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Patrick Chapin

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Résumé de l'article

L’étude de cas suivante examine comment, à la fin du XIX[e] siècle, un groupe d’hommes d’affaires de Victoria, rompu au capitalisme familial traditionnel, s’est lancé dans la gestion de société de capitaux en s’intéressant à une entreprise minière spéculative en région éloignée. Ils se sont heurtés à d’innombrables obstacles inconnus, comme la gestion préjudiciable, l’éloignement, les investisseurs publics, ainsi que les innovations en publicité et en finance. En fin de compte, la géographie et la mentalité culturelle uniques de Victoria ont contrecarré leurs efforts pour s’imposer comme les maîtres du capitalisme de risque dans l’Ouest canadien.

Late-Victorian Gentlemen Entrepreneurs Venturing Into New Worlds of Canadian Business: The Nestegg Mining Company, 1896-98[1]

PATRICK CHAPIN

Abstract

This case study examines how a group of late nineteenth century Victoria businessmen adjusted to the transition from traditional family capitalism to joint stock company management of a remote speculative mining venture. They encountered numerous unfamiliar obstacles including prejudicial management, the long-distance factor, public investors, and innovations in advertising and financing. Ultimately, Victoria's unique geography and cultural setting foiled their efforts to establish themselves as Western Canada's centre of venture capitalism.

Résumé

L'étude de cas suivante examine comment, à la fin du XIX^e siècle, un groupe d'hommes d'affaires de Victoria, rompu au capitalisme familial traditionnel, s'est lancé dans la gestion de société de capitaux en s'intéressant à une entreprise minière spéculative en région éloignée. Ils se sont heurtés à d'innombrables obstacles inconnus, comme la gestion préjudiciable, l'éloignement, les investisseurs publics, ainsi que les innovations en publicité et en finance. En fin de compte, la géographie et la mentalité culturelle uniques de Victoria ont contrecarré leurs efforts pour s'imposer comme les maîtres du capitalisme de risque dans l'Ouest canadien.

1 This paper represents a condensation of the author's unpublished Ph.D. thesis, "Late Nineteenth Century Mining Promotion in British Columbia: A Case Study of Entrepreneurial Ingenuity, The Nestegg Mining Company, 1896-1898," University of Manitoba, 2004. Thesis research focussed on original company records in the "Nestegg and Firefly [*sic*] Gold Mining Company" fonds, MS-2884, and the "British Columbia Land and Investment Agency" fonds, MS-2880, British Columbia Archives.

Introduction: Canada's Golden Age of Mining Promotion

At the end of the nineteenth century, the structure of Canadian business underwent a dramatic metamorphosis. During the short span of a decade, Canada's traditional family capitalism was being rapidly displaced by modern financial and managerial business methods. Enterprise and entrepreneurship were no longer limited to the narrow confines of personal interaction. The family compacts that historically provided Canada with capital and managerial expertise could not supply the resources needed for large-scale mass production industries and high-speed, long distance commercial networks. Management became highly specialized.[2] Financing was an enormous undertaking spread over a much larger investor base. Public joint stock ownership became the wave of the future. While many historians have examined the new breed of business entrepreneurs spawned by this transition, few have looked closely at how well traditional Canadian businessmen handled the adjustment.[3] This paper will help fill that void by examining a group of Victoria, B.C. businessmen as they attempted to step out of the family capitalism mould in the 1890s.

The subject of this paper *is not* mining history, nor is there any attempt to place it within some context of Canadian resource extraction history. The business these men were involved in was *speculative mining promotion*, not mineral production. Being profitable in the former did not necessarily require any success in the latter. Exercising financial ingenuity and generating an image of potential profitability were more essential to making money in mining promotion than actual production of a product.

The context that is important here is one of transition: to examine a group of British-Canadian "gentlemen" financial capitalists from Victoria as they faced the challenges of stepping into the whole new world of twentieth-century corporate business. According to Michael Bliss, the "enterprise" of Canadian businessmen during this period was "usually derivative of British and American practice."[4] However, Bliss's assertion may be too simplistic. The Nestegg story reveals a corporate management team that exhibited extraordinary ingenuity as well as adaptability when operating within the confines of "British and American practice." Other Canadian business historians have described domestic finance capitalists for this period as "in general ... cautious men, trusting only the judgement of their close associates, looking for a sure

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2 On the American managerial revolution, see Alfred Chandler's *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Harvard University Press, 1977).

3 See Gregory Marchildon's *Profits and Politics: Beaverbrook and the Age of Finance* (Toronto: University of Toronto Press, 1996) and Michael Bliss, *A Canadian Millionaire: The Life and Business Times of Sir Joseph Flavelle, Bart. 1858–1939* (Toronto: University of Toronto Press, 1992).

4 Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland & Stewart, 1997), 8.

thing and sceptical of innovation."[5] Yet "finance capitalists" who conceived and managed the Nestegg Company exhibited a surprising capacity for innovation and no shortage of adventurous spirit.

The Nestegg Mining Company was just one of thousands of short-lived speculative ventures that reshaped Canada's business history at this critical juncture.[6] When the company was formed in late 1895 the nation was still trying to find some way out of a lingering depression. Sudbury's successful development during the early nineties had whetted the appetites of politicians and businessmen for more mineral development.[7] And it was not just iron and copper that was on their minds. The vital role of base metal production in nation-building was well-known, but history had also demonstrated how quickly glittering minerals could accelerate the process.[8] For Canadian entrepreneurs and investors caught in the quagmire of the "boring nineties," mining booms were a desperately needed quick-fix for a stalled economy.

Businessmen and capitalists on the other side of the border were equally hungry for new opportunities. The curtain was finally descending on America's mining frontier and a vital component of Western business culture was in danger of disappearing. Mining promoters, speculative investors, and transient mining camp entrepreneurs were finding fewer and fewer opportunities. For fifty years these business adventurers supplied the rags-to-riches legends that became an essential ingredient of the American frontier spirit. Another bonanza needed to be found to keep the legacy and the ethic alive.

The remedy everyone was waiting for finally hit the newsstands in February of 1895 when the owners of the War Eagle gold mine in Rossland, B.C. announced spectacular profits from ore shipped to US smelters. The War Eagle's windfall immediately caught the attention of restless American "mining men" perched south of the border. During the ensuing stampede Rossland's population exploded overnight from a few hundred to several thousand. Speculative fever drove the price of town lots and area mining properties out of sight. Within months two railways were under construction to transport Rossland's ores to American smelters and a new treatment plant was being built

5 Graham Taylor and Peter Baskerville, *A Concise Business History of Canada* (Toronto: Oxford University Press, 1994), 261.

6 The registered names of the mineral claim and the company are not quite the same. The claim used the two-word "Nest Egg" spelling while the corporate title combined them into a single word. Later, when the company was reorganized, the two-word spelling was adopted in its new title, The Nest Egg and Firefly Gold Mining Company).

7 See D. M. LeBourdais, *Sudbury Basin – Story of Nickel* (Toronto: Ryerson Press, 1953).

8 As Rodman Paul pointed out more than forty years ago, miners and prospectors were the vanguards of settlement on America's western frontier. The mineral resources they sought were primarily gold and silver. Rodman W. Paul, *Mining Frontiers of the Far West, 1848–1880* (New York: Holt, Rinehhart & Winston, 1963).

in nearby Trail.[9] Rossland's star was rising fast and those who got in on the ground floor of the boom were making a fortune.

At the end of 1895, a group of Victoria businessmen joined the rush and plunged into the Rossland speculative mining frenzy. Given the circumstances, it was the logical thing for them to do. Historically, Victoria had prospered as an entrepot for earlier interior gold rushes. But with the completion of the Canadian Pacific Railway, that role would now be usurped by Vancouver, the rail line's western terminus. But, for the time being, Victoria still retained access to significant capital resources and political clout. If its businessmen could no longer capitalize on their strategic mercantile position, perhaps they could develop a new niche for themselves as financial entrepreneurs for mainland resource development.

Choosing to take the plunge may have been logical, but it was not without risk. Mining promotion had the potential to be enormously profitable, but it was also dangerously complicated new territory for traditional family capitalists. In spite of the ingenuity and resilience of its corporate management, the Nestegg Mining Company proved to be an unprofitable, unproductive money pit almost from its inception. In less than two years tens of thousands of dollars were consumed and not an ounce of gold was produced. Most of the mining equipment was hijacked and the property eventually went to the sheriff for taxes. Shareholders lost everything and the founders fared worse. It is a pitiful story, but one that is certainly worth telling. This brief case study provides new insight into the mysterious business of late-Victorian mining promotion: a business that became the driving force behind the modernization of Canada's financial market structure.[10] And finally, examining the life and death of the Nestegg Company reveals much about the geographic and, more importantly, the cultural obstacles Victoria's entrepreneurs faced as they attempted to simultaneously make the transition to twentieth-century corporate management and retain their hegemony over British Columbia's mining frontier.

Getting Started: Incorporation and Start-up

In the fall of 1895, Patrick Aloysius O'Farrell, an Irish immigrant "gentleman" from Spokane, approached several Victoria merchants with an offer to sell his option to purchase a mineral claim just south of the Rossland town-

9 Jeremy Mouat's *Roaring Days: Rossland Mines and the History of British Columbia* (Vancouver: University of British Columbia Press, 1995) provides and excellent account of the early history of Rossland.

10 For more on the role of speculative mining booms in modernizing Canadian business, see E. P. Neufeld, *The Financial System of Canada; Its Growth and Development* (Toronto: Macmillan 1972), 478. See also John F. Whiteside's unpublished MA thesis, "The Toronto Stock Exchange to 1900: Its Membership and the Development of the Share Market," Trent University 1979, 68. Also, Chapin, "Nestegg Mining Company," 2-3.

site.[11] The Nest Egg seemed to be a promising property. Fritz Heinze's narrow gauge Columbia & Western "tramway" was scheduled to cut through the middle of the claim, potentially minimizing the cost of ore transport to the new smelter in nearby Trail. Shaft work was also already underway on two of the Nest Egg's mineralized "ledges." Perhaps the mine's greatest asset was its connection to O'Farrell, a well-known media personality whose brokerage connections and word-painting skills would prove invaluable when the company appealed to outside investors.

O'Farrell was also closely associated with John M. Burke, one of the most popular "mining operators" of the region. Burke was born on a Virginia plantation and raised by his banker uncle. He and his brother went west in 1879 to try their hand at banking in the Utah mining camps. Burke quickly shifted his attention to mining speculation, chasing one strike after another. In 1884 he moved on to the North Idaho boom where he reportedly discovered a large mineral formation near Wallace that still bears his name. By the time Burke arrived in Rossland in 1895, he had acquired a solid reputation in the Inland Empire's mining community.[12] Having the O'Farrell/Burke partnership on board would be a great asset for any mining promotion.

R.P. Rithet, one of British Columbia's most successful businessmen, conducted the purchase negotiations with O'Farrell and the mineral claim's owner, a prospector named Richard Cooper.[13] A counter-offer dated October 16, 1885, suggests O'Farrell was driving a hard bargain. He agreed that the company formed to acquire the property should be based in Victoria, but insisted that only one of its three directors be "named by the Victoria interest in the mine." O'Farrell demanded an unspecified quantity of founders' stock although he promised to "dispose of no further interest in the Nest Egg Gold Mine, but what has been already arranged for, at a figure less than 10 cents a share."[14] In early

11 Taking out an option was a common technique used to transfer speculative mining land quickly and safely. Promoters lacking the funds or courage necessary to purchase properties outright often took 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 at a later date, the bonding party was given the mineral rights to a property for a fixed period. Options were usually transferable.

12 The Republican mining men of Northern Idaho supported Burke, a staunch Southern Democrat, in his 1891 bid for state governor. For a more detailed biography of Burke see Chapin, "Nestegg Mining Company," 86-8.

13 For biographies of Rithet see R.E. Gosnell, *A History of British Columbia*, Part 2 (Vancouver: British Columbia Historical Association, 1913), 134 and Dan Clayton "Robert Patterson Rithet," *Dictionary of Canadian Biography, 1911–1920*, vol. XIV (Toronto: University of Toronto Press, 1998), 873-5.

14 "Agreement" dated October 16, 1895 found loose in Nestegg Mining Company (hereafter "NEMC") Correspondence files, British Columbia Archives, MS-2884, PR5, Series 2, Box 44B55, file 1.

December a deal was finally sealed and the Nestegg Mining Company, Limited Liability received its provincial letters patent on January 29, 1896.[15]

The incorporation papers suggest that O'Farrell was forced to concede some of the conditions of sale he demanded in October of 1895. Named with the forty-six year old O'Farrell as incorporators were not one but two men representing "Victoria interests": George Allan Kirk and Archibald Blair Erskine. Kirk came from a well-to-do British military family. Before migrating to B.C., he had abandoned a promising Royal Navy career to train under his brother in Turner Beeton Company, a commission merchant firm based in London. Around 1894 Kirk took a position as clerk at Turner Beeton's Victoria office. He was determined to improve his position in the city's business and social circles. When the Nestegg Company was formed Kirk was only twenty-six years old and already President of the influential British Columbia Board of Trade. Within seven years he succeeded in marrying into the Dunsmuir clan, unquestionably the wealthiest and most powerful family on Vancouver Island.[16] Little is known about Erskine's early background except that he was an Irish-Protestant immigrant who arrived in Victoria in 1876. By 1896, at age forty-one, Erskine was operating a prosperous boot and shoe business.[17]

The new company's corporate startup strategy was nothing short of ingenious. Most speculative mining companies chose to issue "non-assessable" stock. Besides being protected from future calls on their holdings, non-assessable shareholders were also supposedly immune from creditor liability should the company fold up in debt.[18] Marketing speculative mining stock was in fact nearly impossible without offering such no-risk inducements. However, Britain's Privy Council had recently called into question the validity of non-liability for any "fully paid-up" shares sold out of company treasuries.[19] The B.C. Supreme Court also indicated its willingness to reconsider the rights of credi-

15 From a clipping of certificate of incorporation attached to the front of the nemc *Minute Book*.

16 In 1903 Kirk married Elizabeth Harvey, the granddaughter of Robert Dunsmuir's widow. For a more detailed biography of Kirk see Chapin, "Nestegg Mining Company," 66-8.

17 Erskine's biographical information was derived from two newspaper obituaries published in Vancouver: *Vancouver Sun*, February 12, 1932, 2; *Vancouver Province*, February 12, 1932, 17.

18 Owners of assessable shares can be "called" upon at any time to pay the balance between what they paid for their shares and the "par" or "nominal" value of those shares (printed on the certificate). This unpaid balance is ordinarily considered a corporate asset and can be attached by debtors through litigation. "Fully paid-up" shares are "non-assessable" because, in theory, no balance is left unpaid after purchase, no matter what, if anything, was actually paid for the shares.

19 In its ruling on the *Ooregum Gold Mining Co.* case, 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. See Ooregum Gold Mining Co. v. Roper, V Brit. Col. 100 (App. Cas. 1892).

tor claims against shareholders who received non-assessable treasury stock.[20] To circumvent any potentially lethal legal interference, the Nestegg Company's founders devised a clever technique that ensured virtually all the treasury shares would be free of liability. The same day the company was incorporated, the shareholders supposedly passed a resolution to purchase the Nest Egg claim from R.P. Rithet for 499,000 of the treasury's 500,000 one dollar shares.[21] But as fast as Rithet received the stock he transferred it back to the company "in trust" to the secretary, W.H. Ellis. Under the law, any shareholders, including the founders, would now be iron-clad protected from bad debt judgements against the company. Because shareholders would technically purchase their shares from Ellis, rather than directly from the company, they would be receiving them second-hand and therefore immune from the implications of Ooregum v. Roper.

The dummy purchase from Rithet yielded other benefits besides liability protection. Exchanging the Nest Egg mineral claim for what was essentially the company's entire capitalization gave prospective investors the impression that a valuable property had been purchased. And lastly, the procedure ensured that the founders would control the voting rights for all unissued treasury stock. By law, trustees (in this case, Ellis) were entitled to vote for shares entrusted to them.[22] This proviso was extremely important for those Nestegg founders who were making their first uneasy foray into corporate management of a publicly floated, joint-stock company. Controlling the voting power of the treasury stock assured them that the company's development, especially in the critical early stages, would not be stalled by uncooperative or indifferent public shareholders.

The company sought out brilliant legal advice during the complex start-up. Gordon Hunter, the Nestegg Company's corporate solicitor, took charge of organizing the unusual incorporation. He was a regular contributor and soon-to-be editor of the *B.C. Law Reports*. Hunter would have been well-acquainted with the highly publicized recent Fraser River ruling. E.V. Bodwell, one of the lawyers on the Fraser case, or his partner, future Canada Supreme Court Justice Lyman Duff, may have assisted Hunter with the incorporation.[23]

After transforming the treasury shares into "in trust" stock, the next order of business for the new company was the approval of by-laws and election of officers. Circumstances required some creative entries in the *Minute Book*, but eventually the tasks were completed.[24] Kirk was elected President and

20 Fraser River Mining Co. v. Gallagher et al, V Brit. Col. 101 (British Columbia Supreme Court 1896).

21 Typed addendum added at page 1, nemc *Minute Book*.

22 B.C., *Statutes*, 1890, "Companies Act, 1890," 53 Vict., c.6, s.18.

23 Bodwell handled an early property dispute for the Nestegg Company. Duff received 1,000 shares during the initial stock distribution shortly after incorporation.

24 On the irregularities in the *Minute Book*, see Chapin, "Nestegg Mining Company, 20-1.

O'Farrell became "managing trustee of the Company without salary." The Secretary/Treasurer position went to W.H. Ellis, owner of Victoria's *Daily Colonist* newspaper. The Trustees approved O'Farrell's suggestion that John M. Burke be appointed the "superintendent and foreman of the Company without salary."[25]

It seemed like an auspicious beginning for a speculative mining company. Just as the mania for Rossland mines was taking off, a promising property was acquired seemingly without a hitch. Thanks to its quick-witted legal team, virtually all the new company's treasury stock was freed from liability and controlled by the Trustees. The corporate leadership appeared to be a stellar combination. Kirk was energetic and well-connected socially, politically, and financially. His brother Lawrence was a director of Turner Beeton Company, as was provincial Premier John Turner. R.P. Rithet may have played only a small role in the start-up, but his involvement undoubtedly attracted the attention of high profile investors. Although socially an outsider, Secretary Ellis personally controlled the *Colonist* newspaper's content and was in an excellent position to provide the publicity necessary for a successful public flotation of Nest Egg shares.[26] John Burke's reputation boosted the venture's image and his intimate knowledge of mining and the Rossland business community could prove invaluable once development commenced. O'Farrell's connections with important outside media sources and mining speculators expanded the Nestegg Company's promotional potential beyond the limited (although lucrative) confines of Victoria. All things considered, the relatively inexperienced Victoria company men appeared to have found the right recipe to launch their venture.

Puffing It Up: Flotation and Promotion

During the first week after incorporation 375,750 shares left the Nestegg treasury.[27] Nearly all of this stock was shelled out to founders and vendors. O'Farrell received half of the distribution as payment for his option on the mine and future services rendered. His partner Burke took 5,000 shares, presumably as a reward for agreeing to "supervise" the mine without pay. Spokane mining promoter Ross Thompson (Rossland's namesake) was issued a single stock certificate for 50,000 shares. He probably played some crucial role during the 1895 negotiations for the mining property. Gordon Hunter, the company's lawyer, was given 64,500 shares for services rendered in setting up the company. Rithet and Kirk each picked up 20,000 shares. Over the course of just a few days three quarters of the treasury stock was dispensed but the company received only

25 NEMC *Minute Book*, 1.

26 Ellis was the son of an Ontario sheriff His educational background was much inferior to most of the other Victoria company men. See Chapin, "Nestegg Mining Company, 80.

27 NEMC *Share Transfer Ledger*, 8.

$2,625.[28] All but $125 of these funds were paid out at once to the mineral claim's owner of record, one Richard Cooper of Rossland.[29]

After the founders' distribution the Nestegg Company's directors found themselves in the unenviable (but not uncommon) position of raising enough money from the few remaining treasury shares to commence mining development. They turned to their chief image manager, W.H. Ellis. On February 5 the *Colonist* published the first of several articles praising the Nest Egg's merits and investment potential.

> 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 property purchased by the company is said to be one of the most promising mines in the southern Trail Creek group … 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.[30]

Although no shares were officially offered to the public until February 8, Ellis's article was obviously intended to be a prospectus.[31] It included an unusual appeal to the readers' sense of civic pride: Victorians needed to make their mark in Rossland before their upstart rivals in Vancouver found a foothold. As a further inducement, Ellis declared that the Nest Egg claim was "purchased by the company," even though he knew that only the first of two $2,500 installments had been paid out for the property. This seemingly harmless exaggeration had the potential to cause serious problems for the infant company. Knowingly making an untrue statement in a prospectus was a serious criminal offense, not to mention bad for business.[32]

The *Colonist* advertising campaign produced the desired effect and Nestegg stock sold like "hot cakes" in Victoria over the next three weeks.[33] Between February 8 and 29, 1896, one hundred and fifty-nine transactions were recorded in the *Share Ledger*.[34] Over seventy per cent of these share transfers

28 Ibid., 11; nemc *Cash Book*, 4.
29 NEMC *Cash Book*, 4.
30 *Colonist*, February 5, 1896, 5.
31 Treasury shares were not advertised in the *Colonist* until February 8, 1896 (p. 8).
32 *B.C. Statutes, 1894*, "Fraudulent Statements Act, 1894," 57 Vict., c. 17, s. 1.
33 "The Nest Egg Boom," *Rossland Miner*, February 29, 1896.
34 This figure does not include Treasury transactions. See nemc *Share Transfer Ledger*, various pages 10-64.

involved Victoria residents, and their net acquisitions totalled more than 57,000 shares. During the February blitz, the Treasury took in $3,175 from public stock sales.[35]

The careful planning that was characteristic of the incorporation quickly faded away in the first few weeks of 1896. Most of the Treasury stock was handed over to the organizers or their cronies with little or no cash benefit to the company. Ellis's puffing produced limited success on the Victoria stock market but placed the venture at great risk. It is almost inconceivable that the clever architects of the corporate startup could become so careless so quickly. The evidence seems to indicate Secretary/Treasurer Ellis had too free a hand during the critical first few weeks after the company was formed.

Crisis Management: The Property Problem

On February 29 the Nestegg bubble burst when the *Rossland Miner* revealed that ownership of the mine was being contested. Three different parties "adverses" (objections) to the issuance of a Crown grant for the Nest Egg.[36] The company obviously did not have clear title as Ellis had implied in his February 5 prospectus. Suddenly the Trustees were faced with an unexpected and crucial decision: give up and bail out or fight the claim jumpers. Originally, they chose to option the property so that an escape route would be available should something go wrong during flotation. But Ellis's article/prospectus painted the company into a corner. Quitting was no longer an alternative and pursuing litigation was also out of the question. The Victoria company men could not risk further public exposure of their questionable business practices. All claims against the property needed to be settled quickly and quietly.

O'Farrell appeared to be the best choice to resolve the property crisis. He and Burke were supposedly experienced players in the mining lands business. After fretting indecisively through the month of March, the Victoria company men sent their Managing Trustee to Rossland on April 10 with instructions to buy a controlling interest in the Fire Fly mineral claim and quiet the adverse filed by its various owners against the Nest Egg. Since the treasury only contained $1,817.95, O'Farrell was authorized to spend no more than $2,000.[37] Five weeks later word finally reached Victoria that a settlement was reached,

35 Most deposits to the corporate bank account were not itemized in the *Cash Book*. However, a later attempt at a balance sheet verified that these funds were received as "premiums" for fully-paid up treasury stock. Two deposits on March 10 and April 7, 1896, were clearly late payments for shares sold prior to February 20 (virtually no stock remaining in the Treasury between February 29 and April 10, 1896). See nemc *Cash Book*, 4, 6; NEMC *Share Transfer Ledger*, 11.

36 "The Nest Egg Boom," *Rossland Miner*, February 29, 1896.

37 NEMC *Cash Book*, 4, 6; "3rd Meeting of Trustees," April 10, 1896, NEMC *Minute Book*, 7.

but it was not with the parties who owned the Fire Fly. O'Farrell reportedly payed "the Toronto crowd" $1,500 to drop a separate adverse against the Nest Egg. He also claimed to have bought up all interest in the Firefly for $2,700.[38] Ellis, desperate to salvage the company's image, rushed the news into print proclaiming all adverses were settled and the "Nest Egg [was] All Right."[39] Treasury stock was thrown back on the market as the *Colonist* went on the offensive.[40]

But as the weeks dragged on and still no Crown grant was issued, skeptics became suspicious.[41] Eventually it became clear that O'Farrell had resolved only Toronto's adverse against the Nest Egg. The Fire Fly's several owners and handlers were supposed to have been bought off but the network of ownership proved to be such a confusing quagmire that clear title never was established.[42] The Nest Egg's adverses were remedied but Cooper still owned the property and he refused to initiate acquisition of the Crown grant.[43] A disagreement with the company over legal costs incurred during the adverse disputes delayed the property transfer and provided the *Rossland Miner* with more ammunition to smear the Nest Egg. Cooper and his lawyers would not come to terms until the end of October. By then the never-ending trail of property problems had destroyed the company's image.

Cleaning up the property mess proved to be extremely expensive. The mineral claim the Trustees thought in January they were buying for $5,000 eventually cost almost twice that amount, or nearly three-quarters of the working capital raised from sales of "in trust" treasury shares. O'Farrell was entirely responsible for the cost overrun. And his mishandling of the property problems point to something more than incompetence. The deals he made in Rossland, however treacherous, were legally binding and the Victoria men were forced to go along or lose their mine before they had a chance to develop it. Besides financial difficulties, the property problems also left the Nestegg Company with an unsavoury reputation. Any hope of turning a profit would require resurrection of a favourable image of potential profitability, a formidable task that would challenge the Trustees' managerial skills.

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38 NEMC Correspondence, O'Farrell to Ellis, May 23, 1896. Local prospector H. P. Toronto reportedly lodged an adverse on behalf of his "Excelsior" and "Best" claims, neither of which appear on period maps of Rossland area mining properties.

39 *Colonist*, May 23, 1896.

40 Ibid., May 24 and May 25, 1896.

41 Ellis responded to rumors in Ibid., June 22, 1896.

42 See Chapin, "Nestegg Mining Company," 49-60, especially "Rake-Off" flowchart at 56.

43 The owner of a "mineral claim" has the right to extract minerals for a specific period (usually from year to year). A "Crown grant" gives the owner the right to the minerals in perpetuity. In some situations Crown grants might also include surface rights and ownership of other resources.

Resurrection: Phase I, Pursuing New Sources of Capital

Rebuilding the Nestegg Company's image required more than ingenuity: it needed money. But by midsummer the Treasury was nearly empty and few options remained for restocking it. After the first round of property problems, the Victoria market for Nestegg stock disappeared. In July a decision was made to raise new capital by promoting and selling most of the remaining shares on Eastern Canada's spiralling bull market.[44] Ellis sent 25,000 shares to a Toronto bank on July 22 for O'Farrell to pick up "on payment of 15¢ net per share."[45] Again, O'Farrell seemed to be the man for the job. Besides his extraordinary communication skills, he also had a close working relationship with at least two important Toronto stock brokers, George Case and Ira Patterson.[46] Unfortunately, when O'Farrell left for Toronto few in the company knew he was carrying a huge debt load and a suitcase full of his own stock thinly disguised "in trust" to another mining speculator.

The Nestegg Company's Eastern sales campaign was launched in the Toronto *Globe* on August 1, 1896.[47] Published under Case's name (although undoubtedly written by O'Farrell), the company's new prospectus was an advertising masterpiece that covered nearly a third of a page. It was packed full of exaggerations, misrepresentations, and downright fabrication. As usual, the mineral claims were falsely reported as having already been purchased by the company. The properties were alleged to contain huge "ledges," a nebulous term which could mean almost anything or nothing at all. A long list of illustrious individuals who supposedly had "control and management" of the company did not include anyone who was actually a Trustee. Some of those named were not even shareholders. The prospectus cited fantastic assay values of up to $48 per ton, yet the assay reports found in the company records indicate the Nest Egg's best ore samples were not worth the $13 per ton it would cost to transport and smelt them.[48] An expert opinion was included to further bolster the mine's supposed investment potential, but the "expert," one W. Clayton Miller, appears to have been a figment of O'Farrell's imagination. All

44 See Chapin, "Nestegg Mining Company," 158 for details on mining shares boom and the Eastern Canadian stock market. No documents have survived that indicate who made the decision to sell shares in the East. Ordinarily this would require consent of the Trustees but since the Treasury shares were in trust to Ellis, technically he could market them on his own initiative. O'Farrell later claimed he was given "authority" to sell up to 50,000 shares and he hinted that President Kirk gave his approval. NEMC Correspondence, O'Farrell to Ellis, August 26, 1896.

45 NEMC Correspondence, Ellis to G.H. Burns (manager of Victoria Bank of British North America), July 22, 1896.

46 NEMC Correspondence, O'Farrell to Ellis, August 27, 1896 on Geo. A. Case letterhead; NEMC *Share Transfer Ledger*, 90.

47 *Globe*, August 1, 1896, 22.

48 Chapin, "Nestegg Mining Company," 173.

funds raised from the Eastern stock were pledged to be used for "the development of the mines *and the purchase of machinery*" [emphasis added]. O'Farrell implied that the company and the mine were both in shape to move on to mechanization. Nothing could have been further from the truth.

Although the prospectus only ran in the *Globe* for a few days, the desired effect was obtained. Nestegg shares were eagerly taken up in Toronto during the first three weeks of August with the price climbing as high as 75¢.[49] But only O'Farrell's stock was being sold.[50] At the end of August, just as O'Farrell finished liquidating his own holdings, the dispute with Cooper resurfaced in Rossland and the Eastern market for Nestegg shares evaporated overnight.[51] The treasury stock never left the bank vault.

By the time its foray into the Eastern mining shares market was over, the Nestegg Company's financial situation was in considerably worse shape. An episode of semi-authorized window-dressing at the mine site by an interloping pseudo-manager stripped the treasury of funds.[52] But Cooper still had to be paid off or the company would lose the Nest Egg. Thanks to O'Farrell's loose pen, the company was also now committed to mechanizing the Nest Egg.[53] There was virtually no hope of raising enough money from the sale of treasury stock to cover the current debts, let alone buy machinery.[54]

The company was also unable to fall back on the one financial resource it always counted on: credit. Since June the Trustees had been borrowing money to cover the cost of mining development and settlement of the adverses. By the end of October the company still owed $2,900 on four loans and its credit rating was falling faster than the value of the shares it used as collateral. Kirk had to personally sign for most of the outstanding notes and, according to Ellis, the President was at the end of his rope.[55]

On October 24 the property was saved when $3,600 was deposited into the corporate bank account. Over the next three weeks a further $3,125 was deposited, all apparently being the proceeds from local share sales.[56] On

49 NEMC Correspondence, Isabel Duff to Secretary, February 5, 1897.

50 Convincing circumstantial evidence seems to indicate at least two of the Victoria company men may have profited indirectly from the sales of O'Farrell's stock. See Chapin, "Nestegg Mining Company," 118-22.

51 "A Very Fishy Business," *Rossland Miner*, August 21, 1896.

52 At the end of August, 1896, the company accounts showed a negative balance of -$156.80. NEMC *Cash Book*, 4-6.

53 Because the Trustees did not publicly refute the contents of the prospectus, their silence would likely have been viewed by a court as an acknowledgment of its authenticity, making the machinery promise legally binding.

54 Writing to Paul Gaston at the end of September, Ellis emphasized that "We cannot sell the [Treasury] stock." NEMC Correspondence, Ellis to Gaston, September 22, 1896.

55 Ibid.

56 NEMC *Cash Book*, 6, 8.

October 23 Ellis had released 14,750 treasury shares, half of which were immediately taken up by George Kirk, P.R. Brown of the B.C. Land and Investment Agency, and local businessman Charles Hayward.[57] Six days later 3,000 more shares were released from the Treasury. These and all the remaining shares released earlier were taken up by Kirk's brother and four other prominent Victorians.[58] The average price paid was about 40¢ per share, well above the market value. It was a charity sale.

The company men's expedition into Eastern capital markets was a bold and timely experiment that very nearly succeeded. It failed due to poor communication, intrigue, and bad publicity. In the end the wealthy residents of Victoria stepped in and bailed the Nest Egg out of another financial mess created by its Rossland management. The price paid was indeed high, but for the Trustees, the social consequences of giving up would have been much more expensive.

Resurrection, Phase II: A Change of Face – Reorganization and Mechanization

The first genuine meeting of the shareholders held on October 15, 1896, probably inspired the lifesaving burst of enthusiasm for Nestegg stock in Victoria. At the meeting a printed report was circulated describing Ellis's fictitious examination of the mine. Exaggerated assay values were cited to support vague assurances by unnamed experts that the mine could become "a dividend-payer" if it was "developed to a shipping point." Reaching the "shipping point" required that the company acquire and install a compressor plant, hoist, and rock drills. If all went according to plan, the Nest Egg would "in thirty-days' time" be placed "on a shipping and profit earning basis."[59] According to John Burke, the cost of mechanization would not exceed $5,000. The company was, however, in no position to raise that kind of money: its assets were too small and liabilities too large. Ellis's bulletin encouraged the shareholders to consider reincorporating the company and increasing the share capital. Attendance was insufficient to meet the statutory requirement for a re-capitalization so the suggestion had to be shelved until the next meeting.

The October General Meeting provided the shareholders with their first opportunity to form a corporate management team. Three new Trustees joined Kirk and Erskine on the Board: local undertaker/lumber merchant Charles Hayward, real estate agent A.J. Weaver-Bridgman, and C.A. Holland, the Victoria manager of B.C. Land & Investment Agency. O'Farrell was not even nominated. Kirk was reconfirmed as President and Holland became Vice-

57 NEMC *Share Transfer Ledger*, 11, 22, 143, 144.

58 Ibid., 90, 46, 152, 149.

59 Attachment to "Minutes of the Extraordinary General Meeting of the Shareholders, October 15, 1896," NEMC *Minute Book*, 10.

President. At fifty-two, Hayward was the oldest Trustee, having come to Victoria during the Cariboo gold rush some thirty years earlier. Holland and Bridgman were in their early thirties and both arrived in Victoria in the late 1880s. All three men were British and had connections to the B.C. Land and Investment Agency.[60] Apparently the new Board was more convinced than the shareholders that O'Farrell was essential to the Nestegg Company's survival. Immediately after the General Meeting adjourned, the Trustees met at Holland's office and reinstated O'Farrell as Managing Trustee. Erskine conveniently resigned, leaving a vacancy that could be legally filled by the Board without shareholder approval.[61]

Once he was back in Rossland, O'Farrell schemed to push the company into buying machinery. Rumours of his activities were at first not taken very seriously in Victoria.[62] But when the Rossland press confirmed that mining machinery had in fact been purchased, O'Farrell was summoned to account for his actions.[63] At the November 24 Trustees Meeting he explained the arrangements he made with the Canadian Rand Drill Company "for the purchase of an air compressor plant and drills."[64] The Victoria Trustees may have found O'Farrell's surreptitious wheeling and dealing to be shockingly "unbusinesslike" but they could hardly reject the generous terms of the "lease" he signed.[65] The company would be allowed to purchase the plant on time while using it to develop the mine. The compressor, hoist, drills, and various "extras" were priced at $3,700 plus shipping from Montreal. The company would pay $1,000 up front, another thousand three months after delivery, with the remaining balance to be paid off three months after the second payment.[66]

The Victoria company men would have been happier to wait and see how the reorganization played out, but they had to agree that putting a plant in place would make the proposed new company's watered stock much more attractive to investors. The deal was premature but too good to pass up. Nevertheless, the Trustees were wary of putting their stamp of approval on a contract they had not seen.[67] For the time being they only went on record as approving the construction of buildings to house the men and machinery. While O'Farrell was

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60 Hayward and Bridgman were bclia shareholders and Bridgman was a former bclia employee. See Chapin, "Nestegg Mining Company," 69-72.

61 "Minutes of Trustees' Meeting, in October, 1896 [no date]," NEMC *Minute Book*, 11.

62 bclia Correspondence, Holland to Kirk, November 6, 1896.

63 Reprinted in the Victoria *Colonist*, November 10, 1897, p. 2; bclia Correspondence, Holland to O'Farrell, November 6, 1896.

64 "6th Meeting of the Board of Trustees," November 24, 1896, NEMC *Minute Book*, 15.

65 BCILA Correspondence, Holland to O'Farrell, November 6, 1896.

66 "Agreement," signed by O'Farrell and Canadian Rand Drill agent Frank Mendenhall, dated November 6, 1896, found in NEMC Correspondence files (Box 499, File 4).

67 The company did not obtain a copy of the contract until March 21, 1897. NEMC Correspondence, D. J. Burke to Munro, March 21, 1897.

safely out of the way checking on the surface rights to the mine, the Victoria management focussed on getting the company out of debt and reorganized as quickly as possible so that sufficient funds could be raised to meet the first machinery payment.

Under the proposed reorganization plan, the old Nestegg Company would be replaced by a new company, The Nest Egg and Firefly Gold Mining Company, with a capitalization of one million one dollar shares. Nestegg shareholders could exchange their old stock for new at a rate of 1:1.5, leaving the treasury with 250,000 new shares. If a third of this stock was sold at 8¢ each, enough money would be raised to pay off the machinery and run the mine for a few months – or pay a phony dividend.[68] By then the Nest Egg would either be into a respectable ore body or sold to some other speculator.

The reorganization startup proved to be even more intricate than the original Nestegg incorporation. Before the new company could be reorganized all debts were to be cleared and some way found to stabilize share prices. Clearing the debts could only be accomplished by selling off the remaining old treasury stock. All shareholder stock would then be "pooled" to control prices while new treasury shares were put on the market. If everything went according to plan, news of the company's solvency and the acquisition of machinery would boost share prices sufficiently for a successful moderate issue of treasury stock to pay the Canadian Rand Drill Company its first installment. Once the plant was operating, the rumour mill would do the rest. Raising more capital, if it was necessary, would not be a problem.

There were, however, several possible snags that could bring the reorganization scheme down. The company would have to find investors who would take up all the old stock at a price sufficient to cover the debts. Timing was also critical. The reorganization needed to be completed immediately if the lease payment funds were to be raised before the machinery arrived. But how fast could the Trustees obtain the required approval of two-thirds of the shareholders to carry out the reorganization? And even if the shareholders did agree to having their stock watered, could they be convinced to pool it?

The Trustees managed to get over the first hurdle. Treasury stock "premiums" received during October provided enough funds to pay off the final payment on the Nest Egg and other overdue mining debts in Rossland. However, three outstanding promissory notes totalling $2,500 still remained on the books. On November 10 the Treasury received an additional $2,750 and the notes were cleared.[69] The funds were advanced by Holland as payment for 25,000 treasury

68 Holland anticipated that new share prices could be held at eight cents during the reorganization. BCLIA Correspondence, Holland to Rithet, October 7, 1896.

69 NEMC *Cash Book*, 8.

shares still in the Toronto bank.[70] By mid-November the Nestegg Company was at last solvent and in legal possession of its mine. The Trustees and their Victoria friends had made extraordinary sacrifices to put the company's finances in shape to make a pitch to the shareholders for reorganization.

They did not negotiate the second obstacle as easily. Timing of the reorganization suffered a serious setback when the extraordinary shareholders meeting held on December 7 failed to produce the required quorum and the question of reorganization had to be adjourned once again.[71] A new meeting was set for January 20, 1897. Until then it was essential that the company's financial situation be kept under control.

Problems With the Reorganization Scheme

Ellis's sloppy bookkeeping finally caught up with him in December and he was relieved of duty.[72] The new secretary, Alexander Kenneth Munro, was a member of Victoria's social and business elite. His father emigrated from England to work for the H.B.C. and eventually retired as Chief Factor of Victoria. Munro's sister, Elizabeth Jane, married R.P. Rithet. As a young man Munro managed the San Francisco and Portland branch offices of the Bank of British North America. He was articulate, well-educated, and an experienced bookkeeper and long-distance business manager.[73] In spite of his many attributes, Munro initially had difficulty performing his Secretarial duties. Ellis refused to turn over the company books until April, and Munro, who knew little of the company's affairs, was left groping in the dark for several months.

Even without access to the corporate accounts, the Trustees knew they were facing a financial crisis. The reorganization received shareholder approval on January 20, but because ratification was delayed a month, the new treasury stock could not be released and sold in time to meet the deadline for the first

70 The Toronto shares were returned to the Treasury on November 23 and transferred to Holland the same day. The *Cash Book* shows no stock sales "premiums" being received on or after that date. NEMC *Share Transfer Ledger*, 12, 23, 118. Holland paid one and a half cents less per share than the price suggested by the Trustees in October. bclia Correspondence, Holland to Rithet, October 7, 1896.

71 "Minutes of the Extraordinary General Meeting of the Nest Egg Mining Co. Ltd.," December 7, 1896, NEMC *Minute Book*, 19. Only a third of the voting shares were in attendance or represented. Chapin, "Nestegg Mining Company," 151, n. 100.

72 Ellis's balance sheet for the December 7 Meeting revealed several discrepancies, one of which led to a fatal confrontation with President Kirk. "Meeting of Trustees, May 26, 1897," NEMC *Minute Book*, 36. Ellis did not officially tender his unexplained resignation until March, but all correspondence and bookkeeping entries after the end of December were in his successor's handwriting.

73 For a detailed biography of Munro see Chapin, "Nestegg Mining Company," 73-4.

machinery payment.[74] The shares could, however, be used as loan collateral. On January 29 Holland and Hayward personally advanced the company $2,500 on the security of 100,000 new shares.[75] After paying the Rand Company installment and operating costs for December, a healthy cushion of nearly $1,200 was left over to cover the building contract, transportation costs, and any other unforeseen exigencies. Taking a loan from the Trustees was an unsavoury and controversial measure but the company men had little choice.[76] Scores of other speculative mining companies in Rossland would jump at the chance to acquire the Nest Egg plant if the lease contract was breached.

In Rossland unforeseen exigencies seemed to spring up as fast as the Trustees could find the funds to pay for them. O'Farrell had earlier appointed Dan Burke to be interim mine manager during his father's frequent absences. On January 29, without informing the company, young Burke drew on the bank in Rossland to cover December wages for the miners. The draft was protested and an embarrassed Munro immediately covered it using the funds lent by Holland and Hayward the same day.[77] On February 12, Dan Burke again drew against the company for Rossland mining expenses, and eleven days later he made another unauthorized draw to pay the bunkhouse contractor $500.[78] This was not the way Munro wanted to run the business.

With the treasury emptied, the Rossland accounts in confusion, and the second machinery payment coming due, Munro called an emergency Trustees meeting on February 4. It was agreed that the company should offer present shareholders the option of taking up what was left of the new shares at five cents each. But Munro wanted O'Farrell to accept more responsibility for cleaning up the company's financial problems:

> The Secretary pointed out that as all shareholders would be 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 sub-

74 The shareholders approved the reorganization the same day the machinery arrived at the Trail wharf. NEMC *Minute Book*, 23; NEMC Correspondence, D. J. Burke to Ellis, January 20, 1897.

75 The Minutes of a January 29 Meeting indicate the Trustees intended to borrow the money from the Bank of BNA but according to the *Journal*, Holland and Hayward personally advanced the funds. NEMC *Minute Book*, 26; NEMC *Journal*, 80.

76 Ordinarily the By-Laws restricted the Trustees from making loans to the company. However, at the January 20 General Meeting, the shareholders authorized them to "borrow money for these purposes [paying the liabilities] at the best price possible." Presumably, Holland and Hayward offered the best price. "Special General Meeting of the Shareholders, January 20, 1897," NEMC *Minute Book*, 25. Nevertheless, the Trustees were divided on the issue. Weaver-Bridgman voted against taking the loan and purchasing the machinery. "Minutes of Meeting of Trustees," January 29, 1897, NEMC *Minute Book*, 26.

77 NEMC *Cash Book*, 10.

78 Ibid.

> scribe the whole amount. Whereupon Mr. O'Farrell agreed to subscribe Two thousand five hundred dollars ($2,500) provided the amount raised was sufficient to meet all necessary expenses in carrying on the work for one month.[79]

As a reward for his generosity, O'Farrell was cautiously reinstated "for the present" as "Managing Trustee at the Mine." However, he obviously would have to watch his step with the new corporate management. Unlike Kirk and Ellis, Holland and Munro were more inclined to keep a much closer eye on operations in Rossland. The new Secretary shot off correspondence almost on a daily basis and did not hesitate to call corporate meetings at the first sign of trouble.

Fighting for Survival: Controlling Debts and Finding Money

The same day he was reinstated, O'Farrell sent the Secretary a detailed description of the state of affairs in Rossland. Munro was stunned. The estimated cost of the buildings had ballooned from the budgeted $400 to more than $1,000. Altogether, O'Farrell now estimated the cost of construction and machinery installation would be around $2,000.[80] Munro suspected the company was being gouged. For example, the company men had assumed the construction contracts included the cost of materials, but the builders claimed otherwise. Since O'Farrell failed to sign any written agreements, the company was legally at the mercy of both the contractors and the suppliers. The as-yet unseen lease with the Canadian Rand Drill Company was also called into question when the Secretary received a $290 bill from the Rossland machinery agent for "extras."[81] Finally, at the end of February, Munro discovered O'Farrell's stooge, Dan Burke, had been taking $100 per month for his services as "mine superintendent."[82]

Barely two months old and the reorganized company was already facing its second financial crisis. No one, including O'Farrell, took up any of the nickle shares and the spending in Rossland was spiralling out of control.[83] On February 22 Munro again summoned the Trustees. It was too late to do anything about the bunkhouse contractor's payment but all other bills from Rossland were put on hold until more details were available. The Trustees accepted O'Farrell's word that mining was suspended until the machinery was installed. Dan Burke was sharply rebuked and ordered to immediately return

79 "Minutes of Meeting of Trustees," February 4, 1897, NEMC *Minute Book*, 27.

80 NEMC Correspondence, O'Farrell to Secretary, February 4, 1897.

81 "Minutes of Trustees Meeting," February 22, 1897, NEMC *Minute Book*, 28.

82 NEMC Correspondence, Dan Burke to Munro, February 12, 1897.

83 The strings attached to the nickle share offer made to the old shareholders probably discouraged their sale. Unless or until all 250,000 shares were taken up, purchasers would not receive their stock until May 15, 1897. See undated handwritten document found in NEMC Correspondence files, PR5, ser. 3, box 44B6, file 1).

the $200.00 unauthorized salary he paid himself. To ensure there would be no more surprise drafts from O'Farrell or Burke, the company's bank account was frozen until further notice.[84] Overall, the February 22 Meeting exhibited more decisive action on different pressing issues than any earlier gathering. Munro was making his presence felt.

The Trustees took no action towards replenishing the treasury. They were awaiting confirmation of an attractive offer to purchase all the new treasury stock. According to O'Farrell, one E.L. Whitmore of Butte, Montana was proposing to buy 100,000 shares on March 1 at 7¢ each and gradually take up the remaining available stock over the next six months at a rate of 12¢ each.[85] If the Whitmore deal came through, the company could pay off Holland and Hayward's loan and the upcoming machinery installment, with something left over to cover other debts or further mining.

It was up to Munro to keep the debtors at bay and spending in check while the Trustees awaited Whitmore's response. The impertinent young Burke refused to refund his salary, and, to show his contempt, he vainly attempted to draw on the company's Rossland account for a suspicious payment to the machinery contractor.[86] Munro did not hesitate to deal roughly with Dan Burke but he had to tread lightly with the machinery contractor and the Canadian Rand Drill Company; at least until the plant was anchored in place. The contractor did not complain about being put off, probably because he knew the Secretary was legally not obliged to pay him until the job was finished. Frank Mendenhall, the agent for the Rand Company, required more delicate handling. Munro sidestepped Mendenhall and sent a letter to the company's Quebec headquarters politely asking for a confirmation signed by the mine manager that the "extras" were received.[87] This was more than merely a delaying tactic. Munro, who still did not have a copy of the machinery lease, was fishing for a head office assurance that the "extras" bill from Rossland was genuine.

March 1 came and went and O'Farrell's deal with Whitmore failed to materialize. Two days later the Trustees held an emergency meeting to make a decision about the overdue machinery payment. For a second time O'Farrell offered to contribute $2,500. This time the price of his generosity was much higher: he would be loaning the money not buying shares. The terms included an April 20 due date, interest at one per cent per month, and 100,000 treasury

84 "Meeting of the Trustees," February 22, 1897, NEMC *Minute Book*, 28-29.

85 "Meeting of Trustees," February 22, 1897, NEMC *Minute Book*, 29. Only 250,000 new company treasury shares were available. The rest were reserved for shareholders of the old company.

86 The terms of the machinery installation contract were quite extravagant. The contractor was to receive roughly a year's wages for building a shaft house and installing a relatively small boiler and compressor plant. Materials were not included. See Chapin, "Nestegg Mining Company," 186-7.

87 NEMC Correspondence, Munro to Canadian Rand Drill Company [CDRC], March 8, 1897.

shares as security. The conditions attached to the loan security indicate an expectation that the stock would be forfeited. Clearly, this was a last ditch attempt to keep the company afloat until the machinery could be brought on line. The Trustees knew their only hope of profitably getting rid of the Nest Egg or any of the few shares left in the treasury was to see the mine through to mechanization.

Munro, who was holding everything together by a thread, received a devastating letter from John Burke at the end of March. Indignant over his son's treatment, the elder Burke tendered his resignation. As a final gesture of good will, he reported on the status of the Nest Egg. According to Burke, O'Farrell had "settled up" with the two building contractors on February 29. O'Farrell also reportedly instructed Burke to "put everything in condition at the Nest Egg mine for examination." The "superintendent" (or, more likely, his son) obliged by putting two shifts of five miners each to work drifting by hand horizontally at the bottom of the shaft.[88] These were shocking revelations. Besides losing their prestigious mine manager, the company men were faced with another spate of O'Farrell's unauthorized spending. It would only be a matter of time before the Nestegg company was hauled into debtors court. If that happened, the machinery lease would be terminated and the company's image would be ruined.

The outlook was grim but the company men in Victoria were determined to hang on. Meeting on March 25 for the fifth time in just over a month, the Trustees resolved to consolidate the debts under a single ninety day note of $7,500 "upon the security of the Treasury Stock." O'Farrell was given specific instructions to immediately wire the foreman at the mine and have him slash the work force to "four men or to a day's shift" until the debts could be sorted out.[89]

The Trustees had, however, some reason to be optimistic. The machinery was almost ready to come on line and, according to John Burke, the mine had been examined by a prospective buyer (probably Whitmore) earlier in the month.[90] On March 14, O'Farrell wrote Munro urging him not to sell any more shares under ten cents because he had just received a "better offer from the Whitmore crowd." All remaining old shares would be taken up at fifteen cents. Whitmore was also supposedly willing to pick up 100,000 new shares on July 30, 1897, at 10¢ each and would agree to the company selling the rest of the stock immediately at 7¢ "so as to liquidate all present obligations." The com-

88 NEMC Correspondence, John Burke to Munro, March 22, 1897.

89 "Trustees Meeting," March 25, 1897, NEMC *Minute Book*, 33. The Trustees earlier met on March 17 and 24 to complete legal technicalities associated with the corporate transition and to discuss an underwriting proposal.

90 NEMC Correspondence, E. L. Whitmore, American Mining and Development Co., Butte, Montana to Munro, March 2, 1897.

pany would have to settle the Nest Egg's existing debts at once and Whitmore would keep a full force working at the mine.[91]

The Trustees knew the company could not last to the end of July without significant financial relief. Their complex counter-offer would commit the Whitmore group to spending at least $1,500 per month on mining development over a four month term. During that period the bonding party would be entitled to any net profits from mining. The commitment to purchase new stock remained the same but the transaction date was moved up to June 10, 1897. No old Nestegg Company stock would be exchanged (indeed, none was left in the treasury). If the company put any other new shares on the market at a lower price before June 30, the Whitmore block would be simultaneously offered to them at the same rate. The last term in the counter-offer required the Whitmore group to "assume all this company's liabilities due or to accrue due after March 10, 1897."[92] This would, of course, have included the remaining payments due on the machinery and the two outstanding loans totalling $5,000. The counter-proposal was a long shot, but if the "Whitmore crowd" accepted, at least a month or two of mechanized development might be paid for before the extent of the company's indebtedness was discovered. In the meantime, the image of a working mine would boost share prices. Perhaps sufficient treasury stock could then be unloaded to clear some of the "liabilities."

Given the company's track record, it would not be easy to find buyers for the new shares even if the mine machinery was up and running. The Trustees had already bled the market dry in Victoria. They could hardly ask their friends and fellow business associates to risk further losses. And, thanks to the new company's deceptive pooling scheme, the Trustees could expect little support from investors outside the community. Shortly after the reorganization was approved, O'Farrell placed misleading notices in the major Eastern Canada newspapers encouraging Nestegg Company shareholders to turn in their old stock immediately if they wanted to be eligible for the 1:1.5 exchange rate for new shares.[93] Unbeknownst to them, the transfer book had been ordered closed until July 30, 1897.[94] Any shares sent in to Munro before then were put in a drawer. Eastern Canadian and American shareholders were particularly outraged when their stock was surreptitiously locked up.

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91 NEMC Correspondence, O'Farrell to Munro, March 14, 1897.

92 "Trustees Meeting," March 25, 1897, NEMC *Minute Book*, 33. The offer was open to any "responsible syndicate or development company" but it was clearly a response to Whitmore's proposal.

93 Clipping attached to nemc Correspondence, Edward Suckling to Secretary, February 10, 1897. The reorganization specified that the old shareholders' full entitlement of new shares would be reserved for them *indefinitely*. O'Farrell's implication that a window of opportunity existed was false.

94 "Special General Meeting of Shareholders," January 20, 1897, NEMC *Minute Book*, 24. If shareholders complained loudly enough, Munro returned their shares without transferring them. See nemc Correspondence, Munro to D.J. Burke, April 24, 1897.

There was, however, one stock market that had still not been mined, and it looked like the company men might have an opportunity to tap into it. In early March two promoters, Victoria broker J.L. Forrester and Ontario banker Thomas Howarth, approached Munro about the possibility of underwriting share distributions in Britain.[95] After consulting the company solicitor, the Trustees authorized both men to sell large blocks of shares at "9¢ net to company" per share.[96] Twenty-five thousand shares were even sent to a bank in Glasgow for Forrester.[97]

At the end of March the treasury was temporarily replenished and other promoters were beginning to take notice of the Nest Egg. Thanks to the diligence of its new Secretary, the Victoria head office was finally getting a grip on the management situation in Rossland. Although the company was no closer to being solvent, the picture was becoming clearer and somewhat rosier. Finally, on March 29, 1897, the boiler was fired and the mine at last reached the long-awaited and much-anticipated plateau of mechanization.[98] Five days later the fire was put out and the men discharged. The mine was closed down.

Post Mortem: Explaining the Shutdown

Curiously, the company records provide no specific explanation for the sudden shutdown. The Nest Egg's substandard ore was almost certainly not a factor. At least two assays were done during the previous year and each revealed the Nest Egg's best ore to be less than marginal.[99] There is no evidence of any new testing in 1897 that might have affected the Trustees' decision to close the mine.

A more likely explanation is that the Victoria company men finally had to accept that it was time to cut their losses. They were counting on the Whitmore deal to keep the mine running. When it became clear that the scheme was just another of O'Farrell's pipedreams, the reality of the Nest Egg's desperate financial situation finally set in. Reducing the mine's workforce to a skeleton crew of three or four miners would only give the impression that adding machinery was a deliberate deception. However, ceasing operations did not necessarily affect the mine's speculative value. It was not uncommon for companies owning valuable properties to run short of working capital and temporarily cease operations.

The company was also faced with too many holes in its management. Munro still did not have access to the account books at the end of March.

95 NEMC Correspondence, Forrester to Munro, March 12, 1897; Ibid., Howarth to Ellis, March 19, 1897.

96 "Meeting of Trustees," March 24, 1897, NEMC *Minute Book*, 33.

97 NEMC Correspondence, Munro to Bank of British North America, March 31, 1897.

98 NEMC Correspondence, Foreman Scolley to Munro, March 30, 1897.

99 Chapin, "Nestegg Mining Company," 109. The average of all known assays was $10.35/ton. The best assay was $13.80/ton, well below the cost of shipping and smelting.

Anyone could present him with an overdue bill and he had no way of knowing if it was valid. The mine had operated without a manager in the past and experience taught the Trustees how dangerous that could be. The extravagant spending of Dan Burke and another semi-authorized interim manager, Paul Gaston, was largely responsible for the company's financial predicament in the spring of 1897. Munro tried to find a new superintendent but qualified Rossland mining men were either too busy or too expensive.[100] Continuing operations with no one in charge was an invitation for serious trouble. The best course for the Victoria company men was to mothball the Nest Egg until the company's financial and managerial problems could be resolved.

Salvage Operation

In mid-March most of the outstanding debts in Rossland were hastily cleared by O'Farrell and Burke in preparation for closing the Whitmore deal. The Nest Egg's two contractors were allowed to rake off more than $2,000.[101] Munro delayed the Rand Drill Company as long as possible but finally agreed to pay Mendenhall's "extra sundries" in exchange for an extension on the final installment.[102] The Secretary could not, however, keep ahead of the steady stream of suspicious accounts coming in from Rossland after the mine closed. He quickly adopted a policy of only paying creditors who initiated court actions. But flirting with litigation could be extremely dangerous: a clause in the Rand lease allowed for immediate termination of the lease if a writ of seizure was enforced against the company.[103]

By the end of May the company was in danger of having several writs enforced. Munro knew of at least $1,300 in unpaid accounts, including a bill for $1,036.32 from Hunter Bros. Hardware submitted with a writ of summons attached.[104] On June 7, Munro was at last able to present the Trustees with a reasonably accurate balance sheet. By his calculation, the company's total liabilities were about $10,000. Everyone agreed that the shareholders should be summoned to "consider the financial position," but not until after the Vice-President had examined the mine.[105]

Holland visited the Nest Egg a week later. His confidential letter to Munro painted a bleak picture.[106] The ore on the dump was "very poor stuff." Tools

100 NEMC Correspondence, Munro to J. J. Moynahan, M.E., March 14, 1897; ibid., Moynahan to Munro, March 21, 1897.

101 NEMC *Cash Book*, 12.

102 NEMC Correspondence, Munro to Mendenhall, April 20, 1897.

103 "Deed of Agreement," undated, signed by F. R. Mendenhall, NEMC Correspondence files, PR5, series 3, box 499, file 4.

104 "Minutes of Trustees Meeting," May 26, 1897, NEMC *Minute Book*, 36.

105 "Meeting of the Trustees," June 8, 1897, NEMC *Minute Book*, 36.

106 NEMC Correspondence, Holland to Munro, June 14, 1897.

were carelessly strewn all over the place waiting to be stolen and the shaft was full of water. Although Holland could not examine the underground workings, he suspected Whitmore did, "which may account for the falling through of O'F[arrell]'s bonding proposition." Holland considered it "extremely unlikely" that further development would be necessary since "present appearances" indicated the Nest Egg was "going to turn a loss to all concerned." Nevertheless, he cautioned Munro to keep any talk of liquidating the assets confidential "until O'Farrell had had [sic] a chance of protecting the $7000 note." If nothing happened by August 10, Holland was in favour of selling off everything as quickly as possible.

The trip was not a total loss for the Vice-President. He did find a new manager for the mine, or rather, the mine's debts. In contrast to his American predecessors, Francis Wardlaw Rolt was thoroughly British. He, Holland, and Kirk's brother Lawrence had in fact grown up together at one of England's finest boarding schools. Besides being well-bred and educated, Rolt was also dedicated, loyal, and fiercely proud.[107] Unlike O'Farrell, he was a skilled businessman who could manage people and stretch resources. Rolt was exactly what the company needed to clean up the Rossland debt situation.

By the time Holland returned to Victoria, his opinion of the Nest Egg had improved considerably. His report on the mine was submitted to the Trustees just before the shareholders met in the afternoon of June 29, 1897. The document has disappeared, but, judging from the company men's reaction, it must have been optimistic. At the shareholders meeting that followed, the Trustees abandoned the idea of liquidating the assets and instead sponsored a two-stage strategy for raising more money.[108] To satisfy all immediately pressing debts, the head office was again authorized to borrow money. As soon as enough signatures were obtained from absent shareholders, the Trustees could, at their discretion, commence issuing up to $25,000 in three year term mortgage debentures accruing interest at ten per cent per annum.[109] These funds would be used to pay off existing loans and provide working capital for further development. The down side to the debenture scheme was that it would essentially render all shares unmarketable. But these were drastic times that called for drastic measures. The company men were out of options and had to find the funds to protect the machinery. If the new plant was lost, they would have no hope of profitably selling the property.

107 For a detailed biography of Rolt see Chapin, "Nestegg Mining Company," 227-8.

108 "Meeting of Shareholders," June 29, 1897, NEMC *Minute Book*, 41.

109 Debentures are essentially investment bonds. Holders receive a fixed interest payment annually with the principle investment being repaid at the end of the term. In this case, the security for the debentures was the property. The interest payments took priority over share dividends. The debentures were also a first charge on the assets should the company be wound up.

The overdue Hunter Bros. account was already in court and posed an immediate. If a judgment was obtained, the company men would have to act quickly to avoid a writ being issued. There was no time to wait for the debenture scheme to materialize. On July 13, Holland, Kirk, and Hayward together loaned the company just over $1,000 to pay the Hunter bill.[110]

In the meantime, Munro kept a close eye on the machinery people. During earlier negotiations for an extension on the machinery lease, he discovered a critical communication gap between the Canadian Rand Drill Company's Sherbrooke, Quebec head office and its Rossland agent. On April 3 Mendenhall wrote Munro confirming an agreement with O'Farrell that extended the final payment to August.[111] However, nine days later the Sherbrooke head office instructed the Nestegg Secretary to ignore any arrangements made with their Rossland agent and deal only with them directly.[112] The subsequent confusion allowed Munro to manipulate the distance factor and successfully delay the promised payment of the "extras" bill for several weeks.[113]

The company's Victoria Secretary was rapidly gaining the upper hand in Rossland. Having Rolt on hand was the key. The new manager dealt personally, efficiently, and sometimes forcefully with creditors and their lawyers. He kept up a constant, almost daily, dialogue with the Nest Egg's head office. Munro knew he could rely on Rolt's resourcefulness and discretion. The two men were the right combination to turn the tables on the Rossland "sharks" preying on the Nestegg Company's vulnerability.

On July 15 a huge opportunity to turn the tables on the Nest Egg's chief creditor seemed to be brewing. Rolt reported a rumour that Mendenhall had sold the Nestegg Company's promissory notes to a Rossland bill collector named Lippmann for "50 cts on the $1.00." It was no rumour. Mendenhall had secretly transferred the debt to Lippmann on July 12.[114] He simultaneously wrote Munro informing him that judgments against the company left him no choice but to terminate the lease if it was not paid in full by July 16.[115] On the day of the deadline Munro wired Rolt urgent instructions: "Have paid machinery notes in full, let them [Canadian Rand Drill Co.] ascertain this for themselves, advise us if they seize."[116] The Secretary knew that a seizure was in the works and he was determined to let it happen. Lippmann confirmed it the

110 NEMC *Cash Book*, 13-14.

111 NEMC Correspondence, Mendenhall to Munro, April 13, 1897.

112 NEMC Correspondence, CDRC to Munro, April 12, 1897.

113 See Chapin, "Nestegg Mining Company," 211-5 for chronology of the complicated events surrounding the "extras" dispute.

114 Copy of "Assignment" dated July 12, 1897, found in NEMC Correspondence, PR5, series 3, box 44B6, file 1.

115 NEMC Correspondence, Mendenhall to Munro, July 12, 1897.

116 Cited by Munro in NEMC Correspondence, Munro to Rolt, July 19, 1897.

following day when he sent a collect telegram to Munro claiming he was already in possession of the machinery.[117]

The evidence seems to indicate that both sides were misleading each other. According to the company's *Cash Book*, Munro renegotiated the Rand Company's promissory note on July 16, extending the payment deadline to August 4, 1897.[118] But the promissory note in the company records previously signed by Kirk and Munro on April 20 placed the due date at August 1. The note was also stamped paid on July 16. A cancelled cheque to pay off the note was written on July 16 but not marked paid until the following day.[119] In fact, there was no good reason for Munro to pay off the machinery. The promissory notes were not due until August and, contrary to what Mendenhall claimed, no judgments had yet been given against the company. Several bad debt actions were pending in the courts and a mechanic's lien was taken out by the mine foreman, but no one had yet obtained a *judgment*. Munro paid off the lease because he *knew* a seizure was underway and he *knew* from experience that Mendenhall and Lippmann would not learn that the debt was cleared until after they had stolen the machinery.[120] Paying off the note was not intended to stop the seizure, as the wire to Rolt confirms: it was meant to paint the deed in the worst possible light. Munro undoubtedly had litigation in mind.

While Munro was setting the trap for Mendenhall and Lippmann, Rolt was keeping the Nest Egg clear of judgments. On July 20, he intercepted the sheriff as he was carrying out a seizure for Hunter Bros.[121] Once Rolt had paid off the thousand dollar hardware claim, he took care of two other pending bad debt actions and offered to settle two more.[122] The money for this sudden burst of bill-paying came from the sale of debentures. The scheme had proven to be surprisingly popular. Between July 16-23, twenty-four men and women from Victoria purchased debentures totalling $2,212.50.[123] Most were bought on July 16, the day Munro received Mendenhall's threat and paid off the Rand Company note.

Mendenhall took longer than expected to fall into the Secretary's trap. Finally, on July 22, Rolt confirmed that the Rand Company agent and

117 NEMC Correspondence, telegram Lippman to Munro, July 17, 1897.

118 NEMC *Cash Book*, 14.

119 The note and cancelled cheque were found in NEMC Correspondence, PR 5, ser. 3, box 44B6, file 4. Both documents have suspicious features. See Chapin, "Nestegg Mining Company," 240-41.

120 The CDRC headquarters in Sherbrooke did not acknowledge receipt of payment until a week after the cheque was cleared at the Victoria bank. NEMC Correspondence, Jenkes to Munro, July 23, 1897.

121 NEMC Correspondence, Rolt to Munro, July 20, 1897. Rolt was in the midst of negotiating a settlement with Hunter Bros. when they obtained a writ of seizure.

122 NEMC Correspondence, Rolt to Munro, July 22, 1897.

123 NEMC *Cash Book*, 13, 15.

Lippmann were at the mine hauling off the plant. The company at last had pay dirt in sight, but it was not underground. The Nest Egg's product would be mined in the courtroom.

End Game: Dealing With a Dead Letter

Debenture sales dropped sharply after the machinery was removed. The Trustees stopped aggressively marketing them, probably because they did not wish to further dilute the anticipated spoils of litigation. On July 28, 1897, company solicitor Gordon Hunter filed suit against the Canadian Rand Drill Company for damages totalling $15,000.[124] Although it was an open and shut case, the wheels of justice moved slowly and at great expense. To keep the litigation going and the bills paid, Holland, Kirk, and Hayward continued to pump loans into the treasury. By the end of 1899, the company owed them more than $12,000.

Rolt eventually plowed through the mass of debts in Rossland. He could never conceal his contempt for O'Farrell and even Holland finally accepted that the Managing Trustee had to go. The same day the Rand suit was launched, O'Farrell was relieved of duty. In an ironic twist, the Rand Company litigation actually became a sellable asset for the Nest Egg rather than a liability. The Trustees received several offers on the Nest Egg between 1897 and 1899 and some were contingent on the buyer taking over the court action. Rolt nearly managed to unload the mine during Governor Charles Mackintosh's 1898 Rossland buying spree for the London based British America Corporation. But while Rolt was waiting for a report from Burke and trying to sort out the Fire Fly's title, O'Farrell clumsily intervened. The Governor sensed some confusion in the corporate chain of command and politely withdrew.[125] In October of 1898 the Nest Egg was reportedly the target of a syndicate headed by "well-known" Toronto lawyer and mining promoter, E.C. Sawyer. Behind Rolt's back, O'Farrell worked with Holland to put together an option deal that would have liquidated all liabilities.[126] But Sawyer dropped out after a shutdown at Rossland's famous War Eagle mine curbed the market for speculative properties.

As expected, the company won the machinery suit. On May 4, 1898, a Victoria jury awarded $7,500 for lost property and damages. An appeal was filed and after numerous delays the Trustees agreed to an all-inclusive settlement of $6,116 in January 1899. The net profit from the litigation amounted to a little less than half the company's debts. Still, it was an important moral victory for the Trustees and the people of Victoria: the judgment justified their vilification of oppressive Eastern Canadian manufacturers and their unfair freight rates.

124 NEMC Correspondence, Munro to Rolt, July 28, 1897.
125 BCLIA Correspondence, Rolt to Holland, February 2, 1897.
126 See Chapin, "Nestegg Mining Company," 285-87.

Shortly after the Rand Company settlement was paid, Holland, Hayward, and Kirk converted their outstanding promissory notes into debentures. Using the settlement funds and additional loans from the three men, the company redeemed all the debentures before maturity. The mining properties continued to lay idle until they were taken for taxes "several years" before the official winding up of Nest Egg and Firefly Gold Mining Company on June 19, 1918.[127] Although the Trustees weathered severe criticism from suspicious shareholders and the press for acquiring so much corporate indebtedness, they ultimately agreed to absorb their losses without touching the company's only asset, the mining property.

Conclusion: Judging Failure

The Nestegg Mining Company failed. It was a terminally ill enterprise almost from the moment it was born. During just fifteen months of mining operation the venture stumbled through one calamity after another. Nevertheless, the success of the company's corporate leadership can not be judged solely on the basis of profit or loss. An accurate assessment requires that the company men's performance be evaluated in its historical context.

Mining promotion was a peculiar business, like nothing the Nestegg company men had ever encountered. The site of production (the mine) was more than a day's journey from their corporate headquarters. Although the communication gap was physically not that significant – a telegram could be sent and received in a day – a cultural gap existed that was much more difficult to bridge. Successful development of a mine in Rossland required someone with experience, and, at that time, only one class of managers was universally accepted as being qualified for the job: American "mining operators."[128] These men were shaped by an extremely transient, high risk, capital starved, and lightly regulated business environment. To survive they became experts at building images and selling dreams with lightning speed and few resources. For them, innovation was more important than fiscal responsibility.[129]

127 B.C. Attorney General, Register General's Files, file 134/1913, p. 28 (Holland to Registrar, October 4, 1917); Ibid., GR 1438, file 134.

128 Mouat, *Roaring Days*, 17.

129 For an analysis of the peculiar characteristics of the American mining promotion business see Lewis Atherton, "The Mining Promoter in the Trans-Mississippi West," *Western Historical Quarterly* 1, no. 1 (January 1970): 35-50. Also Duane Smith, "The Promoter, the Investor, and the Mining Engineer: A Case Study," *Huntington Library Quarterly* 39, no. 4 (August 1976): 385-401. On the role of innovation in American frontier business see Thomas C. Cochrane, *Business in the American Life: A History* (New York: McGraw-Hill, 1972), 86. Grant Smith's *History of the Comstock Lode, 1850–1920* (Reno: Nevada State Bureau of Mines, 1943) provides an excellent overview of the evolution of mining promotion during one of America's most spectacular mineral booms.

The Victoria company men lived in an entirely different business world. Their economy was largely mercantile based. They were sedentary businessmen with personal connections to large capital resources, both local and foreign. Managerial decisions were usually made face to face. And most significantly, due to its confined and isolated geography, Victoria's business community was an integral component of its British social heritage. In Victoria innovation took a back seat to fraternization. These factors created an environment that encouraged cautious and careful business management.[130] Combining American mining frontier entrepreneurs with Victorian businessmen was bound to produce an unstable mixture.

Plunging into mining promotion presented other challenges besides potentially conflicting business ethics and the distance factor. Developing high risk speculative mines required expertise in innovative capital-raising techniques. But the Nestegg company men had little or no experience floating or managing companies with low denomination, non-assessable shares and large numbers of public shareholders. Mining promotion also provided many different opportunities for profit besides the usual production and sale of a commodity. Again, this was unfamiliar territory for a group of conventional commercial businessmen. To make money on a speculative mining operation required manufacturing an image of profitability. This was not the kind of advertising the Victoria company men were familiar with.

Considering their lack of experience, the Nestegg corporate management did very well. In the areas of financing and promotion, they showed surprising innovation and flexibility. They had less success managing the outsiders in their operation. But even here they probably did the best they could. Burke's reputation and O'Farrell's connections and promotional skills were essential ingredients during the company's flotation. And, as the hapless directors of the Palo Alto mine discovered, O'Farrell was a dangerous man to cross.[131] The Victoria men probably also felt constrained to follow the British tradition of employing, for better or worse, a Managing Director to supervise operations.[132]

130 Geoffrey Best provides an excellent analysis of the class lines that defined a British "gentleman" in *Mid-Victorian Britain, 1851–1875* (London: Weidenfeld and Nicolson, 1971), 245-56. On the acceptance and importance 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.

131 *Colonist*, October 25, 1896, 6.

132 "Indeed, in many [Canadian] 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." T. W. Acheson, "Changing Social Origins of the Canadian Industrial Elite, 1880–1910," in *Enterprise and National Development: Essays in Canadian Business and Economic History*, eds. Glen Porter and Robert D. Cuff (Toronto: Hakkert, 1973), 54.

The first Secretary, Ellis, was another cross that had to be borne for the sake of promotion. When the Victoria Trustees were finally free to unburden themselves, they chose excellent replacements for O'Farrell, Burke, and Ellis. Munro's cunning use of the distance factor and Rolt's attentive assistance in Rossland turned the tables on the Canadian Rand Drill Company.

Perhaps the most perplexing trait of the Victoria company men was their persistence and determination. They valiantly stuck by their venture, even lending thousands of dollars of their own money to keep the company intact after the mine closure. Was this merely a case of being blinded by infectious mining boom optimism? A simple statistical analysis of share transfers seems to indicate otherwise. Almost eighty per cent of the 114 men and women from Victoria who acquired Nestegg stock in 1896 either held or added to their shareholdings.[133] They stood by the company through some of its darkest hours, even after the Trustees betrayed them by reinstating O'Farrell. Holland, Kirk, and Hayward obviously felt obligated to do everything they could to make sure their loyal friends, neighbours, and business associates got something for their money, even if it was only a token victory over evil Eastern Canadian industrialists. Ultimately, the three men chose to absorb their loans rather than taking the property because to do so would have suggested impropriety. Perhaps Victoria was not the best place to cultivate *and* manage venture capital enterprise. The grip of family capitalism would not be easily broken here.

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PATRICK CHAPIN received his PhD from the University of Manitoba in 2004. Presently he works as a park ranger in Katmai National Park & Preserve, Alaska.

PATRICK CHAPIN a obtenu son doctorat à l'Université du Manitoba en 2004. Il est présentement conservateur de parc au parc national de conservation de Katmai, en Alaska.

133 Averages of each "class" of shareholders (i.e. significant, major, small) were fairly consistent (72–84%) with the overall average. See Chapin, "Nestegg Mining Company," 304-6. The pooling scheme made it impossible to track shareholding patterns after 1896.