup>24</sup>*NEMC Share Ledger*, 23.



17. Vice-President  
C.A. Holland  
Courtesy of Brad Morrison  
Victoria, B.C.

was always keenly interested in the Company's operations and finances.<sup>25</sup> His attendance at meetings was more irregular than the other new Trustees and he seems to have been reluctant to fill the Chair when duty demanded it.<sup>26</sup> Nevertheless, Holland was heavily involved in the day-to-day affairs of the Company. Both the Nestegg and BCLIA correspondence records contain numerous letters written by him concerning various aspects of mining and corporate management. At one point Kirk contemplated giving Holland power of attorney over Nestegg matters, and in 1897 Holland was even authorized to temporarily manage affairs in Rossland.<sup>27</sup> With Kirk and Hayward, Holland became an indispensable source of fast cash when the Nest Egg was in financial difficulties.<sup>28</sup> Besides being influential, Holland appears to have also been congenial, thoughtful, crafty, and a competent money manager—attributes which, as we shall see, were in marked contrast to the Company's "meddling director," P.A. O'Farrell.

If Holland had one fault it was his unfamiliarity with "mining matters."<sup>29</sup> Writing to a clerk in the Nelson Mining Recorder's Office in the spring of 1896 he confessed: "I have no intention of taking any active part either as a [mining] broker or promoter. My entire ignorance of mines in general and the Kootenays in particular would hardly warrant

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<sup>25</sup>At the end of 1896 Holland owned 67,292 shares (*NEMC Share Ledger*, 23).

<sup>26</sup>See "Minutes of Trustees' Meeting," January 29, February 4, 1897 (*NEMC Minute Book*, 26, 27).

<sup>27</sup>BCLIA Correspondence, Holland to Kirk, November 6, 1896; "Minutes of Trustees' Meeting," June 8, 1897 (*NEMC Minute Book*, 37).

<sup>28</sup>By October 16, 1897, the Company was *officially* in debt to the trio for \$4,474.65 in personal loans plus an outstanding \$4,000 promissory note backed by them ("Balance Sheet, October 16, 1897," *NEMC Journal*, 84).

<sup>29</sup>BCLIA Correspondence, Holland to O'Farrell, November 6, 1896.



18. B.C. Land and Investment Agency, Victoria, B.C.  
Courtesy of Brad Morrison, Victoria, B.C.

any other course.”<sup>30</sup> Unfortunately, inexperience and congeniality led him to initially place his faith in individuals who were more accomplished in the business of deception than they were in mining. Holland was, however, a fast learner—eventually he was responsible for finding the Nest Egg’s last and ablest mine manager, F.W. Rolt. And, like Kirk, Holland was bold. He was willing to risk rubbing his London employers the wrong way if he felt there was a profit to be made.

The Nestegg Company’s two successive Secretaries were its most important management figures. They kept the books, collected the money, paid the bills, coordinated public relations (especially with the press and shareholders), conducted share transfers, and, most importantly, they received, read, relayed, and answered correspondence from the Trustees, shareholders, and mine managers. In this last capacity the Secretaries were in a position to personally direct corporate policy. As previously mentioned, the first Secretary, W.H. Ellis, as manager of Victoria’s *Colonist* newspaper, played a crucial role in promoting and protecting the Nestegg Mining Company’s image. However, his social background and business philosophy excluded him from the special circle of Victoria company men.

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<sup>30</sup>Ibid., Holland to G.R.G. O’Driscoll, March 16, 1896. O’Driscoll’s occupation is listed in *Henderson’s Directory, 1897*, 393.

Unlike Ellis, the second Secretary, A.K. Munro, had powerful social connections in Victoria. His father, Alex, Sr., was a retired Hudson's Bay Chief Factor for Victoria and



19. Secretary A.K. Munro  
From B.C. Archives, F-07391

his sister, Elizabeth Jane, was married to R.P. Rithet.<sup>31</sup> Like the other company men, Munro was anxious to learn the ropes in the speculative mining business. He became Secretary of the Skeena River Mining Company shortly after he assumed the same position with the Nest Egg.<sup>32</sup> No doubt his past experience working with a local engineering firm was also perceived as an asset to the Nestegg Company.<sup>33</sup> Munro was not as overextended as his predecessor, W.H. Ellis, and he succeeded in fulfilling his duties without any assistance or training. After an unavoidably rocky start, Munro settled into the Secretary's job admirably. His meticulous record keeping and punctual handling of correspondence reveal a man who

was attentive and efficient. Munro was in fact no stranger to running an office. His experience handling accounts dated back to 1877 when he started his business career as a clerk at the Victoria branch of the Bank of British North America.<sup>34</sup> Having later been stationed at the Bank's offices in San Francisco and Portland, Munro was one of the few company men who had some understanding of the complexities of long distance

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<sup>31</sup>Harry Gregson, *History of Victoria* (Vancouver: J.J. Douglas, 1977), 105. Alex Munro, Sr. probably helped teach his son accounting skills as well as introduce him to Victoria's social and political elite: "landownership and official position ... with the government, the Hudson's Bay Company or the Royal Navy remained the hallmarks of [Victoria's] 'upper crust'" (Gregson, *History of Victoria*, 100).

<sup>32</sup>*Henderson's Directory, 1897*, 785. The Skeena Company was formed on March 6, 1897 (ibid., 263).

<sup>33</sup>Since 1890 Munro had worked as an "agent" for Spratt & Gray, consulting engineers. (*Henderson's Directory, 1890*, 210; ibid., 1894, 338.). According to one source he also at one time held a partnership in the Victoria Machinery Depot (*Who's Who and Why, 1913*, 606).

<sup>34</sup>Scholefield, *B.C. From the Earliest Times*, vol. 3, 648.

management.<sup>35</sup>

Besides their strong business connections, the company men were also tied to each other through their common background. Most of the Victoria men were either directly or indirectly very much British in origin. As young men Rithet and Hayward came to B.C. from Britain during the Cariboo Rush.<sup>36</sup> A year after he was born in England, Munro was brought to B.C. when his father took over as accountant and overseer of the HBC's subsidiary Puget's Sound Agricultural Company in 1857.<sup>37</sup> Kirk, Weaver-Bridgman and Holland were relative newcomers with strong ties to the Old Country. Born at Dover, England into a Scottish military family, Kirk took a commission in the British Navy at an early age. He became disenchanted with the slow rate of advancement and resigned in 1889 to take a position with a London fancy fabric firm. In 1891, when he was only twenty-one years old, Kirk took a clerical post at Turner, Beeton Company in Victoria after a year's training with the parent company in London. C.A. Holland was born in South Africa a year after Rithet and Hayward arrived in B.C. His father was a wealthy landowner in the Cape Colony and his grandfather was a successful Lancashire manufacturer. Around 1886 Holland came to Victoria from England to take a position with his future father-in-law's real estate firm which eventually became the B.C. Land and Investment Agency. Although less is known about Erskine's background, we know that he arrived in Victoria from Ireland in 1876. Since he was a strong Protestant it is assumed he was of British decent and probably from Northern Ireland.<sup>38</sup>

The company men also shared common educational backgrounds and community interests. Nearly all were the product of British private schools. Rithet was schooled at Annan Academy on the Scottish border and Hayward received his education at Salem

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<sup>35</sup>Munro stayed with the Bank of BNA for sixteen years (*Who's Who and Why*, 1913, 606).

<sup>36</sup>*Who's Who & Why*, 1913, 330, 692.

<sup>37</sup>Biographical information on Munro family supplied by Brad Morrison of Victoria.

<sup>38</sup>Erskine's biographical information is derived from two newspaper obituaries published in Vancouver (*Vancouver Sun*, February 12, 1932; *Vancouver Province*, February 12, 1932). He was on the finance Committee of St. Andrew's Wesley Church and a member of one of the city's Masonic Lodges.

College, Middlesex, England.<sup>39</sup> Kirk attended an unspecified “private school” before entering officer training on the Royal Navy’s cadet ship, *Britannia*.<sup>40</sup> Weaver-Bridgman’s *alma mater* was Wolverhampton Grammar School, a reputable institution near Birmingham founded in the seventeenth century and still operating today.<sup>41</sup> C.A. Holland’s family possessed the wealth and connections needed to place him in one of England’s leading schools, Haileybury College, and afterwards in Trinity Hall, Cambridge.<sup>42</sup> It was at Haileybury that Holland met and befriended Kirk’s older brother R.A. Lawrence Kirk. Unlike Holland, Munro did not have the luxury of returning to England for his education but he did receive the best Victoria had to offer at the city’s Collegiate College, an Anglican school operated in the best tradition of a thoroughbred British “public school.”<sup>43</sup> Holland, Kirk, Weaver-Bridgman, and Rithet were members of Victoria’s Union Club and Hayward was on the roster of the Pacific Club.<sup>44</sup> Both Rithet and Hayward served terms as mayors of Victoria and Hayward also served on the board of the Jubilee Hospital with Holland.<sup>45</sup> Rithet and Kirk were presidents of the Board of Trade and Erskine eventually presided over the same institution in Vancouver. The average age of the company men was forty-one years. Hayward and Rithet were the old men of the group at fifty-eight and fifty-two respectively. Holland and Kirk were the youngest at thirty-three and twenty-six. The ages of the rest of the founders and officers were very close to the average.<sup>46</sup> With so many common threads in their personal background, the company men likely were well-acquainted and comfortable communicating with each other, an important asset for the

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<sup>39</sup>*Who’s Who and Why, 1913*, 692, 330.

<sup>40</sup>Scholefield, *B.C. From The Earliest Times*, Vol. 3, 1914, 509.

<sup>41</sup>*Who’s Who and Why, 1913*, 83.

<sup>42</sup>*Ibid.*, 869.

<sup>43</sup>English “public schools” of this period were in fact private institutions.

<sup>44</sup>Scholefield, *British Columbia From the Earliest Times*, Vol. 3, 870; *ibid.*, 510; *Who’s Who and Why, 1913*, 692; *ibid.*, 330.

<sup>45</sup>*Who’s Who and Why, 1913*, 330.

<sup>46</sup>O’Farrell, 46 years; Erskine, 41; Weaver-Bridgman, 36; Munro, 40.



successful operation of any corporation.<sup>47</sup>

The backgrounds of the company men also give us a clue as to the forces that drove their ambitions—perhaps even to the point of recklessness. All of the company men but Kirk, O'Farrell, and possibly Erskine came from well-to-do and aspiring non-professional families in Britain's heartland.<sup>48</sup> Most were driven to take advantage of opportunities on B.C.'s frontier to prove themselves to their families' social superiors in the Old Country.

This was especially the case with Kirk. Unlike the other company men, he was born into a successful British "professional" family with a long history of producing decorated military officers. He was the first of his brothers to follow in the family tradition, receiving his naval commission around 1886.<sup>49</sup> He was also the first to abandon that tradition when he resigned in 1889 and went to work with his oldest brother at Beeton & Co. Resigning a military commission to take a job as a clerk would have been an enormous step down in Victorian society. It might take generations of sacrifice and hard work before a family could place one of its members in a profession—either clergy (priest but not parson), law (barrister but not solicitor), medicine (physician but not surgeon), or military (officer [preferably army] but not soldier or sailor). Attaining the rank of a "professional" meant an individual and his family were respected enough to associate with and possibly even marry into the

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<sup>47</sup>According to T. W. Acheson, the private school backgrounds, intermarriage, and religious and social club connections that characterised the Nestegg company men were common traits among the rising new Canadian "industrial elite" after 1880 (Acheson, "Changing Social Origins of the Canadian Industrial Elite," 65, 69, 76).

<sup>48</sup>Erskine's pre-emigration background is still unclear and, although it is likely he shared the same socioeconomic motivations as the other founders, this cannot yet be confirmed. Holland was from South Africa but his family, and apparently its wealth, came from Lancashire.

<sup>49</sup>In 1888 Kirk's next oldest brother Henry joined his father's regiment, the Argyle and Sutherland Highlanders, and died in France during WWI having attained the rank of Brigadier General. His youngest brother Alistair Hope Kirk, attended Oxford and became an architect. Alistair later joined the army (presumably as an engineering officer) and served in Egypt and Palestine. Another brother served and died in the Boer War (Kirk family background provided by Brad Morrison of Victoria and Andrew Hambling, Archivist of Haileybury College, Hertford, England).

landed aristocracy.<sup>50</sup> For the Nest Egg's President, the decision to leave his profession was doubly painful. Besides sacrificing the social standing his fellow company men aspired to, Kirk soon discovered he had left the navy on the eve of the famous naval arms race with Germany. Had he stayed on a few years longer he certainly would have seen more than enough opportunity for advancement. In 1896 young Kirk needed to demonstrate to his family—and himself—that leaving the navy was not a mistake.

### Outsiders Inside the Corporate Management

The third level of “in-between” administrators was dominated by the first Secretary, W.H. Ellis, and Managing Trustee, P.A. O'Farrell. Ellis had many qualities that should have made him an excellent asset for the Nestegg Company. He probably was more experienced with speculative mining operations than any of the Victoria company men. His earliest mining activities date to 1891 when he helped organize the Stadacona Silver Copper Mining Company to work claims on Toad Mountain in the Slokan District.<sup>51</sup> The following year he joined a group of Tacoma entrepreneurs on the board of the Slough Creek Mining Company in their effort to develop alluvial gold deposits in the Cariboo District.<sup>52</sup> And as manager of the Colonist Printing & Publishing Company, publishers of Victoria's *Daily Colonist* newspaper, he would prove to be an invaluable tool for promoting the Nest Egg's image.<sup>53</sup> Not



20. Secretary W.H. Ellis  
From B.C. Archives  
BCA G-08475

<sup>50</sup>For an excellent analysis of the changing role and significance of the “professions” in Victorian society see: W.J. Reader, *Professional Men: The Rise of Professional Classes in Nineteenth-Century England* (London: Weidenfeld & Nicolson, 1966).

<sup>51</sup>Church, “Mining Companies in the West Kootenay and Boundary Regions,” 46.

<sup>52</sup>“Prospectus of The Slough Creek Mining Company; Incorporated January, 1892; Tacoma, Washington” (Tacoma?: publisher unknown), CIHM #16158.

<sup>53</sup>*The Williams' official British Columbia Directory, 1894 Containing General Information and Directories of the Various Cities and Settlements in the Province, with a*

surprisingly, Ellis was also well-endowed with communication skills. He was especially adept at twisting or exaggerating the facts, a skill not without merit in the mining promotion business.

The Nestegg Company's first Secretary also had his faults. He delegated the bookkeeping responsibilities to *Colonist* bookkeeper, Frank Sargison—and it was not a duty that Sargison performed with any degree of competence. His accounting methods were unorthodox and he failed to maintain the books on a regular basis. At the end of 1896 this became a serious problem when the company men needed a balance sheet for shareholder approval of a corporate reorganization.<sup>54</sup> The addition of an extra cog in the administrative works also caused difficulties, especially when paying the bills and keeping track of the Company's net worth.<sup>55</sup> Ellis received the correspondence but frequently he either did not forward instructions to Sargison or took action without informing his bookkeeper.<sup>56</sup> The Company was also saddled with the added expense of retaining two men to do the same job

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*Classified Business Directory, Compiled and Published by the Williams' B.C. Directory Co.* (Victoria: Colonist Printing & Publishing, 1897), 377. Throughout 1896 Ellis ensured that the Nest Egg received ample coverage in his paper (*Colonist*, January 21; February 5, 6, 8, 14, 20, 22, and 27; March 8, 19; April 2, and 30; May 7, 15, 23, 24, 29, and 30; June 22; July 1, 2, 3, 5, and 23; August 6, 19, 21, and 27; September 2, 3, and 19; October 7, 14, 16, 25, and 28; November 7, 11, and 20; December 4, 10, and 29).

<sup>54</sup>Holland pleaded with Ellis in November of 1896 to have Sargison get the books up to date: "If Sargison cannot have the Nest Egg accounts ready by next Wednesday or Thursday it would be much better to employ an additional bookkeeper. It is really imperative that the a/c's should be audited before the General Meeting, so that we may be able to satisfy shareholders how we stand" (BCLIA Correspondence, Holland to Ellis, November 20, 1896).

<sup>55</sup>The first trial balance of the Nestegg Company's books was not completed until the second Secretary assumed command in early 1897. Until then it is doubtful that Ellis or anyone else had a clear picture of the Company's indebtedness or assets.

<sup>56</sup>The Nestegg account books contain numerous entries where payment of bills was inexplicably delayed. See for example the August 1896 entry in the *Journal* providing details of payroll expenditure even though the *Cash Book* shows no activity for that month (NEMC *Journal*, 78; NEMC *Cash Book*, 6). Rossland expenditures during the months of September 1896 were not entered in the *Journal* until October, and the *Cash Book* entries for the latter half of December were out of sequence (NEMC *Journal*, 78, NEMC *Cash Book*, 8).

that together both were not doing with any efficiency.<sup>57</sup> Ellis's propensity to procrastinate definitely compounded the difficulties of long-distance business management. Important correspondence such as credit arrangements, accounts due, and share transfer requests often were neglected for weeks.<sup>58</sup>

And Ellis appears to have been careless as well as incommunicative. Obtaining the terms of the alleged rebate agreement with Cooper seems to have slipped his mind until it was too late, and his failure to monitor the muddled proceedings of the Firefly acquisition had serious consequences. The Share Transfer Book was never regularly balanced while Ellis controlled it and ultimately found to be in such a state of confusion that it was almost impossible for the second Secretary to make a proper accounting when the Company was reorganized in 1897.<sup>59</sup>

A lack of communication from the Company's supposed communications specialist

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<sup>57</sup>The *Cash Book* and *Journal* indicate that Sargison and Ellis were both on the payroll simultaneously, each usually receiving \$25.00 per month in cash or shares. (NEMC *Cash Book* entries for December 8, 1896, p. 8; NEMC *Journal*, 79).

<sup>58</sup>Although the Trustees instructed Ellis in early April 1896 to inform the mine manager that work was to be suspended, he did not comply until June 6<sup>th</sup> (Minutes of 3<sup>rd</sup> Trustees Meeting, April 10, 1896 [NEMC *Minute Book*, 7]; NEMC Correspondence, Burke to Ellis, June 6, 1896).

<sup>59</sup>Ellis made several significant errors when tallying the shareholder holdings included in the Minutes of the Second General Meeting held October 15, 1896. His mistakes seem to indicate the books were not up to date. Besides neglecting to register his own *personal* holdings, Ellis incorrectly estimated the President's holdings at 42,000 shares when in fact Kirk only held 31,250 (NEMC *Share Ledger*, 22; NEMC *Minute Book*, 10). Using a computer generated database analysis, I have also determined that at the end of 1896, just before the Company was reorganized, there were 500,185 shares in circulation even though only 499,000 were authorized for distribution. The cause of the surplus was determined by checking monthly share transfer balances. Four certificates were issued by Ellis without entering corresponding cancellations (NEMC *Share Ledger*, certificate #1022, p. 62 [125 shares to Weaver-Bridgman, July 13, 1896]; certificate #995, p. 12 [850 shares to "Ellis in Trust," November 27, 1896]; certificate #1026, p. 12 [10 shares to Alex. K. Munro "trust acct," April 15, 1896]; certificate #959, p. 260 [200 shares to N. Turgeon, M.P., November 6, 1896]). A check of the sequence of share certificates shows other irregularities that are more disturbing. Several certificate numbers are missing, especially during sequences involving founders transactions (certificates #36, 145, 153, 205, 941-946, 1018). In other instances certificate numbers are completely out of sync with adjoining share certificates. For example, certificate #177 was issued on February 4, 1896, while the preceding *and* succeeding certificates were issued more than two weeks later on February 26, 1896.

was the first Secretary's worst defect. During his tenure surprisingly little correspondence was generated between Ellis and the company men or the Rossland managers. Between January and September 1896, possibly the most active period of the Nest Egg's life, a total of only twenty-three pages of outgoing correspondence is recorded in the *Letter Book*.<sup>60</sup> There is also evidence suggesting that Ellis failed to relay important instructions to the managers and reports from the mine.

And lastly, although he lived and worked with the company men, Ellis was always an outsider looking in. He was born in Port Hope, Ontario, where his father and mother had settled after immigrating from England and Ireland respectively.<sup>61</sup> As an outsider, the thirty-seven year old Ellis was anxious to make a splash with the Nestegg and move his family upward in Victoria's business and social circles through the "cracks opened in the changing administrative and financial structure of the industrial corporation."<sup>62</sup>

P.A. O'Farrell, the Nest Egg's first and only "Managing Trustee," was a forty-six year old Irish "gentleman" living in Spokane at the time the Company acquired the Nest Egg.<sup>63</sup> He reportedly promoted several successful ventures in Butte, Montana before moving on to the mining camps of the Inland Empire and B.C.<sup>64</sup> Other Rossland projects besides the Nest Egg vied for the Managing Trustee's attention. He was simultaneously involved in promoting and developing numerous speculative ventures including the Deer Park,

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<sup>60</sup>This total includes *all* outgoing correspondence, not just letters to the Rossland managers. It does not include telegrams but the *Cash Book* indicates only three telegrams from Victoria were paid for during Ellis's tenure (NEMC *Cash Book*, entries for July 9<sup>th</sup> and October 16, 1896, 6). By comparison 186 more pages were added to the NEMC *Letter Book* between September 23, 1896 and August 17, 1897 (Ellis's tenure ended in December 1896).

<sup>61</sup>Ellis obituary, *Colonist*, February 28, 1921.

<sup>62</sup>Acheson, "Changing Social Origins of the Canadian Industrial Elite," 70.

<sup>63</sup>For convenience O'Farrell would variously claim his place of residence as either Spokane or Rossland. However, by the time the Nestegg Company was reorganized O'Farrell was officially recognized as residing in Spokane (Nest Egg and Firefly Gold Mining Company [NEFFGMC], *Share Ledger*, 2).

<sup>64</sup>Information on O'Farrell's early background obtained from Mark Humphrys' Family History website (<<http://www.compapp.dcu.ie/~humphrys/FamTree>> [July 10, 2001]). His personal and business background will be discussed more completely in the next chapter.

Wonderful, and Palo Alto mines.<sup>65</sup> Although he had a passable command of the terminology of the trade, O'Farrell never claimed to have any formal training in mining or geology. He apparently did not have much business experience either.<sup>66</sup>

As the Nestegg Company's Managing Trustee, P.A. O'Farrell was in a position of some significance, albeit considerable ambiguity.<sup>67</sup> He could legally make management decisions in Rossland on behalf of the Victoria Board, but the limits of his authority were never clearly established. This was, in fact, not an unusual situation. The tribulations of mining companies with managing directors have been studied by several historians and were undoubtedly well-known even in 1896.<sup>68</sup> Yet the popularity of managing directors in mining companies persisted during the 1890s booms.<sup>69</sup> And the Nestegg is an excellent example of why this trend endured. O'Farrell's stranglehold on the



21. Managing Director  
P.A. O'Farrell  
<<http://www.compapp.dcu.ie/~humphrys/FamTree/Flanagan/ofarrell.html>>

property, his weighty financial contributions, and his journalistic connections probably left

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<sup>65</sup>In May of 1896 O'Farrell acquired a two-thirds interest in the Palo-Alto claim (almost certainly from Kirk) before the company that developed it was formed (*Colonist*, May 7, 1896; *ibid.*, October 25, 1896). He subsequently became the Palo-Alto Company's president, managing director, and self-proclaimed "promoter, sponsor, [and] guiding spirit" (*ibid.*). Several pieces of correspondence from O'Farrell to C.A. Holland, chief manager of the B.C. Land and Investment Agency [BCLIA], point to the Nest Egg Managing Trustee's involvement in a number of other speculative companies (BCLIA Correspondence, Holland to O'Farrell, August 25, 1896; *ibid.*, September 17, 1896; *ibid.*, November 21, 1896).

<sup>66</sup>By the end of the year O'Farrell was accused of being "unbusinesslike and apt to rush things unduly" (BCLIA Correspondence, Holland to O'Farrell, November 6, 1896).

<sup>67</sup>"Minutes of the First General Meeting," January 29, 1896 (*NEMC Minute Book*, 3).

<sup>68</sup>See Spence, *British Investment and American Mining*, 115-117, and Jackson, *The Enterprising Scot*, 166, 194. For an entertaining account of the questionable performance of several Ontario managing directors during this period see Chapin, "Northwestern Ontario Gold Mining," chapter V).

<sup>69</sup>Between 1893 and 1902 fifty-three different companies formed to promote mines in Northwestern Ontario had managing directors (Chapin, "Northwestern Ontario Mining", Appendix D, Table 1).

the other founders little choice but to honour, or at least humour, his leadership aspirations. During the initial distribution of founders' shares O'Farrell received an extraordinary quantity of stock, and he still retained considerable holdings at the end of 1896 in spite of heavy selling.<sup>70</sup> O'Farrell also had access to useful capital resources: in mid-1896 he supposedly advanced the funds to pay for the Firefly settlement, and in early 1897 he put up \$2,500.00 of his own money to temporarily bail the Company out of financial difficulties.<sup>71</sup>

But O'Farrell had more important attributes than his ability to make timely cash infusions. He was the epitome of the flashy, nimble-witted mining promoter of Canada's "golden age" of mining: fast talking, fast on his feet, fast with the money, and well connected to the media and the "stockjobbing" business.<sup>72</sup> O'Farrell's press connections were particularly valuable to the Nestegg Company. Newspapers all over North America regularly published his colourful feature articles about B.C. mining.

Unfortunately, as far as his management duties were concerned, O'Farrell proved to be a little too fast for his own good. His carefully uninformative letters to the Secretary were masterpieces of meandering, metaphorical malarkey and no doubt accurately reflected of his overly "exuberant imagination."<sup>73</sup> On the few occasions when he was in Rossland to

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<sup>70</sup>The day the Company was incorporated O'Farrell received three certificates totalling 100,000 shares. At the end of the year he still held 20,500 shares (NEMC *Share Ledger*, 18).

<sup>71</sup>NEMC *Journal*, 80; "Minutes of Trustees' Meeting," March 3, 1897 (NEMC *Minute Book*, 30).

<sup>72</sup>O'Farrell was closely associated with Toronto brokers George Case and R.L. Patterson as well as a number of brokers in the U.S. Pacific Northwest (BCLIA Correspondence, Patterson to Holland, February 3, 1897).

<sup>73</sup>Correspondence, Rolt to Munro, August 11, 1897. O'Farrell's August 27, 1896, letter to Ellis is a typical example of his melodramatic grandiloquence:

It has been a hard fight but we will win despite Gods and men for Providence is on our side. Kirk and all others associated with the deal have had a world of annoyance over it but if she turns out a bonanza as is likely, we shall be compensated for all our afflictions of spirit. McLeod played a vilanous [*sic*] part in not forwarding the agreement with Cooper. There is no excuse for him. He must be either fool or knave or both.

O'Farrell's published work was much more lucid, so much so that one wonders if he did not employ a ghost writer (See for example O'Farrell to the editor, *Globe*, October 8, 1896; and his

deal with Company affairs, O'Farrell had a habit of shooting from the hip and leaving on the first train. Paul Gaston speculated, no doubt correctly, that O'Farrell's many "grand schemes on hand" contributed to his being not enough "constituted in mind" to give important management decisions their due attention.<sup>74</sup>

The Nestegg Company's Managing Trustee ultimately seemed to be blinded by his ambition. Perhaps, like Kirk, nineteenth century Victorian social pressures fuelled O'Farrell's aspirations for rapid success. Of humble Irish origins, O'Farrell succeeded in connecting himself through marriage to a landed-aristocratic family in Dublin. There are indications he was not warmly accepted by his in-laws or their society friends and that he spent the rest of his life chasing rainbows to build a reputation for himself.<sup>75</sup>

### **The Mine Manager**

At the bottom of the Nest Egg organization were the Rossland managers. Exactly how many men held the position and when is difficult to determine. Besides O'Farrell's infrequent meddling, at least four managers at various and often overlapping intervals *officially* assumed the reins at the mine: John M. Burke, Paul Gaston, Dan Burke, and F. W. Rolt. Three other individuals—a mysterious "superintendent,"<sup>76</sup> the mine foreman, and a building contractor—were also supposedly in charge for brief, possibly nonexistent, periods. Little is known about the professional qualifications of Paul Gaston or Dan Burke, but we can be fairly certain that, like John Burke and F. W. Rolt, they had no formal education in

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"Managing Director's Report" attached to minutes of General Meeting, December 7, 1896 [NEMC *Minute Book*, 17-18]).

<sup>74</sup>NEMC Correspondence, Gaston to Ellis, November 6, 1896.

<sup>75</sup>O'Farrell's wife, Lizzie Flanagan, was the daughter of market garden magnate, "The Alderman" Michael Flanagan. The couple travelled widely throughout Europe and North America as P.A. attempted to build a name for himself investing, promoting, and writing about mines for prominent newspapers (Mark Humphrys Family History website <<http://www.compapp.dcu.ie/~humphrys/FamTree>> [July 10, 2001]).

<sup>76</sup>The first and only reference to the mysterious "Supt. Stephenson" (perhaps local mining promoter Howland Van Ness Stevenson) appeared in a *Rossland Miner* article reprinted in the *Victoria Colonist* on April 2, 1896.



mining or engineering. If any of the managers had been “educated mining men” they certainly would have advertised the fact on their letterhead or in the Rossland city directories. Further evidence of a lack of formal education among most of the managers (except Rolt) is evidenced by the poor quality of their written communication.<sup>77</sup>

In spite of their lack of formal training in engineering or geology, each of the authorized managers possessed attributes the company found indispensable. First, they were all well-known fixtures in the Rossland business community and well-acquainted with the local miners, promoters, journalists, merchants, bankers, lawyers, and courts. The mine managers were always on top of the events and people inside and outside the mining camp that affected the company’s fate. And they worked cheap. The Burkes—father and son—received no *official* pay for their services, and Paul Gaston’s timely assistance ultimately produced no sanctioned remuneration for him either.<sup>78</sup> F.W. Rolt, the last person to hold the position of manager, went to work in the summer of 1897 without a contract, although he was promised some kind of reward when he finished cleaning up the company’s debts.<sup>79</sup>

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<sup>77</sup>Even the letters of John Burke, the Nest Egg’s most esteemed manager, exhibited a very low level of literacy (several examples will be cited below). Mine foreman and temporary manager John Scolley exhibited the worst communication skills. Although his reports were usually carefully prepared for him on Gaston’s letterhead, Scolley’s last correspondence from Ft. Steele in October of 1897 was definitely in his own hand and illustrates his near illiteracy: “Rather a small way your C<sup>o</sup> is well known in Rossland. Take you all around you are realy [*sic*] small” (NEMC Correspondence, Scolley to Munro, October 27, 1897).

<sup>78</sup>Burke technically worked for nothing, although the company did cover his expenses (NEMC *Minute Book*, 3). Gaston, on the other hand, may have resorted to more clandestine means of compensating himself for services rendered. The mystery surrounding the money the miners supposedly paid the cook for board during Gaston’s tenure was never resolved. (NEMC Correspondence, Rolt to Munro, July 16, 1897). He was also accused of “putting in his jacket” the dollar per month “Dr. fees” he withheld from each miner’s wages. (NEMC Correspondence, Scolley to Munro, August 21, 1897). The accusation seems to have had substance to it. In August of 1897 a Dr. Bowes submitted an account to the company for \$1.00 per miner per month for “medical dues” dating from the first of August when Gaston assumed command (NEMC Correspondence, Rolt to Munro, August 7, 1897).

<sup>79</sup>NEMC Correspondence, Rolt to Munro, August 4, 1897; *ibid.*, Munro to Rolt, August 7, 1897. In October 1897, after he had settled most of the company’s debts, Rolt was finally paid \$150.00 for three months’ salary “to 30/9/97.” (NEMC *Journal*, 82). Unlike the other managers,

The backgrounds of the three managers reveal interesting similarities—and some very important differences. Little is known about Paul Gaston except that he originally based his operations in Spokane.<sup>80</sup> His personal background and qualifications remain a mystery. No business listing for him can be found in any of the Spokane or B.C. directories.<sup>81</sup> Gaston wrote copiously but crudely.

Francis Wardlaw Rolt, the last manager of the Nest Egg was the most unique of the “mining men.” Unlike O’Farrell, the Burkes, and Gaston, “F.W.” did not originate from Spokane. He was born and raised in Britain and moved to Florida around 1890. Sometime in 1896 he relocated from Calgary to Rossland and joined Ralph Mainwaring Grogan in the firm Rolt, Grogan & Co. “mining brokers” at 36 East Columbia Avenue.<sup>82</sup> Rolt’s voluminous correspondence was generally much better written than the other managers’ letters. And it should have been. He was more educated than the rest, having attended one of Britain’s more respectable “public schools” before going on to graduate from Oxford.<sup>83</sup> By British standards his family’s social standing was reputable: one of Rolt’s brothers was the Anglican Dean of Cape Town and the other was an accomplished pianist.<sup>84</sup> His

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Rolt never held shares in the company.

<sup>80</sup>Gaston’s early letters originated from Spokane (NEMC Correspondence, Gaston to Ellis, February 7, 1896). He was listed in the *Share Transfer Ledger* as residing in Rossland although his shares were sent to Spokane (ibid.; NEMC *Share Transfer Ledger*). The *Spokane Chronicle* also reported Gaston as residing in that city (as cited in *Colonist*, February 16, 1897).

<sup>81</sup>During 1898 and 1899 Paul Gaston was listed as a boarder (no vocation) at Victoria’s luxurious Driard Hotel, owned by fellow Nestegg shareholder Gus Hartnagle (*Henderson’s Directory, 1898*, 745; ibid., 1899, 891.). No death certificate could be found for Gaston in B.C.

<sup>82</sup>*Henderson’s, 1897*, 499. Holland’s letters referred to Rolt being in business in Rossland as early as the fall of 1896 (BCLIA Correspondence, Holland to BCLIA Secretary William Walter, September 29, 1896).

<sup>83</sup>Rolt’s educational history furnished by Andrew Hambling, archivist at Haileybury College, Herfordshire, England.

<sup>84</sup>Information on the Rolt family provided by F.W. Rolt, grand-nephew of the Nest Egg manager, and his mother Ruth Rolt of Cambridge, U.K.

grandfather General John Rolt was knighted and received the Order of Bath.<sup>85</sup> Like Kirk he was a second son of a professional family with something to prove.

The first mine manager, John M. Burke, officially took charge the day the company was formed.<sup>86</sup> He was undoubtedly the company's most experienced "mining man." Burke was born in 1847 to a wealthy Virginia plantation family. His father died when he was quite



22. Mine Manager  
John M. Burke

From photo courtesy of  
Wallace District Mining  
Museum, Wallace, Idaho

young and he was sent to live with his uncle, a banker in Alexandria. Burke learned the banking business before migrating west with his brother around 1879 and settling in a Utah mining camp. He opened a bank in the town but quickly took to speculating in mines with some success. In 1884 Burke followed the mining booms to North Idaho and joined forces with Patsy Clark who later became an important developer of Rossland area mines. Burke successfully promoted the lucrative Tiger Mine near Murray and developed the townsites of Kellogg and Wardner.<sup>87</sup>

One of John Burke's greatest assets seems to have been his magnetic personality. He was strikingly handsome and by all accounts a charming Southern gentleman in every respect.<sup>88</sup> His

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<sup>85</sup>F.W. Rolt's probated will indicates he possessed his grandfather's medals and decorations (B.C. Supreme Court [Vancouver] [hereafter VSC], Probate/Estate files, GR-2202, Reel #B09020, file 31431).

<sup>86</sup>"First General Meeting," January 31, 1896 (*NEMC Minute Book*, 3).

<sup>87</sup>Information on Burke's background in mining was generously supplied by Mr. John Amonson, director of the Wallace [Idaho] District Mining Museum. Mr. Amonson obtained much of his information and a photo of Burke in his earlier years from a descendent of Burke's brother, Mrs. Elizabeth Skinner Dodge of Smithfield, Utah. Another ancestor, Jordan Muse Burke of Atlanta, Georgia, was located on the internet and has also been helpful in clearing up some details of Burke's family background and upbringing.

<sup>88</sup>According to one biographer Burke was:

very charitable and possessed all the charming characteristics of a southern gentleman—big-hearted, kind, liberal, and very courteous. He gave freely of his means to those who needed assistance and again and again reached out a helping hand to fellow travellers upon life's journey. He was also ever ready to speak a word

popularity spread beyond the mining camps and in 1892 he was nominated to run as the Democratic Party's candidate for State Governor.<sup>89</sup> Burke first arrived in Canada from Idaho around 1893, opening a bank in the new mining boom town of Kaslo.<sup>90</sup> The banking venture soon failed (due, it is said, to his exceeding generosity<sup>91</sup>) and Burke relocated to Spokane sometime in 1894.<sup>92</sup> Within a year he was back in British Columbia to take advantage of new opportunities in Rossland. Harold Kingsmill's early account of the Trail area's history credits John Burke with being one of the "host [of] ...well known operators ...early on the ground" in 1895.<sup>93</sup> The 1897 *Henderson's Directory*, the first to carry a Rossland index, lists Burke as an independent mining broker maintaining an office at 107, West Columbia Avenue.<sup>94</sup> Business was brisk. In addition to his duties at the Nest Egg, Burke was also manager of the Great Western Mining Company, part owner of the Lucky Star Mine, and managing director of the North Star Gold Mining and Development Company.<sup>95</sup> Burke's

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of encouragement or advice and his own example was an inspiration to others (N.W. Durham, *History of Spokane and Spokane Country, Washington From its Earliest Settlement to the Present Time* [Spokane: S.J. Clarke, 1912], 200).

<sup>89</sup>Durham, *History of Spokane Country*, 200.

<sup>90</sup>*Williams' Directory, 1893*, "Addenda," p. XXIII.

<sup>91</sup>A 1908 memorial to Burke in a Pacific Northwest mining publication explained his short career in B.C. banking:

He ...started a bank in Kaslo, which was too liberal in its loans, and during the succeeding reaction was forced to suspend, although to this day people who were familiar with the affairs of those times say to Mr. Burke more than to any other was due the tiding over of some of the important enterprises in which he had no share except to aid them" ("Obituary," *Northwest Mining News* [Spokane], October 1908, 123).

<sup>92</sup>Burke is not in the Kaslo listings in the 1894 *Williams' Directory*. He probably returned to Spokane. According to one source, Burke moved to Spokane in 1887 and, although his mining business took him all over North America, he still kept a residence there when he died in 1908 (Durham, *History of Spokane*, 199).

<sup>93</sup>Harold Kingsmill, *First History of Rossland, B.C.*, 2.

<sup>94</sup>*Henderson's Directory, 1897*, 461.

<sup>95</sup>*Ibid.*, 235, 245, 251. If O'Farrell can be believed, Burke was responsible for acquiring the Great Western's properties and subsequently putting the company together (*Colonist*, April 7, 1896).

1896 letterhead claimed he was also associated with the West Le Roi & Josie Consolidated Mining Company, the R.E. Lee Mining Company, the Homestake Gold Mining Company, and the Eureka Consolidated Mining Company.<sup>96</sup>

John Burke was also obviously on intimate terms with the Nest Egg's Managing Trustee. In his published April 1896 history of Rosslund, O'Farrell implied that Burke's arrival singlehandedly saved the mining community:

Early in 1895 Colonel John M. Burke came to the camp. His arrival gave new life to the camp, for as a mine operator he stands alone. He has no peer in diagnosing a prospect, and he soon became convinced that the Trail mining district would most surely leave all other camps in America behind.<sup>97</sup>

Later, when O'Farrell was removed *in absentia* from his position as president and managing director of the Palo-Alto Mining Company, he claimed that had he known about the fateful meeting beforehand he would have ensured that Burke attend in his place to protect his interests.<sup>98</sup> O'Farrell is also on record as sponsoring Burke's appointment as the Nest Egg's first mine manager.<sup>99</sup>

### Early Development

Burke was installed the day the Company was born but he did not actually commence managing the mining operations until the end of February.<sup>100</sup> His workforce initially consisted of two or three miners and a foreman working one shift a day by hand.<sup>101</sup> Progress proceeded at an even but slow pace until flooding from the receding snow forced the men

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<sup>96</sup>Letterhead borrowed by O'Farrell in his correspondence to Ellis dated March 29, 1896.

<sup>97</sup>*Colonist*, April 7, 1896.

<sup>98</sup>*Colonist*, October 25, 1896.

<sup>99</sup>At the first Trustees' Meeting O'Farrell placed the motion for Burke's appointment ("Minutes of Trustees' Meeting," January 31, 1896 [NEMC *Minute Book*, 3]).

<sup>100</sup>A total of \$55.50 was paid out for miners' wages during the month of February 1896 (NEMC *Journal*, 76). The first \$1,000 advance to cover the cost of opening the mine was not forwarded to Burke until February 22, 1896 (NEMC *Cash Book*, 6).

<sup>101</sup>Receipts found loose in NEMC Correspondence files indicate a foreman and two miners worked the last six days in February.

above ground sometime in April.<sup>102</sup> After mining for a month in a dryer spot, Burke informed Ellis that the new Shaft #2 had been sunk to seventeen feet and was showing two feet of "clean ore," a sample of which, he claimed, was being assayed.<sup>103</sup> He professed to be greatly encouraged, declaring (not for the last time) that the mine was shaping up into one of "the prettiest prospects in the Camp."

Yet in almost the same breath Burke lamely explained to the Secretary that he was reluctant to forward an ore sample until the shaft was sunk deeper since it was presently "passing through one of those low grade streaks that occurs in all of the mines here near the surface."<sup>104</sup> A week later the Nest Egg's manager admitted the miners were still working in "low grade ore," but he cautioned against being overly discouraged since this was the usual course of events for all producing mines including "the great Le Roi."<sup>105</sup> The company men seemed to have found Burke's equivocation more unnerving than reassuring. In early March, President Kirk, wishing to brush away the cobwebs once and for all, ordered Burke to bag up two hundred pounds of ore and ship it to "Mr. Harris of the Le Roi" for a second opinion.<sup>106</sup>

While Harris examined the bags of ore, Burke continued to push ahead with

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<sup>102</sup>At the end of March O'Farrell reported work was already slowing down "owing to water from the melting snows" (NEMC Correspondence, O'Farrell to Ellis, March 29, 1896). Burke cut the crew to two men sometime before June 6<sup>th</sup> (ibid., Burke to Ellis, June 6, 1896).

<sup>103</sup>NEMC Correspondence, Burke to Ellis, March 3, 1896. Although the *Journal* confirms Burke paid assayer R. March \$6.50 for services rendered in March, there is no record of this particular assay in the correspondence files. (NEMC *Journal*, 76). "Clean ore" implied a deposit or vein with clearly defined walls and therefore easily separated from the host rock.

<sup>104</sup>NEMC Correspondence, Burke to Ellis, March 3, 1896.

<sup>105</sup>Ibid., Burke to Ellis, March 11, 1896.

<sup>106</sup>Ibid. In the fall of 1896 Harris was working under contract as manager of the Lily May mine, a position he still reportedly held in May of 1898 (*The Globe*, October 19, 1896; *Canadian Mining Review*, May 1898, 154). During 1897 W.J. Harris and L.F. Williams were part of the "managing board" for the Le Roi Mining and Smelting Company (*Henderson's Directory*, 1897, 242). By 1898 Harris was simply listed as an independent "mining operator" working alongside numerous others in the same profession on Rosslund's East Columbia Avenue. (ibid., 1898, 370).

underground exploration.<sup>107</sup> By the end of the second month the new shaft's depth had reportedly doubled, although it was "not looking quite as well in the bottom."<sup>108</sup> During the intervening period the property crisis erupted and the Victoria headquarters became increasingly anxious about Burke's soft progress reports.<sup>109</sup> The company men were undoubtedly concerned that Burke might have personal motivations for exaggerating the property's prospects: he still held 5,000 Nestegg shares and his close personal and business relationship with the company's largest shareholder, O'Farrell, was no secret.<sup>110</sup>

Burke was equally nervous. Harris's sudden involvement threatened the Rossland manager's powerful position as the sole source of information. By now he would also have learned from O'Farrell that the company men wanted to close the mine pending settlement of the property litigation.<sup>111</sup> As a precaution Burke engaged George Crane, allegedly "the Supt of the Le Roi [and] one of the best men in Camp," to examine and report on the Nest Egg's shafts.<sup>112</sup> Although Crane was supposedly "simply enthusiastic" about the mine, his "enthusiasm" was not enough insurance to satisfy Burke.<sup>113</sup> Within a week he wrote that a Mr. Loring, "an admitted authority on mining," would also be furnishing a report.<sup>114</sup> Burke

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<sup>107</sup>Burke claimed he complied with the order but no confirmation of the ore being tested or shipped can be found in either the correspondence files or the company financial records.

<sup>108</sup>NEMC Correspondence, Burke to Ellis, April 4, 1896.

<sup>109</sup>Ibid. There was some concern among the company men about a report Burke had written to Rithet and Kirk "while in your town last."

<sup>110</sup>Burke held his shares until June 3, 1896 when they were transferred to President G.A. Kirk. (NEMC *Share Ledger*, 20, 23).

<sup>111</sup>"3<sup>rd</sup> Meeting of Trustees," April 10, 1896, NEMC *Minute Book*, 7.

<sup>112</sup>NEMC Correspondence, O'Farrell to Ellis, March 29, 1896. William Hall, not Crane, is listed as the superintendent of the Le Roi Mine in 1897. George Crane was merely one of Rossland's many "mining operators." (*Henderson's Directory, 1897*, 485).

<sup>113</sup>NEMC Correspondence, O'Farrell to Ellis, March 29, 1896.

<sup>114</sup>Ibid, Burke to Ellis, April 4, 1896. George T. Crane and Frank C. Loring were partners in Loring, Crane, & Snodgrass, "mining operators" with offices at 10½ East Columbia, Rossland. (*Henderson's Directory, 1897*, 485). Loring was the managing trustee of the Mayflower Gold Mining Company (*Colonist*, May 28, 1896). He and his associate Snodgrass also had a hand in the management of the California, Monte Cristo, and St. Elmo mines (B.C. *Annual Report of Minister of Mines, 1896*, "Bulletin No. 2," 23-24). Loring had a less than illustrious record

claimed Loring was engaged by “some one [sic] of the Company” to examine the property, but there can be little doubt that the “some one” was the Nest Egg’s mine manager.<sup>115</sup> To give his collaborators credibility Burke expressed a healthy dose of feigned suspense: “Their [Loring’s and Crane’s] reports were sent direct to you and I suppose ere this you have received them. I hope that they are satisfactory, *although mining men do not always agree upon matters of this kind* [emphasis added].”<sup>116</sup>



23. Frank C. Loring, M.E.  
From *Canadian Mining Review*  
March 1897, p. 113

Burke had no reason to be concerned. Loring provided only an introduction for his partner, Crane, but the latter’s report was a significant shot in the arm, even though his March 19<sup>th</sup> examination of the property was made under less than favourable conditions. Although the deep snow that covered the claim was only just starting to melt, Crane claimed he was still able to trace “the outcrop above the shaft for a distance of 50 feet and found it strong, heavy in iron, with a width of about 8 to 10 feet.” On the dump at the flooded No. 1 shaft he observed “15 tons of pyritite ore, very heavy in iron, and of the same nature as all of the ore in camp.” At the bottom of No. 2 shaft, Crane reportedly found “two excellent walls, and showing in the bottom 3 feet of ore, an average sample of which assayed \$22.00 gold: & 3-10 per cent. copper.”<sup>117</sup> No one seemed curious about Crane’s unusual ability to inspect a

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analysing mineral claims. In 1894 Patsy Clark, developer of the already famous War Eagle, took an option on the Josie mine based on Loring’s assessments. Clark “afterwards declared the claim had been salted as he only obtained \$8.00 gold values” (Kingsmill, *First History of Rossland*, 2).

<sup>115</sup>Unbeknownst to Burke, Loring had already informed Ellis that the Nest Egg’s mine manager ordered the examination. (*Colonist*, April 2, 1896).

<sup>116</sup>NEMC Correspondence, Burke to Ellis, April 4, 1896.

<sup>117</sup>From Crane’s report printed in the *Colonist*, April 2, 1896. The “walls” refer to the hanging and foot walls of the vein. In other words, the deposit contained a clearly defined vein.



vein at the bottom of a shaft full of water.<sup>118</sup> More significantly, no assay slips were provided to substantiate Crane's ore values. Other incongruities are also worth noting. No hard copy of Crane's report exists in the company files and Loring's cover letter was reportedly dated April 1<sup>st</sup> at Spokane, the day before it was printed in the *Victoria Colonist*. It seems highly unlikely that Ellis could have received the document before press time on April 2<sup>nd</sup> even if they had been wired, and they obviously were not since no disbursements were made to pay for any telegrams in early April.<sup>119</sup> Lastly, there is no indication in either the correspondence or account books that Loring or Crane were paid for their assessments. Indeed, all signs point to Crane's report being a fabrication.<sup>120</sup> In spite of these suspicious circumstances the assessment was accepted without reservation by the company men and cited again and again in the *Colonist* during the coming months.

In mid-April, having nearly exhausted his February \$997.50 advance towards operating costs, Burke made an unannounced draw on the company for a second \$1,000.00.<sup>121</sup> A likely explanation for this brazen behaviour was that he desperately wanted to safeguard his position at the mine—and the value of his and O'Farrell's stock. The property litigation was heating up and the manager was concerned that the company men were losing their nerve. Should they decided to close the mine, the value of Burke's shares

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<sup>118</sup>Burke earlier reported work in the shaft was suspended due to flooding (NEMC Correspondence, Burke to Ellis, March 19, 1896).

<sup>119</sup>It is perhaps no coincidence that Crane's report was published in the April 2<sup>nd</sup> *Colonist*. This edition contained a multiple page "Special Business" supplement that was intended for expanded circulation.

<sup>120</sup>Later events would revealed Crane and Loring to be no strangers to questionable behaviour. The following year the duo found themselves subject to an embarrassing lawsuit launched by a disgruntled majority of the Josie Gold Mining Company's shareholders. They alleged that while Crane and Loring managed the company's mine the two "systematically depreciated the value of the property, spent large sums of money uselessly, and did not attempt to develop the property" (*Canadian Mining Review*, August 1897, 261).

<sup>121</sup>By the end of March Burke paid out \$916.90 towards operating costs at the mine (NEMC *Journal*, various entries at p. 76).

would plummet and his juicy expense account would dry up.<sup>122</sup> His plan was simple. If he could get the funds in hand to pay the present bills, he would keep the mine operating regardless of any hesitance on the part of the Trustees. The trick would be to get the draft authorized. Secretary Ellis was also anxious to keep the mine running—but not so anxious that he would take part in Burke's machinations.<sup>123</sup> Instead, he wisely deferred the matter to the next Trustees' Meeting when O'Farrell would be in town to exercise his powers of persuasion. At the April 10<sup>th</sup> Meeting it was decided that dishonouring the draft was not advisable since it would likely harm the company's standing with its bank. Rather than deal with the repercussions of a default, the Trustees agreed to accept the draft but only on condition that "after paying present expenses [the remainder would] be devoted to the purchase of the Firefly claim."<sup>124</sup> A decision was also made to suspend mining, although Ellis could now safely delay relaying the order for at least as long as the funds from Burke's draft held out.

Through April and part of May the mining continued in No. 2 shaft.<sup>125</sup> Then in early June Burke ordered the remaining two miners to commence surface work on a new location where, at a depth of seven feet, the vein was again struck. On June 6<sup>th</sup>, a sample of ore allegedly selected from this new shaft was assayed and yielded a marginal \$13.60 per ton.<sup>126</sup>

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<sup>122</sup>Burke had been slowly increasing his expense account. In March he billed the company \$11.40 (mostly horse hire) but by June his expenses ballooned to \$27.00 (mostly office rent) (NEMC *Journal*, 76-77).

<sup>123</sup>The Secretary was obviously concerned about his own very large financial stake in the Nest Egg. Ellis personally owned 2,300 shares at mid April 1896 and five other members of his family held an additional 11,200 shares (NEMC *Share Ledger*, 3, 36, 37, 55, 56, 14).

<sup>124</sup>"Minutes of Trustees' Meeting," April 10, 1896 (NEMC *Minute Book*, 7).

<sup>125</sup>Burke paid out \$301.50 in wages during April and only \$26.00 in May (NEMC *Journal*, 77). Mining was likely curtailed in May due to meltwater flooding in the shaft.

<sup>126</sup>NEMC Correspondence, Burke to Ellis, June 6, 1896; *Ibid.* (Attached Certificate of Assay from Richard March to John Burke). At \$13.60 per ton the Nest Egg's ore would not even cover the cost of mining and processing. On the other side of town, the War Eagle paid \$17.53/ton to mine and smelt its ores in 1897. During the same period it cost "the great Le Roi" \$16.00/ton for smelting fees alone. (R.W. Brock, "Preliminary Report on the Rossland B.C. Mining District," Geological Survey of Canada [Ottawa: Government Printing Bureau, 1906], 38). In 1896 *The Globe* was reporting the cost of mining in Rossland at \$4.00/ton with milling expenses running

Meanwhile, as the assay results were making their way through the mail to Victoria, Ellis finally sent off the much delayed wire to Burke directing him to discharge the men. The disappointed manager's brief acknowledgment conveyed his bitter disappointment: "In compliance with your telegram of today, I will have work stopped on the 'Nest Egg' although [*sic*] now all Adverses are settled against the Nest Egg."<sup>127</sup> A week later a slightly more enthusiastic Burke was showing off the new workings to a "party of gentlemen," and although "all agreed [it was] one of the prettiest pieces of property in the Camp," the mine manager still had to admit there was only two feet of ore in the bottom of the shaft.<sup>128</sup> Nevertheless, the unexpected news of interested third parties produced its desired effect and the miners were ordered back to work.<sup>129</sup>

By July 10<sup>th</sup> the manager was again having difficulty mustering optimism. The new shaft was down to 23 feet in "very hard ground" and still "shows ...just 24 inches of clean ore."<sup>130</sup> But rather than cease sinking and commence drifting to better identify the character and direction of the vein, Burke proposed starting all over once again. The planned fourth shaft would be sunk "say fifty feet from the place it is now, and then by drifting and cross-cutting the merits of the mine could be more fully ascertained."<sup>131</sup> More importantly, he proposed that this underground fishing expedition be contracted out. Burke wanted the company men to adopt a more costly course of action but one that required less immediate supervision from him.<sup>132</sup> There was no response to his suggestion.

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between \$10.00 and \$14.00/ton (*Globe*, October 20, 1896).

<sup>127</sup>Burke's sarcasm seems to confirm that the property litigation motivated the Trustees' April decision to cease mining (NEMC Correspondence, Burke to Ellis, June 6, 1896).

<sup>128</sup>NEMC Correspondence, Burke to Ellis, June 19, 1896.

<sup>129</sup>The accounting records indicate the mining payroll for July was \$182.00, or only slightly less than June's payroll of \$195.00 (*NEMC Journal*, 77-78).

<sup>130</sup>NEMC Correspondence, Burke to Ellis, July 10, 1896.

<sup>131</sup>*Ibid.*

<sup>132</sup>Shaft sinking merely entailed putting a nearly vertical hole in the ground whereas lateral drifting required following the vein or seeking the deposit. Shaft sinking usually cost about one third more than drifting, and contract work typically cost twenty percent more than wage labour (see "Contract Labour Rates for Mining in Northwestern Ontario," Appendix B of Patrick R.

### The Interregnum

Perhaps the company men never had a chance to respond. At the end of July, when the problems with the press and Cooper were heating up and the company's mining strategy was still in limbo, John Burke disappeared without warning. The company was not aware he was gone until informed in mid-August by his self-proclaimed successor.<sup>133</sup> Not surprisingly, without any directions and, it seems, with little hope of being paid, the miners stopped working as soon as Burke left.<sup>134</sup> Three weeks later, Paul Gaston, a major shareholder and aspiring "mining operator," discovered newspaper reporters "and other Toronto people," were in town. Since "nothing looks so bad as an idle mine" Gaston took the initiative and put two miners to work in the shaft.<sup>135</sup>

Little is known about Paul Gaston's background and qualifications except that he was a very ambitious promoter.<sup>136</sup> He was reportedly the first "capitalist" to take an interest in the Nest Egg property, bonding it early in the summer of 1895 for \$20,000.00.<sup>137</sup> In early February 1896, when he first acquired his substantial interest in the Nestegg Company, Gaston wrote to Ellis from Spokane on Dixie Mining and Milling Company letterhead.<sup>138</sup>

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Chapin, "Profitability as a 'Boom' Factor in Late 19<sup>th</sup> Century Canadian Mining," unpublished paper completed in partial fulfilment of course requirements for History 4550, University of Winnipeg, Spring 1997).

<sup>133</sup>NEMC Correspondence, Gaston to Ellis, August 17, 1896.

<sup>134</sup>By the end of July Burke spent \$117.35 more than the \$2,000 advanced to him in February and April (NEMC *Journal*, 76-78). Later he admitted to issuing post-dated cheques for an overdue payroll in a futile effort to keep the miners working without pay after he left (NEMC Correspondence, Burke to Ellis, September 1, 1896).

<sup>135</sup>Correspondence, Gaston to Ellis, August 17, 1896. Gaston held 49,500 shares on August 1, 1896 (NEMC *Share Transfer Ledger*, 59).

<sup>136</sup>In early 1896 Gaston reportedly purchased the Nick of Time fraction adjacent to the Le Roi (*Colonist*, March 12, 1896). Later in the year he "organized" the syndicate that purchased two other nearby claims, the "Old Hundred" and "Wednesday," for £10,000 (*ibid.*, November 20, 1896).

<sup>137</sup>*Rossland Miner*, February 29, 1896.

<sup>138</sup>NEMC Correspondence, Gaston to Ellis, February 7, 1896.

After assuming management of the Nest Egg in August, he reported to the company on various other letterheads including John Burke's, the Nest Egg Company's own stationery, and that of Weston Fullerton's "Rossland Commercial Agency".<sup>139</sup> By October 1896 Gaston was finally using (and lending) his own remarkably insipid letterhead: "Paul Gaston & Co., Mines and Mining, Rossland, B.C."<sup>140</sup>

Gaston had a healthy respect for the value of appearances in the mining game—and the important role the press played in manufacturing those appearances. After he put the miners to work window-dressing, Gaston "took the Toronto Globe man over and showed him the mine."<sup>141</sup> The would-be manager claimed the reporter was "agreeably [*sic*] surprised and will give us a good write up with 'views' [illustrations] of the ground." If the *Rossland Miner*'s damaging "quotations" were to be kept out of Eastern Canadian newspapers it would be necessary to procure the good will of the Toronto reporters.<sup>142</sup> But, Gaston warned, good will was not without its price: "This will have to be paid for however; as other properties are also doing it. Will you authorize me or Burke to make proper contract with him [the *Globe* reporter], which will also possibly have to be made with the 'Mail and Empire' who visits the Nest Egg next Tuesday."<sup>143</sup>

However, within a few days the interim manager let the company men know they were in the middle of something much bigger than just a contest to make the mine look pretty. He warned them that the *Rossland Miner* would be publishing Cooper's denouncement in its next issue.<sup>144</sup> While he acknowledged the paper had "always been antagonistic," Gaston claimed he would still make an effort to ensure its editor, John R.

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<sup>139</sup>Ibid., Gaston to Ellis, October 1, 1896; *ibid.*, August 17, 1896; *ibid.*, August 26, 1896.

<sup>140</sup>NEMC Correspondence, Gaston to Ellis, October 29, 1896; *ibid.* Scolley to Munro on Gaston letterhead, July 8, 1897.

<sup>141</sup>NEMC Correspondence, Gaston to Ellis, August 17, 1896.

<sup>142</sup>Ibid.

<sup>143</sup>Ibid. A glowing account of the Nest Egg operation was finally published in the *Globe* but not until after the property dispute was resolved in October (*Globe*, October 9, 1896).

<sup>144</sup>Ibid., Gaston to Ellis, August 19, 1896.

Reavis, printed the company's side of the story as well. He confessed he was not optimistic Reavis would suddenly develop a case of objectivity. For one thing, the editor had "certain opinions of O'Farrell" which were causing "the fortunes of the company" to suffer.<sup>145</sup> This subtle implication was to be the first of many less-veiled attempts by Gaston to vilify O'Farrell.<sup>146</sup> The interim manager also reported that he had information indicating a vicious "bear attack" was about to be launched against the Nest Egg by Reavis and some of his speculator friends.<sup>147</sup> According to Gaston, the editor was "out for the stuff" and would use his newspaper to assist his partner-in-speculation, A.W. Ross & Co., in their bid to take over the mine.<sup>148</sup>

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<sup>145</sup>Ibid.

<sup>146</sup>The relationship between the two Spokane men dates back to at least February 14, 1896 when Gaston acquired his first 55,000 shares from O'Farrell (*NEMC Share Ledger*, 59). Presumably O'Farrell bought Gaston's option on the Nest Egg and paid him with shares.

<sup>147</sup>A "bear attack" is an attempt by interested parties to discredit a company and drive down the market price of its shares. The financial press was usually the weapon of choice in this warfare. Several motives might explain a bear attack including hostile takeover, a need to cover short sales of stock, and squeezing out public shareholders before declaring dividends.

<sup>148</sup>NEMC Correspondence, Gaston to Ellis, August 21, 1896; *ibid.*, August 24, 1896. Although there is no evidence that either Reavis or Ross ever held any Nest Egg shares, they were nonetheless well-known operators worth reckoning with. Arthur Wellington Ross of Vancouver was reportedly "the broker for what is called the 'Big Three' consisting of 'Eldorado, Snowshoe, and Northern Belle' - which were bought ...for \$10,000 and \$7,000 ...and capitalized at \$3,500,000 and stock for sale @ 10¢. Reavis is one of its promoters and boosts it." (*ibid.*). Ross was also managing director of the Oro-Plato Mining Co., Ltd. ("Mining Encyclopaedia," *Henderson's Directory*, 1897, 253). Ross's reputation was not particularly savoury even for a mining promoter. A Winnipeg transplant who lost heavily in the early 1880s during that city's infamous real estate bubble, Ross made a forced exit to Victoria where he continued speculating in real estate. He then relocated to Toronto long enough to set up his brokerage firm, A.W. Ross & Co., before moving on to Vancouver around 1896. In the fall of 1896 he even attempted to open an agency in Boston (*Colonist*, November 21, 1896). Throughout this period, thanks to C.P.R. support, Ross retained his seat in Ottawa as a Manitoba Member of Parliament (Jack Bumsted, *Dictionary of Manitoba Biography* [Winnipeg: University of Manitoba Press, 1999], 214). Editor Reavis regularly supplied Toronto's mass circulation *Globe* with feature material (see almost any edition published in 1896). By 1898 Reavis chose to forsake his booming newspaper business to give full attention to his mining interests. As a "mining man" he worked out of his room at Rossland's Kootenay Hotel (*Henderson's Directory*, 1898, 387). The career change was, however, short-lived and within a year he was again back in the mining camp newspaper business, this time in Republic, Washington. Although he had moved south of the border, Reavis continued

Paul Gaston had good reason to be concerned about the company's image and the value of its shares. At the same time he was supervising operations in Rossland, both at the mine and the newspaper offices, Gaston was desperately trying to liquidate his own holdings. From a peak of 70,000 shares held in May, his holdings were gradually reduced to 53,000 shares by the end of July. On August 19, shortly after the *Toronto Star* exposed the property scandal, Gaston transferred 1,000 shares to Victoria broker Gilbert Soule and sent Ellis instructions to "immediately" convert three other 5,000 share certificates into thirty blocks of 500 each.<sup>149</sup> The stock was obviously being prepared for rapid disposal. Anticipating Ellis might be suspicious, Gaston sent reassurances on August 21, claiming he had no intention of actually selling his shares. The "retransfer and cutting up [into smaller certificates]" was supposedly necessary to protect him against "possible [legal] attachments."<sup>150</sup> He professed every confidence in the mine "if we ever get out of trouble and can get machinery on."<sup>151</sup>

A second letter also sent on August 21<sup>st</sup> reveals the manager was in a hurry to bail out. By then Cooper had posted his claim to the property, the miners were gone, and the newspapers were wreaking havoc. Fortunately, for the time being investors "from outside points ...who know the mine to be all right [*sic*]" were propping up the price of shares.<sup>152</sup>

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to actively develop Rossland properties (B.C., Rossland County Court [hereafter RCC], *Plaint and Procedure Books*, vol. 3, 1899, action no. 142/99, *Monk v. Reavis* [unpaid prospector's wages]).

<sup>149</sup>NEMC *Share Ledger*, 59, 120; NEMC Correspondence, Gaston to Ellis, August 19, 1896.

<sup>150</sup>NEMC Correspondence Gaston to Ellis, August 21, 1896. Gaston promised he would keep 4,500 shares in his name although at the time he still actually held more than ten times that amount. However, when the company was reorganized in 1897 he held exactly 4,500 shares. There is no record of any litigation or execution being brought against Paul Gaston in Rossland County Court between February 1897 and January 1900.

<sup>151</sup>NEMC Correspondence, Gaston to Ellis, August 21, 1896.

<sup>152</sup>*Ibid.* In other words, the "outside" buyers were not the bear attackers. Gaston was evidently referring to the surge in Toronto stock sales.

Gaston was referring to buyers in Toronto who did not yet know things in Rossland were all wrong. Anxious to take advantage of the situation before the bubble burst, Gaston asked Ellis to transfer the 15,000 “cut up” shares to Ross Thompson, the “founder” of Rossland and one of its most active mining brokers.<sup>153</sup> But before Gaston’s letter had a chance to reach Victoria, Ellis received a telegraph instructing him to split the Thompson stock into even smaller 100 share certificates.<sup>154</sup> The Secretary was again reassured this was only a measure of self-protection, but the company men must have been sceptical. Skepticism no doubt increased the following week when Gaston tried to transfer 27,500 more shares to Thompson (again, to be reissued in 100 share certificates).<sup>155</sup> The Nest Egg’s manager was apparently providing fuel for a bear attack at the same time he was so fiercely condemning it! Three weeks later the suspicions of the company men were confirmed when Thompson admitted he had in fact purchased the stock from Gaston.<sup>156</sup>



24. Ross Thompson  
From “Rossland in 1898,” 8.

The Rossland manager’s personal agenda was obviously affecting his objectivity. Gaston’s reports on mining operations usually contained no lack of optimism—so long as it served his own purposes. During the first week of August when Toronto sales were in full

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<sup>153</sup>NEMC Correspondence, Gaston to Ellis, August 21, 1896; Kingsmill, *History of Rossland*, 11.

<sup>154</sup>NEMC Correspondence, C.P.R. telegram, Gaston to Ellis, August 21, 1896.

<sup>155</sup>NEMC *Share Ledger*, 59.

<sup>156</sup>“Why Nest Egg bought of Gaston not shipped answer quick” (NEMC Correspondence, CPR wire from Thompson to Ellis, September 16, 1896). None of Gaston’s stock was ever transferred back to him. The 37,500 shares sent to Thompson, as well as the 1,000 shares earlier transferred to Victoria broker Gilbert Soule on August 19th, and the 5,000 shares transferred to John Watson, Jr. on September 3rd, were all cancelled on December 22, 1896, and reissued the same day, forming the bulk of a single 45,200 share certificate issued to Leonard H. Solly, the Victoria “land commissioner” of the Esquimalt and Nanaimo Railway. Solly’s certificate was never cancelled (NEMC *Share Transfer Register*, 46, 59, 119-120, 129-130, 136).



swing Gaston confirmed the vein was about three feet thick, but also predicted it would somehow grow to six or seven feet by the time the shaft was sunk to fifty feet.<sup>157</sup> The ore body was reportedly “growing wider with increased depth and shows fine ore.”<sup>158</sup> But as soon as Ellis wired on August 24<sup>th</sup> that the Thompson stock was in the mail, the lustre suddenly wore off Gaston’s assessments. He wrote back that Shaft #3 was merely “looking fine.” Responding on August 31<sup>st</sup> to Ellis’s urgent request for more specifics, the manager would only say that “the mine is all right and continues to look fine.”<sup>159</sup> Later, after he was deposed at the end of October, a disgruntled Gaston accused Burke of sinking the shafts in worthless ground which, while he worked it, was supposedly full of ore.<sup>160</sup>

Ellis correctly gauged the motives of the Nest Egg’s interim manager and took evasive action. After the *Rossland Miner* published its warning that someone was trying to dump stock in Rossland at 10¢, Ellis did everything possible to freeze *any* regional transactions, especially those of Gaston and Thompson who between them held almost 100,000 shares.<sup>161</sup> Although Ellis transferred Gaston’s shares on the books when notified of the transactions, he managed to postpone mailing the new certificates until September. Fortunately, the Secretary had an excuse for the delay: Gaston failed to forward the necessary transfer fees.<sup>162</sup> The Rossland manager pointed out that the fees were much less than the operating expenses he had already paid out of pocket, but his suggestion for compensation fell on deaf ears.<sup>163</sup> Ellis replied that everybody was learning to carry more than their own weight:

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<sup>157</sup>NEMC Correspondence, Gaston to Ellis, August 21, 1896.

<sup>158</sup>Ibid.

<sup>159</sup>Ibid., August 31, 1896.

<sup>160</sup>Ibid., October 29, 1896.

<sup>161</sup>The price cited in the *Rossland Miner* was quoted a week later in “*Miner Misrepresentations Corrected*,” *Colonist*, August 21, 1896. On August 19<sup>th</sup> Gaston and Thompson held 96,500 shares (NEMC *Share Transfer Book*, 16 and 59).

<sup>162</sup>Ellis also claimed the company was temporarily out of certificates (NEMC Correspondence, Gaston to Ellis, August 19 and 21, 1896).

<sup>163</sup>NEMC Correspondence, Gaston to Ellis, August 19, 1896.

With regard to the charge for certificates I must ask that you pay the charges. Had Mr. Kirk charged for his services and for advancing monies to meet the required payments to relieve the title he would have good reason to do so. ...It is bad enough as it is. Burke has [also] made no charges for his services.<sup>164</sup>

In so many words the Secretary also let Gaston know his objectivity was suspect: "The whole trouble and annoyance to people here has been caused through over-confidence in representations made by those who have profited most out of the deal, and had it not been for Kirk and others in Victoria there would have been a pretty mess by now."<sup>165</sup>

### **Ready for Something Different**

By the end of the summer of 1896 the Nestegg Mining Company had barely survived the financial difficulties precipitated by the property problems, newspaper war, and unstable management in Rossland. Bad publicity and the Fire Fly acquisition preoccupied affairs in Victoria while surprisingly little work was actually accomplished at the mine. Indeed, it seemed much more sweat was worked up handling pens than miners' shovels. During the spring and summer the "moss-backed"<sup>166</sup> Victoria men tried to proceed with caution but the managers in Rossland had their own agendas and succeeded in drawing the company into one commitment after another. And the impetuous Ellis proved to be a poor intermediary. But a change was in the wind. A critical shortage of funds and a sudden turn of events outside of British Columbia would cause the company men to aggressively push their venture in a new direction.

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<sup>164</sup>Ibid., Ellis to Gaston, September 9, 1896.

<sup>165</sup>Ibid.

<sup>166</sup>Victoria's typical British businessman was labelled a "mossback" by one contemporary observer because he "prefers to work on steadily to killing himself by the frenzy of business excitement, by which his brethren on the mainland wear themselves out prematurely." The Victorian "moves so leisurely ...that the moss has time to grow on his back" (Alexander A. Boddy, *By Ocean, Prairie and Peak*, [London: Society for Promoting Christian Knowledge, 1896], 170).

## CHAPTER IV

### LOOKING IN A NEW DIRECTION

Autumn of 1896

#### The Eastern Expedition

Late in the summer of 1896 the Nest Egg's promotional target shifted from B.C. to Toronto. Yet, the "Eastern Expedition" showed few signs of being a well-planned operation. On July 22<sup>nd</sup> and apparently without any official authorization from the Trustees, Ellis sent 25,000 shares to G.H. Burns, manager of the Victoria branch of the Bank of B.N.A. with instructions to "forward same to your Toronto branch and deliver to P.A. O'Farrell on payment of 15¢ net per share."<sup>1</sup> A week later the Eastern sales campaign was formally launched when an eye-catching prospectus with the Nestegg Company's name on it appeared in the Toronto newspapers.<sup>2</sup>

Exactly when and who made the decision to test the Toronto stock market is not clear. O'Farrell was obviously in charge of the sales campaign once it was underway but the Minutes and correspondence contain no indication that the Trustees ever gave him or the Eastern Expedition their blessing. Ellis was the one who sent the shares but it seems unlikely he would have taken personal responsibility for such an important – and illegitimate – decision.<sup>3</sup> In fact, the Nest Egg's Managing Trustee seemed to confirm that the Secretary did not act alone. O'Farrell later claimed he had been given "authority" to sell up to 50,000 shares and hinted that Kirk approved the Expedition.<sup>4</sup> While Trustees were authorized to

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<sup>1</sup>NEMC Correspondence, Ellis to G.H. Burns, July 22, 1896; NEMC *Share Transfer Ledger*, 12, 118.

<sup>2</sup>*Globe*, August 1, 1896.

<sup>3</sup>According to the Company's incorporation documents, only the Trustees could authorize the release and sale of Treasury shares (NEMC "Certificate of Incorporation," para. 3, part "j"). Ellis was an officer but not a Trustee.

<sup>4</sup>"...Of course, I had no authority to sell more than 50,000 for 15 cents a share but tell Kirk that if he allows payment for the \$600 I wired McLeod to draw for amt the \$675 the company

dispose of Treasury shares as they "saw fit," it is highly irregular that a decision of this magnitude would not be recorded in the Minutes.

Regardless of who made the decision or when it was made, there are a number of explanations for the choice to go East with the Nestegg Treasury stock. First and foremost, the Company's finances were in a precarious condition. If the cash for the final payment owing on the Nest Egg claim was not found soon the Company would lose the property and find itself in court for defrauding the shareholders. To make matters worse, development work at the mine had recently resumed unexpectedly (thanks to Gaston) even though the Company had no means to support it. Share sales had dried up in B.C. and no further financial assistance could be expected from the usual sources of credit – the founders and the Bank of British North America.<sup>5</sup> And while the debts continued to pile up, the mine's mediocre assays and progress reports indicated the operation would likely never be self-sufficient at the current rate of development. Under the circumstances, the company men – at least those who had knowledge of the state of the Treasury and the Nest Egg's progress – surely agreed that diluting the dividend potential of their holdings was a price worth paying if they wanted to keep their mine, complete preliminary exploration, and avoid a lawsuit from the shareholders.

The Company's stock was also likely to sell better in the East than in B.C. The *Rossland Miner* was temporarily sedated but the newspaper war had already worked considerable harm to the Nest Egg's reputation. It was hoped that Eastern investors would

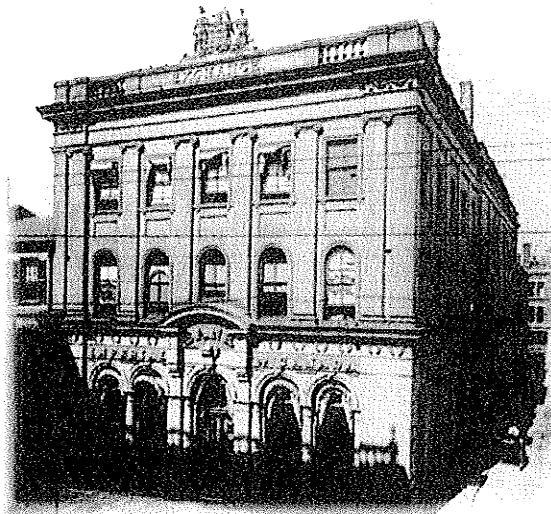
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owes me now I shall be satisfied to ask no commission on the second 25,000 shares of Nest Egg (Correspondence, O'Farrell to Ellis, August 27, 1896.).

<sup>5</sup>In his September 9<sup>th</sup> and 22<sup>nd</sup> letters to Paul Gaston, Ellis hinted that Kirk was tired of bankrolling the Company (NEMC Correspondence, Ellis to Gaston, September 9 and 22, 1896). Rithet also refused to put up any more cash unless some serious changes were made in the management (BCLIA Correspondence, Rithet to Holland, October 27, 1896). When the Eastern Expedition commenced the Treasury did not contain enough shares to back a loan sufficient to clear the debts. On July 21<sup>st</sup>, the day before Munro sent the first shipment of shares to Toronto, only 43,600 shares remained in the Treasury. At the rate the banks valued them as security (about seven cents per share), this stock would have only raised \$3,052. However, on July 22<sup>nd</sup> the last installment of \$2,500.00 was still owing to Cooper and the Bank of B.N.A. held two notes totalling \$2,100.00 (NEMC *Cash Book*, 6).

be less informed of the Nest Egg's troubled past. The investor market in the Pacific Northwest, particularly in Victoria, was already saturated with Nestegg shares. Dumping more Treasury stock in B.C., besides being unprofitable, could also make it difficult for the founders to liquidate their holdings quickly should they need to. And Lastly, the Toronto stock market was showing strong indications that mining investment was about to take off. By September 12<sup>th</sup> investor demand for mining stock had grown to the point where the Toronto Stock Exchange felt compelled to relax its traditional restrictions against listing shares of speculative mining companies.<sup>6</sup>

Initially the Eastern Expedition proved to be successful beyond anyone's expectations as prices quickly shot up well beyond 25¢ per share. One Eastern shareholder later claimed to have paid 75¢ each for her Nest Egg shares "when they were first put on the Toronto market."<sup>7</sup> Although the same individual complained that the price fell to 15¢ "within a week" at least one other investor indicated the prospectus's 25¢ list price was still holding up at the middle of the month.<sup>8</sup>



25. Toronto Exchange, Wellington St. East  
National Archives Canada, RD536

The Expedition owed much of its early success to a sensational ad campaign

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<sup>6</sup>"Listing Mining Stocks," *Globe*, September 12, 1896, 18.

<sup>7</sup>NEMC Correspondence, Isabel Duff of Milton West, Ontario to Munro, February 5, 1897. Mrs. Duff was the mother of prominent Victoria lawyer Lyman Duff (*Who's Who and Why: A Biographical Dictionary of Men and Women of Canada and Newfoundland*, Vol. 5 [Vancouver: International Press, 1915], 298-99). Her 200 shares were transferred on August 13, 1896, but she almost certainly purchased the stock a few weeks earlier (NEMC *Share Transfer Ledger*, 86).

<sup>8</sup>Toronto roofing contractor Howard Williams reportedly paid 25¢ each for the 100 shares he received on August 20<sup>th</sup> (NEMC Correspondence, Howard Williams to Ellis, July 13, 1897; NEMC *Share Transfer Ledger*, 251). George Case continued to advertise Nest Egg shares in the *Globe* at 25¢ through the end of the month (*Globe*, August 24, 1896; *ibid.*, August 27, 1896).

launched in the Toronto papers on August 1<sup>st</sup>. Published jointly with a notice advertising Palo Alto Company shares, the Nest Egg prospectus consumed about a third of a page in the *Globe* and contained a detailed map of the Rossland mines. It exhibited all the garish characteristics of most mining promotion literature of the period – and was also almost certainly the work of Managing Trustee P.A. O’Farrell.<sup>9</sup>

The prospectus began by listing a number of distinguished individuals who, it claimed, were charged with “control and management” of the mine. Besides unnamed “other well-known citizens of Victoria” the list included Premier John Turner, R.P. Rithet, C.A. Holland and Victoria shareholders Captain John Irving, Simon Leiser, and William Wilson.<sup>10</sup> The other supposed corporate managers were Speaker of the Provincial Legislature D.W. Higgins, A.J. McColl, Q.C., and Victoria lawyer E.V. Bodwell. In fact, although the list was quite impressive, Holland was the only personage named who would ever have a role in the Company’s management. Turner, Rithet, Irving, Leiser, and Wilson all held shares but there is no evidence any were involved in running the company.<sup>11</sup> Higgins, McColl, and Bodwell were not even shareholders.<sup>12</sup>

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<sup>9</sup>The format of the Nest Egg/Palo Alto prospectus was nearly identical to a number of others published in the *Globe* during August 1896 (see *Globe*, August 1, 1896 [Hill Top MC]; *ibid.*, Aug. 10 [Mayflower GMC]; *ibid.*, Aug. 12 [Grand Prize Mining & Milling]; *ibid.*, Aug. 13 [Monte Cristo GMC]; *ibid.*, Aug. 13 [Colorado GMC]; *ibid.*, Aug. 15 [Golden Gate Mine]; *ibid.*, Aug. 15 [Dominion Dev. & Mining Co.]; *ibid.*, Aug. 15 [Big Three MC]; *ibid.*, Aug. 15 [Northern Belle GMC]). Toronto broker George Case signed the Nest Egg prospectus but the style was clearly O’Farrell’s. There can be little doubt the two were at least collaborating since O’Farrell’s correspondence during this period was written on Case’s letterhead (NEMC Correspondence, O’Farrell to Ellis, August 6 and 27, 1896). O’Farrell also acknowledged he was working with Case to put together an option deal on the Company’s property (*ibid.*).

<sup>10</sup>Leiser owned a wholesale grocery business and Wilson was a partner in a clothing store (*Henderson’s*, 1897, 780, 838). Captain Irving was a member of the Legislature and manager of the Canadian Pacific Navigation Company (*ibid.*, 770).

<sup>11</sup>Only two of these men, Rithet and Irving, ever bothered to exercise their shareholder rights to be represented at company meetings (“Minutes of General Meeting,” January 20, 1897 [NEMC *Minute Book*, 21])

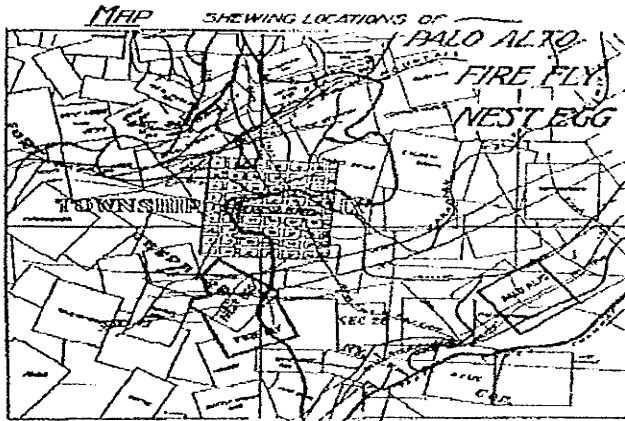
<sup>12</sup>Higgins’s wife Mary did own 1,500 shares (NEMC *Share Transfer Ledger*, 31; Gregson, *A History of Victoria*, 65).

PROSPECTUS.  
**PALO ALTO GOLD MINING**  
 COMPANY  
**OF VICTORIA, B. C.**

CAPITAL \$1,000,000, IN SHARES OF \$1 EACH.  
 Trustees—The Hon. R. W. Higgins, Edward H. Kelly, R. C. Stacey, W. G. Fyfe and F. A. Crawford.

**Nest Egg Mining Company**

Head Office, Victoria, B. C. Mines, Trail Creek, W. Kootenay  
 Trustees—G. A. Case (President), A. B. Entine and F. A. Crawford.



The objects and objects of the Nest Egg Mining Company are to acquire and develop the property known as the Palo Alto, Fire Fly and Nest Egg mines in the Kootenay region of British Columbia, and to carry on the business of mining and smelting gold and silver ores and to do all such things as may be necessary or expedient for the carrying out of the objects of the company.

The Nest Egg Mining Company was formed in the month of May, 1896, under the provisions of the Companies Act of British Columbia, and its registered office is at the City of Victoria, B. C. The company is authorized to issue shares of \$1 each, and its capital is \$1,000,000.

The Palo Alto, Fire Fly and Nest Egg mines are situated in the Kootenay region of British Columbia, and are of great value. The Palo Alto mine is one of the largest and most productive gold mines in the Kootenay region, and has produced over 1,000,000 ounces of gold since its discovery in 1860. The Fire Fly and Nest Egg mines are also of great value, and are expected to produce a large amount of gold in the future.

The Nest Egg Mining Company has a large and experienced staff of engineers and miners, and is well equipped with the latest machinery and tools. The company is also well capitalized, and has the resources necessary to carry out its business successfully.

The Nest Egg Mining Company is a public company, and its shares are available for purchase by the public. The company is a member of the Kootenay Mining Association, and is in full compliance with all the laws and regulations of the Province of British Columbia.

The Nest Egg Mining Company is a promising investment, and is expected to produce a large amount of gold in the future. The company is well managed, and has a large and experienced staff of engineers and miners. The company is also well capitalized, and has the resources necessary to carry out its business successfully.

The Nest Egg Mining Company is a public company, and its shares are available for purchase by the public. The company is a member of the Kootenay Mining Association, and is in full compliance with all the laws and regulations of the Province of British Columbia.

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The Nest Egg Mining Company is a promising investment, and is expected to produce a large amount of gold in the future. The company is well managed, and has a large and experienced staff of engineers and miners. The company is also well capitalized, and has the resources necessary to carry out its business successfully.

GEO. A. CASE, 10 Victoria Street,  
 Real Estate and Mining Dealer, Toronto.

The registry of “decoys” was followed by a carefully exaggerated physical description of the property:

The Nest Egg [*sic*] Mining Company was formed to acquire and operate the famous Nest Egg mine, in the Trail District of West Kootenay, within a half mile of the centre of Rossland. It is a 1500-foot location, or over 50 acres, and is Crown granted. It has three well-defined ledges, all trending in an easterly and westerly direction, like the other fissures of the camp. The main ledge on the Nest Egg is one of the strongest and best defined ledges in Trail Creek, and has been traced from the Sunset and Gold Hunter on the west to the Commander on the east. A shaft has been sunk of 50 feet on this main ledge, and this shaft is all in ore and ledge matter from top to bottom. On the central vein three shafts have been sunk and the vein traced for 150 feet. ...The railroad from the Trail smelter to Rossland runs through the company's ground for 2,000 feet, affording every possible facility for the shipment of ore from those mines.<sup>13</sup>

Liberal doses of a pseudo-scientific appellations like “ledge” were common in mining promotion literature of the period.<sup>14</sup> The term was ill-defined and even professionals in the geology field could not agree on what exactly it meant. One early handbook for mining consultants defined a ledge as “an irregular mass of altered rock, containing ore bodies.”<sup>15</sup> Another contemporary mining engineer identified “ledge matter” as “a miner's term used to indicate the vein filling [and] may or may not contain valuable minerals.”<sup>16</sup> A standard engineering textbook for the period defined “ledge” as being “synonymous with lode,” whose definition was no less nebulous.<sup>17</sup> Perhaps the best that could be safely said for a ledge was that it was a body of rock, mineralized in appearance, which *possibly* contained metalliferous ores. The term was quite popular in the mining promotion business since it

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<sup>13</sup>“Prospectus,” *Globe*, August 1, 1896, 22.

<sup>14</sup>Similarly, Northwestern Ontario mining promoters preferred to misuse the term “reef” when describing almost any kind of supposed gold deposit (Chapin, “Northwestern Ontario Gold Mining,” 7-8).

<sup>15</sup>C. Godfrey Gunther, *The Examination of Prospects: A Mining Geology* (McGraw-Hill: New York, 1932 [reprint of 1912 edition]), 40.

<sup>16</sup>George J. Young, *Elements of Mining* (McGraw-Hill: New York, 1946 [first edition 1916]), 1.

<sup>17</sup>“LODE.—An aggregation of mineral matter containing ores in fissures. ...A vein of metallic ore. ...A fault in the country rock which has become mineralized” (G.W. Miller, *Elements of Mining Geology and Metallurgy* (Daily Mining Record Publishers: Denver, 1906), 477).



could mean almost anything.

The assertion that the Nest Egg's "main ledge" was a "fissure" vein running continuously from the "Gold Hunter" to the "Commander" was completely unfounded.<sup>18</sup> At the very least this statement was a contradiction of terms. A fissure vein was a well-

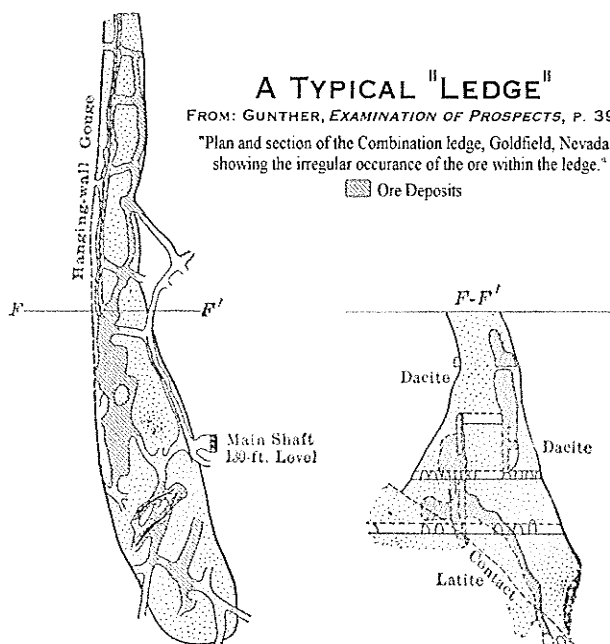


Fig. 27

defined and somewhat continuous mineralized body whereas a ledge was a poorly-defined and irregular zone.<sup>19</sup> And the innocuous claim that the Nest Egg contained "one of the strongest and best defined ledges in Trail Creek" was carefully couched in vague

<sup>18</sup>Maps contained in other advertisements published in the *Globe* seemed to conflict with the description of the Nest Egg's vein included in its prospectus. On page 16 of the *Globe*'s August 1<sup>st</sup> edition, the Hill Top Mining Company's prospectus displayed a map showing the property's vein as originating in the Blue Bird and bearing due east through the Hill Top. The map in the Nest Egg prospectus showed the same vein proceeding northeast to the Palo Alto and bypassing the Hill Top altogether. The Nest Egg's map showed its main vein originating in the Gold Hunter but the map published in the Grand Prize Mining and Milling Company's prospectus on August 12<sup>th</sup> showed the same vein proceeding due north away from the Nest Egg claim (*Globe*, August 12, 1896).

<sup>19</sup>Gunther, *Examination of Prospects*, 39; Miller, *Elements of Mining Geology*, 473.

quantification as well as vacuous terminology.<sup>20</sup>

The particulars of the mine's ore values were, however, much more specific – and grossly exaggerated:

The west shaft is sixteen feet deep and the ore in this shaft assays from \$7 to \$48 in gold and 4 per cent. copper. The central shaft is down 40 feet and the clean ore taken out of this shaft averages over \$30 in gold. Number three shaft on this vein is about 300 feet east of number two and is down 30 feet, with three feet of solid, clean ore in the bottom of the shaft that assays \$35 to the ton.<sup>21</sup>

Yet the Company's correspondence files contain records of only four select ore assays, all from the third shaft and none exceeding \$14.00 per ton. The average *best ore* was a mere \$10.35 per ton, well below the \$13.00 per ton mining and smelting costs specified in the prospectus.<sup>22</sup>

Details of plans for financing further development were equally surreal. The prospectus claimed the Company was placing 60,000 shares on the market even though Ellis only sent O'Farrell 25,000 of the 43,600 shares remaining in the Treasury.<sup>23</sup> The stock was priced at a minimum of 25¢ per share with 50,000 more shares to be “subsequently” offered “at an advanced price should further money be required.” It is not difficult to explain the reasoning behind the stock exaggerations. Although the prospectus's author (O'Farrell or George Case) may have simply overestimated the shares remaining, there certainly was a motive for deliberately distorting the figures: if prospective investors learned the true condition of the Company's financial resources – a Treasury nearly emptied of its capital with little to show for its depletion – they would likely conclude the mine was at the end of its rope rather than on the verge of prosperity.

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<sup>20</sup>The prospectus contained a geological description of the Fire Fly nearly identical to that of the Nest Egg: “The Fire Fly has a strong well-defined ledge running through the entire claim.”

<sup>21</sup>“Prospectus,” *Globe*, August 1, 1896.

<sup>22</sup>NEMC Correspondence files: Richard Marsh assay certificate, June 6, 1896 (\$13.60); *ibid.*, October 1, 1896 (\$10.40); Victoria Assay Office assay certificate, May 5, 1897 (4dwt [or 0.2 of troy oz. or about \$3.60 @ \$18/troy oz]); Macfarlane & Roberts, Civil and Mining Engineers and Assayers, Rossland, B.C., assay certificate, July 3, 1897 (\$13.80). The cost figure for mining and smelting was quite accurate and well publicized.

<sup>23</sup>NEMC *Share Transfer Book*, 11.

To sweeten the mine's prognosis, the usual mining expert's report rounded out the Nestegg prospectus:

These claims were purchased by the Victoria Company on reports made by Col. John M. Burke and W. Clayton Miller. Mr. Miller, an eminent mining engineer, in his report says: —“After careful examination of the Nest Egg mine and the fine ledges that are exposed on that claim, I am satisfied that the Nest Egg mine should develop into one of the rich mines on Trail Creek, and Col. John Burke, a mining man of 30 years experience in Utah, Montana, Idaho, and British Columbia, states that the Nest Egg, with the great surface showing and mineral ore, with its fine development, and with the rich ore in sight, has all the ear-marks of a big mine.”<sup>24</sup>

But who was W. Clayton Miller? This was obviously the same “Clayton Millar” O'Farrell earlier reported had examined the mine in May and determined its vein to be “finest and strongest” in the South Belt.<sup>25</sup> Miller was supposed to be one of the “ablest and best known mining engineers” but there is no record of him holding a membership in either the American Institute of Mining Engineers or the Canadian Mining Institute.<sup>26</sup> The “Free Miners' Directory” at the front of the 1897 *Henderson's Directory* lists a W.C. Miller who received two free miner's licenses, one in Rossland and one in Kaslo. No business listing appears for him in the Rossland directories although a William Miller operated briefly in Kaslo in 1897 as a “broker and assayer.”<sup>27</sup> He disappeared the following year and was never certified as a B.C. assayer.<sup>28</sup>

Whoever he was, if Miller did examine the mine there is no evidence his report was paid for or received in Victoria. Yet the Company had paid for another assessment from someone who was, by mining promotion standards, a reasonably reputable authority. In

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<sup>24</sup> “Prospectus,” *Globe*, August 1, 1896.

<sup>25</sup> O'Farrell, “Trail and Vicinity,” *Colonist*, May 7, 1897. O'Farrell may have been deliberately trying to confuse Miller with W.G. Millar, a truly “eminent” mining engineer at the new School of Mines in Kingston, Ontario.

<sup>26</sup> *Colonist*, May 7, 1896.

<sup>27</sup> *Henderson's Directory, 1897*, 389. There was no other listing for “Wm. Miller” in Kaslo or any other mining camp between 1898-1900.

<sup>28</sup> After 1899 assayers in B.C. were tested and certified (*B.C. Statutes*, “Bureau of Mines Act Amendment Act, 1899,” 62 Vict., c. 11, s. 2). Their names were subsequently included in the *Annual Reports* of the Department of Mines. Miller was never listed.

early 1896 a Michigan “mining engineer” named W.J. Sutton billed the Company \$50.00 for examining and reporting on the Nest Egg.<sup>29</sup> Sutton was an aspiring expert who climbed the credibility ladder in his profession with unbelievable speed. He was born in Ontario in 1859, the son of a Bruce County sheriff.<sup>30</sup> His family eventually relocated to Vancouver Island where his father was involved in lumbering.<sup>31</sup> Sutton’s educational background was expansive but relatively shallow. Although still without a degree in 1896, he had previously attended Trinity College at Port Hope, Ontario, Cornell University in Ithaca, New York, and the Business College at Hamilton, Ontario before completing an assaying course at Columbia School of Mines.<sup>32</sup> By 1892 Sutton was the acting principal at the State Normal School in Cheney outside of Spokane, Washington.<sup>33</sup> He was first admitted to the Michigan School of Mines in 1894 but failed to finish the term.<sup>34</sup> The following year he attended as both a student *and* faculty member.<sup>35</sup> When the B.C.



28. W.J. Sutton, M.E.  
B.C. Archives; I-61536

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<sup>29</sup>W.J. Sutton was paid \$50.00 for “Report on Nest Egg claim” (Entry for July 10, 1896, NEMC *Cash Book*, 6). A month earlier Sutton had written from his office in Houghton, Michigan requesting that the Company pay his fee for the report to Charles E. Clarke, Victoria’s harbourmaster. (NEMC Correspondence, Sutton to Ellis, June 10, 1896; *Henderson’s Directory, 1897*, 737). Clarke almost certainly was paid with Nestegg stock since the *Share Transfer Ledger* shows he received 500 shares the same day the *Cash Book* indicates Sutton’s account was paid (NEMC *Share Transfer Ledger*, 70).

<sup>30</sup>*Who’s Who and Why, 1913*, 788.

<sup>31</sup>Michigan Technical University Archives Collection (hereafter MTUA), “Michigan Mining School Students’ Admission Record,” for William John Sutton, August 10, 1894.

<sup>32</sup>MTUA, Sutton “Admissions Record,” 1894.

<sup>33</sup>MTUA Correspondence, Sutton to Professor M.E. Wadsworth, Michigan School of Mines, April 4, 1892.

<sup>34</sup>Because he “severed his connection” Sutton was remitted his tuition deposit for 1894 (MTUA Correspondence, Director Wadsworth to School Treasurer, November 28, 1894; *ibid.*, June 14, 1895).

<sup>35</sup>Sutton was assigned laboratory teaching duties and put in charge of the summer field classes (MTUA Correspondence, Director Wadsworth to Sutton, July 10, 1895). Already a “well known Winnipeg geologist,” Sutton was appointed assistant professor of “minerology, petrology, and geology” (*Canadian Engineer*, October 1895, 148).

government created the Provincial Mineralogist's position in 1895 Sutton campaigned energetically for the job even though he was far from completing his degree.<sup>36</sup> He may not have had a diploma but the engineer-in-training could still put together an impressive presentation. His lengthy description of the Alberni gold district published in the 1895 *Report of the B.C. Minister of Mines* was detailed and highly technical but it did not get him the job.<sup>37</sup> Sutton may have had a quick look at the Nest Egg when he was returning to Michigan from his father's funeral in the spring of 1896, but his report subsequently managed to disappear and was never mentioned in any correspondence, newspapers articles, or the prospectus.<sup>38</sup> Apparently, the blandishments of an unknown (or non-existent) "eminent mining engineer" like Miller were more useful for promoting the Nest Egg than the buried appraisal of even a semi-qualified expert like Sutton.<sup>39</sup>

The most amazing section of the prospectus was the summary of future plans for the mine. All proceeds from the Eastern Expedition were to be "devoted to the development of the mines *and the purchase of machinery* [emphasis added]." This assertion surely surprised almost everyone in Victoria. Although O'Farrell, Gaston, and Ellis had each earlier expressed their opinions about acquiring a plant, the issue was never officially

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<sup>36</sup>MTUA Correspondence, Director Wadsworth to Col. Baker, B.C. Minister of Mines (letter of recommendation), June 14, 1895. Sutton finally received his degree in 1898 (MTUA "Prospectus for the Year 1897-98").

<sup>37</sup>B.C. *Report of the Minister of Mines, 1895*, 648-654.

<sup>38</sup>Sutton almost certainly did not examine the mine on his way to Vancouver Island. He later indicated that in spite of his best efforts he was not able to get back in time for his father's funeral (MTUA Correspondence, Sutton to Wadsworth, April 11, 1896). He did not leave Victoria for Houghton until about May 7<sup>th</sup> and was due to arrive before classes started on May 18<sup>th</sup> (*ibid.*, May 1, 1896). A side trip to Rossland would have been a tight fit. If Sutton did not look over the Nest Egg on his trip back to Michigan, then he almost certainly did not physically examine it all.

<sup>39</sup>In 1899 Sutton became a provincial examiner for assayers. Later, after a stint as geologist for the Esquimalt and Nanaimo Railway, he accepted a similar position with the Canadian Collieries Company in Victoria (*Transactions of the Canadian Institute of Mining and Metallurgy and the Mining Society of Nova Scotia, 1912*. [Montreal: Canadian Institute of Mining and Metallurgy], 334).

brought up at any of the Trustees' Meetings.<sup>40</sup>

Besides being wholly unauthorized, the promise to put in machinery had serious potential consequences. The statutes of British Columbia, Ontario, and Britain were quite loose regarding liability for exaggerations published in prospectuses,<sup>41</sup> but in this case a promise was made that would legally obligate the proceeds from Eastern Expedition stock sales. If this money *was not* used for machinery, the Company could be sued by disappointed investors.<sup>42</sup> The Trustees probably did not realize it, but the Nest Egg was now committed to mechanization – even though it was an impossible objective under the circumstances. Had O'Farrell managed to sell *all* the shares Ellis sent him, the net return to the Treasury still would not have cleared its debts, let alone provide what was needed to

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<sup>40</sup>The first public mention of machinery appeared in an article by O'Farrell published in a May issue of the *Rossland Miner*. As a result of settling the property dispute the Company was supposedly going to start a "full force of men" and "order machinery at once" ("Nest Egg All Right," reprinted in *Colonist*, May 23, 1896). There is no evidence that any of the other company men were considering machinery at that point. In early September Ellis privately admitted to Gaston that he personally favoured purchasing machinery but stressed that the financial exigency had to be resolved first (NEMC Correspondence, Ellis to Gaston, September 9, 1896).

<sup>41</sup>*Statutes of Ontario, 1897*, "Mining Companies Act," 60 Vict., c. 29, s. 12; *ibid.*, s. 12[b]; *B.C. Statutes, 1894*, "Fraudulent Statements Act, 1894," 57 Vict., c. 17, s. 1; (U.K.) Laws, Statutes, etc., *Directors' Liability Act, 1890*, 53 & 54 Vict., c. 64. Under Ontario statutes company officials could escape liability for damages resulting from false statements appearing in a prospectus if: 1) such statements were based upon reports of an engineer or other expert or based on information obtained from any other "public official document or statement," and 2) the directors *believed* their sources to have been genuine (*S.O., 1897*, "Mining Companies Act," s. 12; *Ibid.*, s. 12[b]). In fact, directors could not be held liable for *any* false information appearing in a prospectus if they claimed they thought the statements were true at the time the prospectus was issued (*ibid.*, s. 12[a]). B.C. law dealt quite harshly with companies whose advertisements were "intended or calculated or likely to mislead or deceive any person dealing or having any business or transaction with said corporation ...or with any officer, agent, or employee of the corporation" (*S.B.C., 1894*, "Fraudulent Statements Act," s. 1). But it was not clear if the statute applied to companies based in B.C. or those who published advertisements in B.C. or both.

<sup>42</sup>Obtaining a favourable judgment would still have been difficult. The Nest Egg's prospectus included extra precautions to ensure against liability. By citing a false management team and having George Case on record as the document's author, the prospectus made it hard for shareholders to find anyone to blame for misrepresentations. Those named as having "control and management" were officially not involved in any capacity, and Case could easily claim all statements were true to the best of his knowledge which, given his nominal connection with the Company, was surely not very extensive.

purchase a new plant.<sup>43</sup>

By the end of August the Eastern Expedition began to unravel. As shown earlier, the property dispute with Cooper re-erupted on August 21<sup>st</sup> when the *Rossland Miner* ran its exposé headlined “A VERY FISHY BUSINESS, Promoters of the Nest Egg Have Deceived Both This Paper and the Public – Stock Still Being Offered For Sale in Toronto.”<sup>44</sup> A week later the *Miner* fired the *coup-de-gras* when it called into question the ethics of the Eastern promotional campaign:

The Nest Egg treasury stock is being extensively advertised in Toronto and other cities of Eastern Canada and offered at 25 cents a share. ...The *Miner* deprecates the offering of shares in mere prospects at these high figures. It is bad policy and will kill the goose that lays the golden eggs. It is much better to put these treasury shares on at a moderate figure and give the public a living chance in the gamble.<sup>45</sup>

Ellis’s fumbling response exhibited a twisted logic that even he probably did not understand:

The treasury stock in any company is more valuable than individual stock, because the money it brings is to be spent upon the property. A person who is buying any considerable amount of stock can well afford to pay more for it [treasury shares] than for individual stock, for it is going into the treasury of the company in which he holds his private interest, besides the money spent on a good prospect is very liable to materially increase the value of his stock.<sup>46</sup>

Paul Gaston managed to keep the *Miner*’s comments out of two of Toronto’s top papers – the *Globe* and the *Mail and Empire* – by cajoling and bribing their journalists when

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<sup>43</sup>At 15¢ per share (the Company’s net price) the 32,500 shares sent to O’Farrell could yield *at most* \$4,875.00. However, at the end of September the debt load stood at around \$5,700.00. The Company was by then responsible for three outstanding promissory notes totalling \$2,500.00 (NEMC *Cash Book*, 6). The last installment on the Nest Egg property was overdue and, although the final amount was still disputed, it could have been as high as \$2,500.00. Gaston added more than \$500.00 in operating expenses since August 1<sup>st</sup> and John Burke was still owed \$117.35 for bills he covered in July (NEMC *Journal*, 78; NEMC *Cash Book*, 6). After some significant account padding, the plant eventually placed on the Nest Egg cost just under \$4,600.00 installed or almost everything that would have been raised had *all* the Treasury shares been sold during the Eastern Expedition (NEMC *Cash Book*, 9, 10, 11, 12; NEMC *Journal*, 81).

<sup>44</sup>*Rossland Miner*, August 21, 1896.

<sup>45</sup>Reprinted in *Colonist*, August 27, 1896.

<sup>46</sup>*Ibid.* Ellis’s illogical reasoning would not apply to the Nestegg’s Eastern investors anyway. They were not buying Treasury stock.

they were in Rossland.<sup>47</sup> He was, however, too late to intercept a damaging story that appeared in the *Toronto Star* on August 17<sup>th</sup>.<sup>48</sup> George Case continued to infrequently advertise the Company's shares at 25¢ through the end of August, but there were fewer and fewer takers.<sup>49</sup> As demand fell so did the value of Nestegg stock. By the first of September the price of shares in Victoria, which had held steady at 15¢ during the first two weeks of August, fell to 12¢.<sup>50</sup> A similar situation prevailed in Toronto. At the end of September shares which had fetched as much as 75¢ when the Expedition started were being listed in the *Globe* at 12¢.<sup>51</sup> By mid October the price had fallen to 11¼¢<sup>52</sup>

Nestegg shares had sold feverishly in Toronto during August but when it was all over the Company never realized a cent from the episode. In fact, the Treasury shares Ellis sent never left the bank where they were delivered.<sup>53</sup> Instead O'Farrell sold 8,000 shares he had earlier placed in the temporary possession of Victoria shoe merchant and mining promoter Alfred Flumerfelt.<sup>54</sup> While O'Farrell and his broker were busy selling the Flumerfelt stock,

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<sup>47</sup>NEMC Correspondence, Gaston to Ellis, August 17, 1896.

<sup>48</sup>Ibid., August 21, 1896.

<sup>49</sup>*Globe*, August 24, 1896; *ibid.*, August 27, 1896. On August 13<sup>th</sup> 4,000 shares were transferred to investors who purchased their stock through Case. The next shipment East on August 20<sup>th</sup> was 2,900 shares and on September 16<sup>th</sup> only 900 shares were transferred to Easterners (NEMC *Share Transfer Ledger*, 74-93, 95-100, 250-258.).

<sup>50</sup>John A. Wilson began running a mining stock sheet in the *Colonist* on July 26, 1896. He first quoted the Nest Egg at 15¢ on August 1<sup>st</sup>. On August 13<sup>th</sup> he dropped the price quote although the Nest Egg remained on the list. Victoria real estate broker A.W. More, who had also been carrying a mining shares list in the *Colonist* since July 15<sup>th</sup>, first quoted the Nest Egg at 12¢ on September 1<sup>st</sup>.

<sup>51</sup>The quote appeared in the Canadian Mining Exchange's share list (*Globe*, September 28, 1896).

<sup>52</sup>*Globe*, October 13, 1896.

<sup>53</sup>Ellis ordered the entire lot returned on October 17<sup>th</sup> (NEMC Correspondence, Ellis to G.H. Burns, Victoria Bank of B.N.A., October 17, 1896).

<sup>54</sup>NEMC *Share Transfer Ledger*, 106. The following share transactions were made during the Eastern Expedition: 4,000 shares on August 13<sup>th</sup>; 3,000 on August 20<sup>th</sup>; 900 on September 16<sup>th</sup>; and 100 on October 20<sup>th</sup> (*ibid.*, 73-99, 106, 250-258, 260). The forty year old Flumerfelt was an important figure in Victoria business circles. He first started in the shoe business in Coburg, Ontario around 1875. In 1879 he relocated his business to Winnipeg. Seven years he later sold



an encouraging dialogue was maintained with Ellis indicating Treasury sales were proceeding as planned. On August 6<sup>th</sup> O'Farrell wired Victoria to report: "Everything going well. Will have all the money we need for both properties soon."<sup>55</sup> Had Ellis been paying attention to business he would have known the Toronto twosome were selling stock that was not from the Treasury. After wiring the "Everything going well ..." message on August 6<sup>th</sup>, O'Farrell made a hard copy of its contents and sent it to Ellis via mail. As usual he wrote his correspondence on the nearest thing at hand. This time it happened to be on the back of George Case's stock transfer order for the first lot of Flumerfelt shares sold in Toronto.<sup>56</sup> O'Farrell somehow managed to keep convincing Ellis the Company's share of the Expedition's treasure was just around the bend. On August 27<sup>th</sup> the Managing Trustee boasted that he expected to have 75,000 shares sold within a week for a net of \$11,250.00.<sup>57</sup> On September 9<sup>th</sup>, after a month of being fed promises that the money "was to be here last month and last week," Ellis admitted that still "it cometh not."<sup>58</sup>



29. Alfred Flumerfelt  
From City of Victoria  
Archives PR104-3402

### Hidden Agendas

Who then really benefited from the Eastern Expedition? There were few if any indirect or hidden benefits since most of the Victoria men appeared unable – or unwilling

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out to Ames, Holden Company of Montreal and immediately went to work for them as the manager of their Victoria branch. By 1896 Flumerfelt was a past President of the Victoria Board of Trade and former member of City Council. He also joined Charles Hayward and C.A. Holland on the Board of the Jubilee Hospital and was a member of the Union Club (*Who's Who and Why, 1913*, 249). Later, as President of the Granby Consolidated Mining, Smelting, and Power Co., Flumerfelt was to become one of B.C.'s most successful and important mining men.

<sup>55</sup>NEMC Correspondence, CPR Wire, O'Farrell to Ellis, August 6, 1896.

<sup>56</sup>Transfer order found in NEMC Correspondence (Ser 2, Box 44B55, file 1).

<sup>57</sup>NEMC Correspondence, O'Farrell to Ellis, August 27, 1896.

<sup>58</sup>NEMC Correspondence, Ellis to Gaston, September 9, 1896.

– to cash in on the Eastern sales campaign.<sup>59</sup> Even though shares held up well in Toronto during August, the price for Nestegg stock in B.C. remained low, providing little opportunity for the founders to sell profitably.<sup>60</sup> By the end of September the local market for Nestegg shares had crashed so badly that Ellis frankly admitted to Paul Gaston, “We cannot sell the stock.”<sup>61</sup>

There is also evidence suggesting that Ellis went to great lengths to keep other shares off the market while the Treasury stock was supposedly in the process of being sold in Toronto. One Eastern investor later claimed he purchased his Nestegg shares in August of 1896 because he was promised the company men were pooling their stock to keep the price stable.<sup>62</sup> Ellis also did his best to make sure no western shares moved east. Paul Gaston tried desperately to liquidate his extensive holdings almost from the moment he stepped into the mine manager’s shoes at the height of the Expedition.<sup>63</sup> In spite of unrelenting pressure from both Gaston and Ross Thompson to send off the transferred shares, Ellis successfully delayed mailing them for almost four weeks.<sup>64</sup> In the meantime he similarly thwarted efforts by O’Farrell’s Spokane stock broker friends, Norman & Norman Company, to

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<sup>59</sup>Solicitor Gordon Hunter was an exception. He dumped 11,500 of his founders shares during this period with most going to Victoria broker Gilbert Soule (10,000 shares), no doubt at a reduced price (NEMC *Share Transfer Register*, 21, 120-21).

<sup>60</sup>The only local listing for Nestegg stock prices appeared in the *Colonist* between August 1 and 12, 1896 when John Wilson quoted the Company’s shares in his daily stock sheet at 15¢ (*Colonist*, August 1, 1896). He was obviously trying to sell someone else’s shares since no stock was ever registered in his name. At the end of August the *Rossland Miner* reported Nestegg shares selling as low as ten cents. Although Ellis refuted the claim (“...there is no Nest Egg stock in Rossland on the market”) he admitted “a few individual owners of small blocks in Spokane and Victoria are offering it for sale ..[at] 13 cents” (*Colonist*, August 21, 1896).

<sup>61</sup>NEMC Correspondence, Ellis to Gaston, September 22, 1896.

<sup>62</sup>NEMC Correspondence, H. Williams to Munro, July 13, 1897.

<sup>63</sup>Gaston requested that 5,000 shares be transferred on August 19<sup>th</sup> and a further 5,200 shares on August 24<sup>th</sup> (NEMC Correspondence, Gaston to Ellis, August 19 and 24, 1896).

<sup>64</sup>On August 16<sup>th</sup> Thompson wired Ellis “Why Nest Egg bought of Gaston not shipped answer quick” and Gaston similarly made several inquiries (NEMC Correspondence, Gaston to Ellis, August 21, 26, 31, September 4, 11, 1896). On August 24<sup>th</sup> Ellis claimed he sent the first shipment of Gaston’s shares to Thompson but they still had not been received by September 11<sup>th</sup> ( *ibid.*, Ellis to Gaston, August 24, 1896; *ibid.*, Gaston to Ellis, September 11, 1896).

quickly move a large quantity of shares to Toronto broker W.H. Seward of Mason & Seward Company.<sup>65</sup> Ellis's excuse for delaying the transfer was that Norman & Norman failed to get the original shareholder to endorse the transfer of his certificates. However, as Norman pointed out, Ellis could have followed the usual practice of completing the transfer and shipping the shares to a Spokane bank under orders that the new shares would not be released until the old ones were endorsed.<sup>66</sup>

Since there were no hidden or direct benefits for either the Nestegg Company or its founders, it seems the sole beneficiary of the Eastern Expedition was the person or persons associated with Flumerfelt's "in trust" stock. The paper trail left behind by this stock is not easy to follow – and, as it turns out, for good reason. Flumerfelt received his "in trust" stock in one 25,000 share certificate transferred from O'Farrell on April 25, 1896.<sup>67</sup> Other precedents in the *Share Transfer Ledger* suggest that a new "in trust" owner was only holding the shares for the former owner (Treasury stock excepted).<sup>68</sup> If this practice was standard, then it can be assumed that O'Farrell still retained ownership of the Flumerfelt "in trust" shares. On July 22<sup>nd</sup>, the same day the first shipment of Treasury stock was sent to O'Farrell in Toronto, Flumerfelt's "in trust" certificate was "cut up" into twenty-five 1,000 share certificates, presumably to prepare it for delivery to the same destination.<sup>69</sup> In the end all of the shares sold in the East came from this block and were transferred to their new owners between August 13<sup>th</sup> and September 16<sup>th</sup> at a time when O'Farrell, by his own admission, was responsible for all sales in Toronto.<sup>70</sup>

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<sup>65</sup>NEMC Correspondence, Norman & Norman, Spokane to Ellis, September 8 [CPR wire], 9, 17, and 18, 1896.

<sup>66</sup>Ibid., September 18, 1896.

<sup>67</sup>NEMC *Share Transfer Ledger*, 18, 106.

<sup>68</sup>When Ellis sent Treasury shares to Toronto they were transferred into certificates registered "in trust" to O'Farrell and recorded on a separate page in the *Transfer Ledger* (NEMC *Share Transfer Ledger*, 118). Thus the new registered owner, O'Farrell, held the shares in trust for the true owner, the Nestegg Company.

<sup>69</sup>NEMC *Share Transfer Ledger*, 106.

<sup>70</sup>O'Farrell wrote to Ellis at the end of August to renegotiate the terms of his commission on shares he was allegedly in the process of selling (NEMC Correspondence, O'Farrell to Ellis [on

Tracing the post-Expedition disposition of the remaining stock held in trust by Flumerfelt further confirms O'Farrell's involvement – and also reveals connections to other individuals who were in the process of building important ties to the Nestegg Company. On October 12, 1896 two thousand of the Flumerfelt shares were included in a transfer that shifted 625 shares each to C.A. Holland and P.R. Brown of the British Columbia Land & Investment Agency and 1,250 shares to BCLIA shareholder and future Nestegg Trustee Charles Hayward.<sup>71</sup> To balance the transaction O'Farrell added 500 of his own shares to the Flumerfelt batch.<sup>72</sup> Two weeks later 7,000 shares – more than half the stock remaining in trust to Flumerfelt – were transferred back to O'Farrell.<sup>73</sup> The stock held in trust by Flumerfelt since April 25, 1896, obviously belonged to O'Farrell.

The shifting of Flumerfelt shares on October 12<sup>th</sup> points to the possibility of two other beneficiaries of the Eastern Expedition – Charles Hayward and the BCLIA. An examination of BCLIA correspondence seems to confirm a financial arrangement existed between that company and the Nestegg Company's Managing Trustee.

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George Case letterhead], August 27, 1896.).

<sup>71</sup>NEMC *Share Transfer Ledger*, 23, 106, 143, 144.

<sup>72</sup>Ibid., 19.

<sup>73</sup>Ibid., 19, 106. Thereafter it becomes nearly impossible to follow the trail of the remaining "in trust" stock. On July 30 and November 30, 1897, five thousand and one thousand Flumerfelt shares respectively were transferred to someone. Unfortunately these two dates also saw massive transfers of other old Nestegg Company certificates into new certificates of the successor Nest Egg and Firefly Gold Mining Company. In most cases it is a simple matter to determine from the NEMC *Share Transfer Ledger* who received whose shares. By converting the *Transfer Ledger* into a database and sorting by date, then owner, then shares (a minus value for shares disposed and plus for shares acquired), it is usually possible to determine the recipient(s) and transferors of shares transferred on a given date. However, the manner in which the old shares were converted to new company stock makes any analysis after January 1897 nearly impossible. The sheer volume of transfers on pool expiration dates, the appearance of new and disappearance of old shareholders in the meantime, and the fact that conversions were not completed *before* transfers to new owners all produces gaps between the share transfer ledgers of the two companies. Because the Flumerfelt shares were not converted into new stock before being split up and transferred to their new owners, it is difficult to determine who received what from whom in 1897. We can be certain that no more of the "in trust" Flumerfelt stock was returned to O'Farrell after December 1896: he never held more than one share in the new company (NEFFGMC *Share Transfer Ledger*, 2).

On September 13<sup>th</sup> O'Farrell wired Holland asking him to "extend note thirty days most important for [Nest] Egg."<sup>74</sup> Four days later Holland grudgingly complied but warned O'Farrell that "it was a hard job to get an extension of 30 days and I do not think you will get another."<sup>75</sup> An updated account was also forwarded to O'Farrell which included a further \$220.00 cash advanced "as requested by wire." The price of the extra cash and loan extension was high: O'Farrell was instructed to "endorse" over to Hayward 2,500 shares each of the Nestegg and Palo Alto stock and return the "enclosed note and memo. of agreement."<sup>76</sup> To expedite the share transfers O'Farrell sent Holland his power of attorney to "act upon" the memorandum of agreement but Holland refused "the responsibility being too great as I am a party to the deal." O'Farrell was warned to return the signed agreement and shares immediately or suffer the consequences: the "forced sale" of his "securities."<sup>77</sup>

And why was the extension of this note so "important for Egg"? Perhaps O'Farrell meant that it was important to the ongoing *sales* of Nest Egg shares. And why would that interest Holland? His shares were not on the block and he would not be a Trustee until the end of October. Yet interested he was. When he heard his name was included in the prospectus Holland immediately wired O'Farrell and George Case insisting that they distance him from the Eastern Expedition. The two should not have presumed he held a management role just because he forwarded some shares to Toronto for Case to sell. As he pointed out to O'Farrell, "I was never even the owner of the shares and I think you might at least have done me the service of omitting my name in any booming transactions."<sup>78</sup> Holland provided a more detailed explanation of the circumstances to Case: "I gather from

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<sup>74</sup>BCLIA Correspondence, CPR wire from O'Farrell to Holland, September 13, 1896.

<sup>75</sup>Ibid., Holland to O'Farrell, Toronto, September 17, 1896.

<sup>76</sup>This share transfer was finally made, with some adjustments, on October 12<sup>th</sup>. The details of the transaction are described above.

<sup>77</sup>BCLIA Correspondence, Holland to O'Farrell, September 17, 1896. The 2,500 shares were transferred on October 12<sup>th</sup> but Hayward's note still was not paid off on the 28<sup>th</sup> twelve days after it was due. "I must pay off that Hayward note at once" (ibid., O'Farrell to Holland, October 28, 1896).

<sup>78</sup>BCLIA Correspondence, Holland to O'Farrell, August 2, 1896.

this [the prospectus] that Mr. P.A. O'Farrell has placed in your hands the sale of certain shares which I forwarded at his request to Toronto. I can only say that any such shares were in my possession as trustee not owner, (These shares were not even in my name, and I cannot understand by what right I should appear in the matter.)"<sup>79</sup> Holland was emphatic that the shares were not part of his personal holdings and they certainly were not Treasury shares.<sup>80</sup> Furthermore, the letter to Case stated Holland sent the shares to Toronto *at O'Farrell's bidding*, and it also confirmed that the BCLIA's Chief Manager controlled the shares ("...such shares were in my possession as trustee.").

Holland had in fact been holding the Flumerfelt in trust stock for some time prior to sending it East. On June 17<sup>th</sup> an "agreement" was made to set a "reserve price" in the event the stock had to be sold.<sup>81</sup> Holland was responsible for enforcing the terms but he was reluctant to act openly because he was a "party to the deal."<sup>82</sup> It therefore *appears* from these two letters that the Nestegg shares Case received in August were still owned by O'Farrell but controlled by Holland or his Agency since June. The shares were never registered in trust to Holland because he was concerned about keeping a low profile.<sup>83</sup> Instead, they were registered to a third party, Flumerfelt.

The above ownership-control scenario would certainly help explain the cryptic wire Holland received from O'Farrell on September 13<sup>th</sup>. O'Farrell had two sets of shares to sell – the Flumerfelt stock (which was under obligation to the BCLIA group) and the Treasury stock (which was still sitting in a downtown Toronto bank). If Holland failed to send the

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<sup>79</sup>Ibid., Holland to George Case, August 2, 1896.

<sup>80</sup>Ellis never issued any shares in trust to Holland. At this time Holland also had no official capacity in the Company's management and therefore no right to authorize the release and sale of Treasury stock.

<sup>81</sup>BCLIA Correspondence, Holland to O'Farrell, September 17, 1896. June 17<sup>th</sup> also happened to be the date O'Farrell reported the deal for the Fire Fly at a meeting of the Trustees (*Minute Book*, 9).

<sup>82</sup>BCLIA Correspondence, Holland to O'Farrell, September 17, 1896.

<sup>83</sup>Holland did not take any shares "in trust" until late 1897 (*NEFFGMC Share Transfer Ledger*, 92). By then the BCLIA's London office had relaxed its restrictions on taking mining stock as security.

cash and extend the note, he could surely guess which shares would be finding their way into the portfolios of Eastern investors. The decision was not a difficult one for Holland to make. Repaying O'Farrell's financial obligation to the BCLIA (or its client, Hayward) took priority over the Nestegg Company's future. It is true that Holland personally held a large number of shares but he was also aware that the prospect of the Nest Egg ever paying dividends was dim and getting dimmer.<sup>84</sup> Hayward, who was undoubtedly connected to the "agreement" that tied up the Flumerfelt stock, was getting nervous about his mining investments with BCLIA. Thus, for Holland, it was a simple matter of a bird in his hand and nothing really in the bush. Clearing off some of O'Farrell's obligation would also prove to his client and his superiors that taking mining paper was not a bad investment.<sup>85</sup> Possibly it would then be easier to encourage his London office to invest directly in mining issues – particularly those in which Holland held shares.

Holland had good reason to be concerned about proving the worthiness of his actions. His superiors in London had always taken the position that the B.C. Land and Investment Agency should stay at arms length from mining speculation. As early as March 1896 the Agency's London office warned its Victoria managers not to loan money on the security of mining stock or properties.<sup>86</sup> Holland kept pestering them to reconsider but received firm instructions in early August that he should under no circumstances invest Agency money in mining companies.<sup>87</sup>

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<sup>84</sup>How much cash Holland had tied up in the Nest Egg at this time is a matter of speculation. Half of his shares were founders' shares and it is doubtful he paid much for them. The other half – 10,000 shares – were acquired from "mining operator" and real estate developer Ross Thompson on June 12, 1896.

<sup>85</sup>O'Farrell maintained a significant credit relationship with both Holland and Hayward long after the Eastern Expedition ended. In April 1897 he sent promissory notes totalling \$2,000.00 to Holland with 30,000 Nestegg shares and "receipts for [your]self and Hayward." The value of the notes had already been drawn at O'Farrell's Spokane bank and he was in the process of drawing another \$1,000.00 as soon as he could send a second shipment of Palo Alto shares to Holland (BCLIA Correspondence, O'Farrell to Holland, April 27, 1897).

<sup>86</sup>BCLIA "Minutes of Trustees Meeting," March 16, 1896 [BCLIA, *Minute Books*].

<sup>87</sup>*Ibid.*, August 10, 1896.

It is difficult to say to what extent Holland was governed by the London directive. Although a considerable quantity of Nestegg shares were officially registered in his name, we will never know for certain if the money used to acquire them was his own or the Agency's. Holland's Nestegg activities seem to indicate he managed affairs in Victoria with little regard for mandates imposed by the BCLIA's head office half way around the world. For example, although he received instructions not to loan money to mining companies, Holland nevertheless authorized the Agency's discounting of a \$400.00 Nestegg Company promissory note on September 22, 1896.<sup>88</sup> Earlier in June Holland also approved the discounting of a \$600.00 promissory note signed by Ellis and secured by several thousand shares of Nestegg and other speculative mining company stock.<sup>89</sup> Another BCLIA policy insisted that its agents refrain from "recommending transactions" in mining shares to clients,<sup>90</sup> Holland wrote George Case late in October declaring his intention to "apply on behalf of my Company for the appointment of official brokers" for the Nestegg Company.<sup>91</sup> One wonders what the duties of an "official broker" would have been if not recommending transactions in shares.

The most convincing evidence of Holland's disregard for BCLIA policy is found in correspondence originating from the London head office. Writing on November 14, 1896, the Agency's Secretary William Walter expressed concerns that his and Holland's mining adventures with their company's money were in peril of being exposed:

Last week [chairman] Galpin wrote me, he would take £500 [in a mining syndicate Walter and Holland had organized.] This week he writes withdrawing[.] Unless he takes a share in it, I know perfectly well that in a week he will discover that the

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<sup>88</sup>NEMC *Cash Book*, 5. Actually, the directive from the BCLIA head office stated that Holland was not to advance money on the security of mining property or shares. There is no evidence in the *Share Transfer Ledger* that the Nestegg Company gave Holland shares as security although this almost certainly was the case. Correspondence records indicate the Bank of BNA received Treasury stock as security for loans even though the *Share Transfer Ledger* shows no shares left the Treasury.

<sup>89</sup>BCLIA Correspondence, Assistant Manager P.R. Brown to Ellis, June 26, 1896.

<sup>90</sup>BCLIA "Minutes of Board of Directors Meeting," September 21, 1896 (BCLIA *Minute Book*, np).

<sup>91</sup>BCLIA Correspondence, Holland to George Case, October 29, 1896.



officers of the Co. are engaging in something they have no rights! & so would upset everything.<sup>92</sup>

Holland had obviously been quietly playing the mining investment game for some time—and in total disregard of head office directives. He was careful about covering his tracks and naturally became excited when he found his connections to the Nest Egg and other controversial mining ventures were being publicised in Canada's most prominent newspapers. The last thing the BCLIA's "chief manager" needed was for his London superiors to become suspicious of his mining activities. It is therefore not surprising that he would be quick to disavow any knowledge of the Nest Egg.<sup>93</sup>

### Out on a Limb

By the end of the August Holland reversed gears and decided to throw caution to the wind. On August 20<sup>th</sup>, although he was still not happy about being "mentioned in connection with either of the Mining Companies referred to," Holland wrote Case that he could see nothing seriously wrong with the prospectus since it did not specifically link him to its construction or the Eastern Expedition.<sup>94</sup> His sudden change in attitude was likely brought about by the initial success of the Eastern Expedition. By August 20<sup>th</sup> he would have learned that Case had sold 7,000 Flumerfelt "in trust" stock.<sup>95</sup> He likely also knew that O'Farrell would hold back the Treasury stock until the BCLIA obligation was taken care of.<sup>96</sup> Since the

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<sup>92</sup>BCLIA Correspondence, Walter to Holland, November 14, 1896. The letter went on to discuss possible options for investing the funds remaining in the syndicate. Thomas Galpin, Holland's father-in-law and BCLIA's major shareholder, was the chief obstacle to legitimising the practice of mining investment. According to BCLIA historian Brad Morrison, Galpin suffered a serious accident in 1893 and became increasingly "indecisive and fretful" thereafter. To meet the growing competition in the B.C. real estate and investment business, Holland and the other BCLIA men carefully worked together to manoeuvre around Galpin's eccentricity.

<sup>93</sup> "I know nothing directly of either Company [Nestegg or Palo Alto]" (BCLIA Correspondence, Holland to Case, August 2, 1896).

<sup>94</sup>Ibid., Holland to Case, August 20, 1896.

<sup>95</sup>NEMC *Share Transfer Ledger*, 74-101, 250-256.

<sup>96</sup>Ellis was not exactly keeping the fact a secret. He openly disclosed to Gaston on September 9<sup>th</sup> that O'Farrell was selling his shares instead of the Treasury stock (Correspondence,

stock Holland wanted sold was still selling well and at very good prices why would he not give the Expedition his discrete stamp of approval? He may in fact have been intimating that the prospectus, which was withdrawn at the middle of the month, should be put back in the papers. If that was his intent, Case seems to have taken the hint. Although the prospectus was not resurrected (probably because the Palo Alto Company was in the midst of a management revolt) Case did resume advertising Nest Egg shares at 25¢ four days after Holland mailed his tacit approval.<sup>97</sup> Appearing in the *Globe* on August 24<sup>th</sup>, Cases' s quarter page mining shares list included a condensation of the Nest Egg's earlier prospectus – as well as an interesting nationalistic sales pitch:

The Nest Egg has shipping ore lying on the dump. The company is immediately to be equipped with mining machinery to enable it to soon become one of the dividend-paying mines of Trail Creek. ...These are all properties in which the management is capable and conservative and where the developments justify the belief that they will in a short time become most valuable mines. They are properties recommended me by most careful and experienced mining men, and I believe as investment of a small amount of money in these companies will eventually lead to very big returns. ...Hitherto American miners and capitalists have reaped all the profits accruing from this rich country, and I think the time has come when Canadian capital ought to seek investment in these mines.<sup>98</sup>

Holland's double-dealing left him in a precarious position once the Expedition was over. Apparently few inside the Nestegg Company would ever learn that he was responsible for marketing competitive shares in Toronto. Only Holland, Hayward, and O'Farrell need ever have known what really happened. Hayward would never be a problem. He benefited financially from the Eastern Expedition and was content to plunge in further.<sup>99</sup> O'Farrell was a different matter. Holland would have his hands full in the coming months keeping

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September 9, 1896, Ellis to Gaston.).

<sup>97</sup>The revolt took place at a special shareholders' meeting held in Spokane on August 4, 1896 (*Colonist*, October 25, 1896).

<sup>98</sup>*Globe*, August 24, 1896. A smaller version of this advertisement began appearing in the *Globe* on August 27<sup>th</sup>.

<sup>99</sup>Hayward received half of the shares forfeited by O'Farrell on October 12<sup>th</sup>. By the end of October he acquired 2,500 more shares and ascended to the Nestegg Board of Trustees (NEMC *Share Transfer Ledger*, 143.).

that loose cannon under control. The two had secretly collaborated during the campaign but, as Holland was soon to find out, the marriage of convenience would last much longer than he anticipated. In the meantime the Managing Trustee would take full advantage of his newfound leverage.

The Eastern Expedition proved to be a disaster for the Nestegg Mining Company. An assortment of unknown and potentially troublesome outside investors were now involved. Although this was a price the Company agreed to pay, the problem was it did not get paid. Nothing went into the Treasury. Instead the company men were now saddled with finding some way to pay for the promised machinery *and* the mounting debts. Yet the management structure was in no condition to deal with this new financial crisis. The Eastern Expedition left in its wake intrigues and deceptions that were conducive to dissension at a time when decisiveness was critical.

### **The End of One Experiment and the Beginning of Another**

When the Eastern Expedition commenced the Company was in a difficult financial situation. The first eight months of the Nest Egg's operation were not very encouraging. Two new shafts were sunk but no one seemed to know for sure what was found in them. Management at the Rossland end remained in a constant state of flux, and the Company's bank account was empty thanks to the Fire Fly rakeoff and Gaston's spending. The Toronto sales campaign to replenish the Treasury was ruined due to the combined efforts of insider trading, further property problems, and bad publicity. By the time the Eastern Expedition finished running its crooked course the Nestegg Company's future prospects and finances had deteriorated rather than improved. The Company was, however, enriched with a mother lode of managerial schemes and plots in Victoria and in Rossland. It seemed a rather inauspicious time to take the leap into mechanized mining.

## CHAPTER V

### A CHANGE OF PACE: ADDING MACHINERY

October to December 1896

#### Another Financial Crisis and the Search for Solutions

Oddly enough, as the Nest Egg's debt situation deepened thoughts in Victoria turned more and more towards expanding operations. At the end of the summer Paul Gaston and John Burke both agreed the illusive fifty foot bonanza could best be reached either by contracting-out the work or installing "machinery" (compressor and machine drills). Gaston, always the showman, preferred developing appearances while he developed the mine: "I would however urge machinery to be placed upon it at once, as it is a sure mine, and present showings more than justify it."<sup>1</sup> According to Ellis, the company men seemed to concur. Writing to Gaston the Secretary confirmed that "we all realize the fact that machinery should be introduced." Unfortunately any plans for funding the expansion from Eastern Expedition proceeds were foiled by the Managing Trustee: "We would have money for that had O'Farrell sold company stock instead of his own."<sup>2</sup>

As the company men contemplated their next step, the management scene in Rossland changed again. With rumours of large Toronto share transactions filling the air John Burke abruptly reappeared on August 31<sup>st</sup>. Gaston, handed over the "papers" and stepped aside obligingly.<sup>3</sup> Without apologizing or elaborating, Burke explained that he went to Spokane four weeks earlier due to ill health.<sup>4</sup> However, the former manager soon found the situation he returned to was no better than the one he left. The question of the mine's future was still unresolved, the unpaid work force had doubled, and, since Gaston was never

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<sup>1</sup>NEMC Correspondence, August 17, 1896. Within days Gaston was insisting success hinged on installing machinery and "get[ting] out of [financial] trouble" (ibid., August 21, 1896).

<sup>2</sup>NEMC Correspondence, Ellis to Gaston, September 9, 1896.

<sup>3</sup>NEMC Correspondence, August 31, 1896.

<sup>4</sup>Ibid., J. Burke to Ellis, September 1, 1896. Burke did not elaborate on his ailment.

given official signing authority or any money, most of the bills remained unpaid.

The most serious indebtedness was the men's wages. Burke reported that before leaving he had given "time checks in part [payment] to the men and they now want them cashed."<sup>5</sup> In order to avoid another court scene – and further bad press – Burke demanded that he be able to draw on the Company immediately to meet the payroll.<sup>6</sup> Ellis's response was less than satisfactory. Although Gaston's monthly statement indicated the miners were owed \$221.00 for August, Burke was only sent \$117.35, the balance owing to him for earlier accounts he paid out of pocket.<sup>7</sup> The Company was clearly strapped for cash.<sup>8</sup> Perhaps Ellis thought if Burke was paid up he might resume carrying the operating costs until a decision could be made about the mine's future.

But John Burke would have none of it and within three days he prudently abandoned his responsibilities once again. On September 4<sup>th</sup> Gaston informed Ellis "Mr. Burke seems to wish me to continue to look after [the mine] which I am doing," and he again asked for the signing authority he needed to manage affairs in Rossland.<sup>9</sup> During the rest of September no one was *officially* in charge at the mine although John Burke continued to lurk in the background.<sup>10</sup>

The newly self-reinstated Gaston gladly accepted his job even though he knew he would be managing the mine without money. At the end of September when the unpaid

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<sup>5</sup>NEMC Correspondence, Burke to Ellis, September 1, 1896. Presumably, before he left in August Burke gave out post-dated cheques to cover the "part" of wages that were more than a month in arrears. Likely this was meant to be a feeble incentive to keep the miners at the mine while he was gone.

<sup>6</sup>NEMC Correspondence, Burke to Ellis, September 1, 1896.

<sup>7</sup>NEMC *Journal*, 78; NEMC *Cash Book*, 6. Burke was advanced \$997.50 on February 22<sup>nd</sup> and a further \$1,000.00 on April 14, 1896. (NEMC *Cash Book*, 4, 6). By the end of July he had paid monthly statements totalling \$2,114.85. (NEMC *Journal*, 76-77).

<sup>8</sup>This writer's analysis of the company's books indicates a negative balance of -\$33.65 in the Treasury account the day Burke's cheque was drawn.

<sup>9</sup>NEMC Correspondence, Gaston to Ellis, September 4, 1896.

<sup>10</sup>On September 22 Burke reportedly "suggested" to Gaston that he draw on the Company to pay the miners' wages (NEMC Correspondence, Gaston to Ellis, September 22, 1896).

miners were again becoming restless, he warned Ellis that the situation in Rossland was becoming critical.<sup>11</sup> The Secretary responded with a surprisingly candid description of the state of the Treasury and the possible financial solutions being discussed in Victoria:

We have as yet received no funds from sale of stock by Mr. O'Farrell and the position is at present simply this: we owe Mr. Kirk for monies advanced \$2,500. There is no other way to meet this amount and the payment to Cooper than by the sale of stock. [but] We cannot sell the stock. I have suggested to Mr. Kirk and others here that they arrange for about \$7,000 [promissory note] taking for security the treasury stock and a mortgage. Will you agree to this? I don't know that I can arrange it – it is so far simply a suggestion. Such an arrangement would secure the settlement with Cooper and secure the Crown Grant, pay present indebtedness in debentures and provide \$2500 for development. With the title clear and the showing that would be made everyone's stock would be made worth anywhere from 40 to 50¢ per share. If such an arrangement were made, it would be necessary that the majority of stock should consent. With your aid it can be done. If not, I cannot see how we are to continue, and can foresee [*sic*] that the company will be in a very unfortunate position, with all value departed from its stock. Please wire me your opinion as a meeting of shareholders is to be called to consider the company's position and decide upon a plan of procedure.<sup>12</sup>

Ellis had good reason for taking Gaston into his confidence. He was feeling out the manager and his associate, Ross Thompson, who together controlled by far the largest block of the shares outside of the founders' circle. Any new course of action would require their cooperation.<sup>13</sup>

Mortgaging did not appeal to the Rossland duo. They knew their shares would be worthless once there was a charge against the property, the Company's only asset. Gaston

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<sup>11</sup>NEMC Correspondence, Gaston to Ellis, September 22, 1896.

<sup>12</sup>Ibid., Ellis to Gaston, September 22, 1896.

<sup>13</sup>Gaston and Thompson still held 85,700 shares on September 22, 1896 (*NEMC Share Transfer Ledger*, 16-17, 59, 128-130). By comparison Kirk, Rithet, O'Farrell, Erskine and Holland together held only 90,192 shares (*ibid.*, 10, 19, 22-24). Ellis controlled the 18,600 shares remaining in the Treasury as well as 2,300 of his own shares (*ibid.*, 11 and 14). O'Farrell held a pivotal 14,500 shares and technically still controlled the 32,500 "in trust" shares in the Toronto Bank (although these could be put back in the Treasury on a moment's notice) (*ibid.*, 19, 118). Even though the Rossland faction and Victoria founders together only controlled 243,792 shares, or slightly less than half the total capital, both sides knew if they could not agree on a plan to refinance the debt there would be little hope of either side mustering the two-thirds shareholder majority needed to accomplish anything substantial.

instead suggested the Trustees consider the usual course for mining ventures in trouble – reorganizing and recapitalising under a different name:

I think it would be a good plan to divide up pro rata among present holders of Nest Egg stock the 75,000 or so of shares now in the Treasury. Then to incorporate at 1,000,000 [dollars and shares] as the Nest Egg Firefly Gold Mining Co. leaving 250,000 shares in the Treasury and each present stockholder to take 1½ shares of new for each share of old stock. ...and all private stock to be pooled a reasonable time to protect price of [new] treasury stock.<sup>14</sup>

Within two weeks the Victoria men unofficially decided to adopt their interim manager's plan. Ellis wrote Gaston on October 7<sup>th</sup> that he was "confident the new stock will sell readily at 15¢."<sup>15</sup> However, the debt situation was far too pressing to wait for the shareholders' authorization for either a reorganization or another loan. And they doubtless would have little sympathy for expanding operations if the books were not balanced. Consequently, the Trustees told Ellis to raise \$6,000.00 by selling any of the remaining Treasury shares he could at no less than 10¢ net to the Company.<sup>16</sup> The stock fetched a much better price per share than anyone expected (about 16¢) and the total proceeds surpassed the objective. Between October 23<sup>rd</sup> and November 23<sup>rd</sup> the Secretary deposited "premiums" totalling \$6,725.00 and transferred 42,750 Treasury shares (or all but 8,350 of the shares available to be sold) to Kirk, Holland, and various prominent Victoria residents.<sup>17</sup>

Gaston did not wait to see if the latest and last share selling scheme bore fruit. All the talk of reorganization and machinery went to his head and he again doubled the mining

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<sup>14</sup>NEMC Correspondence, Gaston to Ellis, October 3, 1896.

<sup>15</sup>Ibid., Ellis to Gaston, October 17, 1896.

<sup>16</sup>Ibid. Ellis promptly ordered all of O'Farrell's "in trust" shares back from Toronto (ibid. Ellis to Victoria Bank of B.N.A., October 17, 1896). With only 51,100 shares available for sale (18,600 in the Treasury and 32,500 in a Toronto bank) there was no way Ellis could raise \$6,000.00 selling the stock at 10¢ per share.

<sup>17</sup>NEMC *Share Transfer Ledger*, 12; NEMC *Stock Journal*, 39; NEMC *Cash Book*, 6 and 8. Those purchasing stock were: George Kirk and his brother, R. Lawrence Kirk (5,000 shares each); Charles Hayward (2,000 shares); Nelly R. Jenkinson (1,000 shares); Turner Beeton clerk R.S. Byrn (1,000 shares); local railway man Leonard Solly (2,500 shares); "Supervisor of Assessment Rolls" Cornelius Booth (1,000 shares); and the BCLIA's C.A. Holland (25,000 shares) (NEMC *Share Transfer Ledger*, 12, 22, 23, 36, 46, 90, 143, 144, 149, 150, 152).

force at the beginning of October.<sup>18</sup> Given the circumstances, it is difficult to understand Gaston's logic. The Company was obviously in financial difficulty. He had not received any funds since he assumed management in August, and in early September Ellis made it clear no funds were left.<sup>19</sup> Gaston then tried unsuccessfully to make a draw for \$225.00<sup>20</sup> and Ellis laid out the company's desperate situation in great detail.<sup>21</sup> Putting on more miners at this point did not make sense.

The mine manager's personal agenda provides at least two possible explanations for his actions. He and Ross Thompson did not get their hands on the stock they wanted to sell until well after the *Rossland Miner's* exposé ruined share values.<sup>22</sup> Consequently Gaston would do everything he could to boom the mine and restore investor confidence – including expanding the workforce. Ellis also made the mistake of confiding in Gaston that some of the company men were considering putting in machinery.<sup>23</sup> The manager had aspirations of running a full-fledged mechanized mining operation and would do anything possible to project an image of the Nest Egg as warranting expansion. Increasing the work force was a step in this direction, and it was something Gaston could do on his own authority.

### The Waiting Game

But the miners would have to be paid – and soon. Hoping to get the Secretary's "kind attention" Gaston tried to draw on the Company "through the Bank of BNA" on

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<sup>18</sup> "... The wages of men since Oct 6<sup>th</sup> amount to \$25.50 per day prior to that date they were \$11.50 per day" (NEMC Correspondence, Gaston to Ellis, October 19, 1896).

<sup>19</sup>NEMC Correspondence, Ellis to Gaston, September 9, 1896.

<sup>20</sup>The refused draft dated September 21, 1896 was found loose in NEMC Correspondence [PR5 Ser3, box 44B6, file 1].

<sup>21</sup>NEMC Correspondence, Ellis to Gaston, September 22, 1896.

<sup>22</sup>Ellis finally mailed the shares on September 15, 1896 but they were sent to the Rossland Bank of B.N.A. pending payment of the transfer fees owing (NEMC Correspondence, Ellis to Burns, Bank of B.N.A. manager, Victoria, September 15, 1896). It is not known when the shares were finally picked up.

<sup>23</sup>NEMC Correspondence, Ellis to Gaston, September 9, 1896.



October 13<sup>th</sup> for \$485.00 to cover overdue payroll and other expenses.<sup>24</sup> The draft was immediately returned by the bank leaving the Victoria head office in a very difficult position. Ellis's reaction was swift and anything but "kind." Acting as if he had no warning, Ellis complained that Gaston's draft "at one day's sight is sudden, when you have to borrow money."<sup>25</sup> An emergency shareholders' meeting was being called for the following week, and, Ellis warned, he was going to suggest shutting down the mine.<sup>26</sup>

It was an empty threat. Nevertheless Gaston responded with a threat of his own. He again explained to Ellis that the men could not be let go without being paid their back-pay and wages. To do so would be "the talk of the camp" and likely lead to "a lien on the property and other kindred trouble."<sup>27</sup> For Gaston, closing the mine was unthinkable. It would drive the miners into court and ruin any hope of restoring the value of his and Thompson's stock. Fortunately, the Nest Egg could not be shut down unless Gaston cooperated. Under the circumstances there was no question that he would continue mining, and the company men were quite helpless to do anything about it. Any attempt to unseat Gaston would be legally complicated and bound to generate more embarrassing publicity.<sup>28</sup> Besides, removing Gaston would only make more problems and resolve nothing. Two of the Nest Egg's largest shareholders, Gaston and Thompson, would be alienated and the payroll debt would remain unresolved. Gaston's auspicious "assurance" that any capital injections Kirk and Rithet might choose to make would be amply rewarded in the long run,

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<sup>24</sup>Ibid., Gaston to Ellis, October 9, 1896.

<sup>25</sup>Ibid., Ellis to Gaston, October 13, 1896. When Gaston drew the draft on October 9, the Company only had \$326.00 on hand (NEMC *Cash Book*, 4, 6).

<sup>26</sup>NEMC Correspondence, Ellis to Gaston, October 13, 1896.

<sup>27</sup>Ibid., Gaston to Ellis, October 19, 1896.

<sup>28</sup>Resolving a dispute that originated in 1891, the 1897 B.C. Supreme Court ruled in *Gray v. McCallum* that debts incurred by an individual who was "not formally appointed foreman, but [who] appeared to have been permitted to manage its affairs [emphasis added]" were genuine debts of the organization operating the mine (*B.C. Reports*, Vol. V [1897-1898], [Victoria: Law Society of B.C. 1898], 462).

was nothing less than a diplomatically disguised ultimatum.<sup>29</sup> The trustees could either dig deeper into their pockets or risk losing everything in a messy court action.<sup>30</sup>

On October 17<sup>th</sup> Ellis finally sent a \$225.00 cash draft (money order) to Gaston to cover the miners' wages for August.<sup>31</sup> Ellis also promised he would wire Gaston "on Monday to draw ...at a certain number of days time" to cover the remaining bills.<sup>32</sup> But Monday came and went and no money or wire reached Rossland. On October 21<sup>st</sup> Gaston urged the Secretary to send \$500.00 immediately "even if you should again have to impose on Mr. Kirk's assistance."<sup>33</sup> If the Company was to have any hope of restoring its reputation – and the value of Nestegg stock – the miners would have to be paid to "prevent additional gossip here."<sup>34</sup> Writing later the same day, Gaston reported that, though "very close pushed for money," he managed to come up with \$50.00 to pay a miner who quit.<sup>35</sup> As manager and still a considerable shareholder, Gaston had little choice but to pay off the man himself. If the miner was allowed to leave with back-pay owing, the Company would be immediately susceptible to a mechanics' lien action. Gaston further warned Ellis not to expect any more charity if the rest of the men left. The outlook would be quite grim if no money was forthcoming immediately: "We don't [*sic*] want the newspapers to get after us for non-payment of wages, for we would then get a black eye with the miners and lose all standing

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<sup>29</sup>NEMC Correspondence, Gaston to Ellis, October 19, 1896. Gaston's "you can depend on it" guarantee was supposedly backed by an assay of an "average sample" from the drift in Shaft #3 showing \$10.40/ton gold and 2½ percent copper. (ibid). The elusive bonanza was now expected to be at the hundred foot rather than the fifty foot level even though a month earlier the forty-foot deep shaft was supposedly showing "fine ore which has continued without break from the surface" (NEMC Correspondence, Gaston to Ellis, September 4, 1896).

<sup>30</sup>By law the Trustees were "jointly and severally liable" for up to three months' of the miners' back wages (*B.C. Statutes, 1890*, "The Companies Act, 1890," 53 Vict., c. 6, s. 28).

<sup>31</sup>The *Cash Book* indicates a bank draft for \$224.55 "Cash" was issued for Gaston on October 16, 1896. (NEMC *Cash Book*, 6).

<sup>32</sup>NEMC Correspondence, Ellis to Gaston, October 17, 1896.

<sup>33</sup>Ibid., Gaston to Ellis, October 21, 1896.

<sup>34</sup>Ibid., Gaston to Ellis, October 21, 1896. Gaston admitted that under present circumstances even he was unwilling to take any shares at ten cents (ibid).

<sup>35</sup>Ibid., Gaston to Ellis, October 21, 1896.

here.”<sup>36</sup> The venture stood on the brink of disaster.

The next day, October 22<sup>nd</sup>, the \$224.55 cash draft finally arrived in Rossland but it only covered August wages. Operating costs for September still had to be paid and the bills coming due for October amounted to an additional \$321.33.<sup>37</sup> Ellis informed Gaston a post-dated draft would be sent to cover the balance.<sup>38</sup> The idea was not warmly received: “A draft at 15 days sight through the bank would be ridiculous, I would prefer making none of that kind; rather have you send the money when you can. Banks here would not permit us to check against such a draft, particularly after former draft being returned unpaid.”<sup>39</sup> Perhaps the company men thought Gaston would find some way to pay the miners out of his own pocket if he had a post-dated draft in hand. His negative response included another sober warning: “It will be very bad for us if we can not [*sic*] settle our labour bills immediately.”<sup>40</sup> When it finally became clear that no further assistance would be forthcoming from Gaston, a mysterious \$3,600.00 deposit found its way into the Company’s bank account, and a \$500.00 check was promptly sent to the Rossland office.<sup>41</sup> Again, at the eleventh hour, a crippling court action was narrowly avoided.

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<sup>36</sup>Ibid.

<sup>37</sup>By the end of September Gaston had paid \$516.85 towards miners’ wages and other outstanding accounts (*NEMC Journal*, 78).

<sup>38</sup>Ellis had good reason to explore the post-dated cheque option. After drawing the cash draft for Gaston the Company only had a balance of \$92.35 remaining on hand (excluding a small amount received for share transfer fees). A sixty day \$600.00 note discounted at the Bank of British North America on July 7 was also past due when the draft to Gaston was issued, although the bank does not seem to have been overly anxious about payment (the note was not retired until November 12, apparently without penalty) (*NEMC Cash Book*, 6, 8).

<sup>39</sup>NEMC Correspondence, Gaston to Ellis, October 22, 1896.

<sup>40</sup>Ibid.

<sup>41</sup>NEMC *Cash Book*, 6. The source of the funds deposited on October 24<sup>th</sup> was not specified but they were almost certainly part of the proceeds received from sales of 42,750 shares transferred out of the Treasury between October 23 and November 23, 1896 and entered November 30<sup>th</sup> *en masse* on page three of the *Cash Book* as “premiums.”

### Jockeying for Position

Once the scent of money was in the air everyone suddenly became an optimist. The day Gaston received the payroll cheque he boasted to Ellis that John Burke's son, Dan, was showing the properties to a Portland railway magnate named "General Compson," who allegedly was so impressed that he bought ten to twenty thousand shares from the Burkes at fifteen to seventeen cents each.<sup>42</sup> The manager's attached progress report also exhibited a renewed radiance: "[The] drift [in Shaft #3 is] now in 23 feet and proves without doubt a continuous shute [*sic*] of good ore, about 2¼ feet wide. This one will not assay less than \$150.00 and may go higher. 50 feet of additional depth is almost sure to bring us good high grade ore."<sup>43</sup> However, Gaston was about to do more than just blow hot air. Without consulting the Victoria head office, he brought three hundred pounds of ore allegedly mined from the Nest Egg's drift into Rossland on October 19<sup>th</sup> and began showing it around.<sup>44</sup> His display managed to "elicit [*sic*] very favourable comment" in the local press and he promised to make sure the mine continued to be "judiciously advertised."<sup>45</sup>

The object of Gaston's sudden burst of pump-priming was to push the company men into buying machinery he was now sure they could afford. Claiming the prospects clearly "justified" the cost of machinery, Gaston felt it would be "a waste of money to continue our work as at present [by hand], progress being so slow and expensive." He suggested

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<sup>42</sup>NEMC Correspondence, Gaston to Ellis, October 26, 1896. There is no record in the *Share Ledger* of a General Compson or anyone else from Portland owning stock. Civil War hero Major Hartwell B. Compson is buried in Portland and was undoubtedly the "General" reported to have visited the mine ("Medal of Honor Recipients Buried in Oregon" <<http://www.homeofheroes.com/moh/cemeteries/or.html>> [June 10, 2002]).

<sup>43</sup>NEMC Correspondence, Gaston to Ellis, October 26, 1896.

<sup>44</sup>Ibid., Gaston to Ellis, October 19, 1896.

<sup>45</sup>Ibid. Ellis's newspaper subsequently sensationalised the event in a feature article titled "MAGNIFICENT EXHIBIT" and the *Rossland Record* followed suit a week later (*Colonist*, October 25, 1896; *ibid.*, September 2, 1896). Pulling fancy ore specimens out of the bag was one of Gaston's favourite tricks. In February of 1897 one of the Spokane papers reported he was showing prospective investors a large sack of "ore that was uncommonly rich in native copper." Gaston refused to disclose the location of his discovery, stating only that it was big enough to start a whole new mining district somewhere in the Okanagan (from the *Spokane Chronicle*, reprinted in the *Colonist*, February 16, 1897).

discharging the men at the end of the month “if you think there is a probability of getting machinery.”<sup>46</sup> Later the same day, apparently in an effort to force the Trustees in the right direction, Gaston informed the miners they would indeed be laid off.<sup>47</sup>

At that point things began to happen very quickly. By mid October the company men had already decided on a strategy for financial relief. Holland wrote to Rithet that “it was proposed” to reorganize and recapitalize the Company along the lines laid out by Gaston.<sup>48</sup> On October 15, the reorganization scheme was formally submitted to the shareholders at the first real General Meeting to be held since the January incorporation. The plan was presented in the form of an undated letter to President Kirk from Ellis describing a fictional trip the Secretary made to the mine at the end of September.<sup>49</sup> The narrative included glowing descriptions of the quality of the ore (“as high as \$32 in value”) and the positive “opinions” of “mining men in Rossland who know the camp thoroughly.” Notwithstanding their high regard for the mine’s prospects, these unnamed experts were of the opinion that if the Nest Egg was to be “developed to a shipping point” and “become a dividend-payer,” a compressor plant, drills, and hoist should be installed immediately. Once the plant was up and running, wooden chutes would be constructed to transport the ore downhill to a yet-to-be-built siding of the Columbia & Western Railway where it could be loaded for shipment to the Trail Smelter. If all went according to plan the Nest Egg would “in thirty-days’ time” be placed “on a shipping and profit earning basis.” Ellis claimed John Burke had assured him the whole package would not cost more than \$5,000.00.

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<sup>46</sup>NEMC Correspondence, Gaston to Ellis, October 19, 1896. The miners would be laid off while the machinery was being installed.

<sup>47</sup>NEMC Correspondence, Gaston to Ellis, second letter, October 26, 1896.

<sup>48</sup>BCLIA Correspondence, Holland to Rithet, October 7, 1896.

<sup>49</sup>Attachment, “Minutes of the Extraordinary General Meeting of the Shareholders,” October 15, 1896 (NEMC *Minute Book*, 10). It is extremely unlikely that Ellis actually visited the mine. At the end of September Gaston was in the middle of the payroll crisis and keeping up a steady stream of correspondence with the Secretary. There was never any mention of the latter being in Rossland. In his “letter” Ellis also claimed to have presided over the final negotiations with Cooper but Gaston’s correspondence of September 23<sup>rd</sup> indicates an agreement was reached five days before the Secretary’s alleged visit.

G. A. Kirk, Esq., President Nest Egg Mining Co., Victoria:

DEAR SIR,—In compliance with your request I made a visit to the Nest Egg mine at Rossland on Monday, 28th September last. In company with Mr. John M. Burke, who has been acting as superintendent of the mine without charge, I made an inspection of the property, which is situated a short distance from the centre of Rossland.

At No. 1 shaft on the north vein, and which has not been worked since the company acquired the property, there is a shaft forty feet deep, but now full of water. Lying on the dump was a considerable quantity of ore. I was told by Mr. Burke that at the bottom of the shaft there was four feet of ore, and in his opinion this ledge, with further development, would prove to possess extensive bodies of pay ore. Owing to the water coming in, and having no pumping apparatus, work was carried on at too costly a figure, and the south ledge, about 300 feet distant, was explored. No. 2 shaft is on this property, and is about 35 feet deep. This was also full of water, but there was an excellent showing of ore on the dump. Further down the hill, on the same ledge, is No. 3 shaft, upon which work has been done for some time past. At the time of my visit the shaft was down 60 feet, with the ore widening from twelve or sixteen inches on the surface to between two and three feet on the way down. At the 50-foot level drifting was begun on the ore showing, with the intention of reaching the ore chute or deposit. I explored the shaft to the bottom. The samples of ore brought with me were taken from the last shot fired previous to my visit. The ore from this shaft has assayed as high as \$32 in value, and I am informed carries a greater percentage of copper than any other mine in the south belt. Comparing the Nest Egg showings with those of other mines visited in the Rossland camp, in my judgment the Nest Egg, for the amount of work done, is as good as any, and much more valuable than a great number of other mines in a state of development which occupy a high place in the estimation of the public. The general opinion among mining men in Rossland who know the camp thoroughly, was that the Nest Egg was a fine property and would become a dividend-payer when developed to a shipping point. From all that I could see and learn I have no doubt on this point myself. Although the amount of development is not great, the fact that shipping ore is now on the dump is a much more satisfactory showing than many mines can make upon which there have been large sums expended. It is Mr. Burke's opinion—and among mining men his opinion is regarded as first-class—that with a two-drill air compressor plant the Nest Egg could take its place among the continuous ore shipping mines in thirty days' time. From all I could see the work has been carried on economically, and has been done in a first-class manner. The mine is admirably situated for working and shipping, for ore could be run down hill in a chute to the

cars, the railway line passing through the property.

I also visited the Firefly claim, which has been acquired by the company in quieting the title to the Nest Egg. This is about half a claim. In a rock cutting made by the railway, a ledge over sixty feet in width has been exposed, carrying well mineralized ledge matter the whole of this distance. About fifty feet from the railway track an open cut or trench has been made for forty-five feet across the ledge. The showing of mineral all along this distance is very satisfactory. The work was about five feet in depth from the surface of the ground. Both Mr. Burke and the foreman in charge are of the opinion that the Firefly is a very valuable property. In fact, I was informed this claim could be sold for double the amount it has cost the company for all expenses in connection with quieting the title, including the purchase price of the Firefly. Briefly, my visit to the company's property has convinced me that we possess a first class mine, and that a small outlay will place us in a position to become a profit paying concern. Mr. Burke's estimate is that \$5,000 would be ample to place us on a shipping and profit earning basis.

As to the dispute between the vendor, Cooper, and the company with regard to the final payment due him, and of the agreement entered into by him to deduct \$500 therefrom, I found that a misunderstanding existed, and in company with Mr. Paul Gaston, who is a large stockholder in the Nest Egg, I came to an amicable settlement, which I trust will be acquiesced in by yourself. By this arrangement, \$2,227 will be required to settle Mr. Cooper's claim, and place the company in possession of the Crown Grant. This will effectually suppress the circulation of any further lying and libellous statements of irresponsible and malicious persons.

Of the amount of stock set apart for development purposes, 100,000 shares, only some 24,000 have been sold the public. This leaves 76,000 yet to be disposed of. In order to meet our present indebtedness, about \$6,000, including the payment to Cooper, I would suggest that such an amount of stock as would furnish this sum be sold at the best price obtainable. This accomplished, I would also suggest that the company be re-incorporated as the Nest Egg-Firefly Gold Mining Company with a million dollars capitalization. That each share of the present company be given its pro rata of half the increased stock. This would leave 250,000 for development purposes. With an undisputed title, the addition of the Firefly claim, and the handsome showing that both claims possess, sufficient of this stock could be readily sold to provide all the capital necessary to place the mine in the much desired position of a dividend payer.

I beg to remain,

Yours faithfully,

W. H. ELLIS,  
Sec.-Treas.

Unfortunately the Company was, according to Ellis, currently without funds and supposedly in debt to the tune of \$6,000.00<sup>50</sup> The Secretary suggested Gaston's plan be adopted in its entirety: enough of the remaining 76,000 shares of "treasury stock" would be sold to cover existing debts,<sup>51</sup> the company would be reorganized as the "Nest Egg-Firefly Gold Mining Company" and recapitalized at \$1,000,000.<sup>52</sup> Old shareholder stock could be turned in for "its pro rata of half the increased stock" which would leave 250,000 additional shares in the new company's treasury for "development purposes." With "an undisputed title, the addition of the Firefly claim, and the handsome showing that both claims possess, sufficient of this stock could be readily sold to provide all the capital necessary to place the mine in the much desired position of a dividend payer."<sup>53</sup>

Ellis concluded with a confident assurance that the shareholders would eventually be amply rewarded if they consented to diluting their stock to a third of its present value. The shareholders were willing to at least consider it. On a motion made by Percy Brown of the B.C. Land and Investment Agency, seconded by Charles Hayward, the shareholders "instructed [the Trustees] to make all *arrangements* necessary to carry out the suggestions contained in the Secretary's report with regard to re-incorporating the company with increased capitalization [emphasis added]."<sup>54</sup> The wording of the resolution is interesting

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<sup>50</sup>At the end of October the company was actually only -\$1,846.35 in debt (\$625.85 cash on hand [excluding an insignificant balance in the transfer fees account] less three outstanding notes totalling \$2,472.20 [NEMC *Cash Book*, 5, 6]).

<sup>51</sup>Ellis maintained that only 24,000 of the 100,000 shares set aside for public issue were taken up. However, it appears that 120,250 shares were set aside for public sale (certificate #60, issued February 13, 1896 [NEMC *Share Ledger*, 11]). He was also off considerably in his estimate of shares remaining in the Treasury. At the Meeting Ellis stated that 76,000 shares were in the Treasury, yet even if the shares still in the Toronto bank were taken into consideration, the Treasury still held only 51,100 shares on October 15<sup>th</sup>.

<sup>52</sup>At last, the Nestegg Company's official title would match its mine. However, by yet another clerical oversight, the new company's name would now contain a single-word corruption of the *second* property (i.e. The Nest Egg and *Firefly* Gold Mining Company).

<sup>53</sup>Undated printed "letter" from Ellis to Kirk found in Nest Egg Company correspondence files.

<sup>54</sup>"Minutes of the Extraordinary General Meeting of the Nest Egg Mining Co. held in the Board of Trade on 15th October 1896" (NEMC *Minute Book*, 10).

in that: 1) it did not specifically authorize the recapitalization but only the carrying out of "all arrangements necessary" to do so; and 2) no mention was made of purchasing machinery. While the Trustees had the authority to make the machinery decision on their own, devaluing the Company's capital required approval of two thirds of the stockholders. Since only twenty percent of the shareholders were represented, official ratification would have to wait for the next General Meeting.<sup>55</sup> Even though the shareholders in attendance did not approve the reorganization or the machinery plans, their acquiescence was certainly implied.<sup>56</sup> It was inevitable that implications would lead to rumours, and on October 31<sup>st</sup> *The Globe* reported the "Nest Egg mine has placed an order for compressor and hoist."<sup>57</sup> A deal for the machinery was in fact put together within the week.

### The Loose Cannon

Who was ultimately responsible for the machinery decision? Clearly, it was entirely O'Farrell's doing. He solicited tenders, made the selection, and worked out the arrangements without consulting or informing anyone in Victoria. Such audaciousness seems quite incredible considering O'Farrell's tenuous relationship with the Company in the fall of 1896. At the October General Meeting the shareholders *refused* to reappoint O'Farrell even though they agreed to add two additional Trustees to the Board.<sup>58</sup> On a motion sponsored by two conveniently insignificant shareholders, three new Trustees –

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<sup>55</sup>According to Ellis's tally only 96,417 of the 480,400 shares in circulation were represented ("Minutes of General Meeting," October 15, 1896 [NEMC *Minute Book*, 10]; NEMC *Share Transfer Ledger*, 11-12; for legal requirements of two thirds attendance see B.C. *Statutes*, "Companies Act, 1890," 53 Vict., c. 6, s. 24). Curiously, the Secretary voted for the Treasury stock but not his own shares. Also, O'Farrell and Gaston, the chief advocates of mechanization and reorganization, were both absent. The roll tally contained numerous errors (Ellis obviously did not have the *Transfer Ledger* at the Meeting). Nevertheless, even after corrections no more than 101,717 shares were in attendance.

<sup>56</sup>At the meeting the shareholders passed a motion "adopting" Ellis's report in its entirety ("Minutes of Extraordinary General Meeting," October 15, 1896 [NEMC *Minute Book*, 10]).

<sup>57</sup>*Globe*, October 31, 1896.

<sup>58</sup>"Minutes of General Meeting," October 15, 1896 (NEMC *Minute Book*, 11).



Charles Hayward, A.J. Weaver-Bridgman, and C.A. Holland – joined Kirk and Erskine on the Board.<sup>59</sup> And it was not through an oversight that the Managing Trustee was left out. According to Holland “the shareholders (not only here but in Rossland and elsewhere) resisted your [O’Farrell’s] appointment as Trustee simply on the ground that you were unbusinesslike [*sic*] and apt to rush things unduly.”<sup>60</sup>

But immediately after the General Meeting broke up the Trustees supposedly met at Holland’s office and reinstated O’Farrell by simply creating a vacancy on the Board.<sup>61</sup> Erskine agreed to resign which allowed the Trustees to circumvent the shareholders and appoint O’Farrell as an interim replacement.<sup>62</sup> Notwithstanding the ethical implications of acting in contravention of the shareholders’ express wishes, the circumstances surrounding O’Farrell’s reinstatement are all the more suspicious given the fact that the Minutes of the alleged Trustees’ Meeting bears *no date or confirming signatures*.

Why did the Trustees go to such lengths to reinstate the Managing Trustee. Again, it is necessary to examine Holland’s private correspondence for answers. On October 7<sup>th</sup>, in the midst of the financial crisis produced by Gaston’s spending and the looming settlement with Cooper, Holland wrote to Rithet appraising him of the situation. The growing indebtedness was placing the Company daily in a more dangerous situation and Holland hinted that the founders should consider personally providing more financial assistance if for no other reason than “for the sake of Kirk, who has been hardly dealt with

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<sup>59</sup>Victoria real estate agent Herbert G. Ross made the motion and it was seconded by local electrical supplies merchant, George Hinton. Both only held 500 shares and possibly were proxy motion-makers placed on record to conceal the identities of the true sponsors.

<sup>60</sup>BCLIA Correspondence, Holland to O’Farrell in Spokane, November 6, 1896.

<sup>61</sup>Such action was not necessarily illegal if the Company’s by-laws provided that the Trustees could fill unexpected vacancies on the Board (B.C. *Statutes*, “Companies Act, 1890,” 53 Vict., c. 6, s. 11).

<sup>62</sup>“5th Meeting of the Trustees of the Nest Egg Mining Co. Ltd., held at the Office of the B.C. Land & Investment Agency in [no day entered] October 1896” (NEMC *Minute Book*, 13). It is interesting that Erskine left Victoria shortly after resigning to become Flumerfelt’s right hand man at the Ames Holden Company’s Vancouver branch office.

and who has stood by the claim very firmly.”<sup>63</sup> Rithet responded with a contribution of \$500.00 on the condition that some changes in management be initiated: “...until I know where the control is going to be I certainly do not feel disposed to put up any more money. I will nevertheless do my share when I am satisfied that the management is in the proper hands. ...I certainly do not want to put up any more money to be squandered by the parties who have now the direction of affairs.”<sup>64</sup> During his stint as an officer with two Hope area silver mines Rithet had seen enough mining mismanagement and he was not inclined to make the same mistake again.<sup>65</sup>

His cheque was never cashed. On October 30<sup>th</sup> Holland wrote back that he was holding onto it since the Nestegg Company’s “position is ...somewhat different from what it was when I last wrote”:

The money has all been paid for the clearing up of the title and the payment of wages, and we therefore need not anticipate further trouble in that score. But O’Farrell when he was down here engaged to take up \$40,000 shares at 10 cents. And in consideration for that, he was elected one of the Trustees (vice Erskine retired) and for the present is looking after the concern in Rossland. Under the circumstances you may not care for any more of your money to go in to [*sic*] the claim; though I think that we adopted what was at the time the wisest course.<sup>66</sup>

Although nearly \$4,000.00 showed up in the Treasury over the next few weeks none of it came from O’Farrell.<sup>67</sup> In fact, the *Share Transfer Register* indicates he never acquired *any* Treasury shares at *any* time after the spring of 1896. O’Farrell bought his way back on the

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<sup>63</sup>BCLIA Correspondence, Holland to Rithet, October 7, 1896.

<sup>64</sup>BCLIA Correspondence, Rithet to Holland, October 27, 1896.

<sup>65</sup>History of the Victoria-Eureka Silver Mine, “Prospectus of Homegold Resources” (<http://www.homegoldresources.com/goldsil/eureka-victoria.htm>).

<sup>66</sup>BCLIA Correspondence, Holland to Rithet, October 30, 1896. “Take up \$40,000 shares at 10 cents” undoubtedly meant that O’Farrell would buy Treasury stock. Rithet did not think reinstating the Managing Trustee was the “wisest course.” Presumably, his cheque was returned to him since it was never deposited.

<sup>67</sup>The funds were almost certainly the proceeds of 17,750 Treasury shares bought by various founders and their associates between October 23 and 30, 1896. O’Farrell may have offered to buy the 32,500 shares still in the Toronto bank if the Victoria men agreed to make a similar investment in the remaining Treasury shares.

Board – but with *promises* not cash. This surely was no small feat considering his history of treacherous misrepresentations during the recent Toronto sales campaign. The man seemed to be able to talk his way out of or into almost any situation.

Besides his gift of gab, O'Farrell also still had some leverage over at least two of the Trustees. Holland and Hayward undoubtedly felt pressured to go along with O'Farrell's aspirations as insurance for the promissory notes they still held. The two had also been O'Farrell's accomplices in the Eastern Expedition profiteering. If he was not pacified O'Farrell might tell Kirk and the others where Holland's true allegiance lay.

Seemingly unabashed at his recent brush with termination, O'Farrell took it upon himself to initiate radical and completely unauthorized changes at the mine. He showed up in Rossland on October 29<sup>th</sup> and appointed John Burke's son, Dan (D.J.), the new interim manager during his father's absence.<sup>68</sup> The inexperienced young Burke was an odd choice. Since February he had only worked intermittently as a miner at the Nest Egg and always under the supervision of either his father or the foreman, Scolley.<sup>69</sup>

Given the mine's recent management history it is not hard to see why O'Farrell chose to put the young Burke in charge. The Managing Director's integrity took a beating after he failed to formalize the agreement for Cooper's property purchase rebate. He was only too happy to take his revenge on Gaston for exposing the affair.<sup>70</sup> By filling any future void in

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<sup>68</sup>Gaston's letter of resignation suggests O'Farrell was acting on his own: "It also seems to me that in view of the fact that I have been in charge of the works the past few months, that the instructions to proceed with further works should also have come to me [from Victoria instead of from O'Farrell] as a matter of courtesy at least" (NEMC Correspondence, Gaston to Ellis, October 29, 1896). Holland's warning to O'Farrell on learning of the appointment also suggests no one in Victoria was consulted beforehand: "I have heard that J. M. Burke during his temporary absence from Rossland has made his son superintendent of the Nest Egg Mine... Now, I cannot possibly believe this to be the case" (BCLIA Correspondence, Holland to O'Farrell, November 6, 1896).

<sup>69</sup>According to receipts found in the correspondence folders, D.J. Burke worked at the mine all of March and twenty-four days in April, 1896.

<sup>70</sup>O'Farrell was no doubt still smarting at the implication of his incompetence published earlier in the month in the *Globe*: "It is unfortunate that owing to the mistaken business methods of one individual, entanglements have arisen regarding this property" (*Globe*, October 9, 1896). Although the reporter's source was an "officer of the company," it was almost certainly Gaston who was interviewed.

management with his confidant's son, O'Farrell was preempting Gaston's aspirations to again make himself manager by default. O'Farrell was also anxious to secure the mine manager's position before the company men made other arrangements. He undoubtedly knew the Victoria men were considering putting Rithet's brother-in-law A.K. Munro in charge of operations in Rossland.<sup>71</sup> The last thing O'Farrell needed was someone running the mine who was outside his sphere of influence and "careful that the money placed in his hands for expenditure would be properly expended."<sup>72</sup>

Judging by Holland's reaction, the company men were not pleased with O'Farrell's sudden appointment of Dan Burke – but they were undoubtedly ready for a change.<sup>73</sup> Gaston's spendthrift initiatives caused havoc with the Company's finances and his objectivity was also questionable. By the end of October they would also feel less pressured to tolerate his expensive ambitions since he had by then disposed of all but 4,500 of his 55,000 shares.

There was also the matter of salaries to consider. As early as August 9<sup>th</sup> Gaston began hinting about possible remuneration.<sup>74</sup> Victoria headquarters politely ignored his suggestions but everyone expected a day of reckoning was coming unless Gaston was removed. A.K. Munro was considered as a replacement but dropped when he made it clear he would not work for free.<sup>75</sup> D.J. Burke, on the other hand, seemed an affordable alternative since it was assumed he would simply be his father's representative and similarly work without salary.

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<sup>71</sup>BCLIA Correspondence, Holland to Rithet, October 7 and 30, 1896; *ibid.*, Rithet to Holland, October 27, 1896.

<sup>72</sup>*Ibid.*, Rithet to Holland, October 27, 1896.

<sup>73</sup>In fact, Holland seemed to be under the impression that John Burke "during his temporary absence ...made his son superintendent" (BCLIA Correspondence, Holland to O'Farrell, November 6, 1896).

<sup>74</sup>Gaston indicated that the Company at least owed him something for "office fees" (NEMC Correspondence, Gaston to Ellis, August 9, 1896).

<sup>75</sup>NEMC Correspondence, Gaston to Ellis, August 19, 1896; BCLIA Correspondence, Holland to Rithet in San Francisco, October 30, 1896.

Gaston was offended when Dan Burke was put in charge but he was not ready to give up so easily.<sup>76</sup> He was exceptionally well-informed and likely learned very quickly of the Treasury windfall and the strange circumstances surrounding O'Farrell's reinstatement. It was no secret that expansion was being considered, and Gaston was determined to convince everyone in Victoria he was still the best man to see the mine through to the next stage of development. On November 4<sup>th</sup>, having got wind of O'Farrell's machinery negotiations, Gaston volunteered to coordinate the advertising of construction bids for buildings to house the men and machinery.<sup>77</sup> Two days later, in his November 6<sup>th</sup> "report" he expressed relief that "news" of a plant being ordered was "premature."<sup>78</sup> He was worried O'Farrell was making reckless commitments on behalf of the Company: "[choosing a plant] is a serious matter and should be carefully considered. ...O'Farrell was here one day and seemed to want to do everything in a minute."<sup>79</sup>

As a demonstration of his expertise, the ousted Gaston obtained bids from local agents for the two leading mining equipment manufactures, Canadian Rand Drill Company and Ingersoll-Sergeant. He also took the liberty of contacting a Mr. Litchfield who allegedly "put the plant in at Crown Point" and who supposedly knew "more about what we want and how to order it than Burke, O'Farrell, myself and all the stockholders of the company together."<sup>80</sup> But Gaston was not through yet. On behalf of the Nestegg Company he

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<sup>76</sup>Gaston withdrew his services on October 29<sup>th</sup> because he did not "care about divided responsibility at this end" (NEMC Correspondence, Gaston to Ellis, October 29, 1896).

<sup>77</sup>NEMC Correspondence, Gaston to Ellis, November 4, 1896. The "news" Gaston was referring to must have been the front page article in the October 31<sup>st</sup> *Globe*: "The Nest Egg mine has placed an order for a hoist and compressor."

<sup>78</sup>NEMC Correspondence, Gaston to Ellis, November 6, 1896.

<sup>79</sup>Ibid.

<sup>80</sup>Ibid. The Company was disinclined to pay Litchfield \$50.00 for his advice. Perhaps they were not convinced of his credibility. C.F. Litchfield of Rossland purchased a Free Miners License in the 1897 ("Free Miners Directory," *Henderson's Directory, 1897*, 125) but there was never a professional listing for him between 1897 and 1900 in either the *Henderson's* or *Williams'* directories. No evidence can be found to support Gaston's claim that Litchfield was associated with the Crown Point mine. At the end of 1896 V.D. Williams was the Crown Point's superintendent, not Litchfield. (B.C. *Report of the Minister of Mines for the Year Ending 1896*,

proposed to the owners of the neighbouring Sunset and Phoenix claims a “great scheme” for jointly forming a separate company to finance a much larger plant (boiler and compressor) that the three operations could share “at a very much reduced cost to all concerned.”<sup>81</sup> The Sunset people were reportedly ready to sign on the dotted line and the Phoenix owners would commit themselves shortly. But in spite of Gaston’s enthusiastic assurances, the idea was likely never seriously considered by anyone except himself. Mining equipment was simply too valuable as a credit generating asset to be shared by different speculative ventures. Because federal law restricted chartered banks from taking property as loan security, many young mining companies relied heavily on chattel mortgages, particularly on their machinery, for financing development.<sup>82</sup> Uncertain ownership of machinery was also just about as discouraging to potential new investors as uncertain ownership of the mine.

Unbeknownst to Gaston, O’Farrell was in the process of stealing the displaced manager’s bid for credibility by working out a machinery deal of his own. O’Farrell broke the news to Holland on October 29<sup>th</sup> in a letter filled with misrepresentations and confusion:

We have called for bids for machinery from 3 firms and one will let contract on Monday for bunk and boarding houses [the buildings were not built until after the first of the year and the Rand Drill Company had nothing to do with the contract for the structures]. Notices are posted asking for bids [for the buildings or the plant?]. The houses will cost between \$300 & \$350 [the buildings eventually cost almost four times that amount]. We have stopped work in the stopes till the plant arrives but the men are opening up the Fire Fly [the Nest Egg’s development consisted of four shafts and one lateral drift – there were no “stopes”]. We shall also have [the Fire Fly] surveyed and a Grant applied for [but the survey was in fact already completed and paid for {Correspondence, Gaston to Ellis, September 22 and October 9, 1896.}]. I bought 5,000 shares N.E. [Nestegg] yesterday for 9 cents – a snap [no shares were transferred to O’Farrell after August 14<sup>th</sup>. He acquired 7,000 shares on December 9, 1896 but these were merely returned to him from A.C. Flumerfelt “in trust” {NEMC Share Transfer Register, 19, 106.}].<sup>83</sup>

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“Bulletin No. 2,” p. 29). Perhaps Litchfield was part of the Crown Point’s management team sacked in April 1896 for gross incompetence. Considerable wasteful development work was done that missed the “ore zone by following along the dyke” (ibid).

<sup>81</sup>NEMC Correspondence, Gaston to Ellis, November 6, 1896.

<sup>82</sup>*Revised Statutes of Canada, 1886*, “The Bank Act,” 49 Vict., c. 120, s. 45.

<sup>83</sup>BCLIA Correspondence, O’Farrell to Holland, October 29, 1896.

At first Holland did not take O'Farrell's machinations seriously. On November 6<sup>th</sup> the new Vice-President wrote Kirk in Nelson to report rumours of O'Farrell "amusing himself" by trying to buy machinery without the Board's authorization.<sup>84</sup> But after reading the newspaper gossip and then receiving Gaston's November 4<sup>th</sup> confirmation that the machinery was ordered, the Vice-President was no longer amused. He cautioned O'Farrell that the stories being circulated had better be false.<sup>85</sup>

I have heard that ...the machinery has been ordered. Now, I cannot possibly believe this to be the case, as the shareholders here were so decided in their opinion that no further liabilities were to be incurred for the present; and upon the question of machinery being discussed it was decided that nothing should be done until all the old Treasury shares were taken up and liabilities wiped out. Even had such expressions of opinion not been made use of, I do not think that you would authorise the purchase of machinery without first submitting your plans before the Trustees.<sup>86</sup>

But it was already too late for any consultation with the Trustees. Before the ink was dry on Holland's warning O'Farrell had signed a preliminary "Agreement to Purchase" with

Frank R. Mendenhall, the Canadian Rand Drill

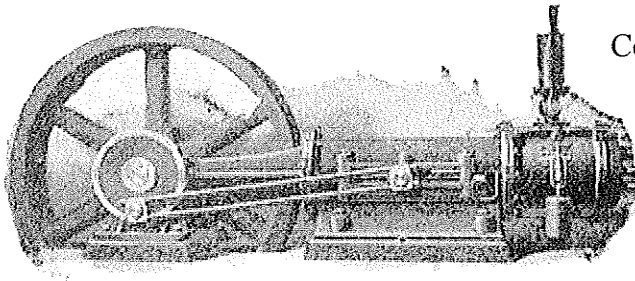
Company's sales representative in Rossland

and Spokane.<sup>87</sup> Included in the

November 6<sup>th</sup> "Agreement" was an

inventory of the equipment and "extras"

to be purchased and the terms of sale.



31. Straight Line Belt-Driven Compressor  
Canadian Rand Drill Company  
*Canadian Mining Manual*, 1892

The plant O'Farrell ordered consisted of an air compressor and receiver, boiler, feed pump

(for the boiler), hoist engine, two rock drills (with columns and attachments), air hose, pipes, and tools. "Extras" included an anvil, two vices, assorted drilling steel, and various other

<sup>84</sup>Ibid. Holland to Kirk, November 6, 1896.

<sup>85</sup>*Globe*, October 31, 1896; NEMC Correspondence, Gaston to Ellis, November 4, 1896.

<sup>86</sup>BCLIA Correspondence, Holland to O'Farrell, November 6, 1896.

<sup>87</sup>"Agreement," dated November 6, 1896, found in NEMC Correspondence files (Box 499, File 4).

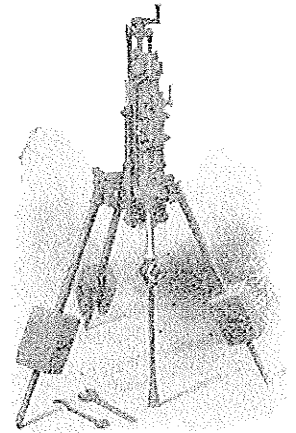
small tools. The material was to be delivered “at the Nest Egg siding, near Rossland” on or before December 4<sup>th</sup>. Altogether the price-tag for plant and “extras” was \$3,700.00 plus “about \$500.00” shipping from Montreal.<sup>88</sup>

As fast as he could Holland prepared for a confrontation with the Company’s newly reinstated Managing Trustee. O’Farrell was sent a stern suggestion: “If you can come down [to Victoria] you had better.”<sup>89</sup> Kirk, who was in Nelson, was requested to send Holland his power of attorney so the Vice-President could control the confrontational Board Meeting.<sup>90</sup>

O’Farrell delayed his audience in Victoria long enough to cement the Rand Drill deal with another timely press leak. On November 20<sup>th</sup> Ellis’s *Colonist* reprinted a piece from the *Rossland Miner* describing in detail the plans for expanding operations:

The Nest Egg Company has ordered a four-drill compressor, 20-horse power hoist, boiler, etc. This plant will be complete in every respect and will enable the company to persecute [*sic*] the development of its mine more rapidly, and judging from the results of recent work, to enter the list of regular shippers. As has been frequently stated by the Miner, the dump of the Nest Egg now contains a large quantity of shipping ore. In order to move this the Columbia and Western railway will build a spur a few hundred feet long to obviate the necessity of moving it in wagons. This will also enable it to deliver the Nest Egg’s machinery where it is wanted and put it in a position to take away the ore as fast as the Nest Egg produces it.<sup>91</sup>

The machinery deal was now more than a rumour. As a result of the *Rossland Miner*’s meddling the Company was now in the uncomfortable position of either going ahead with the arrangements or backing out and leaving the shareholders to conclude that either the



32. Little Giant Rock Drill, Canadian Rand Drill Co. *Canadian Mining Manual*, 1892

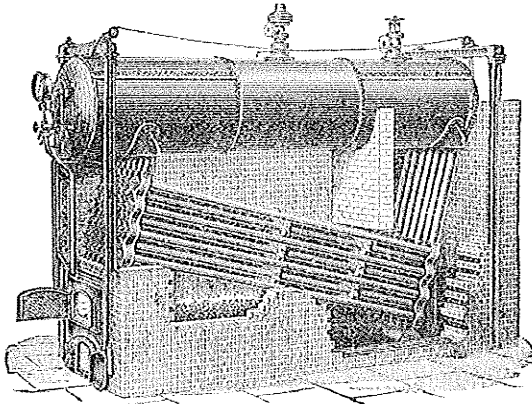
<sup>88</sup>Ibid.

<sup>89</sup>BCLIA Correspondence, Holland to O’Farrell, November 6, 1896.

<sup>90</sup>Ibid., Holland to Kirk, November 6, 1896.

<sup>91</sup>*Colonist*, November 20, 1896.





33. Tubular Steam Boiler, 1890s  
*Canadian Mining Manual*, 1892

treasury or the mine or both were empty. The Victoria men did not like being painted into a corner. A showdown with O'Farrell was inevitable.

### The Machinery Deal

When news of the unauthorized purchase hit the papers, Vice-President Holland was forced to act – with or without Kirk.<sup>92</sup> Legal difficulties were a very real threat since the shareholders would now know their specific instructions were ignored. A special Trustees' Meeting was called for November 24<sup>th</sup> to find out what exactly was going on with the machinery. O'Farrell obliged with an appearance and provided details of the “arrangements made with the Rand Drill Company for the purchase of an air compressor plant and drills. Also the building of a bunk house for the men.”<sup>93</sup> The Managing Trustee tried to give his “arrangements” an appearance of propriety by claiming he had “the advice” of J.J. Moynahan “formerly supt. of the Le Roi,” although it is doubtful the popular Rossland mining engineer ever had anything to do with the deal.<sup>94</sup> After listening to O'Farrell's presentation the Trustees decided against either adopting or condemning the machinery arrangement. Officially they would only go on record as authorizing the Managing Trustee to return to Rossland and expend \$400.00 for the erection of “necessary buildings.”<sup>95</sup>

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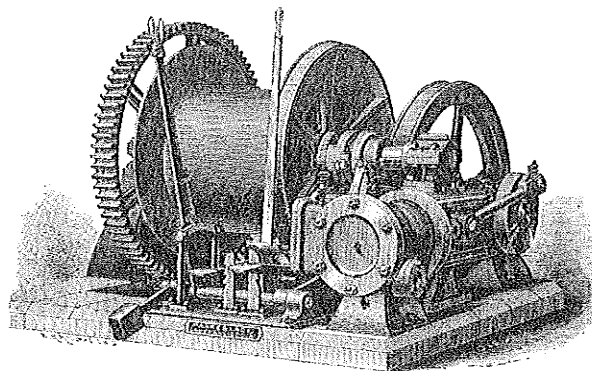
<sup>92</sup>Kirk did not make the next Trustees' Meeting on November 24<sup>th</sup> and Holland took the chair instead.

<sup>93</sup>“6th Meeting of Trustees,” November 24, 1896 (*NEMC Minute Book*, 15).

<sup>94</sup>*Ibid.*, 16. In November of 1896, W.E. Hall replaced Moynahan as superintendent at the Le Roi (*Canadian Engineer*, November 1896, 216). O'Farrell's assertion that he was advised by Moynahan seems questionable. There is no evidence that a consultation fee was paid, and unlike Burke and the other managers, Moynahan was a professional and not inclined to work for nothing (*NEMC Correspondence*, Moynahan to Munro, March 21, 1897).

<sup>95</sup>“6th Meeting of Trustees,” November 24, 1896 (*NEMC Minute Book*, 16). The first installment was not due until the machinery was delivered (“Purchase Agreement,” November 6, 1896).

When the Meeting commenced, everyone (and Holland in particular) had their sights levelled on O'Farrell. Yet when it ended he walked away unscathed with his expansion plans intact. The Managing Director had a reputation for being a verbal magician but how could he have possibly talked his way out of such a mess? The answer lay in the unusual "arrangements" for financing he presented to the Trustees. Rather than purchasing the machinery outright the Company could buy the plant in installments, and it was not obliged to pay anything until delivery.<sup>96</sup> The Trustees had to admit that O'Farrell's "lease" scheme would be a relatively easy pill for the shareholders to swallow. For a small down payment of \$1,000.00 the Canadian Rand machinery could be used by the Nestegg Company to develop and dress up the mine while the debts were being consolidated and the reorganization perfected to pay for the remainder of the lease. If the new financing strategy somehow went awry, nothing would be lost but the first installment paid in.



34. Single Drum Mining Hoist, 1879  
A Model Similar to the Nest Egg's  
*Mining and Scientific Press*, February 15, 1879

### Preparing the Shareholders

The Nestegg Company's by-laws gave the Trustees undisputed authority to ratify the machinery deal, but the reorganization, which was essential for financing the expansion, required approval from two-thirds of the shareholders.<sup>97</sup> Consequently, a General Meeting was scheduled for December 7<sup>th</sup> to put the entire package before the stockholders.<sup>98</sup> Ellis must have assumed the affair would be a mere formality since he went ahead and completed

<sup>96</sup>"Purchase Agreement," November 6, 1896.

<sup>97</sup>*B.C. Statutes*, 53 Vict., c. 6, s. 25, "Companies Act, 1890."

<sup>98</sup>"6th Meeting of Trustees," November 24, 1896 (*NEMC Minute Book*, 16).

THIS AGREEMENT, Made and entered into this 6th day of November, 1896, by and between the Canadian Rand Drill Company, a corporation, of Sherbrooke, Quebec, party of the first part, and the Nest Egg Mining Company, a corporation organized and existing under and by virtue of the laws of British Columbia, party of the second part,

WITNESSETH, That whereas the said party of the first part has this day submitted to the said party of the second part a proposal to deliver certain materials and extras for the Nest Egg Mining Company, more particularly set forth and described in a copy of said proposal hereto attached and made a part hereof, which said proposal has this day been accepted by the said party of the second part,

NOW, THEREFORE, The said party of the first part agrees and guarantees that it will deliver all of the machinery, extras and materials specified in said proposal at the Nest Egg siding, near Roseland, B. C., on or before the 4th day of December, 1896, in perfect condition, and that the same shall be constructed of first class materials throughout and of first class workmanship, and be suitable for the purposes for which the same is purchased.

IN TESTIMONY WHEREOF, The said party of the first part has caused its signature to be affixed by F. R. Mendenhall, agent, and the party of the second part has caused its signature to be affixed by P. A. O'Farrell, its managing trustee.

Signed and delivered in  
the presence of:

P. A. O'Farrell.  
Managing Trustee

*Canadian Rand Drill Co*  
*F. R. Mendenhall*  
*agt.*

incorporation of the new company in advance of the meeting.<sup>99</sup> However, the Secretary's sanguine optimism proved premature. When the shareholders met insufficient stock was represented to legally authorize the restructuring.<sup>100</sup> Two important shareholders – Gaston and Thompson – were again conspicuously absent although O'Farrell was sent specific instructions to obtain their proxies. Yet, even if the Rossland duo's considerable holdings had been represented the total in attendance would still only have been half of the voting capital. The Trustees and founders discovered that any change in the corporate structure would have to include the small public investors.<sup>101</sup> Without the necessary quorum the meeting had to be adjourned. The official purpose of the next meeting on January 20, 1897 was to consider "the advisability of disposing of the whole of the [Company's] assets," but according to the Minutes contemplating liquidation of assets was never even on the

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<sup>99</sup>*Colonist*, December 4, 1896. The incorporation documents were originally prepared for submission in October. The date was scratched out and changed to December (B.C. Register General Records [BCRGR], [1438, Reel B4411, file 134], p. 4).

<sup>100</sup>The Minutes do not contain an itemization of shares represented. Nevertheless, those listed as being in attendance represented 105,709 shares as at December 7, 1897 (*NEMC Share Transfer Ledger*, various entries). O'Farrell and A.K. Munro also carried 14,000 and 3,000 additional shares respectively by proxy (Proxies found in NEMC Correspondence files [PR5, Series 3, Box 44B6, File 2]). Kirk was not present but Holland held his power of attorney and presumably represented the President's 36,250 shares (*NEMC Share Transfer Ledger*, 22). Even if Ellis voted for the Treasury shares (10,200) as well as his own (2,300) only 171,459 or thirty-three percent of the 499,000 shares eligible to vote would have been in attendance.

<sup>101</sup>Up to this point the other shareholders had largely been ignored by the founders and officers – as evidenced by the Trustees' underhanded reinstatement of O'Farrell to the Board. At the mid-October General Meeting the founders and the Trustees-in-waiting controlled enough votes to ensure the Trustees' actions up to that point were "confirmed" ("Minutes of Extraordinary General Meeting of Shareholders," October 15, 1896 [*NEMC Minute Book*, 11]). Holland, Kirk, Erksine, Weaver-Bridgman, Hayward, and Ellis were on record as together voting for 84,542 shares (they actually controlled only 79,842 shares). Weaver-Bridgman also carried a proxy from Gilbert Soule for 11,000 shares. Thus, at the October meeting the founders and new company men controlled almost 91,000 votes while the remaining "public" shareholders officially tallied only 11,625 shares. Although the public investors actually held 21,875 shares, they still totalled only 19% of the stock eligible to vote ("Minutes of the General Meeting," October 15, 1896 [*NEMC Minute Book*, 9]; Various entries, *NEMC Share Transfer Ledger*).

agenda.<sup>102</sup>

The only other item brought up at the December 7<sup>th</sup> General Meeting besides adjournment was a lengthy typewritten report submitted by O'Farrell summarizing the current situation of the Company and the mine.<sup>103</sup> It is a peculiar document. First, the writing style, while typically turgid, was noticeably devoid of the disorganized metaphorical claptrap that usually filled O'Farrell's correspondence.<sup>104</sup> The report began with glowing descriptions of the two properties and generally repeated what had already been presented in Ellis's October pseudo-letter to President Kirk. However, when it came to discussing the current state of affairs something was noticeably missing – details of the machinery purchase. O'Farrell boasted that contracts had been let for the buildings to house men and “plant” and added “all that is needed now is machinery to mine this ore,” but he carefully avoided any mention of his surreptitious arrangement with the Rand Drill Company on November 6<sup>th</sup>. His polite praise for Paul Gaston's “superintendence” was also certainly out of character, and his confirmation that the “Company has no debts or obligations” exhibited a surprisingly astute understanding of the state of the Treasury.<sup>105</sup>

O'Farrell's “statement of the operations of the Company since its formation” was intended to placate the shareholders and convince them that the Nest Egg was in fine shape to embark on its new life as the Nest Egg and Firefly Gold Mining Company. But was it really? True, the debts had been cleared but O'Farrell failed to mention that the cost was virtually all the old Nestegg Company's capital. He claimed “five or six carloads of ore” were laying on the dump at Shaft 3 and ready to be shipped any day. As it turned out, the

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<sup>102</sup>NEMC *Minute Book*, 6 (attached newspaper clippings from the December 18, 1896 edition of the *Colonist*, and the *British Columbia Gazette*, January 14, 1897).

<sup>103</sup>Attachment, “Minutes of the Extraordinary General Meeting,” December 7, 1896 (NEMC *Minute Book*, 17-19).

<sup>104</sup>The writing style is remarkably similar to the letters O'Farrell supposedly wrote to the *Globe's* editor in October during the debate in the press over the legitimacy of paid-up stock (*Globe*, October 8, 1896).

<sup>105</sup>My analysis of the *Cash Book* yields a net balance of \$17.07 in the Treasury on December 7, 1896.

dump was much smaller and finding any ore in it required considerable imagination. O'Farrell's detailed description of the mining progress was *generally* accurate but nonetheless *specifically* deceptive:

Two shafts have been sunk on the Fire Fly vein, and a ledge has been exposed from 66 to 80 feet wide. The shafts are 300 feet apart, but neither shaft has been sunk deep enough to reach as yet solid ore. Having done sufficient work on the Fire Fly to obtain a Crown Grant, we have stopped the development on this immense vein for the present. In the Nest Egg claim, three shafts have been sunk. No. 1 Shaft is down 50 feet, all in ledge matter and ore. The solid ore has not been reached, nor has either wall of the vein been found. This is the North vein of the Nest Egg, and I have little doubt is the same vein on which the Sunset has recently been mining some of the finest ore ever taken out of Trail Cr. This North Vein has all the earmarks of a mine. No. 2 and No. 3 shafts are on the South vein. No. 3 Shaft is down 50 feet, and from top to bottom there is solid ore. These shafts are about 250 feet apart, and a drift has been started at the 50 ft level in the No. 3 Shaft towards Shaft No. 2. In the face of this drift, 20 odd feet from the bottom of the tunnel, is 2 ½ feet of shipping ore.<sup>106</sup>

It seems strange that the Company would abandon Shaft No. 1 if it sat on the same "immense" and fabulously rich "North vein" that the Sunset people were working. A lack of "solid ore" and a vein with no defined walls may have been "earmarks of a mine" in O'Farrell's book but in anyone else's these would likely be classified as characteristics of an uneconomical scattered deposit. Shaft No. 3 was supposedly in "solid ore" from top to bottom but its single drift was following a vein of "shipping ore" only two and a half feet wide. Of course, the slippery O'Farrell was careful not to include dollars and cents values for his different ore categories.

O'Farrell's summary was generally more conservative than either the August prospectus or Ellis's report to the October 15<sup>th</sup> General Meeting. No assay values were quoted, no experts were cited, and no promises were made. References to the machinery were suggestive not substantive. Finances were reportedly straightened out but details on how this was accomplished were noticeably absent. For once, the Managing Trustee was tight-lipped.

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<sup>106</sup> Attachment to "Minutes of General Meeting of Shareholders," December 7, 1896 (NEMC *Minute Book*, 17-18).

If the declared gloomy purpose of the next meeting was intended to scare off recalcitrant shareholders, it may have succeeded. On December 22<sup>nd</sup> Ross Thompson, at that time the largest individual shareholder, responded to the announcement of the adjournment by unloading half of his 80,200 shares.<sup>107</sup> In reality, however, the threat of “disposing of the whole of the [company’s] assets” was merely another way of describing a second dummy vendor transaction. Temporarily conveying the properties (the “whole of the assets”) to a third party was intended to protect the mine – and the outstanding loans – during the reorganization.

Even as this seemingly grim issue hung in the balance, the company men were proceeding with O’Farrell’s expansion plans. In the first days of December Ellis incorporated the new company and the plant was shipped from Montreal a week or so later.<sup>108</sup> The buildings were started after the following month and finished in three weeks.<sup>109</sup> Finally, on January 20, 1897, the very day the shareholders met in Victoria to officially authorize its financing, the machinery the *Globe* reported was ordered at the end of October arrived at the Trail train depot.<sup>110</sup>

### A Questionable Decision

When the shareholders met on December 7<sup>th</sup> there were only a few dollars and eleven thousand “in trust” shares remaining in the Treasury. By the time they reconvened six weeks later to give their assent to the machinery purchase and reorganization, the situation was

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<sup>107</sup>NEMC *Share Ledger*, 2, 16, 128, 133. Thompson transferred 40,000 shares to Leonard Solly, Victoria land commissioner for the Esquimalt & Nanaimo Railway and President of O’Farrell’s Palo Alto Mining Company. These were almost certainly the shares Gaston earlier transferred to Thompson. It also seems likely that Solly was the mysterious “Victoria friend” Gaston earlier hinted was about to buy large quantities of stock and help carry the vote for the reorganization (NEMC Correspondence, Gaston to Ellis, October 21, 1896).

<sup>108</sup>O’Farrell reported on January 4<sup>th</sup> that the plant had been sitting in Northport, Washington for a week (BCLIA Correspondence, O’Farrell to Holland, January 4, 1897).

<sup>109</sup>NEMC Correspondence, D.J. Burke to Ellis, January 22, 1897.

<sup>110</sup>*Globe*, October 31, 1896; NEMC Correspondence, D.J. Burke to Ellis, January 20, 1897.

even gloomier. Besides the usual operating expenses, the Company was obligated for the first \$1,000.00 installment to the Rand Drill Company and at least that much more for the buildings.<sup>111</sup> Capital resources were depleted to eight hundred shares with only \$360.00 to show for the ten thousand shares that left the Treasury between the two Meetings.<sup>112</sup> It seems incredible that the company men would choose to expand operations at this difficult juncture. The question is not easy to answer: details of the discussions and decision were never recorded. Nevertheless, the correspondence, newspaper records, and corporate books do provide important clues that help explain the logic behind their choice.

The reported potential of the mine was certainly an encouragement. Throughout the first year of operations the mine managers made every effort to convince the company men that development would eventually prove the Nest Egg to be profitable. P.A. O'Farrell kept up a steady stream of optimism although he was usually careful to avoid committing himself to details. As early as May 7<sup>th</sup> the Managing Trustee proclaimed in the *Colonist* that the Nest Egg was going to "make a great mine" based on the professional assurances of Loring and Millar.<sup>113</sup> Three weeks later he reported that the mine "shows more promise than any prospect in the camp, and it is absolutely certain to develop into a rich mine."<sup>114</sup> Later, on December 7<sup>th</sup>, the Managing Trustee's submission to the shareholders described the Nest Egg as "having all the earmarks of a mine" with "a chute of valuable ore ...exposed in the South vein."<sup>115</sup>

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<sup>111</sup>Rosslund operating expenses for December totalled \$225.00 (\$198.50 wages and \$26.50 office expenses [NEMC *Cash Book*, 10; various receipts found in correspondence file]). On January 22, 1897 D.J. Burke indicated he would draw on the company for \$1,100.00 "to pay the contractors who built these buildings" (NEMC Correspondence, D.J. Burke to Ellis, January 22, 1897).

<sup>112</sup>On December 8, 1896, Ellis paid his and Sargison's salaries with 4,840 Treasury shares valued at 10¢ each (NEMC *Cash Book*, 7, 8). On December 28, 1896, Holland bought 4,500 "interest" shares for \$360.00 (ibid.; NEMC *Share Transfer Ledger*, 262).

<sup>113</sup>*Colonist*, May 7, 1896. Millar was not listed as a resident of Rosslund in either the *Williams'* or *Henderson's Directories* for 1897.

<sup>114</sup>*Colonist*, May 29, 1896.

<sup>115</sup>"Minutes of General Meeting," December 7, 1896 (NEMC *Minute Book*, 18).



Paul Gaston was no less enthusiastic than his adversary, O'Farrell. An unabashed optimist when it came to forecasting the future of the mine, especially after he discerned machinery and money were in the air, Gaston, unlike O'Farrell, did not shy away from statistics. On October 19, 1896, shortly before the Company was rumoured to have committed itself to machinery, Gaston wrote that he was certain an extension of the drift another fifty feet would reveal a deposit of "...fine shipping ore, with little doubt as this present 'average' [assay] of \$10.40 is better than 90% of all the mines or prospects at depth of 50 feet."<sup>116</sup>

By the fall of 1896 the company men may have become acclimatised to Gaston and O'Farrell's self-serving prognostications, but John Burke's October prediction that installing machinery would put the mine "on a shipping and profit earning basis" undoubtedly carried considerably more weight.<sup>117</sup> Burke, who had a history of optimistic but tempered reporting of the mine's progress, at last seemed to be confident enough in the Nest Egg to make a substantive forecast of its future potential. More importantly, unlike Gaston and O'Farrell, Burke *appeared* to have no conflict of interest (shareholdings) that might distort his objectivity.<sup>118</sup>

Each of the managers had other reasons besides financial motivations to support expanding operations. Initially both Burke and Gaston considered contracting hand labour as a viable alternative to installing machinery, but after the treasury was restocked in

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<sup>116</sup>NEMC Correspondence, Gaston to Ellis, October 19, 1896.

<sup>117</sup>Attachment to minutes of Shareholders Meeting, October 15, 1896 (NEMC *Minute Book*, 11).

<sup>118</sup>Burke *officially* ceased to be a shareholder on June 3, 1896 (NEMC *Share Ledger*, 20). But appearances can be deceiving. There are indications the Burkes continued to traffic heavily in Nestegg stock long after their names officially disappeared from the *Share Register* in June of 1896. In October Gaston reported that Dan Burke sold ten to twenty thousand Nestegg shares to an Oregon railway man (NEMC Correspondence, Gaston to Ellis, October 26, 1896). Four months later the younger Burke sent 30,000 shares registered in the name of Ross Thompson to the Secretary to be changed into new stock in his name (ibid., Dan Burke to Munro, February 12, 1896).

October both men quickly became ardent advocates of mechanization.<sup>119</sup> Gaston was clearly obsessed with the thought of being put in charge of a “first-class” mining operation complete with all the furnishings. He was also speculating in neighbouring claims whose values would be enhanced if it appeared the Nest Egg warranted escalating development.<sup>120</sup> John Burke’s decision to recommend machinery rather than contracting may also have been personally motivated since it coincided roughly with O’Farrell’s appointment of the younger Burke to be his father’s successor. The senior Burke was, with O’Farrell’s assistance, trying to use his son to circumvent the original agreement with the Company to work without pay. Perhaps O’Farrell’s appointment of the young Burke as interim salaried manager was the price paid for John Burke’s machinery recommendation.

Other factors besides the unanimous approval of their Rossland managers may have influenced the company men’s decision to mechanize. Work on the adjacent Sunset claim showed promise, and, more importantly, its owners were reportedly mining the Nest Egg’s vein. On November 6, 1896 Gaston reported: “Sunset picked up our lead on their ground about 1000 feet west of our No. 2 shaft and it shows there even better than we have yet been able to get assaying from 35 to 90.00 [dollars per ton] and a way up in copper. It is without doubt our lead.”<sup>121</sup> The fact that the Secretary later used the neighbouring claim’s promising prospects to promote the sale of shares suggests that this factor also influenced the Victoria men’s decision to bring the Nest Egg to the production stage.<sup>122</sup>

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<sup>119</sup>NEMC Correspondence, Gaston to Ellis, August 17 and 21, 1896 and October 26, 1896; J. Burke to Ellis, July 10, 1896; attachment to minutes of Trustees’ Meeting, October 15, 1896 (NEMC *Minute Book*, 11).

<sup>120</sup>“The Old Hundred and Wednesday mineral claims have been sold to a syndicate organized by Paul Gaston for £10,000 cash. The Old Hundred and Wednesday cover 29 acres of ground between the Nest Egg, Tuesday and Sunset.” (*Colonist*, November 20, 1896).

<sup>121</sup>NEMC Correspondence, Gaston to Ellis, November 6, 1896. The Rossland *Miner* earlier confirmed that both companies were mining the same vein (quoted in the *Colonist*, July 2, 1896). In December the Sunset vein was reportedly still assaying “over \$50 in gold” (*Colonist*, December 2, 1896).

<sup>122</sup>“I have little doubt [that the North Vein of the Nest Egg] is the same vein on which the ‘Sunset’ has recently been mining some of the finest ore ever taken out of Trail Creek” (NEMC Correspondence, Munro to Howarth, March 30, 1897).

Upgrading the mine was also an integral component of the larger scheme to reorganize the Company and pay its debts. And in late 1896 events both inside and outside B.C. were very favourable for successfully floating a new company. Under pressure from the growing curb market, the Toronto Stock Exchange relaxed its restrictions on listing mining issues in September of 1896:

The conditions under which such stocks will be listed include the assurance that the company has been incorporated and that the title to the property is sound. An engineer's report will also be required, with proof of the expenditure of \$25,000 in development work. The shares issued as fully paid up must be non-assessable and free from liability for subscriptions. A statement of the company's position and standing will also be required. ...It is provided that any or all these requirements may be omitted in the case of a mining company whose stock is listed in Montreal, London, New York or Paris, or is 'otherwise well established.'<sup>123</sup>

Within weeks the *Globe* was reporting an unprecedented mining shares boom in both Rossland and Toronto:

Josie [Company mining stock] was absorbed by Toronto [stock market] at 49 cents: the closest quotation in Rossland to-day is 61 cents. Monte Cristo was largely bought at 18 cents; it is now at 20 cents. Evening Star was listed in Toronto at 23; it is now quoted at 30 on a rapidly rising market. St. Elmo was sold at 11 cents; it is now 15 cents. Poorman sold at 1 1/2; it would take a search warrant to find much stock under that in Rossland. Deer Park was unloaded at the Toronto market at 6 cents. It is now quoted here at 16 cents and the company will not sell treasury under 25 cents. Crown Point was heavily bought at 20 cents and is now under heavy selling quoted at 45 cents. None of these stocks have advanced on a speculative basis. It is the intrinsic merit of the properties which has sent them up.<sup>124</sup>

By the end of September the *Monetary Times* admitted that "whether we fully recognize the fact or not, it is certain that we are in the initial stages of a mining boom."<sup>125</sup> On October 19, allegedly the "heaviest transactions" ever reported in Toronto occurred when George

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<sup>123</sup>"Listing Mining Stocks," *Globe*, September 12, 1896, 18. By mid October the first two speculative mining companies, the Crown Point and Empress Gold Mining, were listed on the Exchange (*Globe*, October 10, 1896).

<sup>124</sup>*Globe*, October 10, 1896.

<sup>125</sup>*Monetary Times*, September 25, 1896, p. 425.

Case sold 100,000 shares of Monte Cristo and 125,000 shares of St. Elmo.<sup>126</sup>

The fever for gold shares was being fuelled by reports of fantastic dividends and premium property prices. The companies owning the Le Roi and the War Eagle declared dividends totalling \$25,000 and \$30,000 respectively and the former's mine was reportedly bought by a British syndicate for £500,000.<sup>127</sup> The Iron Colt, a property with development and prospects nearly identical to that of the Nest Egg, was sold for \$45,000 during the first week of October.<sup>128</sup> By mid-month unproven claims near Nelson were bringing \$11,000 "spot cash" whereas similar properties had sold for only \$7,000 just five months earlier.<sup>129</sup>

The Nest Egg property was also reportedly catching the eye of Eastern capitalists. In late August O'Farrell boasted he had negotiated an arrangement to option the Firefly property to a mysterious "Toronto crowd" for \$10,000 cash plus a share arrangement in a new company yet to be formed.<sup>130</sup> Though the deal fell apart, the men in Victoria were encouraged and likely viewed the cost of putting in a plant with less apprehension. Installing machinery would, they knew, attract the attention of the press and promote the glowing image of a profitable mine necessary for a profitable sale. British investors were thought to be particularly inclined to purchase developed over undeveloped properties:

...As a rule it is mines, not 'prospects' – properties with considerable development done on them – for which the British speculator or investor is looking. ... [In B.C.] Americans, at the start, had the advantage over most of their Canadian neighbors, in having an experience in mining which the latter did not possess. It has not taken many months however, for a great change in the situation to occur, and it may be anticipated with tolerable certainty that it will not be long before the chief portion of the capital invested in the mines of British Columbia will be owned either in Canada or in the Old Country. Probably Canadians will supplant the Americans

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<sup>126</sup>*Globe*, October 19, 1896.

<sup>127</sup>*Globe*, October 10, 1896.

<sup>128</sup>Like the Nest Egg, the Iron Colt had a thirty foot shaft that was showing two feet of "solid clean, ore" in the bottom (*Globe.*, October 19, 1896).

<sup>129</sup>*Globe*, October 16, 1896. On May 15<sup>th</sup> the *Spokesman-Review* reported the Curlew had sold for \$7,000 cash to a Chicago syndicate (quoted in *Colonist*, May 15, 1896).

<sup>130</sup>NEMC Correspondence, O'Farrell to Ellis, August 27, 1896. The only members of the "crowd" O'Farrell identified were George Case and his associate "Patterson" (TSE member William Patterson) who together were allegedly fronting \$5,000.

to a great extent in doing the exploitation and preliminary work in the opening up of the mines, the British investor purchasing what will then be a producing property."<sup>131</sup>

Other events at the end of 1896 suggested the boom period for "wildcat" promotions of unproven mines was rapidly drawing to a close. As early as July 5<sup>th</sup> O'Farrell, of all people, was beginning to question the utility of promoting unproven properties:

It is useless to rail at and denounce such wildcat business, for the public seem [*sic*] to have an infinite capacity of gullibility in mining matters. They like things cheap, and that is the bait of the wildcat performer. [However,] English and French capitalists have their agents on the spot to buy up good claims, and the public should know that they have no chance ...of getting a good thing for little money.<sup>132</sup>

On August 14<sup>th</sup>, at the same time that the Vancouver Board of Trade was roundly condemning wildcat mining promotions, a *Colonist* contributor writing under the pseudonym "Truth" echoed similar sentiments:

The American system of forming companies not to develop the mines but to act as a pump to draw the money out of people's pockets into those of unscrupulous schemers, is the method copied by some of the Trail Creek mining companies incorporated at Spokane and Victoria. Simple people are told that if they invest they will double their money in three months by the rise in mining stock, whereas the experience of Colorado and other States demonstrates that in nineteen instances out of twenty they are sure to lose their money.<sup>133</sup>

In late September the concern for shady promotions became the focus of national attention when the Prime Minister addressed the issue in Parliament. Responding to a motion to clean up the industry, Laurier promised an investigation and threatened to take action if it was warranted: "If the issuing of such misleading prospectuses cannot be prevented, if the law of the land is not adequate to meet offenders of this kind, the law is

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<sup>131</sup>*Colonist*, January 6, 1897. The supposed predisposition of British investors for developed properties is a myth that continues to distort Canadian economic history even today (see D.G. Paterson, *British Direct Investment in Canada, 1890-1914* (Toronto: University of Toronto Press, 1976), 96-97.) In Ontario this definitely was not the case, as this writer has shown (Chapin, "Northwestern Ontario Mining," 146). A glance through John Spencer Church's compilation of mining incorporations in B.C. also reveals no shortage of British based exploration and development companies existed in that province.

<sup>132</sup>*Colonist*, July 5, 1896.

<sup>133</sup>*Ibid.*, August 14, 1896.

deficient and must be amended. If the officers of the department of justice report to the government that the present law is not adequate to reach such offenders, then the government will consider it its duty to have the criminal law amended."<sup>134</sup> Although the parliamentary debate quickly fizzled, it was obvious that tighter regulation of mining promotion was near at hand.

The Dominion government may have lost its nerve, but mining promoters everywhere were informed of several pending changes to British company law which would definitely have a dramatic affect on speculative foreign investment in B.C. mining. A sweeping reform bill was first introduced in the British Parliament in 1894 for the purpose of remedying "all the defects [in limited liability law] dating back to the second half of the 1860's."<sup>135</sup> The bill was polished by a Board of Trade Departmental Committee under Lord Davey before being reported to the Lords in 1896.<sup>136</sup> The Davey Committee was chiefly concerned with the fraudulent misinformation that infested foreign mining promotions in Britain. It suggested a strict codification of mandatory information to be included in prospectuses. Among other things, British prospectuses would now be required to specify the amount of purchase money actually paid to the "real" vendors (owners of the property) or any middlemen involved in the purchase.<sup>137</sup> While another suggestion of similarly codifying the business of a company's first general meeting was obviously impractical, the recommendation requiring filing of mandatory statements showing the general disposition of all shares within seven days of allotment was taken more seriously.<sup>138</sup> Share disposition

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<sup>134</sup>Ibid., September 25, 1896.

<sup>135</sup>P.L. Cottrell, *Industrial Finance, 1830-1914* (London: Methuen, 1980), 69. The timing of the bill's introduction is difficult to explain. The Barings Crisis and the collapse of the South African gold mining bubble both occurred four years earlier and there were definite signs that the economy was improving in 1894. It is possible that Parliament was reacting to the U.S. stock market crash of 1893.

<sup>136</sup>*Report of the Departmental Committee appointed by the Board of Trade (Davey Committee), B.P.P., LXXXVIII (1895).*

<sup>137</sup>Cottrell, *Industrial Finance*, 69.

<sup>138</sup>Ibid., 71.

statements and details of any outstanding mortgages were also to be included in the annual balance sheets submitted to the government. The Committee further suggested that companies be required to keep specific books which would be distributed annually to the shareholders (but not the government).<sup>139</sup> The disclosure requirements were expected to discourage the founder and promoter “rake-offs” which had become commonplace among companies organized in Britain to develop overseas mines, especially in Canada. The Committee also favoured a shocking notion that directors should somehow be legally bound to act with “care” and “diligence” – an unrealistic proposal but nonetheless one whose spectre may have panicked many B.C. “mining operators.”<sup>140</sup>

Laurier’s comments and the Davey Committee’s suggestions served as a warning to B.C. mining men that the days of raising fast cash for wildcats on the Canadian or London stock markets were probably numbered. It was also common knowledge that one of the first orders of business in the next B.C. legislative session would be to overhaul the provincial statutes regulating incorporations – although no one seemed to have any idea what kind of changes would be made. Thus, by the fall of 1896 it was fast becoming apparent to the Nest Egg’s Trustees that success, either underground or in the brokerages, would require that they move as quickly as possible to make their mine into something more than just a hole in the ground.<sup>141</sup>

The Nest Egg’s media image was also improving in the fall of 1896 as the *Globe* and the *Rossland Miner* coincidentally began painting a more positive picture of the mine. On

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<sup>139</sup>Report Davey Committee, paragraphs 51, 52, 53, 55.

<sup>140</sup>Ibid., paragraphs 21, 30, 32. As a concession the Davey Committee favoured legalizing the underwriting of new issues, an under-the-table practice in fact already commonplace for decades. However, the Committee proposed that any sales commissions paid would be subject to audit and public disclosure (Cottrell, *Industrial Finance*, 71). It is also worth noting that changes in Canadian company law generally tended to mimic developments in the Imperial Statutes.

<sup>141</sup>John Spencer Church was also of the opinion that the changes in the incorporation statutes which finally were enforced in May of 1897 at least in part accounted for the enormous growth in newly registered B.C. mining companies during the first three months of the year. In February and March alone the province saw nearly three hundred mining incorporations (Church, “Mining Companies in the West Kootenay and Boundary Regions,” 146).

October 9<sup>th</sup> the *Globe* reported that the “stockholders of the Nest Egg Company have no reason to feel alarmed about the future.” The title to the mine was cleared up, the Firefly property had been acquired, and the ore deposit in Shaft No. 3 was showing “an average assay of ...\$20 to \$30 per ton” from the “surface to the bottom of the shaft.”<sup>142</sup> On October 2<sup>nd</sup> the *Rossland Miner*, recently the Nest Egg’s nemesis, printed an unusually generous assessment of the mine.<sup>143</sup> Reavis at last seemed to be satisfied that the title problems were sorted out. At month’s end he was still confirming there was “no doubt the [Nest Egg] ore is of shipping grade.”<sup>144</sup> All things considered, the climate for investment and promotion was remarkably auspicious at the time the decision was made to dress up the property and reorganize the Company.

The greatest incentive for expansion was the easy terms of credit offered by the Canadian Rand Drill Company. The sale contract called for the purchase price of \$3,410.00 to be paid off in four installments with reasonable penalties for late payment. The first installment of \$1,000.00 was supposed to be paid at the time the order was placed. Thirty days after delivery the second \$1,000.00 was due. Another \$1,000.00 was to be paid thirty days after the second payment, and the final \$410.00 was due ninety days after delivery.<sup>145</sup> Late payments incurred interest at a modest eight percent per annum.<sup>146</sup>

There were, however, other advantages to the deal besides purchasing in installments. Once the plant was on the property the Company would be projecting an image of a firmly established mining operation with valuable assets – and such an image was

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<sup>142</sup>*Globe*, October 9, 1896.

<sup>143</sup>“WONDERFUL SHOWINGS - The Nest Egg Realizing Most Sanguine Expectations,” *Colonist*, October 7, 1896 (quoted from the October 2<sup>nd</sup> *Rossland Miner*).

<sup>144</sup>*Rossland Miner*, “Finer Than Ever,” October 28, 1897.

<sup>145</sup>“Agreement,” dated November 6, 1896, found in NEMC Correspondence files (Box 499, File 4).

<sup>146</sup>The rate of interest the Company was already paying on short term promissory notes was somewhat higher. In March of 1897, O’Farrell charged a rather steep 12% per annum on his \$2,500.00 note to help finance further development (entry for April 1, 1897, *NEMC Journal*, 80). Holland and Hayward together received roughly 8.25% per annum on the \$2,500.00 they loaned the Company in January 1897 (entries for January 29 and April 1, 1897, *NEMC Journal*, 80).



indeed important, if not essential, to the successful promotion of the reorganization scheme.<sup>147</sup> The press did its part in encouraging the misconception by reporting the plant was purchased not leased. Prospective investors in the new company would believe they were buying into a developing mine with assets rather than a stalled prospect dangerously in debt. The lease plan also theoretically allowed development to accelerate dramatically and immediately with minimum capital outlay and risk. When the bonanza was found – either underground, in the stock exchanges, or on the real estate market – the equipment could be promptly paid off. If both the reorganization scheme and the mine's ores failed to quickly live up to expectations, the Company could default in relative comfort. The “deferred payments” (everything after the initial \$1,000.00) were to be “notes secured by lease of machinery.”<sup>148</sup> In other words, a default allowed the Rand Drill Company to repossess the machinery – and nothing else. The mining property would be iron-clad protected and the Trustees and shareholders need not worry about testing the vulnerability of their non-assessable stock. How could the company men *or* the shareholders have resisted the Rand Drill Company's risk-free offer to use their equipment to pay for itself?

There was one other factor that explains the company men's consent to placing machinery on the Nest Egg at this early stage in its development. Although the public and press used several barometers to gauge the potential of Victorian era mining ventures, payment of the all important dividend was the criterion that many investors, especially British investors, used to separate the wheat from the chaff. It was no coincidence that the Nestegg Company's correspondence and promotional literature continually emphasised that success hinged on completing a three phase strategy: 1) putting in machinery to 2) develop the mine to a “shipping basis so that 3) it could become a “dividend payer.” The mine could not, however, get to the final stage without going through steps one and two first. Paying

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<sup>147</sup>The press never reported that the machinery was leased. In fact, reports of its “purchase” and installation avoided the subject of financing altogether and left readers with the impression that the plant had been bought with cash.

<sup>148</sup>“Deed of Agreement,” undated, signed by Canadian Rand Drill agent F.R. Mendenhall, found in NEMC Correspondence files (Box 499, File 4).

dividends without any physical means of production would be a clear indication the Company was dipping into operating capital for promotional purposes – something that was not only risky but also very much discouraged under existing statutes<sup>149</sup> And any company foolish enough to try paying phoney dividends risked harsh treatment in the press.<sup>150</sup>

There was, therefore, only one route to take if the Nestegg company men wished to go on record as paying dividends: they would first need to at least *appear* to be producing something, hence the importance of shipping ore. But they could not *appear* to be producing if they did not have the means to produce (machinery). Once the plant was up and running and rock (of whatever value) was being sent to Trail in “shipping quantities” the Company could pay dividends – with borrowed capital if need be. The first dividend would drive up the value of the stock and the mine considerably. Those in the know could then minimize

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<sup>149</sup>Provincial law made the trustees liable for all corporate debts if they authorized the paying of a dividend “when the company is insolvent, or any dividend the payment of which renders the company insolvent, or diminishes the capital stock thereof” (*B.C. Statutes*, 1890, 53 Vict. c. 6, s. 26 “Companies Act, 1890”). And B.C. was not alone in taking a stiff stand against false dividends. Virtually the same wording could be found in the corporate statutes of both Ontario and Manitoba (*Revised Statutes of Ontario*, 1877, 40 Vict., c. 157, s. 66, “Ontario Joint Stock Companies’ Letter Patent Act,” [refers to original source of section as *Statutes of Upper Canada*, 24 Vict. c. 18, s. 37]; *Revised Statutes of Manitoba*, 1891, 54 Vict., c. 25, s. 31, “Manitoba Joint Stock Companies Incorporation Act,”). All three jurisdictions appear to have lifted the same clause from existing Dominion and Imperial statutes.

<sup>150</sup>In 1901 the *Canadian Mining Review* exposed one embarrassed Northwestern Ontario mining company that tried fooling investors with fake dividends: “The [Twentieth Century Mining] Co. is at last actively mining with compressor and steam hoist on its properties on the Upper Manitou. This company has already paid a dividend, a very creditable performance since said dividend was paid before a tap of work was done on any of its properties” (*Canadian Mining Review*, April 1901, 134). Clark Spence devoted a chapter of his classic *British Investment in American Mining* to a case study of the infamous Emma Silver Mine, an operation which, among other things, employed the practice of paying dividends out of operating capital. His work was based largely on records of a U.S. Senate investigation and contemporary newspaper accounts (Spence, *British Investment in American Mining*, chapter 5). See also W. Turrentine Jackson’s *Enterprising Scot* for a press documented chronology of the ill-fated Scottish Pacific Coast Mining Company which in 1881 paid a dividend of 2½ percent during its fourth month of operation even though “the revenue account for that year showed a deficit.” Subsequent investigations revealed its California mine had been gutted long before the Scottish company bought it (W. Turrentine Jackson, *The Enterprising Scot: Investors in the American West After 1873* [Edinburgh: Edinburgh University Press, 1968], 152).

their losses by safely unloading their shares, or they could orchestrate the formation of yet another company – preferably British – to buy or option the mine and pay off the debts (which were mostly held by the Trustees). Clearly, once the Nest Egg became a mechanized dividend payer the options for profitability increased dramatically.

### A Razor's Edge

At the end of October the Victoria men were focussed on paying off the property and outstanding debts. The Rossland managers, however, had set their sights on mechanizing the mine. A collision was inevitable since insufficient resources remained in the Treasury to meet both goals. They collided at the November 24<sup>th</sup> Trustees' Meeting but both objectives emerged on track – the same track. The Victoria men (and one woman, Nellie Jenkinson) took up the remaining Treasury shares, paid the bills, and set the Company on a reorganization course to manufacture more stock. In the meantime the machinery was ordered and the mine site was prepared for its installation. If all went well, sales from the new shares would produce enough cash to make the payments on the plant and finish dressing up the operation. The mine or the new shares could then be hyped and sold profitably. It appeared to be an attainable plan although the budget and timing were both cut as fine as a razor's edge. The new stock had to be put on the market immediately before the bottom fell out of the boom. There was also little room for hidden expenses: operating costs would have to be curtailed while the machinery was being installed; the buildings were budgeted at a maximum of \$400.00, no more; the price of the plant could not exceed \$3,410.00; transportation costs needed to stick close to the \$500.00 estimate. *If* everything stayed within budget and *if* a third of the 250,000 new Treasury shares could be unloaded at eight cents each, the expansion would be paid off with \$2,000.00 left over to cover a few months' operating expenses – or a phony dividend.<sup>151</sup> To accomplish this the old stock

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<sup>151</sup>The company men likely would not approve of selling more than a third of the new Treasury stock. Holland believed that 8¢ per share was probably the lowest acceptable selling price:

There is a proposition that we buy Treasury shares at 12 ½ cents (which will make our shares in the new Co. cost a little over 8 cents). I will move for a lower price

would have to be pooled (kept off the market) while the new stock was being sold and the mine dressed up. Before the pool ended, the machinery would have to be brought on line. A good publicity campaign and a salted dividend could then bring share prices to profitable levels. The plan was complicated and would require delicate and decisive handling both in Victoria and Rossland. Concise and coordinated management was the key. Unfortunately, at this point, when cohesion was needed the most, the Nest Egg's management structure broke down completely.

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though I think there will be a great deal of opposition. (BCLIA Correspondence, Holland to Rithet, October 7, 1896).

## CHAPTER VI

### A CHANGE OF FACE: NEW MANAGEMENT, NEW COMPANY, AND NEW MINING

Early 1897

#### A New Identity

The Nest Egg entered 1897 as a completely different entity than what it was a year earlier. The reorganized “Nest Egg and Firefly Gold Mining Company” was incorporated on December 4, 1896 and given official shareholder ratification on January 20, 1897.<sup>1</sup> By then the machinery had arrived and buildings were being constructed at the mine site. It was, however, the managerial adjustments of the first weeks of 1897 that would most profoundly affect the venture’s future.

The first and most important change occurred in December when Secretary Ellis was replaced. Although he did not officially quit until March 4, 1897, Ellis had ceased performing his duties by the end of 1896.<sup>2</sup> The minutes were no longer recorded or signed by him after the December 7, 1896, General Meeting of Shareholders, and from the middle of February 1897 onward the mine managers reported progress to the next Secretary, A.K. Munro, rather than to Ellis.<sup>3</sup> The record keeping in the company account books, while never in good order at the best of times, broke down completely at the end of November, and all entries after January 1<sup>st</sup> were made in A.K. Munro’s hand.<sup>4</sup> Munro was in fact waiting in the

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<sup>1</sup>B.C., Attorney General, Register General Files [B.C. Archives, GR 1438, Film B4411, File 134.]; “Minutes of Trustees’ Meeting, January 20, 1897 [NEMC *Minute Book*, 25.].

<sup>2</sup>NEMC Correspondence, Ellis to President and Directors, March 4, 1897. The letter of resignation was accepted the previous day at a meeting of the Trustees (“Minutes of Trustees’ Meeting, March 3, 1897,” [NEMC *Minute Book*, 30]).

<sup>3</sup>Correspondence, D. Burke to A.K. “Monroe” [*sic*], February 12, 18, and 26, 1897. Even though he was in Victoria at the time, the elder Burke seems to have been less informed than his son about the changing of the guard. John Burke’s March 3<sup>rd</sup> report on mining progress was addressed to Ellis not Munro.

<sup>4</sup>No entries were made in the *Journal* for the month of December. *Cash Book* entries were in disarray. Whereas it had formerly the practice to split the “credit” columns on the “Contra”

wings long before the year's end transition. As early as October his name was being considered as a possible managerial replacement in either Victoria or Rossland.<sup>5</sup> Ellis's letter of resignation provides no clue as to why he quit, although it likely was not an amicable parting. The company men were not pleased with the spending splurge at the end of the year, especially the unauthorized share sales commissions the Secretary paid himself.<sup>6</sup> Ellis's failure to complete a proper balance sheet in time for the December 7<sup>th</sup> Shareholders Meeting also caused a crucial delay in the reorganization scheme. For his part, Ellis was probably not happy about being forced to take devalued shares as remuneration for ten months' services rendered.<sup>7</sup>

His hapless successor was caught in the crossfire and had a difficult time making the transition. Munro played no significant role in the company's affairs during 1896 and had little time to familiarize himself before taking office.<sup>8</sup> A disgruntled Ellis repeatedly ignored Munro's pleas to turn over the Nestegg Company books. And without the records or the luxury of a gradual break-in period, the new "Acting Secretary" found himself managing by his wits for months.<sup>9</sup>

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pages (facing the "Cash" pages) and enter monies paid in the left column and funds received in the right column. However, after the end of December all entries – drafts, cheques, and deposits – were entered in the left column (NEMC *Cash Book*, 8). Entries in both the *Cash Book* and *Journal* from January 1897 onwards were made in Munro's hand, although it appears they were made after the fact (ibid., 10; NEMC *Journal*, 80).

<sup>5</sup>See BCLIA Correspondence, Holland to Rithet, October 7, 1896 (BCLIA, *Letter Books*, 2: 499-500); Rithet to Holland, October 27, 1896; Holland to Rithet, October 30, 1896 [ibid., 632]).

<sup>6</sup>The Trustees eventually maintained Ellis had misappropriated funds. On motion passed by the Trustees at their May 26, 1897 Meeting the new Secretary was "instructed to collect from Mr. W.H. Ellis the amounts due by him to the Company" (NEMC *Minute Book*, 36).

<sup>7</sup>NEMC *Cash Book*, 7, 8.

<sup>8</sup>Munro's holdings were never exceptional. He received 5,000 shares in the initial distribution and disposed of 1,000 of these on March 27, 1896. Munro did not attend the October 15, 1896 General Meeting although he was present at the next meeting of shareholders on December 7<sup>th</sup>. His presence was not noted at the January 20, 1897 General Meeting although he did sign off later as the meeting's Secretary (NEMC *Minute Book*, 10, 17, 21).

<sup>9</sup>NEMC Correspondence, Munro to Ellis, March 29, 1897. Ellis's last two *Cash Book* entries were dated December 28, 1896 and April 26, 1897. (NEMC *Cash Book*, 8, 10). Apparently

The first order of business in the new year should have been to finish reorganizing the company and commence selling shares. However, due to a lack of quorum at the December 7<sup>th</sup> General Meeting, shareholder ratification was delayed until the end of January. In the meantime Munro did his best to obtain an accurate picture of the company's debts and assets – something that was supposed to have been done before the December 7<sup>th</sup> General Meeting.<sup>10</sup> With no accounts or balance sheet to work with, this proved to be a formidable task. Knowing little about the company's operations or finances Munro nonetheless accepted the enormous responsibility of piecing together an assessment of the Nestegg's financial situation.

### The Assessment

On the face of it there seemed to be few assets for Munro to evaluate: mining property (real estate and chattels), ore, treasury stock, cash on hand, and available credit. While the assets may have been few, estimating their value was extremely difficult. The company *appeared* to hold title to its two mineral claims,<sup>11</sup> but their market value, and that of the structures on them, was subject to considerable speculation. For book-balancing purposes the properties were officially valued at the funds invested in them: \$505,109.50 for the Nest Egg (499,000 one dollar shares and a further \$6,109.50 which included the purchase price paid to Cooper, the \$1,500.00 “settlement” with Toronto, and Cooper's legal costs) plus a \$2,943.70 expenditure for the Firefly.<sup>12</sup> However, the real present value

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he did not turn the books over to Munro before the latter date.

<sup>10</sup>BCLIA Correspondence, Holland to Ellis, November 20, 1896 (BCLIA *Letter Books*, 2: 773).

<sup>11</sup>As we have seen, title to the Fire Fly never was straightened out and a shadow of doubt was cast over the Nest Egg when Cooper's court costs dispute resurfaced again in April of 1897.

<sup>12</sup>“Statement,” December 5, 1896 (preface to NEMC *Cash Book*); NEMC *Journal*, 83. According to the *Cash Book* and *Share Transfer Ledger* the company paid \$2,690.95 plus 500 shares for the Fire Fly (NEMC *Cash Book*, 4, 6; NEFFGMC *Share Transfer Ledger*, 27). However, no entry can be found in the *Cash Book* crediting the shares as payment for the Fire Fly. Sloppy bookkeeping is responsible for the difference between the Balance Sheet and *Cash Book* totals. The *Cash Book* records a \$250.00 cash advance given to O'Farrell in February 1896. This was

estimates of both properties varied considerably. In October Ellis told the shareholders the Firefly was worth at least twice what the company paid for it. Within two months the estimated value of the same unimproved claim somehow escalated to \$20,000.00 or almost ten times the purchase price.<sup>13</sup> The buildings being constructed on the property were also

of questionable value. As the new Secretary would later find out, the cost of constructing them was well above original projections or their market value.<sup>14</sup> Obviously, it would not be easy for Munro to consider the company's real estate as a typical asset.



36. A.R. Wolfenden  
Courtesy of Brad Morrison  
Victoria, B.C.

A major disaster was in fact narrowly avoided during the changing of the guard when the company nearly lost the Fire Fly claim. By law any individual or company owning or working a mineral claim in British Columbia was required to hold a valid Miner's License.<sup>15</sup> The Nestegg Company purchased its license of one year's duration shortly after incorporation in 1896.<sup>16</sup> A new License should have been taken out in February 1897 but the

renewal fell through the cracks during the management shakeup. Technically, the property was by then temporarily in the hands of A.R. Wolfenden but he did not have a License

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later credited in the *Journal* towards settlement of the Fire Fly litigation in May (NEMC *Cash Book*, 5, 6; NEMC *Journal*, 77). The \$2.75 paid in October 1896 for recording assessment work done on the Fire Fly was noted in the *Journal* but never entered in the *Cash Book* (NEMC *Journal*, 78).

<sup>13</sup>"Secretary's Report," Minutes of Shareholders' Meeting, October 15, 1896 (NEMC *Minute Book*, 10); "Report of the Managing Director," Minutes of Shareholders' Meeting, December 5, 1896 (NEMC *Minute Book*, 18).

<sup>14</sup>NEMC Correspondence, Rolt to Munro, February 5, 1898).

<sup>15</sup>B.C. *Statutes*, 1896, "An Act relating to Gold and other Minerals excepting Coal," 59 Vict., c. 34, s. 8-9.

<sup>16</sup>A \$5.00 cheque was drawn on February 3, 1896 for "Expenses - Miners Certificate" (NEMC *Cash Book*, 4).



either.<sup>17</sup> It was months before Munro discovered the error and rectified the situation.<sup>18</sup> Fortunately he made the discovery before any “adverse interests” could make a claim and steal the company’s hard-earned Firefly property.<sup>19</sup>

Tracking down the value of the chattels proved to be an easy, albeit unproductive, exercise. Most of the moveable property was of little consequence except the plant. But the plant was an asset in appearance only. The “Deed of Agreement” stipulating the terms of the machinery “lease,” was quite specific on that point:

...that notwithstanding any cash payment on the said Notes so given as aforesaid, that the property in or title to the said above mentioned machinery is not to pass to the said Party of the Second Part [Nestegg Mining Company], but the same is and shall remain the property of the said Party of the First Part [Canadian Rand Drill Company] until all of the said notes specified a above, or any renewals thereof that may be taken by the said party of the First Part are fully paid and satisfied.<sup>20</sup>

Until it was paid off the plant was, therefore, technically never an asset – not even to the extent of the payments made on it.

The quality and quantity of the ore on the mine’s dump was subject to much speculation. Ellis’s October report on his alleged trip to Rossland indicated a “considerable

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<sup>17</sup>The property was conveyed to Wolfenden after the January 25<sup>th</sup> General Meeting but he did not get his License until March (“Wolfenden - Miners License Account,” \$5.00 debit entry made on March 17, 1897 [NEMC *Cash Book*, 12]).

<sup>18</sup>NEMC Correspondence, Munro to John Kirkup (Rossland Mining Recorder), April 13, 1897.

<sup>19</sup>The title to the company's mineral claims was legally forfeit between January 31 and March 24, 1897 as indicated in Munro's request for "relief from forfeiture" sent to A. Campbell Reddie, Deputy Provincial Secretary, Victoria on May 3, 1897. For a fee, Reddie authorized the changing of the date on the new free-miner's certificate to January 1, 1897 (“Fee for Post Dating Miners License - \$5.00” [entry made April 24, 1897, NEMC *Cash Book*, 14]; NEMC Correspondence, Munro to Kirkup, May 11, 1897). It is interesting that the “Miners’ License Directory” at the front of the 1897 *Henderson’s Directory* lists the issue date of the company’s license as March 24<sup>th</sup> even though it was supposed to have been rolled back to the first of the year (*Henderson’s Directory*, 1897, 154).

<sup>20</sup>Undated “Deed of Agreement” signed by F.R. Mendenhall found in NEMC Correspondence files.

quantity” of “excellent showing” ore was on the dump at Shaft No. 2.<sup>21</sup> In December O’Farrell reported “5 or 6 carloads” of “shipping ore” were lying on the dump at No. 3 shaft “which will be shipped as soon as side-track facilities are afforded.”<sup>22</sup> When the machinery decision was being made in late October, Gaston valued the “continuous shute” [*sic*] of ore he observed in Shaft No. 3 at “not less than \$150 and may go higher,” while Ellis claimed samples from the “last shots fired” in the same shaft exactly a month earlier had assayed “as high as \$32 in value.”<sup>23</sup> In Toronto the press was also circulating rumours that the ore on the dump was worth “\$20 to \$30 per ton.”<sup>24</sup> The test results, however, told a different story: the best hand picked specimens assayed less than \$14.00 per ton.<sup>25</sup> While some observers may have thought these results were “not bad,” they were certainly not good enough to be useful for mining promotion.<sup>26</sup> The *Minute Book* and correspondence contain no evidence that Ellis relayed results of the assays to the other company men, and since Ellis almost certainly did not release the company books and correspondence records before the end of April 1897,<sup>27</sup> Munro would have had no hard evidence of the value of the ore dump. In the absence of more substantive information, it is therefore not surprising that Munro, a former bank manager and experienced assets evaluator, would choose to avoid any mention of the

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<sup>21</sup>Attachment to “Minutes of Extraordinary General Meeting,” October 15, 1896 (NEMC *Minute Book*, 10).

<sup>22</sup>Attachment to “Minutes of Extraordinary General Meeting,” December 7, 1896 (NEMC *Minute Book*, 18).

<sup>23</sup>Attachment to “Minutes of Extraordinary General Meeting,” October 15, 1896 (NEMC *Minute Book*, 10); NEMC Correspondence, Gaston to Ellis, October 26, 1896.

<sup>24</sup>“NOTES ON VARIOUS MINES,” *Globe*, October 9, 1896, 7.

<sup>25</sup>As indicated earlier, the average value of all known assays of selected ore samples was \$10.35. The best assay report yielded \$13.80/ton gold, silver, and copper (NEMC Correspondence, Assay Certificate from Macfarlane & Roberts, Rossland, undated but almost certainly from July of 1897).

<sup>26</sup>NEMC Correspondence, Rolt to Holland, July 6, 1897.

<sup>27</sup>Ellis’s last entry, the balance of cash on hand at the end of 1896, was not made until April 26, 1897 (NEMC *Cash Book*, 10).

ore dump in his first attempts at a balance sheet.<sup>28</sup>

Under ordinary circumstances a company can consider the unpaid balance owing on shares in circulation as an asset; however in the case of the Nestegg Company all shares were paid-up when issued.<sup>29</sup> Consequently, the only asset value Munro could attach to them was the net price they fetched, or could fetch, when sold out of the treasury.<sup>30</sup> Yet no one, including Ellis, had any idea how many Treasury shares remained. On October 15<sup>th</sup> 76,000 shares of “treasury stock” were supposed to be available for sale to the public, but in fact only 52,100 shares remained.<sup>31</sup> The discrepancy between Ellis’s tally and the actual number of available shares suggests the Secretary did not know what shape the Treasury was in. And Munro was obviously in no better position to sort out the company’s share capital resources when he took office in 1897 – with or without the books.

Assessing the potential value of the remaining stock based on the *net return* from shares sold would have been a more difficult and, as it turns out, fruitless undertaking, even if the books had been accessible. Ellis made no distinction in the *Share Transfer Ledger* between Nestegg stock distributed to the founders for little or no consideration and treasury

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<sup>28</sup>Munro made several attempts at formulating a balance sheet in 1897. Three undated “Proposed Entries” draft balance sheets are found loose in the *Cash Book* as well as a “Trial Balance” dated May 24, 1897, and two “Balance Sheets” dated June 28 and October 15, 1897. The *Journal* also contains a thorough statement of assets and liabilities as at October 16, 1897 (*NEMC Journal*, 83-84). None of these documents makes any mention of the company’s ore as an asset.

<sup>29</sup>The “unpaid balance” being the difference between a share’s par value (set at incorporation) and the amount actually “paid in” to the Treasury for it.

<sup>30</sup>Commissions paid to brokers or underwriters were deducted from the selling price of the shares (see payments to L.C. Barff, February 17 and 27, 1896 [*NEMC Cash Book*, 4 and 6] and to Ellis, Barff, and “Morkill” on December 3, 1896 [*NEMC Cash Book*, 8]).

<sup>31</sup>According to the *Share Transfer Ledger*, 18,600 “in trust” shares remained in the treasury on that date (*Share Transfer Ledger*, 11-12). However, the 32,500 shares “in trust” to O’Farrell remaining in the Bank of B.N.A. in Toronto could still be classified as Treasury stock since they could be recalled at any time and put back into the Treasury (NEMC Correspondence, Ellis to G.H. Burns of Bank of B.N.A., Victoria, October 17, 1896; *NEMC Cash Book*, 12). Thus, the sum of all unsold “in trust” shares (registered to Ellis and O’Farrell) plus the 1,000 shares of “Treasury stock” set aside at incorporation (but never entered in the books), still yields a total that was 23,900 shares short of the remaining balance claimed by Ellis on October 15<sup>th</sup>.

shares sold to the public for cash. However, an un-circulated draft balance sheet prepared on December 5<sup>th</sup> reported a total of only 189,650 treasury shares being sold in 1896.<sup>32</sup> We can assume that the remaining 311,500 shares dispensed from the Treasury were distributed to the founders and their friends for “services rendered.”

With some difficulty it is still possible to determine the average rate of return on the shares that were sold. According to the December 5<sup>th</sup> balance sheet, the net return to the company was supposedly 5¢ per share on the first 100,000 shares and 10¢ per share on the



37. Nest Egg and Firefly Gold Mining Company Share Certificate  
Courtesy of Brad Morrison, Victoria, B.C.

remaining 86,650 shares.<sup>33</sup> However, the total “premium” (net return on Treasury shares sold) for the year entered in the *Cash Book* on November 30<sup>th</sup> was \$300.00 *more* than what was reported in the December 5<sup>th</sup> balance sheet.<sup>34</sup> Comparing these numbers to the *Cash Book*’s total non-annotated bank deposits – undoubtedly the “premium” receipts – produces only more inconsistency: The total of all *Cash Book* “premium” deposits for 1896 was \$13,395.50.<sup>35</sup> But, according to the November 30<sup>th</sup> *Cash Book* entry, the total “premium”

<sup>32</sup>NEMC *Cash Book*, balance sheet dated December 5, 1896 attached at page 1.

<sup>33</sup>Ibid.

<sup>34</sup>Ibid.; NEMC *Cash Book*, 3.

<sup>35</sup>For non-annotated deposits (presumably “premiums”) see *Cash Book* entries for February 1, 12, 13, 15, 17, 19, 26; March 26; April 7; May 27, 28; June 2, October 9, 24, 26; and November

received for the year was \$13,965.00. Later Ellis revised the total “premium” on December 5<sup>th</sup> to \$13,665.00 after finding a way to make adjustments for some of the discrepancy. Commissions of 2¢ each were reportedly paid out during the year on 21,900 shares.<sup>36</sup> According to the December 5<sup>th</sup> balance sheet the cash commissions were deducted *concurrently* from the proceeds of the share sales. Yet, the bulk of the commissions (\$350.00 of \$438.00) was paid in shares valued at 10¢ each that were not transferred until the end of the year. The dime value of these commission shares when deducted from the November 30<sup>th</sup> “premium” still left a total that was \$50.00 short of the December 5<sup>th</sup> balance sheet “premium” and \$220.00 more than what was actually deposited in the bank. Thus, with the books in hand and after considerable detective work, Munro might have determined that during 1896 the company *should have* made 5¢ per share on 100,000 shares and 10¢ per share on 83,150 shares, or on average 7.27¢ per share.<sup>37</sup> Based on this average return from past sales the remaining 850 shares in the Nestegg treasury would have had an estimated net worth of only \$61.80.

While determining the quantity and quality of available old treasury shares may have been a waste of time, estimating the potential value of the new Nest Egg and Firefly Company’s capital stock was essential and would prove to be extremely problematic. The company men at various times valued the 250,000 new shares coming into the Treasury at 5¢, 2.5¢, 9¢, 12¢, and 10¢ (or between 3.3¢ and 7.5¢ in old stock value).<sup>38</sup> In the extremely unlikely event that *all* the sellable new Treasury stock could have been sold under the same market conditions existing prior to December 1, 1896 with just half the average net return (7.27¢ per NEMC share = 4.85¢ per NEFFGMC share × ½ = 2.42¢ per share), the company

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10, 1896 [NEMC *Cash Book*, 4, 6, 8.]). Note that no non-annotated deposits were made after November 30, 1896.

<sup>36</sup>NEMC *Cash Book*, balance sheet attached at page 1.

<sup>37</sup>Of course, this still left a difference of \$219.50 between the cash collected from premiums and the total deposits.

<sup>38</sup>“Trustees’ Meetings,” February 4, 1897; February 22, 1897; March 3, 1897, (NEMC *Minute Book*, 27-33).

could expect to net only about \$6,000.00.<sup>39</sup> Although several other factors eventually delayed the timely release of new shares for public sale, in January of 1897 Munro surely knew selling any of the devalued and watered down stock would be difficult under the best of circumstances. Attaching any real value to the 250,000 new Nest Egg and Firefly Treasury shares would be difficult.<sup>40</sup>

Although it never made the balance sheets, there was one asset Munro knew he could count on – the company's credit rating. The Nest Egg's credit status was in fact well established by the end of 1896. In June the Bank of Montreal discounted a \$1,200.00 promissory note given in the company's name<sup>41</sup> Within a month the Bank of British North America replaced the Bank of Montreal as the chief source of short term loans, discounting two notes totalling \$2,100.00 between July 7<sup>th</sup> and 9<sup>th</sup>.<sup>42</sup> In addition to the banks, the B.C. Land and Investment Agency provided at least one short term cash loan in September of 1896.<sup>43</sup> Merchants, craftsmen, labourers, and professionals in both Victoria and Rossland also furnished a steady stream of short term credit.<sup>44</sup> Even the lawyers handling the company's complicated legal entanglements were always paid their accounts after the fact rather than by the usual practice of taking a retainer up front and tapping from it as work was

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<sup>39</sup>The exchange value for old shares to new was 1:1½.

<sup>40</sup>Three different undated "Proposed Entries" prepared by Munro and submitted to the Trustees indicate he was having problems putting a value on the new shares (undated "Proposed Entries," loose in the front of *NEMC Cash Book*).

<sup>41</sup>*NEMC Cash Book*, 6. It was probably no coincidence the bank's manager, A.J.C. Galletly, received a 25,000 share certificate from the treasury exactly a week earlier (*NEMC Share Ledger*, 56, 11). The certificate was held by him intact until it was transferred to C.A. Holland on December 9, 1896 (*NEMC Share Ledger*, 56, 23).

<sup>42</sup>\$1,500.00 on July 4 and \$600.00 on July 7, 1896 (*NEMC Cash Book*, 6).

<sup>43</sup>The BCLIA discounted a \$400.00 note on September 22, 1896 (*NEMC Cash Book*, 5).

<sup>44</sup>See almost any page in the *NEMC Cash Book* or *Journal* for details of payments made "on a/c." In Rossland especially this seems to have been a common practice among merchants. Hunter Bros. Hardware was particularly prone to extending easy credit to high risk customers, most of whom were involved in mining. Between 1897 and 1900 Hunter Bros. brought 132 actions to recover payment for "accounts rendered" or "goods sold" (*RCC, Plaintiff and Procedure Books*, 1897-1900).

BANK OF BRITISH NORTH AMERICA  
33 YATES, VICTORIA, B.C.

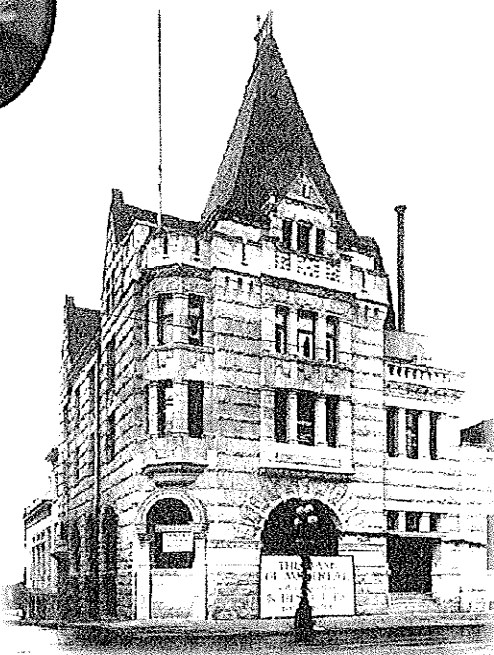


BANK MANAGER  
GAVIN HAMILTON BURNS



THE NESTEGG COMPANY'S  
BANKS

BANK MANAGER  
A.J.C. GALLETLY



THE BANK OF MONTREAL  
82 GOVERNMENT ST., VICTORIA, B.C.

38. Bank of BNA (BCA, E-01536); Burns (BCA, F-04195)  
Bank of Montreal (BCA, A-08804)  
Galletly (Bank of Montreal Archives, Notmann Album)

completed.<sup>45</sup> Of course, the company's most important credit asset was the lease of its machinery on installments.<sup>46</sup> The Rand Drill Company's easy terms provided an image of credibility useful for generating credit elsewhere. And there was also the as-of-yet untapped reserve of personal credit available to the influential founders. When it became necessary, the company's powerful, wealthy, and well connected founders would have little trouble securing – or giving – personal loans to support their venture.

Munro had a much clearer picture of the company's credit rating as an asset than he did of the company's share capital. Bank loan records were easily obtained, merchant credit could usually be taken for granted, and the deal with the Rand Company was common knowledge. It is not surprising, therefore, that the Nestegg Company and its successor came to rely heavily on credit when faced with financial difficulties in 1897. Credit was simply the only asset with any substance to it.

The most unclear asset was the company's cash resources. Munro found the bank account held a balance of nearly nothing but he had no explanation for why the company's coffers were empty. Ellis and O'Farrell were patently vague about the state of the Nestegg's available funds when they made their reports to the shareholders late in 1896. Although both men described the debt situation accurately, neither furnished any details of cash assets.<sup>47</sup> Ellis did make an effort to prepare a balance sheet in early December but it fell far short of providing an accurate picture of the company's financial state. The Balance Sheet's "cash on hand" figure, for example, was computed by deducting expenses paid and purchases from total bank deposits. However, when the cash assets were totalled a double

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<sup>45</sup>See *Cash Book* entries for payments on Gordon Hunter legal accounts: February 3, 1896; October 31, 1896; December 3, 1896; April 6, 1897; September 13, 1897 (*NEMC Cash Book*, 4, 8, 12, 16). Hunter did receive 64,000 shares in the founders' distribution, but it seems unlikely any of this was given as a retainer since he immediately submitted a \$50.00 account for reimbursement of the fee charged for registering the company ("Legal Expenses Hunter & Duff. %c registration fee," February 3, 1896, *NEMC Cash Book*, 4).

<sup>46</sup>The Nest Egg claim was also purchased in installments but the arrangement clearly preceded the formation of the company.

<sup>47</sup>Attachments to "Minutes of General Meeting of Shareholders," October 15 and December 7, 1896 (*NEMC Minute Book*, 10, 17).



entry error was made by adding the bank deposit balances (\$117.50 and \$180.64) to "cash on hand" (\$15.66).<sup>48</sup> In the unlikely event that Munro had access to the balance sheet, it would have done little to help him determine what funds were supposed to be available.<sup>49</sup> Several deposits during 1896 totalled more than \$18,000.00, but no one in the company seemed to know how or where all the money was spent.<sup>50</sup> Had he possessed the books, Munro would still have had a difficult time tracing the cash flow (as he eventually discovered), but without them all he could do was start from scratch raising funds any way he could and wait for the inevitable unpaid bills to come in the mail.

Under the circumstances, guessing the company's debt situation was about the best that could be expected of the company's new Secretary. He correctly assumed the debts were all paid up on December 7, 1896, as O'Farrell had claimed.<sup>51</sup> And, although he had no financial records for the rest of December, the Secretary *thought* he knew what to expect in the way of expenditure during the first month of 1897. Mining was supposed to have ceased, eliminating the usual payroll expenses. The machinery should have cost about \$3,500.00 but the company was only immediately committed to the \$1,000.00 down payment. To house the plant and men O'Farrell was authorized to spend "not more than \$400.00" on necessary buildings at the mine. Munro likely assumed there would be no problem using

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<sup>48</sup>"Balance Sheet," December 5, 1896 (attached to front of *NEMC Cash Book*). The "cash on hand" figure should have been the same as the bank account balances.

<sup>49</sup>The "Minutes" do record the submission of other balance sheets and financial summaries in 1897, but only by Munro (see "Minutes" of Trustees Meetings, May 26 and June 8, 1897 [*NEMC Minute Book*, 36, 37.]). If Ellis's crude 1896 balance sheet was not adopted or rejected by the company men or even mentioned in the Minutes or correspondence, it is logical to assume it was never submitted.

<sup>50</sup>Deposits at the Bank of Montreal and Bank of BNA totalled \$18,059.50. These included proceeds from share sales, transfer fee receipts, and various loans. A promissory note for \$400.00 discounted at the B.C. Land & Investment Co. on September 22, 1896 is not included in the above total deposits since it was apparently never deposited and was paid off before the end of the year (*NEMC Cash Book*, 5).

<sup>51</sup>"Report of the Managing Director," attached to minutes of General Meeting, December 7, 1896 (*NEMC Minute Book*, 18).

what cash remained in the Treasury and the new stock to cover these limited expenses.<sup>52</sup> He was wrong.

### Bound and Blind

At their January 20<sup>th</sup> General Meeting, the shareholders essentially locked up all the company's assets. The mining property was transferred to A.R. Wolfenden, a clerk with B.C. Land and Investment Agency, "to be by him conveyed by a good and sufficient deed of assignment to the Nest Egg and Firefly Gold Mining [Company] on receipt by him of 249,996 fully paid up shares ...on or before the 30<sup>th</sup> day of January, 1897 and of 750,000 fully paid up shares ...on or before the 30<sup>th</sup> day of July 1897."<sup>53</sup> Wolfenden's first allotment represented new stock that could be sold to raise future operating capital while the second allotment was the portion of Nest Egg & Firefly shares reserved for holders of Nestegg Company stock.<sup>54</sup> The Secretary was also directed to close the share transfer books indefinitely.<sup>55</sup> The nervous stockholders were sending a message to the Trustees that they wanted both the mining property *and* the value of their shares protected during the reorganization process. Holland, who was acting chairman, asked the shareholders how they expected the company to raise the money for the first machinery installment and "other liabilities" if there was no property to mortgage or shares to sell.<sup>56</sup> By asking the question Holland so much as admitted the treasury was bare, but he doubtless also warned the shareholders the future of their investment depended upon the machinery which arrived that

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<sup>52</sup>According to the *Cash Book*, \$15.66 cash remained on hand on December 7, 1896. During the rest of December the Treasury received a \$117.50 refund from the Cooper costs settlement and \$360.00 from C.A. Holland for 4,500 shares placed in his "interest" account (NEMC *Cash Book*, 7, 8). Disbursements during the same period totalled \$1,146.06 (*ibid.*, 8, 10).

<sup>53</sup>"Minutes of the General Meeting of the Shareholders," January 20, 1897, (NEMC *Minute Book*, 23).

<sup>54</sup>Old shares were to be exchange for new at a rate of 1:1½ ("Minutes of the General Meeting of the Shareholders," January 20, 1897, [NEMC *Minute Book*, 23]).

<sup>55</sup>"Minutes of the General Meeting of the Shareholders," January 20, 1897, (NEMC *Minute Book*, 24).

<sup>56</sup>*Ibid.* According to the Minutes Holland asked the shareholders for "advice" (*ibid.*).

very day at Trail. If the first installment on the plant was not paid out *immediately* there would be little hope of successfully promoting the reorganized company and raising the cash needed to sustain development or make the mine sellable. The shareholders' answered by giving the Trustees authority "to borrow money for these purposes."<sup>57</sup>

However, obtaining a loan proved to be easier said than done. By now the Bank of BNA was also getting nervous. When Gaston's \$486.00 draft bounced in October of 1896, the bank refused to allow a second draw and the company was forced to purchase a money order.<sup>58</sup> And there was the matter of loan collateral. Bank officials would have known all the assets were being "disposed of" since this was the publicly advertised purpose of the January 20<sup>th</sup> shareholders' meeting.<sup>59</sup> Besides no longer owning its mine, the company's shares were now out of reach until the end of the month at the earliest. And when (or if) the new company stock was released, it was specifically designated to be sold to the public – not locked up in a bank vault.<sup>60</sup>

Munro's hands were tied and a potential crisis was looming. On January 29<sup>th</sup>, the day before the new shares were supposed to go on the market, Dan Burke made two unauthorized draws on the company at Rossland, one for the \$1,000.00 machinery down payment and the other for \$225.00 in "mens' wages."<sup>61</sup> The wages draft was protested and an emergency meeting of the Trustees was called later that day.<sup>62</sup> The Minutes of the

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<sup>57</sup>"Minutes of the General Meeting of the Shareholders," January 20, 1897, (NEMC *Minute Book*, 24).

<sup>58</sup>NEMC Correspondence, Ellis to Gaston, October 13, 1896 .

<sup>59</sup>Newspaper clippings from *Colonist*, December 18, 1896 and *British Columbia Gazette*, January 14, 1897 attached to "Minutes of General Meeting," January 20, 1897 (NEMC *Minute Book*, 23).

<sup>60</sup> "AND BE IT FURTHER RESOLVED that the said Secretary do forthwith on receipt of the said 249,996 shares [from Wolfenden] proceed to sell the said shares to the best advantage, under the direction of the Trustees" ("Minutes of the General Meeting of the Shareholders," January 20, 1897, [NEMC *Minute Book*, 23-24]).

<sup>61</sup>Dan Burke warned the company on January 20<sup>th</sup> he was making the draw for the machinery payment (NEMC Correspondence, D.J. Burke to Ellis, January 20, 1897).

<sup>62</sup>NEMC *Cash Book*, 10.

gathering record a scene of panic and confusion. Munro incorrectly informed the Directors the company would have to borrow to meet *both* commitments.<sup>63</sup> There was no time to sell the new stock. Concerned that they were about to lose the mining equipment to any one of the hundreds of other fledging operations in the Rossland area, the Trustees authorized Munro to secure a bank loan for \$2,500.00 with 100,000 shares in the new company as security.<sup>64</sup> Wolfenden was simultaneously issued three Nest Egg & Firefly share certificates representing the *total* of his two authorized allotments. One of these, Certificate No. 7, was issued for 100,000 shares and was undoubtedly given to the Bank of B.N.A. as loan collateral.<sup>65</sup> But the bank would not accept the watered stock without some extra collateral, and the company men were forced to their last resort: borrowing against their own personal assets. Before the day was out Munro deposited in the company's account the net proceeds from a \$2,500.00, sixty-day promissory note signed by Holland and Hayward and discounted at the Bank of B.N.A..<sup>66</sup>

The circumstances surrounding the loan were bound to lead to dissension. The Spokane men had run up all the bills and left the Victoria men with the responsibility of raising the money to pay them – and taking all the associated risks. Another confrontation

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<sup>63</sup>Minutes of Trustees' Meeting, January 29, 1897 (NEMC *Minute Book*, 26). The *Cash Book*, completed months after the fact, clearly indicates only the second draft for Burke's wages was dishonoured (NEMC *Cash Book*, 10).

<sup>64</sup>NEMC *Cash Book*, 10.

<sup>65</sup>The certificates remained in Wolfenden's name until March 30<sup>th</sup>. Certificate #7 was almost certainly used as bank collateral on January 29<sup>th</sup>. When O'Farrell later took 100,000 shares as collateral on March 3<sup>rd</sup> a similar split occurred with Wolfenden remaining as the registered owner of the new certificates (NEFFGMC *Share Ledger*, 7). On April 1<sup>st</sup> another note was discounted at the Bank of BNA and a *Journal* entry indicates certificates #7 and #8 (a second 100,000 share certificate also issued to Wolfenden on January 29<sup>th</sup>) were deposited with the Bank even though the *Share Ledger* shows the certificates were cancelled and reissued to Munro on March 30<sup>th</sup> as certificate No. 148 for 200,000 shares (NEMC *Journal*, 80; NEFFGMC *Share Ledger*, 8) Thus, when shares were left at the bank as collateral they did not need to be transferred into the Bank's name. Munro seems to have merely forgotten to include an explanatory comment in his very first *Journal* entry detailing the security on the Holland/Hayward note (entry for January 29, 1897 [NEMC *Journal*, 80]).

<sup>66</sup>NEMC *Journal*, 80. Interest charges (\$34.00) were deducted from the value of the note.

was not long in coming. Within a week after taking out the loan, the Trustees met, ostensibly to lay a strategy for paying off the debts. Since the mine and its product were both at the moment unmarketable, the Victoria men seemed to have no choice but to accelerate the scheduled sale of new shares.<sup>67</sup> Munro was instructed to “call on the Shareholders and obtain the signatures of those who are willing to subscribe for Treasury Stock of the ‘Nest Egg & Firefly G.M. Co.’ [sic] at the rate of five (5) cents per share, in order to see what amount of money can be raised in this manner.”<sup>68</sup> It was then that the polarization simmering within the Company since September finally spilled onto the pages of the *Minute Book*. Angry that the Victoria men were having to borrow to clear up reckless commitments incurred by the Spokane managers (O’Farrell and Dan Burke), Munro suggested that selling new Treasury shares at 5¢ would put the debt burden where it belonged – on the shoulders of *all* the shareholders: “The Secretary pointed out that as all shareholders would be benefited [or, more accurately, not benefited] in proportion to their holdings, by the expenditure of their money raised in this manner, it would be unfair to the Victoria shareholders to expect them to subscribe the whole amount [as they did in October].”<sup>69</sup> Munro was carefully couching the language of the official record to cloak the existence of the loan and share collateral arrangement. The “Victoria shareholders” were Holland and Hayward and their “unfair” “subscription” refers to the 100,000 shares held at the Bank which would revert to them in the event they were forced to make good on the \$2,500.00 note. It was obviously not in the company’s or the most of the shareholders’ best interest to see Holland, Hayward or the bank picking up the shares at a paltry 2½¢ each. On the face of it, selling the remaining Treasury shares at 5¢ made slightly more sense.

The threat of selling new shares and further diluting the value of existing stock was meant to send a message to O’Farrell, originally the company’s largest shareholder.<sup>70</sup> He

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<sup>67</sup>Wolfenden held the title to the mine and the ore was not worth shipping.

<sup>68</sup>“Minutes of Trustees’ Meeting,” February 4, 1897 (NEMC *Minute Book*, 27).

<sup>69</sup>Ibid.

<sup>70</sup>Selling the new stock at 5¢ could drop the fair market value of the old stock to 7.5¢. While this may have been the average net return to the company for Treasury shares sold publicly

could either pitch in and help clean up his mess or watch the value of his or his friends large share holdings plummet. Of course, without access to the transfer records the Victoria men had no way of knowing that O'Farrell (who, coincidentally, sponsored the nickle share motion) had already liquidated all but eleven per cent of his founders' issue.<sup>71</sup>

In a brilliant but harmless gesture, O'Farrell offered to personally subscribe for \$2,500.00 of the nickel shares (which happened to be the full amount of the company's outstanding loan) but only on condition the money be used to finance *one month of further development* – not for the machinery or the loan.<sup>72</sup> Had the founders accepted O'Farrell's offer, and had they succeeded in selling *all* the remaining available new shares (an unlikely prospect even at 5¢ each), only \$4,999.80 would have been raised to pay past debts and finance continued operations.<sup>73</sup> But by the first week of February the company already owed *at least* \$4,910.00.<sup>74</sup> Still, on the face of it the plan seemed workable. If half of the 99,996 shares remaining in the Treasury could be fobbed off on current shareholders for a nickle apiece the proceeds would be enough to clear the note and return the 100,000 shares held as collateral. Some or all of these shares could then be thrown on the market to raise money for the next machinery payment. In the meantime, O'Farrell's money could be used to finance continued development or at least keep up appearances.

There were however, a few snags. The terms Munro later pitched to selected shareholders for the nickel stock were *not quite* as straightforward as the *Minutes* indicate. These shareholders were asked to pay in advance and *wait until May 15<sup>th</sup>* to receive their

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in 1896, it was certainly well below what most of the Nestegg investors paid for their stock.

<sup>71</sup>By February 4, 1897 O'Farrell had disposed of all but 20,000 shares of his original 100,000 holdings (NEMC *Share Transfer Ledger*, 18-19).

<sup>72</sup>"Minutes of Trustees' Meeting," February 4, 1897 (NEMC *Minute Book*, 27).

<sup>73</sup>249,996 total new Treasury shares – 100,000 Treasury shares at Bank of BNA – 50,000 Treasury shares to O'Farrell @ 5¢ each = 99,996 shares remaining × 5¢ each = \$4,999.80

<sup>74</sup>At that time the company's *known* outstanding debts included the \$2,500.00 note at the Bank of BNA and \$2,410.00 owing to Canadian Rand Drill for the last three payments on the machinery (NEMC *Journal*, 80).

certificates.<sup>75</sup> Their shares could be released from the pool any time before that date “in the event of the whole of the Treasury Stock of the Company [250,000 shares] being disposed of.” Also, the plan would not be initiated unless Munro was able to find subscribers for 75,000 of the nickel shares. Only six shareholders eventually committed themselves to 27,000 shares and the scheme was abandoned.<sup>76</sup>

With the demise of the nickle share scheme, Munro’s hands were again effectively tied by the Trustees and the shareholders. He had no idea where to find the money to continue development once the loan funds ran out. More importantly, how would the loan be repaid if no ore was being shipped and neither the shares nor the mine could be mortgaged? Anxious to assuage the bank’s concerns, Munro hastily authorized payment of Dan Burke’s two drafts as soon as O’Farrell’s \$2,500.00 loan was deposited.<sup>77</sup> During the next three weeks Secretary Munro paid out just two accounts of any significance: his own four month salary advance (\$100.00) and another of Burke’s drafts for men’s wages (\$349.35).<sup>78</sup> He would try to stretch the remaining \$800.00 borrowed funds left in the Treasury as far as possible.

Then O’Farrell’s December deals began to catch up with the company. As soon as the February 4<sup>th</sup> Trustees’ Meeting broke up, the Managing Trustee wrote a letter to the the Victoria men providing the details of his construction contracts with E.M. Aldrich and A.R. McPhee of Rossland to install the plant and construct the necessary buildings.<sup>79</sup> The terms

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<sup>75</sup>Undated handwritten document found in NEMC Correspondence files (PR5, ser. 3, box 44B6, file 1).

<sup>76</sup>The six subscribers were: Holland (10,000 shares), Captain John Irving and Munro (5,000 shares each), Frank Sargison and someone named Morrison (2,000 shares each), J. Newbury (2,500 shares), William Buckett (1,000 shares) (Undated handwritten document found in NEMC Correspondence files [PR5, ser. 3, box 44B6, file 1]).

<sup>77</sup>NEMC *Cash Book*, 10.

<sup>78</sup>Ibid. Various office expenses totalling \$16.55 were also paid. The \$100.00 payment for the Secretary’s advance wages lacked annotation but subsequent similar entries indicate it was for his salary.

<sup>79</sup>The exact contents of the letter are not known but it was summarized in the “Minutes of the Trustees’ Meeting” of February 22, 1897 (NEMC *Minute Book*, 28).

of the contract to “put up” the machinery proved to be quite astonishing. Aldrich was to receive a total of \$830.00: \$400.00 when the job was half done (though it was not clear how that would be determined) and the remainder upon completion.<sup>80</sup> The building construction contract with McPhee, was even more incredible. Eventually the company was forced to pay more than three times the \$400.00 O’Farrell was authorized to spend on the buildings.<sup>81</sup> The price seemed excessive, especially considering the structures fell apart within two years.<sup>82</sup> O’Farrell even neglected to specify who was responsible for supplying the materials.<sup>83</sup>

### **Trying A Fast One**

Before O’Farrell’s letter reached Victoria at the end of February Munro already suspected something was amiss in Rossland. While the company men may have felt they had little to lose when O’Farrell appointed Dan Burke interim manager back in October, by mid-February Munro was ready to admit they may have been wrong. As soon as young Burke took over in January he began making deals and drawing cheques without consulting anyone. By mid-February he was brazenly demanding that the company disclose the Treasury’s status as well as give him unrestrained authority to run affairs in Rossland:

I would like to know exactly the financial condition of the treasury of this company. Their property should make a mine and when everything is in condition to go ahead the mine ought to soon prove itself. It is not possible for me to go ahead and contract debts for getting things into running order unless I know you have the money in the treasury to meet these contracted debts when due. ...In more than one case it has proved a dismal failure in this camp to run a mine with the company’s headquarters even in Spokane and I know unless we are most careful

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<sup>80</sup>The next mine manager, F.W. Rolt, later claimed to have found evidence Dan Burke signed the contract with Aldrich although earlier John Burke was emphatic that O’Farrell had made the agreement (NEMC Correspondence, Rolt to Munro, July 22, 1897; *ibid.*, John Burke to Munro, March 10, 1897). The total paid to Aldrich, representing roughly a year’s wage for a miner, was an extraordinary amount to pay for the installation of a small 4-drill compressor, hoist, and boiler.

<sup>81</sup>McPhee was paid \$500.00 on February 23, 1897 and a further \$736.75 on March 24, 1897 (NEMC *Cash Book*, 10).

<sup>82</sup>“The building which you advised has fallen in, is the one for which we paid so highly to McPhee” (NEMC Correspondence, Munro to Rolt, February 2, 1898).

<sup>83</sup>NEMC Correspondence, Rolt to Munro, July 26, 1897.



we will find ourselves in the same boat. I am expected to see this mine put in shape and am doing so as fast as possible but was not even informed that their [sic] had been a change of officers until [sic] told so by Mr. O'Farrell [sic] on his last visit here.<sup>84</sup>

Please be kind enough to inform me who is the Manager of this property? There are many things coming up in the management of a mine that has [sic] to be attended to, and the responsibility therefore, taken upon the hands of some one [sic] who is on the ground, as it is impossible at times to foresee the many little things that are needed, and it not only causes delay, but expense to correspond by letter or wire with whoever is in authority before these steps are taken, especially as I have never been informed whom your Manager is or where to find him. I would request an immediate answer to this letter.<sup>85</sup>

But Munro was in no mood to take any orders from Dan Burke. Since John Burke had just sent in 30,000 shares in the old company to be transferred into his son's name, the Secretary wisely chose to avoid giving either of them any privileged insider information about the Treasury's condition.<sup>86</sup> Two weeks earlier young Burke finally provided the company with a breakdown of the cheques he wrote for December and January operating expenses. Munro was surprised to find payroll deductions far in excess of the workforce supposedly employed.<sup>87</sup> Not only had the impertinent upstart kept one of the miners working after O'Farrell ordered him laid off, but he also billed the company \$100.00 per month for his own unauthorized salary during December and January.<sup>88</sup>

Deciding it was time to reign in the Rossland gang, Secretary Munro arranged for the Trustees to meet on February 22<sup>nd</sup>. After reviewing the correspondence and Minutes, it was determined that since John Burke originally "undertook to superintend affairs free of charge," the same agreement must bind his son (or anyone else assuming the management)

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<sup>84</sup>Ibid., D.J. Burke to Munroe [sic], February 15, 1896.

<sup>85</sup>Ibid., "J.M. Burke by his attny D.J. Burke" to Munro, February 23, 1897.

<sup>86</sup>Ibid., J.M. Burke to Munro, February 12, 1896. The shares (certificates #80, 81, and 83) were registered to Ross Thompson (ibid., Munro to D.J. Burke, April 24, 1897). The Secretary was not legally required to provide any information about the company's financial condition unless specifically directed to do so by the majority of the shareholders.

<sup>87</sup>NEMC Correspondence, D.J. Burke to Munro, February 12, 1897.

<sup>88</sup>Ibid., O'Farrell to Munro, February 4, 1897; "Minutes of Trustees' Meeting," February 22, 1897 (NEMC *Minute Book*, 28).

unless otherwise directed by the Trustees. They flatly refused to approve the younger Burke's salary and demanded he refund it immediately.<sup>89</sup> At the same meeting the company men also at last learned of the lavish construction contracts.<sup>90</sup> The Directors knew there was little that could be done about the deal with McPhee and he was paid \$500.00 the following day,<sup>91</sup> but Aldrich's bill was set aside until Munro could determine if the cost of installation was part of the contract with the Rand Company.<sup>92</sup> The Trustees also found themselves faced with another hidden cost associated with the machinery deal. A late \$290.00 bill for "extras" was submitted by the CDRC for materials the Trustees thought should have been included in the lease.<sup>93</sup> To avoid any more surprises from Burke or O'Farrell, it was decided that no more drafts would be drawn in Rossland – a move obviously intended to strip Dan Burke and O'Farrell of any independent managerial authority.<sup>94</sup>

Irked that the company men would simultaneously remove his signing authority *and* renege on his remuneration, Dan Burke suggested the Victoria men should be less concerned about how he paid himself and more appreciative of the invaluable service he was providing at bargain wages:

The superintending of putting in this machinery has been a difficult job and if Mr. [John] Burke had been here and looked after it most of his time would have been occupied and I doubt if he would have looked after it. If he had you would have had to paid [*sic*] him five times two hundred dollars. If you had hired any of the different mine superintendents around here it would have cost you for their

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<sup>89</sup>"Minutes of Trustees' Meeting," February 22, 1897 (NEMC *Minute Book*, 28).

<sup>90</sup>*Ibid.* O'Farrell's letter of February 4<sup>th</sup> was read to the Trustees.

<sup>91</sup>NEMC *Cash Book*, 10.

<sup>92</sup>In August, Munro discussed his earlier suspicions with then-manager F.W. Rolt. Rolt confirmed installation costs should have been included as part of the deal with Canadian Rand Drill (NEMC Correspondence, Rolt to Munro, August 25, 1897). Munro's concerns were legitimate – and timely. In late February the company did not have the means to pay Aldrich anyway. After paying McPhee \$500.00 on February 23<sup>rd</sup> only \$113.09 remained of the \$2,500.00 borrowed the previous month (NEMC *Cash Book*, 10).

<sup>93</sup>"Minutes of Trustees' Meeting," February 22, 1897 (NEMC *Minute Book*, 28).

<sup>94</sup>*Ibid.*

services at least six hundred dollars.<sup>95</sup>

But the Trustees easily discerned the most difficult work Dan Burke was doing was running up debts and writing cheques to himself and his friends. The interim manager in fact should have had little to manage. Mining was supposed to have been suspended during construction and the two contractors were certainly capable of "superintending" themselves. The impetuous Dan Burke was, however, not so easily throttled. On February 26<sup>th</sup>, in spite of instructions to the contrary (perhaps because of those instructions), he attempted to draw an unauthorized \$400.00 draft in Rossland to pay Aldrich the first half of his contract.<sup>96</sup> Fortunately, since Aldrich's draft was not presented for payment until March 2<sup>nd</sup>, Munro had enough time to intervene and deny payment.<sup>97</sup> In fact, he had no alternative. Credit was by then the company's only real asset and the Secretary was careful to avoid any further overdraft difficulties with the Bank of B.N.A.

### Stalling for Time

By the end of February the debt situation was completely out of control. The company's borrowed working capital evaporated faster than the founders could scrounge it up. On the pretext of getting a better picture of the company's indebtedness, the Secretary stalled as many creditors as he could. McPhee managed to get paid something before Munro drew up the purse strings but others were not so lucky.

Putting off the machinery company was a top priority and required more delicacy. Not wishing to irritate their chief creditor, the Trustees opted for a delaying tactic which would also help them sort out the bill for extras.<sup>98</sup> Munro was instructed to ask the Canadian

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<sup>95</sup>NEMC Correspondence, D.J. Burke to Munro, February 26, 1897.

<sup>96</sup>Ibid.

<sup>97</sup>Ibid., CPR telegram from Aldrich to J.M. Burke, March 2, 1897. Since there is no record of either the draft or protest fees in the *Cash Book*, Munro must have contacted the bank and cancelled payment before Aldrich presented the draft.

<sup>98</sup>The delaying tactic was also intended to make sure the plant was literally anchored to the property before the dispute over the "extras" bill had a chance to heat up. Burke implied the job was half done (he tried to pay Aldrich his first installment) but the Trustees were obviously

Rand Company to provide a verification signed by the Nest Egg mine foreman detailing exactly what materials were received and when.<sup>99</sup> The Secretary was careful not to convey the impression that the company was having difficulty finding the funds to meet its next \$1,000.00 installment coming due March 29<sup>th</sup>.<sup>100</sup> Rossland was, however, a small town and the Secretary doubtless knew it would be difficult to keep the company's financial state a secret much longer.

As soon as the February 22<sup>nd</sup> Trustees' Meeting broke up Munro found even more surprises dumped in his lap. In early March he received a suspicious \$457.40 bill from Hunter Bros. Hardware of Rossland for "general supplies."<sup>101</sup> Again, the Secretary was reluctant to authorize payment of a bill for mining materials he felt probably should have been covered under the Rand contract, a copy of which was still not in his hands.<sup>102</sup> The Hunter Bros. account was simply ignored for the time being – a dangerous choice considering the reputation of their rapacious collections agent.

The most alarming new debt first came to light at the end of March when John Burke briefly summarized his last inspection of the mine:

On the 29<sup>th</sup> [of February], as I was coming into camp, I met Mr. P.A. O'Farrell, on his way out. He told me that he had settled up with the contractors on the Nest

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doubtful.

<sup>99</sup>"Meeting of Trustees," February 22, 1897, (NEMC *Minute Book*, 28).

<sup>100</sup>The Trustees actually instructed Munro to write to Mendenhall about the extras verification (*ibid*). He wisely chose instead to correspond with the Rand Company's head office in Sherbrooke, Quebec (NEMC Correspondence, Munro to Canadian Rand Drill, March 8, 1897). Mendenhall likely knew of the Nest Egg's financial difficulties and would have seen through the delaying tactics. He was also in a position to expeditiously handle Munro's request, but expedience was not in the mining company's best interest at this point.

<sup>101</sup>Munro later reported the bill was dated March 1, 1897, but he did not indicate when he received it ("Minutes of Trustees' Meeting," May 26, 1897 [NEMC *Minute Book*, 36.]).

<sup>102</sup>There was some question as to whether the materials were "supplied by Hunter Bros direct to the Nest Egg Co. ...[or] by them to Mendenhall" (NEMC Correspondence, Rolt to Munro, July 20, 1897). Munro would have to wait until April before he could examine the Rand contract. D.J. Burke mailed him "the paper connected with the Nest Egg machinery" from Arkansas on March 21<sup>st</sup> (*ibid.*, D.J. Burke to Aleck Munroe [*sic*] [on stationary from Hotel Pullman, Hot Springs, Arkansas], March 21, 1896).

Egg, that is McPhee, who put up the buildings, and Aldridge, who set up the machinery. He asked me to please settle up with the men for last month [January], and pay stable bills here, and leave the store accounts stand until next pay day. ...They are working two shifts at present, drifting in the bottom of the shaft, which drift is looking very well indeed, showing about 22 inches of handsome ore.<sup>103</sup>

Knowing full well the company was in financial trouble O'Farrell nevertheless put a full contingent of miners to work on the Nest Egg at the end of February, even though the compressor and boiler were not yet up and running. Burke indirectly hinted that O'Farrell ordered the workforce to be expanded for window-dressing purposes:

Some days ago I had a peremptory telegram from Mr. O'Farrell to put everything in condition at the Nest Egg mine for examination [by Whitmore?]. I gave instructions to that effect, and everything is progressing in that line, and will be ready in a day or two. ...On receipt of this telegram I wired Aldrich to keep water out of the mine, and to keep two shifts running until I could hear from the company.<sup>104</sup>

Perhaps O'Farrell's reckless spending was deliberately intended to create financial difficulties that would compel the Trustees to accept a timely remedy he was about to offer.

### A Temporary Remedy

By the end of March all the funds loaned to the company in January had been consumed. Yet there were bills that required immediate attention: the miners' payroll and the second machinery payment both had to be paid by the first of April. Munro was forced to call yet another Trustee's meeting to deal with the debts crisis – and put a lid on the company's spendthrift Managing Director. The day after Aldrich's draft bounced the Board met at the B.C. Land and Investment Agency. The first order of business was to insist that the Managing Director reduce the workforce “to four men or to a day's shift.” Realizing he was on thin ice, O'Farrell manoeuvred skilfully to shore up his position. He acknowledged promising Dan Burke a salary but somehow convinced the Trustees his deal with Burke was

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<sup>103</sup>NEMC Correspondence, J.M. Burke to Munro, March 22, 1897. A week later the mine foreman also confirmed ten men were working at the mine (ibid., Scolley to Munro, March 30, 1897; see also payroll entry for April 17, 1897, NEMC *Cash Book*, 12).

<sup>104</sup>NEMC Correspondence, J.M. Burke to Munro, March 10, 1897.

a personal arrangement and not binding on the company.<sup>105</sup> To smooth over the high-priced construction contracts and hidden machinery “extras,” O’Farrell offered a personal loan of \$2,500.00 – but again with a few strings attached. His promissory note would be “repayable 20th April 1897, with interest at the rate of one per cent. per month after as well as before maturity, said advance to be secured by the deposit of One hundred thousand (100,000) shares of the stock of the ‘Nest Egg & Firefly G.M. Co. L<sup>d</sup>. L<sup>y</sup>.’ now held by the Secretary.”<sup>106</sup> O’Farrell was restricted from any “disposition” of the security shares without giving Munro at least sixty days prior notice, and no notice could be given before April 20<sup>th</sup>.<sup>107</sup> It was not a very sweet deal for the company. The interest was higher than the eight percent usually paid on its promissory notes and the collateral O’Farrell demanded would effectively tie up the Treasury’s remaining share reserves. Nevertheless, the company was in a bind and the terms were accepted. The funds were received the day the resolution passed and the shares were transferred the following day.<sup>108</sup>

The March 3<sup>rd</sup> Trustees’ Meeting proved to be remarkable in many respects. First, except for O’Farrell, the usual movers-and-shakers were noticeably absent. Kirk was

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<sup>105</sup>O’Farrell sponsored the Resolution stating: “if Mr. O’Farrell made the arrangement he mentions, it was entirely upon his own responsibility, the matter will therefore have to be settled between Burke & O’Farrell themselves” (“Minutes of Trustee’s Meeting,” March 3, 1896 [NEMC *Minute Book*, 30]). In spite of O’Farrell’s repentant promises, the company likely was still legally obligated for any arrangements he made with Burke. O’Farrell was appointed Managing Trustee at the first General Meeting and the Minutes continued to refer to him in this capacity. At the February 4, 1897 Trustee’s Meeting he was confirmed as Managing Trustee “for the present” and there is no record of him being relieved of his duties prior to the March 3<sup>rd</sup> Meeting (“Minutes of Trustees’ Meeting,” February 4, 1897 [NEMC *Minute Book*, 27]). O’Farrell was charged with the \$200.00 overpayment in the *Journal* but the debt still remained unpaid in October (NEMC *Journal*, 82, 83).

<sup>106</sup>“Minutes of Trustees’ Meeting,” February 4, 1897 (NEMC *Minute Book*, 31). The stock was given to O’Farrell the following day after Wolfenden’s remaining 149,996 sellable shares were split into two certificates. As with the bank’s collateral, O’Farrell’s collateral remained under Wolfenden’s name (NEFFGMC *Share Ledger*, 7).

<sup>107</sup>“Minutes of Trustee’s Meeting,” March 3, 1896 (NEMC *Minute Book*, 30).

<sup>108</sup>*Ibid*; NEFFGMC *Share Transfer Ledger*, 7. Curiously, the *Journal* recorded the funds being received on March 3<sup>rd</sup> but according to the *Cash Book* they were not deposited in the bank (NEMC *Journal*, 80).

missing and Ellis at last officially tendered his resignation. Holland was not on record as being present although the meeting was held in his office. For the first (but not the last) time Hayward took the chair. Weaver-Bridgman, who at the previous meeting strenuously objected to going ahead with the machinery deal, reversed his position and sponsored the motion ratifying O'Farrell's agreement with the Canadian Rand Company – even though no one had yet seen the actual contract.<sup>109</sup> Bridgman also made the motion accepting O'Farrell's loan and its less than generous terms. Hayward and Bridgman were undoubtedly pressured by circumstances to agree to the loan. Debts had to be paid that would not wait until Kirk and Holland returned to negotiate a more favourable loan with a bank. But where would O'Farrell have found \$2,500.00? According to BCLIA correspondence records, the Managing Trustee was constantly short of cash and at that moment still seriously indebted to both Holland and Hayward. Since the money was advanced the same day the offer was made, it is almost certain O'Farrell obtained the cash by signing another promissory note – backed, of course, by the collateral shares he received from the company. There can be little doubt that the note was discounted at Holland's BCLIA: the 100,000 share certificate given a security was not issued in O'Farrell's name but remained “in trust” to Wolfenden and “% of British Land & Investment Agency”.<sup>110</sup>

#### **Officially Without A Manager – Almost**

While O'Farrell was in Victoria battling and backpedalling to preserve his authority, the management situation in Rossland went from bad to worse. Early in March, when the machinery was at last being installed,<sup>111</sup> Dan Burke made a hasty exit rather than pay back his ill-gotten stipend. His father apparently never did return to run the mine. The elder Burke later claimed to have given the responsibility for mine management during the

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<sup>109</sup>As mentioned earlier, Dan Burke did not forward the documents until March 21, 1897 (NEMC Correspondence, D.J. Burke to Munro, March 21, 1897).

<sup>110</sup>NEFFGMC *Share Transfer Ledger*, 7.

<sup>111</sup>Mendenhall had earlier promised the plant would be operational by March 1, 1896 (NEMC Correspondence, Mendenhall to Munro, February 26, 1897).

equipment installation to the machinery contractor, Aldrich:

I wired Aldrich [the first week of March] to keep water out of the mine, and to keep two shifts running until I could hear from the company. You certainly must know that I cannot stay in Rossland to look after this property, and when I put a man in charge of it, and give him instructions ...the company must either live up to the instructions..., or they must put somebody else in charge of this mine.<sup>112</sup>

But given the trouble Aldrich was having getting paid for the machinery installation, it is doubtful that he was interested in doing Burke any favours.<sup>113</sup> The company men would have been equally reluctant to give managerial authority to someone who was already taking advantage of them. Consequently, when Munro needed an update on mining progress and the status of the Firefly Claim he ignored both the Burkes and Aldrich and wrote instead to foreman John Scolley – although he was careful not to send any instructions that would legally put the foreman in charge.<sup>114</sup>

With the Gaston episode still fresh in their minds, the company men knew all too well the dangers of continuing operations without a sanctioned manager officially at the helm in Rossland. As soon as Dan Burke's bridge was burned Munro began searching for a replacement. Anticipating the Trustees' acquiescence, the Secretary sent an employment inquiry to Rossland mining engineer, J.J. Moynahan on March 14<sup>th</sup>.<sup>115</sup> Moynahan's response stipulated a starting salary of \$200.00 per month, increasing to \$500.00 per month in the event the mine was developed into a "dividend payer."<sup>116</sup> Needless to say, his salary

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<sup>112</sup>NEMC Correspondence, J. Burke to Munro, March 10, 1897.

<sup>113</sup>Ibid., Demand letter from solicitors Harris, MacNeill & Deacon to Munro, July 14, 1897.

<sup>114</sup>NEMC Correspondence, Munro to Scolley, March 15, 1897.

<sup>115</sup>NEMC Correspondence, Munro to Moynahan, March 14, 1897; "Minutes of the Trustees Meeting," March 17, 1897 (NEMC *Minute Book*, 32).

<sup>116</sup>NEMC Correspondence, Moynahan to Munro, March 21, 1897. Moynahan's inflated rates were almost certainly a consequence of the mining companies boom then raging in B.C. As one of the relatively few educated mining men in Rossland, Moynahan seemed to have had more business than he could handle. At one point in November of 1896, for example, he was simultaneously superintending three different mines (the Iron Colt, Novelty and Deer Park) operated by three separate companies (*Colonist*, November 24, 1896, 3; B.C. *Annual Report of Minister of Mines for 1896*, "Bulletin No. 2," 32). By March 1897 he was managing mining



expectations were beyond what the company could pay.

Having no doubt learned the company men were looking for his replacement, John Burke at last officially disassociated himself from the Nest Egg venture on March 22.<sup>117</sup> Burke's resignation notice expressed his indignation over the shabby treatment of both his son and himself: "I thought it was but as little as the Company could do to pay him for looking after their business whilst I was away, [especially considering] ...I had attended to all the business of this Company pretty much for a year, without ever charging anything for it."<sup>118</sup> The Trustees lack of consideration for his past generosity added salt to the wound. Besides working for free, John Burke had on at least two occasions paid the company's operating expenses out of pocket and carried the debts for extended periods.<sup>119</sup>

Hurt feelings aside, there were few incentives for Burke to stay on. He had long ago liquidated his financial interest in the company. And, if past experiences were any indication, he must have known that the Treasury was bare. As mine manager he also had intimate knowledge of the discouraging prospects underground.<sup>120</sup> Indeed, Munro's subtly sarcastic response to Burke's resignation reveals much about the Secretary's opinion of the manager's role in the "circumstances" responsible for the company's financial predicament: "It was hoped at first, that long ere now, we would be in a position to pay a superintendent a regular salary for looking after affairs, etc., but owing to unfortunate circumstances – with

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operations at six different properties for the Royal Canadian Mining and Development Co. (*Colonist*, March 19, 1897, 3). According to another 1897 advertisement, Moynahan and his partner W.A. Campbell were superintending the Iron Colt, Northern Belle, St. Paul, Monita, West Le Roi, Josie, Hattie, Novelty, and Coxey mines ("Rossland Business Directory" [Toronto?: Monetary Times Printing Company, 1897], 17).

<sup>117</sup>"Minutes of Trustees' Meeting," March 17, 1897 (NEMC *Minute Book*, 32); NEMC Correspondence, Burke to Munro, March 22, 1897.

<sup>118</sup>NEMC Correspondence, Burke to Munro, March 22, 1897.

<sup>119</sup>In September 1896 John Burke was paid \$117.35, the balance of operating expenses paid by him for the month of July (NEMC *Cash Book*, 6). On December 28<sup>th</sup> he was paid \$189.70 for Rossland operating expenses incurred and paid by him during November (NEMC *Journal*, 79; NEMC *Cash Book*, 8).

<sup>120</sup>In his last report to the company Burke admitted the ore body was still only three feet across (NEMC Correspondence, Burke to Munro, March 22, 1897).

which you are, no doubt, more familiar than I am – we have never reached that stage yet.”<sup>121</sup>

### Buying Time

And the financial predicament was deepening rapidly. Besides Aldrich’s disputed construction contract, the overdue account at Hunter Bros., and the Canadian Rand Drill Company’s April installment, Munro was suddenly faced with an unexpected demand from Hunter & Oliver that their account be paid. Of course, the company men were anxious not to alienate their solicitors at a time when the Nest Egg faced possible bad debt court actions on several fronts. Fortunately, Gordon Hunter proved amenable and was satisfied with a resolution from the Trustees promising to pay his account “out of the first available funds.”<sup>122</sup> He must have been encouraged when the Trustees simultaneously resolved to borrow \$7,000.00 “on the security of the Treasury stock” to clear all debts and loans.<sup>123</sup>

The most serious unanticipated debt confronting the Trustees at the end of March was the overdue labour payroll. A month earlier eleven men started working two shifts per day at the mine.<sup>124</sup> The mine foreman later indicated the workforce consisted of himself, two “engineers” (boiler men), a blacksmith and his helper, four “machine men” (drillers), one “mucker,” and one “carman.”<sup>125</sup> Work focussed on the drift running out of Shaft #3, although *mining was still being carried on by hand*. On March 25<sup>th</sup> the Trustees again insisted that O’Farrell wire the mine foreman and have him cut the workforce to four men.<sup>126</sup>

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<sup>121</sup>NEMC Correspondence, Munro to Burke, April 6, 1897.

<sup>122</sup>“Minutes of Trustees’ Meeting, March 25, 1897 (NEMC *Minute Book*, 33).

<sup>123</sup>*Ibid*.

<sup>124</sup>Munro first learned something was amiss when John Burke reported in his March 22<sup>nd</sup> letter of resignation that two shifts were working in the mine (NEMC Correspondence, Burke to Munro, March 22, 1897). The mine saw very little official supervision during March with O’Farrell only making a very brief appearance during the last week of the month (NEMC Correspondence, O’Farrell to “Ellis” [misaddressed in error?], March 29, 1897).

<sup>125</sup>NEMC Correspondence, Scolley to Munro, March 30, 1897. The payroll settlement for the month preceding April 3, 1897 indicates that eleven men worked about thirty days each (NEMC *Cash Book*, 12).

<sup>126</sup>“Minutes of Trustees’ Meeting,” March 25, 1897 (NEMC *Minute Book*, 33).

He apparently did not comply.<sup>127</sup> Perhaps he could not comply. Since the foreman, Scolley, was never given signing authority, it was useless to instruct him to pay off the miners – even if the money was in the bank. And as long as the men thought the company owned its property none of them would stop working without being paid.<sup>128</sup> To avoid letting the payroll fall behind more than the one month legal grace period, Munro used funds from O'Farrell's loan to settle the miners' February payroll on March 27<sup>th</sup>.<sup>129</sup> As usual, the company waited until the eleventh hour before paying off the men.

The building contracts were also settled up so the machinery would be freed from all threat of liens before the scheduled startup at the end of the month. On March 24<sup>th</sup> O'Farrell drew \$736.75 to pay McPhee the balance on his account and Aldrich was paid \$832.10 the following day.<sup>130</sup> Aldrich was, however, not satisfied and promptly fired off a demand letter for an additional \$131.40.<sup>131</sup> His claim for "extras" was delayed for months while Munro searched in vain for some evidence of a written contract.

Resolving the machinery debt problem proved to be surprisingly easy. On March 22<sup>nd</sup> Munro probed the Canadian Rand Company's head office with a suggestion that they give the company a month's extension on its April note or take shares in lieu of payment.<sup>132</sup> While he was in Rossland to pay off the contractors O'Farrell learned that a deal had already

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<sup>127</sup>O'Farrell was in Rossland on March 29, 1897, yet all the men were still working five days later (NEMC Correspondence, O'Farrell to "Ellis," March 29, 1897; NEMC *Cash Book*, 9, 12 [payroll entries, April 17, 1897]).

<sup>128</sup>The miners could only seek legal remedies under the Mechanics' Lien Act if they launched their action within thirty-one days after their pay first went into arrears (B.C. *Statutes*, 1888, "Mechanics' Lien Act," 51 Vict., c. 74, s. 9).

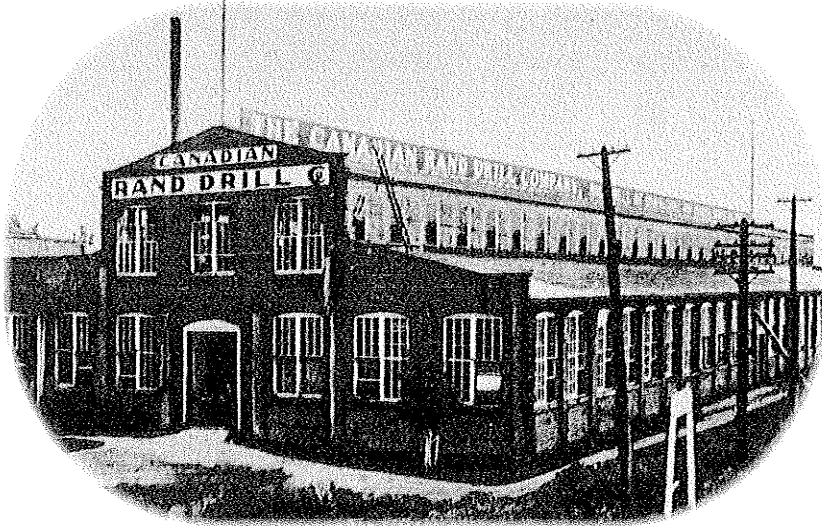
<sup>129</sup>Munro issued cheques for the foreman and one miner's February wages on March 27<sup>th</sup>. Burke apparently paid the three other miners out of monies advanced to him earlier (NEMC *Cash Book*, 9, 12).

<sup>130</sup>NEMC *Cash Book*, 10 and 12.

<sup>131</sup>NEMC Correspondence, Harris, MacNeill & Deacon (solicitors) to Munro, March 30, 1897.

<sup>132</sup>*Ibid.*, Munro to Canadian Rand Drill (Sherbrooke, Quebec), March 22, 1897. Again, Munro wisely chose not to make the offer of shares to the Rand Company's Rossland agent for fear that it would lead to rumours of the Nestegg Company's insolvency.

been worked out between John Burke and Frank Mendenhall granting a month's extension on the note due April 1<sup>st</sup>.<sup>133</sup> The machinery company's secretary, S.W. Jenkes, wrote to Munro on April 2<sup>nd</sup>, officially confirming the extension and declining the Secretary's offer



39. Canadian Rand Drill Co., Sherbrooke, Quebec  
Eastern Townships Research Centre, Sherbrooke, Quebec  
Heritage Foundation Fonds P020

of shares for payment.<sup>134</sup> But Mendenhall's \$290.00 bill for "extras," remained an unresolved issue. Jenkes politely assumed the bill had not been paid due to an oversight. Munro's response tenderly but firmly set the record straight: the company was not be inclined to pay until a proper account was submitted.<sup>135</sup> As expected, the Rand Company was obviously in no hurry to push the issue. Once again, the Secretary correctly calculated the pliability of the company's major debtors – *at least while the mine was running*.

Thus, the financial picture was discouraging, but only from behind the company's closed doors. To the uninformed observer (or creditor) the venture appeared to be progressing well. Property problems were settled, press coverage was favourable, the buildings were finished, a railroad siding was being built, two shifts of miners were working,

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<sup>133</sup>NEMC Correspondence, Munro to Canadian Rand Drill, April 2, 1897.

<sup>134</sup>Ibid., Canadian Rand Drill to Munro, April 2, 1897.

<sup>135</sup>Ibid.; *ibid.*, Munro to Canadian Rand Drill, April 2, 1897.

and ore was piling up on the dump. It looked like everything was full steam ahead. And indeed it was. On March 29, 1897 the Nest Egg's boilers were finally fired and the mine at last reached the long awaited plateau of full mechanization.<sup>136</sup> Then suddenly, five days later the mine was shut down.

### Post-Mortem

On April 3, 1897, in spite of recent enthusiastic projections of the mine's potential from both Burke and O'Farrell, the company men had, for the time being at least, decided to cease operations in Rossland.<sup>137</sup> The correspondence records contain no official explanation for the closure, but the decision was likely prompted by a combination of factors. First, although the company's exact financial situation was still unclear (thanks to Ellis), by early April the Nest Egg had been operating in the red for some time. The *Cash Book* indicates a balance of only a few dollars remaining in the Treasury at the end of 1896.<sup>138</sup> By April 3<sup>rd</sup> the company had increased its bank account to \$1,600.00, but it was also responsible for outstanding loans amounting to nearly \$8,500.00 and other debts probably totalling more than \$3,000.00.<sup>139</sup> The company men, and Munro in particular, must have been concerned about proceeding further without a clearer picture of the

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<sup>136</sup>Ibid., Scolley to Munro, March 30, 1897: "We began to use the machines yesterday in the drift."

<sup>137</sup>At the end of March O'Farrell continued to sing praises to the mine: Each days [*sic*] work makes the property look splendid. ...The Nest Egg is a big thing and will make a rich mine unless 'the best men in the camp' are deceived. ...The Victoria folks got a first class property and got it very cheap so you may rest at ease (NEMC Correspondence, O'Farrell to Ellis, March 29, 1897).

Unlike Gaston, the departing John Burke did his best to paint the Nest Egg in the best possible light: "They are working two shifts at present, drifting in the bottom of the shaft, which drift is looking very well indeed" (NEMC Correspondence, Burke to Munro, March 22, 1897).

<sup>138</sup>Ellis's final *Cash Book* entry showed the treasury containing a "balance of cash" of only \$13.81 at the end of 1896 (NEMC *Cash Book*, 10).

<sup>139</sup>A promissory note discounted at the Bank of BNA on April 1, 1897, for \$7,000.00 was due in one hundred days (NEMC *Journal*, 80). The Canadian Rand Drill Company also still held a \$1,410.00 note that was extended for thirty days on April 1<sup>st</sup> (NEMC Correspondence, Telegraph from Canadian Rand Drill to Munro, March 31, 1897).

venture's finances, its debts, and the mine's prospects. And clarity had been slow in coming. As late as March 29<sup>th</sup> Ellis, who ceased any role in the company's business affairs three months earlier, admitted that the previous year's accounts were still "not made up yet."<sup>140</sup> The books were probably not released to Munro before Ellis made his final entry in the *Cash Book* three weeks after the mine closed.<sup>141</sup>

The prospect of locating sufficient (if any) new sources of capital to continue operations was also not promising. For various reasons the reorganization scheme failed to live up to expectations. As earlier mentioned, when the company men first decided to misappropriate stock for use as loan collateral they made it difficult to proceed with the scheduled release of the remaining shares designated for public sale. After the founders gave a *second* block of 100,000 shares to O'Farrell in early March as collateral for his loan, only 50,000 of the 250,000 shares designated for public sale remained in the treasury.<sup>142</sup> Selling this remnant of marketable new stock would have further reduced the value of the founders' old shares without raising enough funds to make a dent in the company's financial difficulties.<sup>143</sup> Until the loans were paid off the collateral shares remained out of reach. If the Trustees could not find some other safe source of income the new company remained in the unenviable position of having no cash *or* stock in its Treasury.

The old shareholders were not likely to provide any assistance, thanks to an underhanded pooling scheme initiated by O'Farrell within days after the company was reorganized at the end of January. On February 4<sup>th</sup> the first of a series of notices was published in the *Toronto Mail and Empire* containing instructions for shareholders regarding

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<sup>140</sup>NEMC Correspondence, Munro to Ellis, March 29, 1897.

<sup>141</sup>"Balance of Cash at end of 1896," entry for April 26, 1897, NEMC *Cash Book*, 10. Ellis's preceding entry, a petty cash disbursement for postage, was made on December 17, 1896.

<sup>142</sup>Actually only 49,996 shares remained. Four token shares were allotted to the new Trustees in early 1897 to meet statutory requirements.

<sup>143</sup>Both O'Farrell and the Bank of BNA gave the shares a collateral value of only 2½¢ each, presumably something less than their local market value. However, if *all* the 50,000 shares remaining in the Treasury were sold with a net return of even *double* the collateral value, only \$2,500.00 would be realized.

the reorganization.

TO HOLDERS OF NEST EGG STOCK Rossland, Jan. 26, '97-(Special)- Will you kindly inform the stockholders of the Nest Egg Mining Company that if they will surrender the[ir] Nest Egg stock within 30 days to the secretary of the Nest Egg-Firefly Gold Mining Company, they will receive 1 1-2 [i.e. 1½] shares of stock for each share they hold in the old company, in accordance with the terms of the sale of the Nest Egg Company's assets? [*sic*] P.A. O'FARRELL<sup>144</sup>

Of course there was nothing in the Minutes, or the advertisement, if one read it carefully, indicating the shareholders *would not* get their 1:1½ share exchange if they failed to return their old stock within thirty days. The objective of the ad was to trick shareholders into turning in their Nestegg stock months before it could be changed into new Nest Egg and Firefly Company shares. Munro could then simply sit on any old stock sent in until the end of July, thereby stalling any old share transactions while the new stock was put on the market. It was a cunning (and possibly illegal) attempt to prop up the price of new shares.<sup>145</sup>

The tactic only succeeded in alienating the public shareholders. Within weeks the Secretary was swamped with complaints from disgruntled investors – including the company's father-and-son management team. On February 12<sup>th</sup> John Burke sent Munro 30,000 old Nestegg shares to be “made out in the name of D.J. Burke and send it to me.”<sup>146</sup> After being informed why no new shares would be forthcoming, the younger Burke's angry response accurately described the sentiments of most of the complaining shareholders:

If this set of resolutions and your notice in the paper to the old stockholders was intended to be a subterfuge to get all of the old stock into the hands of the Treasurer, and have him hold it in pool until the working capital stock of the new Company had been sold, why did your resolutions not so state it in plain English,

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<sup>144</sup>Clipping attached to NEMC Correspondence, I. Edward Suckling, Toronto mining broker to Secretary, February 10, 1897.

<sup>145</sup>The Trustees could not close the transfer book for more than twenty-one business days in any given year (“Companies Act, 1890,” *B.C. Statutes*, 1890, 53 Vict., c. 6, s. 40). At the January 20<sup>th</sup> General Meeting the shareholders in attendance gave their approval to close the books indefinitely. However, there may not have been sufficient representation to make their action legal.

<sup>146</sup>NEMC Correspondence, J.M. Burke to Munro, February 12, 1897. Later correspondence indicated these shares were three certificates numbered 80, 81, and 83 belonging to Ross Thompson (*ibid.*, Munro to D.J. Burke, April 24, 1897; *NEMC Share Transfer Register*, 16).

so that the old stockholders could have had the privilege of holding on to their stock, and doing as they saw fit with it until the time arrived for the issue of the new stock. I am satisfied that as the matter stands to-day, if my presumption is right, that kind of business will certainly not prove satisfactory to the old stockholders.<sup>147</sup>

W.A. Fife, another Washington stock hustler working the "mining operator" game in Rossland, was equally incensed. In March he sold his 2,170 founders shares and sent them in to be changed.<sup>148</sup> Having still not received his stock four months later, Fife wrote Munro a furious letter on July 23<sup>rd</sup> more or less accusing the founders of fraud: "If the Promoters had don [*sic*] as much toward Selling Treasury Stock for the benefit of the Co - as they did to fill there [*sic*] own wallets, the Co would be in better shape to day [*sic*]."<sup>149</sup>

#### Underwriters: Attractive Distractions

The Trustees' reluctance to release the remaining public shares was also at least partly due to their being strung along during the first months of 1897 by several brokers offering to underwrite the sale of the new public shares. On February 22<sup>nd</sup> O'Farrell submitted a proposal on behalf of E.L. Whitmore of Butte, Montana, to take up and sell all the unreserved new shares over a period of seven months. Whitmore would buy the first 100,000 shares at 7¢ each "on or before 1<sup>st</sup> Mch. '97 on completion of papers" with the remaining 150,000 shares to be bought in four installments at 12¢.<sup>150</sup> The 750,000 shares reserved for the old company shareholders would remain bound by the terms of the reorganization and stay in trust until July 30<sup>th</sup>.<sup>151</sup> The offer seemed too good to be true, and it was. March 1<sup>st</sup> came and went and no "papers" arrived. The reason for the delay soon became clear: Whitmore was having second thoughts. On March 17<sup>th</sup> O'Farrell wrote

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<sup>147</sup>NEMC Correspondence, "J.M. Burke by his attorney D.J. Burke" to Munro, February 23, 1897.

<sup>148</sup>NEMC *Share Transfer Ledger*, 5; NEMC Correspondence, Fife to Munro, March 24, 1897.

<sup>149</sup>NEMC Correspondence, Fife to Munro, July 23, 1897.

<sup>150</sup>"Minutes of Trustees' Meeting," February 22, 1897 (NEMC *Minute Book*, 28).

<sup>151</sup>*Ibid.*



Munro telling him not to sell any more shares under 10¢ because he had just received a “better offer from the Whitmore crowd.”<sup>152</sup> If the company agreed to pay “all present debts” the “crowd” reportedly would buy any remaining shares in the old Nestegg Mining Company at 15¢ each and pay “\$10,000 for 100,000 shares [of] new stock [the remainder of] which they will allow us [to] sell now at 7 cents so as to liquidate all present obligations.”<sup>153</sup> The acquisition date was now postponed from March 1<sup>st</sup> to the “30th day July ~~August~~ [marked as per original].”<sup>154</sup> In addition Whitmore also “guaranteed” that he and his associates would “keep a full force [of miners] going at their expense till July 30<sup>th</sup>.”<sup>155</sup>

There were a few problems with Whitmore’s proposal. First, Munro could not sell any shares in the old company without accessing the share books which were still being held by Ellis. Secondly, the Butte mining man was under the false impression that some amount of old Nestegg Company stock was in the treasury. It would throw an entirely different perspective on the validity of the deal once he learned only 850 shares were left. And if the “present debts” (specifically, the loans) were not cleared – an unlikely possibility – then only 49,996 new Treasury shares would be available for Whitmore. Also, any “agreement” with a third party to carry operating expenses at the mine could be dangerous. If the Whitmore crowd stopped paying the bills the company’s property would be at risk for a lien action. And lastly, the company could ill afford to allow Whitmore an opportunity to wait-and-see before picking up his 100,000 share commitment at the end of July. The Butte speculator essentially wanted to option the shares *and* the mine without paying *anything* up front but the labour costs, a quite incredible proposal even for a mining promoter. O’Farrell

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<sup>152</sup>NEMC Correspondence, O’Farrell to Munro, March 14, 1897.

<sup>153</sup>O’Farrell’s scatterbrained letter did not convey the terms very clearly. Whitmore seems to have been agreeable to the company immediately selling as much of the new stock as it could at not less than 7¢ so long as 100,000 shares were reserved for him to pick up at 10¢ later on (NEMC Correspondence, O’Farrell to Munro, March 14, 1897).

<sup>154</sup>NEMC Correspondence, O’Farrell to Munro, March 14, 1897.

<sup>155</sup>*Ibid.*, O’Farrell to Munro, March 17, 1897.

may have thought this was a "better offer" but the company men were not impressed.<sup>156</sup>

They did, however, come back with an almost equally ridiculous counter-offer. On March 25<sup>th</sup> the Managing Trustee was authorized to:

submit the following proposition to a responsible syndicate or development company, viz: that such syndicate or company enter into a contract with this company to expend at least \$1500.00 per month for 4 months in developing the company's property, such expenditure to be recouped out of the output of the mine and not otherwise and any moneys realized over the said \$1500.00 to be paid into the company's treasury and to pay \$10,000.00 for 100,000 shares stock of the Nestegg and Firefly Gold Mining Company Limited Liability now under the control of the trustees of this company on or before 10th June 1897 or at the same rate for such of the said shares as shall not have been sold before the said 10th June 1897 also to assume all this company's liabilities due or to accrue due after March 10, 1897, any sugg [*sic*] contract to be subject to the approval of this board and to provide for its renewal or extension by the agreement of both parties.<sup>157</sup>

Whitmore could hardly have expected to benefit from such an absurd arrangement. A more realistic proposal would have been to offer 10,000 shares for \$6,000.00 in mining development or at least give Whitmore the net profits of mining during the term of the option. It was unreasonable to expect Whitmore to buy 10,000 new shares at 10¢ each and allow him to profit *only* from share sales.

The Trustees may not have been too concerned about discouraging Whitmore since other promising offers were already on the table. On March 12<sup>th</sup> aspiring Victoria stock promoter J.L. Forrester submitted an underwriting proposition to Munro.<sup>158</sup> Forrester was on his way to Britain and because he thought "favourably of the property," he wanted an option "up till 30th April on about 25,000 Nest Egg treasury shares" that he would attempt to place overseas.<sup>159</sup> To protect his "clients [*sic*] interest" and his "own reputation on this

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<sup>156</sup>The Whitmore deal was thereafter a dead letter. Holland made brief mention of it in his June report on the condition of the mine, claiming that Whitmore probably downgraded his offer after taking a look in the shaft (NEMC Correspondence, Holland to Munro, June 14, 1897).

<sup>157</sup>"Minutes of Trustees' Meeting," March 25, 1897 (NEMC Minute Book, 33).

<sup>158</sup>Forrester was a "mining operator" working out of his home at 58 Dallas Road (Henderson's Directory, 1897, 753). In 1896 he dabbled briefly in Nestegg shares, buying and selling two certificates totalling 700 shares (NEMC Share Transfer Ledger, 30).

<sup>159</sup>NEMC Correspondence, Forrester to Munro, March 12, 1897.

[his] first trip on mining business,” Forrester requested that Munro specify up front the “net price to me and the price at which shares are to be sold, and I will understand that the selling price given to me will be the lowest price at which you will sell the stock.”<sup>160</sup> He suggested that the shares be forwarded through the Bank of Montreal to the British Linen Bank in Glasgow “with instructions for them to [release?] the shares on payment of a certain sum per share.”<sup>161</sup>

Munro thought enough of the proposal to bring it to the attention of the Trustees at their next meeting.<sup>162</sup> Although O’Farrell “explained” the option proposals to the Board, they were by now hesitant to take his word on anything. Instead they consulted the company’s solicitor who advised that Forrester should be “allow[ed] to sell 25,000 shares of ‘Nest Egg & Firefly Gold Mining Co. Lt<sup>d</sup>. Lby.’ stock at the price of 9¢ net to the Company ~~the price to the public to be not more than 12¢ pshare.~~ [marked as per original]”<sup>163</sup> Had Forrester succeeded in placing all of the shares offered to him, the treasury would have netted only \$2,250.00 – hardly a drop in the Nestegg’s bucket of debts. Still, everyone had to agree marketing shares in Britain was a step in the right direction and on March 31<sup>st</sup> Munro forwarded 20,000 shares to the Glasgow Linen Bank (via the Bank of B.N.A.) “to be handed over to Mr. J.L. Forrester upon payment by him at the rate of 9¢ (nine cents) per share net to this company here.”<sup>164</sup> Apparently Forrester’s “friend” was not impressed: there is no record of the shares being transferred to anyone after they were issued “in trust” to Munro.<sup>165</sup>

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<sup>160</sup>Ibid.

<sup>161</sup>Ibid.

<sup>162</sup>“Minutes of Trustees’ Meeting, March 24, 1897 (NEMC *Minute Book*, 32).

<sup>163</sup>Ibid., March 25, 1897. Marked as per original text (NEMC *Minute Book*, 33).

<sup>164</sup>NEMC Correspondence, Munro to Bank of B.N.A., March 31, 1896. The stock was split into twenty 1,000 share certificates registered “in trust” to Munro (NEFFGMC *Share Transfer Ledger*, 8). For some unexplained reason Munro reduced the shipment to 20,000 shares from the 25,000 authorized by the Trustees (Note attached to NEMC Correspondence, Munro to Howarth, March 30, 1897).

<sup>165</sup>NEFFGMC *Share Transfer Ledger*, 8.

On March 30<sup>th</sup> Thomas Howarth, a private banker from Oakville, Ontario, also approached the Nestegg Trustees with yet another interesting underwriting proposal.<sup>166</sup> Although he did not know Ellis had been replaced, Howarth was otherwise well informed of the Nestegg's current corporate situation (he knew about the reorganization and devaluation of shares). The banker claimed to have had great success moving mining stock, allegedly selling 200,000 shares of "sundry Gold Mining stocks" since the first of the year "mostly in London, England."<sup>167</sup> Howarth also claimed to have placed, with the assistance of a London "friend," 200,000 "first block" shares of Copper Queen within a week's time. According to his overseas associate, the English market was eager for Nestegg stock. The London agent had allegedly sold all the shares Howarth sent him "& ...he could dispose of more if he had it [*sic*] as Nest Egg had a good name there."<sup>168</sup> Unfortunately, without access to the *Share Transfer Ledger* Munro had no way of verifying the banker's claims.<sup>169</sup> Howarth hinted that the best arrangement was the one that worked so well for the Copper Queen: "The Company, knowing the responsibility of myself, handed the certificates over to me, taking my undertaking on receipt to pay for them as my London Agent remitted, which was done immediately on sale being made." Nonetheless, he understood that the Nestegg Trustees might be hesitant ("strangers as we are") and suggested a slight variation:

...the thought struck me that if you cared to place say 50,000 shares of your stock in London, you could send me some application forms and if your price suits me I will forward them on to London, where my agent then could take the orders & forward names of purchasers together with money which on receipt you could

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<sup>166</sup>Howarth was a director with both the Mines Development Co. and The Consolidated Gold Fields Development Company of Ontario, Limited (Letterhead attached to NEMC Correspondence, Howarth to Ellis, March 19, 1897; Chapin, "Northwestern Ontario Gold Mining," Appendix C, 213). Apparently he was badly bitten by the gold bug. When the Canadian mining speculation boom of the late 1890s finally ran its course shortly after the turn of the century, Howarth's financial situation became desperate. At noon on December 1, 1902, he took his life in his Oakville bank office (*Globe*, December 2, 1902, 1).

<sup>167</sup>NEMC Correspondence, Howarth to Ellis, March 19, 1897.

<sup>168</sup>*Ibid.*

<sup>169</sup>The *Share Transfer Ledger* eventually revealed only one English shareholder, G. A. Kirk's brother R.A. Lawrence Kirk, was registered as a Nestegg shareholder. He purchased his single 5,000 share certificate directly from the Treasury at the end of October 1896 (NEMC *Share Ledger*, 12, 150).

send me the certificates. Of course this arrangement would not be so satisfactory as the one I had with Copper Queen in which on payment of the money the stock was handed over.<sup>170</sup>

Munro never officially brought Howarth's proposal before the Trustees at a Meeting, but he did reply to the banker with a detailed and surprisingly straightforward description of the mine.<sup>171</sup> Howarth was offered almost the same terms the Trustees gave Forrester.<sup>172</sup> For "sixty-two days from 1<sup>st</sup> April," the Ontario banker was given the "privilege" of selling 20,000 treasury shares, at 10¢ each with ten percent commission, "i.e. the shares are to net the Company nine cents (9¢) per share."<sup>173</sup> If Howarth would wire his acquiescence and the name of his London agent, Munro agreed to forward 20,000 shares to "one of the Banks" with instructions that they deliver them to the agent upon payment of the 9¢ minimum. "At present the Company will not bind itself to furnish more than the first block at the same price, though in all probability, it will let you have 50,000 at the same figure, unless otherwise disposed of [by another broker] before you wire for the balance."<sup>174</sup>

On April 3<sup>rd</sup> Munro offered the Spokane brokerage firm Charles Littchild & Co an option package identical to Howarth's. A complete description of the mine, the company, and the pooling arrangement was also included. As an incentive the Secretary revealed that "we are just now forwarding a couple of blocks to be sold in the 'Old Country' at that same

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<sup>170</sup>NEMC Correspondence, Howarth to Ellis, March 19, 1897.

<sup>171</sup>Ibid., Munro to Howarth, March 30, 1897. Perhaps Munro became distracted by more pressing developments after the mine closed a few days later.

<sup>172</sup>A note at the end of the end of Munro's March 30, 1897 letter to Howarth confirms that essentially the same letter was sent to Forrester. The latter's shares were forwarded to the Linen Bank and the minimum price was to be just under £19 per 1,000 shares.

<sup>173</sup>The agreement with Howarth was unusual in that it contained a cap on the selling price whereas Forrester was apparently allowed to sell the stock at any price he could provided the company received its 9¢ per share.

<sup>174</sup>NEMC Correspondence, Munro to Howarth, March 30, 1896. The same day he wrote back to Howarth, Munro sent 20,000 of the remaining 50,000 shares in the Treasury to Forrester's bank in Scotland. Although the option would have only netted the company \$1,800.00 at 10¢ a share, if the first block sold the Trustees almost certainly would have allowed Howarth to sell the other twenty thousand shares sent to the Linen Bank of Glasgow.

price offered to you.” Ultimately, nothing came of it all.<sup>175</sup> With the mine closure coming only a few days later, the underwriting proposals had little chance of succeeding.

### **Limited Options**

The company’s reorganization failed for several reasons. By April 1897 the scheme had become a hopeless house of cards made up of loans, misappropriated Treasury stock, misinformation, deception, and hoped-for options on the mine and the stock. To their credit the Trustees did manage to keep the mine afloat for months without dumping what remained of the share capital. From the beginning the reorganization was on the verge of financial disaster but the Trustees resisted a public sale of the new watered stock, a move which almost certainly would have ruined the value of the mine and their own shareholdings. Given the sagging regional market for speculative mining stock (especially devalued shares), the Trustees ultimately made wise choices when they went back to the bank and searched for new outside investors. The bank loans were, however, only a short-term remedy for an operation that was ready to blow an artery at any second. After three months it was obvious the mine could not run on credit forever and there was no point in wasting any more time or money hoping for help from foreign investors.

By April 1897 the founders were also finding that the company’s real estate was not the liquid asset the managers led them to believe it was in 1896. Efforts to profitably dispose of the Nest Egg and Fire Fly continued to be fruitless. O’Farrell boasted in March that he was on the verge of sewing up yet another arrangement to option the mine, but the deal with the “Whitmore crowd” actually went sour months before.<sup>176</sup> If mining operations were expanded merely for the purpose of window dressing for a quick sale, it is likely the closure was an acknowledgment by the Trustees that the strategy was not working.

The reorganization scheme was also running out of steam just as the leadership crisis erupted in Rossland. John Burke was finally gone for good and Munro could not find a replacement. Without an official manager at the helm, a fog of uncertainty and vulnerability

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<sup>175</sup>NEMC Correspondence, Munro to Charles Litchfield and Co., April 3, 1897.

<sup>176</sup>NEMC Correspondence, Holland to Munro, June 14, 1897.

engulfed operations at the Nest Egg. No one knew who was responsible for directing the work, hiring or firing the men, or, more importantly, signing bills. Perhaps temporarily closing the mine made more sense than affording O'Farrell, Gaston, or some other prodigal pretender opportunities to run the company further into debt. The current payroll crisis provided ample evidence of what could happen with no one in charge. During the March managerial interregnum the work force at the mine ballooned from the usual two or three to eleven men, and no one could say for sure exactly who hired them or what they accomplished. What, for example, were the two boiler men doing during the twenty-five days prior to the boiler going on line?

The final reason behind the company's decision to cease operations is obvious to us now, although less well known at the time: the quality and quantity of the mine's ore showed no indication of either increasing or improving. The grim reality of the deposit's true characteristics would not sink in until C.A. Holland visited Rossland three months later, yet by the end of March 1897 *all* the company men must have been suspicious of the mine's feasibility. After sinking three shafts and completing considerable drifting and trenching, the best the managers could ever report – and they certainly wanted to report the best – was a few feet of “chipping ore” assaying well below what it would cost to smelt it.<sup>177</sup> A more accurate assessment of the mine's potential was necessary before the company men would commit to any further indebtedness.<sup>178</sup>

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<sup>177</sup>Munro cleverly employed the term “chipping ore” to reconcile reports that Shaft #3 contained ore from top to bottom with other reports indicating the vein was near the bottom and less than three feet across: “[Shaft] No. 3 is down 50 feet and from top to bottom is in solid ore. ...a drift has been started at the 50 ft level in the No. 3 Shaft towards No. 2. In the face of this drift - 20 odd feet from the bottom of the tunnel - is 2½ feet of chipping ore” (ibid., Munro to Thomas Howarth, March 30, 1897). “Chipping ore” refers to material rich enough to be profitably mined by “chippers” who selectively hand separate the profitable ore from the surrounding material.

<sup>178</sup>“Minutes of Trustees' Meeting, April 13, 1897,” (NEMC *Minute Book*, 34).

## CHAPTER VII

### SALVAGE OPERATION

April 1897 to April 1898

#### Managing Surprises

With the closure of the mine the Nestegg Company's management objective changed overnight from promotion and development to damage control. The Secretary and the Trustees fully expected creditors, both real and fraudulent, would rush to carve up what remained of the assets. Henceforth the company's corporate strategy – and that of the Rossland creditor “sharks” – would focus on securing the property and plant.

The most important debtor was the Canadian Rand Drill Company. The Nest Egg's image, or what was left of it, hinged on the plant that was still technically the Rand Company's property. If the machinery was lost whatever value the company's shares and property still retained would fall to nearly nothing. Working out any new arrangement would be difficult since relations between the two companies had become strained by the time the mine closed. Weeks before the April payment was due Munro chose to simplify things by sidestepping the CDRC's Rossland agent and approaching the Sherbrooke head office directly. Writing on March 22<sup>nd</sup> the Secretary asked if the machinery people would consider: “hold[ing] over, without protest, (in case we should require it) for say one month, our promissory note for \$1,000 ...which matures on 2nd April. ...If instead of cash, you would accept shares of the Company it would be of great assistance, and we feel sure would ultimately turn out to your advantage.”<sup>1</sup>

A response was wired from Quebec on March 31<sup>st</sup>, just two days before the note was due. An extension was acceptable but only on certain conditions: “Will renew note one month you to pay all charges and meet current account if satisfactory reply and will instruct bank to whom you shall hand new note to be returned with old note.”<sup>2</sup>

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<sup>1</sup>NEMC Correspondence, Munro to CDRC, March 22, 1897.

<sup>2</sup>Ibid., CDRC to Munro (CPR telegram), March 31, 1897.



The formal reply mailed by Secretary Jenkes the same day rejected the share offer “as it is one of the by-laws of our company that no stock shall be taken in any corporation.”<sup>3</sup> He agreed to “put over” the next installment but only if the “extras” account was paid up immediately: “We are again drawing upon you [on April 2<sup>nd</sup>] for the amount, \$290, and hope you will accept same this time, upon presentation.”<sup>4</sup>

On April 2<sup>nd</sup>, before Munro could wire back a reply to Jenkes’s conditions, the Rand Company presented the note for the *installment* (rather than a draw for the extras) to its Sherbrooke bank for payment. It was rejected and Munro sent of a hurried but well-rehearsed explanation. The Secretary claimed he had two good reasons for not honouring the note. Because he did not learn it was “in the hands of the bank” until 3:00 p.m. Friday, April 2<sup>nd</sup>, Munro was unable to wire a response to the Rand’s last offer until 4:15 p.m., well after close of business in Quebec.<sup>5</sup> Obviously the machinery people could not have received his telegram in time to stop the Victoria bank from demanding payment. He also admitted there was little he could have done since the company was not expecting the note to be presented for payment and had not set aside funds to pay it. And finally, according to Munro, an earlier arrangement had already been made with Mendenhall to extend the due date:

Mr. O’Farrell informed the Trustees recently that Mr. Burke had arranged with Mr. Mendenhall that this note should be held over until July 30th (when some negotiations now under-way would be completed) therefore no provision was made for it. ...I was surprised when the Note was presented by the Bank for payment today, without any previous notification. I presume the “Current a/c” is meant the a/c [account] for extras? and have to request that you will furnish me with a full detailed account of same.<sup>6</sup>

For the first time – but not last time – Munro exploited the distance factor and the Rand’s managerial difficulties to the Nest Egg’s advantage. The Sherbrooke office would

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<sup>3</sup>NEMC Correspondence, S.W. Jenkes, CDRC Secretary to Nestegg, April 2, 1897.

<sup>4</sup>Ibid.

<sup>5</sup>Ibid., Munro to Mendenhall, April 12, 1897.

<sup>6</sup>Ibid., Munro to CRDC, April 2, 1896. Munro sent a similar letter to the Rand Company’s Rossland agent, Frank Mendenhall. The “negotiations now underway” refers to the Trustees’ undertaking to the shareholders that no new shares would go on the market until July 30, 1897.

give him the benefit of the doubt – and a little more time while the company men debated the mine’s future.

The Secretary’s procrastinating was, however, not due to any financial insufficiency in Victoria. On April 1<sup>st</sup> Kirk, Holland, and Haywood negotiated a new \$7,000.00 note to consolidate the outstanding loans and provide a cushion of \$1,810.00 to take care of the machinery payment and other urgent debts.<sup>7</sup> As a security measure the surplus from the new loan was not deposited in the company’s bank account.<sup>8</sup> Munro obviously wanted to prevent anyone from knowing about the cushion until he was ready. And he was apparently not ready to pay the Rand Company’s note or the extras bill.

In the midst of the squabbling with the Sherbrooke office Munro received an unexpected wire from Mendenhall in Spokane confirming the installment note would be extended for *four months* “provided you will have three of your directors sign note, pay all the interest now due and all the balance excepting this \$1000.00.”<sup>9</sup> But what was meant by “all the balance?” Was Mendenhall referring to the \$410.00 final payment due later in the summer or the \$290.00 for “extras” or both? Whose offer was genuine, Mendenhall’s for four months’ extension or the head office’s one month “hold over?” The confusion produced by Mendenhall’s interference gave Munro yet another reason to delay making a commitment.

S.W. Jenkes, the machinery company’s secretary, was beginning to see through Munro’s thinly disguised delay tactics.<sup>10</sup> As far as he was concerned any problems the Nestegg Company was having confirming the authenticity of the extras bill was none of the Rand Company’s concern: “...at this distance is impossible for us to push up your Supt. and

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<sup>7</sup>The note took care of O’Farrell’s \$2,500.00 high interest loan of January 29<sup>th</sup> and the \$2,500.00 note signed by Holland and Hayward on January 29<sup>th</sup> (plus interest: \$59.00 on the old notes and \$158.00 on the new note) (*NEMC Journal*, 80).

<sup>8</sup>*NEMC Cash Book*, 12.

<sup>9</sup>*Ibid.*, Mendenhall to Munro, April 3, 1897. According to the Lease Agreement “deferred [late] payments to be notes secured by lease of machinery drawing 8% interest” (“Lease Agreement,” November 6, 1896 [*NEMC Correspondence*, box 499, file 4, no. 4]).

<sup>10</sup>*NEMC Correspondence*, CRDC to Munro, April 3, 1897.

check our bill and send it in to you, which he ought naturally to do in the course of his regular work.”<sup>11</sup> Jenkes’ caustic response suggests the Sherbrooke office knew the mine was at the moment essentially without a “Supt.” Finally, on April 9<sup>th</sup> Munro admitted receiving a copy of the invoice, but now he complained of a \$20.00 addition error and being billed “full list” price for goods he felt could be bought in Victoria at a discount of thirty to fifty percent.<sup>12</sup>

The standoff continued as both company secretaries waited to see who would blink first. Nine days after the last installment was due the CRDC learned from the bank in Victoria that Munro *still* had not paid the draft for “extras” or deposited a new promissory note extending the last payment on the machinery. By now Secretary Jenkes was also aware the mine was shut down and his patience was wearing dangerously thin. On April 12<sup>th</sup> Munro was bluntly informed that Mendenhall never had any authority to alter the terms of the contract and that henceforth any correspondence would be directed to the head office in Quebec. Munro’s April 9<sup>th</sup> snivelling was acknowledged but Jenkes was not easily derailed. The \$20.00 error turned out to be a penciled-in correction to the account which was inadvertently omitted in the total. Munro’s complaint about price gouging was so immaterial that it warranted no response. Jenkes demanded the Nestegg Secretary quit dodging the issue and do something about the bill and the overdue note.<sup>13</sup>

Officially the only issue now remaining was the authentication of the “sundries” bill. In his heated April 12<sup>th</sup> response to Jenkes’s sarcastic “push up” letter, Munro tried once more to lay the blame for the delay on the machinery company’s sloppy business practices: “We are not asking you to ‘check our bills’, in fact we will take very good care that you do not check them, but in view of the errors pointed out in my letter of the 9<sup>th</sup> April you will, no doubt, agree with me that your bills require careful checking.”<sup>14</sup>

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<sup>11</sup>Ibid.

<sup>12</sup>NEMC Correspondence, Munro to CRDC, April 9, 1897.

<sup>13</sup>Ibid., CRDC to Nestegg, April 12, 1897.

<sup>14</sup>Ibid., Munro to CRDC, April 12, 1897.

Still claiming it was up to the Rand's agent to get a verification of goods received, Munro stated he would again be denying the draft for "sundries."<sup>15</sup>

The senseless petty wrangling between the two secretaries was more than just a contest of wills. Jenkes was reluctant to foreclose on the lease but if he was forced to do so he needed to ensure all possible misunderstandings were cleared up first. It was no secret that the Nest Egg retained the best lawyers in B.C. In Victoria Munro was doing his best to get out of paying a low-ball "extras" bill he surely suspected was Mendenhall's commission in a sheep's clothing.<sup>16</sup> Unfortunately, thanks to O'Farrell's bungling, the company would have difficulty disputing the account. Munro probably knew it would have to be paid eventually – unless, of course, the Rand Company got tired of fighting about it. In the meantime he was buying the company men enough time to address the real question of whether or not saving the lease or the mine was even worth \$290.00. Hoping to find a quick answer the Trustees met on April 13<sup>th</sup> and authorized Holland to seek out a "responsible person" to make an assessment of the property.<sup>17</sup> Although the Rand problems did not come up for discussion, the company men were obviously considering the merits of continuing with the venture or giving up and letting the plant be repossessed.<sup>18</sup>

The Rand Company wired Victoria the following day to complain that the \$1,000.00 note due April 2<sup>nd</sup> had again been returned protested. Secretary Jenkes politely enquired if a signed copy of Mendenhall's until-then unauthorized "settlement" might not be in the mail. The question of the "sundries" was quickly becoming a non-issue in Sherbrooke – but not so in Rossland. Caught in the middle, Mendenhall struggled on his own to save the extras bill and his authority. Writing Munro on April 16<sup>th</sup> he provided a rather unconvincing justification for the supplementary supplies bill, claiming these items were "customarily not

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<sup>15</sup>Ibid.

<sup>16</sup>When he made his pitch for the deal to the Trustees in November 1896, O'Farrell failed to mention of any "extras" included in the purchase agreement.

<sup>17</sup>"Minutes of Trustees' Meeting," April 13, 1897 (*NEMC Minute Book*, 34).

<sup>18</sup>Perhaps the Trustees were waiting for a meeting when O'Farrell would be in attendance.

included in such contracts as those entered into by the Nest Egg.”<sup>19</sup> As to his earlier unauthorized authorization for the note extension, Mendenhall made a feeble attempt at modifying the facts: “Your people asked for [an] extension only about 10 days before note was due and I told them I would do what I could to secure it. Simply because I could not get letter & reply before note was protested is no reason for your sarcastic remarks.”<sup>20</sup> The agent concluded with a demand that Munro forward the account remittance and note renewal immediately “as stated in my last letter, otherwise we will be compelled to collect.”<sup>21</sup> However, with Jenkes’ repudiation of their Rossland agent already in hand, Munro wisely perceived that Mendenhall was in no position to “collect” anything.

Yet by now it was also evident the Rand headquarters would not wait much longer for a commitment, and the matter of the note and bill was finally put before the Trustees during a meeting on April 20<sup>th</sup>. Munro reported that Dan Burke and Gaston both ignored requests for details regarding the “extras.”<sup>22</sup> O’Farrell was in attendance but if he had anything to say about the bill it was not included in the Minutes. Without support from their medley of past managers the company men could choose to either pay up or give up. The Victoria men opted to hang on a little longer until Holland was able to find a suitable expert to report on the mine. Mendenhall’s terms were accepted and a cheque was issued the

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<sup>19</sup>NEMC Correspondence, Mendenhall to Munro, April 16, 1897.

<sup>20</sup>Ibid. Mendenhall was referring to Munro’s April 12<sup>th</sup> reaction to his failure to respond to the crucial “Saturday” telegram: “...your great consideration [negotiating the note extension with Burke] has been of very little service to this Company so far” (NEMC Correspondence, Munro to Mendenhall, April 12, 1897).

<sup>21</sup>NEMC Correspondence, Munro to Mendenhall, April 16, 1897.

<sup>22</sup>Munro was hoping Gaston would be able to shed some light on this and other questionable accounts but the Secretary’s letter of enquiry was returned “unclaimed” the same day the Trustees met. Gaston was likely still busy in Spokane trying to drum up investors for an enormous copper discovery he claimed to have made at a secret location “in the Okanogan [sic] country.” (Article from *Spokane Chronicle* republished as “Great Copper Find,” in *Colonist*, February 16, 1897, 3). Dan Burke was hanging onto his misappropriated salary and also not inclined to answer letters (NEMC Correspondence, Munro to Dan Burke, April 6, 1897, returned “unclaimed.”). His last correspondence sent March 21<sup>st</sup> was mailed on letterhead from the luxurious Hotel Pullman in America’s first National Park at Hot Springs, Arkansas (NEMC Correspondence, D.J. Burke to “Aleck Monroe Sec.,” March 21, 1897).

following day for the suspicious supplies bill.<sup>23</sup> A new note due August 1, 1897 was to be drawn for the \$1,410.00 remaining on the machinery contract.<sup>24</sup> At a cost of slightly more than \$300.00, the Trustees bought the company three more months in which to decide the mine's future.<sup>25</sup>

In hindsight the haggling over the "extras" bill seems to have been a fruitless waste of time. But in fact the end result was quite beneficial to the Nest Egg. The episode taught Munro two important lessons. First, he learned how easily the Rand Company could be pushed beyond the terms of the Lease Agreement.<sup>26</sup> Secondly, Munro discovered the Rand Company's two weaknesses: the distance factor and Mendenhall's unstable relationship with his employer.

#### **"Shark Attack"**

While Munro was working out the wrinkles with the machinery company a host of other problems surfaced in Rosslund. After the mine closure advertised the Nest Egg's seemingly certain demise, Munro braced himself for the usual onslaught of creditor and would-be creditor "sharks" anxious to get a piece of the assets before the Nestegg folded

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<sup>23</sup>"Minutes of Trustees' Meeting," April 20, 1897 (NEMC *Minute Book*, 35); NEMC *Cash Book*, 9.

<sup>24</sup>"Minutes of Trustees' Meeting," April 20, 1897 (NEMC *Minute Book*, 35.); The price of postponing the due date was a two percent higher rate of interest (10%) on the new note (NEMC Correspondence, Munro to Mendenhall in Spokane, April 20, 1897).

<sup>25</sup>In addition to \$270.00 for "sundries" (including the \$20.00 deduction for "sums error"), the company paid \$11.12 freight charges plus \$25.57 interest "to date" owing on the machinery contract (NEMC Correspondence, Munro to Mendenhall in Spokane, April 20, 1897).

<sup>26</sup>The Rand Company had a history of flexibility (or negligence) dating back to the origins of the lease. According to the Lease Agreement the Nestegg Company was supposed to have paid the first \$1,000.00 installment when the machinery order was placed (Undated "Deed of Agreement," signed by Mendenhall, NEMC Correspondence files [box 499, file 4, no. 1], 1.) However, the first payment was not made until after the plant arrived at the Columbia & Western Railway's freight dock in Trail (NEMC *Cash Book*, 10; NEMC Correspondence, J.D. Burke to Ellis, January 20, 1897). The Lease Agreement also specified that the mining company was obligated to keep the machinery insured until it was paid off but there is no record in the *Cash Book* of the company paying any insurance bills ("Deed of Agreement," 2).

completely.<sup>27</sup> The Secretary could not, however, have anticipated the severity of what lay ahead. On April 5<sup>th</sup> a letter from Judge Forin's solicitor brother reopened the Toronto v. Cooper episode with a renewed claim for Cooper's court costs.<sup>28</sup> The Trustees were baffled since it was assumed the dispute was satisfied the previous October. They instructed their Rossland solicitor to get to the bottom of things but the matter quickly became bogged down in legal red tape. The case was scheduled to go to court in July but Judge Forin developed doubts about hearing it "on the ground that he had taken some part in the original transactions between Cooper and the Nest Egg Company."<sup>29</sup> The day after he received Cooper's demand letter, Munro forwarded various other post-shutdown bills to mining foreman John Scolley in the hope that he could shed some light on their authenticity. Much to the Secretary's disappointment, Scolley confirmed all but an \$11.00 account from Campbell Bros. Hardware for a mattress ordered by the cook and taken by him when he decamped.<sup>30</sup>

Paying off the miners proved to be the most urgent of the confirmed Rossland debts. Since the end of 1896 the payroll always remained at least a month behind.<sup>31</sup> This was never a problem as long as the men continued to work, but once the mine closed the company and its Trustees were both instantly vulnerable to a court action. And the local court had a

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<sup>27</sup>NEMC Correspondence, Munro to Rolt, 28/July/97. "It is evident that a lot of these 'sharks' think that the Co. is in difficulties and that they can get anything & everything they claim by default but they will wake up presently to find their mistake."

<sup>28</sup>"Minutes of Trustees' Meeting," April 20, 1897 (NEMC *Minute Book*, 35).

<sup>29</sup>NEMC Correspondence, Rolt to Munro, July 28, 1897. There is almost nothing in the Nest Egg files about the negotiations and purchase of the property in late 1895. It is certainly possible Forin played some discreet role.

<sup>30</sup>NEMC Correspondence, Scolley to Munro, April 12, 1897.

<sup>31</sup>The NEMC *Cash Book* and *Journal* confirm that John Burke was given a \$189.70 draft on December 28, 1896 to cover November's mining wages (NEMC *Cash Book*, 8; NEMC *Journal*, 79). Although Munro never itemized his payroll notations as completely as Ellis, subsequent entries for January 29<sup>th</sup>, February 12<sup>th</sup>, and March 31, 1897 indicate that the men's wages continued to be more than a month in arrears right up until the mine closed in early April (NEMC *Cash Book*, 10, 12).

reputation for being less than merciful when deciding cases involving unpaid labour.<sup>32</sup> The men had to be paid at once, but exactly how much and to whom was difficult to say. Earlier, on March 27<sup>th</sup> Munro had acknowledged the February payroll for the foreman and three miners.<sup>33</sup> Having somehow deduced that two of the miners should have been paid from funds advanced by Burke, Munro wrote a cheque two days later to cover only the previous month's wages for the foreman and one miner, George H. Frana.<sup>34</sup> Later in the day the Secretary learned a fifth man named Groenig was put on at the mine shortly before the end of February, but Munro was again hesitant to pay wages he thought Burke should have already covered. It is therefore probable that the company was in a very dangerous situation by early April with three of the miners being *more* than a month in arrears.

While Munro was trying to sift through what was owed to the miners O'Farrell suddenly showed up in Rossland and drew on the company for the final payroll. And what a magnanimous draw it was: eleven miners were paid a total of \$1,014.60.<sup>35</sup> One of the men, Trehome, was paid for a week's work while the rest received *at least* thirty-one days' pay.<sup>36</sup> O'Farrell didn't seem to question the fact that a total of only thirty-four days had

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<sup>32</sup>During 1897 thirty-three claims totalling \$9,007.59 were brought in Rossland County Court for non-payment of wages and enforcement of mechanics' liens. Thirteen of these actions were definitely mining related and one claim was for an unspecified amount. In fifteen cases the plaintiffs received judgment (although three of these judgments [total \$1,026.15] were somewhat less than what the plaintiffs claimed [\$1,557.25]). Four actions were discontinued, probably upon settlement between the parties, while four other actions were listed as being settled out of court for undisclosed amounts. The defendants prevailed in only four cases and received costs totalling \$226.85. Two actions failed to proceed due to technicalities and the final dispositions of five suits were not recorded (RCC, *Plaint & Procedures Books, 1897*, case numbers 36/97, 49/97, 72/97, 73/97, 77/97, 84/97, 103/97, 105/97, 133/97, 142/97, 165/97, 180/97, 203/97, 209/97, 211/97, 234-236/97, 243-245/97, 251/97, 253/97, 259/97, 267/97, 280-282/97, 291/97, 336/97, 336/97, 343/97, 354/97).

<sup>33</sup>NEMC *Cash Book*, 12.

<sup>34</sup>Entry for Cheque #259986, NEMC *Cash Book*, 9. Recall that Munro probably still did not have access to the company's financial records at this time.

<sup>35</sup>NEMC *Cash Book*, 12.

<sup>36</sup>Ibid. Usually the company paid its miners \$3.00 per day with Scolley receiving \$3.50 (NEMC Correspondence, Gaston to Ellis, October 1, 1896).



transpired between the last payroll and the mine closure. Even though only five miners were working at the end of February, O'Farrell paid twice as many men for working the *entire* month of March – including at least one Sunday. As unlikely as this scenario must have seemed, Munro had no alternative but to authorize the draft when the Rossland bank wired him.<sup>37</sup> Once the Managing Director, technically the only one in charge since the end of February, made draws for *each* of the miners, the company was essentially acknowledging each individual claim for wages.<sup>38</sup> Legally in a bind and realizing that he had little chance of successfully disputing the amounts after the fact, Munro authorized payment of the drafts to get rid of the worrisome miners' debt once and for all – or so he thought.

At the end of April the company found itself faced with another of the Managing Trustee's semi-authorized machinations. On April 27<sup>th</sup> Munro learned from foreman John Scolley that O'Farrell had instructed him to stay on at the mine and generally spruce up the location while things were idle.<sup>39</sup> Scolley failed to mention any remuneration arrangements but later indicated he assumed the company would retain him at his old inflated rate of \$3.50 per day.<sup>40</sup> Although Munro heard nothing from the Managing Trustee to confirm Scolley's appointment, he nonetheless decided that since the plant was still uninsured, it was not a bad idea to have someone around to keep an eye on things.<sup>41</sup> Carefully avoiding the topic of Scolley's wages, the Secretary ordered him to do everything as economically as possible

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<sup>37</sup>The *Cash Book* shows a payment on April 17, 1897 for a CPR wire from the Bank of B.N.A. "re O'Farrell's Drafts" (NEMC *Cash Book*, 12). The wages claimed by the miners seem all the more suspicious considering that eleven men allegedly worked two shifts a day every day of the month and yet there was no indication that any progress was made on the drift from Shaft 3 to the "ore body" since the end of October 1896 (NEMC Correspondence, Gaston to Ellis, October 26, 1896; Report of P.A. O'Farrell attached to Minutes of General meeting, December 7, 1896 [NEMC *Minute Book*, 17]; NEMC Correspondence, John Burke to Munro, March 22, 1897).

<sup>38</sup>The Bank wire entry in the *Cash Book* for April 17<sup>th</sup> refers to O'Farrell's "Drafts." (NEMC *Cash Book*, 12). Cancelled drafts for each of the miners have been found loose in the NEMC correspondence files.

<sup>39</sup>NEMC Correspondence, Scolley to Munro, April 27, 1897.

<sup>40</sup>Ibid., Scolley to Munro, June 1, 1897.

<sup>41</sup>The Lease Agreement with the Rand Company stipulated that the plant had to be insured and not left "unattended" ("Deed of Agreement," undated and signed by Mendenhall, p. 2).

while looking after things and not to spend anything except “what is absolutely necessary.”<sup>42</sup> To avoid any further mischief from the Rossland end, Scolley was instructed to forward all company stationery back to the Victoria office on the pretext that “our supply is exhausted.” The foreman was also told to make sure a recently delivered load of cordwood was stacked “in a convenient place and have an eye over it.”<sup>43</sup>

Munro did not want any of the wood to disappear because he was hoping the vendors would take it back. On April 30<sup>th</sup> he wrote Matthias Bros. enquiring why the Nestegg Company was being billed for a second load of fuel three weeks after the mine closed.<sup>44</sup> A week later Scolley confessed he had ordered the wood shortly before the closure because the fifty cords delivered in March “was nearly all gon [*sic*] and [with] the prospect of snow going of [*sic*] thought it was best to get some more as they agreed to deliver it for \$3.50 per cord. They had got in 25¼ cords when the mine shut down.”<sup>45</sup> Scolley did not, however, explain why he failed to cancel the order or how mining operations could consume fifty cords during the month of March if the plant did not come on line until the 29<sup>th</sup>. The day after Scolley made his confession the wood merchants sent Munro a completely different story. They claimed John Burke (not Scolley) made a verbal agreement with them to keep the mine supplied with wood “until further notice.” The last shipment was, according to Matthias Bros., unloaded at the mine after it closed but before they had any knowledge of operations being suspended.<sup>46</sup> The circumstances surrounding the wood bill were suspicious to say the least and Munro was justifiably hesitant to pay it.

No less suspicious were the accounts forwarded in May from two Rossland hardware dealers. On May 4<sup>th</sup> Martin Bros. sent the Secretary a gentle reminder that their bill of

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<sup>42</sup>Ibid., Munro to Scolley, April 30, 1897.

<sup>43</sup>Ibid.

<sup>44</sup>Ibid., Munro to Matthias Bros., April 30, 1897. The wood merchants were paid \$193.60 on April 6, 1896 (NEMC *Cash Book*, 12).

<sup>45</sup>NEMC Correspondence, Scolley to Munro, May 9, 1897. Once the snow started melting, spring breakup could delay delivery weeks or even months. A cord of firewood is four feet deep by four feet high by eight feet long.

<sup>46</sup>NEMC Correspondence, Matthias Bros. to Munro, May 10, 1897.

February 11, 1897 for \$110.00 was overdue.<sup>47</sup> Munro initially claimed he had trouble finding a record of the account but eventually acknowledged that the company simply did not have the funds to pay the debt anyway.<sup>48</sup> This careless admission was bound to circulate rapidly through Rossland's small business community – as evidenced by the swift reaction of the town's other merchants. Hunter Bros. Hardware immediately sent in their bill for \$1,036.32 “with a writ [of summons] attached.”<sup>49</sup> The Nest Egg was in its death throes and they wanted to be first in line to scavenge the remains. To buy time Munro claimed he was having difficulty verifying all but \$457.40 of the Hunter bill. Meanwhile, furious that the hardware merchants would take out a writ without so much as a demand letter in advance, Munro convinced the Trustees to give their solicitor Gordon Hunter authority to enter a defence.<sup>50</sup>

But taking on Hunter Bros. would be no easy matter. The Nest Egg's management would have to do battle with the hardware company's enforcer, a veritable debt collecting machine named Harry Lippmann.<sup>51</sup> Head of the Mutual Collection Agency of Rossland, Lippmann learned the ruthless tricks of his trade between 1889 and 1894 while working for an agency of the same name in booming Butte, Montana.<sup>52</sup> His inevitable intervention made Munro appreciate the urgency of finding someone in Rossland who could get a handle on the debt situation.

Within days after Munro's careless admission to Martin Bros., the Nestegg Company

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<sup>47</sup>Ibid., Martin Bros. to Munro, May 4, 1897.

<sup>48</sup>Ibid., Munro to Martin Bros., May 10, 1897.

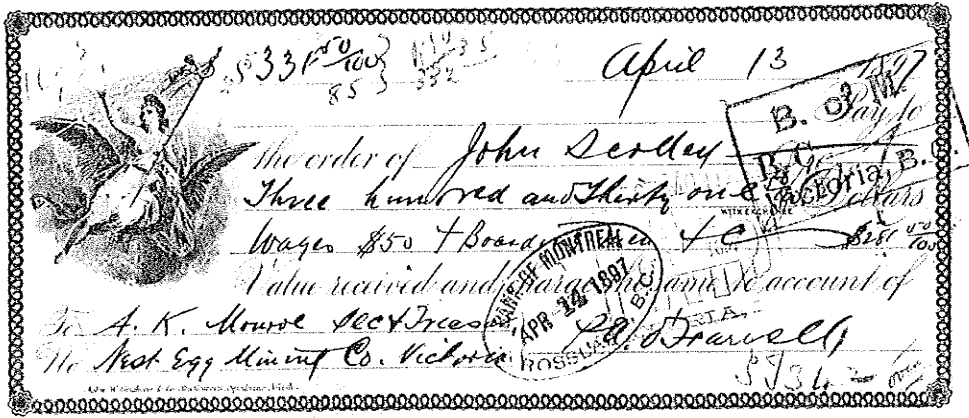
<sup>49</sup>“Minutes of Trustees' Meeting,” May 26, 1897 (*NEMC Minute Book*, 36). The summons was issued in Vancouver Supreme Court on May 22<sup>nd</sup> (Supreme Court [Vancouver] *Cause Book*, vol. 2, cause no. H-134-97 [BCA GR-1608, reel B01921]).

<sup>50</sup>“Minutes of Trustees' Meeting,” May 26, 1897 (*NEMC Minute Book*, 36). On June 6<sup>th</sup> Gordon Hunter entered an appearance on behalf of the company and filed a Statement of Defence five days later (Vancouver Supreme Court *Cause Book*, vol. 2, cause no. H-134-97).

<sup>51</sup>Lippmann initiated eighty-four bad debt actions for Hunter Bros. in the Rossland County Court during 1897, making the hardware company the town's most active litigant (Various entries *RCC Plaintiff & Procedure Books*, 1897).

<sup>52</sup>Kingsmill, *First History of Rossland*, 13.

was faced with yet another crisis. Scolley, who had been staying at the mine since it closed, suddenly demanded payment of his wages. He allegedly wrote O'Farrell several times but received no reply: "It has been customary for us to wait till the manager came around for our pay but as Mr. Farrell would not ans[wer] my letter or telegram thought I would write and let you know."<sup>53</sup> Even though he had no one left to supervise, Scolley claimed his usual \$3.50 per day foreman's wage for all thirty days of April, but generously demoted himself



40. Scolley's April Pay-check: \$331.00 or \$281.50?

to a miner (\$3.00/hour) for the month of May. He also claimed \$32.50 still owing to him for the month of March.<sup>54</sup>

Before Munro had a chance to respond, Scolley's grievance was made public in Rossland. On June 2<sup>nd</sup> the *Rossland Miner* published an open letter to O'Farrell, written by a "Subscriber" that asked: "without intending to be rude, ... if he [O'Farrell] is the manager of the Nest Egg company, and if so, when that company expects to pay its employees."<sup>55</sup> Since Scolley was the only known unpaid Nest Egg employee to demand payment, there can be little doubt he was the author. The following day the former foreman elicited a prompt response from Victoria when he attempted to draw \$230.50 on the company's barren bank

<sup>53</sup>NEMC Correspondence, Scolley to Munro, June 1, 1897.

<sup>54</sup>A cancelled cheque found in NEMC Correspondence would seem to substantiate Scolley's assertion that O'Farrell short-changed him. The cheque was made out for two different amounts but cashed for the lesser value leaving a difference of \$69.50. See above image.

<sup>55</sup>*Rossland Miner*, June 2, 1897, 2.

account for his wages. Munro patiently explained to Scolley the reasons why the company could not pay him: "You must be aware that in the present state of the market it is impossible for the Company to dispose of any Treasury stock and in consequence there are no available funds at present."<sup>56</sup> The Secretary also reminded Scolley that according to O'Farrell, the former foreman agreed to have his "wages remain over until the middle of August, when the Company expects to be in funds."<sup>57</sup>

There was an urgency to propitiating this particular claimant. First, someone had to be kept on the property in Rossland to keep an eye on the uninsured and as yet unpaid merchandise and machinery. Secondly, further bad press and possible court action were both something the company could ill afford at a time when it was desperately trying to find some way to market shares or option the mine. Nonetheless, Munro probably should not have been quite so candid about the condition of the Treasury. After the mine closure, the Nest Egg's Rossland creditors may have assumed the company was short of cash or out of ore, but now they would know just how bad things really were. The letter to Scolley revealed the company had less than \$250.00 to its name and no hope of improving its financial situation until August.

Had Munro been more familiar with the situation in Rossland he probably would have been more discreet. Scolley was obviously not acting alone. His June 1<sup>st</sup> correspondence to Munro was written on Gaston's letterhead and, apparently, in the latter's hand as well.<sup>58</sup> The letter to the *Rossland Miner* was also not something Scolley, a near illiterate, was not capable of writing. But what could possibly have motivated Paul Gaston to encourage difficulties in Rossland? Besides his undisguised disgust for O'Farrell, Gaston had never ceased scheming to reestablish himself as the Nest Egg's official mine manager. The anonymous letter to the *Rossland Miner* was intended to impress upon the company how badly they needed his services. It was likely no coincidence that as soon as the

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<sup>56</sup>NEMC Correspondence, Munro to Scolley, June 4, 1897.

<sup>57</sup>Ibid.

<sup>58</sup>Ibid., Scolley to Munro, June 1, 1897.

troublesome anonymous letter hit the press, Gaston, who had hitherto made himself scarce, wrote the company offering his services to help sort out the Rossland creditors.<sup>59</sup>

Fortunately, the *Rossland Miner* chose to reserve judgment until after the Nest Egg's management responded to the overdue payroll issue.<sup>60</sup> To meet the newspaper's challenge someone would have to be found quickly who could speak for the company and get to the bottom of what was happening in Rossland. On June 8<sup>th</sup> the Trustees again met at the B.C. Land & Investment Agency's office to do something about the Nest Egg's mounting debts and the problems with Scolley. Munro was directed to wire Scolley immediately and advise him "to await letter, as the Directors were endeavouring to arrange to pay his Draft."<sup>61</sup> In the meantime, since Vice-President Holland was about to leave on business for Rossland "& the Kootenay country," he was asked to "visit & report on the property." Any "arranging" with Scolley was "placed in his [Holland's] hands, and he is authorized to dispense with Scolley's services should he deem it advisable to do so, and appoint a substitute to take charge of the Company's property."<sup>62</sup> As to the company's indebtedness, Munro reported his "approximate estimate of the Liabilities of the Company" was about \$10,000.00. However, before making any decisions on a debt strategy, the Trustees agreed they should await Holland's report and then consult the shareholders.<sup>63</sup>

### A New Perspective

The company men had to wait a little longer than they expected for word from their Vice-President in Rossland. On June 14<sup>th</sup> Holland finally wired Munro instructing him to

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<sup>59</sup>Ibid., Gaston to Munro, June 6, 1897.

<sup>60</sup>"We do not know that there is any truth in the allegation and should be glad to learn from the Nest Egg company that it owes nobody. Ed[itor]" (*Rossland Miner*, June 4, 1897).

<sup>61</sup>"Minutes of Trustees' Meeting," June 8, 1897 (*NEMC Minute Book*, 37). The Secretary apparently did not follow through with the Trustees' instructions. Although Munro paid for three telegrams *received* from Scolley during June there is no record of a payment for a wire sent to him.

<sup>62</sup>"Minutes of Trustees' Meeting," June 8, 1897 (*NEMC Minute Book*, 37).

<sup>63</sup>Ibid.

call a General Meeting for the purpose of “consider[ing] accounts but not sale.”<sup>64</sup> Over the next few days the telegram was followed by more complete, albeit depressing, summaries of Holland’s findings. The Vice-President reported “the ore on the dump is very poor stuff,” and although a sample of “nice looking stuff that was last taken out” was being assayed, it was still not expected to produce “much of a result.”<sup>65</sup> Holland’s assessment of the mine was equally discouraging:

Of course one cannot tell yet and development may turn[?] us a mine; but from [what] I c<sup>d</sup> gather that is extremely unlikely. The purchase of machinery to such an extent was I think premature; though of course its presence there will help considerably in selling the mine in the East, should that be decided on.<sup>66</sup> ... There’s no use shutting one’s eyes to the fact that [the] Nest Egg to judge by present appearances is going to turn a loss to all concerned.<sup>67</sup>

The Vice-President then explained the urgency of his cryptic wire of June 14<sup>th</sup>: A business associate urged Holland and the other company men to say nothing “about selling the property or any of its assets until O’Farrell has had a chance of protecting the \$7,000 note; but if he fails to do anything by the 10<sup>th</sup> [of August] then we should sell the machinery & implements at once.”<sup>68</sup> Holland was convinced that in the likely event some deal O’Farrell was working on to sell or option the property fell through, the company would be

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<sup>64</sup>NEMC Correspondence, Telegram Holland to Munro, June 14, 1897. On June 18<sup>th</sup> the *Colonist* published notice of the meeting to be held on the 29<sup>th</sup> at the Board of Trade “for the purpose of considering the affairs of the Company generally” (from a clipping found in the NEMC Correspondence files).

<sup>65</sup>NEMC Correspondence, Holland to Munro, June 14, 1897. The assay yielded \$13.80 per ton, the best results to date but still well below the cost of mining, transportation, and smelting (BCLIA Correspondence, R.M. Grogan to Holland, July 7, 1897).

<sup>66</sup>Holland was unable to go down into the mine because it was flooded. He anticipated de-watering it but found that the pump that was supposed to have been included in the plant package was never delivered (NEMC Correspondence, Holland to Munro, June 14, 1897). A pump was in fact included in the Rand Company’s invoice but it was designed to provide water for the boiler *not* de-watering the mine. “Sinking pumps” were powered by compressed air or steam. Boiler pumps were usually mechanically driven. Holland likely did not understand the difference between the two types of pumps.

<sup>67</sup>NEMC Correspondence, Holland to Munro, June 15, 1897.

<sup>68</sup>*Ibid.* The note referred to was the \$7,000.00 debt consolidation loan taken out on April

further ahead liquidating its chattel assets before creditors had a chance to execute seizures or liens against them.<sup>69</sup>

Holland's plan had a few hitches. The machinery was "leased" and technically still the property of the Rand Company until the final installment was paid on August 1<sup>st</sup>. Should O'Farrell's scheme fail there would be no funds to make payment on time. Anticipating the machinery people would again bend on the due date, Holland figured that the Rand Company could be stalled until after the plant was sold to pay it off. The CDRC then would have a difficult time proving damages in court even if the sale was technically a breach of contract. However, discretion was important. If the Rand Company learned a sale was in the works, they might try to block it until the note was overdue.

They could then repossess and resell the barely used plant themselves and pocket the "rent" already paid plus the resale value.<sup>70</sup>

Holland was being advised by F.W. Rolt, the "substitute" he appointed to relieve Scolley. Francis Wardlaw Rolt, a partner with Ralph Mainwaring Grogan in the Rossland mining brokerage firm of Rolt & Grogan, was well known to Holland. In September 1896 when Holland wrote his BCLIA superiors in England encouraging them to relax their conservative attitude towards B.C. mining investment, he mentioned Rolt as an invaluable source of information on money-making opportunities in the Interior.



41. Manager F.W. Rolt  
Courtesy of Mrs. Ruth Rolt  
Cambridge, England

Francis W. Rolt is an A-1 hand. He has recommended me to go into a few things now & I have declined them all. Had I accepted one I should have made 12 times my money, and the other three would have brought me in 5 times my stake. I mention this simply to show he is a man that uses his brains, (and he is one exceedingly clever fellow, I know from a past experience) and does not

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<sup>69</sup>Although Holland thought that waiting on O'Farrell's scheme was "catching at straw," he felt the company had little to lose (NEMC Correspondence, June 15, 1897).

<sup>70</sup>NEMC Correspondence, Rolt to Munro, April 1, 1898.



recommend simply for the sake of a commission.<sup>71</sup>

Two months later when responding to a British client's inquiries about mining possibilities, Holland wrote: "Mr. [William] Walter [the BCLIA's London Secretary] will probably explain to you that we have had during the last three months a young man [F.W. Rolt] in Kootenay in whom we have confidence who has been looking out for claims for us."<sup>72</sup>

Perhaps one reason for Holland's complete confidence in Rolt was the fact that the two men were old acquaintances with much in common. Like Holland, Rolt was from a professional family of some standing.<sup>73</sup> His grandfather, General Sir John Rolt, was a highly decorated soldier, having earned both the Order of Bath and the Guelphic Hanoverian Order.<sup>74</sup> As boys, Holland and Rolt attended Hailebury School together, and both went on to graduate from Britain's best universities: Holland from Cambridge and Rolt from Oxford.<sup>75</sup> Immediately after finishing their university degrees both men crossed the Atlantic. Holland came to Victoria where he met his wife and went to work for her father at BCLIA while Rolt tried his hand at orchard management in Florida. Some time in early 1896 Rolt appears to have moved to B.C.<sup>76</sup> Although it is not likely the "young man" had

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<sup>71</sup>BCLIA Correspondence, Holland to William Walter (BCLIA London Secretary), September 29, 1896.

<sup>72</sup>Ibid., Holland to F. West of West, King, Adams & Co., London, November 19, 1896.

<sup>73</sup>According to Francis Rolt, son of F.W. Rolt's nephew John Rolt, the family at that time retained important social connections. One of F.W. Rolt's brothers was the Anglican Deacon of Capetown. Another brother, Bernard, was an accomplished pianist and reputed to have been a consort of the famous Australian singer, Dame Nellie Melba (the namesake of Melba Toast and Peach Melba).

<sup>74</sup>From the probated will of Francis Wardlaw Rolt, 1941 (VSC, Probate files, 1941-1947, GR 2202).

<sup>75</sup>During the 1870s Holland, Rolt, and George Kirk's brother, R.A. Lawrence Kirk, all attended Hailebury School at the same time (Biographical information supplied by Andrew Hambling, archivist for Hailebury College).

<sup>76</sup>Rolt's 1943 death certificate incorrectly estimated that he emigrated to Canada around 1898 (B.C., Division of Vital Statistics, Death Registrations, GR 2951, Volume 633, Registration #8066). In 1897 he appeared in the first *Henderson's Directory* to include listings for Rossland (*Henderson's Directory, 1897*, 501). There are no directory listings for him in Spokane or any of the other B.C. mining camps prior to 1897. The earliest reference to Rolt in the BCLIA

much experience in mining promotion before his arrival, Holland immediately showed every confidence in Rolt's investment skills.<sup>77</sup>

The terms of Rolt's employment with the Nestegg Company were typically charitable. Holland was not entirely sure but he thought the new manager would not "charge anything at present" although the company would have to "guarantee ...all expenses to which he may be put." Rolt did express an interest in taking an option on the Nest Egg in lieu of payment, but Holland told him "that w<sup>d</sup> be simply impossible."<sup>78</sup> The property was in the process of being put in Wolfenden's hands where it would remain until the notes against it (in Holland's name) were paid off.

It was easy enough for Holland to engage Rolt but getting rid of Scolley was another matter. The ex-foreman claimed he only stayed on through April because O'Farrell withheld part of his March wages. O'Farrell promised it would be paid the following month but the months came and went and Scolley received only more promises. He undoubtedly knew that as long as the company owed him money he could stay at the mine and legally accumulate wages. Although Holland found Scolley to be "a very decent fellow indeed," as a caretaker he left much to be desired.<sup>79</sup> The buildings were still unpainted and "the smaller tools and implements [were] lying round anywhere & everywhere."<sup>80</sup> Rolt had plans to engage a watchman at a much reduced salary to clean up and keep an eye on things but Scolley refused to leave. Consequently both Holland and his new manager decided to leave things as they were until the shareholders had a chance to meet and decide what to do about Scolley's wages and the other debts.

### **Another Financial Strategy**

Fourteen shareholders representing 188,636 shares of the old Nestegg Company

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Correspondence files dates to April 1896 (BCLIA Correspondence, Holland to Rolt, April 8, 1896).

<sup>77</sup>BCLIA Correspondence, Holland to Rolt, April 8 and April 15, 1896.

<sup>78</sup>NEMC Correspondence, Holland to Munro, June 15, 1897.

<sup>79</sup>Ibid.; *ibid.*, Rolt to Holland, July 6, 1897.

<sup>80</sup>Ibid., Holland to Munro, June 15, 1897.

attended the crucial General Meeting of June 29, 1897. Most of the heavyweights who turned out were founders: Kirk, Hunter, Holland, Hayward, Munro, and Erskine. Also attending was a new major stockholder, Leonard H. Solly of the Esquimault & Nanimo Railway, who acquired most of his 53,700 shares from Gaston via Ross Thompson at the end of 1896.<sup>81</sup> Munro began the meeting by distributing the first balance sheet ever seen by the shareholders. Grim as it was, the document was “confirmed” without debate as attention quickly focussed on a new strategy for resolving the company’s money problems:

Whereas it appears that the indebtedness of the Company now amounts to the sum of Ten thousand five hundred dollars (\$10,500<sup>00</sup>) or thereabouts and that several of the creditors are demanding payment of their accounts, and that additional money is ~~required~~ imperatively required for the preservation and further development of the Company’s interest and property, it is hereby resolved that the Trustees of the Company be and they are hereby authorized, in conjunction with A.R. Wolfenden and the Nest Egg & Firefly Gold Mining Company L<sup>d</sup>. L<sup>d</sup>. to borrow money for the above purposes and to execute a Mortgage of all the Assets of the Company to secure Debentures to be issued not to exceed Twenty five thousand Dollars (\$25,000<sup>00</sup>) payable *pari passu* [i.e., simultaneously and equally] with interest at the rate of ten per cent per annum on the 2<sup>nd</sup> July 1900. The details and provisions of such mortgage to be left to the discretion of the Trustees, and the said Mortgage to be prepared by the Company’s solicitor.<sup>82</sup>

The motion passed but company solicitor Gordon Hunter warned that insufficient shareholders were in attendance to make the resolution legal. He advised the Secretary to obtain enough shareholder signatures from absentees to meet the statutory two-thirds requirement.<sup>83</sup> By the time the meeting adjourned it was obvious there was not going to be any quick solution to the company’s financial problems.

The terms of the new financing arrangement were set out in an “Indenture” dated July 2, 1897 and signed by Kirk and Munro. One thousand \$25.00 debentures were to be publicly offered at ten percent interest per annum, payable twice yearly, with redemption in

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<sup>81</sup>NEMC, *Share Transfer Ledger*, 46.

<sup>82</sup>“Minutes of General Meeting,” June 29, 1897 (NEMC *Minute Book*, 40-41).

<sup>83</sup>*Ibid.*, 41; B.C., *Statutes, 1892*, “An Act to Amend the ‘Companies Act, 1890,’” 55 Vict., c. 7, s. 5. The attendees listed in the *Minutes* held a total of 188,636 shares or only about 38% of the total old company shares.

three years.<sup>84</sup> For the security of the debenture holders, all property was to be transferred in trust to Victoria solicitor James Yates. The company was allowed to continue operating the mine “in a proper and efficient manner.”<sup>85</sup> If the operation became insolvent or a writ of execution was enforced, Yates could take over the assets on behalf of the debenture holders and liquidate or continue operating the mine to the best advantage of the debenture holders.<sup>86</sup>

The decision to offer debentures was the logical choice for a heavily indebted company with insufficient share capital reserves, yet one which also *appeared* to possess sufficient potential assets (the mining property) to provide a reasonable probability of redemption. The debenture scheme had two important advantages: debentures were a more stable credit arrangement than the three month promissory notes the banks were giving and the indenture also provided an opportunity for the founders who loaned heavily to the company (Kirk, Holland, and Hayward) to transfer their promissory notes into more secure and less tainted paper. Subtly changing their notes into debentures would make it easier for the heavy lenders to grab the lion’s share of the assets if the Nest Egg folded. On the downside, the company’s new financial scheme was bound to have a devastating effect on share values. In the not-so-unlikely event that the company wound up, there would be few assets remaining for the shareholders after the debenture holders took hold of the property.

As soon as the fateful Shareholders Meeting ended, the Trustees met at the B.C. Land & Investment Agency’s office to “accept” Holland’s report on the mine and “confirm [his] action in regard to the Scolley matter.”<sup>87</sup> The mortgaging proposal was obviously also discussed further since it was altered considerably before being printed up and mailed out to the absentee shareholders two days later: “For the time being” only half the 25,000 debentures authorized at the General Meeting went on the block, with “said debentures to

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<sup>84</sup>“Debenture,” Schedule 1 attached to “Mortgage to Secure Debentures,” July 2, 1897 (NEMC Correspondence files, box 499, file 7). The debentures were essentially loan agreements.

<sup>85</sup>“Mortgage to Secure Debentures,” 8.

<sup>86</sup>*Ibid.*, paragraphs 3 and 4, p. 4.

<sup>87</sup>“Minutes of Trustees’ Meeting,” June 29, 1897 (NEMC *Minute Book*, 38).

be first offered to the shareholders of the Company.<sup>88</sup> Present stockholders had until July 20, 1897 to take advantage of the offer. Any debentures not sold by that date would be put on the open market.

The official explanation for choosing to sell debentures was simply that the reorganization scheme failed. The share market was allegedly so depressed the Trustees felt there was no point in releasing any of the new Nest Egg and Firefly Company stock.<sup>89</sup> But there were other undisclosed reasons why the new shares were not sold. Although the company had indeed offered shares at a paltry 5¢, the strings attached, as we have seen, were not favourable for a quick sale. Also, hardly enough uncommitted shares remained in the Treasury to make a worthwhile public offering.

The circular sent to the shareholders concluded with a grim warning about what might happen if debentures sales failed to generate the funds needed to clear the debts:

In the event of insufficient funds being forthcoming to carry out this proposed scheme, it is altogether probable that some two or three shareholders who are large creditors of the Company, and who themselves borrowed the moneys for the purpose of making the advances which were necessary for the development of the property, and who are now, to protect themselves, being forced to pay off smaller outstanding claims, will be forced to obtain judgment against the Company, and thereby become the owners instead of being merely mortgagees of the property. If they thus become owners it may be that they will proceed with the debenture scheme, and any funds you choose to forward would probably be allowed to be contributed by you if you desire in the same way as if the debentures were authorized as above contemplated by the shareholders themselves.<sup>90</sup>

### **The Trouble Shooter**

Besides hunting down the absentee shareholders, Munro was also charged with the delicate task of writing to the Rossland creditors and explaining why they would have to wait for payment. As usual, top priority was given to the labour debts. Besides Scolley, two other men, stationary engineer George Frana and one T.D. Hayden were now pressing claims

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<sup>88</sup>Published report of General Meeting printed on Nest Egg Co. letterhead and distributed to shareholders (filed loosely in NEMC Correspondence files).

<sup>89</sup>Ibid.

<sup>90</sup>Ibid.

for unpaid wages. Frana wanted to be paid for the three days he worked in April.<sup>91</sup> Hayden purchased a Nest Egg miner's \$10.50 salary debt in early May on assurances from Scolley that it would be paid on the 20<sup>th</sup>. Hayden claimed both Munro and O'Farrell ignored his requests and, as he was "no money lender," he decided to turn the debt over to a lawyer.<sup>92</sup> The Secretary wrote Scolley to be patient since something was in the works that would put the company in funds. He also asked the former foreman to send him a complete breakdown of the miners' March and April wages.<sup>93</sup> Hayden and Frana were told they would have to wait until Scolley confirmed their claims.<sup>94</sup>

Fortunately for Munro, assistance was on the way as the Nest Egg's new mine manager, or rather debts manager, was about to take charge in Rossland. Rolt officially assumed his duties on July 1<sup>st</sup> and immediately tackled the Matthias Bros. account. The lawyer for the wood merchants "absolutely refused to talk on the subject of compromise and says he is convinced that he can collect the debt in full." With the wood still stacked at the mine and waiting for a writ of execution, Rolt dryly concluded, "I presume there is nothing left but for him to try."<sup>95</sup> To everyone's relief Hunter Bros. Hardware proved to be more pliable and "seemed to be willing" to take back "some of the material down there in the way of pipe, steel, etc."<sup>96</sup>

Scolley was a particular thorn in Rolt's side. A watchman was hired at \$60.00 per

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<sup>91</sup>NEMC Correspondence, Geo. H. Frana to Munro, June 30, 1897. Frana's letter was not written on Gaston's letterhead but it was obviously written in the same hand as those earlier sent on behalf of Scolley.

<sup>92</sup>Ibid., T.D. Hayden to Munro, June 14, 1897. Hayden claimed he was not a "money lender" but his true vocation is a mystery. Thomas Dillon Hayden did not appear in either the 1897 *Henderson's Directory* or *Williams Directory*. He was listed in the 1898-1900 *Henderson's* editions as a resident of Rossland but no vocations were specified. Since he did not hold a free miner's license in 1897, it is unlikely Hayden was involved in mining.

<sup>93</sup>Ibid., Munro to Scolley, July 2, 1897.

<sup>94</sup>Ibid. Munro to Hayden, July 2, 1897.

<sup>95</sup>Ibid., Rolt to Holland, July 6, 1897.

<sup>96</sup>Ibid.

month but Rolt could not send him to the mine until Scolley was removed.<sup>97</sup> Scolley would not budge even though he claimed his family was “sick.”<sup>98</sup> Rolt concurred with Holland’s opinion that Scolley had done little to deserve the wages he claimed. Nevertheless rumours of a suit being launched prompted Rolt to suggest a compromise offer of \$2.50 per day plus part of Scolley’s legal costs.<sup>99</sup> The rumour was confirmed two days later when the company was served notice of a \$338.50 lien entered in favour of Scolley. The good news was he had finally left the mine.<sup>100</sup>

The Nest Egg’s departing foreman lost no time providing Munro – via Gaston – with an apologetic explanation for his actions.<sup>101</sup> Forced to settle the debt before he left town to seek medical help, Scolley claimed he held off suing as long as possible in hopes that Holland would make good on his promise to personally pay at least part of the debt.<sup>102</sup> As atonement Scolley provided Rolt with the list of employees and time owing that Munro had requested weeks earlier.<sup>103</sup> Scolley was obviously desperate but still trying very hard not to burn his bridges.

Rolt and Munro were not terribly concerned about Scolley’s lien. As a foreman he was not a “pick and shovel” man and therefore probably not entitled to the benefits of the Mechanics’ Lien Act.<sup>104</sup> It also appeared the company might be entitled to a substantial counter-claim. After receiving a hefty grocery bill from the Rossland Mercantile, Munro

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<sup>97</sup>Ibid.

<sup>98</sup>Ibid., CPR Telegram, Scolley to Munro, June 25, 1897.

<sup>99</sup>Ibid.

<sup>100</sup>Ibid., C.R. (Charles R.) Hamilton, Rossland solicitor, to Munro, July 8, 1897.

<sup>101</sup>Ibid., Scolley to Munro (on Gaston’s letterhead and in Gaston’s hand), July 8, 1897. The day after helping Scolley with his letter, Gaston wrote Munro from the Hotel Spokane in Spokane to confirm Scolley’s lien had been entered on July 7<sup>th</sup> (NEMC Correspondence, Gaston to Munro, July 7, 1897).

<sup>102</sup>Holland did in fact later convey to Munro similar sentiments about paying his share (NEMC Correspondence, Holland to Munro, July 15, 1897).

<sup>103</sup>NEMC Correspondence, Holland to Munro, July 15, 1897

<sup>104</sup>Ibid., Munro to Rolt, July 13, 1897. The Mechanics’ Lien Act did not apply to salaried management personnel (*B.C. Statutes, 1891*, “Mechanics’ Lien Act, 1891,” 54 Vict., c. 23, s. 2-4).

began to suspect Scolley of misappropriating the \$1.00 per day boarding costs deducted from the miners' wages.<sup>105</sup> Munro told Rolt he understood the cook was contracted to feed the men "@ 35¢ each per day, the balance going to the Co."<sup>106</sup> If that was the case Scolley could have skimmed from the company in March alone nearly as much as he was now claiming in court.<sup>107</sup> Although Rolt could not ascertain exactly what arrangements were made to deduct and pay for board, he was nonetheless convinced that "...if the sum of \$1.00 per day was handed over [by the miners] to Scolley, then the grocery bills, etc, should certainly be paid by Scolley, and anything that you have paid hitherto on this account ought to be recovered from him."<sup>108</sup> Still, the company's position was by no means certain and a trip to court would only accelerate the "shark attack." Against his better judgment, Rolt agreed to offer Scolley's solicitor \$250.00 to settle the matter.<sup>109</sup>

On June 13<sup>th</sup> Munro informed Rolt the company had just raised \$1,000.00 to help clean up outstanding debts.<sup>110</sup> Further funds were expected at the end of the month from

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<sup>105</sup>Ibid., Munro to Rolt, July 13, 1897.

<sup>106</sup>Ibid.

<sup>107</sup>Receipts found in various correspondence files verify that O'Farrell deducted the room and board before issuing drafts to the miners for their last payroll. The draft he wrote for Scolley indicated he was owed \$107.50 for his March-April wages plus \$224.00 to reimburse him for the *total* amount deducted from the other miners' room and board. Scolley's draft was made out for the full amount (\$331.50) but was cashed for only \$108.35 (Scolley's wages plus bank draft fees).

<sup>108</sup>NEMC Correspondence, Rolt to Munro, July 16, 1897. The room and board deductions were a tangled mess. If the 35¢ per miner per day contract with a cook did exist – certainly a fair arrangement – then the company would have been entitled to retain 65¢ per miner per day "room" (\$145.00) from the total \$224.00 "room and board" withheld from the miners. Since there is no evidence of the cook Dempster being paid by the company (except for the mattress he stole), it is assumed that Scolley engaged him and that the company actually owed its foreman the "board" difference or \$79.00. If that was the case he also would have been responsible for the \$74.23 grocery bill at the Rossland Mercantile (Rossland Merc. account in NEMC Correspondence, Rolt to Munro, August 3, 1897). However, Scolley claimed that only \$32.50 was owing him for March and that this was for unpaid "wages" not "board." (ibid., Scolley to Munro, October 21, 1897).

<sup>109</sup>NEMC Correspondence, Rolt to Munro, July 16, 1897.

<sup>110</sup>The capital infusion came from personal loans of \$360.00 each from Kirk, Holland, and Hayward on July 13, 1897 (NEMC *Cash Book*, 13). An additional \$1,000.00 was supposedly made available on July 19<sup>th</sup> although the *Cash Book* shows only \$417.15 being deposited that day (with \$365.00 more deposited by July 23<sup>rd</sup>) (NEMC Correspondence, Munro to Rolt July 19, 1897; NEMC



debenture sales and Rolt was instructed to pay only what could not be put off until then.<sup>111</sup> This proved to be no easy assignment. The Scolley affair and the hefty Hunter Bros. account were already in court and solicitors acting for Campbell Bros. on the mattress matter sent a demand letter indicating they too would start suit if payment was not sent "by return mail."<sup>112</sup> The same lawyers were already in court over Aldrich's claim for the \$131.40 "extras" padded to his construction contract.<sup>113</sup> The situation with Matthias Bros. wood merchants was to the point where it was "useless to contest the matter & too late to try to arrange a settlement."<sup>114</sup> Since there was no sign the mine was going to resume operations Rolt knew it would be difficult to stall the claimants much longer. The new manager lamented: "I only wish I had an opportunity of fixing up some of the outstanding accounts before matters had gone quite so far."<sup>115</sup>

On July 22<sup>nd</sup> a Rossland law firm representing Travers Hardware, the supplier for the building contractor, sent a suspicious demand letter to the Victoria head office. Like the Aldrich "extras" bill, Munro was hesitant to pay for items used in construction.<sup>116</sup> McPhee and Aldrich both claimed O'Farrell promised the company would be responsible for materials but nothing was put down in writing. Rolt eventually found a contract between D.J. Burke and Aldrich for \$830.00 and a draft signed by O'Farrell for the same amount but he could not determine if any arrangement "for extras [the \$130.00 materials claim] was entered into though there may have been some verbal arrangement of which I know

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*Cash Book*, 14-15).

<sup>111</sup>NEMC Correspondence, Munro to Rolt, July 13, 1897. Munro's emphasis on conservatism was no doubt motivated by his overriding concern for the final Rand installment coming due in early August.

<sup>112</sup>NEMC Correspondence, Harris, MacNeil & Deacon to Munro, July 14, 1897.

<sup>113</sup>Ibid., Harris, MacNeill & Deacon to Munro, March 30, 1897. On March 25, 1897 O'Farrell drew \$832.10 to pay Aldrich for installing the plant (*NEMC Cash Book*, 12).

<sup>114</sup>NEMC Correspondence, Rolt to Holland, July 15, 1897.

<sup>115</sup>Ibid., Rolt to Munro, July 16, 1897.

<sup>116</sup>Ibid., Rolt to Munro, July 26, 1897.

nothing.”<sup>117</sup> Munro confirmed Rolt’s suspicions: “Arrangements made by Mr. O’Farrell were usually made verbally & no note of them sent to this office, & many of them before I assumed office.”<sup>118</sup> And since the Managing Trustee had conveniently disappeared it proved impossible to disprove either contractor’s assertions.<sup>119</sup> With nothing to lose Munro wrote Travers Hardware informing them that no accounts would be considered unless accompanied by an itemized invoice signed by the person who authorized the transaction.<sup>120</sup> The Secretary apparently called their bluff and nothing more was heard from Travers Hardware or their solicitors.<sup>121</sup>

### Jumping the Gun

On July 15<sup>th</sup> a concerned Rolt reported a rumour – “interesting if true” – that Frank Mendenhall sold “some (or all) the notes due the N.E. Co. to the Rand Drill Co. for the machinery to Lippmann for 50 cts on the \$1.00.”<sup>122</sup> It was more than rumour. A document which surfaced later shows Mendenhall did turn the note over to Lippmann on July 12<sup>th</sup>:

For valuable consideration we herewith assign, sell, transfer, and set over unto H.E. Lippmann the machinery, pumps, compressor, boiler etc. and the appurtenances thereto belonging which are now on the property of the Nest Egg Co. situate in the City of Rossland, covered by a mortgage, and we further assign for valuable consideration said mortgage and notes with full power which same bears that said H.E. Lippmann may take possession of these articles at any time he may deem proper under the provisions of same. [signed] Canadian Rand Drill Co.,

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<sup>117</sup>NEMC Correspondence, Rolt to Munro, July 22, 1897.

<sup>118</sup>Ibid., Muro to Rolt, July 23, 1897.

<sup>119</sup>O’Farrell’s disappearance was a topic at the next Board Meeting (“Minutes of Trustees’ Meeting,” July 28, 1897 [NEMC *Minute Book*, 42]).

<sup>120</sup>NEMC Correspondence, Munro to Travers Hardware, July 23, 1897.

<sup>121</sup>A week later Rolt reported he had found cancelled drafts which seemed to indicate the company paid Travers their account some time ago (NEMC Correspondence, Rolt to Munro, August 4, 1897). On September 4<sup>th</sup> and then again on November 4<sup>th</sup> Rolt indicated he still had heard nothing more about the claim.

<sup>122</sup>Ibid., Rolt to Munro, July 15, 1897.

F.R. Mendenhall<sup>123</sup>

While Rolt was pondering rumours Munro received a confirming demand letter from Mendenhall also dated July 12<sup>th</sup>:

In compliance with clause of chattel mortgage given to us by above company we deem it expedient in view of the fact that judgments have been registered against your Company to foreclose instanter. We regret the circumstances but feel in justice to ourselves we must protect our interests. If money is not wired subject to our order to the Bank of Montreal on or before the 16<sup>th</sup> inst. we will take possession under the act.<sup>124</sup>

But did Mendenhall or the CDRC have a legitimate reason to threaten Munro with repossession? According to the terms of the original Agreement, the Rand Company could terminate the lease if the Nestegg Company found itself in specific financial difficulties:

...or if the said Party of the Second Part [the Nestegg Mining Company] should become insolvent or be in insolvent circumstances, or if he conveys away or assigns his said property or the said machinery without the consent of the said Party of the First Part [the Canadian Rand Drill Company], or if the said goods hereby contracted for, or other property, real or personal, of the said Party of the Second Part [NEMC], shall be attached, or any judgment or execution remains unsatisfied, or if he absconds or leaves the said machinery unprotected in a like case, the said Party of the First Part [CRDC] may at any time resume possession of the said machinery, in which case all payments made up [to] the date thereof of taking such possession shall be imputed on account of rental.<sup>125</sup>

But on July 12<sup>th</sup> *no judgments* were in effect against the company. Three claims were in court – Hunter Bros., Scolley, and Matthias Bros. – but none were yet resolved. Scolley's lien was never brought before the court for enforcement and the Hunter Bros. case was in the process of being moved from Vancouver to Nelson.<sup>126</sup> Matthias Bros. initiated an action

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<sup>123</sup>From a copy of a document submitted in evidence found in the NEMC Correspondence files (PR5, series 3, box 44B6, file 1).

<sup>124</sup>NEMC Correspondence, Mendenhall to Munro, July 12, 1896. Munro added a note indicating the ultimatum was received the day before the deadline.

<sup>125</sup>"Deed of Agreement," undated, signed by F.R. Mendenhall (NEMC Correspondence [PR5, series 3, box 499, file 4]).

<sup>126</sup>VSC *Cause Book*, vol. 2, cause no. H-134-97.

in Rossland on July 3<sup>rd</sup> but never obtained judgment.<sup>127</sup>

Also, it was also not clear whether Mendenhall still had the authority to act on behalf of Canadian Rand Drill. The machinery company's Sherbrooke office earlier instructed Munro to deal with them directly and leave Mendenhall out of it. Yet the Rand Company's Rossland agent was apparently never informed he was being dealt out. Taking note of this confused state of affairs, Munro concluded that it might be possible to work the distance factor and Mendenhall's impetuosity to the Nestegg Company's advantage.

Mendenhall's demand letter arrived in Victoria on July 16<sup>th</sup> and, according to the version of events Munro later related to Rolt, the last machinery note was paid off later that day.<sup>128</sup> The payment was supposedly covered by the timely deposit of \$1,460.00 received from debenture sales.<sup>129</sup> Munro then sent Rolt a crucial telegram informing him the machinery was paid off, but also warning him *not* to say anything to Mendenhall: "Have paid machinery notes in full, let them (Can. Rand Drill Co.) ascertain this for themselves, advise us if they seize."<sup>130</sup>

Two very different messages were then sent to the machinery company. Mendenhall received a cryptic *telegram*: "Note is payable in Victoria, advise you to ascertain whether it has been paid before you enter. Will hold you for damages if you take any unwarranted action."<sup>131</sup> The wire to Rossland was, however, more important for what it did not say. No mention was made of the note being paid or the due date extension. Mendenhall was only warned that the note *could* be paid off at a moment's notice in Victoria and that he had better make sure the debt was not cleared before proceeding with a foreclosure. Munro was

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<sup>127</sup>The matter was settled out of court two months later (RCC *Plaint and Procedure Books*, 1897, action no. 147/97).

<sup>128</sup>NEMC Correspondence, Munro to Rolt, July 24, 1897.

<sup>129</sup>NEMC *Cash Book*, 15, 17. Curiously, proceeds from the debenture sales were not deposited until the same day the Rand installment was made.

<sup>130</sup>Cited in NEMC Correspondence, Munro to Rolt, July 24, 1897.

<sup>131</sup>Telegram quoted in NEMC Correspondence, Munro to Rolt, July 24, 1897. The *Cash Book* confirms payment was made for a telegram to Mendenhall on July 16, 1897 (NEMC *Cash Book*, 14).

betting the Rand Company's Rossland agent would not be able to determine the note was cancelled in time to halt a seizure he suspected was already in the works.

A second *letter* was simultaneously *mailed* to the Rand's Quebec office informing them the final installment was just taken care of. A week later the machinery company's secretary confirmed receiving the July 16<sup>th</sup> notice – and apparently he was ready to take Munro's word that the payment was made. Jenkes mailed "all the papers in this matter" to Mendenhall on July 20<sup>th</sup> so the Rossland agent "might have them at hand to instantly discharge and surrender [them] on evidence of payment."<sup>132</sup>

Yet evidence in the Nestegg Company books indicates the Rand Company note *was not* extended or paid off on July 16<sup>th</sup>. The *Cash Book* entries for the debenture deposit and renewal of the Rand Company's last note were dated July 16<sup>th</sup> but sandwiched between two other entries made on July 19<sup>th</sup>.<sup>133</sup> A disbursement for the wire to Rolt advising him the note was *paid off* (not extended) was also dated July 19<sup>th</sup>.<sup>134</sup> The corresponding *Cash Book* entries for the final promissory note and the cancelled cheque for the machinery payment are also suspicious. The jerry-rigged note was signed by Munro and Kirk on April 20, 1897 with a due date of August 1, 1896, and, according to its cancellation mark, the terms of the lease were fulfilled on July 19, 1897.<sup>135</sup> However, the original of the cheque indicates it was written on July 16<sup>th</sup> and deposited at the Bank of Montreal *the next day*.<sup>136</sup> Yet its entry in the *Cash Book* indicates the cheque was issued on July 21<sup>st</sup> four days after it was cashed and two days after the promissory note was cancelled.<sup>137</sup> And finally, the cheque for the Rand

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<sup>132</sup>NEMC Correspondence, CRDC (Jenkes) to Munro, July 23, 1897.

<sup>133</sup>NEMC *Cash Book*, 14.

<sup>134</sup>*Ibid.*

<sup>135</sup>A note from the Bank of British Columbia was used with its name was crossed out and replaced with "Bank of B.N.A." (NEMC Correspondence [PR5, series 3, box 44B6, file 4]).

<sup>136</sup>Bank of B.N.A. cheque #257576 for \$1,460.00, payable to the order of CRDC, at the Bank of Montreal (NEMC Correspondence [PR5, series 3, box 44B6, file 4]).

<sup>137</sup>NEMC *Cash Book*, 15. Curiously, the debit entry contained no annotation. Details were extracted from the original cheque found in NEMC Correspondence (PR5, series 3, box 44B6, file 4).

payment just happened to be the first one written in a new book of cheques. The next cheque was written on July 23<sup>rd</sup>, which certainly leaves a window of opportunity for the Rand cheque to have been written *after* the seizure commenced and backdated to the 19<sup>th</sup>.<sup>138</sup>

Many unanswered questions surround the alleged final payment. Was the note renegotiated or was it paid off? Why was the cheque drawn and deposited in Victoria rather than Rossland? If Munro really wanted to protect the machinery why would he keep his own manager in the dark, send Mendenhall a riddle rather than a warning, and mail rather than wire a confirmation of the debt's clearance to Quebec? The Secretary seemed to be doing all the wrong things. But the mistakes were actually part of his plan. Rather than instruct Rolt to enlighten Mendenhall, Munro wanted to make sure the way was clear for the Rand agent to attempt repossession. For the same reason the notice of payment was sent via mail to Quebec – a good five days journey. Munro was hoping the Sherbrooke office would not receive the information in time to stop its rambunctious Rossland agent. If Mendenhall fell into the trap and carried out the seizure *after* the final payment was made the Rand Company would find itself on the wrong end of an ugly court action for damages. Munro calculated that a reckless seizure by a non-resident industry and its alien agent would likely produce a severe and profitable reaction from courts situated in a jurisdiction where mining promotion and the sanctity of personal credit relationships were essential. For once it looked like the distance factor might work in the Nestegg Company's favour.

Exactly what happened next is still not clear. Harry Lippmann, the Hunter Bros. Hardware Company's enforcer, wired Victoria on July 17<sup>th</sup> to report he had removed the machinery "for Rand Drill Company."<sup>139</sup> But the ordinarily impertinent collection agent exhibited an unusual uneasiness. Lippmann promised he would gladly return everything thus far collected if Munro would wire back particulars of when and where the final payment was made. Not only did Munro fail to respond, he did not even tell Rolt what Lippmann was

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<sup>138</sup>Stub for cheque #257576 at front of new Bank of B.N.A. cheque book (NEMC Correspondence files [PR5, series 3, box 44B6 file 4]).

<sup>139</sup>NEMC Correspondence, CPR wire Lippmann to Munro, July 17, 1897.

doing.<sup>140</sup>

On July 20<sup>th</sup> the Rossland manager learned on his own that the Sheriff was seizing material at the mine. Since Lippmann was involved, Rolt naturally assumed the action was being taken on behalf of Hunter Bros. His suspicions were confirmed when the Sheriff produced a writ of execution for the hardware company dated July 16<sup>th</sup>.<sup>141</sup> Although Rolt had instructions to let the Rand Company attempt repossession, nothing was said about Hunter Bros. And since he was earlier authorized to work out a deal with the hardware company, Rolt assumed he should make every effort to stop their seizure. Furious that they would execute a writ while both parties were still working on a settlement, Rolt grudgingly acknowledged he had no alternative but to settle up with Hunter Bros. and the Sheriff as quickly as possible. It was not a cheap deal. Rolt was forced to concede the legitimacy of the entire hardware account plus pay all costs for a total of \$1,357.91.<sup>142</sup> Hunter Bros. did agree to consider an adjustment for any unused merchandise returned and allowed payment to be delayed until Mendenhall could sort out what still belonged to the Rand Company. Rolt thought ultimately “only \$500 [reduction in the settlement] might be realized this way,” but he confessed there was little he could do: “The Sheriff is such an expensive luxury that he had to be got rid of at any cost.”<sup>143</sup> Rolt also had to admit it was almost impossible on such short notice to determine what was being legitimately claimed and what was robbery: “The affairs are very badly mixed up & I think there is no doubt that Hunter Bros., Mendenhall, Aldridge & others took advantage of the situation pretty liberally.”<sup>144</sup>

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<sup>140</sup>Munro had a good excuse for not responding to Lippmann. According to a note written by the Secretary on the back of Lippmann’s telegram, the wire, which arrived in the evening of Saturday, July 17<sup>th</sup>, was sent collect and Munro refused to pay the \$2.75 fee. The Secretary was also convinced Lippmann was bluffing since he had heard nothing from Rolt about a seizure taking place (NEMC Correspondence, Munro to Rolt, April 25, 1898).

<sup>141</sup>VSC *Cause Book*, vol. 2, cause no. H-134-97.

<sup>142</sup>The Sheriff’s fees were \$68.00 and Hunter Bros. legal costs amounted to \$250.00 (NEMC Correspondence, Rolt to Munro, July 20, 1897).

<sup>143</sup>NEMC Correspondence, Rolt to Munro, July 20, 1897.

<sup>144</sup>*Ibid.*, Rolt to Munro, July 25 and July 23, 1897.

With Hunter Bros. temporarily out of the way and \$2,000.00 in the bank, the Rossland manager began cleaning up the other loose ends to avoid any further run-ins with the local County Court "luxury."<sup>145</sup> Since their claims were already in court, Rolt made firm offers of \$60.00 to Matthias Bros. and \$200.00 to Scolley.<sup>146</sup> Scolley's lawyer was slow to respond because his client was somewhere between Rossland and Fort Steele. The lawyers for the wood brokers refused to budge so Rolt paid their claim with costs on July 22<sup>nd</sup>,<sup>147</sup> the same day he also paid off Martin Bros. Hardware's \$110.00 account.<sup>148</sup>

### The Seizure

While Rolt was paying off the lawyers for Matthias and Martin Bros., startling developments erupted at the mine in the afternoon. Much to the manager's surprise Mendenhall and Lippmann began seizing the plant. In the morning Rolt sent a team and wagon to the mine ostensibly to remove the items Hunter Bros. agreed to take back. Having learned what was afoot, Lippmann decided to run interference. Hunter Bros. had not yet received any payment on the settlement of their bill and their bulldog collection agent was understandably not inclined to allow Rolt to remove anything from the property.<sup>149</sup> On the way to the mine Lippmann informed Mendenhall and the machinery agent determined he should be on hand to make sure none of the Rand materials were accidentally removed by

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<sup>145</sup>Almost \$3,000.00 was deposited in the Treasury account during July 1897. Kirk, Holland, and Hayward each made personal loans of \$360.00 to the company on July 13<sup>th</sup> (NEMC *Cash Book*, 13 and 14), and two deposits from the proceeds of debenture sales were made on July 16<sup>th</sup> (\$1,460.00) and on July 19<sup>th</sup> (\$417.50) (Ibid., 14).

<sup>146</sup>NEMC Correspondence, Rolt to Munro, July 20, 1897.

<sup>147</sup>Ibid., Rolt to Munro, July 22, 1897. A July 21, 1897 receipt for \$87.87 found in the NEMC Correspondence files indicates this was an all inclusive settlement with a \$12.50 "deduction for cash" that was transformed into MacDonald & Cronyn's legal costs (Receipt in NEMC Correspondence [PR 5, Series 3, Box 4486, file 5]);

<sup>148</sup>NEMC Correspondence, Rolt to Munro, July 20, 1897.

<sup>149</sup>Sufficient funds were in the company's Victoria bank to cover the Hunter Bros. settlement when it was effected on July 16<sup>th</sup> but the money was not transferred to Rolt until July 24<sup>th</sup> (NEMC *Cash Book*, 16).



Lippmann or Rolt.<sup>150</sup> However, Mendenhall had a change of heart by the time he reached the mine. He commandeered the team and wagon Rolt sent to the mine and removed everything purchased under the Lease Agreement except the boiler.<sup>151</sup>

There are a number of possible explanations for his actions. Mendenhall may not have known progress was being made on the note if, as he later claimed, he was out of town when Munro sent his cryptic warning about the final payment being made.<sup>152</sup> The decision to seize was likely also encouraged by Mendenhall's last-minute discovery that Rolt was planning to sell some of the mining tools and materials to the Monte Christo mine.<sup>153</sup> Mendenhall was experienced enough to know that if the Monte Christo people got their hands on any of the Rand "stuff" it would be almost impossible to get it back. And if Rolt was secretly selling the tools necessary for mining it was logical to assume he was trying to sell the plant too. Mendenhall possibly had plans of his own for salvaging the machinery. Within a week of the seizure he was trying to work out a deal to sell the plant to the company that operated the neighbouring Sunset No. 2 claim.<sup>154</sup>

The Nest Egg's new manager was beside himself trying to explain to Munro how this disaster could have happened. He "amply & completely" refuted Mendenhall's "precious contention" that the seizure was made to keep Lippmann from taking more than his share.<sup>155</sup> Indeed, Mendenhall was a "very clumsy liar" since Rolt personally saw to it that Hunter Bros. was satisfied two days before the incident.<sup>156</sup> Worried about negative repercussions in Victoria so soon after taking his job, Rolt was anxious to control the damage. On July

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<sup>150</sup>NEMC Correspondence, Lippman to Rolt, July 28, 1897.

<sup>151</sup>The team and wagon Rolt sent to the mine was commandeered by Mendenhall and Lippmann and used to carry off everything but the boiler (NEMC Correspondence, Munro to Rolt, July 24, 1897).

<sup>152</sup>Mendenhall later claimed to have proof he was in Spokane at the time the telegram was sent (BCLIA Correspondence, Rolt to Holland, June 16, 1898).

<sup>153</sup>NEMC Correspondence, Rolt to Munro, July 28, 1897.

<sup>154</sup>Ibid., Rolt to Munro, July 30, 1897.

<sup>155</sup>NEMC Correspondence, Rolt to Munro, July 22, 1897.

<sup>156</sup>Ibid.

25<sup>th</sup> he paid off Hunter Bros. after arranging for them to take back one ore cart, eighteen sacks of coal, 425 pounds of powder, 5,300 feet of fuse, and a large iron plate.<sup>157</sup> Unfortunately, hardly any of the proceeds from Rolt's salvage efforts made it into the company's bank account. As soon as the hardware company agreed to the paltry \$190.00 refund, Aldrich's lawyers, who conveniently also represented Hunter Bros., immediately brought action in County Court and "garnished the account" for \$130.00.<sup>158</sup>

Once he understood Munro's strategy, the wily Rolt began his own investigation for evidence to help the company's case. First he wrote an already nervous Lippman on July 27<sup>th</sup> suggesting what was essentially a plea bargain. If Lippmann would concede that he had undertaken the seizure on behalf of Mendenhall for a \$100.00 fee, the Nestegg Company would consider him a contractor and he would not be named in the upcoming suit for damages.<sup>159</sup> Lippmann, a pretentious man of letters and no fan of Rolt's, responded with empurpled eloquence and sarcasm. Thinking he could hide behind the terms of the lease, Lippmann belittled Mendenhall's role stating the machinery salesman had no authority in the matter but merely went along to perform the Nestegg men a great service by sorting out what was what. Lippmann also admitted the seizure was undertaken at the behest of the machinery company and not Hunter Bros. Hardware.<sup>160</sup> Furthermore, he maintained nothing inappropriate had occurred because as far as he knew the promissory note with the Rand Company was still not paid. Nevertheless, out of compassion for poor misinformed and misguided Rolt, Lippman offered to replace the machinery "upon payment of expenses so

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<sup>157</sup>Ibid., July 25, 1897. Rolt never did indicate exactly when Hunter Bros. was paid but the *Cash Book* shows Munro did not send the money to Rossland until July 24, 1897 (NEMC *Cash Book*, 16).

<sup>158</sup>NEMC Correspondence, Rolt to Munro July 25, 1897. The Aldrich action was initiated on July 21<sup>st</sup> but the "Summons & Garnishee" were not received in Victoria until the morning of July 29<sup>th</sup> (RCC *Plaint and Procedure Book*, 1897, action no. 180/97; note written by Munro and found loose in the NEMC Correspondence files). The funds remained tied up until November 30, 1897, when Aldrich's lawyers were awarded judgment for \$154.35 all inclusive (RCC *Plaint and Procedure Book*, 1897, action no. 180/97).

<sup>159</sup>NEMC Correspondence, Rolt to Lippmann, July 27, 1897.

<sup>160</sup>Rolt was still uncertain if Lippmann was acting for Mendenhall or for Hunter Bros.

far.”<sup>161</sup> Lippmann’s insolence and arrogance did not disguise his uneasiness: he was already looking for a way out and made himself available for a bribe. But Munro would have none of it and wired Rolt instructions on July 27<sup>th</sup> to “be most careful to commit the Company to nothing nor ...permit the return of machinery.”<sup>162</sup>

### Cleaning House

By now Rolt’s reaction to the humiliation of the seizure was clouding his judgment. He developed an unabashed hatred for Lippman “a Jew of the deepest dye” and especially his associates Harris, McNeil and Deacon, the solicitors for Hunter Bros.<sup>163</sup> He accused the lawyers and the bill collector of being “practically in partnership” and working towards the common objective of “fasten[ing] upon the affairs of your Company and pick[ing] up everything they can in connection with it.”<sup>164</sup> Lippmann’s Yankee impudence and literary pretensions particularly galled the Nest Egg’s Oxford educated manager. Responding to the Rossland collection agent’s July 28<sup>th</sup> letter, Rolt warned: “If you must insist on writing letters and making suggestions, kindly make use of proper language and don’t talk about ‘palpable untruths.’ These expressions are ‘dangerous.’”<sup>165</sup>

The treachery of Lippman’s lawyer friends became an obsession with Rolt. When

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<sup>161</sup>NEMC Correspondence, Lippmann to Rolt, July 28, 1897.

<sup>162</sup>Ibid., wire cited in Rolt to Munro, July 28, 1897.

<sup>163</sup>NEMC Correspondence, Rolt to Munro, July 28, 1897. Rolt’s apparent anti-Semitism needs to be placed in context. He was a very proud and sensitive man who was concerned that he had just been humiliated in the eyes of his new employer. Rolt was also anxious to tell Munro what he thought the company men wanted to hear. And it should be remembered that these events were taking place in the shadow of Alfred Dreyfus’s sensational and infamous anti-Semitic trial and false conviction for treason in France. At any rate, the Nest Egg’s manager was certainly not a serious racist. Later when Lippmann switched sides and became a witness for the Nest Egg, Rolt had no qualms about working closely with “our friend” against the Rand Drill Company (NEMC Correspondence, Rolt to Munro, January 31, 1898).

<sup>164</sup>NEMC Correspondence, Rolt to Munro, January 31, 1898. Rolt was not far off the mark. According to the 1897 Rossland County Court *Plaint and Procedure Book*, Lippmann and MacNeil, et al. worked together on scores of bad debt actions and seizures for their mutual client, Hunter Bros.

<sup>165</sup>NEMC Correspondence, Rolt to Lippmann, July 28, 1897.

he settled the Hunter Bros. debt, “both the partners [MacNeil and Deacon] and a third man then in the office” assured Rolt their account for the hardware company’s costs “as sent down to Vancouver to be taxed, amounted to \$239.00.”<sup>166</sup> They convinced the Nest Egg’s manager that if he paid them \$250.00 then and there

whatever amount the [legal costs] account, when taxed, fell short of this sum, [would be refunded] if I would agree to pay them anything that went over this amount. Thinking that \$43.00 was rather a large amount to expect to get knocked off by taxing and wishing to get rid of them once and for all and deprive them of a chance of running up more charges, I compromised the matter by paying them \$250.00 in full settlement of their costs, always, observe, on the distinct understanding that \$239.00 was the amount of said costs.<sup>167</sup>

Later when he checked in Vancouver, Rolt found the lawyers submitted an account for only \$206.00. Though at first he gave them the benefit of the doubt (calling it an “extraordinary mistake”), Rolt became furious when his request for a refund of the difference was ignored.<sup>168</sup>

The Nest Egg manager’s rabid reaction to such a seemingly petty incident,<sup>169</sup> the not-so-subtle warning to Lippmann that his attitude was putting him in harm’s way, and Rolt’s earlier suggestion that the intractable and eccentric Scolley might be found floating in the water tank some morning all point to an individual whose intensity for both his job and his

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<sup>166</sup>Ibid., Rolt to Munro, July 28, 1897. During a settlement the bills lawyers submit to the other side for their costs can upon request be “taxed” or reviewed and adjusted by a court appointed official.

<sup>167</sup>NEMC Correspondence, Rolt to Munro, July 28, 1897.

<sup>168</sup>Ibid. Rolt was so embarrassed at being duped that he insisted Munro “regard these remarks as strictly confidential.” Several subsequent pieces of correspondence were also coloured with his rantings against MacNeil and Deacon’s “swindle” (NEMC Correspondence, Rolt to Munro August 13, 1897 and November 9, 1897).

<sup>169</sup>At the time there was no indication the lawyers *would not* honour their agreement to return the balance, but at the end of August they quietly withdrew the account from taxation (NEMC Correspondence, Vancouver District Registrar’s Office to Munro, August 30, 1897). MacNeil and Deacon’s bill of costs were finally taxed at \$195.09 on July 28, 1898 (VSC Cause Book, vol. 2, action no. H134/97, p. 209).

personal integrity were not to be trifled with.<sup>170</sup> At this critical juncture a man like Rolt was just what the company needed in Rossland.

And the company men concurred. When they met on July 28<sup>th</sup> the Trustees wasted no time “rescinding” O’Farrell’s appointment as Managing Director and putting Rolt officially in charge as sole manager of the mine – or rather its debts.<sup>171</sup> As a precaution against any further meddling by the recently deposed, the Secretary was to publish a notice of the change-in-command in the *Rossland Miner* and wire individual notifications to Rolt, Canadian Rand Drill and O’Farrell – if he could be found.<sup>172</sup>

Relieving O’Farrell was evidently a touchy business. No doubt the Trustees were mindful of his mighty pen. They had not forgotten the riot in the press the previous year when O’Farrell was removed *in absentia* from a similar position with the Palo Alto Gold Mining Company. His subsequent spectacular journalistic tirade against fellow director W.G. [William Gaston] Estep, a man “who knew as much about mines as a Carolina nigger does about fluxions,” proved to be the Spokane company’s undoing.<sup>173</sup> To eliminate any dangerous misunderstandings, the Nest Egg’s Trustees ensured that the “Minutes” made no mention of incompetence and noted that every effort was made to give O’Farrell notice of the Meetings.<sup>174</sup> The officially recorded excuse for finally giving him the sack was that the

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<sup>170</sup>Admittedly, Rolt’s July 6<sup>th</sup> correspondence to Munro about Scolley is open to interpretation. It was the new manager’s first reporting letter and he was obviously feeling out the company’s sentiments. Before making his comment about Scolley in the reservoir, Rolt also stated he found the former foreman to be totally unreasonable and behaving oddly. The reader was left to form his own opinion about how Scolley might wind up in the water tank. The comment was obviously intended to make a point and not a threat.

<sup>171</sup>“Minutes of Trustees’ Meeting,” July 28, 1897 (NEMC *Minute Book*, 42).

<sup>172</sup>Although Munro did not know O’Farrell’s present address, it was rumoured he was “somewhere in the East just now” (“Minutes of Trustees’ Meeting,” July 28, 1897 [NEMC *Minute Book*, 42]).

<sup>173</sup>*Colonist*, October 25, 1896.

<sup>174</sup>The company men had not forgotten the riot in the press the previous year when O’Farrell was removed *in absentia* from a similar position with the Palo Alto Gold Mining Company. His subsequent spectacular journalistic tirade against fellow director W.G. [William Gaston] Estep, a man “who knew as much about mines as a Carolina nigger does about fluxions,” proved to be the Spokane company’s undoing (*Colonist*, October 25, 1896, p. 6). To eliminate

difficult financial situation in Rossland required less episodic management.<sup>175</sup>

The other business dealt with by the Trustees involved the seizure of the plant. All related correspondence was read and the Secretary “explained the present muddled state of the Company’s affairs at Rossland.” Without any further discussion, Holland moved the machinery correspondence be turned over to the company’s solicitor Gordon Hunter “with instructions to commence proceedings against the Can. Rand Drill Company for damages forthwith.”<sup>176</sup> The motion carried, apparently without any consideration for other options.<sup>177</sup> By the end of the day Hunter filed a fifteen thousand dollar suit against Mendenhall, the Canadian Rand Drill Company, and Lippmann.<sup>178</sup>

### Finding Deeper Pockets

Surprisingly, no mention was made of the company’s financial difficulties at the July 28<sup>th</sup> Trustees Meeting. Perhaps the topic should have been on the agenda. The machinery seizure had already put an end to a reasonably successful debenture sales campaign.<sup>179</sup> In a few days the pool would expire on the new stock and recent events in Rossland would almost certainly lead to a dumping rush when share trading resumed. Needless to say, any hopes of profitably selling what remained of the new Treasury shares went out the window

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any misunderstandings, the Nest Egg’s Trustees made sure the “Minutes” noted that every effort was made to give O’Farrell notice of the Meetings (“Minutes of Trustees’ Meetings,” July 28, 1897 and August 5, 1897 [NEMC *Minute Book*, 42, 43]).

<sup>175</sup>“Minutes of Trustees’ Meeting,” July 28, 1897 (NEMC *Minute Book*, 42).

<sup>176</sup>*Ibid.*

<sup>177</sup>Munro was careful to note that Wolfenden had been consulted and that he “entirely approved of adopting this course” (“Minutes of Trustees’ Meeting,” July 28, 1897 [NEMC *Minute Book*, 42]). The title to the property would technically remain in Wolfenden’s name for *at least* two more days (although in fact, the property was not conveyed back to the new company until mid November [NEMC Correspondence, Munro to Rolt, November 17, 1897]).

<sup>178</sup>NEMC Correspondence, Munro to Rolt, July 28, 1897; BCSC, action #64/1897, “Statement of Claim,” 1 (from copy found in NEMC Correspondence files [PR5, series 3, box 499, file 2]).

<sup>179</sup>By the date of the Meeting the debentures had yielded \$2,291.60. A few late sales coming in the following week produced an additional \$45.00 (NEMC *Cash Book*, 13-16).

when the plant went down the road.

More creditors showed up as each day passed, but the Victoria men would not consider giving up on the Nestegg as long as there was a reasonable prospect of recovering damages from the Canadian Rand Company. However, in order to stay afloat until a judgment was granted the company men would have to dig deeper into their own pockets. On July 12<sup>th</sup> the Nest Egg's outstanding loans (including O'Farrell's note) were consolidated under one single note for \$7,000.00 backed by Kirk, Holland, and Hayward and discounted at the Bank of B.N.A.<sup>180</sup> The following day the same three founders advanced a further \$1,080.00 in personal cash loans.<sup>181</sup> This pattern was repeated on July 31<sup>st</sup> and August 11<sup>th</sup> when the team advanced \$168.00 and \$90.00 respectively.<sup>182</sup> At the end of August the July 12<sup>th</sup> \$7,000.00 promissory note was turned in and split four ways with \$5,000.00 of the debt being paid off with a new thirty-day note. The remaining \$2,000.00, plus the interest and exchange on the new consolidating note was split into three new personal notes issued individually to Kirk, Holland, and Hayward. The new notes were different than any of the others: they were rendered payable *on the day they were issued*.<sup>183</sup> Obviously the three Trustees planned to be first in line at the moment *any* funds came into the treasury. Later, on September 13<sup>th</sup>, October 1<sup>st</sup> and October 4<sup>th</sup> they each advanced a further \$20.00, \$53.50, and \$350.00 respectively.<sup>184</sup>

The reasons for the switch to personal financing are not hard to discern. After the machinery was seized the company's credit rating fell as fast as its share values. The Bank of BNA was understandably nervous and desirous of seeing its creditor role diminish rather than grow. And when the final transactions were made with the old shareholders on July 30<sup>th</sup>, the Treasury did not contain enough watered stock to provide sufficient collateral for

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<sup>180</sup>NEMC *Journal*, 81.

<sup>181</sup>NEMC *Cash Book*, 13, 14. On August 11<sup>th</sup> the trio advanced a further \$100.00 (*ibid.*, 16).

<sup>182</sup>NEMC *Cash Book*, 15.

<sup>183</sup>NEMC *Journal*, 81.

<sup>184</sup>*Ibid.*, 84.

further short term bank loans.<sup>185</sup> Consequently, the company's promissory notes shrank while the Trustees' personal cash contributions increased.<sup>186</sup> To make sure everything was above board, the debenture scheme presented at the June 29<sup>th</sup> Shareholders' Meeting was packaged with a rider resolution authorizing the Trustees to borrow any amount from any source they could – including themselves: "It is hereby resolved that the Trustees of the Company be and they are hereby authorized, in conjunction with A.R. Wolfenden and the Nest Egg & Firefly Gold Mining Company L<sup>d</sup>. L<sup>td</sup>. to borrow money for ...the preservation and further development of the Company's interest and property."<sup>187</sup>

While there was nothing inappropriate about the personal loans, they were nonetheless unpopular with many Nest Egg investors – particularly those who paid inflated prices for their shares during the Eastern Expedition. Howard Williams, a Toronto roofing contractor, saw the loans and debenture scheme as an underhanded way for the "promoters" to take over the assets:

...as far as I am concerned I would not trust any more of my money with men who have had the management of this Co. as I am well satisfied that had the promoters acted in good faith all this trouble would not have occurred. I have lost all confidence in the concern and do not expect to get any return for my money as I am satisfied the final result will be what is outlined in the last paragraph of your

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<sup>185</sup>After the shareholders of the old company received their stock on July 30, 1897, only 49,100 new company shares remained in the Treasury (NEFFGMC *Share Transfer Ledger*, 1). By then it is doubtful that they were worth 5¢ each.

<sup>186</sup>The August 30<sup>th</sup> \$5,000.00 note backed by Holland, Hayward, and Kirk was paid off on October 4<sup>th</sup> with a new \$4,000.00 note. The \$1,000.00 balance was paid with more personal loans from the three men. The October 4<sup>th</sup> \$4,000.00 note was subsequently three times similarly reduced by \$1,000.00: on November 8, 1897, January 11, 1898, and April 14, 1898. In each case the \$1,000.00 difference was paid with personal loans from the three Trustees. On April 14, 1898 the \$2,000.00 left owing on the original \$7,000.00 debt consolidation loan was reduced by \$500.00. A new \$1,300.00 loan was taken out on June 16, 1898 but this time in the company's name. Holland apparently paid the \$200.00 difference. He was reimbursed on August 18<sup>th</sup>, the same day the company paid down \$400.00 on the June 16<sup>th</sup> note. The \$900.00 remaining on the note was extended twice more with new notes on August 29<sup>th</sup> and December 2<sup>nd</sup> before finally being retired on December 19, 1898 (from cancelled notes and receipts found in the Correspondence files).

<sup>187</sup>"Minutes of General Meeting of Shareholders," June 29, 1897 (NEMC *Minute Book*, 40-41).



[dbenture] circular. The whole thing will be Gob Goble Gobled [sic].<sup>188</sup>

In Victoria rebel Trustee Arthur Weaver-Bridgman also echoed Williams's concern: "As matters now stand, it is open to the Shareholders to say that their interests have been sacrificed by the Trustees, who having [put?] the Co. into debt are now lying back to secure the property for themselves."<sup>189</sup>

No doubt the disgruntled Bridgman was later responsible for stirring up trouble with the Debenture Mortgage Trustee, Victoria lawyer and soon-to-be Attorney General, James Stuart Yates. Acting on complaints of several unnamed shareholders, Yates wrote Munro on September 30<sup>th</sup> instructing him to forward proof that two-thirds of the "paid in" stock had voted for the resolution authorizing the debentures and loans.<sup>190</sup>

Although further borrowing was the only option available to the company men, its price was much higher than the interest exacted. By the end of the summer of 1897 the Nest Egg had not only lost its plant and its share values, but the support of many of its shareholders as well.

### Tightening the Noose

By July 31<sup>st</sup> Rolt and Munro were succeeding in their efforts to divide their adversaries in the Rand case. Writing from Spokane, Mendenhall reported receiving verification from Quebec confirming the final note on the plant was paid off. However, he still maintained the debt was not cleared until *after* "their taking possession of it."<sup>191</sup> In light of new developments, Mendenhall claimed he would instruct Lippmann to return the

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<sup>188</sup>NEMC Correspondence, H. Williams to Munro, July 14, 1897. The last paragraph of the July 2<sup>nd</sup> "circular" warned the shareholders that if the debenture scheme failed "two or three shareholders who are large creditors of the Company" might be forced to obtain judgement and take over the property (Printed circular, Munro to Shareholders, July 2, 1897, found in NEMC Correspondence).

<sup>189</sup>NEMC Correspondence, Weaver-Bridgman to Munro, September 27, 1897.

<sup>190</sup>Ibid., Yates to Munro, September 30, 1897. A copy of the resolution signed by seventy-one holders of 352,007 shares was prepared and apparently forwarded to Yates ("Resolution," found loose in the NEMC Correspondence files [PR5, series 3, box 499, file 1]).

<sup>191</sup>NEMC Correspondence, Mendenhall to Rolt, July 31, 1897.

machinery immediately. Rolt was now wondering who was actually in possession of the plant since Lippmann earlier informed the company he held the seized goods on behalf of the Rand Company and was not taking orders from Mendenhall.<sup>192</sup> Before the Nest Egg's manager could apprise the Victoria head office of Mendenhall's "squirring," Munro was already sensing discord among the Rossland conspirators: "Evidently Mendenhall & his principals intend to try and shift any responsibility there is on to [sic] Lippmann the jew."<sup>193</sup>

Things were progressing according to plan and Munro was not going to let the situation change. His response to Mendenhall's proposal to return the machinery was emphatic: "Please note that the replacing by you, or your agent [Lippmann], of the machinery on the 'Nest Egg,' is without the knowledge or approval of the Company, and in no way effects [sic] the legal proceedings that they [Hunter & Oliver] are taking against you and others."<sup>194</sup> On August 7<sup>th</sup> the Secretary instructed Rolt to take every means necessary to keep the two agents from returning the goods. An injunction was being obtained in Victoria and Munro even went so far as to hint that violence might be in order: "[The company's solicitors have said] we would be plenty justified 'putting a head' on Lippmann if he attempted to force himself upon our premises. It might do well therefore that the watchman have a good stick handy, which he could use to good effect in the event of the jew being too precipitent [sic] in his attentions."<sup>195</sup>

No doubt wishing to restore his tarnished image, O'Farrell suddenly reappeared in Rossland to smooth things over with the CDRC. He reportedly worked up a deal on August 3<sup>rd</sup> with Mendenhall to return the plant but the company would have none of it.<sup>196</sup> Gordon Hunter promptly spelled out in no uncertain terms the Nestegg Company's official position:

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<sup>192</sup>Ibid., Lippman to Rolt, July 28, 1897.

<sup>193</sup>Ibid., Munro to Rolt, July 31, 1897. The Secretary did not receive Mendenhall's offer to replace the machinery until August 3<sup>rd</sup>: "Yours of July 31<sup>st</sup> just received, though why it should have been three days in the mail I cannot say" (ibid., Munro to Mendenhall, August 3, 1897).

<sup>194</sup>NEMC Correspondence, Munro to Mendenhall, August 3, 1897.

<sup>195</sup>Ibid., Munro to Rolt, August 7, 1897.

<sup>196</sup>Ibid., Mendenhall to Munro, August 3, 1897.

...the Company does not desire to have the machinery restored, but prefers to hold your Company and yourself liable for the value of the same, as well as for damages for the illegal trespasses complained of. With regard to your [July 31<sup>st</sup>] remark [to Munro] about making satisfactory arrangements with Mr. O'Farrell, you have already been notified that Mr. O'Farrell has no authority to make any arrangements, and that the parties with whom you have now to deal are Mr. Rolt, and ourselves, acting under the instructions of the Directors.<sup>197</sup>

O'Farrell refused to take the hint. He claimed to be working out several deals to sell or option the property. Whitmore was supposedly still interested as was another Butte resident, F. Augustus Heinze, one of the Montana Copper Kings and owner of the Trail smelter and the Columbia & Western Railway.<sup>198</sup> However, Rolt was not optimistic: "I will make enquiries about Whitmore whom I do not know. Distrusting O'Farrell as absolutely as I do it is impossible for me to attach much weight to his story about his negotiations with Heinze, but I will see what can be done."<sup>199</sup> Rolt was eager to discredit O'Farrell since the new mine manager had a potential deal of his own in the works: "I have one man on the string now who talks of having [the Nest Egg] examined with a view to his taking it on a working bond."<sup>200</sup> By now the company men had enough of O'Farrell's schemes and they gave Rolt sole authority to act as their broker in Rosslund.<sup>201</sup>

### More Loose Ends

While the company waited for reactions to the plant seizure and possible developments in the sale of property, the Nest Egg's Rosslund manager shifted his attention to resolving other debts both old and new. On July 31<sup>st</sup> the Cooper legal costs issue again

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<sup>197</sup>Ibid., Gordon Hunter to Mendenhall, August 6, 1897.

<sup>198</sup>Ibid., Rolt to Munro, August July 26, 1897: "I note what you say about O'Farrell's negotiations with Henize but I am bound to say that I can hardly believe that H. offered any such terms."

<sup>199</sup>NEMC Correspondence, Rolt to Munro, August 4, 1897.

<sup>200</sup>Ibid. Rolt's "friends" finally arrived in Rosslund on September 8, 1897, but he was not able to show them the mine. The company did not have the money to pump it out and the Nest Egg was apparently never more than an alternative choice for the investors anyway (NEMC Correspondence, Rolt to Munro, September 8, 1897).

<sup>201</sup>NEMC Correspondence, Munro to Rolt, August 7, 1897.

resurfaced. It looked like the dispute was finally going to court, but Rolt told Munro not to worry. The company's Rossland solicitor was certain the other side "could not win as the costs for which they were suing had been [originally] incurred by a lawyer who was disbarred."<sup>202</sup> Rossland's Judge Forin also continued to have reservations about hearing the case because he had "taken some part in the original transactions between Cooper and the 'Nest Egg' Company."<sup>203</sup>

On August 3<sup>rd</sup> Rolt received a bill for "medical dues" from a Rossland physician.<sup>204</sup> Dr. Bowes demanded \$1.00 per month per man from August 1896 to April 1897, for what amounted to medical insurance.<sup>205</sup> A check of the accounts revealed that "hospital" money was in fact irregularly withheld from wages but no one seemed to know what if anything was done with the funds afterwards.<sup>206</sup> The same day the doctor's bill was received a much more substantive and serious demand notice was routed to Rolt through Mendenhall. According to the machinery agent, the company still owed seven hundred dollars to the Columbia & Western Railway for freight on the machinery.<sup>207</sup> This was indeed a shock since, like the Aldrich contract, freight costs were assumed to have been included in the original deal with the Rand Company.

The Aldrich "extras" dispute, ongoing since early March, was also about to come to a head in court. Rolt wrote to Munro on August 25<sup>th</sup> asking for a copy of the machinery contract to make sure the CDRC was not obligated for "part of the installation work ...& if that is the case it was sheer robbery forcing you to pay \$830.00 to Aldridge let alone an extra

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<sup>202</sup>Ibid., Munro to Rolt, July 31, 1897.

<sup>203</sup>Ibid., Rolt to Munro, July 28, 1897.

<sup>204</sup>Ibid., Rolt to Munro, August 3, 1897.

<sup>205</sup>Dr. Edward Bowes ran a medical practice and private hospital in Rossland. He was also President of the Sultana Gold Mining Company (not to be confused with the Sultana Mine near Rat Portage, Ontario) (*Henderson's Directory, 1897*, 460).

<sup>206</sup>See entries for "hospital" wage deductions, *NEMC Journal*, 76, 79. Scolley later claimed Gaston "took the Dr. fees from our wages and put [them] in his jacket" (NEMC Correspondence, Scolley to Munro, October 21, 1897).

<sup>207</sup>NEMC Correspondence, CPR wire, Rolt to Munro, August 3, 1897.

\$130.00 to the same party.”<sup>208</sup> The nearest thing to a contract in Munro’s possession was Mendenhall’s cost estimate of the plant submitted back in 1896. It contained no mention of installation costs but the Secretary was confident the matter would never make it to trial anyway due to “some technical omission” made by Aldrich’s lawyers.<sup>209</sup> Banking on the other side’s defective paperwork – an “ommission [*sic*] to fix a stamp” – Gordon Hunter reportedly instructed the company’s Rossland lawyer, C.R. Hamilton not to bother entering a statement of defence. But Hunter was in for a surprise. Without a defence being lodged, the judge refused to entertain Hamilton’s objections and Aldrich was given judgment by default. The Nest Egg’s Rossland lawyer remained unfazed and was confident the company would carry the day on appeal.<sup>210</sup> He was wrong. The appeal was denied on September 29<sup>th</sup> and the judgment was allowed to stand.<sup>211</sup>

The outcome of the Aldrich litigation was a severe blow to an already shaky morale at the Victoria head office. Clearly a scam and legally defective, the case should have had no chance in court – and certainly not on appeal. Losing a sure thing when the Rand case and several other suspicious debts were hanging in the balance gave the company men cause for concern. There simply were no sure things, especially in Rossland’s County Court, and henceforth the Nest Egg’s management would think twice before going to trial over trifling bad debts.

Rolt moved quickly to control the damage and clean up most of the remaining claims before any more “sharks” smelled the blood from the Aldrich decision. During the last week of September he tentatively settled with former foreman Scolley for the full amount of his claim less eleven dollars to cover the missing mattress bill owing at Campbell Bros.<sup>212</sup> The

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<sup>208</sup>NEMC Correspondence, Rolt to Munro, August 25, 1897. The extra \$130.00 was the amount garnisheed from the proceeds of the materials returned to Hunter Bros.

<sup>209</sup>NEMC Correspondence, Munro to Rolt, September 13, 1897.

<sup>210</sup>Ibid., Munro to Rolt, September 17, 1897.

<sup>211</sup>Ibid., Rolt to Munro, September 29, 1897. Aldrich was awarded his full claim of \$156.70 plus \$65.41 in costs (Account, Hunter & Oliver to NEMC, November 26, 1897, found loose in NEMC Correspondence).

<sup>212</sup>NEMC Correspondence, Rolt to Munro, September 29, 1897.

money withheld was an incentive for Scolley to help straighten out the mattress dispute. Apparently it worked. Scolley was paid the full amount of his claim on October 15<sup>th</sup> and there is no record of Campbell Bros. being paid anything.<sup>213</sup> Scolly never had to account for the miners' room-and-board deductions and the company was eventually also forced to pay the full amount of the Rossland Mercantile's grocery bill in December.<sup>214</sup>

On the Cooper costs case, Rolt advised inaction.<sup>215</sup> He correctly anticipated Judge Forin would finally acknowledge a conflict of interest and recuse himself from hearing the matter.<sup>216</sup> Since Dr. Bowes had no clear idea what was owed him, Rolt ignored his demand letter and the claim was apparently dropped. Unlike Bowes, the Columbia & Western Railway was too powerful to ignore for long. In August Rolt found them agreeable to letting the bill "stand over for a time," but by the end of the September they were becoming anxious.<sup>217</sup> Although the circumstances surrounding the freight bill were suspicious,<sup>218</sup> the company eventually conceded in November and the \$746.59 account was finally paid in full in mid-December.<sup>219</sup>

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<sup>213</sup>NEMC *Journal*, 82.

<sup>214</sup>Receipt from Daly & Hamilton, solicitors, December 30, 1897, loose in NEMC Correspondence.

<sup>215</sup>NEMC Correspondence, Rolt to Munro, October 4, 1897.

<sup>216</sup>NEMC Correspondence, Rolt to Munro, October 25, 1897. The matter was then transferred to the Supreme Court where it languished. Cooper's lawyer did not have the papers sent down till March 1898 and seven months later the file was still inactive (*RCC Plaintiff and Procedures Book, 1897*, action 97/30; NEMC Correspondence, Munro to Rolt, November 11, 1898). The final disposition of the Cooper case is unknown.

<sup>217</sup>NEMC Correspondence, Rolt to Munro, September 29, 1897.

<sup>218</sup>For some unexplained reason the Columbia & Western went through Mendenhall to make its initial demand for payment. It also seems odd that the railway company would allow the plant to leave the loading dock without the account being paid up first. Rolt later discovered the C & W released the machinery on a personal guarantee from O'Farrell that the company would pay the freight bill (NEMC Correspondence, Rolt to Munro, August 19, 1897).

<sup>219</sup>Rolt received the draft for the C&W bill on November 16<sup>th</sup> but he inexplicably delayed paying the account until December 17<sup>th</sup> (NEMC Correspondence, Rolt to Munro, November 16 and December 17, 1897). Perhaps Rolt was trying to upset any option deal O'Farrell might be working on with the C&W's Heinze.

### **Landing a Shark: The Rand Company Litigation**

A new ray of hope shown on the Nest Egg as soon as Lippmann and Mendenhall had their hands on the machinery. While Rolt cleaned up the other bills in Rossland, efforts in Victoria focussed on mining the Canadian Rand Drill Company instead of the Nest Egg mineral claim. A week after the seizure Gordon Hunter launched the attack when he issued a writ of summons. Munro, Hunter, and Rolt then carefully worked out the facts surrounding the seizure while the other company men scraped up the necessary funding to stop the “shark attack” and prepare for the Rand court battle. Finally, on October 25, 1897, the company’s Statement of Claim was filed in Victoria Supreme Court.<sup>220</sup> Both Nest Egg companies – new and old – and Arthur Wolfenden were named as Plaintiffs. Named as Defendants were CRDC, Mendenhall, and Lippmann.

Several preliminary paragraphs described Wolfenden’s peculiar role as transfer agent during the company reorganization.<sup>221</sup> Because Munro had failed to specifically notify the CDRC or its agent when the Nestegg Company reorganized, Hunter was taking care to defuse a potential breach of contract that might be interpreted from the second paragraph of the Deed of Agreement made between Mendenhall and O’Farrell:

...if the said Party of the Second Part [NEMC] ...conveys away or assigns his said property or the said machinery without the consent of the said Party of the First Part ...the said Party of the First Part [CDRC] may at any time resume possession of the said machinery, in which case all payments made up [to] the date thereof of taking such possession shall be imputed on account of rental, and the Party of the Second Part hereby specifically waives any claim he might pretend to have for damages, or any loss which he may suffer by reason of being dispossessed of the said goods hereby contracted for.<sup>222</sup>

The Statement of Claim then set out the facts of the seizure. In spite of receiving all the “certain sums” owing on the machinery by July 16, 1897, the Defendants, “their servants and agents” broke into buildings on the company’s property on July 23<sup>rd</sup> “and on other days” and removed “the said machinery and extras and materials and other goods and chattels

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<sup>220</sup>“Statement of Claim,” NEMC Correspondence, box 499, file 2.

<sup>221</sup>Ibid., paragraphs 2-4.

<sup>222</sup>Deed of Agreement, NEMC Correspondence, box 499, file 4.

belonging to the Plaintiffs.”<sup>223</sup> The company claimed \$10,000.00 for “wrongs complained of,” \$6,000.00 for “the value of said machinery, extras, and materials and good and chattels so unlawfully seized,” plus any further relief “as the nature of the case may require.”<sup>224</sup>

While the company was waiting for the Defendants to respond, Rolt’s patience was wearing thin in Rossland: “It seems to me that there is now no reason why the case should not be brought on with the greatest promptitude [*sic*]. We have everything to lose and nothing to gain by delay.”<sup>225</sup> Still smarting from McNeill & Deacon’s role in the taxed costs episode and Lippmann’s “impertinence,” Rolt was anxious to see the bill collector and his saucy lawyers get a shellacking in court: “I would suggest your putting our friend Mr. McNeill into the [witness] box: slippery as he is he cannot deny his own receipt for the payment to him of \$1357.91 [to Rand to get the Sheriff out on July 20th] nor the fact that he was associated with Lippmann in the Hunter Bros collection & seizure.” To similarly fire the indignation of the Victoria men he produced a plausible conspiracy theory:

I would like to draw your attention once more - First, to the fact that McNeill & Deacon evidently tried to embarrass you as much as they possibly could by putting the sheriff in on July 20th [1897], without waiting for instructions from Hunter Bros, and at a time when they were perfectly aware that I was empowered by you to make a cash settlement of Hunter Bros account - and Secondly that the same firm was associated with Lippmann in the Mutual Collection Company, and must have been undoubtedly aware of Lippmann’s [*sic*] action in respect of the seizure of the machinery. I mention these facts as bearing upon the possible existence of a conspiracy to **force** harass the Company as much as possible and obtain their property at a forced sale. If there was such a conspiracy, it was probably hatched by McNeill & Deacon and Lippmann. Hunter Bros. may or may not have been accessories to it, as may also Mendenhall.<sup>226</sup>

Rolt was also concerned that the watchman, Fenton, might leave the country to look for work elsewhere.<sup>227</sup> Besides being the company’s only eyewitness to the trespass, his testimony would be essential if the company intended to prove it had not violated the

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<sup>223</sup>“Statement of Claim,” NEMC Correspondence, box 499, file 2, paragraphs 8-9.

<sup>224</sup>*Ibid.*, par. 10.

<sup>225</sup>NEMC Correspondence, Rolt to Munro, November 9, 1897.

<sup>226</sup>*Ibid.*, April 1, 1898.

<sup>227</sup>*Ibid.*



contract by leaving the plant unguarded.

Unfortunately, time was on the side of the CDRC. While its legal team successfully delayed the litigation process, the Nestegg Company was being picked clean by other “sharks” in Rossland. The mining company had clearly been without financial resources since the April shutdown, and its reorganization and debenture schemes were both thwarted by the timely repossession of the machinery at the end of July. The CDRC’s lawyers were confident what little financial blood remained in the Nest Egg would be sucked dry before the seizure matter ever made it to court. But the company men met the challenge with yet another cash transfusion. Gambling that they could recoup their generosity after the Rand matter was resolved, Kirk, Holland, and Hayward again and again came to the rescue and advanced the company enough funds to keep the sharks at bay.

As it turned out, the defending lawyers nearly delayed matters too long. In November they missed the deadline for responding to the Statement of Claim and briefly provided an opportunity for a default judgment in favour of the Nest Egg. Hamilton & Daly in Rossland caught the mistake and informed Gordon Hunter in Victoria.<sup>228</sup> Hunter claimed he failed to act on the default because he was busy moving the matter from Rossland County Court to the Victoria Supreme Court.<sup>229</sup> In the meantime the CDRC lawyers slipped their Statement of Defence into court and MacNeil was granted an extension for Lippmann’s filing. The lost opportunity thoroughly disgusted Rolt and he wrote to Munro questioning Hunter’s ability to properly handle the matter.<sup>230</sup> The company men seemed to have already arrived at the same conclusion. Before Rolt’s letter made it to Victoria, Hunter was instructed to turn over the trial preparations to E.P. Davis, QC of Vancouver.<sup>231</sup>

Davis was born, raised, and educated in Ontario. After graduating from Toronto University in 1886 he relocated to Vancouver and was called to the B.C. bar almost

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<sup>228</sup>NEMC Correspondence, Rolt to Munro, November 22, 1897.

<sup>229</sup>Ibid., Hunter & Oliver to Munro, November 23, 1897.

<sup>230</sup>Ibid., Rolt to Munro, November 22, 1897.

<sup>231</sup>Ibid., Hunter & Oliver to Munro, November 23, 1897.

immediately. Davis left for Calgary before the year was out but returned to Vancouver in 1886 where he quickly rose through the ranks of the local legal profession. In 1894 he was appointed Queen's Counsel and shortly afterwards was recommended for and declined the position of B.C. Supreme Court Justice.<sup>232</sup>

Davis shared many characteristics with the other lawyers involved in the Rand dispute. The machinery company's lawyer, William James Whiteside, came to New Westminster from Toronto in 1886. He was called to the B.C. bar in 1890 and relocated to Rossland in 1896.<sup>233</sup> Like Davis and Whiteside, Gordon Hunter was also a product of Ontario. He received his education at Davis's *alma mater* and practised briefly in Ontario before arriving in Victoria in 1891. In 1902 Hunter would accept the appointment for Chief Justice after Davis once again declined.<sup>234</sup> Albert Howard MacNeill was the only solicitor not originating from Ontario. A native of Prince Edward Island, MacNeill was educated at Dalhousie University and called to that province's bar in 1890. Within a year he was practising law in Vancouver under the firm of Harris & MacNeill. In 1896, the same year he was elevated to Queen's Counsel, MacNeill followed the boom to Rossland where he teamed up with another Ontarian, William Stearne Deacon.<sup>235</sup> All the lawyers involved in the Rand suit were in their thirties and all except Davis had less than ten years experience in the profession.<sup>236</sup>

The Statement of Defence for the CDRC and Mendenhall was finally filed on



42. E.P. Davis, Q.C.  
*Who's Who and Why, 1913*  
p. 185

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<sup>232</sup>*Who's Who and Why, 1913, 185.*

<sup>233</sup>*Ibid.*, 855.

<sup>234</sup>*Ibid.*, 274, 185.

<sup>235</sup>*Ibid.*, 189. Deacon was a graduate of Osgoode Hall in Toronto and joined Harris & MacNeill the year before moving to Rossland.

<sup>236</sup>The ages and tenure of each of the lawyers in 1897 were as follows: Hunter, age 34, practising since 1888; Davis, age 37, practising since 1882, MacNeill, age 32, practising since 1890; Whiteside, age 33, practising since 1890. Deacon was only 26 years old and was called to the bar in 1894.

November 14, 1897, and contained no surprises. All the allegations in Hunter's Statement of Claim were categorically denied. But several denials contained typical "however, if..." escape clauses. The Rand Company denied making the deed of agreement with O'Farrell but: "if such deed was made or executed it did not contain the terms or have the legal effect set forth" in the Statement of Claim.<sup>237</sup> Similarly, the Rand Company maintained it did not make any seizure but "in the alternative the said defendants say that if they ...did on the 23<sup>rd</sup> day of July or at any time enter upon the Nest Egg Claim and carry any machinery, goods or chattels they did so with the leave and license of the plaintiffs" or because "such goods and chattels were the property of the defendants of the Canadian Rand Drill Company."<sup>238</sup>

The Statement of Defence was later amended to clarify its qualifying reservations. It stated that if the Indenture of Lease referred to in the Statement of Claim could be proved to have been executed by the defendants then it was their position that the Rand Company was "entitled to resume possession of the machinery thereby leased without process of Law."<sup>239</sup> The first excuse for taking back the machinery (*if* it was taken back) was that the Nestegg Company had committed several breaches of contract including: becoming insolvent, conveying or assigning its property without the consent of the Defendants, and allowing its property to be attached as a result of an unsatisfied judgment in favour of Hunter Bros. They also maintained that the last installment was not paid by the date of the seizure.

The last paragraph of the amendments to the Statement of Defence would later cause considerable trouble for its author and his clients:

The Defendants further say that on the 31<sup>st</sup> day of July 1897, the Defendants, the Canadian Rand Drill company [*sic*] offered to replace any machinery of which they had taken possession under the said Lease and that the Plaintiffs refused to permit the said machinery to be replaced and threatened to apply for an injunction if the said Defendants attempted to replace such machinery.<sup>240</sup>

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<sup>237</sup>"Statement of Defence of the Canadian Rand Drill Company and F.R. Mendenhall," NEMC Correspondence (box 499, file 2), par. 3.

<sup>238</sup>*Ibid.*, par. 7-8.

<sup>239</sup>"Amendments to statement of defence," par. 9, no date, in NEMC Correspondence (box 499, file 3).

<sup>240</sup>*Ibid.*, par. 11.

Without the usual reservation, Whiteside carelessly admitted the seizure did in fact take place and that the Rand Drill Company was responsible. And by acknowledging his clients' efforts to return the plant, he also essentially admitted that some or all of the reasons for making the seizure were invalid. His faulty reasoning for adding this bit of incriminating information is easy enough to deduce. If the Rand Company lost, Whiteside thought he would have a good argument for eliminating the interest on damages after the date Mendenhall offered to put the machinery back at the mine. However, it was not necessary for Whiteside to include these events in the Statement of Defence if he needed to plead for a reduction in judgment later. It was an admission of guilt that really accomplished nothing.

Lippman's Statement of Defence was not filed until early December. Like the other defendants, he categorically denied everything in the Statement of Claim. His "but if" clauses were nearly the same as the Canadian Rand Company's Defence with one exception: Lippman stated that if he did take part in the seizure he did so "as the duly appointed agent" of the other defendants "and in so doing was acting for them and on their behalf and in pursuance of their instructions."<sup>241</sup> Davis correctly assessed this argument as being "no defence whatever in law."<sup>242</sup>

Having read Lippmann's and the CDRC's side of the affair Davis advised Hunter to set up examinations for Lippmann and Mendenhall immediately so the matter could be brought to trial before the Christmas holidays.<sup>243</sup> Davis admitted he was surprised at the machinery company's behaviour which in his opinion "seems to [be] almost scandalous, and any jury will certainly find as heavy damage against them as can possibly be sustained."<sup>244</sup>

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<sup>241</sup>"Statement of Defence of Defendant Lippmann," par. 9, NEMC Correspondence (box 499, file 2). The document was served on Hunter & Oliver on December 4, 1897 (NEMC Correspondence, Hunter to Munro, December 4, 1897).

<sup>242</sup>NEMC Correspondence, Davis to Hunter & Oliver, December 6, 1897.

<sup>243</sup>Examinations for Discovery are a typical preliminary to a trial. The parties and their lawyers present themselves in conference for a question-and-answer period under oath. All documents associated with the litigation are brought to the examinations and made available to opposing parties.

<sup>244</sup>NEMC Correspondence, Davis to Hunter & Oliver, December 6, 1897.

Nonetheless, he was worried that Hunter's "clients" were possibly a bit too concerned with drawing blood instead of money. Davis questioned the basis for the Nestegg Company's exorbitant damage claim since "the actual value of the stuff seized" seemed to be less than \$3,400.00.<sup>245</sup> He also advised that it would be "scarcely worthwhile" for the Trustees to contemplate taking any other action against Lippmann "either civil or criminal."<sup>246</sup> The company's present strong case would only be harmed by racist revenge tactics.

The Defence documents contain two irregularities that escaped Davis's attention – at least for the time being. According to the Vancouver Supreme Court *Cause Book* the Hunter Bros. judgment was "recovered" on July 14<sup>th</sup> not July 8<sup>th</sup> as Whiteside maintained.<sup>247</sup> More importantly, the defence filings revealed a lack of communication between the defending lawyers. As Rolt pointed out, MacNeill knew that the Hunter Bros. debt had been resolved before the date of the seizure while Whiteside was apparently under the impression that the hardware company was still poised to act on their writ.<sup>248</sup>

### War Plans

In their preparations for trial, Davis and Hunter encountered two major defects in the company's case. To win they would have to 1) refute the alleged contract violations and 2) prove the machinery was paid for on or before the date it was seized. The first challenge would be the most difficult. It was no secret the Nestegg Company was "insolvent." Six

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<sup>245</sup>Ibid. The claim for the "value of said machinery" was certainly exaggerated: the Nestegg Company bought the *entire* plant new for nearly \$2,000.00 less than the Statement of Claim valued everything *excluding the boiler* in a used condition (NEMC *Cash Book*, 9, 10, 14; NEMC *Journal*, 80, 81). The plant was sold as a package deal and the contracts contained no itemized value for the boiler left behind at the mine. The value of the machinery may have included the freight costs although the company was still questioning its responsibility for this account at the time the Statement of Claim was filed.

<sup>246</sup>NEMC Correspondence, Davis to Hunter & Oliver, December 6, 1897. At this point Lippman was still wavering and not yet on side with the Plaintiffs.

<sup>247</sup>VSC *Cause Book*, vol. 2, action no. H134/97, p. 209; "Amendments to statement of defence" of CDRC and Mendenhall, par. 9.

<sup>248</sup>NEMC Correspondence, Rolt to Munro, November 30, 1897.

weeks before the seizure Munro made the mistake of admitting to Scolley that the company was without funds. Given Gaston's unpredictable meddling and Scolley's contradictory behaviour, it was not inconceivable that the Secretary's written confession of insolvency would find its way into court.<sup>249</sup> The lawyers might also find it difficult to explain why the funds needed to make the company solvent just happened to show up on the books the same day the final payment was supposedly made to the CDRC.<sup>250</sup>

The Hunter Bros. writ of seizure was technically still in effect when the plant was taken and therefore may have constituted a breach of the agreement. However, the testimony of Rolt and the Sheriff's corroboration *should have* provided proof that a tentative settlement was arrived at days before the repossession occurred, thus declassifying the debt as an "unresolved judgment." Rolt also claimed he paid Hunter Bros. \$1,357.91 three days before the seizure, but his dates and figures did not match those recorded in the company books.<sup>251</sup>

Conveying the mineral claims to Arthur Wolfenden without notifying the CDRC might also be interpreted as a contract violation. Davis could try to argue that the action had no affect on the Nestegg Company's ability to fulfill its lease obligations, although, as with Lippmann's excuses, this would still be "no defence whatever in law."<sup>252</sup> A better option would be to claim that the ad published in late 1896 stating the company's intention to reconvene a Shareholders' Meeting in January of 1897, "for the purpose of considering the advisability of disposing of the whole of the assets" constituted notice to the Defendants that

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<sup>249</sup>NEMC Correspondence, Munro to Scolley, June 4, 1897.

<sup>250</sup>NEMC *Cash Book*, 14.

<sup>251</sup>According to a *Journal* entry dated July 31, 1897, Hunter Bros. was only paid \$1,036.32 (NEMC *Journal*, 81).

<sup>252</sup>NEMC Correspondence, Davis to Hunter & Oliver, December 6, 1897. According to the Minutes of the January 20, 1897, General Meeting, "all the assets" of the Nestegg Company were to be conveyed to Wolfenden ("Minutes of General Meeting, January 20, 1897 [NEMC *Minute Book*, 23]). The CDRC's lawyers would, however, have difficulty arguing that the conveyance included any interest in the plant without contradicting their claim that it was still legally owned by the machinery company.

the company was planning to make the conveyance.<sup>253</sup> Admittedly, the argument might be a stretch given the ambiguous contents of the notice. Nonetheless, Davis could easily argue that “disposing of the whole of the assets,” if anything, implied something more significant than the restrictions on “conveying” that were specified in the contract. If the CDRC was concerned about how these proposed drastic and well-publicized activities might have affected their contract, they should have made their concerns known in January of 1897 *before* Mendenhall authorized the release the machinery at the Trail train depot.<sup>254</sup>

Davis was somewhat concerned with another potential breach of the contract terms. According to the Lease Agreement the Nestegg Company was obliged to keep the plant insured and have someone watching over it at all times.<sup>255</sup> Davis asked for proof that the plant was insured, but of course, Munro had none.<sup>256</sup> Fortunately, although failure to insure was a violation of the terms of the lease, it was not a legitimate excuse for revocation. According to the Agreement made with O’Farrell, if the Nestegg Company failed to keep the plant insured, the CDRC was only authorized to insure the plant itself and tack the premiums onto the lease payments.<sup>257</sup>

Leaving the machinery “unprotected” was, however, a serious matter and could have nullified the contract.<sup>258</sup> Scolley left the mine on July 8<sup>th</sup> and it was unclear exactly when his replacement showed up.<sup>259</sup> As late as July 16<sup>th</sup> Rolt was still contemplating hiring an

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<sup>253</sup>*Colonist*, December 18, 1896; *B.C. Gazette*, December 14, 1896.

<sup>254</sup>The Columbia & Western “Expense Bill” for the freight on the machinery, dated January 19, 1897, was made out to Mendenhall with a note to “Ntfy Nest Egg G M Co.” (NEMC Correspondence [PR5, series 3, box 449, file 5]). Obviously, Mendenhall had to authorize the release of the machinery to O’Farrell. The notices advertising the January 20, 1897 General Meeting to discuss the “advisability of disposing of the whole of the assets” were published during December 1897 in the *B.C. Gazette* and in newspapers in both Victoria and Rossland.

<sup>255</sup>“Deed of Agreement,” undated, page 2, par. 1-2 (in NEMC Correspondence, [box 499, file 4]).

<sup>256</sup>NEMC Correspondence, Davis to Gordon Hunter, December 6, 1897.

<sup>257</sup>CRDC “Deed of Agreement,” undated, p. 2 (in NEMC Correspondence [box 499, file 4]).

<sup>258</sup>*Ibid.*

<sup>259</sup>NEMC Correspondence, Hamilton to Munro, July 8, 1897.

employee at the Homestake mine to “sleep at y’r place” during the nights.<sup>260</sup> At some point a watchman named Fenton was installed, and his testimony would later prove to be essential for the company’s case. However, his account of the circumstances surrounding the seizure seemed confused. He was even unclear about the date of the event, something that became a critical issue during the trial.<sup>261</sup> Fenton told Rolt that Mendenhall and Lippmann gained access to the plant through an unlocked door “not ordinarily used.”<sup>262</sup> The ambiguities in Fenton’s preliminary statements strongly suggests he may actually not have been at the mine during the event. Fortunately for the company’s legal team, Whiteside never pursued the unattended plant clause in the Statement of Defence or its amendments, thereby making it difficult, if not impossible, to bring the issue up at trial.<sup>263</sup>

The timing of the seizure was of the utmost importance to the Nestegg Company’s case. But nobody on either side seemed to be certain when Mendenhall and Lippmann actually started removing items from the mine. Was it July 16<sup>th</sup>, or the 21<sup>st</sup> or the 22<sup>nd</sup>?<sup>264</sup> If the seizure commenced on behalf of the CDRC on July 16<sup>th</sup>, then it very well could have been legal since the Hunter Bros. writ was then still unresolved. But if the plant was taken on the 22<sup>nd</sup>, the hardware company’s writ would technically have been satisfied, making the Rand Company’s repossession illegal – at least on the basis of any existing unresolved writs of seizure. The timing of the seizure was also crucial to proof of payment being made on time. As indicated earlier, the suspicious paper trail at the Victoria head office, which should have traced the exact date the last lease payment was made, proved to be a tangled

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<sup>260</sup>Ibid., Rolt to Munro, July 16, 1897.

<sup>261</sup>BCLIA Correspondence, Rolt to Holland, August 4, 1897.

<sup>262</sup>However, one wonders why a door “not ordinarily used” would be built into a simple building housing a small compressor and hoist (NEMC Correspondence, Munro to Rolt, April 5, 1898).

<sup>263</sup>Fenton was not even examined by the Defence.

<sup>264</sup>When questioned on the point during examinations for discovery, Mendenhall claimed he was not even sure of the *month* the seizure took place (Answer to Question 13, Transcript of Examination for Discovery of Frank R. Mendenhall, December 30, 1897 [NEMC Correspondence files, {PR 5, series 3, box 44B6 file 1}]).



web of contradictory receipts, cancelled drafts, and account book entries, no doubt deliberately engineered to cover any possible scenario the Defence might latch onto.

### A Comedy of Errors: Examinations for Discovery

On December 30, 1897, the Nestegg Company's Rossland lawyer finally examined Mendenhall and Lippmann. Besides being ridiculously uncertain about the date of the seizure, Mendenhall's clumsy attempts at dodging responsibility for his role in the affair were as clear as water. At first he claimed he and Lippmann had seized it jointly.<sup>265</sup> A later version had Lippman seizing the stuff and holding it for "half a day" before turning it over to Mendenhall. And then the story changed again. Lippmann did the seizing but immediately gave everything to Mendenhall while both were still at the mine site.<sup>266</sup>

Mendenhall was also thoroughly confused (or pretended to be) about whether or not he knew if the machinery was paid for at the time he and/or Lippmann took possession.<sup>267</sup> He stated that he advised the Nestegg Company – at some uncertain point in time – that he would take possession if the last payment was not made immediately. He admitted their response was that he should make certain the payment was not made before trying to repossess, but then quickly added that he "supposed" he received the warning *after* he made the seizure.<sup>268</sup> At that point the examination nearly took a decidedly fatal turn for the Canadian Rand Drill Company. Hamilton asked Mendenhall if he had in fact made sure the debt was still owing:

36. Q: Did you take any steps to ascertain whether the money had been paid?  
A: Yes.
37. Q: What?  
A: I wired them [the Nestegg Company] to advise me when and where they paid the

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<sup>265</sup>Transcript of Examination for Discovery of Frank R. Mendenhall, December 30, 1897, answer to question #15 (NEMC Correspondence files [PR 5, series 3, box 44B6 file 1]).

<sup>266</sup>Ibid., questions #19-23.

<sup>267</sup>During his examination, Mendenhall first stated that he did know the payment was made, but then quickly contradicted himself (Transcript of Mendenhall Examination, questions 23 and 24).

<sup>268</sup>Transcript of Mendenhall Examination, questions 34 and 35.

costs, if it had been paid.

[Note added by Munro: "He did not wire - Lippmann, whose name we had never heard of before wired, and we did not reply."]

38. Q: Did you make any enquiry of your principals whether it had been paid?  
A: Yes.
39. Q: How?  
A: By wire. [He added that the CDRC's response indicated payment "was not due for such and such a date"].
40. Q: And in spite of that you went on and moved the machinery off did you?  
A: I moved the machinery.

Unfortunately, Hamilton could not get Mendenhall to put the seizure into context with the timing of the CDRC's response: Mendenhall refused to answer yes or no and would only admit to moving the machinery, not *when* he moved it. When the question was put to him directly, Mendenhall at first said he would "swear to it" that before making the seizure he had no communication from Sherbrooke that the payment was made. But then he immediately recanted: "No. Well, I will not swear to that."<sup>269</sup> Again, the timing of the event was left up in the air.

Mendenhall continued to contradict himself when questioned on the professional relationship between himself and Lippmann. He at first denied instructing the Mutual Collection Agency "what to do in any way" and claimed Lippmann had complete "charge of the case."<sup>270</sup> But when directly questioned as to exactly who was responsible for ordering the seizure, Mendenhall was again evasive:

53. Q: He [Lippmann] instructed the machinery to be moved off the claim?

54. A: Yes, he *advised* it rather [emphasis added].<sup>271</sup>

Mendenhall's lawyer had little success clarifying anything on cross-examination. A new version of events had Lippmann turning the goods over to Mendenhall "just outside the building."<sup>272</sup> When questioned if "the money" (the final payment to CDRC) was "actually due" when the seizure took place, Mendenhall admitted it was not and then quickly threw

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<sup>269</sup>Transcript of Mendenhall Examination, questions 23 and 24.

<sup>270</sup>Ibid., answers to question 49 and 51.

<sup>271</sup>Ibid., question 53.

<sup>272</sup>Ibid., question 56.

in a diversion: “No sir, only by virtue of the judgement against the Mine by other parties.”<sup>273</sup> Whiteside obliged by following his client’s lead and letting him try to shift the blame to Hunter Bros.: it was the hardware company who had sent the sheriff “over to levy on the property.”<sup>274</sup> But of course, if the machinery was paid off, what business was it of Mendenhall’s if the sheriff paid the Nest Egg a visit concerning someone else’s bad debts? At that point Whiteside wisely decided to cut his losses and call it a day.

The examination of Lippmann proved more consistent – and comical. He claimed to have taken possession of the plant for the Canadian Rand Drill Company under the authority “vested” in him by “an agreement drawn up by their [CDRC] solicitors.”<sup>275</sup> Although he admitted to officially making the seizure, Lippmann confirmed that it was Mendenhall and his men who physically removed the machinery from the Nest Egg property. According to Lippmann, his role in the matter ended when the stuff was transferred to Mendenhall “instantaneously.”<sup>276</sup> But did he not later send letters to both Munro and Rolt advising them that he held the machinery and that they were to deal directly with him and not Mendenhall? Lippmann’s answers revealed a man “squirming” in earnest. Yes, he had sent the letters, and yes they were misleading, but he had only done it at Mendenhall’s request.<sup>277</sup> Furthermore, he claimed the letter to Rolt was “taken [down] by his [Mendenhall’s] stenographer and copied in his letter book and mailed by his stenographer or one of his employees subject to his examination.”<sup>278</sup> At the conclusion of Lippmann’s examination it was obvious he was ready to jump ship to save his skin. The price of his allegiance would now undoubtedly be much cheaper.

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<sup>273</sup>Ibid., question 57. Whiteside had in fact already been forced to interrupt Mendenhall when he became carried away answering question 54.

<sup>274</sup>Transcript of Mendenhall Examination, question 60.

<sup>275</sup>Transcript of Harry Lippmann Examination, December 30, 1897, answer to question 16 (NEMC Correspondence files, [PR 5, Series 3, box 44B6 file 1]). McNeill’s partner Deacon confirmed the agreement was contained in the Defendant’s list of documents.

<sup>276</sup>Transcript of Harry Lippmann Examination, question 15 and 17.

<sup>277</sup>Ibid., question 63.

<sup>278</sup>Ibid., question 67.

The Nest Egg's lawyers decided to let Lippmann sweat for a while. And their strategy was working. By the end of January Rolt reported increased levels of anxiety in Rossland – and the unexpected assistance of an aspiring surprise witness:

Our friend Lippmann is constantly affronting me with offers of giving us valuable information by way of saving his own neck. I refer him to Daly & Hamilton but he won't go to them & wishes us to pay his expenses to go to Victoria & see the Company's lawyers there: which is a most excellent scheme – for him. O'Farrell is now busying his active mind on this proposal of Lippmann's from which fact we may fairly anticipate that fresh complications will arise. But no doubt our friend [Lippmann] is actuated by the benevolent wish to repair his former errors if possible.<sup>279</sup>

In fact, there had earlier been talk of putting O'Farrell under oath. In December Munro thought “any information which O'Farrell might give, would, I should think, be favourable to this C<sup>o</sup> for he surely would be anxious to place his management of our affairs in as favourable a light as possible.”<sup>280</sup> However, after Hamilton finished examining Lippmann and Mendenhall, Davis thought it was better to keep the loose cannons on the other side of the table. Besides, there was really nothing O'Farrell could add after the defendants' examinations that could put the company's situation in any more “favourable a light.”

### Going to Trial

The examinations clarified the irrelevance of the Hunter Bros. judgment, but they left two very significant issues up in the air: the date of the last payment on the machinery and the date of seizure.<sup>281</sup> The lawyers for both sides now knew that the case would hinge on these two questions: and they also knew a jury would have to find the answers. A trial date was set for April 14<sup>th</sup> at the Victoria Supreme Court. But the date and site of the trial suddenly became less certain when an uproar in the local press almost moved it to Nelson. On March 19, 1898 the *Colonist* published a virulent condemnation of the seizure titled “A

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<sup>279</sup>NEMC Correspondence, Rolt to Munro, January 31, 1898.

<sup>280</sup>Ibid., Munro to Rolt, December 10, 1897.

<sup>281</sup>As late as April 5<sup>th</sup>, just days before the trial, Munro was still trying to ascertain what day the machinery was taken (NEMC Correspondence, Munro to Rolt, April 5, 1898).

REMARKABLE CASE.” It provided a detailed but carefully unspecific description of the “facts”:

Briefly, the position is somewhat as follows: More than a year ago the Rand company sold to the Nest Egg company a five drill compressor plant, the latter company making payment partly in cash and partly in notes, time of payment for which was extended a few days. Before the last of the notes fell due the Rand Drill Co. announced their intention of removing the machinery. Their Rossland agent, Mr. F.R. Mendenhall, having apparently jumped to the erroneous conclusion that the notes would not be paid and that he could therefore take the law into his own hands. ...disregarding warnings received both from the secretary of the Nest Egg company and from Mr. Rolt, Mr. Mendenhall employed certain parties in Rossland to enter the Nest Egg premises and removed the greater portion of the machinery. In the meantime the Nest Egg company had duly paid the last of the notes, and on being apprised of the seizure of the plant at once commenced action against the Rand company for the sum of \$16,000.<sup>282</sup>

The CDRC’s “high-handed” tactics were allegedly driven by a sinister motive: “It seems probable that the proceedings of Mr. Mendenhall were suggested and carried out under the impression that the Nest Egg company were short of funds and could therefore be safely bullied.”<sup>283</sup>

Three days later Lyman Duff, the newly appointed trial lawyer for the CDRC, filed a motion in Victoria Supreme Court asking that Ellis and *Colonist* editor C.H. Lundgren be held in contempt for publishing an article that would make a fair trial impossible.<sup>284</sup> If Duff succeeded, the contempt action would pave the way for a change of venue—and further delay. And delaying the trial would greatly improve his client’s chances of exhausting the Nestegg Company’s war chest and force them to settle favourably out of court. At the contempt hearing Lundgren managed to escape – much to the amusement of the *Colonist*’s local competition – by confessing that he had not read the piece “until the following morning” after it was published.<sup>285</sup> Ellis’s lawyer admitted his client’s responsibility but

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<sup>282</sup>*Colonist*, March 19, 1898.

<sup>283</sup>*Ibid.*

<sup>284</sup>*Victoria Daily Times*, March 23, 1898. Technically, Ellis was the “manager” of the *Colonist*.

<sup>285</sup>*Ibid.*, April 2, 1898.

claimed the article was only news “of general interest to the public” and would not prejudice the trial.<sup>286</sup> Justice Drake reserved judgment, leaving the date and location of the CDRC trial in limbo.

The company men were equally upset with Ellis’s unauthorized revelation. His article implied that the last installment was not paid until the machinery was being taken. This may have been the most likely scenario, but it was not the answer to the timing question that best suited the Nest Egg and Firefly Company. Gordon Hunter was as concerned as Duff that his clients would not get a fair trial in Victoria, and suggested to Munro that in light of Ellis’s blunder it might not be a bad thing if the trial was moved to Nelson.<sup>287</sup> The remote change of venue certainly would not have hurt Hunter’s fees and expenses account. Eventually Justice Drake decided against finding the *Colonist* in contempt and instead satisfied himself with “censuring” Ludgren and seeing that Ellis was “mulcted for costs”.<sup>288</sup> The Rand trial would be heard in Victoria.

While Davis and Hunter were preparing their courtroom strategy, the Nestegg’s management worked on building up a case for extraordinary damages in the event of favourable judgment. Rolt pitched the property to “Governor McIntosh” who was in Rossland looking at mining lands on behalf of various Eastern Canadian and British interests. Rolt knew the Governor had “orders” to buy only properties on the “North Belt,” but felt it was still worthwhile to make an offer. In this case rejection might prove to be advantageous.<sup>289</sup> If the proposal was rejected, it was possible that the company’s damages could be increased, provided the court was convinced the machinery seizure was responsible for a lost sale. While Rolt was working on MacIntosh, Munro looked for assay certificates that “would be well to produce” in court.<sup>290</sup> Profitable tonnage values had been published several times in the press since early 1896. If they could be proven they might substantially

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<sup>286</sup>Ibid.

<sup>287</sup>NEMC Correspondence, Munro to Rolt, April 5, 1898.

<sup>288</sup>Ibid.

<sup>289</sup>Ibid., Rolt to Munro, January 31, 1898.

<sup>290</sup>NEMC Correspondence, Munro to Rolt, February 15, 1898.

increase the final figure for damages. Lucrative assays could favourably influence the jury's estimate of lost potential income. Unfortunately, the only assay slips Rolt and Munro uncovered were best left lost: their mediocrity could only hurt the Nest Egg's cause.

By the end of April the CDRC's lawyers had run out of excuses for delaying the trial any longer. They were, however, encouraged by the bad publicity the *Colonist* fiasco generated. On April 28<sup>th</sup>, the day before the trial started, Duff resubmitted a settlement offer he claimed was made "some two months ago." If the suit was dropped his clients would restore the machinery, "pay the Plaintiffs their costs of this suit, and in addition the sum of \$500 for damages."<sup>291</sup> Since the offer would cover his legal bills, Hunter thought it was probably not a bad deal but the company men would not even consider it.<sup>292</sup> Kirk, Holland, and Hayward had put too much money into the venture to let an opportunity for hefty damages slip through their fingers.

The trial finally started on April 29<sup>th</sup> and ended May 3<sup>rd</sup>. The chief witnesses for the plaintiffs were Rolt, Munro, Fenton, and one of the defendants, Harry Lippmann. The two former arch-enemies, Rolt and Lippmann, buried their hatchets well in advance of the trial. They travelled together to Victoria and stayed at the Driard Hotel. On March 25<sup>th</sup> they were prepped together by Hunter during a "long interview."<sup>293</sup> But Lippmann's assistance was costly. Besides being paid \$139.00 in Victoria for trial expenses, Lippmann was also given \$150.00 in advance for "witness fees."<sup>294</sup>

From its opening the trial went badly for CDRC. Mendenhall proved to be as poor a witness on the stand as he was at examinations. He admitted receiving Munro's warning but

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<sup>291</sup>Ibid., Duff to Hunter, April 28, 1898.

<sup>292</sup>Ibid., Hunter to Munro, April 28, 1898.

<sup>293</sup>A detailed account of Rolt and Lippmann's trial expenses indicates both travelled to Victoria and back to Rossland on the same dates (NEMC Correspondence [PR 5, Series 3, Box 4486, file 5]). The joint interview with Hunter was reported in an account submitted by Hunter and Oliver to Munro, August 13, 1898 (NEMC Correspondence [PR 5, Series 3, Box 4486, file 5])

<sup>294</sup>Ibid., Rolt to Munro, May 6, 1898; NEMC Correspondence, Hunter to Munro, May 18, 1898.

was unclear as to exactly when it arrived. He also continued to be indecisive about who was responsible for ordering the commencement of the seizure. The documents provided by Rolt and Munro, while ambiguous about certain critical points (especially the exact date of seizure and payment) left little doubt that the actions of the CDRC and Mendenhall were unjustified. The evidence also established that the Quebec head office had a very poor working relationship with its Rossland agent. On the other hand, their relationship with the Nestegg Company was much improved prior to the seizure. The Sherbrooke office had a history of generous tolerance for late payment. It was definitely out of character for them to pull the plug on the lease at the eleventh hour. And, most importantly, the final payment was never proved to be late. The Rand Company's defeat was sealed on this point when the Jenkes' correspondence was produced that verified the CDRC received the last installment as the seizure was underway. Fenton confirmed the physical circumstances of the event and Lippmann's testimony removed any pretext of an outstanding bad debt as justification for the repossession. He also confirmed that he removed the machinery from the mine while acting as an agent for Mendenhall, not Hunter Bros. or their lawyers. Lippmann somehow preserved his credibility in spite of his contradictory August 1897, correspondence to Rolt claiming sole responsibility for the seizure and possession of the plant.

The trial lasted four days<sup>295</sup> as British Columbia's best (and some of Canada's finest) lawyers fought their way through evasive witnesses and suspicious documentation.<sup>296</sup> In the end it took the jury less than two hours to bring in a verdict for the plaintiffs. The outcome may not have been a surprise but the dollar figure they came up with must have been quite a shock to the Canadian Rand Drill Company. The jury awarded \$4,041.40 for the machinery removed and an additional \$3,500.00 for "damages".<sup>297</sup> The valuation of machinery was certainly inflated but the truly unexpected jolt came from the exorbitant

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<sup>295</sup>Court was recessed for a holiday on May 1<sup>st</sup>.

<sup>296</sup>Lyman Duff, the trial lawyer for CDRC, went on to become Chief Justice of Canada's Supreme Court. Hunter later became Chief Justice for the B.C. Supreme Court after E.P. Davis declined the position.

<sup>297</sup>*Victoria Daily Times*, May 4, 1898.



damages figure imposed for stripping a plant from a dormant mine that never produced a sack full of ore worth smelting, and was owned by an impoverished company whose stock was selling for less than five cents.<sup>298</sup> The jury was clearly sending a message to big business bullies from Eastern Canada. But it was not a message Justice Walkhem was ready to deliver “as there are some legal points yet to be argued.”<sup>299</sup> Not surprisingly, the Canadian Rand Company immediately filed an appeal.<sup>300</sup>

Another round of delays and financial exhaustion finally forced the Nestegg Company to accept an all-inclusive settlement of \$6,116.00 in January of 1899. After the lawyers took their cut the company received \$5,541.00. Although it was a far cry from the fifteen thousand dollars initially claimed, the final settlement was more than enough to pay for everything spent on the plant including transportation costs, interest, and “extras”.

### The “Clean-Up”<sup>301</sup>

A year after the mine closed the company men were at last going to see some kind of financial return from the Nest Egg mine, although in a way they never expected when they signed on in early 1896. They had their Ontario lawyers, the new management, and Holland, Hayward, and Kirk’s deep pockets to thank for it. Yet, with the exception of Hayward, all who were responsible for this turn of events were surprisingly young men. Although there was definitely a lack of experience in this new group, their courage and quick-wittedness

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<sup>298</sup>On October 17, 1898 Holland released 15,000 of O’Farrell’s shares in the new company to Leonard Solly for 3.5¢ each (BCLIA Correspondence, Holland to O’Farrell, October 17, 1898). A stock quotes sheet prepared by A.W. More & Co. of Victoria on May 19, 1899 indicates Nest Egg Fire Fly shares had dropped to \$0.02 (BCLIA Correspondence, [Series I, Box 46D4, file 4]).

<sup>299</sup>*Victoria Daily Times*, May 4, 1898.

<sup>300</sup>An out-of-court settlement was reached in January 1899 in which the CRDC agreed to pay \$6,116.00 all-inclusive (or \$1,425.40 less than the jury’s award). From this the company’s lawyers received \$575.00 leaving a balance of \$5,541.00 (NEMC Correspondence, Hunter & Oliver to Munro, January 16, 1899).

<sup>301</sup>After each “mill run” a free-milling mining operation would shut down its stamp mill for “clean-up.” The mercury/gold amalgam was then cleaned from the tables and the disassembled stamping mechanism.

sufficiently compensated for this deficiency. Whereas Ellis had been careless, bellicose, and lacked focus, the new Secretary, Munro, made mistakes but quickly adapted and was capable of quietly and decisively acting on his own. John Burke had a reputation as a mining man but he was a proven disaster as a business manager long before he became involved with the Nest Egg. He was congenial and inattentive. O'Farrell and Gaston were reckless intriguers of dubious credibility who caused nothing but problems anytime they got their fingers into the company's management (although Gaston at least kept track of his accounts). Rolt, on the other hand, had practically no experience in mining or as a broker, yet his honesty, thoroughness, integrity and aggressive nature made him an excellent long-distance manager during the critical "shark attack." He was the only responsible Rossland manager the Nest Egg ever had. Munro and Rolt ultimately played a greater role in the final courtroom vindication than the company's legal team. Munro set the trap and orchestrated the sting. By the time the CRDC hired its high-powered trial lawyer, Rolt had effectively destroyed the machinery company's defence by ensuring Lippmann's defection.

In the final analysis, some of the "sharks" who attacked the floundering mine in 1896 were repelled (Dr. Bowes and Travers Hardware). Although it was not easy, some were able to draw blood they did not deserve (Scolley, Aldrich, Matthias Bros., and probably most of the miners). But the really big fish was baited, hooked, and landed. Placed in this context, the Nest Egg's salvage operation was a success. And timing, luck, political influence, or other "external forces" played no part. This was teamwork on the part of the Nestegg Company management: Munro pulling the strings, Rolt pushing the buttons, and Holland, Hayward, and Kirk finding the funds. It is ironic that the Nestegg Company would not develop a clearly defined and efficient management system until after the mine had died.

## CHAPTER VIII

### EPILOGUE: DEALING WITH A DEAD LETTER<sup>1</sup>

1898 to 1918

#### Renewed Interest: The Tenderfoot Rush for Rossland Mines

Surprisingly, the Nest Egg generated more interest in the real estate market after its mining operations ceased than it did when it was running. Over the next two years several proposals to take over the idle mine were presented to the Trustees.<sup>2</sup> In August 1897, shortly after the machinery was seized, Rolt reportedly had a “man on the string” who was interested in a “working bond.”<sup>3</sup> Whitmore was again making overtures and O’Farrell claimed to be working out a deal with F.A. Heinze, owner of the Trail smelter and the Columbia & Western Railway.<sup>4</sup> On August 7<sup>th</sup>, in appreciation of Rolt’s efforts to sell the Nest Egg, the Trustees gave him sole authority to act as the “company’s broker in Rossland,” and once again curbed O’Farrell’s machinations – or so they thought.<sup>5</sup>

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<sup>1</sup>The final chapter of the Nest Egg story was difficult to piece together. Most of the corporate records cease to exist after October 1897 when the reorganization was completed and the assets officially transferred. Although the *Cash Book*, *Journal*, and *Minute Book* for the new company disappeared, a NEFFGMC *Share Transfer Ledger* and its *Journal* have survived indicating at one time a complete set of separate books for the new company did exist. This seems to be verified by a December 1897 bill in the correspondence records from a Victoria book binder for gilt lettering the bindings of four new record books (NEMC Correspondence, Janes & Hitchcock Book Binders to Munro, December 17, 1897 [PR 5 Ser 3 Box 44B6 file 5]). Later correspondence also refers to Trustees and Shareholders Meetings after October 1897. Nevertheless, in spite of the missing volumes, it is possible to develop a history of the company’s final years using other documents that survived. Copies of all outgoing correspondence, before and after the reorganization, were bound together in the same *Letter Book* volume. Hard copies of most incoming correspondence throughout the life of the company, as well as bills and various other business documents, were also kept with the surviving old company’s records. The complete collection of BCLIA correspondence – both incoming and outgoing – also provides an occasional reference to the final years of the Nest Egg.

<sup>2</sup>The company was unable to option the Firefly claim until the title was cleared up.

<sup>3</sup>NEMC Correspondence, Rolt to Munro, August 4, 1897.

<sup>4</sup>Ibid.

<sup>5</sup>NEMC Correspondence, Munro to Rolt, August 7, 1897.

On September 8<sup>th</sup> Holland received word that Rolt's "friends" had arrived and were ready to examine the property "provided they do not buy another claim which they have under inspection before they take up the Nest Egg."<sup>6</sup> Four months would pass before Rolt revealed the identity of his "friends" as the already famous British America Corporation,<sup>7</sup> shopping for Rossland properties through its most esteemed representative, the Lieutenant-Governor/Premier of the Northwest Territories, Charles Herbert Mackintosh.<sup>8</sup> Rolt worked hard to make a sale, but by early 1898 he was becoming less optimistic after Mackintosh received "orders" to "stick to the North Belt" (the properties north of Rossland).<sup>9</sup> Notwithstanding his orders, rumours soon were spreading that one of the Governor's courtiers had indeed succeeded in making a deal with him for the Nest Egg. Rolt hastened to inform Holland that it was only a failed attempt by a party of intriguers:

In explanation of this I may inform you that reports together with maps & plans of the N.E. were laid before the Governor by General Warren - a well known mining operator here who is a confidential friend of his (the Governor) - The Governor however sent me word about it asking whether I wished him to have them & on my disclaiming all knowledge of them he sent them back to Gen'l Warren. The latter has since informed me that he got them from a man named Acorn here who again was acting with one Luckman who at one time was one of Heinze's men (a sort of expert) & who is owner (partly or wholly) of the Old Hundred which claim adjoins the Nest Egg & was thrown in with it by Luckmann in the proposal as laid before the Governor through Warren. However as the

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<sup>6</sup>BCLIA Correspondence, Rolt to Holland, September 8, 1897.

<sup>7</sup>The London based British America Corporation [BAC] was headed by former Governor-General of Canada, the Marquess of Dufferin. However, the company was in fact only part of an enormous international web of financially intertwined ventures controlled by Whitaker Wright's ill-fated London and Globe Finance Corporation. By the end of 1898 the BAC succeeded in acquiring sixty-two mining properties in B.C. (twenty in Rossland) including the famous Le Roi and its Northport, Washington smelter (*Canadian Mining Manual, 1898* (Ottawa: Canadian Mining Review), 239).

<sup>8</sup>The fifty-five year old Mackintosh was a well-known Canadian personality. As a journalist and politician, he had built a reputation promoting the interests of the rich and powerful in both Britain and Canada. After eight years as a Member of Parliament for Ottawa (and simultaneously mayor of the city and editor of its chief newspaper), Mackintosh was appointed Lieutenant-Governor (later Premier) of the Northwestern Territories in 1893, a position he held until May of 1898.

<sup>9</sup>BCLIA Correspondence, Rolt to Holland, January 31, 1898.

Governor has been good enough to return the papers to Warren & to keep faith with me I suppose I may congratulate myself on having stalled off this 'rush'. On the other hand old Warren is a very cunning old schemer & it is suspected by many that his cooperation is necessary to ensure our deal going through with McIntosh [*sic*]. But as I am working this affair with J.M. Burke who also is very friendly with McIntosh I don't intend to be 'held up' by old Warren at this stage of the game. If after conversation with Burke we find it necessary to make the General 'friendly' it will have to be done. This explanation is I fear rather a complicated one but the incident will show you pretty clearly what a lot of plotting & counter-plotting is going on here over the Governor's body.<sup>10</sup>

The "plotting & counter-plotting" was indeed thick in Rossland. Rolt was working the BAC deal with Burke, who was not only a Mackintosh confidant but also the right-hand man of the detestable O'Farrell, Rolt's arch-rival. If Luckman was Heinze's expert it is more likely that he came by the Nest Egg papers through O'Farrell, who was also close to Heinze.<sup>11</sup> It was a delicate situation and Rolt was careful not to rub either Burke or Warren the wrong way since they carried more weight with Mackintosh. Nevertheless, Rolt had put too much time and effort into sorting out the Nest Egg's troubles to be cut out of a sale at the last minute. He simultaneously wrote to Munro, more or less insisting that the company men put an end to the intrigue in Rossland. The Trustees complied



43. Charles H. Mackintosh  
From Painting by V.A. Long  
Alberta Legislature Library

<sup>10</sup>Ibid., Rolt to Holland, February 2, 1898. Little is known about either of General Warren's informants. In 1897 a "mining man" named Mr. Acorn was rooming at 17 East Columbia Avenue in Rossland (*Henderson's Directory*, 455). Curiously, he had not taken out a Free Miner's License that year and therefore could not legally own or work mining property in B.C. One H. Luckman did obtain a Free Miner's License in Rossland on April 30, 1897, but was never listed in the *Williams* or the *Henderson's* directories as residing or working in either Rossland or Trail between 1897 and 1900 (*Henderson's Directory, 1897*, "Free Miners Directory," 127).

<sup>11</sup>Only days earlier Rolt had observed O'Farrell "here fussing about after the said papers" relative to the title of the Firefly (BCLIA Correspondence, Rolt to Holland, January 31, 1898). It is entirely possible that these "papers" were the same documents that found their way into the hands of Warren.

by giving Rolt the Nest Egg's first exclusive option.<sup>12</sup>

Rolt did well to act quickly. K.E. MacKenzie of Nelson was also expressing an interest in the property but was informed by Munro that "negotiations are at present pending for the sale or Bonding of the property, which we hope will conclude favourably."<sup>13</sup> In mid-March, former shareholder Herbert G. Ross also wanted to make an offer but was told "the 'Nest Egg' claim is under option until the 1<sup>st</sup> May next. We are not therefore in a position to negotiate at present with others, but should the option not be availed of before maturity we shall be happy to deal with you."<sup>14</sup>

Meanwhile, Rolt was having problems getting Mackintosh's attention. As a British "mining man," the Nest Egg's manager simply did not have enough clout. John Burke was supposed to have completed a report on the mine "which the Governor especially asked him to make," but Rolt was finding "J.M.B. [Burke] seems to be a procrastinator of the first water."<sup>15</sup> While Rolt was waiting on Burke, Mackintosh came under fire for using his position in the government to promote deals for B.C. mines. Both the Governor and Rolt became preoccupied with other matters in the spring of 1898 and the Nest Egg option lapsed.<sup>16</sup> In mid-June the by then ex-Governor's brother approached Rolt and hinted that "it is quite on the cards that they [BAC] will make an offer to deal with [the Nest Egg] on a

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<sup>12</sup>NEMC Correspondence, Munro to Rolt, February 9, 1898. Unfortunately, Rolt's correspondence of February 2, 1898 to Munro, which included the terms of the option, could not be found in the Nest Egg records. Later correspondence indicates Rolt's option was good until May 1<sup>st</sup> and made transferrable to Mackintosh in the event negotiations succeeded (BCLIA Correspondence, Rolt to Holland, February 16, 1898).

<sup>13</sup>NEMC Correspondence, Munro to K.E. MacKenzie, % Merchants' Bank of Halifax, Nelson, February 15, 1898. Kenneth Easton MacKenzie was an accountant at the Nelson bank (*Henderson's Directory, 1898, 282*).

<sup>14</sup>NEMC Correspondence, Munro to H.G. Ross, Vancouver, March 26, 1898. Ross, a Victoria insurance agent, and his wife Lenora sold their 3,750 shares on December 15, 1896 (*NEMC Share Transfer Ledger, 68, 256*).

<sup>15</sup>BCLIA Correspondence, Rolt to Holland, February 16, 1898.

<sup>16</sup>"We are up to our eyes in work here as times are very good... The Governor is away from here: in fact as I have been away off & on myself I have practically not seen him since I was with you in Victoria [for the CRDC trial]." BCLIA Correspondence, Rolt to Holland, June 16, 1898.

working bond.”<sup>17</sup>

The Trustees waited for an offer from Mackintosh until June 30<sup>th</sup> before responding to a second enquiry from H.G. Ross. The option proposal Munro sent Ross reflected the stratospheric optimism produced by the huge deals and dividends then being made and paid on the North Belt mines:

...the Directors would be willing to give you an option on the “Nest Egg” claim on the following terms: (a) The price to be \$70,000.00 payable in 4 installments within nine months from 31<sup>st</sup> July next or - (b) \$85,000.00 in a working bond payable \$10,000.00 cash (31<sup>st</sup> July) \$35,000.00 in 6 months & \$40,000.00 in 12 months i.e. the payments to be completed in 1 year from 31<sup>st</sup> July next. If you think these terms would be acceptable we can go into further particulars later, though I do not think I can give you all you ask for.<sup>18</sup>

There is no record of Ross’s response. Presumably the price was too rich for his or his client’s blood.

In August of 1898 Weaver-Bridgman also joined the crowd of prospective brokers vying for a piece of action on the mine. The Nestegg Company’s renegade Trustee arranged for his own expert to look at the property and sent Rolt instructions to get the Nest Egg ready for inspection. Rolt might accept unofficial directions from his old friend Holland but he was not about to be ordered around by Weaver-Bridgman.<sup>19</sup> Munro smoothed things over by clarifying that Rolt was to go to no great expense or trouble preparing the mine for examination but merely guide Bridgman’s man around the property. Rolt was also given vague assurances of a reward if his cooperation proved productive: “If a deal is made with Mr. Rathbone, Mr. Bridgman & the Directors will not forget the assistance you rendered.”<sup>20</sup>

Bridgman’s controversial British expert, E.P. Rathbone, arrived on September 9<sup>th</sup> and

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<sup>17</sup>BLCIA Correspondence, Rolt to Holland, June 16, 1898.

<sup>18</sup>NEMC Correspondence, Munro to H.G. Ross, June 30, 1898

<sup>19</sup>According to BCLIA historian Brad Morrison, hard feelings existed between Rolt’s benefactor and friend, Holland, and Weaver-Bridgman. When Bridgman left the service of BCLIA in 1890 he broke the terms of his disengagement when he took several of the Agency’s clients with him.

<sup>20</sup>NEMC Correspondence, Munro to Rolt, August 17, 1898. The letter clearly implied that Bridgman would receive the commission should a deal be arranged.

Rolt showed him the surface work done on the south side of the Nest Egg.<sup>21</sup> To everyone's surprise Rathbone made a conditional offer on the spot:

He seemed struck by the strength of the ledge & strongly advised further prospecting by means of surface cross-cuts towards the Sunset ground but he was not aware that the main Sunset workings were on the Northerly ledge (in all probability) nor at the time was I. The only terms in which he would take up the claim would be on a working bond after proper sampling tests made at the expense of the Company which would cost about \$50.00 at the sampling mills now being erected here. The consideration eventually received by the Co. would be shares in a new Co. with an adequate working capital.<sup>22</sup>

Munro confided to Holland that under the circumstances he thought Rathbone was not offering much: "In view of what he [Rolt] says about Sunset developments, and the prospects generally of the Rossland Camp, it would be a mistake to part with the property except upon advantageous terms, that is to say if it is possible to hold onto it for a while longer."<sup>23</sup>

Holland, however, had other ideas. On September 9<sup>th</sup> he received a typically disjointed note from O'Farrell claiming he was "now prepared to take hold of Nest Egg, to make it go but I want my affairs with you and Hayward settled first."<sup>24</sup> Four days later Holland relayed to the Trustees an option offer without disclosing its source. Under the circumstances, it was a deal he thought should be accepted:

My client asks for an option along the following terms - at the end of thirty

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<sup>21</sup>Rathbone was already well known, among Canadian mining men – although his reputation left something to be desired. In a front page headline titled "Another English 'Yellow-Legger,'" the March issue of the *Canadian Mining Review* took exception to an article published in the *Journal of the Royal Colonial Institute* by Rathbone, "who at one time, it is stated, was connected with the mines of the Transvaal." The article, besides being devoid of any "original or valuable information," suggested that Canadian mines had very little chance of succeeding unless their management originated from London (*Canadian Mining Review*, March 1898, 65).

<sup>22</sup>BCLIA Correspondence, Munro to Holland, September 9, 1898.

<sup>23</sup>Ibid. By the fall of 1898 the Sunset had amassed a considerable pile of "shipping ore." The mine's shaft was 350 feet deep and over 1,600 feet of development work was completed. A trial shipment of ore was made to the Trail smelter with "most satisfactory results," although the degree of satisfaction remained a matter of intense speculation (*Canadian Mining Manual*, 1898, 26).

<sup>24</sup>BCLIA Correspondence, O'Farrell to Holland, September 8, 1898.



days he to pay the sum of \$12,000 and at or before the expiration of six months from such payment, the sum of \$37,500. The Company to assign to him all their title to their two claims - the 'Nest Egg' and the 'Firefly' with all buildings and machinery thereon, and all claim and demand upon the Rand Drill Company.

I may say that I ascertained the following facts, - that there are now very few large holdings left in the Rossland Camp for sale; that your Company's property is still highly thought of and that recent examinations have I believe proved that there are two stone ledges on the 'Nest Egg' claims and one on the 'Firefly.' Further, that the development of 'Sunset' will undoubtedly go to show whether your claims are good or not. At the same time however you will please consider that in the first place there is still a great uncertainty as to the value of the 'Sunset;' and, in the second, your Company is without the necessary funds for developing its property. \$10,000 would probably be required to "prove" it and \$20,000 more to put it on a working basis. Should the sale be made I shall expect a commission of \$1875.00 (i.e. 5% on \$37,500) to be paid to the B.C. Land & Investment Agency L<sup>d</sup>.<sup>25</sup>

The Trustee's countered by insisting that the option would have to include sufficient funds to immediately take care of all the company's debts plus the "deferred payment" of \$37,500.00.<sup>26</sup>

Holland's confidential client was none other than P.A. O'Farrell – who was working the deal with his old partner John M. Burke.<sup>27</sup> O'Farrell was sent the Trustees' terms and was assured that "they were pretty firm that there should be no deal except on the basis of payment of all the liabilities."<sup>28</sup> Holland also warned O'Farrell that he should expect to pay a little more than just "all the liabilities:"

I am putting in a claim for commission to this Company. And need hardly say that it is for the [BCLIA] Co. and not intended to cover a rake-off for myself. In fact that was always the condition of their consenting to allow me to act as a Trustee.<sup>29</sup>

Using his middleman advantage, Holland then proceeded to gouge the Nest Egg's

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<sup>25</sup>BCLIA Correspondence, Holland to Munro, September 22, 1898.

<sup>26</sup>NEMC Correspondence, Munro to Holland September 25, 1898.

<sup>27</sup>"I desire to state that I consider the proposal I made to you for the Nest Egg Firefly an equitable one and that I believe it is the best that can be done and I would advise all shareholders to accept it on behalf of Mr. J.M. Burke and myself I send you this." (BCLIA Correspondence, O'Farrell to Holland, September 24, 1898).

<sup>28</sup>BCLIA Correspondence, Holland to O'Farrell in Rossland, September 28, 1898.

<sup>29</sup>Ibid.

former mine management team for much more than just the company's debts:

Your proposition for the purchase of the Nest Egg Gold Co's properties together with machinery & buildings thereon and all rights against the Rand Drill Co. was this morning laid by me before the Trustees of the Company. I find that upon examination of the books of the Company the liabilities are somewhat greater than we thought. After charging interest upon the advances made, the debts of the Company now amount to \$15,185 and are not likely to be much less than \$15,500 by the time all contingencies are provided for. The Trustees have therefore advised me that they will accept \$15,500 in thirty days from this date and \$37,500 at or before the expiration of the six months from the 23rd of October 1898. If these terms are satisfactory to you kindly advise and we will have the necessary documents prepared.<sup>30</sup>

The company's debts were in fact nowhere near \$15,185 at the end of September 1898. According to the available records, the total loan debt at the end of September – personal loans and debentures – amounted to \$9,950.47<sup>31</sup> Interest on the loans and debentures would have been approximately \$1,348.49.<sup>32</sup> A bill submitted by the company's lawyers in June of 1898 remained partly unpaid at the end of September leaving a balance owing of \$564.40.<sup>33</sup> The total known "liabilities" would therefore have been \$11,863.36. Apparently Holland was offering a deal that would leave a comfortable cushion of \$3,636.64 in the Nest Egg Treasury. Perhaps he was planning to "rake-off" the BCLIA's five percent commission (\$1,875.00) up-front rather than waiting to see if the option was "taken up" at the end of its term.

O'Farrell and Burke obviously did not have the \$15,500.00 down payment. Holland

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<sup>30</sup>Ibid.

<sup>31</sup>NEMC *Letter Book*, 260-261. By the end of 1898 the bank loans had all been converted to personal loans.

<sup>32</sup>Available records indicate debentures totalling \$2,337.50 were sold as at the end of September 1898. Interest on these debentures was calculated using a rate deduced from schedules of debentures held and interest owing to Hayward, Kirk and Holland as at December 19, 1898 found on page 260 and 261 of the NEMC *Letter Book*. Their personal loans and interest were also broken down on the same schedules.

<sup>33</sup>Hunter & Oliver submitted a bill for \$1,064.50 on June 15, 1898. The law firm agreed to take \$600.00 cash immediately and expected the remainder would be awarded as costs when the Rand appeal was settled (BCLIA Correspondence, Hunter and Oliver to Holland, June 15, 1898). A receipt in the NEMC Correspondence records indicates the lawyers were paid \$500.00 on June 21, 1898 (PR 5, Series 3, Box 4486, file 5).

in fact knew they were only acting as agents for prospective buyers, and he even knew the identities of their clients.<sup>34</sup> This was, however, information he would not share with the Trustees. Keeping the deal and the commission in his hands depended on outsiders being kept in the dark, including the other company men. In booming Rossland, secrets did not last long. On October 11<sup>th</sup> Rolt anxiously wired Munro asking if there was any truth to allegations in the *Rossland Miner* that “Nest Egg management and debts [were being] taken over by Sawyer of Toronto.”<sup>35</sup> Munro instructed Rolt to “neither confirm or deny” the rumour, although he admitted “negotiations [were] going on in that direction.”<sup>36</sup> Within days Ernest Sawyer himself verified talks were underway in an interview published in the *Toronto Globe*. According to the “well-known” Toronto lawyer, “a deal is now in progress by which a Canadian syndicate hopes to get control of the Nest Egg claim.”<sup>37</sup> It was not long before Rolt determined O’Farrell was behind this latest effort to undermine his brokerage rights. Yet this time he would tread lightly on the issue. It was obvious that the object of Rolt’s odium was working with someone inside the Nestegg Company’s head office:

I am happy to say we shall be only too pleased if O’Farrell and Sawyer can put a deal through on the “Nest Egg,” which will be satisfactory to those of you who have taken so much trouble about the property. At the same time, you know my opinion about O’Farrell and will not be surprised when I say that I have not the slightest atom of confidence in his ability to put through any such deal.<sup>38</sup>

Rolt’s tacit approval included a cautious suggestion that the Trustees check into Sawyer’s

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<sup>34</sup>“I told the others [Trustees] what I knew about the claims, but not what you intended doing” (BCLIA Correspondence, Holland to O’Farrell, September 28, 1898).

<sup>35</sup>NEMC Correspondence, CPR wire Rolt to Munro, October 11, 1898.

<sup>36</sup>NEMC Correspondence, Munro to Rolt, October 11, 1898.

<sup>37</sup>“FROM THE GOLDEN WEST: E.C. Sawyer back from British Columbia” *Globe*, October 19, 1898. Perhaps Sawyer was planning to expand the scope of his Consolidated Gold Fields Development Company of Ontario. Coincidentally, one of his associates in the Gold Fields venture was the ill-fated Oakville banker, Thomas Howarth, who had earlier proposed to underwrite the flotation of the new Nest Egg and Firefly Company shares (for details of the Consolidated Gold Fields Company see Chapin, “Northwestern Ontario Gold Mining,” Appendix C, p. 213; for details of Howarth’s proposal see “Underwriters: Attractive Distractions” in Chapter VI above).

<sup>38</sup>BCLIA Correspondence, Rolt to Holland, October 14, 1898.

other business associations before making a deal: "It is of course possible that the Sunset may have good ore near your line & that Sawyer is trying to get the property for parties in Toronto already connected with the Sunset."<sup>39</sup>

### The End Game

By now it was too late to bother checking into the motives of the Sawyer group. The Rossland mine-buying bubble was bursting. The first signs came when the recently purchased War Eagle, whose shares were trading at astronomical prices, suddenly shut down for unspecified "temporary" reasons in late October and then suspended dividend payments.<sup>40</sup> At the same time, the "tenderfoot" Mackintosh, who had secured scores of properties in the area, was forced to put off any more deals until the protracted and complicated Le Roi purchase was finalized. Mysterious competitive bidders and shareholder holdouts were driving the price of Rossland's most productive mine and its Northport, Washington smelter beyond anyone's expectations. The War Eagle crisis, Mackintosh's retreat, and the sudden and strange demise of Premier John Turner's free-booting regime put a damper on the 1898 Rossland mining lands boom.<sup>41</sup>

In early 1899 the boom was dealt a more serious blow when the miners' "eight hour law" was put through the Legislature during the unstable Semlin government. Most of the larger Rossland mines, purchased at extraordinary prices the year before, were running on

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<sup>39</sup>Ibid. The Nest Egg's fifty-foot deep main shaft was reportedly in "ledge material" all the way to the surface with a three foot vein of "chipping ore" in the bottom. Since the Sunset's shaft extended to 350 feet, it is logical to assume that its extensive (and possibly lucrative) ore dump was mined at levels much deeper than the Nest Egg shaft. Rolt suspected the test shipments of ore from the Sunset had proved productive, and that Sawyer was helping the mine's Toronto owners discretely secure the Nest Egg property (and its litigation rights) before disclosing the results from test runs of Sunset ore.

<sup>40</sup>*Globe*, October 19, 1898.

<sup>41</sup>O'Farrell labelled Mackintosh a mining "tenderfoot" but praised his lavish spending as the impetus Rossland needed to get desperately needed capital (and higher share prices) flowing back into B.C. mines ("Rossland's Prospects," *Globe*, August 20, 1898, 9). The battle between Lieutenant-Governor MacInnes and the Legislature over his termination of "Turnerism" produced an atmosphere of political instability that gave investors and speculators the jitters.

extremely tight profit margins and their management felt they could not afford to make the adjustment. An attempt was made to circumvent the new legislation by introducing a notoriously unpopular contract system. The resultant widespread labour agitation in early 1900 severely curtailed mining promotion in Rossland. Within months the mining lands speculation boom was finally snuffed out when news broke of the spectacular failure of the British America Corporation and its parent, the London & Globe Finance Corporation.

After the Sawyer scheme was dropped in the fall of 1898 there would be no more serious offers to buy the properties or the securities of the Nest Egg and Firefly Gold Mining Company.<sup>42</sup> Given the unstable condition of the stock market, the Rossland camp, and the Victoria Legislature, the company men were quick to accept the Canadian Rand Drill Company's \$6,116.44 offer to settle in January 1899.<sup>43</sup> Within days the first debenture interest payments for the year 1900 were paid off as well as twenty-five percent of the debentures.<sup>44</sup>

One last ray of hope came in September of 1899 following a burst of speculation over an ore strike supposedly made at the Homestake mine. Rolt was so excited that he proposed a rather desperate method of refinancing the company:

It has occurred to me to suggest the advisability of re-organizing the Nest-Egg Company on an assessable basis, say to the extent of 20 per cent of the par value of the stock, which, on a capitalization of \$1,000,000 would give \$200,000, and on \$1,500,000 capital, would give \$300,000, assessments to be so arranged that they would not fall due at intervals of less than three months. The first objection in your opinion to such a plan would probably be that the assessments would fall very heavily on a few of you who at present are very heavy share-holders, but it seems to me that perhaps this might be obviated if you were to sell a quantity of your shares at a very low price, say one or two cents, to any parties who would buy

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<sup>42</sup>A government return prepared by Holland in 1913 stated that the Nest Egg was under option (BCAGRG, file 134/1913, p. 17 [BCA - GR 1438, film B4411]). There is, however, no documentation in the Nestegg Company records indicating any cash changed hands.

<sup>43</sup>NEMC Correspondence, Hunter & Oliver to Munro, January 16, 1899. The breakdown was as follows: \$4,041.44 machinery compensation; \$1,014.72 legal expenses; \$1060.28 "Profit & Loss" damages (*ibid.*).

<sup>44</sup>NEMC Correspondence, Munro to Erskine, January 21, 1899. Kirk, Holland, and Hayward, who turned most of their loans into debentures a month earlier, would have received a total of \$2,593.75 in debenture equity plus interest (NEMC *Letter Book*, 260-261).

them subject to the assessments to be levied. Such a plan would of course cause you to sell part of your holdings for very little, but on the other hand the value of the shares you retain would be enormously increased if you could only strike pay-ore.<sup>45</sup>

Rolt may not have been aware that the company's current non-assessable stock was already only selling at "one or two cents."<sup>46</sup> Regardless of the Homestake's prosperity, there was virtually no hope of selling further watered-down *assessable* Nest Egg shares at any price.

The final years of the Nest Egg and its companies can be traced through annual corporate returns sent to the government by C.A. Holland. In 1913 the last complete reports were made. The first of three returns for 1913 indicated only twenty-three shareholders remained as of the fifteenth of June. Hayward retained the largest holdings (104,835 shares) and O'Farrell owned the fewest shares (one).<sup>47</sup> Curiously, Kirk was not listed as a shareholder although he remained a Trustee.<sup>48</sup> The company's liabilities were reported at \$14,000 and its only asset was supposed to have been the Nest Egg mineral claim "which is now under option for \$15,000."<sup>49</sup> However, the June 15<sup>th</sup> return raised a number of questions and Holland was directed by the Registrar of Joint Stock Companies to forward an explanation. His response provides a fitting description of the deception upon which the mining promotion business hinged:

I regret that the front page was not properly filled in; but the reason is that I did not quite know how to do it. The Company made use of a certain Section of an Act which was then – and may still be – in force, which enabled them to issue fully paid shares at 5¢ on the dollar [the reorganization]. By filling in the front page as you require, it would appear as though the Directors of the Company, at some time, had a million dollars of the Company's money passing through their hands, – whereas nothing of the kind took place.<sup>50</sup>

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<sup>45</sup>BCLIA Correspondence, Rolt to Holland, September 1, 1899.

<sup>46</sup>A stock quote sheet prepared by A.W. More & Co. on May 19, 1899 listed Nest Egg Firefly shares at only \$0.02 (BCLIA, Series 1, Box 46D4, file 4).

<sup>47</sup>BCAGRG, file 134/1913, p. 16 (BCA - GR 1438, film B4411).

<sup>48</sup>Ibid., 17.

<sup>49</sup>Ibid.

<sup>50</sup>Ibid., 18 (Correspondence, Holland to Registrar of Joint Stock Companies, June 23, 1913). Holland was trying to explain the sections he completed in the June 15<sup>th</sup> Form E indicating

The second return also included a more complete list of shareholders. Kirk reappeared but Hayward disappeared and Secretary Munro now became the largest shareholder with “332,402, (additional shares 417,596).”<sup>51</sup>

Another detail was neglected and Holland was again obliged to respond on June 30, 1913. Explaining why no auditor’s report was completed, Holland revealed the founders’ endless optimism:

For the last ten years, or more, there have been no business transactions of any kind carried on by the Company, nor has there been any transfer – so far as the officers of the Company are aware – of its shares. The work had to be stopped on the claim on account of the lack of funds, and the old officers have remained in office and the Company kept on without any expenses – except for the payment of taxes – in the hope that there may be a revival of the mining industry in Rossland, and somebody will come forward and buy the Company’s property.<sup>52</sup>

The last official word on the Nest Egg was sent in to the Registrar’s Office in October of 1917. Although Holland now claimed he could not “speak with authority or officially,” he believed that no company meetings had been held for some time and that the property was given up for taxes “some years ago.”<sup>53</sup>

On June 9, 1918 the Nest Egg and Firefly Gold Mining Company Ltd. was finally wound up and officially died.<sup>54</sup> As far as is known, the mine was never worked again. When gold prices jumped during the Great Depression many speculative operations from the Victorian era received renewed attention. In 1934 one Emmanuel Triggs, listed as the “agent or owner” of the Nest Egg, shipped the mine’s ore dump to the Trail smelter for treatment on a contract basis. The shipment was less than five tons and apparently not

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no paid up shares were issued but rather \$1.00 in calls had been received on all the NEFFGMC’s 1,00,000 shares (BCAGRG, file 134/1913, p. 15). If the company had liabilities of \$14,000 but received \$1,000,000 called up on capital, it would certainly have appeared that the Trustees spent more than “a million dollars.”

<sup>51</sup>BCAGRG, file 134/1913, p. 23.

<sup>52</sup>Ibid., 27 (Correspondence, Holland to Registrar, June 30, 1913).

<sup>53</sup>Ibid., 28 (Correspondence, Holland to H.G. Garrett, Registrar, October 4, 1917).

<sup>54</sup>Ibid., (BCAGRG, GR 1438, file134). The old Nestegg Mining Company was officially wound up on August 25, 1912 (ibid., file 124).

satisfactory.<sup>55</sup> Even at double the value and greatly reduced smelting fees the “five or six” carloads of fabulous “shipping ore” promised to Nest Egg investors thirty-eight years earlier proved to be worthless.

Few of the company men would live long enough to learn of the mine’s ignominious end. O’Farrell continued to write periodically for various newspapers but was financially ruined when the stock markets crashed in 1929. A broken man, he returned to Ireland where he died at his in-laws’ Dublin estate house in December of 1933.<sup>56</sup> John Burke, who was never in good health at the best of times, died in September 1908 at age sixty-one while on a visit to Pennsylvania.<sup>57</sup> Although his career had its ups and downs, Burke retained a respectable reputation in the mining business until the end. In spite of considerable losses in mining matters, Charles Hayward’s contracting business and his B.C. Funeral Furnishing Company continued to flourish until his death in 1924. It is not known if he ever recovered the funds he loaned to O’Farrell.<sup>58</sup> George Kirk spent the rest of his career with Turner, Beeton, & Company, becoming its managing director in 1902. In 1928, at age fifty-eight, he died from heart failure while visiting London.<sup>59</sup> There is no evidence that any of his ambitious experiments in B.C. mining development ever paid large dividends. By coincidence, ten years before Kirk’s death, A.J. Weaver-Bridgman, who was also only a few days shy of his fifty-eighth birthday, also died of heart failure while visiting London. Bridgman was still working as a Victoria real estate and investment broker at the time of his death. Archibald Erskine moved to Vancouver in 1897 to take over the local management

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<sup>55</sup>*Annual Report of the Minister of Mines, 1934 of the Province of British Columbia for the Year Ended 31<sup>st</sup> December 1934* (Victoria: Charles F. Bayfield, King’s Printer, 1935), A27, E37.

<sup>56</sup>“Humphrys Family Tree” website (<<http://www.compapp.dcu.ie/~humphrys/FamTree/Flanagan/ofarrell.html#toronto>> [February 15, 2003]).

<sup>57</sup>“Obituary,” *Northwest Mining News*, October 1908, 123.

<sup>58</sup>The writer has not yet had the opportunity to examine Hayward’s personal papers held at the B.C. Archives.

<sup>59</sup>George Alan Kirk obituary, *Colonist*, May 17, 1928.



of the Montreal based Ames, Holden Company's shoe business.<sup>60</sup> In 1916 he jumped into the mainland city's booming real estate business where he remained until his death in 1932.<sup>61</sup> William Ellis continued to manage the *Colonist* until 1900 when he sold out to P.R. Brown of the B.C. Land and Investment Agency. Shortly afterwards Ellis received an appointment as immigration agent where he remained "for a number of years" before joining the rest of the Nest Egg alumni in the real estate business.<sup>62</sup> He died in March 1921.

The Nestegg Company's most active participants were the only ones who lived long enough to see the final chapter of their venture close at the Trail smelter in 1934. C.A. Holland remained "chief manager" of B.C. Land & Investment Company's Victoria office until retiring comfortably to London, England in 1922. Even in retirement Holland continued to be influential in BCLIA affairs, holding his seat on the board of directors until his death in June of 1943. Four months later his old school chum, Francis Rolt, died half way around the world in a Vancouver rest home.<sup>63</sup> Rolt had hung on as a Rossland broker until well after the boom died. He worked briefly as a clerk in Edmonton before acquiring a fruit ranch at Naramata in the Okanagan Valley where he remained until shortly before his death.<sup>64</sup> Munro continued to do what he did best for the Nest Egg – manage businesses. He held directorships in both the Victoria Wharf & Warehouse Co. Ltd. and the Pacific Whaling Co. Ltd., two firms that continued to prosper until the end of his life. He founded and operated the Victoria Book and Stationery Company from 1901 until his retirement "some years" before his death in 1949 at age ninety-five.<sup>65</sup>

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<sup>60</sup>*Henderson's Directory, 1897, 550.*

<sup>61</sup>*Vancouver Province, February 12, 1932.*

<sup>62</sup>*Colonist, March 1, 1921.*

<sup>63</sup>Biographical information on Holland supplied by BCLIA historian, Brad Morrison of Victoria, B.C.

<sup>64</sup>*Vancouver Sun, October 30, 1943.*

<sup>65</sup>*Victoria Times, May 10, 1949.*

**Balance Sheet**

Holland was correct in claiming the Nest Egg's Trustees never had "a million dollars of the Company's money passing through their hands." Nevertheless, they had seen a small fortune come and go in three short years. The total loan debt (notes and debentures) at the end of 1898 plus the total "premium" (proceeds from share sales) and stock transfer fees yields a net expenditure figure of more than twenty-five thousand dollars.<sup>66</sup> The only return on the money spent was the net proceeds from the CRDC settlement: \$5,552.04. Ironically, the mining property, the speculative foundation upon which the Nestegg venture was formed and sustained, was eventually written off for a few dollars back-taxes. The known net loss to the Nest Egg's shareholders and investors was, therefore, \$19,601.17 or approximately \$415,000.00 in current (year 2003) dollars.<sup>67</sup> In other words, the rate of return on investment was a negative twenty-two percent over a three year period.

Perhaps the closest the Trustees came to making money on the Nest Egg was through the O'Farrell/Sawyer option. Had it succeeded, the deal would have produced an overall net profit of \$3,636.64.<sup>68</sup> Although this seems a meagre sum considering the time and trouble

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<sup>66</sup>Loan debt (\$11,298.96) + "Premium" and transfer fees (\$13,854.25) = \$25,153.21. At the end of 1898 the company's records show that the Trustees had for some time been in the practice of intermittently obtaining small personal loans, apparently to meet financial obligations on an as-needed basis. This would suggest that there was little or no cash on hand in the Treasury. Therefore, the funds received from share sales plus the loan debt represented the total expenditure (i.e., the money that had "passed through the hands" of the Trustees).

<sup>67</sup>The exact figure is \$415,175.52 in current value dollars (conversion ratio from Economic History Services website, "How Much is That Worth Today?" [<http://www.library.yale.edu/rsc/readyref/money.html>] {February 20, 2003}). Eventually the debenture debt was cleared, leaving the shareholders to absorb a total loss on their investment. A memorandum to the Trustees signed by Holland, Hayward, and Munro dated January 20, 1899 seems to indicate that all the debentures were being paid off except about twenty of less than \$25.00 each. These unpaid small debentures were divided into four groups totalling \$25.00 each and lotteries were held to see which debenture holder in each group would receive payment for one of his \$5 debentures (document found loose in the NEMC Correspondence files). Presumably the balance of the debentures were paid off at a later date through another loan from Holland, Hayward, and Kirk.

<sup>68</sup>Since the mine was eventually proven to be barren, the option would have undoubtedly lapsed at the end of its term. The "net profit" figure is derived by deducting the \$11,863.36 outstanding debts from the \$15,500.00 down payment.

involved, the rate of return on investment would have been considerably more than what the banks were paying for interest.<sup>69</sup> However, if this net remnant was all paid out to the shareholders they would have received 0.07 percent dividends (old shares).<sup>70</sup> Thus, even in the best case scenario the Nest Egg would still have been a loser.

Fortunately, the true value of the venture goes beyond the balance sheet, or “best case scenario.” Twenty-five thousand dollars was spent developing and purchasing the company’s mining properties. And while some expenditures were suspicious (the construction contracts and the Firefly acquisition in particular), there is no evidence of any blatantly unscrupulous behaviour on the part of the Victoria Trustees in their management of the mine.<sup>71</sup> The money may not have always been wisely spent, but generally speaking it was spent with the best intentions. Desperately needed capital moved from Victoria, Britain, Eastern Canada, and the United States to the interior of B.C. And for every Nest Egg dollar that found its way to Rossland, a hundred more were generated from new share certificates and the credit they produced. The Nest Egg was only one of hundreds of similar speculative ventures, most of whom made similar contributions. As a result, Rossland evolved overnight from a cash-starved clutch of cabins and rock piles to a capital generating metropolis complete with two railroads, two nearby smelters, several banks, scores of new businesses, a dozen producing mines, and innumerable “potential mines.”

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<sup>69</sup>The Sawyer deal would have produced a 14.46% return over three years. The federal post office and government savings banks in B.C. paid 3% per annum or 9.27% over three years.

<sup>70</sup>About three fourths of the Nestegg Mining Company’s authorized capital was issued without receipt of any funds in payment.

<sup>71</sup>The management of the company’s share capital is, of course, a different matter. The pooling technique employed to launch sales of the reorganized company’s shares was certainly unethical.

## CHAPTER IX

### CONCLUSION: FINDING SUCCESS IN FAILURE

The history of the Nestegg Mining Company is much more than just the narrative of a business gone sour. It is the story of a small group of men coping with and creating important new ways of doing business in Canada. The speculative mining entrepreneurs of late Victorian Canada, including the Nest Egg's company men, were planting the seeds of business innovation that would change the face and pace of Canada's economy in the twentieth century. Even though the mining companies booms of the late 1890s left a bitter legacy in their wake, especially among Canadian and British investors, the hard-learned lessons of the late-Victorian mining manias would be successfully applied to the promotion and management of new Canadian industries during the coming Laurier Boom. Utilities and heavy industry were the first to make productive use of the securities trading machinery and promotional detritus left over from the mining booms.<sup>1</sup> But in the new industries, America's frontier-born managers would not retain the same mythical reputations they enjoyed in mining. Canadian promoters working the fertile fields of technology and economies of scale would be free to develop responsive systems of management unhindered by investor partiality for "legendary" expertise. The result was a very rapid, almost coincidental, Canadian entrepreneurial transition to financial and then managerial capitalism that culminated in the great merger movement of 1909-13.<sup>2</sup>

The Nestegg story also at last provides us with a complete picture of Canada's exceedingly complex and precedent setting speculative mining promotion industry in its

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<sup>1</sup>See Duncan McDowall, *Steel at the Sault: Francis H. Clergue, Sir James Dunn and the Algoma Steel, Corporation, 1901-1956* (Toronto: University of Toronto Press, 1984) and *The Light: Brazilian Traction, Light and Power Company Limited 1899-1945* (Toronto: University of Toronto Press, 1988); Christopher Armstrong and H.V. Nelles, *Southern Exposure: Canadian Promoters in Latin America and the Carribean 1896-1930* (Toronto: University of Toronto Press, 1988).

<sup>2</sup>See Marchildon, *Beaverbrook*; and A. Ernest Epp, "Cooperation Among Capitalists: The Canadian Merger Movement, 1909-13" PhD thesis (John Hopkins University, 1973).

infancy. The “complete picture” clarifies the three groundbreaking managerial components perfected by the 1890s speculative mining entrepreneurs: creating financial resources; sustaining an image of profitability; and managing remote managers. A summary of the Nestegg Trustees’ handling of these “ingredients” has shed new light on the dramatic changes that were occurring in the business worlds of Canada, British Columbia, and the city of Victoria.

### **The Rabbit in the Hat: Finding and Managing Financial Resources**

Financial management of a venture is essentially juggling assets and liabilities to achieve profitable operations. Assets can include property (real and chattel), unissued securities, the unpaid value of shareholders’ stock, inventory or product, cash on hand, and available credit. The Nestegg’s Trustees were able to commence and sustain their venture with few of these “normal” assets. The mining property, the mother of all its assets, was not even owned by the company for the better part of the first year it was in operation. Until October of 1896, all of the Nestegg’s share capital – issued and in the Treasury – was secured by the grossly inflated value of two mineral claims that legally still belonged to the vendors.

If circumstances demanded it, shareholders of a “normal” corporation could be called on for their unpaid capital. But not the Nestegg investors. Their stock was “fully paid-up” the day it was issued from the Treasury. After that the Company’s shareholders might be something of a liability but rarely an asset. Thanks to the ingenuity of Gordon Hunter, the Treasury shares were iron-clad protected from liability and very desirable. Unfortunately, most of the Treasury stock was given away during the initial distribution. It does not seem to make sense to go to great lengths to create Treasury stock that is extremely desirable and then give away three times as many shares as are sold. It was, however, common for new mining companies to purchase mineral claims or “decoy” directors with large blocks of shares. The percentage of Nestegg stock dispensed without payment was quite high (almost seventy percent) even for a mining company. Most of the very large blocks received by O’Farrell and Ross Thompson undoubtedly were payment for the option

on the Nest Egg. In Victoria, where patronage was an integral part of social and political life, gathering a list of decoys made good business sense. The list of “decoys” in the *Nestegg Share Transfer Ledger* is quite impressive, but so is the list of employees, relatives, friends, and neighbours of the “decoys.” The steamship pursuers, typesetters, stenographers, and clerks who worked for the Nestegg Company’s elite shareholders paid cash for their stock. It also made sense to sell overcapitalized, small denomination shares if the company was going public (and virtually all speculative mining companies in the 1890s went public). Small investors found smaller prices more attractive and easier to trade, especially on high risk ventures like mining.

Credit was one speculative mining company asset that, until now, has probably been underestimated. For the Nestegg Company, easy access to credit from banks, miners, merchants, business associates, and the Rand Drill Company was necessary for everyday survival. And the Nest Egg does not appear to have been an isolated incident. The overwhelming number of commercial bad debt cases entered in the Rossland County Court records during the boom period seems to indicate that merchant credit was in fact dispensed rather freely and indiscriminately.<sup>3</sup> The fact that both Gaston and O’Farrell were each able to obtain competing lease bids from agents of the three major machinery companies when the mine was still in a relatively undeveloped state suggests that implement manufacturers were also liberally offering credit, even to high risk customers<sup>4</sup> Credit on the mining frontier was a plentiful resource. Perhaps too plentiful. Ellis and O’Farrell may have felt less inclined to treat the shareholders’ money carefully or attentively simply because they did not need to be attentive.

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<sup>3</sup>However, one suspects that proof of ownership of property or employment probably *should have been* factors in merchant credit rating.

<sup>4</sup>It would be interesting to know if similar machinery company competition and leasing wars occurred in the timber, sawmilling, or large-scale farming industries as they made the transformation to mechanization.

### Managing the Image of Profitability

In the 1890s one characteristic of speculative mining promotion set it apart from all other businesses: the production and marketing of an image of profitability. However, in spite of their lack of experience, Canadian mining entrepreneurs in the 1890s proved to be remarkably skilful at promoting favourable impressions. "Puffed up" prospectuses and sensational press "specials" perfected by "persons who have worked their way up to past masters in the art of word painting" daily filled the pages of the Canada's largest newspapers.<sup>5</sup>

And the press during the "watershed of the nineties" was a willing accomplice, if not chief protagonist of the mining mania phenomenon.<sup>6</sup> Press industries were in the midst of a spectacular boom of their own brought on by a revolution in technological and managerial advancements. The newspapers in particular were caught up in an arms race for readership<sup>7</sup>

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<sup>5</sup>F. Danvers Power, "Prospectus Writing," *Canadian Mining Review* 14 (December 1899) : 316. One only has to look at any issue of the *Toronto Globe* in summer and fall of 1896 for evidence of the wizards of mining profitability imagery.

<sup>6</sup>Edwin Emery, *The Press and America: An Interpretive History of the Mass Media* (Englewood Cliffs, N.J.: Prentice-Hall, 1972), 344.

<sup>7</sup>Between 1891 and 1913 Canadian daily newspapers increased from ninety-one to one hundred thirty-eight (Paul Rutherford, *The Making of the Canadian Media* [Toronto: McGraw-Hill Ryerson, 1978], 49). The invention of the sulphite pulp process and other technological advances in the 1890s cut the cost of newsprint nearly in half during the decade, from \$76/ton in 1890 to \$42/ton in 1899 (Emery, *The Press and America*, 343). The increased use of illustrations was also changing the newspaper business dramatically. Although Canadian illustrated periodicals (usually monthlies or weeklies) pre-dated the U.S. Civil War, they were expensive to produce and difficult to distribute. While extremely popular, these magazines were not as "newsy" as the dailies and were geared to a different clientele. However, by the mid-1890s advancements in photography, reproduction, and press technology made imagery and colour a practical and appealing component available to newspapers. By the end of the century the dailies were finally penetrating the very lucrative illustrated advertising market formerly dominated by the magazines and periodicals. For a more complete discussion of the rapid evolution and impact of imagery reproduction in newspapers see Emery, *The Press and America*, 339-341 and Rutherford *Making of the Canadian Media*, 49-61.

Managerial innovations during this period included the expansion of syndication and the growth in commission advertising agents. The former provided local papers with more variety (and quality) in their content at an affordable price. With the widespread adoption of stereotype rotary plate printing in the 1890s, larger newspapers were able to supply their syndicated customers with complete pages or inserts by simply expressing duplicate plates to each of them. Also during this

in which the sensationalism of the nineties merely represented the latest weapon of choice.<sup>8</sup> And mining booms proved to be the perfect ammunition for these new guns: they provided both the exciting news *and* much of the advertising that the glutted Canadian newspaper business desperately needed at the end of the nineteenth century.<sup>9</sup>

Fortunately for the Nest Egg, two of its officers were public relations experts. As the “manager” and chief contributor of the *Colonist*, Ellis possessed the physical means and literary skills necessary to “push” the mine and its shares in British Columbia. O’Farrell’s pen reached further<sup>10</sup> and he was more accomplished than Ellis in the fine art of “word painting.” The two men performed their duties enthusiastically. Perhaps too enthusiastically. However, although their image-making roles placed Ellis and O’Farrell in positions of vital importance to the Company, both men were also outside the circle of Victoria’s elite. The Company’s most visible and essential public relations tools were, therefore, not beholden to the principles of gentlemanly capitalism that governed the company men. During the Nest Egg’s critical promotional phase, the image of profitability *and* purse strings were controlled by two men who were comfortable playing by their own rules.

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period, the growth of advertising agencies provided newspaper managers with a more stable and cheaper source of revenue than soliciting advertisements on their own (Emery, *The Press and America*, 329-331, 333-335; Rutherford, *Making of the Canadian Media*, 19).

<sup>8</sup>Sensationalising the news was an innovation perfected in the 1880s by Rossland editor John R. Reavis’s mentor, Joseph Pulitzer. When Pulitzer took over the New York *World* in 1883 he immediately began melding garish showmanship with powerful journalism. The results were spectacular. Within three months he doubled the *World’s* subscription (Emery, *The Press and America*, 317). For an excellent analysis of the pros and cons of Pulitzer’s contributions to the development of modern journalism see *ibid.*, “The New Journalism,” c. 17. Mary Vipond credits increased production costs associated with mechanization for the rise of sensationalism in the Canadian press while Paul Rutherford maintains that fierce competition from the boom in penny “people’s journals” in Canada during the 1880s played a larger role (Mary Vipond, *The Mass Media in Canada*, [Toronto: James Lorimer & Co., 1972], 19; Rutherford, *Making of the Canadian Media*, 49).

<sup>9</sup> “As the potential [Canadian] audience reached the saturation point, papers could only grow by stealing readers from others” (Vipond, *The Mass Media in Canada*, 19).

<sup>10</sup>O’Farrell’s commentary on mining were published regularly in newspapers across Canada and in the U.S.



### Managing the Managers

Managing the Nestegg Company's managers proved to be especially challenging for two reasons: the distance factor and the company men's inexperience in "mining matters." The Trustees assumed they could kill both birds with one stone by making O'Farrell their Managing Director.<sup>11</sup> He was, after all, familiar with the Rossland community and supposedly had some expertise in mining. It was not until after the mine closed that the Trustees recognized proper management of the distance factor required someone who was attached to them, not vice versa.<sup>12</sup> F.W. Rolt was cut from the same cloth as the Victoria company men, yet as a salaried manager he *technically* remained outside the corporate sphere.<sup>13</sup> He was highly educated, a gentleman who thoroughly valued his personal integrity, and he could manage money and take orders. Unfortunately, although Rolt was good at cleaning up the company's indebtedness and keeping the lines of communication open, he

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<sup>11</sup>The social backgrounds of the company men may also help explain why they preferred to make O'Farrell the Nest Egg's Managing Director. One historian has observed that as late as 1910 Canadian corporate hierarchies still tended to cling to long-outdated, Old Country structural patterns: "Indeed, in many companies the British tradition prevailed — the president fulfilled the function of a board chairman and management of the concern fell to one of the other corporate directors, usually referred to as the managing director" (Acheson, "Changing Social Origins of the Canadian Industrial Elite," 54).

<sup>12</sup>According to a recently published "new synthesis" of business history, choosing Rolt over another American manager is evidence that the Nestegg Trustees were on track with early-modern trends in corporate adjustments for "problems of asymmetric information":

The extent to which particular coordination mechanisms (or combinations of them) effectively solve problems of asymmetric information [in this case, the distance factor] also depends on the institutional environment, which ... we define broadly to include not only formal rules (such as laws) and the various procedures used to enforce them but also moral and ethical norms. ... Subordinates in hierarchies may be more likely to respond positively to instruction if their superior's authority is legitimated by broader cultural values [e.g. "the same religious or ethnic group"], whether meritocratic or ascriptive (Naomi R. Lamoreaux, Daniel M.G. Raff, and Peter Temin, "Beyond Markets and Hierarchies: Toward a New Synthesis of American Business History," *American Historical Review* 108, no. 2 [2003]: 409).

<sup>13</sup>Rolt and Holland were old schoolmates and their letters reflect an almost familial informality and intimacy. However, in matters of Nest Egg management, Rolt was careful not to cross the boundaries of deference implied in the corporate chain of command (and the code of a British gentleman).

was not the kind of Rossland manager capable of producing the image needed to get the Nest Egg off the ground in 1896, or to even get it sold in 1898. Investors demanded managers with American mining reputations. Rolt only had an Oxford education.

It is not easy to make comparisons between the managerial problems encountered by the Nest Egg and other types of enterprises. Besides the unique peculiarities of the mining promotion business, there has been very little analysis of similar long-distance business management during this period. A few studies have, however, touched on the subject. W. Turrentine Jackson's classic business history *The Enterprising Scot* examined Scottish financial agencies and the management of their investments in Western U.S. resource based industries and real estate schemes.<sup>14</sup> While the Scots encountered similar problems with their foreign managers, especially in mining and real estate, they were notable for quickly grasping the effectiveness of having "men with Scottish blood and connections" managing their affairs in the American West. Agencies who placed their trust in local managers were generally less successful.<sup>15</sup>

Patricia Roy found that the British Columbia Electric Railway Company [BCERC] initially faced the same managerial difficulties as the Nestegg Company – and developed the same remedy. Formed in 1897 in London, England to consolidate several troubled street railway projects in Victoria, Vancouver, and New Westminster, the BCERC first appointed a Vancouverite, F.S. Barnard, as their managing director. Like O'Farrell, Barnard seemed a logical choice. He was a popular local businessman and politician who had controlled the BCERC's "immediate predecessor."<sup>16</sup> Reminiscent of the Nestegg scenario, Barnard proceeded to recklessly expand operations and expend capital resources on his own initiative. When the directors learned of their manager's extravagance, they promptly "arranged" for his resignation. The BCERC's board then set in motion a trend of manager

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<sup>14</sup>W. Turrentine Jackson, *The Enterprising Scot; Investors in the American West After 1873* (Edinburgh: Edinburgh University Press, 1968).

<sup>15</sup>*Ibid.*, 315.

<sup>16</sup>Patricia E. Roy, "Direct Management from Abroad: The Formative Years of the British Columbia Electric Railway," *Business History Review* 47 (Summer 1973) : 241.

training and appointments that emulated the philosophy of the Scottish investment agencies: “To strengthen their control over management, the directors trained young men with close connections with the English side of the business as future managers.”<sup>17</sup> Like the Nestegg company men, the BCERC’s directors learned the value of resident managers with whom they shared social and cultural connections.

In *Bankers and Cattlemen*, Gene Gressley examined the obstacles facing nineteenth century Eastern American capitalists who formed companies to operate large cattle ranches on the Western frontier. Gressley found that Wall Street ranch owners faced many of the same management/cash flow problems that the Nest Egg’s company men encountered: “The distance, the lack of able managers, and the ignorance of investors concerning range conditions left little room for manager-investor compatibility.”<sup>18</sup> However, attempts to place their own people on site were seldom productive. It was simply too much to expect budding young businessmen bred and trained in the East to adapt to the harsh, wild, and lonely life on Western ranches.

Managing directors created the same “confusion of policy” in ranching that characterized the Nest Egg’s Rossland management during O’Farrell’s tenure – and for the same reasons.<sup>19</sup> Ultimately, like the non-residential capitalists involved in Canadian speculative mining promotion, most Eastern American company men in the ranching business usually had to put up with whatever reputable manager they were lucky enough to lay their hands on.<sup>20</sup> The unthinkable alternative was for one of the directors to go out West and try running a business he really knew nothing about in a totally alien (and uncomfortable) environment.

It would seem, therefore, that in managing their managers and the distance factor, the track record of the Nest Egg company men, while initially less than successful, was

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<sup>17</sup>Ibid.

<sup>18</sup>Gene M. Gressley, *Bankers and Cattlemen* (NY: Knopf, 1996), 140.

<sup>19</sup>Ibid., 138.

<sup>20</sup>Ibid., 140.

certainly no worse than their contemporaries. In the long run it was probably better. When the Trustees abandoned their American managers and placed salvage operations in the hands of Munro and Rolt, they demonstrated that it was possible to embrace the principles of modern efficient managerial capitalism within the framework of old family capitalism.

### **Passing Judgment**

The Victoria company men displayed remarkable ingenuity, innovation, flexibility, and determination as they strove to make their experiment in mining speculation profitable. Nevertheless, it is difficult to claim that in this endeavour they were successful businessmen. Thousands of investor dollars were apparently thrown away on a nearly worthless hole in the ground. Was the Nestegg venture a careless waste of other people's money? Or worse yet, an unscrupulous fraud? If so, who was responsible – the company men or the managers?

Money was certainly wasted, but the Nestegg records contain no evidence of any company men misusing funds or deliberately mismanaging the company's affairs for their own benefit.<sup>21</sup> The records do, however, contain ample evidence of two costly managerial weaknesses, especially during the first year of operations: poor communication and a lack of financial accountability. The source of both of these problems can easily be traced to those indispensable men from the outside who were on the inside: Secretary, W.H. Ellis, and the parade of spendthrift Spokane mine managers. For as long as the mine was running, the company men had little choice but to put up with the antics of their "expert" American mine managers. However, when the sad state of the Company's accounts finally came to light at the December General Meeting, Ellis was promptly given an opportunity to exit gracefully. Although the Trustees seem to have reacted slowly, they in fact acted as expeditiously as circumstances allowed.

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<sup>21</sup>During the initial distribution several members of Victoria's elite, perhaps even Kirk and Holland, received large blocks of founders shares but paid little or nothing for them. However, none of these "decoys" ever sold their shares. Holland and Hayward's shady involvement in the Eastern Expedition took place before they became Trustees.

### The Proper Motivation

The Nestegg account books reveal that none of the Victoria Trustees got rich on their investment in the Company. Three of them, Holland, Hayward, and Kirk, in fact doubtless lost considerable sums. By the end of 1899 they had together loaned the company more than \$12,000.00. It is doubtful that the possibility of a weighty court judgment in the Canadian Rand Drill case inspired any of the trio's cash advances since the fundamental damages (the value of the machinery removed) was less than \$3,000.00. A few offers were made to option the property during the post-shutdown period but it is unlikely that the meagre proceeds from any down payment (usually less than \$5,000.00) would have cleared the loans. What could have motivated these three men to double their losses in the Nestegg Company *after* the mine closed?

The best explanation for these company men's dedication is found not in the Company's correspondence, but rather in its *Share Transfer Ledger*. An analysis of shareholder transactions reveals that most of the men and women of Victoria who bought into the Nestegg Company stood by their investments through the tumultuous first year. During the course of 1896 seventy percent of the Victoria investors who initially acquired one thousand or more shares either held or increased their holdings. Twenty-six of these major shareholders acquired their stock between January 29 and March 31, 1896. Seventeen of the early thousand-plus shareholders either held or increased their holdings by year's end while three sold out and six decreased their holdings (i.e., sixty-five percent remained loyal). Of the "significant" shareholders taking up stock in this early period (initially acquiring more than five thousand shares each), three increased, three decreased, and one (Gordon Hunter) sold all his holdings during 1896 (forty-three percent stayed loyal). The less significant major shareholders who initially acquired between one thousand and five thousand shares in the early period included six that held their holdings, two that increased, two that decreased, and only one that sold out by December 31<sup>st</sup> (seventy-two percent stayed loyal).

Between April 1, and December 31, 1896, twenty new Victorian "thousand-plus" major shareholders bought into the Company. Fourteen of these held, one increased, two

decreased, and three sold out their holdings (seventy-nine percent remained loyal). Only three of the new investors were "significant." Two of these held their shares intact till year's end and one liquidated his holdings.<sup>22</sup> The remaining less significant major investors in this later period (acquiring between one to five thousand shares) included eleven who held their stock, one who increased, one who decreased, and one who sold out (eighty-six percent remained loyal).

Smaller shareholders from Victoria greatly outnumbered the major stockholders — and they proved to be much more dedicated (eighty-four percent stayed loyal as compared to seventy percent of the major shareholders). Fifty-seven of the sixty-eight shareholders purchasing less than one thousand shares in the Nestegg Company during 1896 held or increased their stock. One decreased his holdings and ten sold out by year's end.

Overall, seventy-eight percent of the one hundred and fourteen men and women from Victoria who acquired Nestegg Company stock in 1896 either held or added to their holdings.<sup>23</sup> Only fourteen percent of Victoria's Nestegg investors (16 of 114) completely

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<sup>22</sup>In December 1896, A. Galletly, the manager of the Bank of Montreal, transferred the 25,000 shares he acquired on June 1<sup>st</sup> to Holland. The bank had probably been holding these shares as security for the Company's first loan (*NEMC Share Transfer Ledger*, 56).

<sup>23</sup>The Eastern Canadians proved to be the most loyal category. Only one of the seventy-two Ontario/Quebec shareholders decreased his holdings during 1896. No one sold out. However, *no investors in this category purchased stock before April 1896 and only eight were considered major shareholders* (including the lone disloyal investor). None were significant stockholders (initially acquiring more than five thousand shares). The bulk of the Eastern shareholders acquired tiny holdings during the late summer rush and had little to lose by hanging on after the price dipped at the end of September (three minor shareholders actually increased their holdings). The Rossland/Spokane shareholders were, on the other hand, a much smaller group who got involved very early in a very big way. All but three of these sixteen shareholders were initially issued more than a thousand shares and ten of them made their first acquisitions prior to April of 1896. This group ranked lowest on the loyalty scale. About half of these major shareholders either decreased or sold out their holdings by January 1897. And, as we have seen, some of these were very substantial reductions. John Burke and Lizzie O'Farrell liquidated 55,000 shares (*NEMC Share Transfer Ledger*, 20, 32). P.A. O'Farrell acquired 180,500 shares in early February 1896, but only held 20,000 at the end of the year (*ibid.*, 18, 19). Ross Thompson picked up 50,000 shares when the company was formed and, after massive trading, still held 40,000 left at the end of 1896 (*ibid.*, 16, 17, 128-131). Gaston took 55,000 shares from O'Farrell during the initial distribution and disposed of all but 4,500 by January 1897 (*ibid.*, 59). During the Eastern Expedition William C. Jones of Spokane dumped half of the 10,000 shares he acquired at the end of February (*ibid.*, 91).

lost faith and liquidated their holdings during 1896.<sup>24</sup>

The statistics reveal remarkable investor support considering how quickly the public shareholders in Victoria learned they had been misled about the property's ownership. By year's end the shareholders would also suffer the humiliation of seeing O'Farrell returned to the Board as fast as they had thrown him out. None of these steadfast investors would ever see an assay report, or a piece of ore, or even a photo of their mine. The only "stuff" they saw that gleamed was found in carefully crafted newspaper articles or shareholder reports. Mostly they just saw the value of their stock falling. Yet they hung on.

There is probably more than one explanation for the low mortality rate among the Company's Victoria investors. More than one unsuccessful attempt was made to start a stock exchange in the city. Trading volume was not high enough long enough to keep the exchanges going and they quickly faded away. And while it was easy enough to go down to the Company's head office and pick up some shares, without a local exchange, selling them could be more difficult, even if there was a demand.

The Nestegg correspondence provides few clues. The files contain a surprising number of letters from Eastern investors complaining about falling share values or asking for an update on what was happening at the mine or in the courts.<sup>25</sup> Except for the company men, there is almost no correspondence from or to Victoria investors. However, the silent majority of Victoria shareholders could be counted on when the Trustees needed them the most. All fifteen attendees of the first General Meeting of Shareholders were locals. Only fourteen Victoria residents plus Gaston and Ross Thompson from Rossland answered the roll call of the next Meeting on December 7, 1896, but a massive turnout attended the important January 20, 1897 Meeting to vote on the reorganization. Of the seventy-one readable names, forty-seven were from Victoria. Ontario placed a distant second with ten

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<sup>24</sup>As the above example of the Galletly transfer has shown, many of these liquidated shareholdings were in fact taken up by fellow Victorians.

<sup>25</sup>Written responses were routine until late in the Company's life, when Munro's pay cheques became more sporadic. Even the cranks received a courteous response, if only to advise them to seek out someone in Victoria to attend General Meetings as their proxies (see for example NEMC Correspondence, Munro to Otto Widmeyer, Fergus, Ontario, December 9, 1898).

shareholders recorded (all by proxy).<sup>26</sup>

The Nestegg Company shareholders were as tenacious as their company men. They hung on because their company men hung on – and vice versa.<sup>27</sup> As a uniquely isolated commercial entrepot and centre of government, Victoria had evolved, rather fitfully, into a relatively wealthy and close-knit political, business, and social community. When the Canadian Pacific Railway ended at Vancouver, the growing economic and political power of the awakening mainland became the bogeyman of *every* Victorian and they looked to their business elite for solutions.<sup>28</sup> By 1896 Victoria was at an economic crossroads.<sup>29</sup> The company men and their friends and neighbours who invested in the Nest Egg needed to demonstrate to themselves and the rest of the Canada that “the residents of Victoria” could build a mine in Rossland – by whatever means necessary. And just about every means imaginable were tried by the company men and patiently endured by the shareholders. Giving up was simply unthinkable for Trustees *and* shareholders: there was more to be lost than just money: the precarious and precious reputations of Victoria and her British business class were at stake.

All the Victoria investors, large and small, ultimately lost money, but their Company did win something – albeit in court instead of underground – and it was able to exit the mining game with more grace than most of its peers. The value (and irony) of this victory

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<sup>26</sup>The race between Victoria and Rossland/Spokane for control of the share vote was much closer (*Minute Book*, 21).

<sup>27</sup>Company Solicitor Gordon Hunter did liquidate his hefty holdings. However, as an Ontario transplant, he was never really part of the inner circle of British-Victorian company men.

<sup>28</sup>For a discussion of Victoria’s resistance to mainland domination during this period see Stanley Edward Ruzicka, “The Decline of Victoria As The Metropolitan Centre of British Columbia, 1885 - 1901” (M.A. thesis, University of Victoria, 1973).

<sup>29</sup>Victoria’s growth had been largely stimulated by earlier strategically timed gold rushes into the B.C. interior. However, by 1896 the city’s economy was again in the doldrums. Measured by per capita manufacturing output, Victoria, for example, ranked fifth in 1890 of the twenty Canadian cities with a population in excess of 10,000. By 1900, however, it had dropped from the top 25 per cent to the bottom 20 per cent in that ranking (Graham D. Taylor and Peter Baskerville, “A Concise History of Business in Canada [Toronto, Oxford, New York: Oxford University Press, 1994], 236).



cannot be measured in dollars and cents. The Supreme Court's favourable judgment exonerated the Nestegg Company – *it was not a loser*. The big manufacturer in Quebec with the favourable C.P.R. rates was the loser. Within the threatened economic, social, and geographical confines of Victoria, the importance of a psychological “return on investment” was immense.

However, killing the giant cost three of the company men dearly. Contrary to what many Eastern or American shareholders thought, Holland, Hayward, and Kirk did not advance loans to the company so they could “gob, gob, gobble” up the mining property.<sup>30</sup> Eventually they did convert their promissory notes into first charge debentures *after* loaning the company enough additional money to retire *all* debentures (including their own) before maturity. The image of gentlemanly propriety supplanted the image of profitability. Of course, the three did receive the lion's share of the court settlement but their portion was a fraction of the financial beating they took on their large, worthless shareholdings and never-to-be-paid-off loans. And when the Company was finally wound up, its embattled properties were in the hands of the tax collectors, not Holland, Hayward, or Kirk.<sup>31</sup> Rather than seize the mine and sell it for whatever they could, these three Trustees quietly and honourably absorbed the Nest Egg's debts, for which they no doubt felt largely responsible.

### **The Nestegg Business Fibre: Tough or Soft?**

The entrepreneurial fibre of the men who ran the Nestegg Company is a complex thing to analyse – certainly much more so than the source of fibre for the men who ran the Nest Egg mine! Thirty years ago Michael Bliss entertained us with his examination of the contradictory ethics of the entrepreneurs who guided Canada through its second industrial revolution.<sup>32</sup> Bliss found inconsistency in every corner of business ethics and culture. For

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<sup>30</sup>NEMC Correspondence, H. Williams to Munro, July 14, 1897.

<sup>31</sup>BCAGRG, Correspondence, Holland to H.G. Garrett, Registrar, October 4, 1917 (file 134/1913, p. 28).

<sup>32</sup>Michael Bliss, *A Living Profit: Studies in the Social History of Canadian Business, 1883-1911* (Toronto: McLelland and Stewart, 1974).

every plus there was a minus: be organized but not in a union, be industrious but not greedy, be innovative but not speculative; be understanding but forceful. At first glance, the Nestegg Mining Company appears to be a model for business ethics anomalies: a speculative mining company run by British gentlemen capitalists and managed by American mining men. But in this case, although the Company's techniques could be fluid, the company men's code of ethics remained the same. The Trustees would tolerate much "unbusinesslike behaviour" from their American mine managers simply because they were indispensable. But, as Ellis would discover, gentlemen entrepreneurs would not tolerate sloppiness (or pilferage) from anyone in Victoria, including themselves.<sup>33</sup>

The story of the Nestegg Company provides new possibilities for reexamining Victoria's business history. Perhaps its peculiar cultural forces would ultimately prove to be a handicap for ambitious local entrepreneurs seeking venture capital from the city's public investors. As Holland, Kirk, and Hayward discovered, the expense required to avoid becoming a loser could become prohibitive. On the other hand, social pressure on Victorian corporate entrepreneurs to protect local investors provided a stimulus for adaptive management and financial creativity that might not have existed had the Trustees and shareholders been dispersed over a broader and more diverse spectrum. And lastly, Victorians had shown themselves to be unusually loyal *and* adventurous for venture capital investors.<sup>34</sup> Was this merely a feature of the Western Canadian mining companies mania of the late 1890s or was it a more deep-seated socioeconomic characteristic of Victoria? Did Victoria's unique business environment strengthen or weaken its capacity to replace its dying manufacturing sector with a growth in financial and investment management services? Could the city's businessmen follow the Nestegg Company's example and successfully adopt the long-distance management and cost accounting techniques necessary to convert

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<sup>33</sup>Ellis was accused of pocketing \$250.00 that Kirk had given him to pay for a block of shares ("Balance Sheet" attached to NEMC *Cash Book*, 1).

<sup>34</sup>The Nestegg Company correspondence files contain numerous letters from Eastern and American shareholders complaining about the company's performance. Yet I cannot recall seeing one complaint letter from any of the public shareholders from Victoria.

their accessible capital resources into healthy Western Canadian ventures?<sup>35</sup> It will be interesting to see how these internal factors affected the course chosen by Victoria's entrepreneurs in the twentieth century.

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<sup>35</sup>Closer analysis of the voluminous BCLIA records in the B.C. Archives may provide some answers. How, for example, did Holland's experiences with the Nest Egg affect his Agency's management of its extensive ranching interests in the B.C. interior?

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