

March 30, 1951

Mr. John T. Callahan
Special Counsel
Securities and Exchange Commission
Room 2006 Equitable Building
120 Broadway
New York 5, New York

Dear Tim:

I do not know whether or not you see copies of THE NORTHERN MINER. In case you do not, I am enclosing herewith copy of the lead editorial appearing on Page 6 of the March 22 issue entitled "SEC Campaign Tends to Discredit the Good as Well as the Bad."

Of course, I know practically nothing about this publication and the main purpose of my writing you is to ask what you know about them, their reliability and possibly how receptive they might be to more or less "joining forces" on this problem?

Quite obviously, the portions of the editorial which particularly struck me were the two sentences which read:

"We have no doubt that the SEC has justifiable complaint against numerous promoters who have been flooding the United States with alluring literature on mining and oil issues. These unscrupulous gentry do legitimate mining no good and leave a bad taste in the mouth, as well as a big hole in the pocket book, of many of those who might otherwise be enlisted as real supporters of the industry."

If they actually feel that way, it occurs to me that maybe we might think of contacting them either by having you do it in person or perhaps by letter directly from Washington. That is something that would require a great deal of thought, however, and I don't want to cross that bridge too rapidly. However, I would like to know about this before you go to Canada, if that is at all possible.

With kindest personal regards and all good wishes, I am

Sincerely,

Richard B. McEntire
Commissioner

March 22, 1951

SEC CAMPAIGN TENDS TO DISCREDIT THE GOOD AS WELL AS THE BAD

In the United States, the Securities and Exchange Commission has embarked on one of its periodic campaigns to warn the American public from investing money in speculative Canadian mining and oil issues. Radio commentators, newspaper columnists and writers in the daily and weekly press have been enlisted in a publicity program that from all sounds and appearances would do credit to the most astute promoter. The number of letters reaching this office testify to the effect that it is having on bewildered speculators.

From this distance there are two features of the campaign that are particularly idiotic. First, it tends to brand all Canadian mining speculation as fraudulent and, secondly, it gives an impression that if an issue is accredited by the S.E.C. it somehow acquires an aura of respectability and by some magic the element of risk is dissipated. We can well imagine that S.E.C. officials would vehemently deny any such intentions, but whether they intend it or not the fact is that such impressions are widespread.

How, for instance, can it be otherwise when American daily papers, which normally from one year's end to the other pay no more attention to Canadian mining than they do to last week's motor accidents on Broadway, suddenly blossom forth with headlines on fraudulent Canadian securities which are being offered for sale in the United States? These articles, for the most part, apparently written by men who know no more about Canadian mining than they do about the effect of the common cold on the dodo bird, do not bother to explain that Canadian mining is one of the greatest weapons in the arsenal of the Western democracies and has rewarded handsomely those shareholders who were fortunate enough to participate in producing companies.

After being bombarded by such a welter of publicity on the irregularities of Canadian mining it is small wonder that if an investor is solicited to purchase securities in an issue that has complied with S.E.C. regulations he should think it is something especially good and has better than an average chance of success. Nothing, of course, could be farther from the truth. No number of bureaucrats investigating a mining situation can assure that there is ore in the ground no matter how auspicious the preliminary circumstances may be. That, it seems to us, is one of the great tragedies of a system which, in the public mind, undertakes to pass on the reliability of a mining issue, regardless of the disclaimers that may be printed in black type on the front page of a prospectus.

The writers who are so busily engaged in pointing out the iniquities of salesmen of Canadian stocks are out to make a point. They are intent on selling an idea – that millions of dollars are being milked from American investors by fraudulent stock deals. Perhaps they feel that their case would be weakened if they distracted their readers by

stopping to explain that not all Canadian mining deals are fraudulent. It does not, however, present the picture in its true perspective.

We have no doubt that the S.E.C. has justifiable complain against numerous promoters who have been flooding the United States with alluring literature on mining and oil issues. These unscrupulous gentry do legitimate mining no good and leave a bad taste in the mouth, as well as a big hole in the pocket book, of many of those who might otherwise be enlisted as real supporters of the industry. We could wish, though, that the authorities might employ other methods which would not leave the impression that all Canadian mining and promoters are tarred with the same brush.

The unhappy speculator, wishing to gamble some of his funds on the chance of making a big winning but not wanting to be taken for a sucker, pleads to know how he can tell the “good” from the “bad”. We can do no better than to remind him of one of the tried and true axioms of investment procedure – Investigate Before You Invest. Probably no other industry anywhere takes the investor and shareholder so fully into its confidence as does Canadian mining. The facts are there to be studied by any individual who wishes to take the trouble and refuses to let himself be stampeded into buying before he knows what he is purchasing.

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