

The Katydid Mine Swindle

By an Ex-Operative of the Secret Service
Captain Dickson's Own Story of Unearthing a Colossal Fraud

AS A RULE the inspectors of the post-office department look after matters of fraud in the mail, but the fraudulent uses of the mails, said Capt. Dickson on a certain occasion, developed unusual conditions in the secret-service department in called upon. This does not often happen, however, for there is a lot of rivalry between these departments and not a little jealousy.

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I was somewhat surprised to find that the discoverers of the mine were two poor prospectors without \$100,000 of their own, but with heavy investments in the stock, one of whom was a well-known prospector, who, from the two millions of stock that each owned, derived a revenue greater than either could spend and, appreciating the admissions of the poor and the smart opportunities for a mass of small means to find a safe and profitable investment for his savings, they had decided to share their wealth and prosperity with their fellow men.

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The post-office department became suspicious as soon as the advertisements began to appear, and the inspectors were immediately put upon the case. They worked for six months and found nothing that suggested this suspicion in the slightest. On the other hand, they established beyond doubt that the mine had been discovered by two poor miners who had no relatives living, so far as could be determined; that they had induced capitalists to invest \$1,000,000 in cash in the venture, and had then organized and incorporated the Amalgamated Gold Syndicate with a paid up capital of \$5,000,000, selling the mine to the corporation for \$4,000,000 of stock. The mine was called "The Katydid," and it had been worked for a time by the corporation at a big profit. The two miners, poor no longer, had, after a time, conceived their charitable scheme, and had put it through the mails against the wishes of the minority stockholders, who were powerless to prevent it.

Accordingly, the capital stock had been increased from \$5,000,000 to \$10,000,000 and the charter authorized \$2,000,000 of the increased stock to be sold each year.

The company apparently did everything that it advertised. It regularly paid its stockholders an annual dividend of 20 per cent.

Hudson, one of the miners, was president of the company, and in charge of the offices it maintained in the western city, which I have already mentioned, while Mason, the other of the discoverers, was general manager and in control of the mine. Both Hudson and Mason bore out the characters that the advertising matter of the syndicate gave to them. They dressed in rough, cheap clothing, chewed tobacco, and showed a disregard for money that is characteristic of men who have worked hard all their lives against an adverse fortune and who have suddenly come into great wealth. In everything they acted the parts of uncouth, uneducated sons of the soil.

At the Katydid mine, visitors were always welcome. They were shown over the properties with the greatest freedom, only one place, the amalgam building where the metal was separated from the amalgam, was denied to them. Mason explained this by saying that the company possessed a secret process for refining which he had discovered and which was known only to himself, to Hudson, and to Belden, the company's chemist.

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My figures showed that the mine was producing less than \$100 of ore a day, little more than enough to pay the expenses of operating, and certainly not enough to sustain the expensive dividends in the stock and pay the fabulous dividends of the stock. I didn't take a bit of stock in Mason's claim of a secret process of refining. I knew that was a fake outright, but I wanted confirmation of it, and the only way to obtain this was to get inside the little building at the mine where Mason and Belden sold and where the separation of the gold from the amalgam was effected.

I had almost worked myself into a fever over it when one night, I went up to my room at the little hotel of the mining camp after supper and had down to read myself to sleep. I had bought a couple of pay-back novels at the drugstore, for my rather limited stock and money. I saw there was a copy of Victor Hugo's masterpiece. I had read the book before, but it was a favorite of mine and I hadn't much gotten into the matter of selection. I was so wrought up over the question of choice into the refining plant that connected reading was out of the question, so I slipped about through the book, reading a chapter here and

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My progress was slow and tiresome. Nevertheless, in good time, I came to a point where the pipe made an abrupt turn straight down, which convinced me that I was about at the end of my journey. I reached down the hole as far as my arm would go, but couldn't touch bottom so, after listening a time and hearing nothing more in a distant drip, drip of water which was most lonesome, mysterious, and melancholy, I tore my pocket-handkerchief into strips and weighted it with a cartridge so that I might sound theinky depths below. It was sensible enough not to drop down into the pipe without making a reckoning, as I had learned this precaution by sad experience. To my great relief the plummet struck bot-

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Tossing the book upon the floor I hastened out into the light and made with all speed for the big pipe. The water left the reservoir in a sluiceway of concrete and ran for some 200 yards in a trough of the same material until its course crossed a deep, narrow gulch, which made the pipe necessary. This was to be my point of escape, as from here on to the mill the pipe was continuous.

I was indeed within the mysterious building. In my excitement at this discovery I released my hold of the upright lid and it fell with a metallic report that sounded, to my tense senses, like the boom of a coast-guard gun.

The next instant I heard a voice, which I recognized as Mason's, excitedly following:

"Who's that," he demanded. "Hey, Belden," he continued, "something's broke loose."

I didn't know what to do, so great was my surprise at my own rash act and its consequences.

I could hear Belden sleepily call back something that I could not make out, and Mason replied. Then there was a creaking of springs and two dull thuds as the men sprang from their beds. It was a ticklish situation, and I certainly thought the jig was up. Luckily, neither of the men had a match and I could hear them swearing furiously over this fact, the rattle of a lantern punctuating their profanity. This gave me an opportunity to take a hasty survey of my surroundings. I sprang from my perch astride the big pipe to the concrete floor six feet below and scrambled beneath a long table that stood at one side of the room. There was just enough moonlight filtering through the dirty, iron barred windows to give me a bare idea of my situation.

The building was 20 or 25 feet in length and I was near the farther end from the room where I could hear the men stumbling like troopers in the darkness and swearing like troopers. On every hand were tables and boxes and machinery and washing troughs. Not a second too soon had I concealed myself, for scarcely had I reached the

cause I know every door is locked. I seen to 'em myself before we turned in just as I does every night."

"That don't matter," retorted Mason with warmth, "we can't take chances, and we must and we shall make the noise if we have to look all night. Nothing could have fell if it hadn't been pushed over and it takes something live to push things over. I had liked the way the stranger had been poking around here lately. I've had my suspicions of him all the time, and I came near as anything taking a pot shot at him that day I found him there, but he was watching the mouth of the mine through his goggles."

"Why didn't you?" queried Belden in a sneering tone. "I'd a done it, if I had been the one to 'em, Belden. What's the matter with you if you don't want to do a thing but copper your share of the swag and play safe all the time. Wish I'd 'a' found him. He'd been wolf feed in less'n no time."

"Well, tant no use fussing about it now," roared Mason. "Tim glad I didn't shoot him, for it would have brought a lot of detectives and government men about here and would have spoiled our game right off."

"Well, let's go back to bed," yawned Belden, ignoring the taunt.

"No, doctor, I've found what made that noise," answered Mason. "You wait here until I get the headlight from the office. This blamed lantern ain't worth shucks."

"All right," grumbled Belden, and Mason went towards the door, swinging the lantern as he walked.

I had heard enough to justify me in arresting the men and in going to my lodging to accomplish it. Mason would not be gone long, I well knew, so I decided to capture Belden before his partner returned.

I stealthily crawled from under the table, my stocking feet making no noise upon the concrete floor, and warily approached the unconscious Belden. I could just make out his bulk, where he stood in a dark portion of the building, and I could hear the rustling of his clothing. He scratched a match and I held my breath. Fortune favored me. He was lighting a corn-cob pipe, his back fairly to me. Like a shadow I slipped toward him and with a quick, sure stroke brought my heavy revolver down upon the back of his neck with a sickening crunching impact.

He fell without a groan and lay like one dead. Nevertheless, I took the precaution to slip a pair of handcuffs upon his wrists, and then I sprang towards the door through which I could see the light of Mason's lantern advancing. I was not a second too soon. As Mason crossed the threshold I struck him a heavy blow upon the head and he went down like an ox in the slambone. I handcuffed him and picked up his lantern.

Next, I packed the unconscious men into the room where they slept and deposited them upon the bed, after which I set about restoring them to consciousness. This soon proved into vain, for the office where was situated the vault. After some little time Mason groaned and sat upright.

"Well, partner," was his croaking greeting when he had looked me over carefully, "I guess you got the trump cards. What do you mean to do next?"

He showed no resentment and seemed, at first, to think that I was a bandit. I showed him my badge which had an electrical effect upon him.

In my brief acquaintance with him I marked him as a man who would confess everything and endeavor to escape punishment by implicating his confederates, so I explained to him as much of my suspicions as seemed expedient and made several guesses. This quite overpowered him, and after it he was as pliant as wax in my hands. He confessed everything and opened the door for me, and showed me the books of the company. I had expected to have some difficulty with him and to have to do more bluffing than proved necessary, but he put everything in his power to help me.

He said that he, Belden, and Hudson had turned the trick without assistance. They had conceived the gigantic fraud when the mine began to fail, and they had expected little difficulty in putting it into effect. On the day showing the mine had made its first, they succeeded in getting \$1,000,000 invested in it, after which they had incorporated and begun to sell stock in the mine. The money they received for stock and converted it into gold coin, which they shipped to the mine, where it was melted down, run into bars, shipped back to the office, and used, in part, or it going to pay dividends.

I had suspected this when I had the quantitative analysis of one of their bars of gold made, for it had showed the percentage of amalgam that is of gold coin was in the time-locked safe, which wouldn't open until eight o'clock next morning, so I made a hasty examination of the books and then trusted my two partners up the revolver while I went to see the marshal. He was an intelligent Irishman, a good deal, and it didn't take long to explain the situation to him. He accompanied me back to the mine, after I had wired instructions for Hudson's arrest, and relieved me of my charges.

I spent the night going over the books and the mine records. In the result, and by morning I had everything I wanted to lay bare one of the most colossal swindles ever attempted. (Copyright, 1905, by W. G. Chapman.)

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I had almost worked myself into a fever over it when one night, I went up to my room at the little hotel of the mining camp after supper and had down to read myself to sleep. I had bought a couple of pay-back novels at the drugstore, for my rather limited stock and money. I saw there was a copy of Victor Hugo's masterpiece. I had read the book before, but it was a favorite of mine and I hadn't much gotten into the matter of selection. I was so wrought up over the question of choice into the refining plant that connected reading was out of the question, so I slipped about through the book, reading a chapter here and

it was something after ten o'clock when I completed my investigation, and I decided to explore the pipe without further delay. I removed my shoes and hid them beneath a board, looked to the cartridges in my revolver, a precaution I have always taken since a certain adventure down on the Rio Grande. Then I crept into the pipe. It was cool and clammy and as dark as a dungeon. I had a little pocket electric flashlight, but was afraid to use it, as the distance to the refining-plant was less than 100 yards from the ravine.

My progress was slow and tiresome. Nevertheless, in good time, I came to a point where the pipe made an abrupt turn straight down, which convinced me that I was about at the end of my journey. I reached down the hole as far as my arm would go, but couldn't touch bottom so, after listening a time and hearing nothing more in a distant drip, drip of water which was most lonesome, mysterious, and melancholy, I tore my pocket-handkerchief into strips and weighted it with a cartridge so that I might sound theinky depths below. It was sensible enough not to drop down into the pipe without making a reckoning, as I had learned this precaution by sad experience. To my great relief the plummet struck bot-

tom about four feet down and I cautiously lowered myself, feet first, into the well.

It was rather close quarters, but I managed to feel about me in every direction, and to my dismay found that at this point the pipe divided into half a dozen smaller ones, none of them over six inches in diameter. This was a damnable distance up the canyon through an iron-pipe two feet in diameter. The water supply was limited, and at night the flow was shut off, leaving the pipe quite empty. I had observed the pipe in my ramblings about the neighborhood of the mine but had never thought of it as a possible entrance to the building until I read of the hunted Jean Valjean taking to the sewers like a rat to escape his implacable foe. Possibly I never should have thought of it if I had not chanced to buy the ten cent book at the drugstore. This is but an instance of the influence of our lives of seemingly trivial things.

Tossing the book upon the floor I hastened out into the light and made with all speed for the big pipe. The water left the reservoir in a sluiceway of concrete and ran for some 200 yards in a trough of the same material until its course crossed a deep, narrow gulch, which made the pipe necessary. This was to be my point of escape, as from here on to the mill the pipe was continuous.

I was indeed within the mysterious building. In my excitement at this discovery I released my hold of the upright lid and it fell with a metallic report that sounded, to my tense senses, like the boom of a coast-guard gun.

The next instant I heard a voice, which I recognized as Mason's, excitedly following:

"Who's that," he demanded. "Hey, Belden," he continued, "something's broke loose."

I didn't know what to do, so great was my surprise at my own rash act and its consequences.

I could hear Belden sleepily call back something that I could not make out, and Mason replied. Then there was a creaking of springs and two dull thuds as the men sprang from their beds. It was a ticklish situation, and I certainly thought the jig was up. Luckily, neither of the men had a match and I could hear them swearing furiously over this fact, the rattle of a lantern punctuating their profanity. This gave me an opportunity to take a hasty survey of my surroundings. I sprang from my perch astride the big pipe to the concrete floor six feet below and scrambled beneath a long table that stood at one side of the room. There was just enough moonlight filtering through the dirty, iron barred windows to give me a bare idea of my situation.

The building was 20 or 25 feet in length and I was near the farther end from the room where I could hear the men stumbling like troopers in the darkness and swearing like troopers. On every hand were tables and boxes and machinery and washing troughs. Not a second too soon had I concealed myself, for scarcely had I reached the

cause I know every door is locked. I seen to 'em myself before we turned in just as I does every night."

"That don't matter," retorted Mason with warmth, "we can't take chances, and we must and we shall make the noise if we have to look all night. Nothing could have fell if it hadn't been pushed over and it takes something live to push things over. I had liked the way the stranger had been poking around here lately. I've had my suspicions of him all the time, and I came near as anything taking a pot shot at him that day I found him there, but he was watching the mouth of the mine through his goggles."

"Why didn't you?" queried Belden in a sneering tone. "I'd a done it, if I had been the one to 'em, Belden. What's the matter with you if you don't want to do a thing but copper your share of the swag and play safe all the time. Wish I'd 'a' found him. He'd been wolf feed in less'n no time."

"Well, tant no use fussing about it now," roared Mason. "Tim glad I didn't shoot him, for it would have brought a lot of detectives and government men about here and would have spoiled our game right off."

"Well, let's go back to bed," yawned Belden, ignoring the taunt.

"No, doctor, I've found what made that noise," answered Mason. "You wait here until I get the headlight from the office. This blamed lantern ain't worth shucks."

"All right," grumbled Belden, and Mason went towards the door, swinging the lantern as he walked.

I had heard enough to justify me in arresting the men and in going to my lodging to accomplish it. Mason would not be gone long, I well knew, so I decided to capture Belden before his partner returned.

I stealthily crawled from under the table, my stocking feet making no noise upon the concrete floor, and warily approached the unconscious Belden. I could just make out his bulk, where he stood in a dark portion of the building, and I could hear the rustling of his clothing. He scratched a match and I held my breath. Fortune favored me. He was lighting a corn-cob pipe, his back fairly to me. Like a shadow I slipped toward him and with a quick, sure stroke brought my heavy revolver down upon the back of his neck with a sickening crunching impact.

He fell without a groan and lay like one dead. Nevertheless, I took the precaution to slip a pair of handcuffs upon his wrists, and then I sprang towards the door through which I could see the light of Mason's lantern advancing. I was not a second too soon. As Mason crossed the threshold I struck him a heavy blow upon the head and he went down like an ox in the slambone. I handcuffed him and picked up his lantern.

Next, I packed the unconscious men into the room where they slept and deposited them upon the bed, after which I set about restoring them to consciousness. This soon proved into vain, for the office where was situated the vault. After some little time Mason groaned and sat upright.

"Well, partner," was his croaking greeting when he had looked me over carefully, "I guess you got the trump cards. What do you mean to do next?"

He showed no resentment and seemed, at first, to think that I was a bandit. I showed him my badge which had an electrical effect upon him.

In my brief acquaintance with him I marked him as a man who would confess everything and endeavor to escape punishment by implicating his confederates, so I explained to him as much of my suspicions as seemed expedient and made several guesses. This quite overpowered him, and after it he was as pliant as wax in my hands. He confessed everything and opened the door for me, and showed me the books of the company. I had expected to have some difficulty with him and to have to do more bluffing than proved necessary, but he put everything in his power to help me.

He said that he, Belden, and Hudson had turned the trick without assistance. They had conceived the gigantic fraud when the mine began to fail, and they had expected little difficulty in putting it into effect. On the day showing the mine had made its first, they succeeded in getting \$1,000,000 invested in it, after which they had incorporated and begun to sell stock in the mine. The money they received for stock and converted it into gold coin, which they shipped to the mine, where it was melted down, run into bars, shipped back to the office, and used, in part, or it going to pay dividends.

I had suspected this when I had the quantitative analysis of one of their bars of gold made, for it had showed the percentage of amalgam that is of gold coin was in the time-locked safe, which wouldn't open until eight o'clock next morning, so I made a hasty examination of the books and then trusted my two partners up the revolver while I went to see the marshal. He was an intelligent Irishman, a good deal, and it didn't take long to explain the situation to him. He accompanied me back to the mine, after I had wired instructions for Hudson's arrest, and relieved me of my charges.

I spent the night going over the books and the mine records. In the result, and by morning I had everything I wanted to lay bare one of the most colossal swindles ever attempted. (Copyright, 1905, by W. G. Chapman.)

develops unusual conditions in the secret-service department in called upon. This does not often happen, however, for there is a lot of rivalry between these departments and not a little jealousy.

It is only as a last resort, that our branch of the machinery of government is brought into requisition, and not until the post-office inspectors have failed utterly.

A case of this character occurred a few years ago in one of the larger western cities.

It was a mine case—a company backed by \$50,000,000 capital stock—and, to all appearances, it was a legitimate scheme. Among its directors were four of the most successful western mining men. I remember being an ex-United States senator. It advertised extensively in the newspapers and by circulars. Orders for stock were pouring into the company in such large quantities that they required two and three mail-wagons, sometimes, to haul off single day's mail.

I was somewhat surprised to find that the discoverers of the mine were two poor prospectors without \$100,000 of their own, but with heavy investments in the stock, one of whom was a well-known prospector, who, from the two millions of stock that each owned, derived a revenue greater than either could spend and, appreciating the admissions of the poor and the smart opportunities for a mass of small means to find a safe and profitable investment for his savings, they had decided to share their wealth and prosperity with their fellow men.

The company placed \$2,000,000 of stock upon the market each year, \$1,000,000 in January and \$1,000,000 in July. It advertised that no one person would be allowed to subscribe for more than \$100 of each annual issue and that the subscription lists would be closed as soon as the requisite million was subscribed.

The post-office department became suspicious as soon as the advertisements began to appear, and the inspectors were immediately put upon the case. They worked for six months and found nothing that suggested this suspicion in the slightest. On the other hand, they established beyond doubt that the mine had been discovered by two poor miners who had no relatives living, so far as could be determined; that they had induced capitalists to invest \$1,000,000 in cash in the venture, and had then organized and incorporated the Amalgamated Gold Syndicate with a paid up capital of \$5,000,000, selling the mine to the corporation for \$4,000,000 of stock. The mine was called "The Katydid," and it had been worked for a time by the corporation at a big profit. The two miners, poor no longer, had, after a time, conceived their charitable scheme, and had put it through the mails against the wishes of the minority stockholders, who were powerless to prevent it.

Accordingly, the capital stock had been increased from \$5,000,000 to \$10,000,000 and the charter authorized \$2,000,000 of the increased stock to be sold each year.

The company apparently did everything that it advertised. It regularly paid its stockholders an annual dividend of 20 per cent.

Hudson, one of the miners, was president of the company, and in charge of the offices it maintained in the western city, which I have already mentioned, while Mason, the other of the discoverers, was general manager and in control of the mine. Both Hudson and Mason bore out the characters that the advertising matter of the syndicate gave to them. They dressed in rough, cheap clothing, chewed tobacco, and showed a disregard for money that is characteristic of men who have worked hard all their lives against an adverse fortune and who have suddenly come into great wealth. In everything they acted the parts of uncouth, uneducated sons of the soil.

At the Katydid mine, visitors were always welcome. They were shown over the properties with the greatest freedom, only one place, the amalgam building where the metal was separated from the amalgam, was denied to them. Mason explained this by saying that the company possessed a secret process for refining which he had discovered and which was known only to himself, to Hudson, and to Belden, the company's chemist.

This, in brief, was the status of the case when I was put on it. It was given to me, because I had been a miner and prospector and had studied geology and assaying.

After working a week