Sterling Products, Inc. IX
The Meteoric Rise & Quiet Disappearance Of Drug, Inc.

Drug, Inc., Elects Officers.

Officers appointed by Drug, Inc., organized to consolidate the United Drug Company and Sterling Products, Inc., were announced as follows yesterday: Louis K. Liggett, Chairman; G. M. Gales, Vice Chairman; A. H. Diebold, President; W. E. Weiss, Vice President and General Manager; H. H. Ramsay, Vice President; W. C. Watt, Treasurer; E. I. McClintock, Secretary; C. C. Mason, Assistant Secretary-Treasurer.

The New York Times
Published: March 20, 1928

Once in operation as a holding company, Drug, Inc. went on a buying spree that continued for the next two years, even after the stock market crash in the fall of 1929. While it also acquired a 3-in-1 oil company and the hair tonic Vitalis from another company, it made three major acquisitions: the pharmaceutical companies Bristol-Myers, Inc. and Vick Chemical Co. and the candy maker Life Savers Co. Its United Drug division also managed to snag some additional properties, including, most significantly, the May Drug Co. and the Owl Drug Co.

CORPORATION REPORTS.

Drug, Inc.

For the six months ended June 30, Drug, Inc., and subsidiaries report a net profit of $7,430,135 after interest, depreciation, Federal taxes and subsidiary dividends, equal to $3.10 a share on 2,394,011 shares of no-par stock, as against $5,691,861, or $2.60 a share on 2,183,990 shares, in the first half last year. Gross profit for the period was $30,758,340. Surplus after dividends amounting to $4,774,522 was $2,655,613.

The New York Times
Published: August 23, 1929

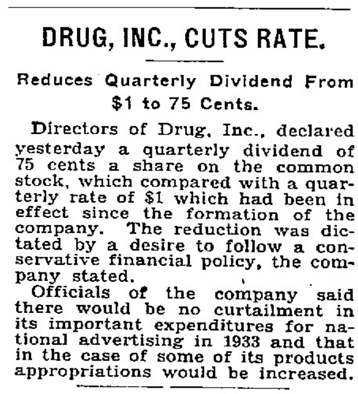
In retrospect it is hard to illustrate any aspect of Drug, Inc.'s existence because it operated entirely behind the scenes through its parts, and, as a Fortune magazine article from 1930 noted, the company did no advertising of its own. The only time the average person heard anything about the company at all was when it was mentioned in the paper, usually in connection with either a purchase or some stock transaction. As previously recounted, the company consisted of two discrete divisions: 1) Sterling Drug, Inc., headed by William Weiss and A. H. Diebold, which was primarily a manufacturing concern with strong overseas ties to the German I. G. Farben chemical combine, which provided it with modern ethical (prescription only) drugs; and 2) United Drug Co., overseen by George Gales and Lewis Liggett, the retailing center with its independently operated Rexall agencies, its owned Liggett drug stores, and its British Boots drug store chain. The overseas connections of both divisions placed them squarely in the import-export business as well, and all three types of industry were equally significant to the company. The two divisions operated virtually entirely independently, and as the article stated: "it would be straining the metaphor to say that Drug, Inc. does not let its right hand know what its left hand is doing, but it is true that Drug, Inc. is distinctly ambidextrous and that one hand is as important as the other."

Drug, Inc., Increases Stock.

At a meeting of the stockholders of Drug, Inc., yesterday at Wilmington, Del., the proposal of the directors to increase the authorized stock of the company from 3,000,000 shares to 5,000,000 shares was approved. The proposal to acquire Household Products, Inc., under a plan recently announced, was also approved.

The New York Times
Published: March 12, 1930

Sterling's other major creation, American Home Products - another company that operated entirely through advertising its products rather featuring its own name - never formally became a part of Drug, Inc. although it remained owned and controlled by Sterling's owners. It was projected to fold into Drug, Inc. in 1930 and had the economy performed differently, it might well have done so. However, as its losses during the Depression deepened, the owners of Drug, Inc. and Sterling, particularly Diebold, ultimately re-designed it to chart its own destiny, even in competition with Sterling, not long after the rest of Drug, Inc. returned to its constituent companies. Since the ultimate common shareholders of all these companies pocketed the profits no matter which product had been purchased from which company, the name of the producing company was much less important than the sales generated by the products.



DRUG, INC., CUTS RATE.

Reduces Quarterly Dividend From $1 to 75 Cents.

Directors of Drug, Inc., declared yesterday a quarterly dividend of 75 cents a share on the common stock, which compared with a quarterly rate of $1 which had been in effect since the formation of the company. The reduction was dictated by a desire to follow a conservative financial policy, the company stated.

Officials of the company said there would be no curtailment in its important expenditures for national advertising in 1933 and that in the case of some of its products appropriations would be increased.

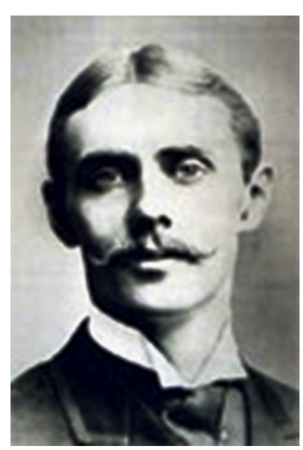
The New York Times
Published: February 2, 1933

After 1930, Drug, Inc. was not as profitable in reality as it seemed to be on paper. The worsening economic situation of the deepening Great Depression began to drag down United Drug, which became entangled first in the bankruptcy of Owl Drug Co. and then in the bankruptcy of the Louis K. Liggett Co., its chain store component in the United States. Almost silently, seemingly with remarkably little fuss or disruption since it was a holding company that had never really merged operating managements, it unwound itself back into its constituent parts by simply parceling out a proportional number of shares of each of the underlying companies to the stockholders of Drug, Inc., in a reverse of the swaps that had built the company. Just as suddenly as it had come into being, it disappeared. By fall 1933, Drug, Inc. was no more and the companies which had participated, having resumed their listings on the New York Stock Exchange, each careened off in its own direction.

Drug, Inc. Expansion Phase

Sterling Drug Co.'s Acquisitions
Bristol-Myers Co.

William McLaren Bristol



John Ripley Myers

At the beginning, however, in the heady days following the Drug, Inc. merger when the U.S. economy was still soaring, Bristol-Myers Co. was the first company Drug, Inc. drew into its ambit. That company had been the brainchild of two Hamilton College classmates, William McLaren Bristol (1860-1935) and John Ripley Myers (1864-1899), who, shortly after graduation, purchased the Clinton Pharmaceutical Co. located in Hamilton, NY, a town outside Utica, NY, for $5000, apparently utilizing some of the Ripley family's accumulated fortune. Most sources say the company was failing when they purchased it, but by 1889, they had revived its fortunes enough to move to Syracuse, NY to improve its shipping ability.

Dennison Mfg Co
Documentary
Battleship Revenue

In 1895, they moved again to Brooklyn, NY after purchasing a factory property from the box and paper goods supplier Dennison Manufacturing Co. to better serve their growing base of customers in the Northeast In 1896, they issued (as did every other manufacturing chemist) a catalogue of their various products. It was, perhaps somewhat grandiosely, 108 pages long, featuring, in particular, Iatrol, a disinfectant powder for physicians to use in treating wounds.

Iatrol

In 1898, as the company changed its name to Bristol, Myers Co., it began to realize that drug stores rather than doctors were going to be the principal source of future retail sales growth. Pivoting away from catering to the needs of physicians, the company began to look for products to sell over-the-counter directly to the public and to increase its sales force, known in the trade as "detail men," to make the rounds of the pharmacies. After Myers death from pneumonia in 1899, Bristol renamed the company Bristol-Myers Co. and incorporated it in 1900. Many sources say the company only turned its first profit in 1900, but that seems somewhat improbable given the extent of its expansion between 1887 and 1900.

1908 International Reply Postcard Advertisement For Sal Hepatica Mailed To English Doctor

However, only after Myers death, did Bristol-Myers find its true calling as the manufacturer of an over-the-counter laxative called Sal Hepatica. It was developed by the superintendent of the company's laboratory J. [Joseph] Leroy Webber (1853-1910), apparently as early as1895 (according to the present company website). Webber - himself a graduate of the Philadelphia School of Pharmacy, the author of scholarly papers on pepsin and the digestive processes, a patent holder, and, at one time, a lecturer in the pharmacy department of the Detroit School of Medicine - referred to it as "the poor man's spa." Its charm was that it tasted and worked like the salt baths of the famous mineral springs of Bohemia. In the early 1900s, quite suddenly and spectacularly, its sales rose tenfold, generating vast and extraordinary profits. By 1906, the company's sales volume was so great that it was purchasing land in Hillside, New Jersey (near the present Newark Airport) to construct a new and larger factory facility, and by 1915, business was sound enough for William Bristol to install Henry, his oldest son, as General Manager of the company.

1925 Ipana Good Housekeeping Magazine Ad

Later, about 1920, according to the announcements and ads in trade publications of the times, the company struck gold again with Ipana toothpaste (albeit the company dates its invention to 1901 on its website). It was advertised by as reputable a publication as Good Housekeeping Magazine as a defense against "pink toothbrush" (soft, bleeding gums) caused by eating foods that didn't properly massage the gums, and combated by a single ingredient, ziratol, that acted both as an "antiseptic," preventing the growth of disease producing organisms, and a "hemostatic" agent, preventing bleeding. As one commentator put it, Bristol-Myers was immensely successful because it offered to the public products that serviced both ends of the body.

Ipana Toothpaste

By 1924, the company was generating over a million dollars a year profit and its products were being sold in 26 countries. Yet, from 1900 to 1928, just before its acquisition by Sterling, it seems to have concentrated entirely on manufacturing its products, so much so that a 1947 Congressional report about hegemony in the pharmaceutical industry, commenting on its status prior to its being swept in and out of Drug, Inc., noted: “financial reports were silent on development and growth of Bristol-Myers from 1900 to 1928.”

<u>Frederick F. Ingram Co.</u>

Battleship Revenue Cancels - Type 1

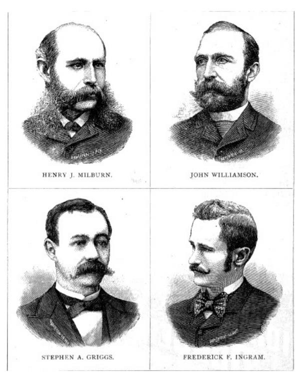
Battleship Revenue Cancels - Type 2


1914 Revenue Issue

In 1928, probably caught up in the booming business atmosphere described in the last chapter, Bristol-Myers acquired Frederick F. Ingram Co. of Detroit, MI. While no cancels has ever been definitively associated with Bristol-Myers, to match its owner's outsized personality, Frederick F. Ingram Co. had its own distinctive cancels both on the revenue issues of 1898 and 1914. Frederick Fremont Ingram (1856-1932) was another of the merchant princes whose outspoken views ultimately carried him far beyond the pharmaceutical business. Writing later to advise young men on how to advance themselves, he stressed setting high goals but emphasized that it was commitment to, and concentration upon, the task at hand that paid off. He sketched his own biography to show how he advanced. Born and raised in Hastings in southwest Michigan, he determined to better himself by attending a nearby college, but was forced to drop out by a temporary bout of eye paralysis. As he recovered, he became a telegraph messenger in a tiny town in the northeastern part of the state. There he got his first lesson in employer-employee relations, because, while sympathizing with his fellow workers, he later claimed he left that job to avoid being caught between the competing needs of management and an organizing union. He then became a clerk in a pharmacy, and after quickly attaining mastery of those skills, at age 21, opened his own drug store in Ypsilanti, using his \$300 savings and \$1500, borrowed under an installment repayment plan he later referred to as a "sewing machine loan."

Frederick F. Ingram -1886

Easily repaying his loan obligation and then - as he himself recounted - out-dueling a rival, by trading stores with another owner who was going to move next to him and making that second store as successful as his own, he decided to move to Detroit, the biggest city in the state because he wanted "new fields to conquer" which offered "greater earning power." According to a contemporaneous biographical sketch, he worked as a salesman for a drug firm in Detroit for several years, but his own later account claims that after less than six months he determined that " I had gone as high as I could in that line of endeavor. I was considered an expert salesman, but I didn't believe that I was doing particularly well."



Milburn & Williamson - 1886

Ingram joined the pharmaceutical firm of Milburn & Williamson on January 1, 1885, according to a later biographical sketch, and in 1886, according to a contemporary trade magazine article as the partner in charge of the salesmen at the same time as it also added Stephen Griggs (1849-1937), a former postal service clerical, to supervise the office staff. Henry Milburn (1847-1899), a trained pharmacist and a veteran of the drug business who had begun his career as an employee of an even earlier version of this partnership, had become manager of its retail store, and had bought into the partnership as its senior member in 1882. He was in charge of its retail operation. John Williamson (1854-1931), born in Canada, was trained as a pharmacist at the Ontario College of Pharmacy and came to Detroit in 1871 when he joined the business as an employee. He too became a partner in the 1882 reorganization and took charge of manufacturing.

Possible H. J. Milburn Battleship Revenue Cancel

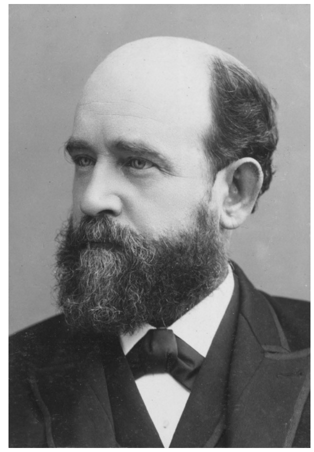
Over the ensuing years, this partnership formed and re-formed variously as Williamson, Ingram & Griggs, when Milburn retired, and, according to Ingram, as Ingram & Griggs, until in 1891 it emerged as Frederick F. Ingram & Co. Milburn took on other partners and continued his own pharmaceutical business as H. J. Milburn & Co. which, according to his obituary, flourished until the center of business in Detroit moved away from him and he was forced to file for bankruptcy just as he fell ill some months prior to his death in 1899. Williamson and Griggs apparently attempted to carry on independently for a short time in 1891, but Williamson later moved on to form several other companies, mostly in the perfume trade. Griggs ultimately left pharmaceuticals altogether and later was associated with a number of other businesses including brewing, cold storage, automobiles, trucks as well as acting as General Agent for the Michigan Central Railroad. Eventually, he moved across the river from Detroit to Walkerville, Ontario.

1894 and 1917 Ingram Ads

Ingram stayed the course and ultimately his was the name that emerged at the head of the business. The company specialized in fragrances as well as pharmaceutical goods, and an early winner was its line of Wing's Perfumes. Later it promoted Ingram's Milkweed Cream, a complexion moisturizer, with the catchphrase "there is beauty in every jar." It was such a tremendous success that Ingram was able to begin to devote energy to some of his other interests.

F. F. INGRAM.

Ingram was outspoken in his views, which for his era were remarkably enlightened. Despite his early distaste for unions, he seems to have always dealt fairly with his employees as well as acting as an advocate for public utilities. He served as a member of the Detroit Public Lighting Commission for six years ending in 1905, acting as its president for two terms and leading to the creation of a municipal lighting plant. A Democrat in a town of Republicans, he was the leader of the "radicals and progressives," as one trade magazine termed it, at the Michigan Constitutional Convention of 1907, where he fought for a system of initiative and referendum for years before it was adopted and championed local home rule provisions. Before the entry of the United States into World War I, he published an article criticizing the "preparedness:" movement (those like Theodore Roosevelt who advocated anticipating the outbreak of war by expanding and training an army) on the grounds that it was superficial and did not prepare the country economically by putting necessary natural resources under government control. To really get ready for war, he also believed that attention had to be focused on the needs of the agriculture sector (even then lagging behind industry) as well as the slums growing around cities and the inequality of the tax burden which lay mostly on the poor.

John Locke and Henry George

In his later years, Ingram emerged as a spokesman for the "single tax" movement. The idea for one tax to replace all other taxes and to be imposed only on land originally sprang from Enlightenment philosophers like John Locke, but was popularized in the United States in the Nineteenth Century by the writer Henry George. In its purest form, as George reasoned, the theory held that the value of land depended on its natural value together with the value of the improvements made upon it. However, while improvements required an investment, deemed an opportunity cost, and might be incentivized or discouraged, the natural value of the land was completely "unearned" because it could neither increase or decrease in response to demand. While taxes might stifle productive behavior, a tax imposed on such "unearned" value did not change the land's potential for productivity. In other words, imposing a heavy tax on land in demand did not make land disappear, and, conversely, if demand for a natural resource decreased, the land simply remained undisturbed. In George's view, this equilibrium made unimproved land ideal to tax. George also recognized that as society actually operated, comparatively few actually held land - mostly those who benefit from the improvements made upon the land - so the burden of taxation more properly would be bourne by those who could best afford it.

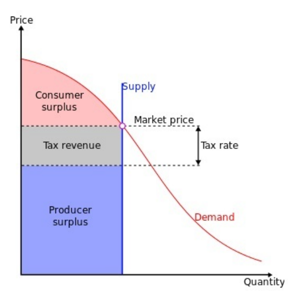


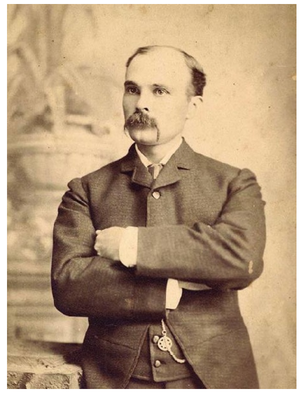
Diagram of Henry George's "Single Tax" Theory

The "single tax" was an attractive proposition to some since it was straightforward, direct and simple in theory to administer. Of course, as unimproved land disappeared and investment did take place, some modification and adjustments had to be made to the theory, and other definitions of "single tax" theory held that while government ought not disturb ownership rights to the land, the tax might not only be justifiably collected as "rent" on that land itself, but also as "rent" on the natural resources that flowed from the land. Since developing these natural resources involved investment, definitions as to what remained "unearned" became muddier. Such unclear definitions made the theory harder to administer in practice, and generally unattractive to taxing authorities. In addition, critics pointed out that value of unimproved land might also vary in accordance with its proximity to developed land, so that its "natural" value might become so distorted that it was no longer "natural."

FREDERICK F. INGRAM

By 1928, Ingram was old enough and tired enough to sell his interests in the company to Bristol-Myers. He retired to San Diego, CA and, according to a scholarly study, devoted his fortune to reviving the single tax movement in California which, after his death in 1932 campaigned unsuccessfully between 1933 and 1938 for the adoption of such a tax. Taken together with the campaign of the author Upton Sinclair to become governor of California in 1934, these movements were symptomatic of the social unrest and generally miserable economic conditions which prevailed in the United States during the Great Depression. It is surprising that the fortune of one of the princes of commerce, amassed under the harshest conditions of *laissez faire* capitalism, provided the funds to underwrite these campaigns.

<u>Vick Chemical Co.</u>



Lunsford Richardson

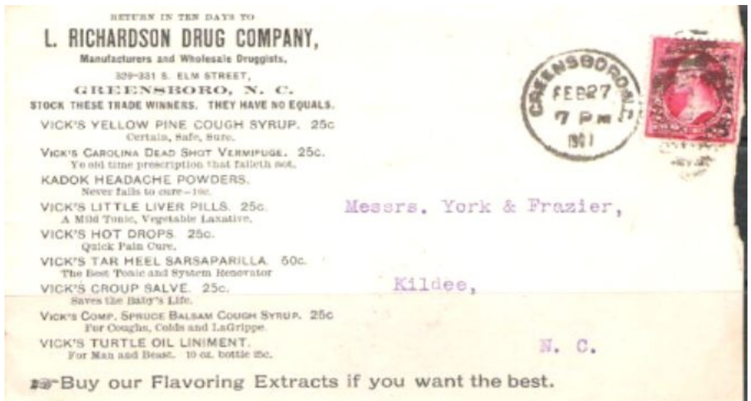
Drug, Inc.'s second pharmaceutical acquisition was Vick Chemical Co., maker of Vick's products, most notably Vick's Vapo-Rub, a product still readily available today. The singular meteoric personality that drove the formation of this company was Lunsford Richardson (1854-1919), born on a farm near Selma, North Carolina, southeast of the state capital, Raleigh. As with many of the characters whose stories are unfolded in these pages, Richardson's began with privation and extreme poverty. Most biographies stress that his father died when he was very young, and that the infant home maintained by his widowed mother was pillaged by Sherman's "bummers" during the Civil War while his older brothers were fighting for the Confederacy. Pressed by the death of his mother to graduate early from Davidson College in central North Carolina, he did so with honors in three years, but, too poor to follow his wish to become a lawyer, he began his career as a teacher. Finding prospects in that field for economic advancement disappointing, after a few years he took his savings and bought a drug store in Selma while visiting one of his sisters. In 1890, now married with a growing family, he moved to Greensboro, NC and with a partner, John B. Fariss (1869-1915), purchased the drug store of W. C. Porter (1834-1902). One source claims they then turned this store into the largest and most successful drug store in town, in part, because Richardson, as a smart businessman, required payment for service immediately, breaking with the older pharmacy custom of letting customers settle their bills periodically, perhaps after the harvest came in. The store itself is otherwise notable because in the years between 1879 and 1882 it had employed Porter's nephew, William Sidney Porter (1862-1910), later famously known as the writer O. Henry, who, unlike Richardson, apparently took to writing to escape pharmacy.

Drawing of Richardson's Drug Store

While Richardson was building his retail pharmacy business, he was also experimenting - as did many pharmacists of the time - with creating his own proprietary remedies to be more effective than the ones he sold. Eventually, he was able to offer twenty-one different preparations, from his own "Little Liver Pills," to "Tar Heel Sarsaparilla," and "Turtle Oil Liniment." They were sold under the name "Vick's." Two different stories account for why Richardson's products were sold under that name. Richardson himself claimed that he chose that name because it would fit on the packaging more neatly than his own longer name, perhaps inspired by the then popular packages of Vick's Seeds sold for growing plants. More often, it is said that Richardson named the products after his brother-in-law, Dr. Joshua Vick (1843-1900), who aided him in starting his business.

Early Croup and Pneumonia Salve Container

Whichever naming story is true, Richardson's most successful experimentation was with the substance menthol, at the time newly imported from Japan. Menthol is a waxy substance found naturally in certain plants that melts when heated slightly above room temperature. Faced with the difficulty of getting people, especially his own children, to swallow pills or potions to relieve coughs and colds, Richardson created an ointment made from mixing other standard cold and cough remedy ingredients with menthol that, when the temperature rose slightly as it was rubbed on peoples' chests, induced the menthol in the ointment to melt creating a soothing vapor which these people then inhaled into their lungs bringing them relief. First called "Croup Salve," it later became Vick's Vapo-Rub.



1901 Cover

Richardson's menthol salve was so popular that he decided to concentrate all his energy into manufacturing medicines. In 1898, he sold his interest in the retail Richardson & Fariss Drug Store and opened the Lunsford Richardson Drug Co. as a wholesale drug and manufacturing firm, one of only four wholesalers in the state of North Carolina. Sadly, no cancels on the battleship revenues are specifically identified with this company. One source claims that while Richardson's wholesale business was quite successful, his shareholders were "more interested in dividends than using funds to promote his products," so in 1905, Richardson sold that business as well, and with \$8000 created his own manufacturing company, the Vick Family Remedy Co.

1921 Vick Chemical Co. Ad

During the first five years while Richardson was launching his new company, he maintained a Pepsi-Cola distributorship in the front half of his factory building. By 1907, he was secure enough to bring his son, H. (Henry) Smith Richardson (1885-1972), into the business with him. H. Smith persuaded his father to concentrate his efforts entirely on the Salve and to drop the rest of the product line entirely. That decision proved to be a wise choice. As distribution expanded from the South to the rest of the nation, sales of the ointment soared from $25,000 in 1907 to over $600,000 in 1917, and, beginning in 1918, the demand generated by the worldwide influenza epidemic pushed sales to $3 million in 1919 as well as making Vick's a name to every household in the country. Richardson spent most of his time in these years on the road as he grew the distribution of his product. However, ironically, in 1919, while in San Francisco, he himself fell victim to the influenza epidemic and died. For the next decade, his sons, H. Smith and Lunsford Jr. (1891-1953) managed the company until it was acquired by Drug, Inc. H. Smith was President from 1919 to 1929, and Chairman of the Board until 1938. Lunsford Jr. became President in 1929, acted as such through the period of its association with Drug, Inc., and continued until 1938, when he succeeded his brother as Chairman of the Board, a position he held until his death in 1953. Members of the family remained intimately connected with the company until it was sold to Proctor & Gamble in 1985. Vicks VapoRub, and the several other products the company was known for remain popular and readily available today. Having grown up in extreme poverty, Lunsford Richardson also became known as a public benefactor and contributor to charity, a tradition his family continued in the ensuing generations.

<u>Life Saver Co.</u>

1920 Life Saver Ad

While not a pharmaceutical company, the Life Saver Co. was a key acquisition for the Drug, Inc. behemoth. In an age when domination of the pharmaceutical world was not so far-fetched and expansion of retail outlets pointed the way forward in the developing industry of home products, candy was - as it still is today - a significant drug store item. No matter what else one comes into a drug store to purchase, candy - always prominently displayed at the front of the store and near the cash register - is a last minute temptation and impulse-buy to add as one leaves the store. Louis Liggett featured candy among the Rexall products he manufactured for his constellation of stores and undoubtedly welcomed the addition of Life Savers to Drug, Inc.'s product line. In fact, in the grand order of events, Drug, Inc. actually acquired this company at the end of 1928, a year before adding either of the pharmaceutical companies.

Clarence Crane Youthful Portrait

Life savers were invented by Clarence A Crane (1875-1931) who owned the Queen Victoria Chocolate Co. of Cleveland, OH. Born in Garrettsville in eastern Ohio, Crane, whose father was a successful local merchant, began his career by working in his father's maple syrup business. He then open his own maple syrup manufacturing plant, made a success of it, becoming the world's largest producer of maple syrup according to one source, sold it and then ventured into the chocolate business in 1912. To enhance his sales by replacing chocolate candy during the hot months of the year when it melts, he experimented with a wafer made of hard sugar mint flavored candy with a central hole that he punched with a pill making machine. Because of that hole, which reminded him of a life preserver, he called the candy Crane's Peppermint Life Savers. Sold as a breath mint, it did poorly because the rolls of wafers quickly lost both their flavor and their taste.

Clarence Crane 1927

In 1913, an advertising agent from New York City named Edward J. Noble (1882-1958) pitched a campaign for Life Savers to Crane. Crane did not buy the campaign, but instead sold the rights to Life Savers to Noble for $2900. Crane went on to successfully manufacture other kinds of chocolate candy, but passed out of the Life Saver story at this point. He is otherwise notable for an oblique literary connection that resembles Richardson's, because he was the father of the short-lived poet Hart Crane (1899-1932), whose poetry - which offered an alternative to T. S. Eliot's rigorously pessimistic view of the future - is credited by other mid-Twentieth Century American poets as being among the most influential on their own writing. Like O. Henry before him, Hart Crane seems to have turned to writing to avoid being sucked into his family's business.

Edward J. Noble 1920c

Noble was born in 1882 in Gouvernour, NY, a small town in the northern portion of New York State not far from the St. Lawrence River, but he was no rube, graduated from Yale in 1905, and went into the advertising business in New York City. Not unlike George Rowell - previously profiled in these pages - Noble felt the best way to profit from his superior advertising skills was to find his own product to manufacture and champion. When the opportunity to purchase Life Savers arose, he telegraphed his colleague, J. [James] Roy Allen (1884-1967) to scrape up as much money as he could and join him in Cleveland. Allen had been born in Canada, had graduated from Syracuse in 1904, and also had entered the advertising business. Noble and Allen initially called their new company, the Mint Products Co.

J. Roy Allen 1920c

Looking back on 1913 from the vantage of 1920, when Life Savers was now by their own description a $5 million a year business, Noble and Allen were happy to recount to an advertising trade journal how they had resuscitated Life Savers on a shoe-string budget of $900, the remainder of the $3800 they had scraped together in 1913. They claimed they didn't have enough money to rent space, so they arranged with a landlord to move each month to any empty space he had available as he rented the one they were occupying. They didn't have enough money to change the supplier of the sugar wafers so for the first year they continued to buy the product directly from Crane. However, they did have the formula for the peppermint wafers checked and found that it was sound. The question then became one of determining why the wafers lost their aroma and their flavor so quickly. Noble and Allen soon discovered that it was due to the manner in which the wafers were packaged. The wafers were being placed in a cardboard tube that was glued into its round shape. The cardboard served to absorb the peppermint aroma and the glue imparted its own unpleasant taste to the wafers. They immediately substituted tin foil for the cardboard, which also solved complaints that Crane's packaging was so hard to open that some of the wafers were inevitably lost in the process, reducing the value of the product purchased. They jazzed up the name of the product from Crane's Peppermint Life Savers to Pep-O-Mint Life Savers, with the large O in the shape of the wafer. They changed the carton to a longer, narrower style that took up less counter space and could be bent into a display tray.

Trolley Car Ad 1916c

Since they had no money to underwrite an advertising campaign, Noble and Allen then sought to make a market for their rejuvenated product. To keep expenses down they focused on developing sales within New York City. They still envisioned their product to be a breath mint, but instead of approaching the candy jobbers - whose unsold stock of Crane's product the jobbers had previously written off as a complete loss - to act as wholesale agents for them, they focused on displaying their wares in all kinds of different retail outlets where a breath mint might be handy to purchase. They employed a rapidly changing sales force to canvas these small retailers one at a time, and searched for novel markets like saloons, figuring that men might wish to use their mints to disguise the beer or alcohol they consumed on the way home from the office. The trade journal claimed they ultimately unearthed seventeen different classifications of business, among them "[r]estaurants, dance-halls, bowling-alleys, news-stands, cigar stores, shoe-shine parlors and steamboats." In all these places mints were easy to display and prominent because they were novel. Once they were displayed, they seemed to sell and the New York City market was secured.

A DOUBLE-PAGE SPREAD IN COLORS

1916 Reproduction in Trade Magazine of First National Color Ad

Allen then branched out to other cities and found that at first he had to develop his own jobbers, often from among loyal retailers who had previously sold Crane's mints, until the pressure of growing sales forced the more traditional jobbers, who had previously shunned their product, to again stock it and offer it to traditional candy stores. Within three years, they were able to offer mints in six varieties and run a full page color advertisement in a national weekly. The same advertising trade magazine had recounted at that time that they had begun by concentrating on the mint aspect of the candy, but found that their growing success in creating a market for mints made competitors ready to copy them more cheaply. They then had to shift emphasis and begin to lean more heavily into both the Life Savers part of the name and the candy's special shape to differentiate them from other kinds of mints, even briefly arming their own salesmen with a cheaper line of mints inferior to Lifesavers to sell at whatever price necessary to retailers who refused to pay extra for Lifesavers. As the advertising trade magazine wrote: "It is not the company's aim to use this secondary brand as a compromise selling proposition ... Its real purpose is to demonstrate to a balky trade that, put a cheap brand side-by-side with Life-Savers, and the latter will draw the public's nickel almost every time." Their key to success, according to the 1920 advertising trade article, was that they insisted on making some profit, no matter how small, on every transaction. In 1920, they claimed they had one retailer for every 125 mouths in the United States. They were operating a Canadian plant at Prescott, Ontario and were just completing a million dollar factory in Port Chester, NY, apparently designed by Noble's brother Robert P. Noble (1881-1973). That building, permanently denominated the "Life Savers Building" still stands, although Life Savers ceased operations there in 1984 and it has been since converted into condominiums.

Mint Products Co. Building 1920c

The 1926 Poor's Industrial Manual listed Life Savers, Inc. as having been incorporated in December, 1925 (although the name was changed from Mint Products Co. in 1924), directly controlling sales in the United States, Canada and England, and reporting sales of nearly $3.5 million (belying Noble and Allen's $5 million boast in

1920). Even by that time, there had been changes that presaged Life Savers future merger into Drug, Inc. Allen was gone from direct involvement with the company, although he retained his shares in the company until 1929 when he sold them to Edward Noble, and the board of directors of Life Savers, Inc. consisted of Edward Noble, his brother Robert and a name already familiar in these annals, Sterling's A. H. Diebold. Additionally, in July, 1928, the New York Times reported the sale by the Nobles of 50,000 shares of Life Saver stock to United Cigar Stores in order to "secure a closer cooperation between the two companies and to maintain a wider distribution of Life Savers throughout the 3,500 United Cigar Stores." Just as the United Cigar Store owners had retained their financial interest in Liggett's United Drug Co. while relinquishing management of the company to Liggett himself, this transaction signaled, like Diebold's presence on the Life Saver Board, that the same tight knit circle of owners also held a stake in Life Savers Co. as well.

Life Saver Building 1939

Noble's own career really blossomed after he had steered Life Savers in and out of the Drug, Inc. merger. In 1938, he accepted from President Franklin D. Roosevelt the post of chairman of the newly created Civil Aeronautics Authority, and then served in 1939 and 1940 as a "dollar a year" Undersecretary of Commerce, the CAA's parent executive department. Apparently briefly considering running as a Republican for a Senate seat from Connecticut, he then resigned in 1940 and supported the candidacy of Wendell Wilkie for President.

Edward J. Noble 1939

After politics did not pan out for him, as an advertising man at heart, Noble then purchased ownership of the radio station WMCA in New York City. He built upon that experience to buy for $8 million the Blue radio network in 1943 after the Federal Communications Commission, finding too much power resided in the National Broadcasting Co., required it to divest itself of either its Red or its Blue network. Noble then transformed the Blue network into the third major broadcasting network in the country, the American Broadcasting Co. ("ABC"). Ever searching for a larger media presence, in 1953, Noble merged ABC with United Paramount Theaters, Inc., the distribution wing of Paramount Pictures spun off after a 1948 Supreme Court decision declaring Paramount a monopoly in the movie industry. Noble gave up his post as president of ABC and became chairman of the finance committee of the Board of Directors of the merged company. Among other projects of the new media behemoth in the early 1950s, the merged company was an early backer, investor and shareholder in Walt Disney's Disneyland project, which opened even greater advertising horizons.

Beech-Nut Packing Co. Cancels on 1914 Proprietary Issue

Noble had also remained on the Board of Directors of the Life Saver Co. and was chairman of its Executive Committee when it merged in 1956 with Beech-Nut Packing Co. (which has no identified battleship revenue cancel, but a very distinctive 1914 proprietary revenue stamp series cancel). A man of many talents and concerns, as a native of the northern New York State, he was also appointed by President Dwight D. Eisenhower to sit on the St. Lawrence Seaway Development Commission. He died in 1958 at age 76. His brother Robert stayed closer to the Life Saver Co. throughout his career until he sold his interest in the company in the late 1950s. As with the Richardson family, both Edward and Robert Noble were charitable benefactors of a number of foundations and projects that have carried down through the ensuing generations.

Cancels On U. S. Revenues by Lifesaver Co.'s later Partners

E. S. Squibb & Sons

Squibb Cancels On Battleship Proprietary Revenue

Squibb Cancel On 1914 Proprietary Revenue

Squibb Cancels On U.S. Narcotics Tax Stamps Which Replaced Proprietary Issues

William Wrigley Jr. Co.

Wrigley Cancels On 1914 Proprietary Issues Including Perf-In "WWCo 2 16"

Life Savers have transcended C. A. Crane and the Nobles and remain a popular and readily available candy choice. Now known less as a maker of mints, the company introduced the first of its iconic fruit flavors in 1921 and the traditional five flavor fruit pack in 1935. Today the brand is owned by Mars, Inc. and manufactured by its subsidiary Mars Wrigley division. As it progressed from the hands of its founders, the

Life Saver Co. itself bears the distinction of being a non-pharmaceutical company associated at different times with a variety of different companies that did cancel proprietary revenue stamps but also progressed and grew. After its merger with Beech-Nut Packing Co in 1956, it was next sold as part of Beech-Nut to the E. R. Squibb Corp. (a pharmaceutical company and a canceller of both the 1898 and 1914 proprietary revenue issues) in 1968, and then to the National Biscuit Co. (Nabisco) in 1981which operated it as part of its PlantersLifeSavers division, together with Planters peanuts and several gum brands. Kraft Foods purchased Nabisco in 2000, and after separately purchasing the Canadian rights to Life Savers, turned around and sold Life Savers to the William Wrigley Jr. Co. (like Beech-Nut, a canceller of 1914 proprietary revenues). Mars, the candy company behind Milky Way, Snickers and Three Musketeers, acquired Wrigley in 2008.

Current On-Line Illustration for Life Savers

<u>United Drug Co.'s Acquisitions</u>

1932 Rexall Candy Ad - Available through Rexall Drug, Liggett, Owl & Rexall Stores
All Part of United Drug Co.

Liggett's complex of companies actually acquired four companies while operating under the banner of Drug, Inc.: 1) B & D Drug Stores; 2) May Drug Co.; 3) Wolff-Wilson Drug Co.; and 4) Owl Drug Co. Two of the purchases were minuscule and insignificant. B & D Drug Stores was a Chicago outfit that was so tiny it has left virtually no imprint beyond its name on the current internet historical records. Wolff-Wilson Drug Co. was a chain of eight stores in St. Louis founded in 1884 by Edward H. Wolff (1860-1948) and George W. Wilson (1860-1944) that had been a charter member of United Drug Co. in 1904, and was purchased by Liggett in accordance with his longstanding policy of keeping Rexall affiliates within the Rexall empire when the owners wanted to leave the pharmaceutical industry. The history of the other two purchases requires somewhat more discussion.

<u>May Drug Co.</u>

May Drug Co cancels on Battleship Revenues

The purchase of May Drug Co. of Pittsburgh, PA late in 1928 was also in keeping with Liggett's policy of buying out his Rexall agencies when the owners wished to leave the business. At that time, the owners of the May Drug Co. were the heirs of the founder, Barney May (1848-1921), whose oldest son, Herbert L. May (1877-1966), was just stepping down as chairman of the board of the company.

Barney May 1917

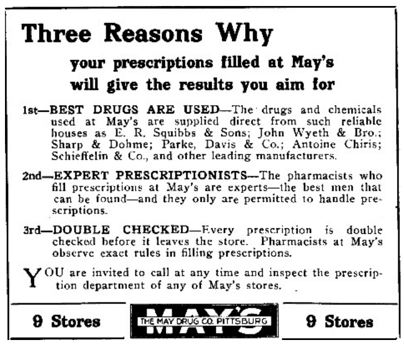
By the end of 1928, the May Drug Co. was a chain of 18 retail drug stores in Pittsburgh, PA. In the first third of the Twentieth Century, there were remarkably few chains aside from Liggett's own that were anywhere near its size and even in 1928, May still held a place on the list of the largest chains in the country. May had been another of Liggett's initial forty investors. Perhaps, even more significantly, on the occasion of its hosting the 12th annual convention of the Pennsylvania state Rexall Club in 1915, it was designated by a pharmaceutical trade journal as being the third largest stockholder in United Drug Co. Liggett would not have wanted those shares to wander far from his supervision.

May and Wife 1875c

As with all companies and families, the odd and intriguing details about the May Drug Co. and more specifically about the Mays, come with scratching the surface a little. Barney May, the founder of the company, had a long and interesting history before he became a drug store owner. Born in 1848 in Ebelsbach, near the Main river in southeastern Germany, at age 14 he followed his older siblings who had emigrated to Canada. After working as a peddler in Canada, and prospecting for gold in British Columbia for two years, he returned to the East Coast of the United States where some members of his family had settled and operated at different times millinery and dry goods shops in New York City and various towns in Pennsylvania, eventually opening a dry goods establishment in Pittsburgh in 1888. His luck with that store was bad and he went bankrupt during the Panic of 1893.

First May Drug Store

In 1894, however, at age 46, after a friend described to him the money to be made selling patent medicines, he bounced back and opened his first drug store with a small loan. Like Richardson, he established his business on a cash only basis, while at the same time offering no hassle, cash back returns. As with Richardson, that policy was a big hit, and May was able to free himself of debt quickly. With a number of sons coming of age, he was soon able to open several branch stores. In addition, the May chain attracted business by operating as “price cutters” - selling familiar brands of patent medicine at discounted prices - infuriating the patent medicine manufacturers who were trying to impose uniform retail price policies.



1914 Trade Magazine Ad

The “cutters” were aided by a changing public attitude toward the patent medicine manufacturers. In 1906, May was sued in a Pittsburgh court by the Miles Medical Co. of Elkhardt, IN, a major manufacturer who had developed a strict plan to control the re-sale price charged by retailers by setting that re-sale price as one of the terms of the contract of sale to the wholesaler or retailer and then coding every bottle of medicine that left its plant so that price cutting could be identified and enjoined. The company brought to court such coded bottles purchased at discounted prices from the May drug stores as certain proof that May had conspired with a specific Ohio wholesaler to have that jobber order from the manufacturer and then re-label the crates when they arrived for re-shipment to May. Nevertheless, the court declined to find that May had tortuously interfered with the Miles contract, because the labels on the Miles medicine claimed absolute cures for diseases that the court found obviously and patently false. Ruling that Miles had “unclean hands,” the court declined to use its injunction power to aid Miles in perpetrating such public deception. With such help, the “cutters” were able to survive, and even thrive, against the manufacturers’ price control policies until anti-trust rulings made them illegal.

May's Birthplace Ebelsbach, Germany 1910c

The May family story concludes with a few personal notes. By the early 1900s, the May Drug Co. was well enough established for May to relax and begin to take European holidays, and, on one such trip, he returned to Ebelsbach only to find that his birth house was occupied by strangers and that virtually no one remembered him or his family at all. Considering that May was Jewish, perhaps that reaction to his return was not so strange, but the incident is known now only because on the occasion of his 75th birthday in 1917, his large family - by then somewhat wealthy and locally powerful - commissioned his biography to be written and printed, both as a tribute to him, and, given as an equally important reason, as a record of one individual's immigration story.

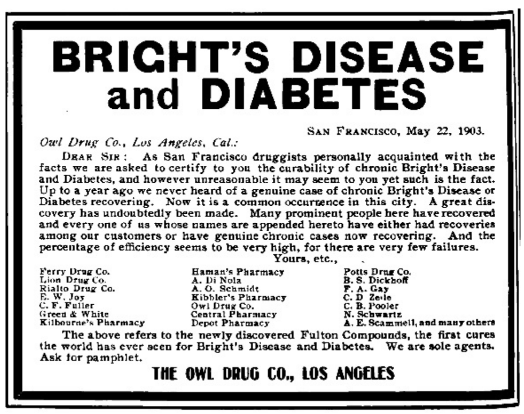
HERBERT L. MAY

One other interesting personal note about the Mays. Barney's son, Herbert L. May, who was an attorney, joined the League of Nations in Geneva, Switzerland in 1929, the year after stepping down as chairman of the board of May Drug Co. Although not an official government representative of the United States, which never joined the League, he served as a liaison between the League and the U.S. government in the field of developing worldwide policies for regulating dangerous drugs under earlier, separate international conventions concerning these drugs, like opium, which were administered by the League. He continued to work in that area until his retirement in 1962, at age 85 from the United Nations which had superceded the League.

Owl Drug Co.

Battleship Revenue Cancel Varieties

Owl Drug Co. shared many common traits with Richardson's and May's drug stores, and some with Liggett's own United Drug Co. Founded with an initial investment of $20,000 in 1892 by R. [Richard] E. [Elgin] Miller (1860-1934) as a single store in San Francisco, by 1904 it had grown into a business located in at least three cities generating over a million dollar, and by 1912 it was operating 18 stores in seven cities on the West Coast, stretching from Los Angeles to Seattle and about to open in San Diego. Like the Richardson and May drug stores, it did business on a strict cash only basis, with a strong customer service orientation, meaning that it offered a "no questions asked" return policy. Moreover, just as Liggett had done with United Drug Co., in the "modern" fashion of drug store management, not only had it built its business beyond just filling prescriptions and keeping patent medicines on its shelves, stocking toiletries, make-up, perfume, novelties, stationary, seasonal merchandise and any other items it thought useful to its customers, but it also had purchased facilities to manufacture its own goods to stock its stores. To pull these customers through the doors, it also operated as a "cut-rate" drug store chain, but by building its own manufacturing centers and touting its own brand of various types of goods, it lessened its dependence on sales of such traditional remedies, and by doing so, could sustain a long, bitter, multifaceted fight against the old line patent medicine manufacturers and their adherents.



1903 Owl Drug Co Ad

In 1904, one of the trade journals carried a harrowing multi-page account of such a trade war then being conducted between the Owl Drug Co. and the other retail druggists of San Francisco, CA. According to the article - possibly with the connivance or at the behest of Miller - in early 1903, a newspaper in San Francisco published an article that a group of drug store owners had met to discuss forming a local trade organization both to insure price uniformity and to buy in bulk to cut individual costs (what Miller himself had done as he was building Owl and what Louis Liggett was doing on the other side of the country), but also mentioning that they were confident that they could obtain the cooperation of the "cut-rate" outlet in town [meaning the Owl store] to assure the success of this plan. Miller reacted immediately. The next week, *every* newspaper in San Francisco carried a half page ad by Owl reproducing the article and denouncing the retailers as a "drug trust" intending to "pinch the poor" as well as announcing huge discounts on a long list of patent medicines that were sold normally at the various manufacturers' controlled retail prices. The Owl store was mobbed for the entire following week, and again the next week when it ran another similar ad.

No-Percentage Drug Co Battleship Revenue Cancels

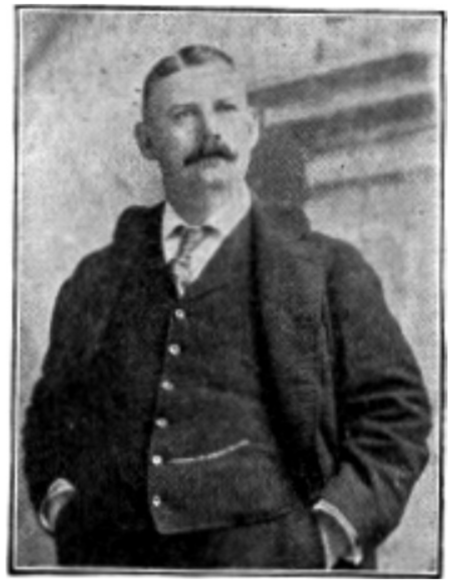
By the third week, the No-Percentage Drug Co. (which also cancelled battleship revenues) located across the street from the Owl store felt that it had to deny being part of any "drug trust" and to prove it, lowered its prices for patent medicines below those of the Owl. The Owl answered the next day with an ad cutting its prices still further. As crowds mobbed both stores, in the course of a single day the price of Hartman's Peruna (a most popular medicine of that particular day often mentioned in these columns in various contexts), normally retailing at $1 per bottle, opened at 55 cents at Owl, and by successive reductions ricocheting back and forth between the stores, wound up by the end of the day being given away at Owl for free with the purchase of a dollar's worth of other merchandise. To heighten the effect and to not disturb the rest of its trade, the Owl restricted sales of patent medicines to a single counter. According to the account, the line of customers stretched down the block outside the store. As it was dispensed, each bottle was carefully placed in an Owl wrapper. The article noted "for weeks afterwards ... druggists were selling Peruna for 85 cents with the Owl's name and its selling price stamped all over the wrapper - what better advertising could any other store want than this? Peruna went back to 40 cents, then 50 cents and finally remained at 55 cents for months." However, the stampede at the Owl store only concluded the first round of the fight.

Early Owl Drug Co Bottles

In the next phase of the dispute, the other retailers acting together persuaded the union of drug clerks to pull all its members from the Owl store without prior warning because it was not unionized. This strike was intended to cause a major disruption, for no less an authority than the muckraking journalist Ray Stannard Baker (1870-1946) also commenting in passing on Owl's situation wrote in November, 1903 that San Francisco was a town so completely controlled by its unions that it resembled no other city. The trade journal article, however, claimed that while Owl had allowed its clerks to join the union, it had neither made joining compulsory nor prohibited it. Thus, the article continued, while the strike caused some temporary confusion, the situation was soon remedied by replacing those clerks who had struck with non-union workers. Even after the union posted loudly protesting pickets, the article assured, Owl simply took a full page ad in all the city newspapers offering such buys that the rush to the store was so great that it literally had to turn customers away.

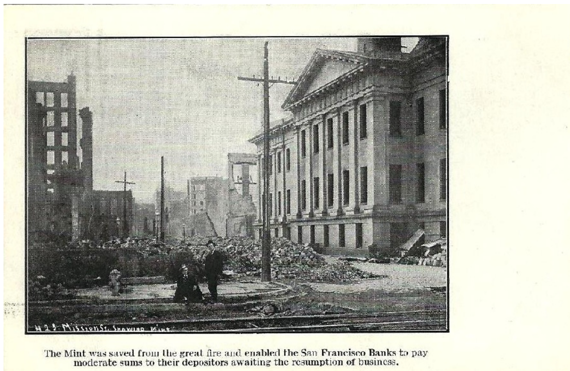
Other Early Owl Drug Co. Products

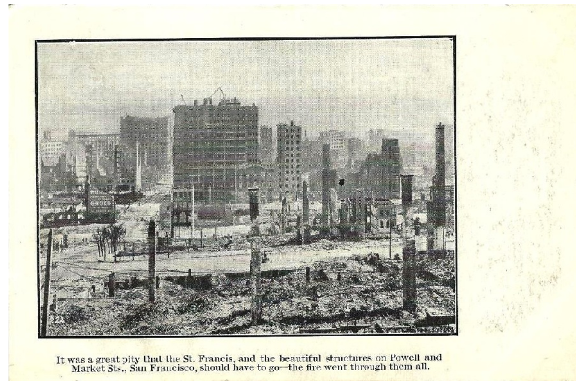
When the San Francisco retailers next moved against the Owl by forcing the local wholesalers not to sell to it, not only had it already shown the foresight to stockpile $200,000 worth of goods, but it was able to continue to buy from wholesalers in other cities, so the boycott failed as had the strike to bring the Owl to heel. The retailers' association and union then tried to open the fight out from the San Francisco area by enlisting the aid of the Typographers' Union, which set the type for the newspapers, to stop the Owl from advertising its Los Angeles stores in the non-union Los Angeles Times, an organization then itself engaged in a long and bitter struggle with that union. This tactic too failed. Then the retailers attempted to close off the San Francisco newspapers to the Owl's advertising, by allying with the oft mentioned and powerful Miles Medicine Co. which was in the process of signing contracts with all the San Francisco newspapers requiring them not to accept any advertising from "cutters," if they accepted Miles advertising. The article stated that this plan did temporarily cause a slight hiccup in the Owl advertising, but ultimately failed since at least one newspaper declined the Miles deal. That newspaper continued to run Owl ads and helped the Owl create circulars criticizing the retailers' association, unions and newspapers for colluding against them, a move that only created more interest in the Owl, according to the article. Yet because the Owl ads were so important not only to the Owl for the purpose of generating customer interest, but also to the newspapers as its life blood of advertising revenue, even the trade journal conceded that an accommodation was worked out with the most important San Francisco newspapers to allow some advertising to continue.

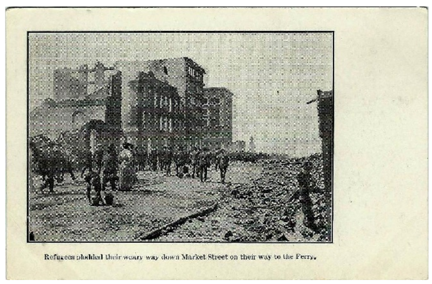


R. E. Miller - 1904

Finally, as the trade journal article was being prepared for publication, and Miller was seeking to expand the size of his San Francisco store because of all the extra business he had generated during the course of his fight with the purported "drug trust," the San Francisco carpenter's union, acting in sympathy with the drug clerks and the typographers, walked off the Owl store expansion site after ripping the front of the store off, leaving the store open and exposed during a vicious rain storm. The article drew to a close with a dramatic confrontation between the business agent of carpenters' union and Miller in which Miller was quoted in substance as saying: "If you think I will surrender because my store is being damaged by the rain storm, think again because I will have a non-union crew of carpenters on the job tomorrow to finish the job. The business this fight with the "drug trust" has generated outweighs any damage the unions can do to me." The union then vowed that the store would never be completed until it unionized and further that it would never unionize while it advertised in the non-union Los Angeles Times. The trade journal opined: "The indomitable will of the Owl manager has overcome all obstacles and difficulties, and it is a safe wager that the Owl will soon have its store completed, and when it does it will have the finest store in the West." The article concluded with the sly observation that with the unions set so obdurately against the Owl, there was less call for "cut-rate" patent medicines usually bought by the working classes, and that an altogether better and more genteel class of customers was enjoying the benefits of the Owl's low prices and superb service while spending more money in the process.







From Owl Drug Series of San Francisco Earthquake Destruction Postcards

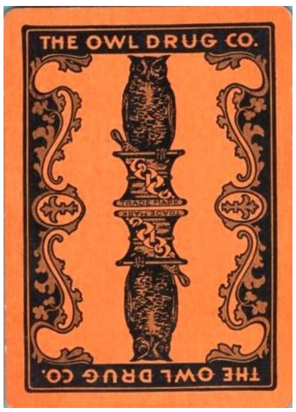
Both Owl Drug Co. and San Francisco survived the tumultuous price war and strike that raged from 1903 into 1904, and the Owl chain thrived and grew. Miller, who was born in Ontario, Canada, had settled in California in 1878. His distinctive flare showed in the immediately recognizable Owl logo he chose for his drug store chain and in his insistence that all of the Owl stores be painted a bright orange. He showed an interest in expanding the traditional range of products carried by drug stores very early both by prominently displaying toiletries, perfume, soap and face powder at the opening of his new store in Oakland. CA in 1896 and in the same time period making the acquisition of a factory in San Francisco to produce such non-traditional goods. Two superb articles on a website called Collecting Vintage Compacts detail the elaborate efforts Miller made to create a whole line of women's beauty products, including face powder, perfume and lipstick and illustrate the colorful product designs and advertising he authorized to make them alluring, including employing the silent movie beauty Colleen Moore (1899-1988) as his model. By 1915, Owl had created a separate cosmetic company with offices in New York City and named it Remiller Co after its founder. In 1921, Miller stepped up to being chairman of the board of Owl, and handed the presidency of Owl over to his right hand man Carl Henry (1874-1933), but remained as president of Remiller Co. until it was sold to Owl. Miller was still at his desk at his own private investment company a week before his death in 1934, having just celebrated his 50th wedding anniversary.

Owl Drug Co. Cancels on 1914 Proprietary Revenue Issue

Miller's successor at Owl, Henry, was a self-made millionaire, born in Costa Rica, who had started as a newsboy in San Francisco's financial district and become agent for several fire insurance companies as well as vice-president of Owl. He lived in the most exclusive neighborhood in San Francisco on Russian Hill and dreamed of dedicating his extensive grounds as a city park before dying destitute in 1933. By 1923, he had expanded the Owl chain to 47 stores. In 1924, Owl bought another chain called the Sun Drug Co., whose president was Isidor Eisner (1879-1947), a Polish Jewish immigrant to Los Angeles who had begun as a tailor and then successfully branched into other businesses (as had this author's own great-grandfather). With the addition of Sun Drug Co., the Owl stores numbered 82 and stretched from California to Chicago, IL and from the Canadian border to Southern California. At the time Liggett purchased it in 1930, it numbered 106 stores.

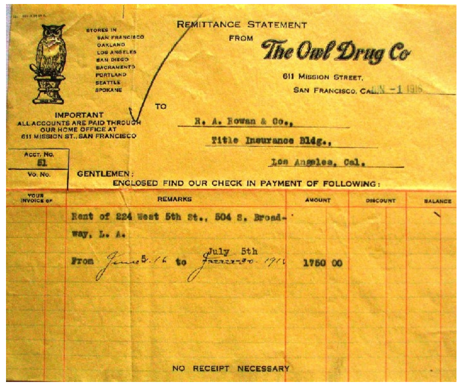
Owl Drug Co. Cancels on 1919 Proprietary Revenue Issue

For the first twenty years of their coexistence, Liggett respected the Owl chain and treated the Pacific Coast mainly as its territory, although he did testify in 1916 at the Brandeis hearing that United Drug owned a block of Owl stock, but claimed that the purchase was made to aid the Owl chain to rebuild itself after the great San Francisco earthquake of 1906. During that period, although authorizing some Rexall agents and allowing Owl stores to sell Rexall products as Rexall agents, United Drug did not open stores in direct competition with Owl. There was even an attempt by United Drug to formalize an agreement with Owl to trade a percentage of the revenue generated by its products for Owl's advertising of its products. However, by 1925, mutual tolerance and cooperation dissolved, after Henry rebuffed Liggett's efforts to buy the Owl chain, and Liggett, perhaps sensing that Owl was inexorably expanding east to meet him, announced that its chain store division, the Liggett Co., would begin to open stores within Owl's territory in competition with the Owl stores. Henry responded that Owl would similarly open locations east of Chicago in competition with United Drug stores, and confirmed that Owl had stopped buying any Rexall products for its stores. He denied that United Drug had made any offer to buy Owl, claiming that Owl was not for sale. Thereafter, the competition began, and within a few years Owl capitulated to Liggett's offer to buy.



The Owl Trademark Reflected on Playing Cards and Postcards

According to the Vintage Compact website, the 1928 merger between United Drug and Owl was disastrous for Owl. It states that United Drug's takeover was "completely ruthless," and that it had Owl's toiletries manufacturing factory in San Francisco "physically destroyed" completely removing Owl's established and trusted brands of cosmetics and perfumes from the trade and replacing them with Rexall's own brands. While that website does not go so far as to claim that the change in product lines led to Owl's bankruptcy, it does note that the original owners sued United Drug claiming it had mismanaged the Owl chain, a lawsuit that Drug, Inc. tried to settle before Owl tipped into bankruptcy.



Owl Drug Co. Invoice 1916

Owl Drug Co. did file for bankruptcy on October 10, 1932. Probably the generally bad retail conditions required the filing rather than the specific removal of Owl's own brands, but that factor may have played a role in the bankruptcy. The inner workings of its bankruptcy proceedings were examined extensively in hearings held by two separate U.S. Senate committees, neither of which was investigating it *per se*. While the transcripts of these hearings don't support the conclusion that Vintage Compact website drew of Drug, Inc.'s deliberate mismanagement of Owl, they left no doubt that the bankruptcy itself was fraudulent and designed only to benefit the shareholders of Drug, Inc.

Owl Drug Co. Cover 1923

The first Senate committee, noting the great rise in bankruptcies since 1929, held hearings between June and November, 1933 to examine the methods used by federal district courts supervising these bankruptcies for choosing officials called receivers and trustees who actually carried out the work of administering the debtor's estate for the benefit of the creditors. It left a record illustrating the extravagant fees paid to court appointed bankruptcy officials for their work, including some of the fees paid for work ancillary to the Owl bankruptcy.

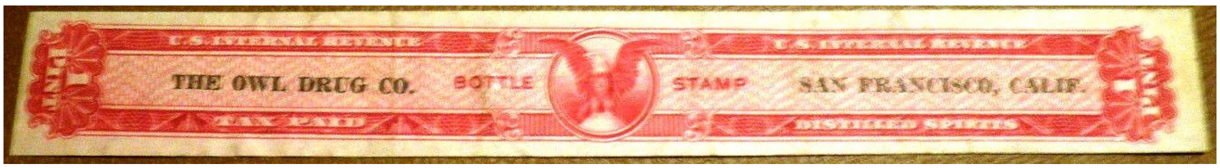
Judge Frank H. Norcross

The second hearings, held in March and May, 1934, focused specifically on the proposed nomination of Frank H. Norcross, the federal district judge for Nevada, in whose district the Owl bankruptcy was filed, to rise to the position of judge of the federal 9th Circuit, which encompasses Nevada and other Western states. The bankruptcy was filed in Nevada because the company was incorporated there, although it did not have stores in Nevada. The findings of the committee made a much bolder statement about the Owl bankruptcy. The Senate Committee's investigator in both sets of hearings finally testified under oath in the Norcross proceedings that the whole Owl bankruptcy was a sham perpetrated on the court for the benefit of the Drug, Inc. owners of Owl and was designed by means of some clever swapping of stock to strip Owl of its debt *while leaving ownership of Owl in the hands of the very same people*.

The investigator testified:

> "The Owl Drug Co. bankruptcy was the product of a conspiracy originated in San Francisco. The conspirators were [a San Francisco law firm], the officers of Drug, Inc. and the officers and agents of some of its subsidiaries in which chain United Drug Co. and Owl Drug Co were included. The intent of the conspiracy was to take a *solvent* [italics added] company through the forms of bankruptcy without interruption of its business in the meantime, discharge its burdens and, at the conclusion, leave it in the hands of its original owners. The facts demonstrate the execution of the agreement and the complete realization of its purpose.

The key finding was that the company was solvent, meaning it was not entitled to use the power of the bankruptcy court to shed debt in the form of burdensome long term leases. Of course, by the time that Senate Committee held its hearings, Drug, Inc. was entirely gone, and so, nothing ever appears to have been done to correct the inequities of the Owl bankruptcy. Only Norcross seems to have paid any price for it. Even though the investigator stated that Norcross permitted the bankruptcy to proceed with full knowledge that the scheme was fraudulent, the punishment was little more than a slap on the wrist. While the nomination to the higher court did not go forward, Norcross ended his career remaining as the federal district court judge for Nevada until 1945, and then as a senior judge until his death in 1952. There is no mention in on-line biographies of his ever having been considered for a higher post.



Later Owl Drug Co. Liquor Tax Paid Stamp 1940c

Drug, Inc. Dissolution

DRUG, INC., PLANS BIG WRITE-DOWNS

$23,662,580 of New Capital Surplus of $50,453,239 Will Cut Book Values.

LIGGETT AFFECTED MOST

…

Net income for last year was $13,-467,092 after all expenses, depreciation, interest and income taxes. This was equivalent to $3.84 a share on the 3,501,499 shares of capital stock outstanding, and compares with $19,440,456, or $5.55 a share, in the preceding year.

…

The New York Times
Published: February 23, 1933

Considering the size of Drug, Inc. and its potential to dominate the market had its plans for expansion come to fruition and the economy not soured, it is amazing that almost nothing is written about how conditions affected the thinking of its leaders or its inner workings. Its outlook for its success appears to have shifted around the middle of 1930 for, although stock was allocated for the purchase of American Home Products in June, 1930, that merger never took place. The company was forced to cut its dividend and write down the value of its assets at the beginning of 1933. Diebold wrote to the shareholders that the decline in retail trade, particularly in the Liggett Co., the chain store division of United Drug Co, necessitated these changes. There was a reshuffling of Drug, Inc.'s board in March, 1933, and then in June, 1933 the dissolution proposal emerged. Diebold's explanation in his letter to the shareholders for recommending the split was:

> "[n]ational and economic events have moved rapidly, and all stockholders will realize that there is today in process of development an entirely new and challenging set of conditions which will have far-reaching effect on business operations in many industries. ... [Y]our directors now believe that the unique character of the drug industries is such that independent units can function more effectively than under the sole ownership of a holding corporation and it is the belief that the corporate structure of Drug, Inc. should be altered to operate more effectively under the varying conditions of these changing times."

CHANGES IN DRUG, INC.

Four Vacancies on Board Are Filled—Capital Reduced.

George C. Haigh, vice president of the Bank of Manhattan Trust Company; Eugene W. Stetson, vice president of the Guaranty Trust Company, and Charles S. Munson, president of the United States Industrial Alcohol Company, all of New York, and Colonel J. Sumner Jones of Wheeling W. Va., were elected yesterday directors of Drug, Inc., to succeed H. F. Behrens, H. G. Ramsay, H. G. Stifel and W. C. Watt, who resigned.

At a special meeting following the annual meeting of stockholders at which the directors were elected, a plan to reduce the capital of the corporation from $85,468,228 to $35,014,990 by changing its shares from no-par value to $10 par value was approved. Of the resultant capital surplus, $23,662,579 will be utilized to adjust book values of certain subsidiary property accounts.

The New York Times
Published: March 15, 1933

Liggett's biographer, Merwin, avoids virtually any discussion concerning Drug, Inc., mentioning only that the initial proposal for the merger came from Sterling and that Liggett went into the arrangement as chairman of the board of Drug, Inc. While Merwin does mention in passing that the other members of Drug, Inc. put pressure on Liggett to sell the one asset that Liggett had that was still profitable, the Boots chain of drug stores in England, in order to continue Drug, Inc.'s positive cash flow, he then turns his attention wholly to Liggett's gargantuan efforts not only to re-sell Boots to the new Lord Trent, son of the deceased Jesse Boot from whom he had purchased the company thirteen years before, but also to foil the efforts of Neville Chamberlain, then Chancellor of the Exchequer to block on behalf of the English government, the export of so large amount of currency in the middle of the Depression. Liggett's resourcefulness in surmounting these perilous obstacles serves as a fitting conclusion to Merwin's biography of Liggett. While Liggett was able to use the funds from the purchase to ultimately right the Louis K Liggett Co. after bankruptcy, the sale was apparently not enough to hold Drug, Inc. together. Merwin omits any mention of Owl Drug Co. and its bankruptcy, and perhaps the Owl Drug Co. bankruptcy was merely a nuisance to the likes of the management of Drug, Inc.

DRUG, INC., STUDIES SPLIT OF HOLDINGS

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BOSTON, Mass., June 12.—The *Boston News Bureau* says tonight that while the prospective decentralization of Drug, Inc., may be delayed some time because of legal difficulties growing out of taxes and other matters, some thought has been given to the number and identity of the blocks into which stock of Drug, Inc., numbering 3,501,499 shares, may be split.

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The New York Times
Published: June 13, 1933

The bankruptcy of the Liggett company on March 31, 1933, however, was an immediate source of pain to Drug, Inc. for the retail sales volume its drug stores produced was essential to generate the dividends that made Drug, Inc. such a profitable investment. When the chain store company, burdened by its own loss of profits because of diminished sales and outgoing cash payments required to maintain its store location leases, could no longer infuse Drug, Inc. with cash to buy Sterling's goods and did not deliver its own expected sales profits, there was no longer a reason for Drug, Inc. to exist.

DRUG, INC., GIVES SEGREGATION DATA

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A schedule of the earnings of the constituent companies of Drug, Inc., in 1932, and the equivalent earnings for each share of each independent company which will result from the proposed segregation of the properties, was issued yesterday on behalf of the company. The company also gave out separate balance sheets for five of the companies, giving effect to the allocation of assets.

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The New York Times
Published: July 21, 1933

Merwin's final word on Drug, Inc. was the lukewarm statement that it "cannot be said to have failed. ... It simply didn't work out," explaining that the Rexall culture and the Sterling culture did not form a good fit. In writing about the dissolution at the time it occurred, Time magazine likened the merger of Sterling and United Drug Co. to a marriage where the groom was United Drug Co. and the bride Sterling:

> It was evident in the beginning that the marriage between these two parties could never be complete. For Sterling would have lost much of its market if its nationally famed products had been sold only in Rexall and Liggett stores, and conversely, United Drug's manufactures could not be distributed by Sterling - they were for sale exclusively by Rexall stores. Therefore the two spouses could beget no common offspring. Yet they at once proceeded to adopt children. The adoptions were made in the joint name of Drug Inc., but were really of two kinds ...[United Drug Co.'s retail drug chains and Sterling's manufacturing purchases].

Time offered three reasons for the dissolution: 1) United Drug Co.'s loss of profitability which dragged Drug, Inc. down; 2) the lack of mutual support between the two companies requiring both United Drug Co. and Sterling to keep advertising their own products separately to fully maintain their markets, which essentially, left them competing against each other - what Merwin seems to refer to as the differing cultures of the companies; and 3) the need for the leadership of each of the many separate companies brought together under the Drug, Inc.'s loose banner to have room to maneuver as they saw fit under the stressful conditions of what turned out to be the Great Depression.

Drug, Inc., Dissolved by Its Stockholders; 5 New Corporations to Take Over Assets

WILMINGTON, Del., Aug. 7 (AP).—Dissolution of Drug, Inc., of New York City, and the segregation of its property into five new corporations, was approved today by stockholders. No stock, it was announced, was voted against the reorganization plan, which had been recommended by the directors last June.

Drug, Inc., will file later this month a certificate of dissolution and five new corporations will be created under Delaware laws. The new concerns will be organized with substantially the following names and capitalization:

Sterling Products, Inc., 1,750,700 shares of $10 par value; United Drug Corporation, 1,400,560 shares, $5 par value; Vick Chemical Corporation, 700,280, $5 par value; Bristol-Myers Corporation, 700,280, $5 par value; Life Savers Corporation, 350,140 shares, $5 par value.

Under the plan of dissolution announced on June 30 by the directors of Drug, Inc., a holder of ten shares of Drug will receive five shares of Sterling Products, Inc., four of United Drug Corporation, two of Vick Chemical Corporation, two of Bristol-Myers Corporation and one of Life Savers Corporation.

At the time of the announcement of the plan it was explained that the managements of the new corporations would include the executives now respectively conducting the existing units. It was stated also that working capital of the various units would be adequate to enable them to carry on these businesses.

The New York Times
Published: August 8, 1933

Time viewed the dissolution as a simple lessening of responsibility for Diebold and Weiss who would carry on as leaders of Sterling, and as a sadder, but wiser, learning experience for Liggett and Gales, as heads of United Drug Co. On the other hand, it concluded that the Liggett Co.'s bankruptcy eased Liggett's unprofitable burden of long term leases, so it concluded its article by saying: "[t]he happy wedding of five years ago is succeeded by a happy divorce." Liggett does seem to have recovered nicely from his brush with Drug, Inc., but Merwin had finished his book and died before Liggett took one last victory lap in 1936 by organizing a "Blue Train" publicity tour all around the country to promote the Rexall brand. He remained at the helm of the company until his retirement in 1941, and died in 1946. Most writers about Rexall regard Liggett's stewardship of the company as its golden age. Ultimately under other management, which attempted to centralize control in a way that Liggett never thought necessary or conducive to good business practice, the company lost its dominance as a retail chain, and exists now only as a few single stores that still bear its name nostalgically.

Drug, Inc., Off Stock Exchange.

The New York Stock Exchange has removed from its list the $10 par value capital stock of Drug, Inc. The capital stocks of the five companies formed by the dissolution on Aug. 7 of Drug, Inc.—the Bristol-Myers Company, the Life Savers Corporation, Sterling Products, Inc., United Drug, Inc., and Vick Chemical, Inc.—were listed by the Exchange on Aug. 30.

The New York Times
Published: September 26, 1933

Having calved American Home Products as a separate company and even eventually a competitor with respect to certain products, Sterling returned to its acquisitive ways as will be explored in subsequent chapters.