

The Mining Promoter How to Size Him Up

EDWIN HIGGINS, the mining expert who formerly lived in Butte, and is well known in western mining circles, writes in the New York Evening Post an exceptionally interesting article on "Mining Stocks and the Public," with especial reference to the precautions investors should take. Among his pertinent hints Mr. Higgins says:

It is not the purpose of this article to furnish reliable tips on mining stocks, or to set forth a system which, if followed properly, will insure the mining investors against loss. A little light on present day methods of mine promotion, however, will doubtless prove of benefit to those who have a desire to investigate before investing.

Let us first consider the men who are the mediums of intercourse between the public and the mining industry. These include the officials of the companies, the engineer and the promoter. The greatest interest centers in the promoter, for it is chiefly through his activities and representations that money is invested in mining securities. There are two grand divisions of promoters—the honest and the dishonest. It may be well to remember that the latter is not a rare specimen. As to the percentage of honest as compared with dishonest promoters, it may only be said that promoters are human beings, and as the average mortal is apt to err, so is the promoter apt to err.

There are two classes of honest promoters. First, we have the man who is more or less thoroughly informed regarding the details of the mining industry, the man who will interest himself in no mine venture that he has not thoroughly investigated from every possible standpoint. When you are approached by such a man you need have no fear of being deceived. The second class of honest promoter is the man who is not familiar with the details of the mining industry. His offering may or may not be good, for it is possible and very probable that he has been talked into believing he is offering you a safe and sound investment. This kind of promoter is dangerous, especially to his best friends.

The dishonest promoter may also be divided into the wise and the unwise. The former is the more dangerous, for he is usually prepared to meet and overcome any objection you may offer. He knows just the proper argument to bring forward, and the average man with a little money is apt to be easily a victim to him as is the proverbial moth to the flame. The unwise, dishonest promoter is also dangerous, but not to such a large extent, for he is usually uncertain in his statements, consequently he makes a much poorer impression than his wise brother.

When you are offered a chance to invest in a mine venture, it is well to bear everything possible about the man who is making the offer; many times your investigation will stop there and you will decide on the strength of what you have learned, not to invest your money.

THE PROSPECTOR

The history of most mining camps, and that of many mines, dates from the discovery of mineral by the prospector. This pioneering trail blazer, who seldom receives credit or actual reward in money due him for his services, is often called upon to endure hardships and even privations. Although the hardships are not as great as they were in the early days, when the obstacles to be overcome were more severe than at the present, the prospector's life is not a rosy one. Moreover, he is now enabled, through the advance made in recent years in the knowledge of ore deposits, to go about his work in a more intelligent and systematic manner than were the prospectors of early days.

There is one class of prospector, the engineer sent out by individuals or exploration companies, who does not interest us in this connection. His employers have ample money for the development and operation of any property which he might approve of, and his discoveries seldom find their way directly to the general public. When the independent prospector has discovered mineral and made his location, he goes to work to develop his claim. He may work alone, or he may have one or more assistants. He may find it necessary to give some outside party a certain interest in order to provide money with which to prosecute the work. In any event, the prospect soon after proves to be either worthless or worthy of the attention of the operator. If it is worthless, it is abandoned; if it holds forth promise of future value, it falls into the hands of parties who may be either honest or dishonest. From this point, the history of mines is as varied as the trade winds. Different strikes claim that one in every 200 or 300 prospects finally makes a mine.

THE PROSPECT

Let us consider a prospect that holds forth reasonable promise for future development. It falls into the hands of a certain gentleman who is honest, but who knows little of the mining business, and who has a certain circle of friends, "back east," who have great confidence in his honesty and ability. He enters into a contract with the owner of the property, by the terms of which he must develop the mine, or work in a given time, at the expiration of which he may purchase the property for a stipulated sum. He then goes back to his friends in the east, convinces them that he has a good thing, and secures money which he considers ample to prosecute the necessary work.

He orders machinery and he employs men. Vexatious delays arise, and when he finally gets his machinery installed he finds that it has taken him about three times as long to complete this stage of the work as he has figured on. Through other delays and troubles which he has not foreseen he finds when he has spent the money of his friends, that he has done only a small proportion of the work that he had mapped out. The showing made is not sufficient to warrant the purchase of the property, and he is troubled. Possibly he can induce his friends to put up more money, in which case he still has a chance. His friends have the option of either losing what they have so far put in, or sending on more good money after the bad.

In cases of this kind the chances are overwhelmingly against the return of the capital invested, not to mention a reasonable profit. The moral is plain. Look out for the friend who comes out of the west with a glitter-

ing mining venture; it is not only necessary that he be honest, he should prove to you that he is familiar with the technical and practical details of the mining business.

THE DISHONEST PROMOTER

Let us follow the history of this prospect a little further. The friends back east, having graciously stood for two or three "Dutch dividends," have given up in disgust. The prospect is brought to the attention of a vice, but dishonest, promoter. He sees in the venture what he considers a splendid chance to feather his nest, with a possible chance of returning the capital invested, with a reasonable interest to the investor. His chief concern is to present the venture to the public in as tempting a form as possible, and to sell the stock; the probable outcome of the venture is of secondary importance.

He secures affidavits from irresponsible persons regarding the flattering conditions at the prospect, also reports from one or more mining engineers. Also he secures a report from some one who signs himself as an engineer, but whose only right to the title is his own opinion of his ability. This latter report will be very flattering; it will contain an estimate of the "ore in sight," the size of the mill required to treat the "enormous ore reserves," etc., etc. The report of the legitimate engineer may be discouraging, but the prospectus that is produced will contain only such quotations from this report as may lead one to believe that there is not one objectionable feature to the venture. The promoter knows what to say and what not to say, and the prospectus that he produces is truly a work of art. The average lamb, after perusing the statements and following the keen deductions made, believes verily that there is no chance to lose his money.

This promoter has a mailing list. He sends out his literature and blank orders for stock. His company is organized for a million dollars; 30 or 40 per cent of this stock is placed in the treasury, and a liberal number of shares goes into his pocket for exchange of real estate and other valuables. In the course of six months, through his agents and the ramifications of his mailing list, this promoter has raised a large sum of money, and, incidentally, he has sold several blocks of his own stock.

Operations are begun at the prospect, the working capital is slowly but surely exhausted. The promoter has not been transformed into a mine. More money is raised by the sale of treasury stock, and the game is played over again. Suddenly, a large payment becomes due on the property and the cash is not forthcoming. The stockholders are unwilling to put up the necessary money and the promoter has reached the end of his rope. The owner is embarrassed, and no extension can be secured; consequently, there remains but the summing up of total loss. The promoter is the only one who finds that he is cheated. They might prosecute the promoter or some of his associates, but they have little or no chance of recovering their losses. The promoter should have been at the court.

Following the history of this prospect a little further, we find that it passes through several experiences, much like the above, and finally becomes a producer. The wise investor, who is acquainted with the pitfalls of mining, who has investigated the character of the promoter, and who has gone about the work of development with intelligence and system, is such a history, with many variations, of thousands of prospects.

LOOKING CLOSELY

Often the promoter is able to dangle before the prospective purchaser of stock the following statement:

"Our mine is just the Jimmy Jackson mine, which has produced millions of dollars."

This does not always mean that the property in question will become a great producer; many cases could be cited where properties next to great producers have never yielded a single cent of payable ore. Another argument that is used to impress the prospective investor is the record of the property in question as a past producer. If the property has produced \$10,000,000 worth of ore, then it is worth that much less than it was before this wealth was extracted. In a case of this kind it is probable that improved methods of mining and ore treatment will be necessary.

The promoter will often set forth that he is trying to raise money to erect a mill to treat the large ore reserves of the property. Should this be true, the offering is worthy of investigation. It must be remembered, however, that before a treatment plant is erected there should be a large quantity of ore in the dump ready for the plant, and a further amount blocked out in the mine to guarantee a future supply. Moreover, the mill should be designed properly—that is, it must be proven by analysis that the ore contains a sufficient percentage of the desired metal. Consideration is the proper one for the ore. Statements of this character, and many others equally as plausible, should be investigated fully.

CAUSES OF FAILURE

Many mining companies are overcapitalized. Further, there is often too small an allotment of shares for the promoter, and too large an allotment for the investor to determine whether he is purchasing treasury or promotion stock. The difference is this: If he is purchasing treasury stock, the money goes toward either paying for the property or for operating expenses; if he is purchasing promotion stock, the money goes into the pocket of the promoter. In this connection, it may be well to mention that the legislature of Nevada has recently passed a law requiring that certificates of stock shall be stamped in letters at least one-half inch high, showing whether they are treasury or promotion shares.

The principal causes for the failure of mining enterprises in general may be stated as follows: (1) Lack of proper advice in the selection and operation of mining properties. (2) Overcapitalization and lack of capital for the successful carrying out of the necessary development work. (3) Poor management. The last stated reason includes blunders in the operation of the mine and treatment works, the part of those responsible, as well as unwise policies which may be sanctioned by the board of directors. The blunders of mining companies are too often made up of men who, although they are honorable and of the highest capability in other lines of work, are entirely unable to dictate the policies of a mining company.

WHAT TO INVESTIGATE

Bearing these things in mind, the chief points to be considered regarding a mining venture are: finance, management and property.

Under finance, the prospective investor should secure a satisfactory answer to the following questions: What is the capitalization of the company? How are the shares allotted, to whom and why? What is the total amount of money to be raised, and how much of it has been raised to date? What is to be done with this money, and who advises its expenditure for the purposes outlined?

Under management, the following questions should be asked: Who will have charge of the actual operation of the property, and what are his qualifications for the position? Who are the directors of the company? Are they men of integrity and ability and have they had experience in directing mining companies? Does the company employ a consulting engineer? If so,



JOHN M. KNIGHT'S WORKSHOP.
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WITHIN the walls of these two establishments thrive the men who are pitted against each other as candidates for the Fifth municipal ward for the long term in the city council. The deadly parallel condemns one and praises the other. While John M. Knight, the blacksmith and carriage maker, gives his customers value received, Martin E. Mulvey, the saloonman and gambler, robs his customers of their manhood and self-respect, cheats wives and families out of a living.

Between these two men, the voters of the Fifth municipal ward will choose a representative to serve them in the council on election day. John M. Knight is the fusion candidate of the Citizens, Democrats and Republicans, and Martin E. Mulvey is the stalwart leader of the "Americans."

While the life of John M. Knight has been one of industry and hard labor, crowned with success, Martin E. Mulvey has accomplished nothing good in his business, but has left behind him a nine

days' temperance lesson for the world. From his youth, Knight has worked hard in hand with his father and brothers. He has watched with interest and pride their business grow with honest effort. In the beginning, it was a shack where the Grand theater now stands. This was in 1876. The blacksmith shop at that time was fitted up with a few tools, most of them homemade. Now this business represents an investment of \$75,000, an asset to the city and the means of employment of honest labor.

On the other hand, Martin Mulvey's business has prospered, too, but prospered at the expense and privation of others. When Mulvey first came here he took the gambler's chance and has followed the game ever since.

For years he has been a saloonman. He has owned a dozen different saloons in Salt Lake at one time or another. He now has the Occidental saloon and a wholesale liquor house, and an interest in the Finch, Rogers & Mulvey company, which owns a saloon and restaurant in east Second South street.

The contrast between these two candidates is shown inside of their establishments. Knight stood over his shelves rolled up directing a gang of men who were building a large truck for one of the transfer companies in Salt Lake. He had plans before him and was building a wagon—a specimen of skilled labor. The men whom he employs are also skilled in their line of work and seemed contented with their lot in life.

His shop was filled with work and his customers came back to him again and again. In this shop yesterday there was the merry ring of the anvil, the buzz of the saws and the cadence of hammers of steel against steel. The shop was alive with the bustle of life and industry which has been and always will be the salvation of this country.

Before the bar in Mulvey's saloon stood his victims and they came from all walks in life. The "grog" shop is not a respecter of persons and anybody who has the price can

purchase his "booze." His saloon also represents the investment of thousands of dollars in oak fixtures and French mirrors, and "booze," but that is all. Like every other saloon it is a den of vice and a center to those who lead the "Bohemian" life and drag others into it.

Mulvey sits in his office, smoking good cigars and plotting with politicians to get the vote—the saloon vote which can be bought. About him are his lieutenants who lead the "gag" life for what there is in it. There is no fascination in it far when some "sucker" cannot be skinned. These men have no legitimate business. They are the "rounders" who live off the temptations of the working classes, which are he'll out to them.

Mulvey's gambling ventures began years ago. His most famous gambling joint was in Pat H. Lannan's old residence on West Temple street. He operated there for two or three years. Then he owned an interest in gambling houses on Commercial street for several years. A few years ago Mulvey was en-

gaged in promoting prize fights and was at the head of the sporting fraternity of the city. A fake fight was pulled off under his management and he failed to make good as he gave up any further ventures in this line.

The next role he assumed was at the instance of Mayor John A. Bransford, promoter of the West Side stockade. Mulvey was delegated to put the deal through, arrange the details and enlist the capital. Mulvey carried out his part of the deal successfully but the nefarious corporation was crushed and the stockade closed up by the work of the sheriff and his deputies.

When Mayor Bransford announced his candidacy for re-election, Mulvey was induced to run on the councilman ticket. He has been in the council before as a Democrat. When he was a candidate then, The Tribune attacked him viciously. Now he is held up as a paragon of purity by the same paper on the "American" ticket. In the campaign of 1903, here are a few of the things that the "American" organ said about Mulvey:

going ahead systematically to stuff the ballot boxes with a wad of ballots that never should have been permitted to be registered.

SALT LAKE TRIBUNE, OCTOBER 30, 1903—EDITORIAL:

Martin E. Mulvey is relying for election upon the vote which is distinctly classed as the vote of the underworld; the votes of thieves, prostitutes, and the lawless classes generally. Without the support of that class his chances for election would not be worth the spending of a nickel upon. Yet there is no lack of dirty coin in his campaign. He has been a member of the council before, and he did the city no good. His candidacy now bodes no good to the city.

We call upon all fair and decent-minded citizens of the Fifth municipal ward to come forward in indignant protest against the pretensions of this man, and bury him so deep under their ballots on Tuesday next that—politically—he will never be heard of again.

SALT LAKE TRIBUNE, OCTOBER 31, 1903—EDITORIAL:

The war on Mulvey should be kept going, and going hard, until the night of election day. *** It is a candidacy which all the decent people of the Fifth municipal ward should repudiate with loathing and scorn.

SALT LAKE TRIBUNE, OCTOBER 30, 1903—Page 1.

Martin E. Mulvey, a sample of pure democracy, saloon man and typical representative of Democrats, asks support of women. Wants mothers, wives and daughters to vote for him. Presents himself as a paragon of the purity that prevails in the Democratic party.

Two years ago Mr. Mulvey was practically hooted off the floor of the Democratic city convention. *** Time has brought a change. The party has come to Mr. Mulvey's standard.

Martin E. Mulvey is a prize fight promoter. *** Martin E. Mulvey as one of the largest saloon keepers in Salt Lake, was expected to wield an influence for the Democratic ticket among the saloon element. *** Martin E. Mulvey is the recognized head of the gambling and sporting fraternity of the city. *** Martin E. Mulvey's political influence heretofore has been confined to the neighborhood of Commercial street, Victoria alley and Plum alley. *** Martin E. Mulvey put in one of the best day's work he ever did last Tuesday in the Fifty-seventh district, securing the registration of the women of the street, gamblers, rounders and denizens of the tough district. His influence in this class is something superb, growing out of long association and intimate knowledge. *** Martin E. Mulvey and his trusted lieutenants are

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