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Samuel Pandolfo and the Mail Fraud Statute

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**Samuel Pandolfo
and the
Mail Fraud Statute**

A Thesis

Presented to the
Department of History
and the

Faculty of the Graduate College
University of Nebraska

In Partial Fulfillment
of the Requirements for the Degree

Master of Arts

University of Nebraska at Omaha

by

Susan Marie Juza

December 1996

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SAMUEL PANDOLFO
AND THE
MAIL FRAUD STATUTE

Accepted for the faculty of The Graduate College,
University of Nebraska, in partial fulfillment of the
requirements for the degree Masters of Arts, University
of Nebraska at Omaha

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ABSTRACT

Talents or flaws in a man's character may go unnoticed until forced into the public's eye by unforeseen circumstances. Samuel Pandolfo, a southern-born promoter, influenced many people's lives by his charismatic personality and his business ventures. Pandolfo had a zest for life, and moved frequently through his adult career, touching many communities. His range of interests included teaching, selling insurance, building an automobile manufacturing plant, developing a health food business, and promoting a loan company. While he invested much energy and money into these ventures, they all eventually failed.

Having access to large sums of money, Pandolfo built a modern, quality automobile manufacturing plant, the Pan Motor Company, in St. Cloud, Minnesota. Carelessly utilizing the postal system to deliver the Pan Motor Co. literature, he was convicted for mail fraud. After serving his sentence, Pandolfo returned to St. Cloud to found the Pan Health Food Company, which failed as well. Although Pandolfo left St. Cloud, his influence on the city remains part of its history.

Pandolfo's business methods did not improve with time, as he was convicted a second time for mail fraud while promoting his business, the Old-Line Insurance Shares Corporation. After a second prison term, Pandolfo moved to

Alaska, where he enjoyed promoting one last business venture before his death. The gregarious Pandolfo was probably most embraced for a fun-loving personality, rather than his questionable business acumen.

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Introduction

Traveling the city streets of St. Cloud, Minnesota, a casual observer may notice the city bus with the heading "Pan Town." The significance of the name may go unnoticed, but to some, it rekindles memories about Samuel Pandolfo, who once thought St. Cloud could be the next Detroit in the automobile manufacturing world.

Pandolfo perhaps is one of the most flamboyant people in the city's history. Arriving in the bustling town in 1917, he helped put the town on the map by creating the Pan Motor Company, and the residential area, Pan Town. When Pandolfo was charged with mail fraud in 1919, St. Cloud briefly came to the country's attention as witnesses from all over the United States took part in the federal trial in Chicago. The guilty verdict has caused controversy ever since.

Several contemporary journalists told the Pandolfo story in a few columns; however, one source of information remained untouched: the Chicago trial transcripts. Moreover, few people realized that Pandolfo was convicted a second time for mail fraud in 1941. Transcripts from his 1941 trial in Santa Fe, New Mexico, also had not been explored.

As a child, I rode the bus to Pan Town, not realizing the significance of the name. As an adult, it became

important to increase my knowledge of Pandolfo. He appears to be a man of many facets, and described in many ways: genius; crook; successful promoter; swindler. To learn about this man, I used the St. Cloud Daily Times, and numerous other newspapers, as well as court records from the 1919 Chicago trial and the 1941 Santa Fe trial.

The original Chicago court case and the appellate case are combined in a five-volume collection located at the Great Lakes Region Archive Branch in Chicago as 7th circuit Courts of Appeals, case 2787 in record group 276. Although the set is recorded in this manner, as endnotes I divide the two cases, U.S. v. Pandolfo, case 6650, and Pandolfo v. U.S., case 2787. The "brief" from the appellate records has been used for two theses: Arthur Borak's "The Financial History of the Pan Motor Company," (1925), and Clark E. Hunting's "Pan Town on the Mississippi: A Study of St. Cloud and the Pan Automobile Company," (1962). The appellate records from Pandolfo's second conviction are at the Rocky Mountain Region Archive Branch in Denver, Colorado. This case, Pandolfo v. U.S., was used to discuss his life after St. Cloud.

I have tried to explore Pandolfo's life thoroughly and provide the reader with information about the mail fraud statute. This thesis may not resolve the controversy over

Samuel C. Pandolfo's convictions, but hopefully it will enable readers to appreciate his contributions and shortcomings.

This thesis is only possible because of the many people who assisted me in my research and writing. I express my greatest appreciation to the library staffs at the Blair Public Library in Blair, Nebraska; the C. A. Dana-Life Library at Dana College, Blair, Nebraska; the Klutznick Law Library at Creighton University, Omaha, Nebraska; the National Archives branches in Chicago and Denver; the research staff at the Stearns County Heritage Center in St. Cloud, Minnesota; and the University of Nebraska at Omaha reference and interlibrary loan departments. I am most grateful for the grant awarded to me from the University Committee on Research. A special thanks is also extended to Stearns County, Minnesota residents, and the Pandolfo descendants who graciously consented to interviews. I am deeply indebted to Dr. Harl Dalstrom, Dr. Oliver Pollak, and Dr. Jerold Simmons of the University of Nebraska at Omaha History Department, and to Dr. Kent Kirwan of the Political Science Department, who directed my research and patiently edited my paper. Finally, my deepest gratitude is extended to my husband and members of my family, who continuously supported my work.

Chapter I

The Early Years of Samuel C. Pandolfo

On the outskirts of the small village of Macon, Mississippi, Samuel Connors Pandolfo was born on November 22, 1874. His father, Antonin, was born in Italy, in about 1815. He fled Italy around 1832 to evade the priesthood, and traveled to Natchez, Mississippi, to live with an uncle. Antonin later moved to New Orleans, where he operated a freight and passenger boat service. After serving as a private in the Confederate Army, Antonin married Kate Eliza Miller on January 27, 1874, in Meridian, Mississippi. Kate, an orphan of Dutch descent, had previously lived with her oldest brother, Pole Miller.¹

Antonin and Kate moved to Macon in Noxubee County, living there until August, 1880. They had at least two children, Sarah and Samuel, and after 1880, the Pandolfo family moved to a farm on the outskirts of Starkville, Mississippi. Samuel recalled that in addition to raising cotton, the primary crop, the Pandolfos raised sugar and coffee. As a young man he worked hard splitting fences and plowing fields. In 1891, Samuel's family moved to Bessemer, Alabama, where they again farmed.²

In 1892, Samuel entered Southern University, a Methodist college in Greensboro, Alabama. Upon graduation,

he launched a teaching career, holding positions as a teacher, principal, or superintendent in Alabama, Texas, and New Mexico Territory. Frequent moves became a part of his lifestyle for the remainder of his life.³

A career change occurred in 1901, when Pandolfo accepted a contract with the New York Life Insurance Company to sell insurance. After three months, he claimed he had made more money selling insurance than in three years of teaching school. The liaison with New York Life Insurance proved to be brief. By 1902, Pandolfo was in Tucumcari, New Mexico, working as a temporary bookkeeper for the M. B. Goldenberg Company, selling a general line of insurance on the side. After the establishment of his insurance business, Pandolfo resigned from M. B. Goldenberg Company, and focussed on selling insurance.⁴

Pandolfo married Anna, a New Mexico native. They bought a small homestead near Tucumcari, and temporarily settled down. Vivian, the oldest of their children, was born in about 1907, and a son, Samuel Jr., was born two years later in Texas. Pandolfo had an older son, Egbert, most likely from a previous marriage.⁵

Having diversified, Pandolfo would later claim that he owned the first water works in Tucumcari, and had built a number of fine homes in town. He possessed a proficiency for salesmanship, and became New Mexico's general agent for

Missouri Life Insurance of St. Louis. While in the Tucumcari insurance office, Pandolfo dabbled with health and accident insurance for the Dawson Coal Mines, the Dawson Railroad Company, and the El Paso-Northeastern Railroad Company.⁶

By 1905, the life insurance department of Missouri State Life moved to El Paso, Texas, and for a short time, Pandolfo maintained the company's offices in El Paso and Tucumcari. After Pandolfo's promotion to field superintendent in 1907, his new region included all of the territory northwest of the Mississippi. Pandolfo returned from traveling the Northwest in December, 1910, and moved to El Paso. By 1911, he had relinquished his position when Missouri State Life officials sold their interests to a Cincinnati firm.⁷

Pandolfo proceeded to organize the Alamo Life Insurance Company, a company that never incorporated. He managed to subscribe all of the stock for the Company, but because of a drought, clients could not pay up and Pandolfo abandoned this venture after a year and a half. Pandolfo claimed that he took a personal loss of eight thousand dollars, just to keep his record clean. His principal financial supporter at that time was J. H. Haile, the vice president of the State Bank and Trust Company in San Antonio. Haile would later testify at the Chicago trial that he believed Pandolfo had a

good reputation, and described him as an honest and fair-dealing man of integrity.⁸

In 1912, Pandolfo took a position with Cherokee Life Insurance Company, which assigned him the area of Texas, Oklahoma, New Mexico, and Arizona. In addition he worked for Independent Life of Nashville, Tennessee, in Texas, Oklahoma, and New Mexico, and the Great Republic Life of Los Angeles in these three states. He boasted that he was the only man who had "three Old-Line Life Insurance general agencies in the same office, or at the same time."⁹

The success of Samuel Pandolfo's businesses depended on the well-being of the people, which was related to cotton production. After the outbreak of World War I in 1914, his business declined, as did the welfare of the population. To compensate for the decline in business, Pandolfo organized the Pan American Investment Company. This, too, did not do well, and in March, 1916, he resigned from the insurance business. Friends urged him to file bankruptcy, but he refused. Pandolfo's indebtedness stood approximately as follows:

Security National Bank, Dallas	\$33,000.00
State National, San Antonio	17,000.00
West Texas Bank and Trust, San Antonio	6,000.00
Alamo Bank and Trust, San Antonio	6,000.00
Gross National Bank, San Antonio	1,700.00
Rio Grande Valley Bank and Trust, El Paso	1,300.00
State National Bank, El Paso	1,750.00
Great Republic Life, Los Angeles, California	33,000.00

International Life, St. Louis, Missouri . . .	26,000.00
Independent Life, Nashville, Tennessee . . .	6,000.00
Total	\$130,750.00 ¹⁰

While he "rested" in New Mexico, he redirected his career by organizing an automobile company in 1916. He dreamed of creating the ultimate car, a dream he nurtured through many years of using the auto as a primary means of transportation.¹¹

Pandolfo had purchased his first vehicle, a Rambler, made in Kenosha, Wisconsin, in 1907. This auto arrived at the Deming, New Mexico, train station in several crates where Pandolfo and his chauffeur assembled the car. Due to the lack of filling stations, the oil and gas for the automobile needed to be shipped express to Pandolfo's destination. Established roads were few; most were wagon or cow trails. Because of Pandolfo's extensive traveling, he knew what features in a vehicle could be added to make it more suitable for long distance traveling. He intended to design a car with convenient features, such as a container attached to the car to hold extra fuel or water.¹²

Pandolfo conceived the idea to build an automobile manufacturing company in 1910. He contacted the Cameron automobile firm in Beverly, Massachusetts, which claimed to produce a superior car for a reasonable price. Pandolfo traveled to Beverly, and accompanied Mr. Cameron for two

weeks, assisting him in the construction of a car which Pandolfo had designed. He believed that if the car could stand up to the difficult travels of the Southwest, he would produce the vehicle for Cameron in that region. After traveling the southwestern terrain with the vehicle, Pandolfo decided that it had not withstood the experiment and abandoned the plan of production.¹³

During the summer of 1910, Pandolfo traveled to Detroit, again searching for a company that would build him the ultimate automobile. He discussed his proposition with the manufacturers of Cadillacs and Studebakers, but neither company would accommodate his idea. However the "Abbott Detroit" people decided to undertake the project, sending a completed vehicle, which had an exclusive interior lighting system, to Pandolfo in January, 1911. Pandolfo continued to harbor the idea of an automobile company until 1916 when he began to sell stock to develop his company, the Pan Motor Company.¹⁴

The first stock subscribers lived in New Mexico. Subscribers who purchased stock in the "organizing" days of the Company signed application blanks stating on the front that the par value of the stock was five dollars, but the selling price was ten dollars. The surplus of five dollars could be used by Pandolfo, the fiscal agent, to establish the Pan Motor Co., while the second five dollars was

deposited in the Company's treasury. Pandolfo claimed that he "laid all of the cards on the table" with the people to whom he sold stock and explained to them that the surplus helped pay commissions, postage, printing, salaries, legal expenses, licenses, building model cars, and building dealerships. Agents sold stock in this manner until the Pan Motor Co. officially became organized as a Delaware corporation in January, 1917.¹⁵

During the summer of 1916, Pandolfo sold stock in and near Clovis, New Mexico. While visiting people in Clovis, he became reacquainted with H. S. Wigle, a gentleman who had sold insurance in San Antonio at the same time Pandolfo was selling insurance. The men visited, and after a while Pandolfo approached Wigle about selling stock for Pan Motor Co. Wigle agreed, and sold stock throughout the Southwest and Colorado, working his way to Chicago, by January 15, 1917.¹⁶

Pandolfo earned the support and recommendation from the president of the bank at Melrose, New Mexico, and another banker at Portales, New Mexico. At Clovis, Pandolfo claimed to have acquired the backing of the First National Bank. Gaining the patronage of the Clovis National Bank, proved to be another matter as he confronted opposition from its president, Alec Shipley.¹⁷

Shipley and Pandolfo met early in the summer of 1916,

while Pandolfo promoted the Pan Motor Co. in the area. During their first meeting, they did not discuss the motor company, but instead briefly discussed life insurance. During a second meeting at the bank office, they discussed the Pan Motor Co. Shipley understood that Pandolfo and his agents sold Pan Motor Stock for ten dollars, with a five dollar par value. During the conversation, Pandolfo described his plans to build an automobile plant "somewhere." Shipley stated that building the Pan Motor Co. appeared to be a wild dream, and recommended that Pandolfo forgo his plans.¹⁸

This did not discourage Pandolfo. Instead, he invited Shipley to a Pan Motor meeting at the Elks Auditorium in Clovis, on July 19, 1916. Shipley agreed to go to the meeting, but told Pandolfo that he would voice his opposition to the plans of the automobile company.¹⁹

According to Pandolfo, approximately five thousand people attended the Pan Motor Co. meeting during the evening of July 19; however the Clovis Journal estimated the attendance at one thousand. He calmly spoke about the importance of the automobile and how the industry's future could only be a boom. The Pan Car was going to be "Queen of the Highway," he claimed.²⁰ He later attacked the credentials of the bankers who opposed his dream, and declared that his company could help them because the Pan

Motor Co. would give them the business they needed. Lastly, he produced letters of recommendation from outstanding businessmen from the area.²¹

The anti-banking statements angered Alec Shipley, and he upbraided Pandolfo in front of the immense crowd. Shipley appealed to the people not to invest in an automobile company in the "organizing" stage, especially with a man of questionable reputation. Shipley asked Pandolfo directly if he had refunded all of the money not utilized after his Alamo Life Insurance Company failed. Pandolfo claimed that he had indeed paid all of the investors, whereupon Shipley, produced telegrams from bankers in New Mexico stating that no money has been refunded. A friend of Shipley's, Sam Bratton, spoke out against Pandolfo, and businessmen from the area, who had supported Pandolfo, now reversed their decisions and wanted their letters of recommendation returned to them. Pandolfo refused to return any of the letters, insisting that they were now his to keep.²²

In Pandolfo's opinion, Shipley did not ruin his meeting at the Elks Auditorium, because residents still purchased small amounts of stock. According to Pandolfo, Shipley, angered by the incident, filed charges against Pandolfo for slandering his bank. Pandolfo filed a counter suit, and left Clovis. However, Shipley recalled that Pandolfo

immediately left Clovis and later filed a slander suit against him. Shipley reacted by not only filing a suit against Pandolfo, but having Pandolfo followed and his activities recorded. Shipley recalled that when authorities brought Pandolfo back to Clovis for criminal prosecution, Pandolfo dropped his suit, and so did Shipley. The two men parted with venomous feelings, and Pandolfo believed that this encounter with Shipley would plague him the rest of his life.²³

The sale of Pan Motor stock continued, and Pandolfo increased his territory to include Colorado and Wyoming. He promoted his company for ten days in the Denver area, before moving on to Cheyenne. He distributed literature about the Pan Motor Co., using the address as Detroit, which he believed would be his eventual location.²⁴

While in Cheyenne, Pandolfo made the acquaintance of John Barritt, founder and owner of the Cheyenne Business College. The two men met when Pandolfo asked Barritt to print some letters and envelopes. After several conversations, Pandolfo asked Barritt if he would be interested in purchasing Pan Motor Stock. After Barritt carefully investigated the matter, he agreed. Before Pandolfo left Cheyenne, he asked Barritt if he would consider being affiliated with Pan Motor Co. Barritt's reply was that he had been searching for a way out of his

present business, and desired to enter the corporate field. Pandolfo remarked that he would keep Barritt in mind for a possible position with the Company, and the two parted with that understanding. Pandolfo briefly visited Albuquerque before he moved to Chicago in October, 1916.²⁵

After arriving in Chicago, Pandolfo opened post office box number 822. He rented a room at the La Salle Hotel and within three hours, an impeccable Pandolfo began searching for support for his company. After several referrals, he met with Norman Street, a highly regarded lawyer and a member of a prestigious local family. His father operated a major lumber business, and an uncle was a past president of the Chicago Clearing House. The first meeting between Street and Pandolfo took place in December, 1916, which concluded with Street agreeing to assist Pandolfo in his quest.²⁶

Street first suggested that Pandolfo incorporate his business. They considered the corporation laws of Maine and Delaware, but taxation under the Maine charter was higher. Street drew up the articles of incorporation of the Pan Motor Co. for Delaware mainly because of lower taxation and the broadness of the charter. Pandolfo suggested the names of the first Board of Directors for the Company. Marie Cadeaux, Pandolfo's secretary, Norman Street, John Barritt, and H. S. Wigle, comprised the original members of the

board.²⁷

Pandolfo resided at the La Salle Hotel for about two weeks, until an office became available for rent in the Venetian Building. From his office, Pandolfo wrote commercial clubs in Indiana, Ohio, Michigan, Iowa, and Minnesota, looking for a suitable location for his automobile plant. He had hoped for a donation of approximately thirty to forty acres of land for his factory. After investigating all options, Pandolfo began focusing on St. Cloud, Minnesota, even though the city would not donate the bonus land.²⁸

Next, Pandolfo began looking for a company to build a demonstration model of the "Pan Car." A powerfully worded letter from Reed and Glaser, consulting automobile engineers in Indianapolis, Indiana, caught his eye. On November 7, 1916, Pandolfo wrote Reed and Glaser, making arrangements for the construction of his car. The automobile would not be completed for many months.²⁹

The Pan Motor Co. needed the best employees, so Pandolfo began to write letters to auto manufacturers searching for prospective employees. Dodge Brothers of Detroit, Packard Motor Car Company, the Hudson Motor Company, Chevrolet Motor Car Company, and the Regal Motor Car Company of Detroit, all received letters from Pandolfo inquiring about probable employees.³⁰

Once Pandolfo had a rough design of the Pan Car, and a company to build the model cars, his dream of an automobile company was starting to become reality. He now had a legal corporation, a tentative board of directors, and a probable factory site. From Chicago, Pandolfo mailed out literature to his employees, stock holders, and prospective stock holders, describing the growth of Pan Motor Co. By January, 1917, Pandolfo had visited St. Cloud to investigate a possible site for his Pan Car factory. His arrival in St. Cloud began an era of change for both the city and Pandolfo.³¹

NOTES

¹United States v. Samuel C. Pandolfo, case 6650; United States District Court for the Northern District of Illinois, Eastern Division, (Chicago); Records of the District Court of the United States, Record Group 276; National Archives-Great Lakes Region, Chicago, Ill., 1612. Note: This is a five-volume set containing case 6650 and the appellate case 2787, Pandolfo v. United States. Hereafter, information cited from these five volumes will include the volume, page number for both cases, and name of person testifying in U.S. v. Pandolfo; Samuel C. Pandolfo, "Samuel C. Pandolfo's Application for Executive Clemency to the President of the United States" (Leavenworth, Kans.: by the author, 15 July 1944), 23. Held at the Stearns County Heritage Center in St. Cloud, Minn., in the Pandolfo file. Hereafter cited as "Application". Marriage record of Antonin Pandolfo and Kate Eliza Miller, Lauderdale Co., Meridian, Miss., in author's possession.

²"Application," 23; S. C. Pandolfo, "Brief History and Background of S. C. Pandolfo" (N.p., n.p., n.d.), 2. Hereafter cited as "Brief History." Entry for A. A. Pandolpho; sheet 20, line 40, Noxubee County, Mississippi Census of Population; (National Archives Microfilm Publication); Ninth Census of the United States, 1870; Records of the Bureau of the Census, Record Group 29; National Archives Great Lake Region, Chicago, Ill. Variations of the surname have occurred in the early records.

³"Application," 23.

⁴Ibid.; Pandolfo testimony, U.S. v. Pandolfo, vol. 2, 1612.

⁵Entry for Samuel C. Pandolfo; sheet 16, line 55, Stearns County, Minnesota Census of Population; (National Archives Microfilm Publication); Fourteenth Census of the United States, 1920, Records of the Bureau of the Census, Record Group 29; National Archives Great Lake Region, Chicago, Ill.; Pandolfo testimony, U.S. v. Pandolfo, vol. 2, 1613-1614. Anna Pandolfo's maiden name is not known.

⁶"Application," 23-24; Pandolfo testimony, U.S. v. Pandolfo, vol. 2, 1613-1614.

⁷"Application," 25; Pandolfo testimony, U.S. v. Pandolfo, vol. 2, 1614-1616.

⁸Haile testimony, U.S. v. Pandolfo, vol. 2, 1036, 1039, 1042; "Application," 24-25.

⁹Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1635; "Application," 24.

¹⁰"Application," 25; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1635; Historical Statistics of the United States: Colonial Times to 1970, Bicentennial Ed. Part I (Washington: U.S. Bureau of the Census), 517.

¹¹Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1639, 1646-1647.

¹²"Application," 26, "Brief History," 19.

¹³Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1639. Mr. Cameron's first name is not known.

¹⁴*Ibid.*, 1640.

¹⁵*Ibid.*, 1642-1643.

¹⁶*Ibid.*, 1644; Pandolfo v. U.S., vol. 5, 40.

¹⁷Wigle testimony, U.S. v. Pandolfo, vol. 3, 1561-1565; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1653.

¹⁸Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1654-1655; Shipley testimony, U.S. v. Pandolfo, vol. 1, 168.

¹⁹Shipley testimony, U.S. v. Pandolfo, vol. 1, 168.

²⁰*Ibid.*, 168-169; Clovis Journal (N. M.), 20 July 1916, 1; Pandolfo v. U.S., vol. 5, 2574.

²¹Shipley testimony, U.S. v. Pandolfo, vol. 1, 168-169; Clovis Journal, 20 July 1916, 1.

²²Shipley testimony, U.S. v. Pandolfo, vol. 1, 174; Wigle testimony, U.S. v. Pandolfo, vol. 3, 1564, Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1655.

²³"Brief History," 20; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1660; Shipley testimony, U.S. v. Pandolfo, vol. 1, 185.

²⁴Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1645, 1665.

²⁵Ibid., 1664; Barritt testimony, U.S. v. Pandolfo, vol. 3, 1508.

²⁶Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1677; St. Cloud Daily Times, 10 May 1917, 5.

²⁷Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1681; Street testimony, U.S. v. Pandolfo, vol. 2, 1099.

²⁸Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1682-1683.

²⁹Ibid., 1672.

³⁰Ibid., 1703.

³¹Ibid., 1688; St. Cloud Daily Times, 17 April 1917, 2.

Chapter II

A Brief History of St. Cloud and the Automobile

The selection of St. Cloud, Minnesota, for the site of the Pan Motor Co., seemed very logical to Pandolfo. The city, centered in one of the best agricultural and stock-raising sections of the United States, also benefitted from its proximity to one of the nation's remaining hardwood belts. He reasoned that if you drew a three hundred mile radius, with St. Cloud as the center, the region encompassed the "Bread Basket of the United States," with St. Cloud never experiencing the devastation of a crop failure.¹

Pandolfo stated several reasons why he selected St. Cloud as his proposed site. The city was on the main lines of two transcontinental railroads, the Great Northern and the Northern Pacific. Two automobile highways, the Jefferson Highway from New Orleans to Winnipeg, and the Red Trail Highway from New York City to Seattle, served St. Cloud. The mighty Mississippi, which flowed through the city, would provide river transportation and necessary energy through water power.²

Other reasons for his decision to locate in St. Cloud would be publicized at the Chicago Trial in 1919. Northern Minnesota held seventy to eighty percent of the richest iron ore in the United States potentially giving Duluth,

according to Pandolfo, the opportunity to become the new steel capital. He explained that if you drew a line from Canada through St. Cloud to the Gulf of Mexico, the largest portion of the United States lay west of the line. This region lacked automobile factories. Pleasant living conditions and availability of workers impressed Pandolfo. Many Scandinavians lived in the area, and he believed that these skilled, intelligent laborers would comprise an excellent work force.³

As Pandolfo walked the streets of St. Cloud, the spirit of the city penetrated him. The city had emerged from a cluster of three villages, known as Upper Town, Middle Town, and Lower Town, all settled between 1852 and 1855. These three towns developed at different rates and became ethnically diverse.⁴

Upper Town, platted by General Sylvanus B. Lowry and initially populated with Southerners from Lowry's Tennessee home, would become the primary business center of the three communities. Houses built here typically took on a southern architectural design. Warehouses and stores, locating on the Mississippi River in Upper Town, produced an advantageous steamship trade. Southern influence in Upper Town diminished after the Civil War.⁵

The Lower Town's goal included securing residents by advertising in the East. On account of these

advertisements, Lower Town's population consisted mostly of settlers from the New England and Middle Atlantic states. Although this area originally had a grist mill, saw mill, and sash and blind factory, these businesses later relocated to Middle Town.⁶

Middle Town, platted by founder John L. Wilson in 1854, principally attracted German Catholics led by John W. Tenvoorde. This town, originally founded on land claimed by Ole Gergeson, slowly developed into the hub of the three towns. Wilson, an avid reader of Napoleonic history, selected St. Cloud as the new name for his town, after the emperor's summer residence.⁷

In March, 1856, the territorial government permitted the three towns to unify, and residents promptly adopted St. Cloud as the name. Because of the selection of the name, John Wilson became known as the founder of the new town, which he resided in until his death in 1910.⁸

By 1916, St. Cloud had developed into a thriving city with a population of sixteen thousand, and the German Catholics outnumbered any other ethnic group. The town boasted two newspapers, the St. Cloud Daily Times and Daily Journal Press. The city, now the county seat for Stearns County, had evolved to include four parks where, during the summer, residents could attend free concerts performed by the St. Cloud Military Band. At the athletic field, people

could root for their favorite baseball or football team. A private streetcar company provided excellent transportation with ten miles of track connecting the business district with the southern section of the city, as well as the neighboring towns of Sauk Rapids, Waite Park, and the Great Northern Station.⁹

As the city grew, so did the number of telephone subscribers. The Northwestern Telephone Exchange Company had 1,412 subscribers in 1912, and by 1918 the number had dramatically increased to 2,742. In 1912, thirteen operators handled 273,700 calls a month, but by 1918 the telephone company had thirty-two operators handling 495,500 calls a month.¹⁰

Over forty granite quarries surrounded St. Cloud, and because of this magnificent rock, St. Cloud received the nickname, "Granite City." Due to the availability of granite, many of St. Cloud's finest businesses constructed their buildings from the dark red, grey, black, pink, or blue rock. Granite quarrying, which began in 1894, depended on rail transportation, but laborers soon turned to automobiles for traveling to and from the quarries.¹¹

John Ten Voorde's descendant, Steve Ten Voorde, and his friend, Peter Thielman, brought the first automobile to St. Cloud in 1899. St. Cloud had only five automobiles in 1905, but soon would make progress in replacing horses on the

town's graded streets.¹²

In one decade the automobile business had grown from obscurity to one of the largest single industries in the world. The United States produced approximately 3,700 automobiles, at an average cost of \$1,284 per vehicle in 1899. Still, by 1909, the motor car industry had not developed significantly enough to receive its own separate classification in the industrial census. By 1915, production had increased to 703,527 vehicles at a cost of \$814 per automobile, with at least half of these being purchased by farmers in the Midwest.¹³

The cost of owning a vehicle did not end with the purchase price. An owner would likely spend a considerable sum of money maintaining his automobile with gasoline, oil, tires, raincoats, dusters, tools, automobile registration, driver's license, and possibly a garage for storage.¹⁴

As the automobile industry changed, so did the appearance and the design of the auto. Automobile companies strove to give their vehicles a sleeker appearance by using artistic lines. The bodies of the vehicles appeared lower and cleaner-cut. The sitting room inside became roomier, more comfortable, and more attractive. Convertibles became popular, so that the automobile could be topless in the hot summer, and yet enclosed during inclement weather. A new slanting windshield of the 1917 models replaced the straight

windshield which dangerously glared with every angle of light. That year also produced new features on the automobile: outside mirrors, wire wheels, motor-driven tire pumps, and spotlights.¹⁵

In 1916, at least three dealers sold and repaired automobiles in St. Cloud: Grundman Motors, Eich Motors, and Tenvoordes, and these three continue to operate in the automobile business today. Pandolfo's plan included building an automobile factory to produce all of the parts necessary to build the Pan Car, and along with the other dealers, sell his vehicle in the city.¹⁶

Newspaper articles informed readers about the progress of the automobile industry, but the headlines also informed the residents of the activities of the Great War, or World War I, as it later became known. Each day, articles recaptured the grisly activities in Europe, and with American participation in the war, patriotic men from the city waited to join the ranks. During this flurry of activity, Samuel Pandolfo arrived in St. Cloud in January, 1917, to capitalize on the automobile boom.¹⁷

Pandolfo hoped to arrange a land deal with the Commercial Club by which to build his business. When he met with the Commercial Club, he revealed his entire past business adventures. He explained his successes and his failures, and answered board members' questions. Pandolfo

tried to be candid with the members, and submitted a list of references and acquaintances. The board knew about his enemies, and Pandolfo did not try to conceal this information from them. His presentation was visionary, for it was his objective to make St. Cloud another Detroit. Perhaps he impressed these businessmen as too visionary, for this first meeting ended at 2 A.M. with no deal proposed, much to the chagrin of Pandolfo.¹⁸

The following day, he met again with Commercial Club members, plus representatives of the Public Service Company, and the St. Cloud Iron Works. Pandolfo hoped to acquire a reduced power rate for the Pan Motor Co., which the Commercial Club promised they could work out. This meeting concluded with the Commercial Club deciding to further investigate Pandolfo and his former activities.¹⁹

Pandolfo returned to Chicago after the second meeting, and he waited approximately one month before hearing from the St. Cloud businessmen. The directors of the Commercial Club and business leaders invited him to continue discussions in St. Cloud.²⁰

Again, Pandolfo outlined his plan for his proposed automobile company, but this time he proposed that St. Cloud donate a thirty-acre site, subject to his approval of the location. He stated:

the deed of this land running to the company was to be deposited in escrow in the bank, to be delivered to the company after the company had invested \$250,000 in building and equipment on that land, and had a pay roll of three hundred people. . .that they [should] subscribe through their own efforts, without any expense of commission cost or selling cost to us, for \$50,000 of this company's stock, and that \$50,000 would not be touched or used until at least \$100,000 of outside money had been invested locally on this property.²¹

He emphatically promoted these conditions and the board members voted to approve them.²²

The next day, Commercial Club members rejected the proposed contract. Not disheartened, Pandolfo left the office and decided that on his own he would contact representative people from St. Cloud. His new proposal stated that the Company would purchase land at a very low price, and the businessmen must buy stock, but they could set the amount. This time the Club members approved the contract, and Pandolfo returned to Chicago with an urgent zeal to relocate.²³

Before the transfer to St. Cloud began, Pan Motor board members worked out the technicalities of bookkeeping. Accountants kept separate books for the Pan Motor Co. and the fiscal agent. John Barritt, from Cheyenne, became the auditor, and later secretary for the Company. H. S. Wigle, Pandolfo's friend from Texas, had been installed as vice president, and Norman Street was a director.²⁴

From the Chicago office, Pandolfo tried to persuade top men in the automobile business to join his new company. Ford, Chevrolet, Dodge, and steel manufacturers received letters of inquiry seeking future Pan Motor Co. employees. He contacted Victor Gauvreau, an automobile designer from Buick Motor Co., who joined the Pan Motor staff after they located in St. Cloud. It was only a matter of time before Pandolfo, his company, and the new employees, would make their home in St. Cloud.²⁵

NOTES

¹Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1695; B. F. Forsyth and C. W. Williams, Pictorial Proof of Progress (St. Cloud, Minn.: Privately printed by the Pan Motor Company, 1918), 111.

²Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1695-96.

³Ibid.; Forsyth and Williams, Pictorial Proof, 111.

⁴Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1694; William Bell Mitchell, History of Stearns County Minnesota, vol. 2 (Chicago: H. C. Cooper, Jr., and Co., 1915) 1436.

⁵Mitchell, History of Stearns County, vol. 2, 1442.

⁶Ibid., 1440-41.

⁷Ibid., 1436-1437; St. Cloud Daily Times, 8 November 1926, 1, special edition.

⁸John Dominik, Ed L. Stockinger, ed. Three Towns into One City (St. Cloud: Sentinel Printing Co., 1975) 2-5; St. Cloud Daily Times, 8 November 1926, special edition.

⁹Forsyth and Williams, Pictorial Proof, 41-42, 57.

¹⁰Ibid., 61-62.

¹¹Ibid., 74-75.

¹²Mitchell, History of Stearns County, vol. 2, 1487.

¹³"The Onward March of the American Automobile," Outlook, January 1917, 37-40; "The Astonishing Increase in Automobiles," Literary Digest, 6 January 1917, 47.

¹⁴"The Onward March of the American Automobile," 38.

¹⁵Ibid., 37-40.

¹⁶St. Cloud Daily Times, 31 March 1916, 3, advertisement; 22 March 1917, 4.

¹⁷Ibid., 2 March 1917, 1; 16 May 1917, 2.

¹⁸Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1689-1691.

¹⁹Ibid., 1691.

²⁰Ibid., 1692.

²¹Ibid.

²²Ibid., 1693.

²³Ibid., 1694.

²⁴Ibid.

²⁵Ibid., 1697; St. Cloud Daily Times, 9 May 1917, 4.

Chapter III

Pandolfo's First Year in St. Cloud

The St. Cloud Daily Times headlines for March 2, 1917, announced in large, bold print that an auto plant would be built in the city. The fact that the auto plant would employ one thousand people, and be capitalized for millions of dollars probably captured many citizens' attention. The two-column article stated that a thirty-seven acre site had been secured near the western city limit, near Thirty-Third Street, between the Great Northern Railroad track and St. Joseph Road. The land transaction between Pan Motor Co. and Theodore Bohlsen, the owner of the tract, took place on March 14, 1917. For a mere \$4,300, Samuel Pandolfo now had the land to build his dream factory. Pandolfo announced that Pan Motor Co. would do "great things for St. Cloud."¹

Pandolfo wasted little time moving into his new headquarters at Farmers State Bank building on Fifth Avenue South in St. Cloud. His staff, which had arrived from Chicago March 1, took up the entire second floor of the bank. The St. Cloud Daily Times stated that Pan Motor had 1,159 stockholders, and this number would increase as St. Cloud businessmen prepared to purchase the firm's stock.²

The automobile industry boomed, as demand outpaced supply. Pandolfo believed that his auto plant, with a

predicted worth of over \$5,000,000 in factory buildings, machinery, and equipment, would make St. Cloud known throughout the world.³

Pan Motor Co. stockholders received the opportunity to meet with the firm's officers on March 21, 1917. At this meeting, Pandolfo introduced Norman Street, a corporate lawyer from Chicago, the acting president of the Company. Both Street and Pandolfo spoke, describing the grandiose plans for the auto company. Pandolfo called on the city leaders for their continued support, and boldly stated that Pan Motor Co. would show the public the accounting books, which were "absolutely clean, absolutely honest, and absolutely above board."⁴

The Company had one type of stock, and it would be sold without promotion. Every dollar of the capital stock of this company that had thus far been paid had been deposited in banks and drew interest to the credit of the Company. The Company used the surplus from the stock to organize itself; to sell more stock; establish dealers; build model cars; do engineering work; and pay for office help, salesmen, and other employees.⁵

Prior to the meeting, the Pan Motor Co. elected new officers and directors. The election named Samuel Pandolfo as president; H. S. Wagle, vice president; Charles D. Schwab, treasurer; John Barritt, secretary; Hal C. Ervin,

Hugh Evans, Peter Thielman, George E. Hanscom, Charles Bunnell, and Frederick Schilplin, directors; and Norman Street and George Heidman, directors and general counsel. All but two of these men made St. Cloud their home.⁶

The residents of St. Cloud knew many of the directors. The treasurer, Charles D. Schwab, born in Minnesota in 1872, was president of Farmers State Bank in St. Cloud, First State Bank of Clear Lake, and Farmers Loan and Investment Company of St. Cloud. Vice president Wigle, an old associate of Pandolfo, had the responsibility of establishing dealerships across the country. John Barritt, born in England, had founded and acted as president of Cheyenne Business College before he met Pandolfo and moved to St. Cloud.⁷

Hal C. Ervin, Jr. born in 1886, received his education in St. Cloud. He was director, secretary-treasurer and manager of the St. Cloud branch of the H. C. Ervin Co., one of the leading flour manufacturers of Minnesota. Peter R. Thielman, St. Cloud native, served as director of the St. Cloud Farmers State Bank and secretary-treasurer of the Farmers Loan and Investment Company. George Hanscom, born in Minnesota, served as president for Merchants National Bank in St. Cloud, and the First State Bank of Stewartville. He also served as the vice president of the state banks of Mayer, Watertown, Maple Plain, Long Lake, and the Farmers

and Merchants State Bank of Sedan.⁸

Charles Bunnell, born in Canada in 1857, had affiliation with the Clark lumber and stock business in St. Cloud, in addition to being a director of the Commercial Club. Fred Schilplin, born in St. Joseph, Minnesota, a town approximately twenty miles from St. Cloud, was secretary-treasurer of the St. Cloud Daily Times. He was part-owner of the Security Bank Book and Printing Company of St. Cloud. Friends considered Schilplin a real "live wire!" George Heidman, like Norman Street a director-counsel, had graduated from the Law College of Cincinnati University. A Chicago resident, he operated law offices in Cincinnati and New York City, and had a reputation as a successful patent attorney.⁹

The important names did not end with the Board of Directors. Pan Motor Co. secured the services of Victor Gauvreau as chief automobile designing engineer. Gauvreau, a native of France, left his position with the Buick Motor Company in Flint, Michigan, to help produce a unique car for the Pan Motor Co. George Booth also resigned from the Buick Motor Company to become the Pan Motor Co. managing engineer. A. R. Smith, formerly of the Erie Foundry Company of Erie, Pennsylvania, joined the evolving company to act as their general factory superintendent. According to the St. Cloud Daily Times, the Farmers State Bank appeared to be the

city's busiest place as these men occupied their new offices.¹⁰

With new Pan Motor Co. employees moving in, Pandolfo again made newspaper headlines by declaring a housing shortage. He believed that St. Cloud should be responsible for providing or building at least one hundred new homes for the Pan employees. Although there appeared to be a shortage of homes available for purchase or rent, the city would not agree to this requisition.¹¹

Reacting to the housing shortage with his enterprising personality, Pandolfo organized the Pan Realty Co. with twenty St. Cloud businessmen. They intended to build 100 five or six-room homes located on a thirty-acre tract of land near the factory. By the end of May, construction crews had built bungalows, graded roads, and poured wide cement sidewalks. This new development, called the Pan Addition, would later comprise a section of St. Cloud, which in 1996 is still called "Pan Town on the Mississippi" or simply "Pan Town."¹²

The homes in Pan Town varied architecturally, giving the future owner the opportunity to select a dwelling of his preference. The new owners purchased houses at prices lower than they could have built homes. Pandolfo required a small initial payment, "as evidence of good faith on the part of the purchaser."¹³ The remainder of the cost of the house,

plus interest, would be paid like rent, although it is not known to whom the payments were made.¹⁴

One of the early residents of Pan Town, designing engineer Victor Gauvreau, stated in an interview in 1970 that the house he lived in had been built to his specifications and was very comfortable. He could not recall the monthly payment, but he said it was very reasonable.¹⁵

Pan Town was not the only busy area. The second floor of the Farmers State Bank hummed with activity as a force of draftsmen drew plans for the Pan Motor Co. buildings, and engineers ordered and planned the arrival of engineering equipment. The Company soon outgrew the Farmers State Bank, and additional offices opened in the Leisen Building. The twelve directors held weekly meetings, and the number of stockholders continued to grow at an average of three hundred per week. The St. Cloud Daily Times continued to print articles of prominent men supporting the Pan Motor Co. One such man, Harry Leaberry of Alexandria, an investor and securities dealer, was enthusiastic over the goals of the Pan Motor Co.¹⁶

By the end of May, 1917, Pan Motor Co. awarded the building contract to C. D. Hudson, who began construction of the first of many buildings. Rough drafts of the Company's layout indicated that the assembly plant, shipping

department, lumber yard, grey iron foundry, and the drop-forge department would all be located in a line. These buildings would have direct access to the Great Northern Railroad by way of three extra switch tracks laid on an additional ten acres acquired by the Company.¹⁷

News about the Pan Auto Co. faded from the press for about two weeks. When the Company again received coverage, the articles described a gathering that people would reminisce about for years. To celebrate the arrival of the Pan Car assembled by Reed and Glaser of Indianapolis, President Pandolfo decided to throw a Texan-style barbecue at the Pan Motor site on July 4th. This would not be an average barbecue: Pandolfo wanted enough food to feed fifty thousand people. He hired a crew of expert barbecuers from Texas who by June 22 were planning the affair.¹⁸

The Texas barbecue specialists, T. A. Wayne and J. A. Nard, both ranchers, discussed barbecuing with a St. Cloud Daily Times reporter. The reporter, noting the southern drawls, described the barbecuers as "sociable, free, hospitable, ready-talking sort of men, having an inborn relish for association, just as folks down below the Mason-Dixon line are built."¹⁹

The menu of this grand phenomenon would include barbecued beef, coffee, pickles, and bread. The bread would be baked by local bakers, who estimated that they would have

to run day and night for one week to accommodate the order. The great barbecue would begin at 9 A.M., and end at 2:30 P.M., and entertainment would include speeches, music, and suitable games. Advertisements which would cost Pandolfo thousands of dollars encouraged everyone to attend this free event.²⁰

Headlines for the next several days advertised the big barbecue, along with the announcement that the first Pan Car would be arriving. The prospective Pan Car drivers informed the people that they would find the most rugged roads between Indianapolis and St. Cloud to prove the durability of the car.²¹

Pandolfo and Gauvreau arrived in Indianapolis at the end of June, fully expecting the new \$2,000 Pan Car to be completed and tested, but it would take several days for that to occur. The employees of Reed and Glaser worked day and night to complete the automobile. Once completed, the two men would drive the vehicle to St. Cloud over the roughest terrain, as they had promised.²²

However, not far from Indianapolis, the front axle broke. This exasperated Pandolfo, because he had specifically ordered drop-forged axles. At the last minute, Reed and Glaser knowingly changed the plan to cast steel axles, explaining to Pandolfo that they should be just as reliable. After the men worked through the night, the

repaired car and the drivers continued their journey to St. Cloud.²³

By the second evening another problem occurred. A loose nut or bolt lodged between the belt housing and the fly wheel, locking the engine. Pandolfo did not know if a mechanic had dropped the part in by accident, or if it had worked itself loose from the engine. Again, the drivers labored on the vehicle through the night, and eventually solved the problem.²⁴

Still problems continued. On the third day, the front axle broke again, and near Milwaukee the fan belt snapped, which the drivers repaired. As the two drove through the hills of Wisconsin, Pandolfo observed the vehicle's excellent pulling power, one of the positive features about the journey. Although the tour had negative experiences, Pandolfo would never let on to them. He later exchanged a few "heated" letters with Reed and Glaser, but in the end he commissioned them to build ten more Pan Cars, for a cost of \$1,200 each.²⁵

While the Pan board members eagerly awaited the arrival of the car, work continued for the big barbecue. Laborers built an arbor to cover the tables and house over two thousand people.²⁶

The Pan Car officially arrived at the Company's offices during the evening of June 30, 1917, greeted by a large,

enthusiastically cheering crowd. Pandolfo made a short speech stating that "the car made more than good on the trip. If ever a car was subjected to a grueling test, this one was."²⁷ Perhaps the last statement held some truth; however, the auto did not make "more than good," and that information would be brought forth during the trial in Chicago more than two years later.²⁸

After the arrival of the Pan Car, the beef arrived in a Great Northern refrigerator car the evening of July 2. The meat, purchased from Swift and Company in South St. Paul, was immediately taken to the barbecue pits for preparation. The press boasted that the quantity of meat, along with the eight thousand loaves of bread, could potentially feed an army.²⁹

July 4th arrived with a display of the people's intense patriotism, not only for their country, but for the Pan Motor Co. Twenty-five to forty thousand people--the St. Cloud Daily Times found it impossible to estimate--participated in the Pan celebration. Beginning at 9 A.M., people gathered at the Pan Motor Co. site and ate barbecued sandwiches. Later, the crowd danced and listened to the music provided by the Sauk Rapids and the St. Cloud Girls bands. Perched on a wooden platform was the Pan Car, there to win the people's admiration.³⁰

Bishop Joseph Busch of St. Cloud, offered a short

prayer, and C. F. Ladner and Samuel Pandolfo both spoke of the wonderful things Pan Motor Co. would do for the city of St. Cloud. Minnesota State Senator R. B. Brower delivered an eloquent speech to the vast crowd, stressing the glory of the United States from the time of the American Revolution to the present. He also addressed the current European situation and asked for American support for the war, insisting that the citizens must stand by their nation. After the oration, Pan Motor representatives invited people to buy stock and help support the fledgling company.³¹

At the end of August, many town residents attended the Miner Theatre to watch a free movie, compliments of the Pan Motor Company. The films depicted the Pan Car in action, as well as the great barbecue in July. After the movie, promoters gave speeches, patrons enjoyed refreshments, and a band played so people could "shake a leg."³²

At a meeting at the Nemec Theater in October, Pandolfo attacked the Public Service Company for not following through with their promise of low power rates, which other automobile companies across the country received. This same evening, Pandolfo reminded the public that a great automobile company was emerging in their city, and that the Pan Addition, which had been an area of prairie sod, now resembled a striking housing development with sidewalks. Recently, the Pan Hotel had been built, at a cost of

\$15,000, near the Pan plant, to board single male employees.³³

Although many people backed Pan Motor Co., other residents remained skeptical and they expressed their thoughts. W. B. Mitchell, a respected St. Cloud citizen, attacked the doubters in a newspaper editorial. He could not understand why people mistrusted the enterprising Pandolfo, when the construction of the factory was underway, and homes in Pan Town neared completion. He accused the people in St. Cloud of "throwing a wet blanket" on the excitement, and discouraging people from investing in the Company because of their apparent lack of vision.³⁴

As the months passed, the Company's presence in town continued to take form. By July 23, the engineering and drafting department moved into the leased gymnasium building of the old Union School. By November, the Pan Addition petitioned for sewer and water, and although denied because of the cost to the city, the request was later granted.³⁵

In December, the Pan Addition received a chemical fire engine, and the residents organized a volunteer fire department. During the evening of December 12, the inexperienced volunteer fire department responded to their first call, when an unoccupied home caught fire. The residents formed a bucket brigade which kept the fire in check until the fire truck responded. Fortunately, the

house was not a total ruin. Chief Moosberger of the St. Cloud Fire Department appointed a chief to take full charge of the Pan Town volunteer fire department, which held regular training meetings in preparation for their next call.³⁶

By the end of 1917, circumstances looked very good for Samuel Pandolfo. On December 29, the town celebrated the birth of the first Pan Car, the "250," assembled in the new St. Cloud factory, with the prediction that hundreds more would be rolling out of the factory soon. This model made its debut to the auto manufacturing world at the auto show at the La Salle Hotel in Chicago.³⁷

According to Pandolfo, the Company currently had 11,500 stockholders, with the addition of 1,000 more weekly. This "army" as he put it, was almost as large as the population of St. Cloud, yet very few of the stockholders lived there. This must have been very frustrating for Pandolfo, because he believed that his company had benefitted St. Cloud a great deal. Always thinking big, Pandolfo believed that St. Cloud was on the brink of becoming a city of 40,000 to 50,000 residents.³⁸

These wonderful additions enhanced the city of St. Cloud, and Samuel Pandolfo received that honor. The following year his enterprising company would continue to grow and his reputation would be further questioned.³⁹

NOTES

¹St. Cloud Daily Times, 2 March 1917, 1.

²Ibid.

³Ibid.

⁴Ibid., 22 March 1917, 4.

⁵Ibid.

⁶Ibid.

⁷Ibid., 17 April 1917, 5.

⁸Ibid.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid., 3 March 1917, 4.

¹²Ibid., 18 April 1917, 5; 26 May 1917, 5.

¹³Ibid., 31 December 1917, 6-7.

¹⁴Ibid.

¹⁵Victor Gauvreau, interview by Leo Croteau, tape recording, Tucson, Ariz., 6 October 1970. Held at the Stearns County Heritage Center in the Pandolfo file.

¹⁶St. Cloud Daily Times, 17 April 1917, 5; 19 April 1917, 5.

¹⁷Ibid., 26 May 1917, 5.

¹⁸Ibid., 14 June 1917, 5.

¹⁹Ibid., 26 June 1917, 6.

²⁰Ibid.

²¹Ibid., 30 June 1917, 4.

²²Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1703-1704.

²³Ibid.

²⁴Ibid.

²⁵Ibid.

²⁶St. Cloud Daily Times, 28 June 1917, 5.

²⁷Ibid., 2 July 1917, 4.

²⁸Ibid.

²⁹Ibid., 2 July 1917, 4; 3 July 1917, 5.

³⁰Ibid., 5 July 1917, 5.

³¹Ibid.

³²Ibid., 27 August 1917, 5; 30 August 1917, 4. The Pan Motor films are not known to exist.

³³Ibid., 25 October 1917, 3.

³⁴Ibid., 14 July 1917, 5.

³⁵Ibid., 23 July 1917, 5.

³⁶Ibid., 7 November 1917, 5; 4 December 1917, 5; 13 December 1917, 5. Chief Moosberger's first name is not known.

³⁷Ibid., 29 December 1917, 5.

³⁸Ibid.

³⁹Ibid., 25 October 1917, 3.

Chapter IV

The Building of Pan Motor Company and the "Queen of the Highway."

The first building on the Pan Motor Co. site saw significant activity soon after its completion. The building measured 70,056 square feet, and housed the most modern equipment for an automobile plant. This building, named "factory building number one," contained the pattern rooms and the painting area. It amazed people that an automobile could be spray-painted in about three minutes by the innovative equipment.¹

A new mini-power plant supplied the energy needed to run the machinery, and an artesian well had been dug to supply pure water. In November, 1917, the engineers installed a 20,000 gallon steel tank for oil, which could be conveniently filled by a railroad tank car. After the completion of other factory buildings, factory building number one would be utilized as an experimental research center.²

The second building under construction dwarfed factory building number one. The new steel building, considered completely fireproof, had 106,080 square feet of concrete floor space. An underground tunnel, large enough for employees to walk through, housed the pipes leading to the

power plant. At the end of 1917, construction crews worked day and night to enclose the building before inclement weather began. Machinery for factory building number two arrived in St. Cloud in March, 1918. This new equipment would aid in the assembly of the automobile, the "Pan 250."³

Ground-breaking for the much-needed drop-forge plant, a cost projected to be \$500,000, began about the time factory building number two neared completion. Because of the shortage of drop-forge plants and the demand for them as a result of the European War, Pandolfo believed it to be a necessary addition to his automobile plant. He also believed that the drop-forge could serve the government, thus keeping Pan Motor Co. afloat with orders during the war. By May, equipment to supply the drop-forge plant began arriving at the Pan Motor site.⁴

Eight buildings comprised the drop-forge plant, making it the "largest enterprise of its kind in the Northwest," according to the St. Cloud Daily Times. The hammer shop, being the main building of this assemblage, measured 96 feet wide and 348 feet long. This building held nineteen powerful hammers, ranging from one thousand to twelve thousand pounds, which rested on concrete foundations. An electric crane, with the capacity of twenty thousand pounds, had also been installed in the hammer shop. The steel storage room nearby received an identical crane.⁵

The die and machine shops adjoined the hammer shop, and supervisors properly equipped the rooms with the finishing and die cutting machines. The die shop held two three-ton electric cranes which conveyed large die blocks and pieces of machinery. By the end of 1918, the factory covered 199,820 square feet, and was partially in operation. The St. Cloud Daily Times gave this summary of the Company's spatial extent:

Experimental Building	7,592 sq. ft.
Blacksmith Shop	504
Main Factory Building	105,740
Warehouse	5,286
Loading Platform	3,000
Main Power House	6,330
Pump House	180
Water Tower	1,024
Drop-Forge Power House	4,740
Drop-Forge Plant	31,400
Die Shop	10,708
Oil Storage Building	1,650
Drop-Forge Office Building	2,048
Heat-Treating Plant	8,450
Laboratory	1,168
Total area covered in 1918	199,820 sq. ft. ⁶

Drop-forgings, which Pandolfo considered the vital part of the automobile, were fashioned by a scientific process. A pattern of the intended forging, transferred onto a planed surface of the die block, would later be cut out by a machine and sanded over to perfection. A lead mold would be taken of the two shapes placed together, ensuring the exact measurements of the desired part. Smaller dies, taken to

the heat-treating department, received the tempered process immediately, while large dies, such as those used for crank shafts and axles received the tempered treatment before the die-making process began. Tempered dies would next proceed to the forging process.⁷

Laborers would place dies into the hammers whose blows would complete the forging process. Machines trimmed the hot forgings of any excess material before they were transferred to the heat-treating department, which was constructed of steel, glass, and concrete. The forgings were cooled in water and oil after which they received a longer second heating, terminating with a final air cooling to improve their strength.⁸

Pan Motor did indeed enter into government contracts for drop-forgings, in hopes of earning a profit for the stock holders. The contracts are as follows:

9/9/18	U.S. Navy Hammock Hooks	\$20,500.00
10/8/18	U.S. Navy Pad Hook	1,750.00
10/8/18	U.S. Navy Rail Stanchion Foot	1,625.00
10/9/18	U.S. Navy Chain Plate	2,375.00
8/9/18	The Buda Co. Connecting Rod	9,756.00
8/29/18	Winther Motor Truck Co. Steering Arm	500.00
10/22/18	Standard Parts Co. Steering Knuckle	31,411.25
10/22/18	Standard Parts Co. Front I beam	54,900.00
10/23/18	The Bock Bearing Co. Cup Forgings	25,525.00
10/23/18	The Bock Bearing Co. Cone Forgings	35,730.00
10/23/18	The Bock Bearing Co. Cup Forgings	43,351.00 ⁹

The drop-forge division became the Company's pride;

however, the other buildings also impressed people. Pandolfo claimed the three-story main power plant, built of brick, concrete, and steel, could light a small city. Contractors equipped the building with two Franklin water tube boilers of 150 horse power each, and one Freeman boiler with 395 horse power, which produced the necessary steam power for the plant. Two heavy duty pumps forced water to the boilers, where it was heated and maintained at a proper level. If water fell below the intended level, an alarm would sound.¹⁰

The state-of-the-art manufacturing company would soon be assembling the Pan Car 250, so named because Pan Auto Co. contracted for 250 parts, and would produce only that number of the vehicle. It took Pandolfo and his staff about six weeks to design this model, and they hoped to begin production by November, 1917. Receiving automobile parts from supply companies was a problem because they supplied European countries during the World War. Motors did not come in as scheduled, and sheet metal was extremely difficult to find. Sometimes a vehicle would nearly be completed, but it lacked a windshield, top, or hood. The difficulty in obtaining the automobile parts only convinced Pandolfo to push forward with the construction of the drop-forge plant so his company could manufacture them. By the end of December, laborers completed the 250, and Pandolfo

along with his staff prepared to exhibit their creation with vivacity.¹¹

The new 250 made a trial run to Minneapolis from St. Cloud in January, 1918, in the record time of one hour and fifty-eight minutes. Good road conditions to Minneapolis helped procure a good time; unfortunately, the return trip of two and one half hours did not go as well. The driver encountered blizzard conditions and contended with snow drifts two to three feet deep.¹²

The Pan Car was then off to Chicago to attend an automobile show at the La Salle Hotel. The Pan Car exhibit featured a Chippewa Indian, Ka-Ba-Na-Whey-Wence, or "Wrinkled Meat," said to be 130 years old. Both the aged Indian, who was the oldest Pan stock holder, and the Pan Car created a sensation. In the February, 1918 Pan Motor newspaper, Pan Siftings, an article discussed Wrinkled Meat and his life stating that although he did not care for the white man's modern inventions, including the "skunk wagon" or automobile, he enjoyed riding around in the Pan Car. The St. Cloud Daily Times noted that thousands of people admired the auto and Indian display, which received raving reviews by the Chicago newspapers.¹³

The Pan Car 250 sold for less than \$1,600, and included a Continental motor, self-starter, two-unit lighting systems, and a stylish body. A unique feature included the

five-compartment combination tank, patented by Pandolfo, positioned at the rear of the vehicle. This special tank could hold tools, water, and extra fuel and oil. From Chicago, the Pan Car 250 along with Wrinkled Meat, traveled to St. Paul to attend another auto show.¹⁴

The final challenge for the 250 came in March, 1918, when R. J. Fitness, assistant Pan engineer, and George Stone, chief inspector, drove the auto from St. Cloud to El Paso. The journey included a blizzard in Des Moines, muddy, hilly, roads, and at one point the drivers followed a creek bed marked "impassible." The auto arrived in El Paso without any malfunctions, and the travellers dutifully delivered a letter from St. Cloud's Acting Mayor, George Magnuson, to El Paso's Mayor, Charles Davis. After this journey of 2,083 miles in 99 hours and 40 minutes, the motorists opted to return to St. Cloud with the automobile by train.¹⁵

Pandolfo knew the production of the 250 would be temporary; the Company only produced 250 models of this style. As early as February, 1918, in an effort to keep the Company afloat during the war, he turned his attention to the creation of the Pan Tank-Tread Tractor, believing that it would be easier to obtain parts to manufacture such a machine.¹⁶

Pandolfo contacted L. A. LaFond, a tractor designer

from Minneapolis, and debated the possibility of production. Discussion evolved around the type of tractor to build: a caterpillar style, or the four-wheel style. They selected the caterpillar design because of its ability to adapt to any landscape, and its preference on the western front battlefields. The continuous belt revolved around front wheels of 37 inches in diameter, and back wheels of 12 inches, giving it a traction surface of 888 inches. Spikes ran the width of the belt, creating a gripping power for the machine. The tractor's fuel tank could hold fourteen gallons of kerosene and over one gallon of gasoline. Overall, this tractor resembled those used by the Allies in the war.¹⁷

The Pan Tank-Tread Tractor made its debut at the National Tractor Show in Kansas City, attracting farmers from Missouri and Kansas. According to the St. Cloud Daily Times, the tractor made quite a stir, with some onlookers believing it had the potential to revolutionize farming. "It would be the 'War Tank' that will help win the war by conserving man-power and horse-power and saving time for the 'soldiers of the soil.'"¹⁸

The Associated Advertising Club of the World would write in 1919, that the only stir the Pan tractor created was when officials told the promoters to take down signs promoting Pan Stock. The tractor, apparently never pre-

tested, was geared up at the show, but if it ever moved a foot on its own power, the promoters remained silent over the incident. A tractor that could not move on its own power could not "win the war."¹⁹

Depending on personal viewpoints, the tractor was either a success or a failure. Regardless, Pandolfo decided to produce the machine on a large scale. He ordered one thousand motors from what was reputedly the best tractor engine manufacturer, the Buda company of Harvey, Illinois. This company would later cancel the contract because the government needed Buda's products for the war effort.²⁰

Pandolfo refused to give up on his tractor idea. When LaFond severed his contract with Pan Motor, Pandolfo searched for another tractor designer. He found a Mr. Kreig of the Emerson Brandingham Company in Minneapolis, who convinced Pandolfo to support a four-wheel tractor program because the parts could be manufactured at the Pan Motor factory. The war interfered again when the War Industries Board promulgated a new policy on the distribution of steel and other materials. The tractor industry was categorized as a class B-4. This class allowed manufacturers to receive supplies equivalent to the previous year's demands, and did not allow any extra materials to be contracted out to other manufacturing companies, thus blocking production of the Pan Tractor. Again, the European War interfered with Pandolfo's

plans.²¹

Honoring the first year anniversary of the advent of Pan Motor Co. in St. Cloud in March, 1918, celebration occurred in the usual Pandolfo fanfare, or "panfare." The large advertisement in the newspaper stated that the stockholder roster now included 23,000 people, and that the gigantic Pan operation continued to grow in size. An automobile show opened in St. Cloud at the Commercial Club with the rooms redecorated to display in the front show room the Tank-Tread, the Pan 250, and the chassis of the 1919 Pan Car. Fred Schilplin, a director, told the Pan story from the beginning to the present, and Pandolfo announced that the time was right for people to jump onto the "Pan Band Wagon."²²

Over two hundred employees of the Pan Motor Co. enjoyed the first annual Pan dinner at the Grand Central Hotel in St. Cloud, to celebrate the Company's accomplishments. After the banquet, people danced to the music of the Nemece Orchestra, and the Loos Brothers. The employees presented Pandolfo with his portrait and this engraved poem:

Sifting the sand from the pay dirt land,
And leaving the nuggets true
Is the work of this man--we call him "Pan"
And we pledge him allegiance true.

Presented to 'the big chief' by those who work
for him--and with him--in commemoration of the
first anniversary of the Pan Motor Company at
Saint Cloud, Minn., March 11th, 1918.²³

As time passed, the professionals in the manufacturing division continued to work and design the ultimate vehicle. By the fall of 1919, the Company began to produce the year's featured car, the "perfected Pan." This light weight, (2,300 pounds) compact four-cylinder engine passenger car had the option of a sleeping-car body. The front seats could recline to the level of the back seat to create a double-sized bed. The auto contained handy compartments in the back for carrying additional gasoline and beverages. The adjustable headlights enabled one to shine light on the engine or the back of the vehicle.²⁴

With the armistice signed, Pandolfo hoped that restrictions on building supplies would end, and production at his factory could resume. If production increased, the sale of stock would continue. With renewed vigor, he used his longstanding ability to keep his dream company alive.²⁵

NOTES

- ¹St. Cloud Daily Times, 14 November 1917, 3.
- ²Ibid.
- ³Ibid., 31 December 1917, 6-7; 25 March 1918, 6.
- ⁴Ibid., 20 May 1918, 5.
- ⁵Ibid., 31 December 1918, 4; Forsyth and Williams, Pictorial Proof, 100.
- ⁶St. Cloud Daily Times, 31 December 1918, 4.
- ⁷Forsyth and Williams, Pictorial Proof, 102.
- ⁸Ibid., 104-106.
- ⁹Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1712; Pandolfo v. U.S., vol. 5, 154.
- ¹⁰Forsyth and Williams, Pictorial Proof, 93.
- ¹¹Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1709; Pandolfo v. U.S., vol. 5, 154.
- ¹²St. Cloud Daily Times, 10 January 1918, 5; 11 January 1918, 5; Chicago Daily News, 26 January 1918, 6.
- ¹³St. Cloud Daily Times, 2 February 1918, 5; 6 February 1918, 5.
- ¹⁴Ibid., 2 February 1918, 5.
- ¹⁵Ibid., 25 March 1918, 6.
- ¹⁶Ibid. 19 February 1918, 5; 20 February 1918, 5; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1712.
- ¹⁷Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1712; St. Cloud Daily Times, 2 March 1918, 3.
- ¹⁸St. Cloud Daily Times, 26 February 1918, 5.
- ¹⁹"Pan Motor Company Advertising," Associated

Advertising Clubs of the World: Special Bulletin of the National Vigilance Committee, 7 January 1919, 5. Held at the Stearns County Heritage Center in the Pandolfo file. Hereafter cited as Vigilance Bulletin.

²⁰Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1712.

²¹Ibid., vol. 3, 1714-1715; Pandolfo v. U.S., vol. 5, 158. Mr. Krieg's first name is not known.

²²St. Cloud Daily Times, 4 March 1918, 5; 6 March 1918, 1, advertisement.

²³Ibid., 12 March 1918, 4.

²⁴Forsyth and Williams, Pictorial Proof, 163-173.

²⁵Pandolfo v. U.S., vol. 5, 158.

Chapter V

The Investigations of the Pan Motor Company

There is little doubt that Samuel Pandolfo possessed a charismatic personality, and persuasive salesmanship abilities. From the time that he contemplated building his automobile company, he forged ahead, manifesting his dream. Drawing from years of experience, along with personal connections, Pandolfo sold large quantities of stock, a necessity for establishing his company.¹

Alec Shipley of Clovis, New Mexico, angered by his confrontation with Pandolfo, wrote an anonymous letter to the Arizona Bankers Association, arousing their suspicions to Pandolfo's business intentions. The Bankers Association of Arizona in Phoenix later published this letter in the Association's book of proceedings. Shipley also wrote to N. R. Morgan, the County Attorney of Gaines County, Texas, warning him of Pandolfo's business activities. Morgan replied to Shipley in August, 1916, stating that he had been investigating Pandolfo for mail fraud, and had enlisted the aid of federal officers, hoping to have Pandolfo indicted at the October term of the District Court at Seminole, Texas. Morgan described Pandolfo as a "past master in the art of swindling average men."²

Pandolfo continued to sell stock in the Southwest,

still believing it was best to "lay all of the cards face up on the table." He later trained his salesmen to contact a prominent citizen of a community, who would agree to endorse the stock, and "talk it up."³ After selling stock the agent would leave town, promising the prominent citizen a commission if he continued to sell Pan Motor Stock in the agent's absence. The Company advertised that they would accept Liberty Bonds for cash, as this advertisement claimed in December, 1917: "My Dear Friend: Remember we accept Liberty Bonds at face value, the same as cash."⁴ However, Pandolfo later discouraged this practice after he discovered the Government frowned on it.⁵

As the Company's president, Pandolfo kept his agents and stockholders informed on the progress of the Company, usually with up-beat and often over-optimistic propaganda. On January 15, 1917, Pandolfo sent a letter to his subscribers claiming, "Hurrah for the Pan Motor Company! Three cheers for the coming Giant of the Automobile World."⁶ Another circular, dated February, 1917, said:

We intend to begin marketing our cars by February, 1917. You ought to see the plans and specifications of our car. It's the hottest thing that ever came down the pike. A real standardized. . . . Yet [sic] with some new practical common sense ideas. It is safe to say we have now more cars sold than we can make in six months after we start to deliver.⁷

Even before Pandolfo selected the site for his company, he sold stock in Minnesota in early 1917. During that summer, the Minnesota Legislature, along with other state legislatures, passed Blue Sky Laws. These laws required companies selling securities to apply, with a verified written application, to the State Securities Commission. This application required a full statement describing the nature of the business transacted, an income account of the applicant, and a statement of any assets and liabilities of the company.⁸

The Associated Advertising Clubs of the World became aware of Pandolfo's activities after Alec Shipley notified them, and they agreed to investigate his promotional tactics. Alarmed by the amount he spent on advertising, they notified the State Securities Commission in Minneapolis.⁹

The fact that Pandolfo had control of fifty percent of the Company's income made the Minnesota State Securities Commission nervous. In August, 1917, Pandolfo submitted a contract to the State Securities Commission to sell Pan stock, and while they did not approve it, they did not refuse it. Pandolfo, enlisting the aid of Minnesota State Senator J. D. Sullivan, contacted the Commission which stated that they desired seventy-five percent of the money received from the sale of Pan Motor stock to go into the

treasury of the Company. Pandolfo agreed to his allowance of the first twenty-five percent of each subscription as fiscal agent, and the second twenty-five percent to be controlled by an appointed manager. He returned to St. Cloud heartened because he had secured the contract.¹⁰

Pandolfo called an emergency Board of Directors meeting which elected Pandolfo as General Business Manager and Advertising and Sales Manager. The Company agreed to turn over the second twenty-five percent of all stock subscriptions to Pandolfo as General Manager of the Company. The agreement became known as the twenty-five percent resolution by the Company, and was not disclosed when applying to other state security commissions. Because of the resolution, the accounting books needed adjustment, for which Ed. J. Bishop was hired. In fact, little had changed; Pandolfo still controlled fifty percent of every stock subscription.¹¹

By the end of November, 1917, Benjamin Forsyth, an employee of the Minneapolis Daily News, visited the Pan Motor Co. to write an article. Within a short time, the Company employed him as the new Advertising Manager and created the Gopher Advertising Agency to aid him, believing it could save them ten to fifteen percent in advertising costs.¹²

Jack Hammond entered the employment of Pan Motor Co. in

January, 1918 as Publicity Director. He primarily provided articles for Pan Siftings, the company promotional newspaper. Pandolfo discussed with Hammond the topics he wanted investigated, and the advertising staff pursued them. His first big project included a Pan Siftings newspaper covering the events of the Midwest automobile shows in January and February. The articles, written and submitted to Pandolfo for his final approval, mostly pertained to Pan Motor Co., the employees, and Pan Motor products. Hammond printed 25,000 copies, and distributed them at the Chicago, Denver, Kansas City, and Des Moines auto shows. This Pan Siftings included the statement, "The 'War Tank' That Will Win The War," a statement which would be disputed at the Chicago trial.¹³

Through the St. Cloud Daily Times, Pandolfo kept the story of the Pan Motor Co. alive. He addressed the crowds with his speeches; he served banquets, and continually kept the Pan Car in the spotlight by exposing it to various tests and auto shows. He appealed to the ladies to fill first class positions as stenographers, and encouraged others to become mail clerks. One mail clerk, Rosalie Palmersheim, declared that she felt fortunate to have such a job during the difficult times of the Great War. Her job included stuffing envelopes with Pan Motor Co. literature and preparing it for mailing. She recalled that as she walked

to work with several friends, they chanted, N-A-P in a P-A-N; the Pan Motor slogan of the time describing the unique feature of the Pan Car's reclining front seat.¹⁴

About two hundred women became the guests of Mr. Pandolfo, touring the automobile plant, expressing wonder and amazement at the construction of the Pan 250. Although Pandolfo's business impressed the women of the community, it would not impress the government.¹⁵

The National Vigilance Committee, a sub-committee of the Associated Advertising Clubs of the World, headed by Richard Lee, had received money to investigate fraud cases. Some of this money had been donated by large corporations, such as the General Motors Company. The National Vigilance Committee claimed that for several months, Pandolfo had been the subject of many inquiries and criticisms, and they together with the Vigilance Bureau of the Minneapolis Advertising Forum, worked with the Minnesota State Securities Commission to investigate him.¹⁶

Pandolfo's suspicions became aroused when his mail arrived with its wax seals broken, stickers placed over torn flaps, or opened letters re-sealed. Not knowing who tampered with his mail, Pandolfo sent a letter to the Postmaster in Chicago, complaining about the incidents, and asked that the practice be discontinued.¹⁷

In the spring of 1918, Ira B. Henthorn, secretary of

the Vigilance Committee of the Minneapolis Advertising Forum, and Leland S. Duxbury, a representative of the Minnesota State Securities Commission, traveled to New Mexico. They personally visited with Alec Shipley, who had notified the Minnesota commission, making his enmity against Pandolfo known. Shipley introduced the northern men to residents and city officials in Clovis, and talked at length about Pandolfo's business methods. The investigators would return to Minnesota with their findings in late May, just in time for Pandolfo's second meeting with the State Securities Commission.¹⁸

On May 14, the Pan Motor Company went before the Commission to further determine the legality of their stock sales. Ripley Brower, an attorney from St. Cloud, and Carl Cummins, an attorney from St. Paul, represented the Company. During the investigation, Victor Gauvreau, chief designing engineer; A. R. Smith, the superintendent; Charles Schwab, treasurer; and, of course, Pandolfo, all were subject to questioning.¹⁹

The Commission questioned whether capital of the Pan Motor Co. had been expended for purposes other than those intended to extend the sales of stock. Schwab explained that Pandolfo controlled only twenty-five percent of the money from stock sales. The Commission questioned Schwab further and requested to see the letters of recommendation

the St. Cloud Commercial Club had received regarding Pandolfo in 1917. During the hearing, Schwab telephoned the Commercial Club to gather what letters of recommendation they had. He disclosed them to the Commission; however, some of the letters had mysteriously disappeared from the Commercial Club's file.²⁰

During Pandolfo's testimony, he explained the building and production aspects of the Company and hinted at the possibility of a conspiracy against him. Disregarding his statements, the Commission produced the Arizona Bankers Association book containing the Alec Shipley letter. It had been brought back to Minnesota by Duxbury and Henthorn, and used as evidence against Pandolfo. At the conclusion of the hearing, Pandolfo voluntarily offered to take only five percent of the sale price of the stock as his sole compensation; the Company would now be receiving ninety-five percent of the selling price of the stock.²¹

The Minnesota State Securities Commission extended Pandolfo's permit. However the Commission abolished Pandolfo's fiscal agent position and ruled that he should receive only five percent of the proceeds from future stock sales.²²

The first part of June began with a slight glimmer for better days when the St. Cloud City Commission planned "Pandolfo Night." Mayor D. H. Freeman suggested that the

city's residents show their support and respect to Samuel Pandolfo by attending the Pan Motor Co. demonstration at Central Park, with the St. Cloud Military Band and the Home Guard supplying entertainment. Several thousand people witnessed the grand parade in which automobiles, floats, and Pan employees participated. Pandolfo expressed his gratitude, and again described the big plans for his company and the marvelous influence it would have on the city.²³

Further incidents quickly snuffed out the faint glimmer. Pandolfo, angered by the Arizona Bankers Association, filed a million dollar lawsuit against them. Pandolfo later believed that this angered big bankers in other major cities across the United States, because many had an association with the Arizona banks.²⁴

The Pan Motor Co. had two attorneys, Ripley Brower and Norman Street; apply to the Capital Issues Committee, formed by the Federal Reserve Board to regulate investment of capital in the United States, for permission to sell a large block of stock to the public. The Federal Government created this Committee as a war-time measure to prevent fraudulent sales of stocks and securities. Members of the Capital Issues Sub-Committee in Minneapolis decided to investigate the Pan Motor Co., and found the Plant to be as ideal as described, and they filed their report to the Committee in Washington. The Capital Issues Committee

appointed the J. G. White Engineering Co. to investigate the accounting books and the layout of the Pan Motor Co.²⁵

The J. G. White Engineering Co. made a detailed itemization of the buildings and machinery, and described the production of war materials at the Plant. The "White Report," somewhat favorable toward the Pan Motor Co., stated that the buildings and equipment displayed quality construction; however, the report noted that Pandolfo had neither experience nor qualifications in the automobile manufacturing field. For some unknown reason, the Capital Issues Committee disregarded the "White Report" and the "Sub-Committee Report," and considered the Pan Motor Co. as a fraudulent business. They refused Pandolfo's request to sell the large block of stock.²⁶

The Pan Motor Co. had been issued licenses to sell stock in twelve states: Georgia, Illinois, Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota, Tennessee, Utah, Wisconsin, Wyoming, and parts of Colorado. People in many states became suspicious of the Pan Motor Co., and after the Capital Issues Committee circulated a negative report, this number increased. State security representatives from North Dakota and Tennessee began to question the Company's validity and traveled to St. Cloud to investigate. They received tours of the plant and returned home believers in the Company.²⁷

Henry C. Fowler, a member of the Capital Issues Committee, notified Congressman Edward T. Taylor Of Colorado's Fourth District after the Committee published their report. Taylor immediately wrote various newspapers in his district, warning residents of Pandolfo's company. The Stock Sales Investigation Committee from Montrose and Grand Junction visited the Pan Motor Co. and found it to be completely satisfactory with no evidence of fraud.²⁸

Mr. C. F. Enright, the Missouri security commissioner, revoked the license to Pan Motor Co., only to reinstate it after a visit from Pandolfo, and his promise to accept only five percent of the value of the stock. The Associated Advertising Clubs of the World, apparently behind the questioning of Pandolfo's business, sent representatives to the various states with the intention of discouraging the security commissioners from continuing the licenses for Pan Motor Co. to sell stock. They succeeded in convincing most states to suspend or cancel Pan Motor Company's licenses.²⁹

The onslaught against Pandolfo continued with different agencies determined to prove they had a case against him. W. J. Marles, Chief Postal Inspector at Chicago, who had received Pandolfo's complaint about opened mail, asked Pandolfo if he could tour the automobile plant. After Pandolfo and Marles toured the plant, Samuel showed him the minute books of the directors' meetings. Suspicious of

Marles, Pandolfo had a detective follow him. It was through this investigation that Pandolfo discovered the close association between Marles and Ira B. Henthorn, the Secretary of the Vigilance Committee of the Minneapolis Advertising Forum. Marles also conferred with Richard H. Lee, Chief Counsel for the Vigilance Committee of the Associated Advertising Clubs of the World, who had moved his office from New York to Chicago, giving him closer proximity to the Pandolfo investigation.³⁰

In the middle of November, Pandolfo and John Barritt, Secretary of Pan Motor Co., were indicted for mails to defraud by the Grand Jury in the United States Court at Fergus Falls, Minnesota. Pandolfo later claimed that a few days before the Fergus Falls indictment, Herman Moeller, the Clerk of the State Supreme Court, overheard two men in the lobby of the St. Paul Hotel, St. Paul, talking. Pandolfo quoted the men as saying about him that "if they did not hurry the indictment against me, that in a few months I would be so far along that nothing would stop me or blow us up." Ripley Brower, the attorney for Pandolfo and Barritt, requested an immediate trial declaring that the Pan Motor Co. had \$300,000 to \$400,000 at stake in government contracts. The government attorneys requested more time so they could gather additional evidence; however, the trial date was set for January 3, 1919.³¹

Pandolfo, preparing for the "big storm," believed that it would be in the best interest of the Company if they filmed the manufacturing buildings. Pandolfo instructed Forsyth to contact a good moving picture photographer. He promptly contacted Atlas Educational Film Company in Chicago, which engaged Richard Ganstrom for the project. Ganstrom, having been told that the film would be used for court and promotional purposes, filmed the entire plant in the natural state, with Forsyth giving him instructions.³²

Pandolfo solicited the support of every governor, senator, and representative in the United States by mailing them a copy of Pictorial Proof of Progress, compiled by Forsyth and C. W. Williams. He printed about five thousand copies of this 265 page book, and bound it in imitation embossed leather. This book contained photographs and articles covering every aspect of the plant, Pan Town, and St. Cloud, and included a brief history of Pandolfo and his staff.³³

Just before Barritt and Pandolfo appeared in court, the Minnesota State Securities Commission indefinitely suspended Pan Motor Company's license to sell stock. In addition the order prohibited the Pan Motor Co. from paying a sales commission higher than twenty percent.³⁴

On December 20, Pandolfo publicly announced methods he thought were being used to destroy his company. He accused

the Vigilance Committee of the Minneapolis Advertising Forum of conducting unscrupulous investigations, telling how representatives of that Committee had traveled south to interview Pandolfo's friends, searching for information to discredit him. J. J. Hilbe, president of the St. Cloud Commercial Club, spoke, claiming that outside interests had insinuated that the Pan Motor Co. was a big swindling agency, and suggested that St. Cloud could not possibly provide adequate railroad and housing facilities for such a large business. Hilbe only surmised that the insults resulted from envious people in Minneapolis, possibly because the automobile company had not located there. Two delegates from the Minnesota State Securities Commission regretted the accusations from Pandolfo and Hilbe. They reminded Pandolfo that the views of the Commission represented only a small percentage of the people in Minneapolis.³⁵

Pandolfo was pleased that the Pan Motor case opened earlier than originally scheduled. The case beginning on December 24, 1918, was dismissed on January 4, 1919, for lack of evidence. The Government asked for a continuance, stating that their accountant, Leslie M. Bennitt, needed more time to examine the Pan Motor Co. books. The Court refused this, and Barritt and Pandolfo returned to St. Cloud, where their friends and the Elk's Drum Corps had

chartered a streetcar to transport them to a group of friends ready to congratulate them.³⁶

The Directors of the Pan Motor Co., beginning to feel the burden lift, sponsored their first New Year's dance, opening it to the employees and Company's friends. The Company set aside athletic equipment and recreational rooms in one of the buildings for the employees to use at break time. They promised to install showers at a later date.³⁷

In February, the Pan Motor Co. featured a Pipes O' Pan Barn Dance, sending over one thousand invitations. The St. Cloud Daily Times stated that it would be "a case of straw, hat, overalls, and other good old-fashioned "rube" decorations for him and calicos [sic] gingham and sun-bonnets for her."³⁸ No one would be allowed on the dance floor in the new Pan gymnasium unless they were properly dressed. The music featured a band whose members included a "hard cider fiddler," accordion player, and mouth organ artists. "Turkey in the Straw" would only be one of the musical selections. "As those jolly Pan Pipes say: Oh Boy, Let's Go! Make it a Hot One"³⁹

Superficially, life seemed to have been pumped back into the Company, but a large cloud remained. On February 1, Pandolfo, along with the Directors of the Company, received an indictment for "Fraudulent use of the Mails" by the Federal Grand Jury in Chicago. The St. Cloud Daily

Times reported claims that over \$5,000,000 had been wrongfully obtained by Pandolfo and the Company through the mail. In the March, 1919 issue of World's Work, the article "Pirates of Promotion" listed the Pan Motor Co. as fraudulent. Pandolfo, angry at the indictment and the new onslaught against him, sued the Associated Advertising Club of the World, the Minnesota Advertising Forum, and publishers of World's Work, and Financial World, because they had written critical and injurious reports on Pandolfo and his company.⁴⁰

In spite of the turmoil, Pandolfo plunged on, sending sixty-one Pan Cars to San Antonio, Texas, in March. St. Cloud also held the annual Pan Plant day and, as usual, thousands attended. During the summer of 1919, the Company had baseball teams, and a new column in the St. Cloud Daily Times, "News and Views from Pan Town," kept all residents in St. Cloud informed of the affairs in Pan Town. This column included jingles, such as "B is for Barritt, Initial is J.; Came here with Pan, and is going to stay. C stands for Cater, Chief of Guides; Knows all about The Plant's Insides."⁴¹

As summer came, the Pan Motor Co., and the St. Cloud Daily Times, had a joint promotion. Advertisements called on the people to sell newspaper subscriptions, enticing the first prize winner with a gift of a five-passenger Pan

Touring Car, valued at \$1,250. Second place would receive a Maxwell automobile, valued at \$985. Every subscriber became a member of the Pan-Maxwell Auto Club, a club, an advertisement claimed, that would always be around. Edward J. Laubach, a fourteen year-old boy from Spring Hill, Minnesota, won first prize. Harvey Hockert, from Freeport, Minnesota, took second place after running neck and neck with Laubach for the last part of the promotion.⁴²

Still another Government agency, the Federal Trade Commission, became involved with the Pan Motor Co. investigation. Alarmed by the Capital Issues Report, the Federal Trade Commission began their own investigation of Pandolfo, and cited him June 7, 1919, for having "published, advertised and circulated false, misleading, unfair, and unfounded statements." The investigation halted as the Government realized that an indictment from Chicago would carry through.⁴³

In August, Pandolfo erected the Pandolfo Manufacturing Company near the Pan Motor site. The building, estimated at \$75,000, housed a business that would produce sheet metal products, identified by the "Made-O-Metal" or "Handy-Pandy" logos. Such products included the Made-O-Metal Disk Wheel, claimed to be more durable than the wooden wheel; a luggage carrier for Ford cars; Handy-Pandy Auxiliary Folding Chairs; the Handy-Pandy folding table; a Made-O-Metal Coffee-Maker;

a Drafting Board stand; and the Made-O-Metal washing machine, which was being developed. Most importantly, the Manufacturing Co. would produce Pandolfo's patented compartment tank which attached to the back of the automobile.⁴

In October, the new Pan Tank-Tread Tractor made an appearance on the city streets, along with the four-wheel tractor. This promotion and speech-making time was one of the last before Pandolfo and his staff traveled to Chicago. As the Federal trial date in October drew close, Pandolfo and his directors prepared for the trial as best they could; however, it would not be enough to stop the destruction of the Company.⁴⁵

NOTES

¹"Pan Town on the Mississippi," Western Magazine, 1 April 1918, 132, 139.

²"Brief History," 8; government exhibit, U.S. v. Pandolfo, vol. 5, 2007.

³Pandolfo v. U.S., vol. 5. 103; Daniel Starch, Principles of Advertising (Chicago and New York: A. W. Shaw Co., 1926), 473.

⁴Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1819.

⁵Ibid., 1828.

⁶Indictment, U.S. v. Pandolfo, vol. 1, 17.

⁷Ibid.

⁸Pandolfo v. U.S., vol. 5, 33; State of Minnesota State Securities Commission: Findings of Fact Conclusions and Order in re Pan Motor Company, St. Cloud, Minn., May 1918. Held at the Stearns County Heritage Center, in the Pandolfo file.

⁹Vigilance Bulletin, 7 January 1919, 1, 8. Held at the Stearns County Heritage Center in the Pandolfo file.

¹⁰Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1835-1838.

¹¹Pandolfo v. U.S., vol. 5, 171-175.

¹²Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1697; Forsyth testimony, vol. 3, 1820-1825; Pandolfo v. U.S., vol. 1, 515-518.

¹³Pandolfo v. U.S., 58; Hammond testimony, U.S. v. Pandolfo, vol. 1, 515-518.

¹⁴St. Cloud Daily Times, 4 January 1918, 5; Rosalie Palmersheim, interview by author, tape recording, 21 September 1995, Sauk Rapids, Minn.

¹⁵St. Cloud Daily Times, 20 March 1918, 5.

¹⁶Vigilance Bulletin, 7 January 1919, 1. Held at the Stearns County Heritage Center in the Pandolfo file.

¹⁷Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1761.

¹⁸Shipley testimony, U.S. v. Pandolfo, vol. 1, 1885-1886; Pandolfo v. U.S., vol. 5, 71.

¹⁹St. Cloud Daily Times, 14 May 1918, 1; 15 May 1918, 1.

²⁰Ibid., 16 May 1918, 1; Schwab testimony, U.S. v. Pandolfo, vol. 2, 1434.

²¹St. Cloud Daily Times, 20 May 1918, 5; 21 May 1918, 1; "Brief History" 7; Pandolfo v. U.S., vol. 5, 44; Shipley testimony, U.S. v. Pandolfo, vol. 1, 185-186.

²²Vigilance Bulletin, 7 January 1919, 8. Held at the Stearns County Heritage Center in the Pandolfo file.

²³St. Cloud Daily Times, 3 June 1918, 5; 6 June 1918, 4; 7 June 1918, 5.

²⁴"Brief History," 9.

²⁵Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1864; Pandolfo v. U.S., vol. 5, 35; New York Times, 27 January 1918, 16.

²⁶Arthur Borak, "The Financial History of the Pan Motor Company" (master's thesis, University of Minnesota, 1925), 43; Pandolfo v. U.S., vol. 5, 187-188.

²⁷Pandolfo v. U.S., vol. 5, 187-188.

²⁸"Application," 26.

²⁹Ibid.; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1724-1727.

³⁰"Brief History," 26; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1761-1763.

³¹"Application," 28; St. Cloud Daily Times, 18 November 1918, 5.

³²Ganstrom testimony, U.S. v. Pandolfo, vol. 2, 814-816; Forsyth testimony, vol. 2, 819-820.

³³St. Cloud Daily Times, 2 January 1919, 5.

³⁴Ibid., 20 December 1918, 4.

³⁵Ibid., 5.

³⁶Ibid., 4 January 1919, 5.

³⁷Ibid., 14 January 1919, 6.

³⁸Ibid., 7 February 1919, 4.

³⁹Ibid., 15 February 1919, 6.

⁴⁰Ibid., 4 January 1919, 1; 28 February 1919, 5; Louis Guenther, "Pirates of Promotion," World's Work, March 1919, 511.

⁴¹St. Cloud Daily Times, 5 March 1919, 5; 3 May 1919, 5; 22 May 1919, 6.

⁴²Ibid., 7 June 1919, 4, advertisement.

⁴³Ibid., 13 June 1919, 4; 11 August 1919, 5.

⁴⁴Ibid., 15 August 1919, 5; Samuel Pandolfo, "Our Family Album': A Pictorial Presentation of the Plant, Products and Personnel of the Pandolfo Manufacturing Company" (privately printed in 1920), 1-17.

⁴⁵St. Cloud Daily Times, 8 October 1919, 6; 9 October 1919, 5.

Chapter VI

The Mail Fraud Act and One Who Would Enforce It: Judge Kenesaw Mountain Landis

In 1792, Congress adopted the first criminal penalty for postal offenses, which at that time consisted mostly of mail theft. Recognizing the need for revisions, in 1872 the second session of the Forty-Second Congress passed what commonly became known as the Mail Fraud Act.¹

Congress intended the statute to be broad, enabling the government to touch most areas of consumer fraud. These included stock, land, bank, election, and insurance frauds, counterfeiting, blackmail, and bribery, to name a few. This new law authorized the Postmaster General and his agents, under the direction of the President of the United States, to open and inspect, in the presence of two other American citizens, any mail suspected of fraudulent contents. These procedures remained unchanged during Pandolfo's time.²

A mail fraud case usually originated with complaints filed by people who received mail that appeared deceitful. Post office inspectors, trained for detecting fraudulent material, investigated these complaints to see if there was merit to them. Periodically, the inspectors would intercept a response from a person to the suspected swindler. If this occurred, the postmaster, with orders from the Postmaster

General, would stamp the envelope with the word "fraudulent," and returned it to the sender. This action, called a "fraud order," prevented the suspected swindler from receiving money from a "victim."³

The work of the inspector did not end with analyzing the mail. They usually shadowed the promoter and collected any information which would provide sufficient evidence for a court case. After the completed investigation, the inspector forwarded all of the acquired evidence to the legal department of the Post Office. If there appeared to be enough information to produce a court case, the Department of Justice was notified, and legal action began.⁴

Over the years, the original statute has varied little except for minor word changes. Section 215 of the 1909 Mail Fraud Statute gave the legal grounds for the indictments against Pandolfo for his 1919 Chicago trial. It reads as follows:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises shall, for the purpose of executing such scheme or artifice or attempting so to do, place, or cause to be placed, any letter, postal card, package, writing, circular, pamphlet, or advertisement, whether addressed to any person residing within or outside the United States, in any post-office or station thereof, or street or other letter box of the United States, or authorized depository of mail matter, to be sent or delivered by the post-office establishment of the United States, or

shall take or receive any such therefrom, whether mailed within or without the United States, or shall knowingly cause to be delivered by mail according to the direction thereon, or at the place at which is directed to be delivered by the person to whom it is addressed, any such letter, postal card, package, writing, circular, pamphlet, or advertisement, shall be fined not more than one thousand dollars, or imprisoned not more than five years, or both.

Through the gathered evidence the Federal court must determine that the defendant had the intent to execute a "scheme or artifice to defraud," and in doing so used the mails to execute the scheme.⁵

Samuel Pandolfo had two well-known inspectors investigating the Pan Motor literature: Charles H. Clarahan, of New York, and William J. Marles, of Chicago. But the man who would preside over the Pan Motor Trial, Judge Kenesaw Mountain Landis, caused Pandolfo extensive anxiety. He feared Landis to such a great extent that Pandolfo called his court a "slaughterhouse."⁶

Kenesaw Mountain Landis was born to Abraham and Mary Kumler Landis on June 27, 1864, at Millville, Ohio. As the sixth child, he received the unusual name, Kenesaw Mountain, after the battle in which his father served as a Union surgeon in the 35th Ohio Volunteer Infantry. On this battlefield, while Abraham performed a leg amputation, his own leg was permanently injured by a spent twelve-pound cannonball.⁷

At the age of seven, Kenesaw moved to Logansport, Indiana, with his family. As a young boy, he delivered newspapers, worked odd jobs after school, and during the summer months labored on a farm. Landis never completed high school, but this did not seem to hinder him in pursuing employment with the Logansport Journal as a reporter. He also pursued his love for baseball by playing with a semi-professional baseball team.⁸

His journalistic duties covering the Cass County circuit court cases particularly caught his attention. He further developed his reporting skills by learning shorthand and was rewarded with the official court reporter position for that circuit court.⁹

The legal profession continued to interest him, and with his father's blessing, he enrolled in the Union College School of Law in Chicago, now part of Northwestern University. After graduating in 1891, his father's old commander, Colonel Walter Quinton Gresham, President Cleveland's Secretary of State, opened a new door for Landis. Gresham appointed Kenesaw as his secretary, and introduced him to Washington D. C. society. Eventually, Cleveland took notice of Landis and offered him the position of Minister to Venezuela which Landis declined.¹⁰

After Gresham's death, Landis returned to Chicago and opened a private law practice. On July 25, 1895, he married

Winifred Reed, and they had one son, Reed, and one daughter, Susanne. Landis continued to work his private practice until President Theodore Roosevelt appointed him Judge of the United States District Court for Northern Illinois in 1905.¹¹

This appointment paid Landis \$7,500 a year, an increase from his private practice income. It took only two years for Landis to gain national recognition as a federal judge, when he fined the Standard Oil Company of Indiana \$29,250,000 in 1907, for accepting freight rebates from the Chicago and Alton Railroad. Landis even boldly demanded that John D. Rockefeller, Sr. appear as a witness for the defense. The Circuit Court of Appeals revoked the decision in July, 1908, because of a number of errors Landis made during the trial. Consequently, Standard Oil never paid one penny of the fine imposed by Landis. The reversed decision did not diminish Landis' reputation as a tough judge.¹²

Landis would sit on other controversial cases. In 1914, he presided over baseball's legal battle--the Federal League against the National and American Leagues, which was eventually decided out of court. Landis' court convicted six Socialist leaders for obstructing the country's war program, and ^{HP}presided at the trial of William D. Haywood, _Asecretary-treasurer of the International Workers of the World (IWW). Landis actively condemned socialism and

considered members of the IWW traitors to the country.¹³

The behavior of Landis could be unpredictable in the courtroom. He tended to give young offenders a second chance, or tear into another soul with utmost vengeance. He would comb his fingers through his tussled white hair, or shake a gnarled finger at a defendant. His courtroom tactics could be dramatic and unpredictable, and perhaps that is what Samuel Pandolfo feared. He had an acute awareness of Landis' capabilities, and before the two met, Pandolfo had a strong opinion of the judge.¹⁴

To the general public, Landis represented honesty, nobility, and gentle sternness. He demonstrated the latter after a defendant had been sentenced: he often told the guard to escort the prisoner to "Mabel's room," his term for the detention pen. Some members of the bar had a different attitude, for they believed he wasted precious time in the courtroom.¹⁵

In 1920, shortly after the Pan Motor Co. trial, baseball fans were horrified to find out that the World Series of 1919, between the winning Cincinnati Reds and the Chicago White Sox, had been a fraud. Because of this experience, baseball magnates decided there was a need for a baseball czar. They agreed on one man, Kenesaw Mountain Landis, who accepted the position as the first Baseball Commissioner, while still serving as judge. Soon after

Landis was installed, a few members of the Chicago White Sox, dubbed the "Black Sox," were dismissed from baseball for their activities in the 1919 World Series.¹⁶

The position of Baseball Commissioner paid \$50,000 a year, but Landis insisted that the salary be minus the \$7,500 he made as a judge. Threat of impeachment loomed over his head from dismissing charges against a young bank teller for embezzling \$96,500 from the bank that employed him. Many citizens were discontented with Landis receiving a private and a federal salary. Under this pressure, Landis resigned his position as a judge in February, 1922. Landis remained baseball commissioner until his death in Chicago, on November 26, 1944.¹⁷

NOTES

¹Sandford H. Kadish, ed. Encyclopedia of Crime and Justice, vol. 3 (New York: Free Press, 1983) 1015; Statutes at Large, vol. 35 (Washington: Government Printing Office, 1909), 1130.

²Statutes at Large, vol. 17 (Boston: Little, Brown, and Company, 1873), 317; Jed S. Rakoff, "The Federal Mail Fraud Statute (Part 1)," Duquesne Law Review 18 (Summer 1980), 772.

³Harry S. New, "Closing the Mail Box to Frauds," World's Work, July 1923, 260.

⁴Ibid., 255, 260.

⁵Statutes at Large, vol. 35 (Washington: Government Printing House, 1909), 1131; William P. Bried, "A Survey of the Mail Fraud Act," Memphis State University School of Law, 8 (Fall 1977): 673-674.

⁶"Harry S. New, "Closing the Mail Box to Frauds," 262; "Application," 29.

⁷J. G. Taylor Spink, Judge Landis and Twenty-Five Years of Baseball (New York: Thomas Y. Crowell Company, 1947), 1-2; Henry F. Pringle, "Portrait of a Bench Warmer," Harper's Monthly Magazine, April 1927, 615; New York Times, 26 November 1944, 56.

⁸Spink, Judge Landis and Twenty-Five Years of Baseball, 7; Anna Rothe, ed., Current Biography: Who's News and Why vol. 5 (New York: H. W. Wilson Company, 1944), 373.

⁹Spink, Judge Landis and Twenty-Five Years of Baseball, 7.

¹⁰Ibid., 87; Rothe, ed., Current Biography, 373; New York Times, 26 November 1944, 56.

¹¹Rothe, ed., Current Biography, 373.

¹²Ibid.; Pringle, "Portrait of a Bench Warmer," 614.

¹³Spink, Judge Landis and Twenty-Five Years of Baseball, 23; St. Cloud Daily Times, 2 February 1920, 1.

¹⁴"Judge Landis Under Fire," Literary Digest, 12 March 1921, 41.

¹⁵Pringle, "Portrait of a Bench Warmer," 616.

¹⁶Ibid; New York Times, 26 November 1944, 56; "Baseball Put On Trial," Outlook, 4 May 1921, 6.

¹⁷St. Cloud Daily Times, 18 February 1922, 1; New York Times, 26 November 1944, 56; "Judge Landis Under Fire," Independent, 26 February 1921, 213-215.

Chapter VII

The Chicago Trial

In 1872 it became a Federal crime to send any material "to scheme or artifice to defraud" through the mail. Because of this law, the Government charged Samuel Pandolfo, George Heidman, John Barritt, Charles Schwab, George Hanscom, Hugh Evans, Peter J. Thielman, Charles Bunnell, Fred Schilplin, H. C. Ervin, Charles F. Ladner, Norman Street, and H. S. Wigle, all officers and promoters of the Pan Motor Co., of fraudulently obtaining more than five million dollars through the mail, in January, 1919.¹

The Pan Motor Co. trial took place in the Seventh Circuit District Court for the Northern District of Illinois, Eastern Division, in Chicago, with Schilplin reporting all of the trial's events to the St. Cloud Daily Times. This trial captured a nationwide audience because stockholders of Pan Motor Co. resided throughout the United States. The March 1919 indictment contained ten counts under Federal Penal Code Section 215 and one count under Section 37 for conspiracy to violate Section 215. Pandolfo denied all of the fraud charges, and claimed that with the money he had received from stockholders, he had organized and built a successful modern automobile factory and drop-forge plant.²

The case was tried under Judge Kenesaw Mountain Landis, with Judge Sylvester R. Rush, presiding as the government fraud specialist. The attorneys representing the Government were United States District Attorney Charles F. Clyne and Assistant District Attorneys Benjamin P. Epstein and James R. Glass. Ripley P. Brower of St. Cloud, Carl Cummins, of St Paul, and Fletcher A. Dobyms, George Peaks, and John Hopkins, all of Chicago, would represent the defense. The Government subpoenaed over two hundred witnesses from various states. Of these, 150 testified, with fifty-five stockholders testifying in favor of the defense.³

As the train carrying the directors and two train cars full of office equipment departed from the Northern Pacific depot in St. Cloud, a large crowd of well-wishers shouted their support. Arrangements had been made at Chicago's Atlantic Hotel to reserve the sixth floor, which allowed the Pan Motor Co. staff office space and sleeping quarters. Witnesses for the defense likewise had accommodations here. The Company, recognizing an opportunity, displayed the Pan Car 250, the 1920 model, and two tractors, in the hotel lobby.⁴

The trial officially began Friday, October 24 at 10 A.M. and Judge Rush first stated the indictments before outlining the Government's charges. He summarized Pandolfo's business activities beginning with Pan Motor

Co.'s promotional meetings in New Mexico and the sale of stock worth five dollars at par for ten dollars. Rush stated that even during the organizing days of the Company, exaggerated statements were made, and gave the example of one salesman predicting that "30,000 (Pan) cars were to be sold the following year." His narration outlined Pandolfo's activities in Cheyenne and Chicago. Rush questioned the sincerity of the manufacturing of the Pan Tank-Tread tractor, claiming that they had evidence that the assembly of the first machine cost seven thousand dollars, a much greater amount than the projected selling price of between one to two thousand dollars.⁵

The following day, the Court opened by reading the Pan Motor Co.'s charter, and discussed the Delaware charter's broad powers. Carl Cummins presented the case for Pandolfo and Barritt, the Company secretary, and briefed the court on both men's business background and working relationship. He gave a detailed description of the Pan Motor Co. plant, and requested permission from the Court to show moving pictures of the plant during the trial.⁶

Brower, defending the remaining directors of the Company, described each man individually, dwelling on the honesty and integrity of each one. He described St. Cloud, and defended Pandolfo's choice of location for his auto company. Stockholders in the Company, he claimed, had been

very satisfied, as they indicated in a recent stockholders meeting. The day concluded at 5:30 P.M., and Brower announced jubilantly that the Court would allow the viewing of the moving pictures.⁷

During the morning testimony of Monday, October 27th, Mrs. Sarah Clark, of Belen, New Mexico, described her encounter with a Pan Motor Co. sales agent, C. G. Knowles. After five hours of discussion, he persuaded Clark, an elderly boarding house manager, to purchase two hundred dollars of stock. Knowles assured her that in a short time, the Company would pay dividends of twenty to twenty-five percent. She soon regretted the purchase, stating that she intended to buy a few milk cows with the money, and much to her chagrin, instead of receiving dividends, became inundated with Pan Motor Co. literature.⁸

The next few days included the testimony from men who had been present at the Pan promotional meeting in Clovis, New Mexico, in 1916. Alec Shipley described his first meeting with Pandolfo, and their hostile encounter at the Elks Auditorium in Clovis. The Court established that Ira B. Henthorn, secretary of the Vigilance Committee of the Minneapolis Advertising Forum, contacted Shipley regarding Pandolfo's endeavors after receiving Shipley's name through the Department of Insurance and Banking of Texas. However, Shipley, unable to produce his reply to Henthorn's letter,

volunteered to telegraph his family in order to have it forwarded.⁹

Shipley did not hide his animosity toward Pandolfo, and at one point claimed that he would have fought Pandolfo with a gun had he been provoked. Still, Shipley claimed that now he held no malice toward Pandolfo. When asked by the Court if he liked Pandolfo, Shipley shouted, "No!" Pandolfo smiled at these comments.¹⁰

George B. Baxter, of Melrose, New Mexico, gave a letter of recommendation to Pandolfo in 1916, but after the Clovis meeting, he had a change of heart, and requested that the letter be returned. Pandolfo refused Baxter, although he offered him three shares of Pan Motor Stock as payment for the letter.¹¹

Pandolfo also refused to return a letter of recommendation from P. E. Jordan, a former cashier of the bank in Portales, New Mexico. During Jordan's testimony, he described his determination to retrieve the letter by offering Pandolfo twenty-five dollars. It was to no avail, as Pandolfo only offered him a consolation gift of a certificate of stock which Jordan never received. During cross-examination, Pandolfo's attorney, Carl Cummins, asked Jordan if he had said Pandolfo had never deceived him. After some nervous reactions, Jordan admitted he had made such a statement.¹²

Judge Landis kept the court on a fairly rigorous schedule. The morning sessions began at 10:00 A.M. and continued until 12:30; the afternoon session ran from 2:00 P.M. until at least 4:30 P.M. He would often have additional conferences with attorneys in the early part of the morning and during the evening. Hal Ervin, a Pan Motor director, seriously thought of asking Judge Landis for early adjournment on beautiful days so that he could play golf.¹³

The people involved with the case looked forward to Sundays as a day of rest. On October 27, most of the Pan Motor people saw the sights of Chicago, including the Art Institute and the Field Museum, which was nearing completion. Charles Schwab even entertained his fellow directors with a fine dinner at the Atlantic Hotel.¹⁴

As the trial continued, witnesses, such as Mrs. G. S. Humphrey, a widow from Tyrone, Oklahoma, spoke favorably about her investment in Pan Stock. She claimed she had never been misrepresented. Mrs. Hulda Shepard of Wheatland, Wyoming, expressed her satisfaction with the Company, even though her postmaster tried to convince her that her stock had no value.¹⁵

It became clear, through other testimonies, that post office inspectors caused other stockholders to question their investments after the inspectors had received complaints. August Thummel from Missouri and W. H. Patten,

from Colorado, had both been approached by postal inspectors. Sidney R. Weis, of Chicago, approached many times by postal inspectors, decided to travel to St. Cloud to investigate the Motor Company. After his return, Weis wrote a lengthy letter to W. J. Marles, the Chicago postal inspector, stating that "any knock or imprecation made against this company is unjust."¹⁶

Ben Forsyth, advertising manager for the Company, attested to Pandolfo's promotion of good morals among his employees. He stated that the salesmen often received literature which admonished them to stay away from women and drink, and urged them to work hard at selling stock during the week. Pandolfo, realizing the need for rest, encouraged his salesmen to relax on the weekends.¹⁷

Not all of Pandolfo's salesmen followed his recommended gentlemanly ways. A. Enos, a city statistician from Des Moines, charged that a salesman claimed that Pan Stock would make "Ford stock look like a dirty deuce in a old pack."¹⁸

Through the days and weeks of testimony and exhibits, the common thread of exaggerated or false reports became blatantly obvious. On January 10, 1917, Pandolfo had written G. S. Humphrey, boasting that the Company's organizing process and building plans were moving along faster than expected, when in fact the Company did not even have the land for its factory. Attached to the letter was a

lengthy description of the proposed Pan Car. Pandolfo wrote that they expected to net fifty dollars on every auto produced, with the intention of making "about 100,000 cars the first year."¹⁹

He wrote a similar statement to Ms. Gertrude Bean, a holder of five shares of stock, on February 7, 1917, which she turned over to a post office inspector at his request. Her testimony favored the defense as she described a visit to the plant in August, 1919, where she observed machinery, partially assembled vehicles, all of which met her expectations.²⁰

On January 26, 1917, Pandolfo wrote W. W. Bowers and bragged about the potential success of the future plant; however, he had to defend D. E. Lindley's investment by reassuring him that it was very satisfactory. These statements were the basis for the indictments, and although the defense did not deny that these comments contained exaggerations, they tried to prove that Pandolfo was building a reputable company.²¹

Exhibit No. 312 displayed a sheet of stationery stating "Aeroplane view of the Big Pan Motor Plant, planned and being built by our engineers."²² Carl Cummins continued to read the small print from the exhibit, which he claimed the Government had not read. He quoted:

The above prospective shows the general plan of the factory building and general offices of the Pan Motor Company at St. Cloud, Minnesota, as of January 5, 1918, planned and being built by our engineers. It gives a fair idea of how the big plant is expected to look when complete. Our engineers tell us this will perhaps be the most modern and up-to-date automobile manufacturing plant in the world.²³

Pandolfo stated that he did not intend to mislead people into believing that the picture of the plant was taken from an "aeroplane." In later years Pandolfo claimed that he did not know that an "aeroplane view" literally meant the picture had to be taken from an "aeroplane," any more than that a "bird's eye" view was taken from a "birds-eye."²⁴

The two sides disputed the purpose of the Pan Tank-Tread Tractor. The prosecution argued that the tractor was a front to help promote Pan stock, while the defense adamantly denied this. The defense reminded the Court that one thousand motors had been ordered from the Buda Company for the tractors, but because of their obligation to the war effort, they could not fulfill the contract.²⁵

The prosecution attacked the tractor issue from yet another angle, pointing out the misrepresentation of the advertisement in the Pan Siftings, the Company newspaper, that the "War Tank," or Tank-Tread would "Win the War."²⁶ They tried to prove that Pandolfo knew that this

advertisement misled investors, but in fact they could not. At that time, attorney Cummins interjected with the fact that "Win the War" phrases were commonplace, and gave the statement, "Cigarettes Will Win the War" as an example.²⁷

When the issue of accepting Liberty Bonds for payment came up, Judge Landis expressed disbelief. Several people who purchased stock in this manner testified. One, Ralph M. Smith, a farmer from Montrose, Colorado, told how he had been approached by W. R. Crowder, an agent. Crowder asked Smith if he wanted to "win the war." Smith replied yes, and Crowder proceeded to explain how investing in the Pan Motor Co., a member of the War Board, would help win the war by producing "munitions and guns and stuff for the army." Reluctantly, Smith purchased the stock with a one-hundred dollar Liberty Bond.²⁸

Another farmer, C. A. Kettle, of Ouray County, Colorado, related a similar story; however, he startled the court by stating that Crowder had introduced himself as a relative of Civil War Generals' Ulysses Grant and George McClellan. Kettle purchased Pan Motor Stock immediately with his Liberty Bonds.²⁹

The approval for accepting Liberty Bonds as payment for the stock came directly from Pandolfo, explained H. S. Wigle, a former vice president of the Company. He had resigned that position, allowing him to sell stock in the

Northwest. Wigle only discussed the option of purchasing stock with the bonds if the client approached him about it, although the majority of his clients did not use Liberty Bonds. Pandolfo did not deny the fact that he promoted the acceptance of the bonds, but claimed that he later discouraged it when he knew the government disapproved. Landis summarized the seriousness of the issue by saying it was "a contemptible way to sell stock."³⁰

The court questioned the involvement of the Advertising Clubs of the World in the Pandolfo investigation, when the defense insinuated a collaboration between the State Securities Commission and the Advertising Clubs of the World. The prosecution vehemently opposed this statement, claiming that there was no connection between the two agencies. The defense enjoyed a brief moment of victory as they produced a letter from Ira B. Henthorn of the Vigilance Bureau of the Minneapolis Advertising Bureau to Alec Shipley, stating that they were in "very close touch with the State Securities Commission."³¹

Pandolfo had long accused the Advertising Clubs of the World and the sub-committee, the Vigilance Bureau of the Minneapolis Advertising Bureau, of creating woes for him. At one point during the trial Pandolfo stated to Landis that "Richard H. Lee, counsel for the Associated Advertising Clubs of the World, is directing the prosecution."³² A

short time later he stood up in court and again attacked the Associated Advertising Club. Judge Landis promptly addressed Pandolfo by saying "Oh, sit down!" After restoring order, testimony continued.³³

The revelation of sensitive issues about the operation of the Company continued. The prosecution read the unfavorable Capital Committee Report to the jury, even though the defense protested. The prosecution attacked the twenty-five percent resolution, which the Pan Motor directors passed after the Minnesota State Securities Commission hearing in 1917, giving Pandolfo an additional twenty-five percent of the paid capital. The defense argued that there was nothing deceptive about the directors agreeing to the decision. The Pan Motor Co. expected to reveal the contract to other state commissions, but Pandolfo believed that they only needed to receive the fiscal agent contract. Since the resolution did not apply to the fiscal agent, it seemed unnecessary to file it with any commission. Pandolfo continued to explain that the minute books recording the meeting explaining the resolution would have been opened to anyone who desired to see them.³⁴

Pandolfo's income and the Company's accounting books came under severe attack, as the Government tried to prove that he had fraudulently obtained money. When the prosecution revealed that Pandolfo received more than

Soon after the bomb scare, Judge Landis questioned Pandolfo about him hiring a detective to "watch the jury in the case." Landis, upset, turned to those attending the session, and advised them "in dealings with this man, to be careful of their reputation."⁴¹

Landis likewise reprimanded H. S. Wigle, a stock salesman, after he testified. Under oath, Wigle claimed that he had purchased stock for ten dollars a share. As Landis looked over the courtroom, he noticed questioning looks on the faces of the other directors and knew that Wigle had not testified in good faith. Wigle later admitted that he had purchased the stock for five dollars a share. Landis claimed:

I have never seen more unwarranted exhibition of false bearing. I think it is pathetic that men like Fred Schilplin and C. E. Hanscom and the rest of the St. Cloud directors of the Pan Company, should be associated with you.⁴²

On a perjury charge, the Grand Jury bound Wigle over on bonds of twenty thousand dollars. The Deputy Marshal held him in custody until he returned to the courtroom on December 22. The bond was later reduced to ten thousand dollars.⁴³

Before the trial closed, Pandolfo testified that his mail had been tampered with while he had stayed in Chicago on business and described receiving a registered letter with

court, and counsel, on an all-expense paid excursion to the Pan Motor site. Unfortunately for the defense, the Court declined the offer. Although the jury was not able to see the manufacturing plant, arrangements were being made with the cooperation of the Chicago police, for the Pan Cars and a Pan Tractor to drive by the courthouse for the jury to see. This probably did not occur, as on November 29, the jury was to visit the Atlantic Hotel to see the Pan Cars and tractors.³⁸

The trial included many incidents which added to the excitement of the case. Before the trial began, Pandolfo sent a Pan Motor employee, Mrs. Florence Coleman, to New Mexico, with a list of government witnesses. Pandolfo advised her to interview them in a "lawful way," giving Coleman about three hundred dollars to cover any expenses. In November, she was charged by the Government with tampering with government witnesses.³⁹

In early November, a bomb scare rumor came to light: three pounds of TNT would blow up in the rotunda of the courthouse. The city placed extra policemen around the building, but the court session continued as usual. Most of the people attending the session knew nothing about the incident until they read about it in the newspaper. No one took responsibility for the threat, and it appeared to be quickly forgotten.⁴⁰

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On a perjury charge, the Grand Jury bound Wigle over on bonds of twenty thousand dollars. The Deputy Marshal held him in custody until he returned to the courtroom on December 22. The bond was later reduced to ten thousand dollars.⁴³

Before the trial closed, Pandolfo testified that his mail had been tampered with while he had stayed in Chicago on business and described receiving a registered letter with

broken wax. He cited other instances of mail tampering, including some instances during the trial. This caught Judge Landis' attention, who believed this to be a very serious situation. Immediately, he dispatched a messenger to retrieve the letters for the court's examination. To confirm Pandolfo's accusations, Henry Stoll, John Howe, and James Bennett, all affiliated with the Chicago Post Office, testified that at least one letter to Pandolfo had been opened before delivery. No reason was given for this intrusion.⁴⁴

Judge Landis, eager to close this court case on December 5, allowed the prosecution and defense each six hours of closing statements. At the conclusion of the testimony, the defense rested its case after two hours of arguments. Attorney Epstein addressed the jury briefly, as did Judge Landis. Two counts had been dismissed before the trial began; five counts were stricken by the court before the verdict went to the jury, thus leaving only four counts.⁴⁵

The final verdict returned at 5:30 P.M. on December 6, found the twelve directors acquitted of the charges. Samuel Pandolfo, not as fortunate, was found guilty of the first, second, third, and fifth indictments, relating to activities before he moved to St. Cloud. He was sentenced to serve five years imprisonment on each of the four counts, at

Leavenworth Federal Penitentiary in Kansas, although Landis stipulated that two of these would run concurrently upon the expiration of the other two, reducing the term to ten years. In addition, Pandolfo was fined four thousand dollars. Some of the defendants wept after the verdict was read, while Pandolfo, responding in a dignified way said, "I'm glad you fellows got off."⁴⁶

Pandolfo and his lawyers requested a new trial, which Landis denied. After some quick consideration, Pandolfo resigned as Director and President of the Pan Motor Co.; Pandolfo and the directors would return to St. Cloud feeling different emotions. However, they were determined to keep the Auto Company going.⁴⁷

NOTES

¹Sandford H. Kadish, ed. Encyclopedia of Crime and Justice, vol. 3 (New York: Free Press, 1983), 1015; St. Cloud Daily Times, 1 February 1919, 1; 25 October 1919, 1.

²Ibid., 25 October 1919, 1; Pandolfo v. U.S. case 2787, vol. 5, 1-2; Chicago Daily News, 24 October 1919, 3.

³"Summary," Pandolfo v. U.S., vol. 5, 215; St. Cloud Daily Times, 20 October 1919, 1; 24 October 1919, 1.

⁴St. Cloud Daily Times, 20 October 1919, 1; 22 October 1919, 1.

⁵Ibid., 24 October 1919, 1.

⁶Ibid., 25 October 1919, 1.

⁷Ibid.

⁸Ibid., 27 October 1919, 1; Clark testimony, U.S. v. Pandolfo, vol. 1, 143.

⁹Shipley testimony, U.S. Pandolfo, vol. 1, 186; St. Cloud Daily Times, 20 October 1919, 1; 31 October 1919, 1.

¹⁰Shipley testimony, U.S. Pandolfo, vol. 1, 186; St. Cloud Daily Times, 29 October 1919, 1; 31 October 1919, 1.

¹¹Baxter testimony, U.S. v. Pandolfo, vol. 1, 200-202.

¹²Jordan testimony, U.S. v. Pandolfo, vol. 1, 221; St. Cloud Daily Times, 28 October 1919, 1; 29 October 1919, 1.

¹³St. Cloud Daily Times, 23 October 1919, 1; 28 October 1919, 1. It is not known if Hal Ervin asked for golfing time.

¹⁴Ibid., 28 October 1919, 1.

¹⁵Humphrey testimony, U.S. v. Pandolfo, vol. 1, 223-231; Shepard testimony, U.S. v. Pandolfo, vol. 1, 296-298.

¹⁶Thummel testimony, U.S. v. Pandolfo, vol. 2, 890-892; Weis testimony, U.S. v. Pandolfo, vol. 1, 555; St. Cloud Daily Times, 15 November 1919, 1.

¹⁷Forsyth testimony, U.S. v. Pandolfo, vol. 3, 1822; St. Cloud Daily Times, 29 October 1919, 1.

¹⁸Enos testimony, U.S. v. Pandolfo, vol. 1, 459-462.

¹⁹Summary, Pandolfo v. U.S., vol. 5, 52.

²⁰Bean testimony, U.S. v. Pandolfo, vol. 1, 126-132.

²¹Exhibit 117, U.S. v. Pandolfo, vol. 3, 2033; Lindley testimony, U.S. v. Pandolfo, vol. 1, 313-316.

²²Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1744.

²³Ibid.

²⁴Summary, Pandolfo v. U.S., vol. 5, 10.

²⁵Pandolfo testimony, U.S. v. Pandolfo, vol. 2, 1714.

²⁶Ibid., vol. 3, 1732-1733.

²⁷Ibid.

²⁸Smith testimony, U.S. v. Pandolfo, vol. 1, 234-236.

²⁹Kettle testimony, U.S. v. Pandolfo, vol. 1, 241-242.

³⁰Wigle testimony, U.S. v. Pandolfo, vol. 2, 1574.

³¹St. Cloud Daily Times, 20 November 1919, 1.

³²Ibid., 14 November 1919, 1.

³³Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1719-1722; St. Cloud Daily Times, 14 November 1919, 1.

³⁴Pandolfo testimony, U.S. v. Pandolfo, 1721-1722; St. Cloud Daily Times, 22 November 1919, 1.

³⁵Bennett testimony, U.S. v. Pandolfo, vol. 3, 1770-1772; St. Cloud Daily Times, 11 November 1919, 1.

³⁶"Application," 11.

³⁷Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1772.

³⁸St. Cloud Daily Times, 29 November 1919, 1.

³⁹Coleman testimony, U.S. v. Pandolfo, vol. 1, 457; St. Cloud Daily Times, 3 November 1919, 1; Chicago Daily News, 29 October 1919, 3.

⁴⁰St. Cloud Daily Times, 7 November 1919, 6.

⁴¹Ibid., 8 November 1919, 1.

⁴²Ibid., 1 December 1919, 1; 22 December 1919, 1.

⁴³Ibid., 22 December 1919, 1.

⁴⁴Ibid., 3 December 1919, 1; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1747.

⁴⁵St. Cloud Daily Times, 5 December 1919, 1; 9 December 1919, 1; U.S. v. Pandolfo, vol. 4, 1417.

⁴⁶St. Cloud Daily Times, 8 December 1919, 1; 16 December 1919, 1.

⁴⁷Ibid., 16 December 1919, 1.

Chapter VIII

The Fall of Pan Motor Company

Residents of St. Cloud expressed relief when the Federal Court's verdict found the Pan Motor directors innocent of fraudulent use of the mails; however, many residents believed that Pandolfo received an unfair verdict. The St. Cloud Daily Times quickly noted that Pandolfo had been found guilty on acts committed before he arrived in St. Cloud; therefore, the integrity of the city was intact. Before leaving Chicago, Pandolfo voiced his intentions to take his case to the Court of Appeals and, if necessary, to the United States Supreme Court.¹

Disruption within the Company did not end with Pandolfo's resignation as President and director, for James H. McQuerry, Vice president and director, and Norman Street and George Heidman, both directors, also resigned. By January 12, 1920, directors of the Pan Motor Co. included Charles F. Ladner, now chairman of the board, Charles Schwab, Hugh Evans, George E. Hanscom, C. S. Bunnell, Fred Schilplin, Peter J. Thielman, and John Barritt. Ferdinand Peters, an enthusiastic stockholder from Cold Spring, Minnesota, would soon occupy one of the vacant positions as a director.²

Members of the new board decided it would be in the

best interest of the Company to increase drop-forge production to help meet a national demand for drop-forgings. They decided to push the development of the "pleasure car," surmising that by focusing on these two areas, it would produce badly needed revenue.³

By the end of March, stockholders attended a special company meeting, where it was announced that the certificate of incorporation would be amended to offer:

two hundred thousand shares of First Preferred Stock, of par value of Ten Dollars (\$10.00) per share which said First Preferred Stock shall bear cumulative dividends at the rate of eight (8) percent per annum from date of issue, with full voting powers, and to also share in the dividends to be distributed on the outstanding common stock of this company.

This preferred stock would be made available to the stockholders and subscribers for thirty days after its authorization; after this period, the sale would be open to the public, and in this time, no commissions would be made. The new directors also stated that during the thirty days the entire amount sold would go into the treasury.⁵

Pandolfo, who had decided to remain active in the Company in a "humble way," became extremely upset by the decision to issue preferred stock, and verbally opposed the board members. Many stockholders hollered at him to "sit down," the same words Judge Landis used a few weeks

previously at the Chicago trial.⁶

The element of distrust between Pandolfo, stockholders, and the directors became evident. Many stockholders had received a circular from Pandolfo in early March, claiming that the new board members had mismanaged affairs, forcing them to issue preferred stock. In front of the crowd, Charles Schwab, the new Pan Motor president, declared that Pandolfo was foolish in opposing the new board, because its members had not mistrusted him. Schwab argued that, by contrast, Pandolfo had not trusted the board, and he presented a copy of a telegram Pandolfo had mailed to a Colorado agent. Pandolfo claimed that the present board of directors "have swindled me and they cannot be trusted."⁷

As Pandolfo's relationship with the directors of Pan Motor Co. deteriorated, he devoted more energy in promoting his separate business, the Pandolfo Manufacturing Company. By the end of April, the Company had a grand festival celebrating the completion of the new administration, factory, and maintenance buildings. The advertisements promoting the function were reminiscent of the glory days of the Pan Motor Co. The crowds were enticed by a carnival, costume party, and a number of other "fun-makers" while a more subdued twelve-piece orchestra graced a different area of the grounds.⁸

The Pandolfo Manufacturing Co., constructed with steel,

brick, glass, and concrete, displayed the same fine quality as the buildings of the Pan Motor Co. The products produced here included metal folding tables, and chairs, automobile compartment tanks, gasoline tanks, battery boxes, tractor fenders, and luggage carriers. The patented Simmons steel automobile wheel was the item most proudly produced.⁹

As the months passed, Pandolfo's enthusiasm seemed to ebb, as did citizen's interest in his businesses. Feeling a crunch for funds, he advertised the sale of a ninety-eight acre farm in the city limits, admitting in the advertisement that he needed the money. If money was a problem, this did not slow his attempts to try to develop Pan Town II in May, 1920, which failed from lack of funds and outside interest. Money problems intensified when the United States District Court in Fergus Falls filed a lien against Pandolfo's property in St. Cloud, for \$414,341.96. This was apparently what he owed the government for back taxes from 1917 and 1918.¹⁰

Early on November 11, 1921, the Pan Town fire department extinguished flames in the Pandolfo home. The fire gutted the interior as well as destroying expensive furniture and artifacts. The estimated loss was thirty thousand dollars; however, the house would be repaired, and in 1996, the impressive home still stands near Pan Town.¹¹

By January, 1922, Pandolfo returned to Chicago

requesting a new trial, and in August, he filed an appeal in the United States Circuit Court in an effort to obtain a re-hearing. In 1923, Pandolfo filed an appeal stating that it had been improper for the prosecution to cross-examine him concerning the Capital Issues report. The government responded by saying that this had not been unjust because the defendant had introduced the information as evidence. Unfortunately for Pandolfo, the United States Circuit Court of Appeals under Circuit Judges Samuel Alschuler and Evan A. Evans, and District Judge Ferdinand Geiger upheld the conviction. Pandolfo conferred with his legal advisors to see what avenue, if any, he could now take to stay out of prison.¹²

Undoubtedly, Pandolfo seemed to be fighting a losing battle as was the Pan Motor Co. In February, 1922, St. Cloud held their first annual automobile show and the St. Cloud Daily Times noted that all of the exhibits, except that of the Pan Motor Car, were in place. The vehicles ultimately made the show, and from the 24th to the 28th, the Pan Model "A" sold for the reduced price of \$760 to stockholders. This was the last breath of the organization; the Company soon closed its doors. St. Cloud had missed its opportunity of becoming the next Detroit.¹³

While Pandolfo waited for a decision from the United States Supreme Court on his re-hearing, many stockholders

remained dedicated to him and the defunct Pan Motor Co. When they received word that the property would be placed into receivership, they fervently devised a reorganizing plan which included Samuel Pandolfo as their president. The plan also called for the "perfection of a Central Finance Committee composed of representatives elected by stockholders in the defunct Pan Motor Co. to buy the plant at the receiver's sale in district court." It was proposed that the committee purchase the plant at the lowest possible price, with H. S. Wigle becoming a representative of the finance committee.¹⁴

A Pan Creditors Committee was also formed to help sort out the financial disorder of the former Company. This committee consisted of Charles Ladner, Ludger E. Fouquette, and Fred Schilplin. Their objective was to compile a complete list of the creditors, so that they along with the claimants, could devise a plan beneficial to both.¹⁵

The Supreme Court, after meeting during the October, 1922, term, declined to review Pandolfo's case, and the Court of Appeals granted Pandolfo a stay until April 1, 1923. Many citizens, businessmen, and stockholders, still believing that Pandolfo had been treated unfairly by the courts, appealed to the United States Circuit Court of Appeals for a one-year stay. Some stockholders believed that one year would be enough time for Pandolfo to

reorganize their proposed company. This appeal proved fruitless, and Pandolfo's departure from St. Cloud seemed imminent.¹⁶

Pandolfo left St. Cloud April 4, 1923, on the 8 P.M. Northern Pacific train to Chicago. He surrendered to the United States marshal in Chicago on April 7, and traveled, under escort, to Leavenworth Penitentiary to begin his ten-year sentence.¹⁷

Not long after his departure from St. Cloud, the St. Cloud Daily Times announced that foreclosure proceedings would begin on all of Pandolfo's holdings. This included sixty-eight houses in the Pan Town addition, the Pan Manufacturing Co., thirty acres of land, and other property in the downtown area. The sale of these properties on June 22, would hopefully satisfy a judgment of \$431,865.51 obtained by holders of bonds which were issued against the property. Sixty percent of the receipts would go to the bond holders, and forty percent to Pandolfo.¹⁸

Bids were opened on August 1, for the purchase of the Pan Motor Plant which had been divided into three parcels. The first parcel included the assembly plant, experimental building, and all of the machinery and equipment. The second parcel included the hammer shop, drop-forge, power plant, heat treating plant, die shop, oil storage, gas house, laboratory, forge office, plant locker room,

machinery, and equipment. The third parcel included 10.72 acres of land near the main assembly plant.¹⁹

The Central Finance Committee of the stockholders of the Pan Motor Co. submitted the highest bid, \$175,000, for the first parcel. The Pan Creditors Committee submitted the highest bid of \$240,000 for the second parcel, and \$3,000 for the third parcel. By August 3, the District Court had approved all of these transactions.²⁰

As early as August 14, 1923, the Pan Creditors Committee organized the St. Cloud Holding Company with a capital of fifty thousand dollars. Charles Schwab, Charles Ladner, Fred Schilplin, all former Pan Motor people, became affiliated with this new venture. The Central Finance Committee, consisting of Pan Motor Stockholders, organized a new company, Mutual Motors and Manufacturing Company, which would engage in the assembling of automobiles. By May, 1925, the Mutual Motor stockholders would organize the Diamond Motor Parts Company. These companies would be operating the remnants of the Pan Motor Co. when Pandolfo returned to St. Cloud in 1926.²¹

St. Cloud residents continued to support Pandolfo while he was in prison. They, as well as Pandolfo, continued to believe that he had received an unfair sentence, one that ultimately destroyed his company and almost destroyed him. The decision of the court had a destructive effect, but was

it justified? A closer look at the court case and the appellate records will help show whether Pandolfo was a swindler who had received a just verdict, or a person who had been unfairly convicted.²²

NOTES

- ¹St. Cloud Daily Times, 9 December 1919, 1.
- ²Ibid., 12 December 1919, 1; 20 January 1920, 5.
- ³Ibid., 20 December 1919, 1.
- ⁴Ibid., 30 March 1920, 1.
- ⁵Ibid.
- ⁶Ibid., 1 April 1920, 1.
- ⁷Ibid.
- ⁸Ibid., 24 April 1920, 2.
- ⁹Ibid., 8 May 1920, 2.
- ¹⁰Ibid., 25 May 1920, 8, advertisement; 31 May 1921, 1; Daily Journal Press, (St. Cloud), 17 April 1920, 1.
- ¹¹St. Cloud Daily Times, 11 November 1921, 8.
- ¹²Ibid., 11 January 1922, 1; 22 August 1922, 1; 25 August 1922, 1; 25 January 1923, 1; Federal Digest, vol. 24 (St. Paul: West Publishing Co., 1990), 395.
- ¹³St. Cloud Daily Times, 23 February 1923, 5, advertisement.
- ¹⁴Ibid., 7 March 1923, 1.
- ¹⁵Ibid., 23 May 1923, 5.
- ¹⁶Ibid., 12 March 1923, 1; 14 March 1923, 1; United States Reports: Cases Adjudged in the Supreme Court, vol. 261 (Washington: Government Printing Office, 1923), 621.
- ¹⁷St. Cloud Daily Times, 4 April 1923, 4; 7 April 1923, 1.
- ¹⁸Ibid., 9 May 1923, 5; 22 June 1923, 5.
- ¹⁹Ibid., 28 June 1923, 1; 1 August 1923, 1.

²⁰Ibid., 1 August 1923, 1; 3 August 1923, 1.

²¹Ibid., 14 August 1923, 5; 6 October 1923, 1; 25 May 1925, 1.

²²Carl Cummins Jr., interview by author, telephone, 20 September 1995, St. Paul, Minn.

Chapter IX

Deciphering the Verdict

Before Pandolfo began serving his sentence at Leavenworth penitentiary, he fought the Court's verdict with intense energy and large sums of money. Many business people were convinced that he deserved the penalty he received, but Pan Motor Co. boosters believed Pandolfo's "conspiracy" cry, and they loudly voiced their opinion of an unjust verdict.¹

For a conviction of mail fraud, the jury had to find the defendant guilty of two elements relating to the mail fraud statute. First, the prosecution had to prove that there was a scheme to defraud, which began when the defendant received money for his proposed scheme. Proving the intent to defraud could be achieved by the prosecution providing circumstantial evidence, establishing that the defendant concealed information, or by revealing evidence that the defendant promoted his product outside of reasonable verbal and written expectations.²

A second element needed for a mail fraud conviction, the actual mailing, required the defendant to "cause the use of the mails" for executing the scheme. "Cause the use of the mails" was described as knowingly placing something to be sent in any post office, by which the United States

postal system took and received it. The material mailed did not necessarily have to be written, signed, sealed, or mailed by the defendant; on the other hand, he needed to have knowledge that in the normal course of business, the mails would be used.³

The prosecution established that the Pan Motor Company's "scheme" began July 1, 1916, the day Pandolfo received money for Pan Motor Co. stock. The Government introduced nearly five hundred exhibits of advertising material, circulars, letters, and pamphlets containing statements the prosecutors believed laid the foundation for the scheme.⁴

A long list of government witnesses provided circumstantial evidence, some testifying to the Pan Motor Company's acceptance of Liberty Bonds. Against Pandolfo's protests, sales agents testified for the prosecution describing Pandolfo's salesmanship methods. This circumstantial evidence helped strengthen the prosecution's argument to prove the intentions of a scheme.⁵

The prosecution attacked Pandolfo's trustworthiness, and to prove their point they brought forth witnesses from Texas and New Mexico who had unfavorable dealings with Pandolfo before he moved to Chicago. The primary witness for the prosecution pertaining to Pandolfo's pre-Chicago activities was Alec Shipley.⁶

The issue of selling stock at ten dollars with a five dollar par value came under heavy attack by the prosecution. Out of every ten dollars Pandolfo received for a share of stock, he used the first five dollars as additional working capital, and the second five dollars was deposited in the Company's capital account. Pandolfo, out of the "working capital," built Pan Town on the Mississippi and the Pan Motor Hotel; however, in the end when these pieces of property were sold, Pandolfo was to receive the money, not the Pan Motor Co. If an investor lapsed on payment, the capital account for the Pan Motor Co. suffered. The company followed this monetary arrangement until the Minnesota Securities Commission strongly advised Pandolfo to discontinue this practice.⁷

The Minnesota Securities Commission had insisted that Pandolfo receive only twenty-five percent of the selling price of the stock, but during a meeting on September 7, 1917, the Pan Motor Co. Board of Directors voted in favor of Pandolfo receiving an additional twenty-five percent under a new resolution. The prosecution disclosed that Pandolfo concealed the twenty-five percent resolution from the Minnesota and other Blue Sky Commissions. To counter the prosecution, the defense produced evidence disclosing that it was not necessary to provide the Blue Sky Commissions with information pertaining to internal corporate

contracts.⁸

The prosecution suggested that the Pan Motor Co. had no intentions of actually producing the Tank-Tread Tractor; that this was a facade to sell more stock. The literature describing the tractor advertised a selling price of \$1,495 promising stockholders a fifteen percent discount if they purchased a tractor. The defense denied the accusations against the Tank-Tread, reminding the court that the Company had placed an order to the Buda Company to purchase one thousand tractor engines, which Buda cancelled due to war restrictions.⁹

During the trial, the Government presented numerous instances of Pandolfo promoting his company beyond a reasonable verbal and written expectation. As examples, witnesses described Pandolfo's promises to clients of the Company having "no promoters fee from a practical point of view," as well as the Company stock having a value of more than ten dollars. His exaggerated promises of the stock paying annual dividends and half of the money taken in from the sale of stock going towards "working capital" also injured Pandolfo's case.¹⁰

Government exhibits disclosed other samples of exaggerated statements. Government exhibit six displayed a letter from Pandolfo to stockholders stating that "the Pan Motor Co. intended to begin marketing our cars by February,

1917." This statement was made before Pandolfo had purchased the land for the factory, much less built a plant in which to assemble the automobiles.¹¹

In another letter, Pandolfo wrote that he had hoped to have one hundred exhibition cars prepared by January 15, 1917, and that thirty thousand could be produced the first year. These letters most likely conveyed a promising message to stockholders, when, in fact, Pandolfo only ordered the first Pan Car in April, 1917. Hence, the Government used this correspondence to show that Pandolfo made unreasonable and exaggerated statements.¹²

In later years Pandolfo stated that the Government convicted him because of statements he made in Pan Siftings. One newsletter depicted an "aeroplane view of the Pan Motor Plant." When Judge Landis pointed out that the picture had not been taken from an airplane, Pandolfo replied that a "bird's eye" view does not mean it has to be taken from a "bird's eye." Pandolfo believed that the court heavily criticized him for the slogan: "The 'War Tank' That Will Win the War!" He argued that "win the war" statements were commonplace in advertisements. These were statements that concerned the defense, but these were not the statements that greatly influenced the jury's decision.¹³

The defense lawyers fought vehemently for his case, arguing that the Government's description of the alleged

"scheme" was not contemplated or in existence during the respective dates of January to March, 1917, the months of the indictment. This was not true since the Government fixed the date of the on-going scheme as beginning in July, 1916.¹⁴

The defense believed the verdict was based on the eleventh count, dealing with conspiracy. All the other directors, including Pandolfo, were innocent of this charge. The defense believed if they were innocent of this charge, there were no grounds for the other indictments.¹⁵

They argued that unjust situations occurred during the trial. Pandolfo objected to the prosecution's use of the Capital Issues Committee Report and the Security Commission reports because they did not deal with the time frame of counts one, two, three, and five of the indictment.¹⁶

Unfortunately for Pandolfo and his case, the court denied any stockholders' testimony of mail inspectors provoking them, for the Government had the right to investigate any suspicious mail concerning the Pan Motor Co. The court also restricted the defense's examination of the Associated Advertising Club of the World, which revealed their propaganda campaign against the Pan Motor Co.¹⁷

Pandolfo's lawyers emphatically questioned the court's decision to exclude the moving pictures, which they believed could have provided vital evidence showing the existence of

a viable, functioning, automobile company. Had they included that, Pandolfo could have shown that indeed the working capital from the stockholders was being put to good use.¹⁸

Landis decided against the use of the moving pictures because they had been produced for advertising purposes with the advertising manager present at the time of the filming. However, Landis permitted the defense to introduce over seventy-five photographs of the plant. Although the defense overemphasized the value of moving films, they would have enabled the court to see the plant in action. The quality of the buildings and machinery was further emphasized by the accounting records of the building costs and the testimony of those that had visited the plant site.¹⁹

Let us return to the main components of the mail fraud statute: First, was there a "scheme to defraud?" When Pandolfo founded the Company in New Mexico in 1916, he claimed that he laid all of the facts on the table with his clients, explaining the par value of the stock and the idea of working capital. However, this was not clearly stated in different magazine articles, such as the Banker, Merchant and Manufacturer article on October 2, 1917, which boasted about the progressive Pan Motor Co.²⁰

During the organizing stages, Pandolfo made many exaggerated claims about building a competitive automobile

company and his vehicle, the "Queen of the Highway." He possibly made these statements out of ignorance and inexperience in the area of manufacturing automobiles.²¹

Secondly, it should be noted that the prosecution did not prove that Pandolfo mailed the material as charged in the first and fifth indictment, a main requirement for a mail fraud conviction. However, there was enough proof of other literature being mailed that, again, the point possibly proved mute about the actual mailing for the first and fifth indictment, and the defense did not press the matter.²²

It is without question that Pandolfo had unreasonable expectations, and spoke in an exaggerated way when he began promoting his company, and even he admitted to this during the trial. Yet, he built a thriving company, equipped with the most modern equipment. Many St. Cloud residents believed that if Pandolfo had a scheme to make quick money, he would not have built such an elaborate automobile company valued at \$5,832,316.61 on October 31, 1919. Pandolfo had access to large sums of money which he used as he pleased to build or purchase what he needed, perhaps the main reason why on October 31, 1919, the Company had only \$15,038.33 on hand.²³

The trial in 1919 occurred during a period in United States history when mail fraud was not uncommon. Executives

of other companies, such as the Emerson Motor Co. in June 1917, were also convicted under the statute. Pandolfo believed that he had envious enemies and that competitive businesses hoped to bring him down. As an example, he accused General Motors of aiding the Associated Advertising Club with a one hundred dollar donation. In 1956, in an interview with the St. Cloud Daily Times, Pandolfo categorized banks as "big business." Pandolfo had a marked past and one enemy, the banker Alec Shipley, who blew the whistle on Pandolfo during the organizing period of the Pan Motor Co. because of a personal feud. This perhaps brought Pandolfo's business activities to the Government's attention at an early stage of the Company's development.²⁴

The Pan Motor Trial took seven weeks before it concluded and the jury reached a verdict. As with any decision, there are differences in opinion, with the verdict still being disputed in 1996 by some residents of St. Cloud. Today, the verdict may seem unfair because it had destructive results on the Company which few citizens would have predicted in December, 1919. However, it should be recalled that there was \$15,038.33 in the treasury when the case went to court. The numerous letters which Samuel Pandolfo mailed to stockholders contained exaggerated statements. He concealed information from authorities, and together with a disputed business past, in the jury's eyes,

this indicated mail fraud. For this they believed that Pandolfo must be held accountable.²⁵

Pandolfo later said that had he selected lawyers who were more familiar with the mail fraud statute, it may have made a difference in the verdict. Perhaps the issues of mail tampering and the anti-propaganda campaign against the Company would have been in the foreground. Weighing all of the evidence, Pandolfo probably received a fair trial and verdict under Judge Landis, and the primary focus was upon the letters and literature containing the exaggerated statements. All of the Pan Motor backers and photographs that the defense produced were not enough to sway the jury.²⁶

NOTES

¹St. Cloud Daily Times, 8 December 1919, 1.

²David G. Crumbaugh, "Survey of the Law of Mail Fraud," University of Illinois Law Forum, 1975 (Summer 1975): 243; William P. Bried, "A Survey of the Mail Fraud Act," 678.

³Bried, "A Survey of the Mail Fraud Act," 674-675.

⁴Crumbaugh, "Survey of the Law of Mail Fraud," 250; Pandolfo v. U.S., vol. 5, 38.

⁵Pandolfo v. U.S., vol. 5, 38.

⁶Ibid., 35.

⁷Ibid., 31.

⁸Ibid., 32, 39.

⁹Pan Siftings, (in possession of the author), February 1918, 5; Pandolfo v. U.S., vol. 5, 8, 33.

¹⁰Pandolfo v. U.S., vol. 5, 8.

¹¹Government exhibit no. 6, U.S. v. Pandolfo, vol. 4, 1921.

¹²Federal Reporter, vol. 286 (St. Paul: West Publishing Co., 1923), 14-15.

¹³"Application," 30.

¹⁴Pandolfo v. U.S., vol. 5, 3.

¹⁵Ibid.

¹⁶Ibid., 5.

¹⁷Ibid., 5-6.

¹⁸Ibid., 4.

¹⁹Federal Reporter, vol. 286 (St. Paul: West Publishing Co., 1923), 16.

²⁰Pandolfo v. U.S., vol. 5, 31.

²¹Bried, "A Survey of the Mail Fraud Act," 678.

²²Pandolfo v. U.S., vol. 5, 38.

²³Ibid., 203-204; Federal Reporter, vol. 286, 17.

²⁴"The Finish of Emerson Motors," Financial World, 9 June 1917, 8; St. Cloud Daily Times, 29 March 1956, 1.

²⁵Federal Reporter, vol. 286, 17.

²⁶"Brief History," 20.

Chapter X

Pandolfo's Return to St. Cloud

The prison records concerning Pandolfo's confinement at Leavenworth Federal Penitentiary have long been destroyed, but you can speculate that his mind did not remain idle. In hopes of being released from prison, he sought a writ of habeas corpus in the federal district court in Kansas. He contended that information he gave the Federal Trade Commission should have assured him immunity from prosecution, not help convict him. The district court denied the writ, and Pandolfo took his case to the Court of Appeals.¹

In Pandolfo v. W. F. Biddle, warden of the penitentiary, the appellate court concluded that Pandolfo's appearance and testimony before the Federal Trade Commission had not granted him immunity under the Federal Trade Act because it was voluntary. The Court of Appeals affirmed the denial of discharge.²

Plagued by stomach problems in January, 1926, Pandolfo became convinced that an early death was imminent unless he received parole. E. F. Meyer, mayor of St. Cloud, visited Pandolfo in Leavenworth, and reported his concern for Pandolfo's emaciated condition to the Daily Journal Press in St. Cloud. As the men visited, Pandolfo expressed slight

bitterness toward the residents of St. Cloud because he had not received any Christmas cards from them during the holiday season. Meyer also learned that Pandolfo's work assignments consisted of tending the prison grounds throughout the year.³

The prison parole board at Leavenworth Federal Penitentiary eventually recommended an early release for Samuel Pandolfo, and on October 21, 1926, he gained his freedom. The big news about his liberation flashed as an "Extra" in the St. Cloud Daily Times.⁴

Pandolfo first traveled to Minneapolis to visit close friends. He stated that he held no malice toward those who turned against him when his business failed in St. Cloud, but with some bitterness explained that seven years earlier he had one million dollars and did not owe a nickel, but now he did not even have a nickel. He vowed that he would not promote, or help to promote any more industrial ventures, but stated that he would help his friends dispose of the Pan property in St. Cloud, if they desired. His most immediate concerns included restoring his health, seeing his son, Samuel Jr., and visiting his aged mother in Virginia.⁵

The former Pan Motor Co. president stepped off the Oriental Limited at the Great Northern depot in St. Cloud at 1:37 P.M., on October 22, 1926. Approximately five hundred spectators and a small brass band greeted him with a

thunderous applause and music. The St. Cloud Daily Times noted that he wore a blue suit with light stripes, black shoes and hat on a physique about thirty pounds thinner than in 1923. Taking his father's black satchel, Samuel Jr. welcomed his father, and Pandolfo replied with a quiet "Hello son."⁶

As St. Cloud resident Homer McKenzie escorted him to a waiting car, the crowd yelled "three cheers for Pandolfo," while others declared him a hero. He had planned to remain in St. Cloud several days, residing at the Breen Hotel. He hoped to see many old friends, view Pan Town, and walk the grounds of the former Pan Motor Co. He had also been invited to speak at a fund raising event on his behalf at the Miner Theatre the following evening.⁷

Friends of Pandolfo had busily prepared for his arrival in St. Cloud. They helped stage the benefit at the Miner Theatre with an admission price set at fifty cents, intending to give all of the proceeds to Pandolfo as a gift. During the evening, as the six reels of Pan Motor movies played, Pandolfo and his friends quietly slipped into the theater, avoiding detection. In a short time, the crowd recognized their "hero" and they greeted him with loud applause. At first Pandolfo spoke nervously, but he soon gained confidence and summarized the history of the Pan Motor Co. before it crumbled. After the evening

extravaganza, Pandolfo left St. Cloud to visit his mother. It would be two months before he returned to the city he claimed to love.⁸

A new life began for him upon his return to St. Cloud as he engaged himself on the lecturing circuit in the city and the surrounding towns. He believed that his lectures contained important messages for farmers, businessmen, and property holders. At the meetings, he usually showed the six reels of film depicting the Pan Motor Co. in its glory. It was not until September, 1927, that Pandolfo leased a building at 14 Sixth Avenue North and announced his new venture, the health food business, an idea that evolved after eating months of prison food. The new company focused on a new concept; a greaseless doughnut, or "do-nut" as he called his latest creation.⁹

The leased building would house his office, an assembly room where he could address a group of one hundred people, and a modern lunch room and kitchen. Here Pandolfo and his staff prepared "lite" lunches as well as greaseless do-nuts. Future plans included a mail order business and shipping room located in the basement.¹⁰

Pandolfo promoted his greaseless do-nut cooker, his newest invention made of a high grade aluminum alloy. Filled with batter, the cooker could be placed in an oven operated by any fuel, producing evenly formed do-nuts.

Because it operated without the use of grease, Pandolfo stated that those who enjoyed the do-nuts would not be plagued with pain from ingesting grease, thus giving consumers "days of peace and nights that are free from pain." Pandolfo also believed that if the population had a decrease in digestive ailments from lower grease intake, this could help relieve congestion in the doctor's offices and crowded hospitals.¹¹

A rejuvenated Pandolfo seemed more like the former Pan Motor Co. president, as he appealed for five thousand dollars to help develop his health food company. With an optimistic attitude, he predicted that within one year he would be worth one million dollars, although he quickly added that he assumed these goals were well within reason. He announced that he needed men to canvas every state in the union to promote his new company. Occasionally, the St. Cloud Daily Times noted his contributions, such as the time he rewarded one hundred paper boys with a light lunch of chicken sandwiches, coffee, and his soon to be famous do-nuts.¹²

Pandolfo utilized the media with more caution while promoting his health food business. He seldom advertised through the St. Cloud newspapers, therefore decreasing the opportunity for printed exaggerated statements. Like many promoters, he used the winter holiday season to boost his

product. A Christmas advertisement in the St. Cloud Daily Times recommended giving the Pan Health Food Co. Christmas package of one dozen do-nuts and pen and pencil set, all at the bargain price of one dollar. Feeling generous he also donated fifty dozen do-nuts to the Salvation Army to help feed the poor during the holidays.¹³

Using his never-ebbing energy, Pandolfo toured the western United States, promoting his greaseless do-nut. Cueing in on pool halls, and catering to grocers, Pandolfo returned to St. Cloud in June, 1928, claiming that many businesses expressed willingness to purchase the do-nut after production had increased. He ordered shipping cartons and labels, and enthusiastically declared that soon he would be employing approximately five hundred people to handle the predicted daily output of 10,000 dozen do-nuts.¹⁴

Although Pandolfo tried to stay within the law, he had at least one brief problem. In August, 1929, the Laramie County jail in Wyoming restrained Pandolfo on a bad check charge, but the authorities released him when the Pan Health Food Co. supplied the funds.¹⁵

The Pan Health Food Co. expanded to include two stores in Colorado--one in Fort Collins, and another in Denver. The Company, incorporated on September 2, 1930, was capitalized for five hundred thousand shares of no-par common stock which agents sold at ten dollars a share.

After Pandolfo purchased an old candy factory in Denver, he expanded the menu to include syrup, pies, cookies, potato chips cooked in "Crisco," a regular flour do-nut, and the wheat, raisin, chocolate do-nut with optional chocolate icing. He promoted the use of Crisco, not animal fat, for baking and cooking. He surmised that these added measures would benefit an individual's health. Pandolfo's train of thought would have been appreciated at a much later time, when healthy foods became widely promoted.¹⁶

Again, economic difficulties interfered with Pandolfo's dreams when supporters could not pay on their contracts, and the price of grain had increased. While he was on a business trip in Texas, his business in Denver was thrown into receivership by a few creditors "who were ribbed up." They needed payment of two to three thousand dollars, which Pandolfo could not make. After Pandolfo failed to raise the money among a few dedicated subscribers, he admitted defeat.¹⁷

He lamented that if only the depression had not occurred, everything would have worked out fine. He claimed that he had never taken a commission or salary, and put all of the extra money into building the Company. All his attempts to save his health food company failed, and Pandolfo returned to New Mexico to live, and to do what he believed he could do best: sell insurance.¹⁸

NOTES

¹St. Cloud Daily Times, 13 June 1925, 1.

²Federal Reporter: Second Series, vol. 8 2d (St. Paul: West Publishing Co., 1926), 142-143.

³Daily Journal Press, (St. Cloud) 25 January 1926, 3.

⁴Ibid., 21 October 1926, 1; St. Cloud Daily Times, 4 October 1926, 3.

⁵St. Cloud Daily Times, 22 October 1926, 1; 23 October 1926, 1.

⁶Ibid., 22 October 1926, 1; 26 October 1926, 1.

⁷Ibid., 26 October 1926, 1.

⁸Ibid., 25 October 1926, 1; 27 October 1926, 1.

⁹Ibid., 5 January 1927, 5; 8 September 1927, 1.

¹⁰Daily Journal Press, (St. Cloud) 9 October 1928, 5; St. Cloud Daily Times, 8 September 1927, 1.

¹¹St. Cloud Daily Times, 20 December 1928, 8, advertisement.

¹²Ibid., 27 October 1927, 6; 6 December 1927, 5.

¹³Ibid., 20 December 1928, 2; 14 December 1928, 9.

¹⁴Ibid., 15 June 1928, 10.

¹⁵Ibid., 8 August 1929, 1.

¹⁶Samuel Pandolfo, "Progress! Facts by Pandolfo" (pamphlet, n.p., n.d.); Application," 4.

¹⁷"Application," 4.

¹⁸Ibid.

Chapter XI

The Second Trial

After the collapse of the Pan Health Food venture, Samuel Pandolfo re-entered the insurance field by selling life insurance and trading in Old-Line Life Insurance stocks. By October, 1937, Pandolfo had established himself in Roswell, New Mexico, where he promoted the Old-Line Insurance Shares Corporation. He was convinced that business corporations in New Mexico channeled millions of dollars to finance companies outside of the state, so he conceived the idea to build a state-wide finance company that would keep loans within the state.¹

During the organizational months of his corporation, Pandolfo mailed a letter to prospective investors, vowing that the Old-Line Insurance Shares Corporation's profits would remain in New Mexico. In addition, he pledged that no commission would be taken out for selling stock, and that every dollar raised would go into the treasury until full organization had been achieved. In the promotional literature, Pandolfo included a brief history of himself, thus informing potential clients about his conviction for mail fraud in 1919. The literature included numerous examples of why his business would be a secure investment for the people.²

The Old-Line Insurance Shares Corporation obtained a broad charter in March, 1938, allowing Pandolfo to carry on general finance, credit, loan, mortgage, and investment business. In addition, the charter allowed Pandolfo the rights to maintain a general real estate agency; to build, operate, maintain, lease, and sell buildings; to engage in manufacturing and commercial business, and to acquire property.³

The first Old-Line stockholders' meeting took place on March 5, 1938, at the First National Bank in Albuquerque. Stockholders elected Pandolfo as their chairman, and Agnes, his wife, secretary of the meeting. These two, along with C. Z. Rader, and O. I. Nesbit, became the first board of directors. This group elected Samuel Pandolfo president of the Corporation, C. A. Rader, vice-president, and Agnes Pandolfo, secretary-treasurer. Together, they agreed to a resolution promising the original purchasers of the stock an added benefit of applying for loans from the Corporation; however, such loans could not exceed fifty percent of the book value of the stock.⁴

It did not take long for the Corporation to expand. An office in Albuquerque was opened, in addition to part-time offices in Denver and Roswell. Later the firm opened a branch on Samuel Pandolfo's old stomping grounds in Tucumcari, New Mexico. Pandolfo used his enterprising

abilities, about forty thousand dollars of his money, and traveled over fifty thousand miles to promote his business.⁵

By November, 1938, Pandolfo commenced hiring sales agents to canvas the state of New Mexico. If the agent immediately received payment for the stock he sold, he received twenty percent of the amount of the sale. If the investment followed a payment plan, a different commission plan for the agent resulted.⁶

Pandolfo supported diversifying the Corporation's interests, comparing a good corporate leader to a farmer who raised more than one crop. The Corporation acquired many building lots in subdivisions throughout Albuquerque, with the intentions of building dwellings for the Federal Housing Program. Pandolfo envisioned building four or five houses a month on the parcels, anticipating a new profit between \$250 and \$450 for each house.⁷

The receiver of the War Mothers Memorial Hospital Association in Albuquerque, F. W. Fischer, offered a parceled large piece of property to Pandolfo for \$45,000 to cover the cost of back taxes. Before Pandolfo made an offer, he hired B. B. Campbell, Charles Holcomb, and Otto Roulke to appraise the property on June 20, 1940. Campbell appraised the property parcel by parcel, estimating the entire value at \$92,420. Holcomb appraised the property at \$98,125, while Roulke believed the fair value was \$75,000.⁸

Pandolfo, satisfied with the three reports, offered Fischer \$30,000, which he accepted. Pandolfo paid \$750 in cash, agreeing to pay the remaining \$29,250 in installments. Believing in the appraised value of the land, Pandolfo made a controversial business move by liquidating his personal indebtedness to the Corporation in the amount of \$30,000 by setting up the War Mothers Memorial transaction as a \$60,000 asset.⁹

According to Pandolfo, during the formative stages of a Corporation, it was acceptable to record in the accounting books the value of the stock purchased, not the purchase price. He claimed that all of the stock recorded in his books was listed at a fair price, a procedure he discussed with the Board of Directors. The action of inflating the value did not convince all board members; moreover, some subscribers became wary of the record keeping methods.¹⁰

As with promoting the Pan Motor Co., Pandolfo mailed out a considerable amount of literature concerning the success of the Corporation. Curtis B. Williams received a letter stating: "Business is good. We have more applications for choice loans than we have capital to supply." On February 10, 1941, a letter to subscribers claimed that the Corporation's condition was improving weekly and that "we are now on the threshold of bigger and better things."¹¹

However, Pandolfo believed that "enemies" were once again going to cause turbulent times for him. He stated that his competitors in 1936 or 1937 encouraged Reuben Heflin of the New Mexico Blue Sky department to write the Minnesota Securities Commission for a background check on Pandolfo. According to Pandolfo, the reply Heflin received contained lies in every sentence. The letter allegedly circulated widely among insurance businesses; however, Pandolfo did not confront Heflin about it until 1939, long after Heflin had begun to scrutinize him.¹²

In 1938, Heflin notified the district attorneys, sheriffs, and chiefs of police throughout New Mexico to keep a watchful eye on Pandolfo. In 1939, Heflin asked the Securities Exchange Commission in Denver to investigate Pandolfo. Pandolfo and the commission exchanged a few lines of correspondence, and the commissioner, John C. Mertz, gave Pandolfo a good report.¹³

Not everyone involved with the Corporation had a comfortable feeling about all of the business transactions. R. E. Zellers, a director of the corporation, soon regretted his stock purchase from Old-Line Shares Corporation and in a letter on July 12, 1939 demanded that Pandolfo return his money. Pandolfo rebuked Zellers, stating that he did not like threats, and in time, when the Corporation had the money, he would buy the stock from him. Pandolfo was in an

apparent state of panic; he needed the money as quickly as possible to pay for a refrigerator upon its delivery. It was not until November 28, 1939, that the issue was entirely resolved.¹⁴

Curtis B. Williams wished to cancel his five hundred dollar subscription after he married, leading Pandolfo to believe that Williams had been in touch with the "enemy." Pandolfo's unsettled feeling proved correct as Williams later turned over all items he had received in the mail to postal inspectors.¹⁵

During March, 1940, the directors of the Corporation had their annual meeting. They had agreed that Samuel Pandolfo would receive a salary of \$250 a month, Agnes \$100 a month as secretary-treasurer, and Max Uhlig, manager of the small loan company and assistant secretary-treasurer, \$150. At this time the officers announced that they had increased their assets approximately seven thousand dollars since January 1, 1940. The directors approved a resolution Max Uhlig presented giving Pandolfo the right to exercise his judgment and discretion in cancelling any contracts for purchase of stock that were in default. At this time, Pandolfo and Uhlig appeared to be a compatible team, but later Pandolfo claimed that Uhlig was a saboteur of the corporation who believed that it needed reorganizing. Pandolfo accused Uhlig's attorney of taking directions from

The trial, opening on June 26, 1941 in Santa Fe, lasted less than one week. Judge Colin Neblett presided with Caswell S. Neal and Reed Holloman acting as Pandolfo's lawyers, and Everett M. Grantham acting attorney for the United States. Pandolfo had had a confrontation with Grantham before, as he was present at the Clovis, New Mexico, debate in 1916, when Pandolfo began promoting the Pan Motor Co.²⁰

On the first day of the trial, the prosecution acknowledged Pandolfo's intention to build a finance company, but during the course of business, inflated the value of securities at three to five times their purchase price. They accused him of utilizing the postal system to mail Old-Line Insurance Shares Corporation literature, which contained deceptive information about the financial stability of the Corporation. The defense contended it would prove that Pandolfo shrewdly purchased securities, cleverly increasing the assets of his corporation.²¹

The most interesting testimony the first day of questioning came from Max Uhlig, the head bookkeeper and manager of the small loan department of the Corporation. The prosecution interrogated Uhlig mainly on Pandolfo's faith in the appraisal figures of the War Mothers Memorial Hospital Association property. The prosecution stated that George Savage and Hugh Graham, appraisers for the District

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Court, had valued the property at thirty thousand dollars, but Uhlig replied that their figure was "just their opinion."²²

For most of the day, the prosecution questioned Uhlig, who said that Pandolfo had recorded the value of the War Mothers Memorial Hospital Association property on the books at sixty thousand dollars, even though he purchased the property for thirty thousand dollars. After the transaction, Uhlig claimed that Pandolfo withdrew personal notes amounting to thirty thousand dollars. Caswell Neal, Pandolfo's attorney, was overruled in his attempt to point out that Pandolfo replaced the notes after the indictment was returned in March.²³

During the trial, the prosecution provided evidence of Pandolfo purchasing stock of little or no value for the Corporation, and setting it up in the books at an inflated price. He in turn used the "assets" of this stock for his personal exploits. Pandolfo argued that this had not occurred, and quipped that his wife worked a full year for the Corporation without any salary. He also explained his use of surplus money to pay rent, salaries, bookkeepers, taxes, fees, telephone calls, and other miscellaneous services to run the business.²⁴

Charles Ballou, auditor of the Securities and Exchange Commission, testified for the Government that he had audited

the Old-Line Insurance Shares Corporation in December, 1940. He claimed the Corporation never made a profit, and at the time of his audit, it had a deficit of \$15,204.41. At the time of the trial, Pandolfo was indebted to the Corporation for \$30,000.²⁵

Pandolfo explained to the jury that his mailings to clients included the offer for them to exchange their "worthless" National Mutual Savings and Loan Association stock for his Old-Line Insurance Shares Corporation stock which he thought would increase in value with time. He contended he did not mean to deceive anyone; in fact, he believed he was doing them "a favor."²⁶

Towards the end of the trial, the defense called numerous witnesses to support the honest reputation of Pandolfo. Insurance executives supported the defense's view that Pandolfo indeed displayed shrewdness in purchasing stock, producing good business maneuvers.²⁷

After all of the testimony had been heard, Judge Neblett explained to the jury that counts one through eight related to the mail fraud statute. He explained that they must believe beyond a reasonable doubt that the defendant did "unlawfully, willfully, knowingly, and feloniously use the postal system to carry out a scheme to obtain money and property by false pretense." He further explained that the word "scheme" according to the statute related to the idea

of trickery or cheating.²⁸

The ninth count had been dismissed, but counts ten through twelve claimed that Pandolfo had violated the Securities Act for 1933 because he had not registered his corporation with security commissions outside of New Mexico. Judge Neblett urged the jury to ponder the questions of whether the defendant personally profited from stock transactions, or if he used the money to benefit the Corporation. He asked them to determine whether there were errors or intentional misrepresentations in the bookkeeping. The jury retired at 4:20 P.M. on July 1, 1941.²⁹

After some four hours of deliberation, the jury returned the verdict at 8:40 P.M. They found Pandolfo guilty on counts one through eight, but innocent on counts ten through twelve. The following day, the Judge sentenced Pandolfo to a five-year term for counts one through four, with a one hundred dollar fine for each count. He received a second five-year term, the second to commence when the first ended, for counts five through eight, with a one hundred dollar fine for each count. Pandolfo displayed anger at the eight hundred dollar fine, but was quickly numbed with disbelief that the five-year terms would not run concurrently.³⁰

Pandolfo appealed to the Tenth Circuit Court of Appeals. Defense attorneys Reed Holloman and Caswell Neal

argued that the Court erred by limiting the cross examination of Charles Ballou, the auditor of the Securities and Exchange Commission. They were convinced that the Court faulted by allowing witnesses to express their opinion on the worth of stock while restricting the depth of Pandolfo's testimony on his knowledge of the cost of stock. The defense also believed it was unjust that the court limited questioning about the War Mothers Memorial Association.³¹

Pandolfo's fight for freedom continued as his case was heard by Judges Orie L. Phillips, Alfred P. Murrah, and attorney Sam Bratton of the Tenth Circuit Court in Oklahoma City. Again, Pandolfo had reason to be nervous as Bratton, a lawyer from Clovis, New Mexico, was an old acquaintance of Alec Shipley. Bratton had helped defend Shipley during Pandolfo's Pan Motor Co. promotional meeting in Clovis in 1916. Phillips questioned the validity of the testimony of one witness, who he believed was possibly prejudiced and incompetent. Phillips also questioned the dispute over the values of the stock which Pandolfo bought for the clients. Phillips thought that a rehearing should be granted; however, the district court decision was upheld, and the dissenting opinion of June 24, 1942, stated that Pandolfo would not receive a rehearing.³²

He brooded over the verdict and seemed unclear about the reasons for his conviction, claiming that he had not

misled anyone. Pandolfo's bookkeeping methods were a focal point during questioning because he had not recorded all of the transactions. He admitted using proceeds from stock sales to purchase other "bargain" stocks, and recorded it on the books at an increased value. According to Pandolfo, this was recorded as the "true" value; however, the court considered the value fictitious. Pandolfo would then take the monetary difference between what he paid for the stock and the inflated value, and this sum he would use for his own benefit.³³

During the trial, Pandolfo claimed to have used the money to build the Corporation, but because he never recorded these transactions in the books, his statements could not be proven. Pandolfo's actions depleted the liquid assets of the Corporation, leaving it in financial stress instead of in a secure state, as the literature suggested. Although Pandolfo would disagree, he did receive a fair trial and verdict.³⁴

Realizing his freedom was expiring, Pandolfo deliberately drove out of the state. In his absence, the United States Supreme Court denied his petition for writ of certiorari on October 12, 1942, and the Government put out a warrant for his arrest, offering a five hundred dollar reward for Pandolfo's return. He was apprehended in Miles City, Montana, where he was held in the local jail.³⁵

The following morning, the authorities fingerprinted Pandolfo, sending the results to Washington D. C. seeking an outstanding warrant. After receiving affirmative information, officials transported Pandolfo to Leavenworth Federal Penitentiary where he began serving his sentence on November 15, 1942, for his second mail fraud conviction.³⁶

NOTES

¹Pandolfo v. U.S., Records of U.S. Court of Appeals, 10th Circuit Court, Denver; transcripts of records on Appeal, 1929-1954, Case 2345 Box 265, Record Group 276; National Archives-Rocky Mountain Region, Denver, Colo.; 83-84, exhibit 7. Hereafter cited as Pandolfo v. U.S., Denver); "Application," 26.

²Pandolfo v. U.S., Denver, exhibit 486.

³Ibid., 84, 223.

⁴Ibid., exhibits 263 through 267. Samuel Pandolfo married Agnes, (maiden name unknown) in 1926.

⁵Ibid., 124.

⁶Ibid., 86, 88.

⁷Ibid., 100, 109.

⁸Ibid., 107-108, 128-132, exhibit 464.

⁹Ibid., 108; Federal Reporter: Second Series, vol. 128 F.2d (St. Paul: West Publishing Co., 1942), 919.

¹⁰Pandolfo v. U.S., Denver, 112, 118.

¹¹Ibid., exhibits 242, 248.

¹²Ibid., 37; "Application," 51.

¹³"Application," 51, 57.

¹⁴Pandolfo v. U.S., Denver, 447, 438.

¹⁵"Application," 81.

¹⁶Pandolfo v. U.S., Denver, 79, 513.

¹⁷Ibid., 513; "Application," 70.

¹⁸"Application," 57; World Almanac and Book of Facts for 1939, (New York: New York World-Telegram, 1944), 480.

¹⁹Pandolfo v. U.S., Denver, 85, 90, 141.

²⁰"Application," 75; Federal Reporter: Second Series, vol. 128 F.2d (St. Paul: West Publishing Co., 1942), 918; "Brief History," 36, 39.

²¹Federal Reporter: Second Series, vol. 128 F.2d, 918; Pandolfo v. U.S., Denver, 560.

²²Federal Reporter: Second Series, vol. 128 F.2d, 919; Albuquerque Journal, 27 June 1941, 1.

²³Albuquerque Journal, 26 June 1941, 1.

²⁴Ibid., 2.

²⁵Pandolfo v. U.S., Denver, 95, 107, 118.

²⁶Ibid., 67-68; Federal Reporter: Second Series, vol. 128 F.d2, 919.

²⁷Albuquerque Journal, 29 June 1941, 1, 6.

²⁸Ibid., 1 July 1941, 1, 2.

²⁹Pandolfo v. U.S., Denver, 141-144.

³⁰Ibid., 150-151.

³¹Ibid., 159; "Application," 77.

³²"Application," 76.

³³Ibid., 74; Pandolfo v. U.S., Denver, 555-559.

³⁴"Application," 8.

³⁵Ibid., 41; United States Reports: Cases Adjudge in the Supreme Court, vol. 317 (Washington: Government Printing Office, 1943), 651.

³⁶"Application," 41-42.

Chapter XII

From Leavenworth to Alaska

Samuel Pandolfo arrived at Leavenworth Federal Penitentiary on November 20, 1942, where he began his second sentence for mail fraud. While confined in Leavenworth, he insisted he was not guilty of any crime. He applied for executive clemency to the President of the United States. The 196 page request dated July 15, 1944, explained his convictions for mail fraud in 1919 and in 1941. The application included his personal history, as well as letters from his supporters from all over the United States.¹

On July 17, 1945, Pandolfo was transferred to the United States Penitentiary in Seagoville, Texas. He wrote his friend, Joseph Busch, Catholic Bishop of St. Cloud, hoping that he could influence the parole board at Seagoville in favor of an early parole. Busch wrote the parole board stating that any mistakes Pandolfo made "were due more to fault of judgment, rather than any conscious criminal intent."²

By February 27, 1946, Pandolfo was eligible to go before the parole board at Seagoville, and was soon released. By March 15, 1946, he had returned to Denver, where he immediately contracted with Bankers Union Life

Insurance Co. for which he served as a general agent until April, 1947. Pandolfo continued to work for various insurance agencies while he lived in Montrose, Colorado.³

Samuel and his wife, Agnes, traveled to St. Cloud in March, 1956, and visited friends. He expressed amazement as to how much the city had changed. They visited Pan Town on the Mississippi, and even sat in a reconditioned Pan Car. A reporter from the St. Cloud Daily Times interviewed him, and he explained how he had been "crucified" by the court in Chicago.⁴

While in the city, Pandolfo received letters of recommendation for his next venture: a move to Alaska, which he had contemplated since 1954. He approached some residents about funding an oil expedition in Alaska; however, they would not help him. After receiving the letters of recommendation, he left St. Cloud for the last time.⁵

Pandolfo moved to Alaska, first residing in Anchorage where he worked with the Alaska Old-Line Insurance Company, a legal-reserve stock company. By December, 1959, he had moved north to Fairbanks, and founded the Alaska Reserve Underwriting Corporation. The stationery for the Corporation included a drawing of Mt. McKinley with a phrase describing the Company as being "as solid and everlasting as Mt. McKinley."⁶

In Alaska, Pandolfo was again on the edge of a frontier, a territory to explore and build a business, much like the days when he explored the Territory of New Mexico. But at age eighty-four, his energy and health began to wane. In December, 1959, he suffered a stroke, and without fully recovering, died Tuesday, January 27, 1960. Funeral services took place the following Monday at the Fairbanks Memorial Chapel, and he was buried in that city.⁷

Before he died, he wrote a brief autobiographical sketch to pass on to his descendants. He explained that while he regretted his two convictions, he took consolation in the fact that if the government had not intruded, his ventures would have succeeded.⁸

He never forgot his "enemies," but he chose to dwell on the men who had supported him. In his sketch, he included copies of letters from people all over the United States who had known him and respected him: U.S. Senator Lynn Frazier of North Dakota; Dr. P. E. Stangl, a prominent St. Cloud surgeon; Judge Harry L. Patton of the Ninth Judicial District of New Mexico; Minnesota State Senator Henry H. Sullivan; and D. J. Royer, president of the San Miguel Basin State Bank in Norwood, Colorado, to name a few. Some of these letters, unlike much of his advertising literature, remain with his descendants and are a source of pride.⁹

NOTES

¹Leavenworth Federal Penitentiary to author, 8 November 1995, in author's possession.

²Ibid.; Samuel Pandolfo to Bishop Joseph Busch, 11 November 1945. Held at the Stearns County Heritage Center in the Pandolfo file; Bishop Joseph Busch to the United States Penitentiary in Seagoville, Texas, 16 November 1945. Held at the Stearns County Heritage Center in the Pandolfo file.

³"Brief History," 40.

⁴St. Cloud Daily Times, 29 March 1956, 1.

⁵Roy Bernick, interview by author, tape recording, 30 May 1996, St. Cloud.

⁶Alaska Old-Line Co. pamphlet, n.p. n.d., possession of the author; Alaska Reserve Underwriting Corporation, stationery, n.p. n.d., in possession of the author; City of Fairbanks and Vicinity Telephone Directory, October, 1959. Information from Elmer E. Rasmuson Library, University of Alaska, Fairbanks, received by the author, May 1996.

Fairbanks Daily News Miner, 27 January 1960, 5; Preston Pandolfo, interview by author, 18 July 1996, Denver, Colo.

⁸"Brief History," 57.

⁹Ibid., 52, 57; "Application," 183.

Conclusion

Comments and conclusions about Pandolfo's trials have been made in previous chapters; however, it is necessary to again state that Pandolfo was judged fairly during the trials in 1919 and 1941. Unfortunately, the first conviction did not make him more prudent in promotional statements or his business conduct. Therefore, it is necessary to consider two aspects of Pandolfo's career: his personality, and his business abilities. These two are so intertwined that it is difficult to separate them.

Pandolfo, a flamboyant man, set high goals for himself. His began his adult life as a teacher, but he quickly moved on to a higher paying career as an insurance salesman. His career as a convincing and creative salesman and promoter continued until he died. Through his many ventures, Pandolfo traveled, conversed with people, and enjoyed life to the fullest.

Many people liked Pandolfo, including former employers who admired his ambitious nature. He had a flare for speaking, and after his arrival in St. Cloud, he spoke eloquently to the people, telling them what they wanted to hear. He announced that because the Pan Motor Co. was locating in St. Cloud, the city could become another Detroit. Pandolfo became involved with the community by

building Pan Town; supporting baseball teams; holding barn dances; giving banquets; and probably most remembered, putting on the largest Texan-style barbecue St. Cloud has ever seen.¹

The St. Cloud residents showed Pandolfo their respect by holding "Pan Days," and honoring him with his portrait and an engraved poem in 1918. His descendants have stated that he was given a set of silverware with the Pan Motor emblem engraved on it for Christmas, most likely in 1918, from the St. Cloud Commercial Club. After Pandolfo's first conviction, some former Pan Motor Co. stockholders believed in him so strongly that they asked him to lead their new company, Mutual Motors, which had formed out of the remnants of the Pan Motor Co. Support for Pandolfo was not evident after the Pan Health Food Co. and the Old-Line Insurance Shares Corporation failed.²

His creativity was commendable. Because of his wide use of the automobile, Pandolfo conceived the idea of reclining seats and the five-compartment tank, which he helped design for the Pan Car. After he launched his health food business, he promoted whole wheat flour and "Crisco," suggesting that it should be part of a person's daily diet. Through the Old-Line Insurance Shares Corporation, Pandolfo attempted to bring New Mexico a state-wide loan corporation. All of these different ventures indicate how ingenious and

adventurous Pandolfo could be while displaying his wide spectrum of interests.

There is another side of Pandolfo which few people saw, but which emerges from the court records and the newspaper articles. He often appeared paranoid toward his "enemies;" someone was always out to "get him;" or they hoped to see him fail. Paranoia was evident shortly after the Chicago trial, when Pandolfo claimed that the board of directors "have swindled me and they cannot be trusted."³

The enemy usually was jealous of his product or felt threatened by his businesses. After the Pan Motor Co. indictment, he pointed a finger at "big businesses" who were out to destroy him. But what did he mean by "big business?" He argued that automobile companies felt threatened by his product, a point he emphasized in a meeting in 1919 with the Commercial Club from Minneapolis. That organization denied charges that big business in Minneapolis was jealous of the Pan Motor Co., and hoped to see it fail.⁴

In 1925, Arthur Borak, author of the thesis, "The Financial History of the Pan Motor Company," interviewed many businesses and automobile associates and found no foundation to Pandolfo's accusations concerning big business. However, a 1918 article in Financial World stated that many small auto companies feared being swallowed up by General Motors. If Pandolfo read articles of this nature,

they could have accentuated his paranoid feelings.⁵

Through the years, Pandolfo continued to blame big business for the failure of the Pan Motor Co. In a 1956 interview by the St. Cloud Daily Times, he classified bankers as big business. Could he have been insinuating that the banker, Alec Shipley, was responsible for the failure of his motor company?⁶

If the enemy was not pursuing Pandolfo, then economic conditions surely interfered. According to Pandolfo, during his early businesses in Texas, poor crops helped to bring the downfall of his insurance business. During the building of the Pan Motor Co., World War I was a hinderance, and later the depression interfered with his Health Food Co. Again, poor crops contributed to the decline of the Old-Line Insurance Shares Corporation.

There is little doubt that these obstacles, unforeseen and unavoidable, helped to create difficult times for his businesses. Pandolfo should have acted with more caution during the stressful times; instead, he continued to act on a large-scale and make poorly-timed business decisions. During World War I, he continued his large-scale building for the Pan Motor Co., rather than acting with restraint until better economic times approached. The same large-scale innovations occurred while he managed the Pan Health Food Co. With difficult times imminent, Pandolfo increased

the number of health food stores, and purchased an old candy factory in Denver.

Pandolfo's handling of money was questionable. He left New Mexico and arrived in St. Cloud with debts in the excess of \$100,000. As fiscal agent during the promotion of the Pan Motor Co., he earned \$650,000, and with this money, he paid his debts in Texas.⁷

Evidence offered during the Chicago trial showed that the Pan Motor Co. had only \$15,038.33 in the treasury at the time of the 1919 trial. Later, lacking personal funds, Pandolfo had to appeal to his supporters for several thousand dollars to save the Pan Health Food Co. The fact that Pandolfo had a \$30,000 note with the Old-Line Insurance Shares Corporation in 1940 can lead one to question his money management.⁸

Some people have categorized Pandolfo as a "victim," and others accused him of being a "swindler." He was probably not the latter. He claimed he wanted to build a quality company, and it is doubtful if a swindler would put so much time, effort, and money into building the companies he did. Probably his mistakes could be attributed to poor judgment, as Bishop Joseph Busch had said. Pandolfo also believed that to be true, for he wrote in 1942, "I may have made mistakes; but if so they were of judgment and against only myself."⁹

NOTES

¹"Brief History," 8-9; Pandolfo testimony, U.S. v. Pandolfo, vol. 3, 1689-1691.

²Interview with Preston Pandolfo, 18 July 1996, Denver, Colo.

³St. Cloud Daily Times, 1 April 1920, 1.

⁴Ibid., 26 August 1919, 1; Arthur Borak, "The Financial History of the Pan Motor Company," 81.

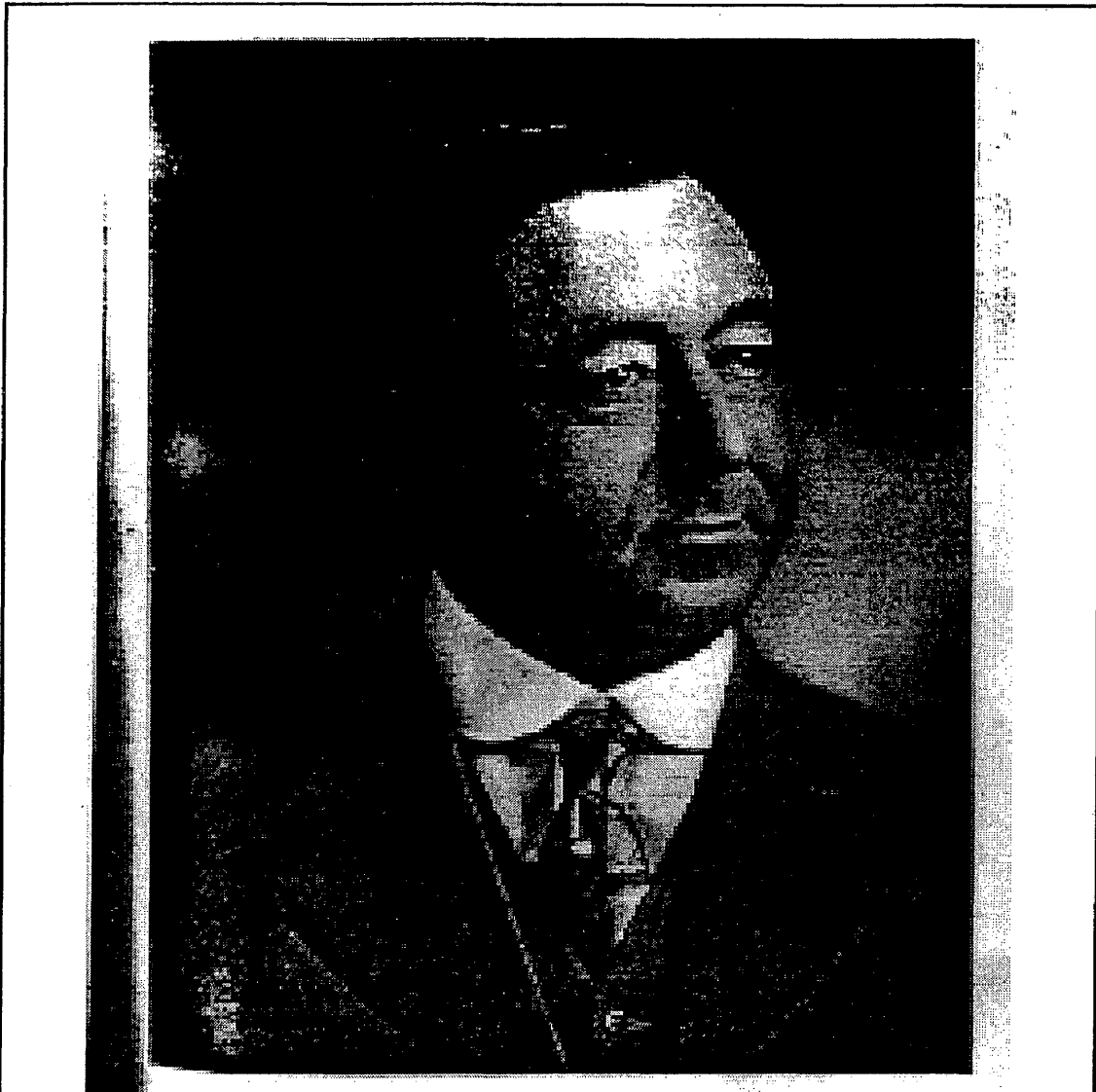
⁵"General Motor May Swallow Others," Financial World, 9 March 1918, 8.

⁶St. Cloud Daily Times, 29 March 1956, 1.

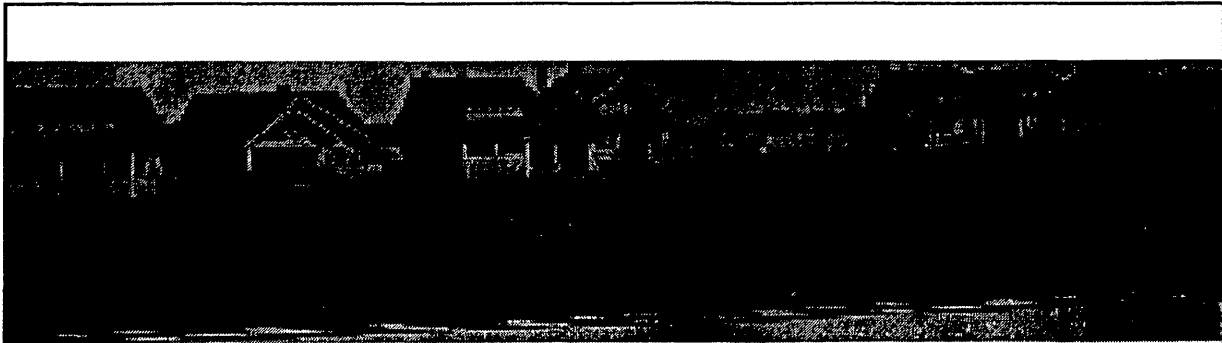
⁷Borak, 76.

⁸Pandolfo v. U.S., vol. 5, 204.

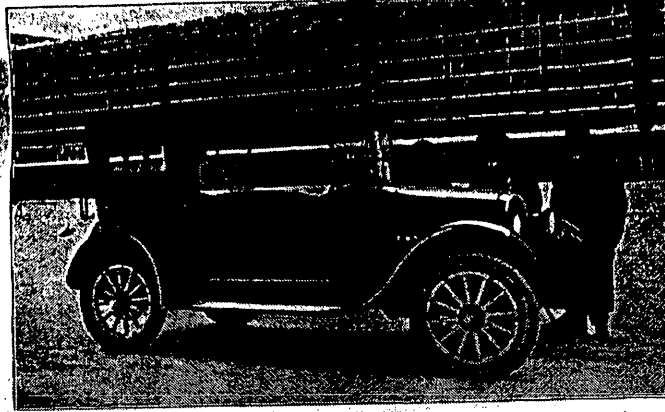
⁹"Application," 183.



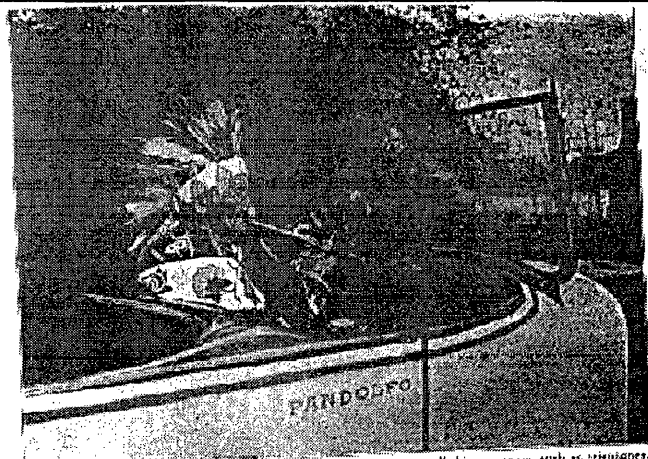
Samuel Connors Pandolfo. From Pictorial Proof of Progress. Held at Stearns County Heritage Center, St. Cloud, Minnesota.



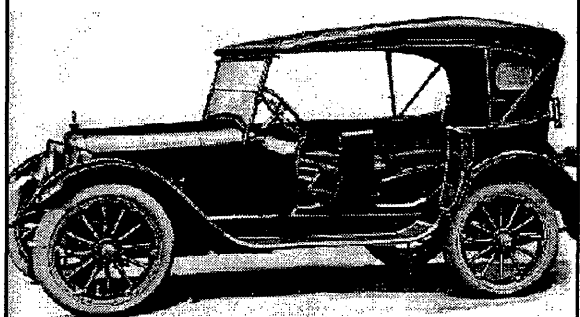
Pan Town on the Mississippi. From Pan Siftings, February 1918.



The first machine of the "250" model turned out at the Pan Motor Company plant is shown here. Left to right, Victor Gauvreau, R. J. Kennedy, and A. R. Smith. From Pan Siftings, February 1918.



Chief Ka-Be-Naw-Wey-Wence ("Wrinkled Meat"), in a Pan Car. From Pan Siftings, February 1918.



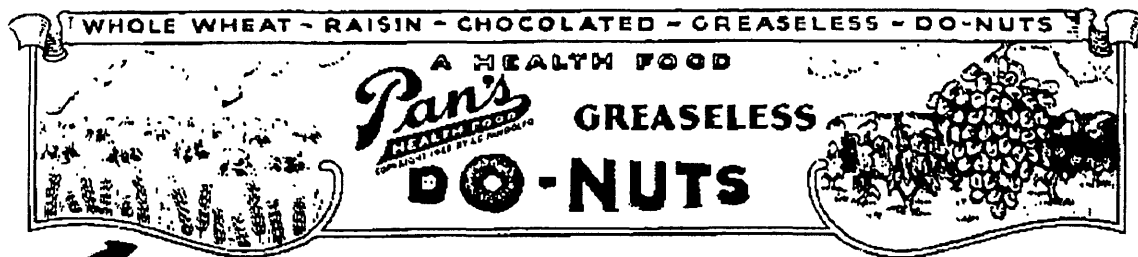
The Pan "Tourist Sleeper" Model. From Pictorial Proof of Progress. Held at Stearns County Heritage Center, St. Cloud, Minnesota.



Pan Motor Company. From Pan Siftings, February 1918.



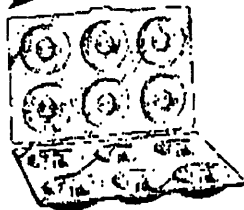
Looking down the main assembly line in factory building number two. The Model 250, "Queen of the Highway", in various stages of assembly. From Pictorial Proof of Progress. Held at Stearns County Heritage Center, St. Cloud, Minnesota.



PAN HEALTH FOOD COMPANY
DENVER. - COLORADO



Pan's



GREASELESS COOKER
PATENT APPLIED FOR

Pan Health Food Company stationery from 1931.



Samuel Connors Pandolfo, March 1955. From "A Brief History of S. C. Pandolfo."

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