

Questionable Promotion Method

TELEPHONE MAIN 7256

CAPITAL \$40,000.00

Ontario Bond Corporation, Limited

26-28 Adelaide Street West

Toronto, June 14th, 1916

Dear Sir:—

We wish to speak to you for a moment of what promises to be an exceptional gold mining speculative investment; an opportunity combining speculation with protection from loss, so good that the men in control are arranging with one of the oldest and strongest Trust Companies in Canada to fully guarantee from loss the first purchasers of shares in case the mine does not pay 100 per cent in dividends within a given period, or in case the stock after being listed on the Stock Exchange has not doubled in value within a stated time.

Canadian gold mining has never been so favorably looked upon as it is to-day. Principally dividends are being paid annually and original investments have been increased many fold. We believe there are many investors desirous of sharing in the profit coming from the enormous mineral wealth of Canada providing they could be certain that their investment was safe.

There has come to this office the opportunity to secure a block of stock in a newly discovered Canadian gold mine, and our investigations so far regarding the property—the Engineers' reports pertaining to it—and the tanding and reliability of the men behind it lead us to believe that it has a wonderful future. Samples of ore taken from this property assay thousands of dollars per ton. These facts together with the undertaking of a responsible Trust Company guaranteeing to return to the purchasers of shares every dollar invested if the mine does not pay us 100 per cent in dividends lead us to believe that there never has been presented a more favorable opportunity to combine speculation with protection from loss in a mining security, providing of course, that all arrangements can be made in accordance with the above understanding.

We desire to know in advance the probable demand for these shares, and invite you to use the enclosed reply card for our mutual advantage. It implies nothing except that you are interested, and will be treated in strictest confidence.

Yours very truly,

ONTARIO BOND CORPORATION, LIMITED.

(Signed) A. G. PENMAN,
General Manager.

The above is a reproduction of a letter that is being freely circulated through the mails in an effort, evidently, to locate those, among the Canadian public, who possess an abundance of credulity and a little money.

On receipt of the enclosed "reply card" which does the trick, a bombardment begin in which the mails again, assisted by a large touring car and a beautifully engraved and illustrated prospectus of the Rognon Gold Mines Limited plays an important part.

On the first page of this prospectus, which is really a very fine specimen of the printers' and engravers' art, there appears a reproduction in colors of a piece of quartz studded with free gold, which, if it ever existed in nature, would assay several thousand ounces to the ton. It is labelled "Specimen of gold ore taken from the Rognon Vein, Rognon Gold Mine." What an alluring prospect this presents to the mind as the observer calculates the value of some thousands of ounces to the ton at \$20 an ounce.

The second page of the prospectus is occupied by a half-tone reproduction in sepia, of a trench on the property of the Rognon Gold Mines Limited in which a number of miners and others are located on its banks and in postures best calculated to inspire the prospective purchaser with a vivid conception of the activity that must exist on this wonderful property.

On the third page are set forth the names of the Board of Directors, together with all the titles and executive positions which each has ever held. Then follows some six pages of rhetoric designed to fire the imagination rather than give definite information about the property, the shares of which are being offered for subscription. The following quotations from pages six and seven are fair samples of the generalities, in which the writer of this prospectus indulges.

"While picked specimens of ore taken from the Rognon Vein have given assays at fabulous rates per ton, it is not our desire to mislead ourselves or others by quoting these exceptional results."

"The Rognon Vein taken as a whole probably shows up better to-day than any gold-bearing vein in Ontario has ever done with the same amount of development work."

"As an instance of how quickly a high-grade ore shoot will run into money, it is said that from the Mysore Gold Mine in India, over 82 million dollars of gold were extracted from a vein four feet wide, the ore shoot in which was 800 feet long and 400 feet deep approximately."

Then follows particular regarding the stock issue. These are to the effect that the directors have given

an option to the Ontario Bond Corporation Limited, on 100,000 shares of the Rognon Gold Mines stock.

The Special Guarantee Feature in connection with the Rognon Guaranteed Stock is set forth in the prospectus as follows:

"It has been said that fifteen years is the average life of a mine and hence the Directors of the Company have approved of arrangements made with the Imperial Trusts Company for the establishment of a fund whereby all shares of Rognon Gold Mines, Limited, now being offered for sale, will be re-purchased by the Trust Company at \$1.00 per share at the end of fifteen years from the date of purchase, upon the conditions and subject to the terms set out on the share certificate over the signature of the Trust Company, which endorsement above referred to will read as follows:—"

Guarantee.

"The Imperial Trusts Company of Canada, in consideration of a sum of money, but subject to the condition herein providing for the termination of this Guarantee, hereby promises and agrees on the surrender to it of this certificate by the legal owner thereof at any time after fifteen years from the date of the issue of such certificate to pay for the same \$1.00 per share in cash."

"The above guarantee shall cease to be binding in respect of any share on which dividends totalling 100 per share have been paid by the Mining Company prior to the surrender of such share to the Trust Company as above."

"The above guarantee shall also cease to be binding if prior to the surrender of such share to the Trust Company, the shares of the said Rognon Gold Mines, Limited, have been listed on a recognized Mining or other Stock Exchange in Canada, and have for not less than fifteen consecutive days (not necessarily immediately preceding the surrender of the said shares) sold for not less than \$2.00 a share."

"It is expressly understood that no responsibility is assumed by the Trust Company for the payment of any interest or dividend in respect of the said shares, nor for anything in respect thereto except a herein expressly set out."

"And it is also distinctly understood and declared the Trust Company makes no representations in respect to the Mining Company or its prospects."

In accordance with the requirements of the Ontario Company's Act, information and documents disclosing all material facts in connection with a public flotation in the province of Ontario must be deposited for public inspection in the office of the Provincial Secretary. We have examined the documents

so deposited in connection with the Ontario Bond Corporation, Limited, and the Rognon Gold Mines Limited, and from these have secured the following information:

The Ontario Bond Corporation, Limited was incorporated May 20th, 1916, with a capital of \$40,000 in 4,000 shares of \$10 each, "to carry on a financial and mining business, and the buying, selling and dealing in shares, bonds, debentures and securities of all kinds."

The Rognon Gold Mines, Limited, is a new name for the Laurentian Consolidated Mines, Limited, the change having been made on May 2nd. The President of the former Company was C. A. Cartland, of Boston, Mass.

The most important contract, namely that between the Rognon Gold Mines, Limited, and the Imperial Trusts Company, is evidently omitted from the files of the Provincial Government, and no mention of it is made in the statutory information given in connection with the prospectus.

The promotion of both these companies represents many new features in mine promotion, and in the interest of the public, deserves a careful examination by the Attorney General's Department for the Province of Ontario and the Post Office Department at Ottawa.

The effort to drag in so many respectable features of this country's institution such as bond companies and trust companies for the purpose of raising a few thousand dollars to develop a "bonanza" property, which, if what the promoters have to say about it is true, any business man would be glad to supply, is in itself questionable. Furthermore, the promoters of the Rognon Gold Mines, Limited have already appropriated to themselves two million dollars of the stock out of the two million and a half millions authorized. They now offer the public one hundred thousand dollars which would mean that for every \$21 of profit earned by the Company, \$20 would go to the promoters and \$1 to the public, whom they are asking to supply the money for development. Under these circumstances the promoters should provide a fair portion of the capital for development.

There is another feature of these promotions which deserves the attention of the authorities, namely the promoter who seems to be behind them. According to the salesman in charge at the Ontario Bond Corporation office, Mr. A. G. Penman is the originator of these promotion schemes. This is not the first time that Mr. Penman attempted company promotion in Canada, as the following, taken from the Canadian Mining Journal, October 15th, 1907, will show:

"It was in the early spring of this year that Arthur G. Penman, Managing Director of Penman Spragg Limited, Toronto, organized a syndicate to purchase a mining property in the district of Nipissing, Province of Ontario. The name authorized for the Company was the Cobalt Silver Mountain Mining Company."

"Apparently Mr. Penman's imagination and his sense of social discrimination were the only qualities brought into play in these preliminaries. Neither common sense, business acumen, nor every-day honesty was evident in the handling and flotation of the Company."

"The syndicate was formed, the company was organized and shares were sold on the understanding that nineteen acres of favorably situated mining lands were to be the property of the Company. It presently developed however, that only eleven acres could be patented. Suit was entered by the Company for the recovery of part of the purchase price. The suit is still dragging on. Money sorely needed to explore the eleven acres has been, preforce, applied to legal expenses. The position of the Company financially is practically hopeless."

"Superficially this might appear to call for sympathy. Actually it is an example of a typical mining swindle dyeing a natural death. A plausible and unscrupulous youth who certainly knew what he was doing, and whose only aim was to sell the public a doubtful mining claim, at an unreasonable figure, induced a number of citizens to help him form a syndicate. The prospectus is fraudulent and the whole method of flotation was designed to enrich Mr. Penman and his associates. The latter may have been victims of Mr. Penman's wiles; but in effect, and in law they are his confederates."

"The net results of the promotion of the Cobalt Silver Mountain Mining Company are that the syndicate is out the purchase price of the areas, and that the property has never, and probably never will under the present regime, ship a carload of ore. It has on its hands a costly law suit, eleven acres of mining claims and a reputation that needs disinfecting."