

SAM PANDOLFO

Minnesota's Almost Auto Magnate

John J. Dominik

THE SODDEN, GRAY SKY over Chicago dribbled snow the morning of December 6, 1919. The sun remained in hiding all day. On the sixth floor of the Federal Building, in the courtroom of Judge Kenesaw Mountain Landis, 13 defendants awaited a verdict that would affect not only the rest of their lives but the financial well-being of thousands of others.¹

They had been stunned by their indictment eight months earlier and by the necessity of appearing in a court of law to defend themselves against a charge of fraud. They were businessmen — lawyers, bankers, owners or managers of substantial and successful concerns. One of them was a postmaster, and he stood with

the others, accused of conspiring to use the mails to defraud.

What exceptional combination of events could have brought these men, a good part of the business community of St. Cloud, Minnesota, before a bar of justice in Chicago?

It began, in direct line, at any rate, when Samuel C. Pandolfo, one-time insurance salesman and former teacher from the southwestern United States, decided to form his own automobile company. In July, 1916, he left New Mexico, heading in the general direction of Chicago, selling stock in his idea of a company as he went.²

If ever a man seemed qualified to achieve great success in the business world, Pandolfo was he. Born to an Italian father and a Dutch mother in a log cabin, he said, "on the banks of the Tombigbee River about a mile out of Macon, Mississippi," on November 22, 1874, he attended country schools in Starkville and West Point, Mississippi, and later Southern University, a Methodist college then located in Greensboro, Alabama. He taught school in southeastern Alabama for two years and then was named principal of the high school in Lindale, Texas. Three years later, in 1899, he became superintendent of schools in Las Cruces, New Mexico Territory. In addition to his administrative duties he was still teaching, but in the summer of 1901 he began to sell insurance and shortly discovered that he "made more money in three months selling insurance than I had made in three years teaching school."³

Almost immediately he left teaching and began to concentrate on insurance. As a backup to his new career, he took a position as head bookkeeper at M. B. Goldenberg Company, a general mercantile firm in Tucumcari,

¹United States v. S. C. Pandolfo, et al., Case nos. 6586, 6650 (consolidated), Northern District of Illinois, Eastern Division, Records of the U. S. District Courts, Record Group 21, Federal Archives and Records Center (FARC), Chicago, *St. Cloud Journal-Press*, April 17, 1919, p. 1. The present writer has used the *Journal-Press* in preference to the *St. Cloud Daily Times* because it had a better reputation for accuracy, and the latter was published by Fred Schilplin, one of Pan Motor's directors.

²*Journal-Press*, October 28, 1919, p. 1.

³Here and below, see [Pandolfo], *Brief History and Background of S.C. Pandolfo*, 1, 2 (privately printed in Alaska, 1959), copy in author's possession. Southern University merged with Birmingham College in 1918.

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New Mexico, but eventually resigned there to devote full time to insurance.

The Pandolfo Insurance Company grew to cover all of Texas, Oklahoma, Arizona, and New Mexico, the largest agency in the world from the standpoint of territory, Pandolfo claimed. It placed nearly a hundred million dollars on the books of the insurance companies represented. In the Southwest at that time, however, there was only one pay day a year for farmers: when their crops were harvested and sold. Pandolfo had disbanded his agency after a crop failure, and in 1916 he returned to an old obsession: automobiles.⁴

Deciding to form an automobile company was not a totally alien notion during the early decades of the 20th century. The automobile industry was young but growing fast. Fortunes were being made — and many were being lost — overnight. And not all, or even most, companies were organized by engineers; many were started by promoters, men who could sell stock to the public or the idea to financiers and who then hired a technical staff to produce a car.⁵

Pandolfo was one of the first businessmen to use the automobile in the Southwest and had owned 37 different makes. His dissatisfaction with all of them for one reason or another started him thinking about his own design for a successful automobile. He wanted a car with high clearance for traveling the back roads; his experience on the road while selling insurance convinced him of that requirement. His car should also make some provision for the overnight comfort of the driver caught after dark in the areas where hotels and even towns were few and far between. And it should have some means of carrying extra supplies for both auto and driver that were required to travel in sparsely populated areas.⁶

These thoughts would eventually surface in Pandolfo's directions to his design engineers, but his greatest creative efforts were spent on the financial organization of the company. The idea of an unimpaired capital was taken, he said, from the financial organization of insurance companies. Stock in the Pan Motor Company — it already had a name if not a home — was priced at \$10.00. Half of the purchase price went to a so-called surplus fund out of which Pandolfo was to pay all stock sales commissions and all the expenses of the company until the capital fund, into which the second \$5.00 of the price was entered, amounted to \$30,000. The capital fund would thus be "unimpaired." The stock's \$5.00 par value was stated plainly on the stock certificates.⁷

⁴B. F. Forsyth and C. W. Williams, *Pictorial Proof of Progress*, 15 (St. Cloud, 1919), copy in Minnesota Historical Society (MHS); [Pandolfo], *Brief History*, 19; *Journal-Press*, November 19, 1919, p. 1.

⁵Ralph C. Epstein, *The Automobile Industry. Its Economic and Commercial Development*, 30, 51, 165–168 (Chicago and New York, 1928); Rudolph E. Anderson, *The Story of the American Automobile*, 74 (Washington, D. C., 1950); Merrill Denison, *The Power to Go*, 121, 203 (Garden City, N. Y., 1956).

⁶Forsyth and Williams, *Pictorial Proof*, 17.

⁷*Journal-Press*, November 19, 20, December 2, 1919, all on p. 1. The commission arrangement was altered later on the advice of St. Cloud attorney John D. Sullivan, a senator in the state legislature and coauthor of the recently enacted blue-sky law; Minnesota, *Laws*, Special session, 1916, p. 635. The Minnesota State Securities Commission also directed the change, restricting salesmen's commissions to not more than 20 per cent of the selling price. See *Journal-Press*, April 27, p. 8, May 22, p. 1, 1918; State of Minnesota Securities Commission, Investment Company's license no. 100,035, issued August 1, 1918, copy in MHS.



A TYPICAL Pan stock certificate; note the par value of \$5.00 and the sale price of \$10.00.



SAM PANDOLFO setting out for his office from his Pan Town home

With the help of Corporation Trust Company in Chicago, Pandolfo incorporated the Pan Motor Company under the laws of Delaware because of its lower tax rate and the wider latitude it permitted corporations. Pandolfo also engaged the Chicago law firm of Heidman and Street to represent him in a patent application, and he persuaded George Heidman and Norman A. Street to serve as directors of the new company, at least until local officers from the ultimate location of the enterprise were chosen.⁸

Before the incorporation proceedings were completed, Pandolfo had been flooding the country, particularly the Southwest, with brochures promoting the sale

of Pan Motor stock. While the material described the Pan car in general terms, its primary purpose was to sell stock. This literature, mailed from Chicago in the early months of 1917, would form the basis of the later suit against the officials of the company.⁹

Until he could hire a permanent engineering staff, Pandolfo went to Reed & Glaser, a consulting engineering firm in Indianapolis, and arranged for several cars to be built for display and demonstration purposes. They were called Pan cars, but they were assembled from existing available parts; the engineering firm eventually produced 11 such cars for the company.

NOT THE LEAST of Pandolfo's burdens at this time was to find "habitation" for the Pan Motor Company. After the fact, he gave several reasons for selecting St. Cloud as the site: proximity to 80 per cent of the iron ore produced in the United States; proximity to the Mississippi River and several power dams; proximity to Duluth, the best deep-water port on the Great Lakes, location on two transcontinental railroads, the Great Northern and the Northern Pacific; separation from the seat of labor troubles in the East yet centered in "an immense number of skilled mechanics," and a large territory from which to draw workmen; a location in "one of the most beautiful rolling prairies, farm lands, hill sides, clear streams, lakes with gamy [*sic*] fish and excellent roads." He concluded his panegyric by saying, "We don't see any excuse for locating an automobile plant anywhere else."¹⁰ No one in St. Cloud quarreled with that.

In reality, Pandolfo had written to the commercial clubs or chambers of commerce in several towns, asking for information about locating a plant in their area. The responses he received determined his decision. He said he wanted the backing of local men; when he got it from several businessmen in St. Cloud, the Pan Motor Company had found a home.¹¹

Eight St. Cloud men joined the board of directors, which also included Heidman and Street, the Chicago patent attorneys, and the secretary of the company, John Barritt, an Englishman whom Pandolfo had hired away from the Cheyenne (Wyoming) Business College that Barritt had founded. These leaders of the St. Cloud business community were: Charles D. Schwab, president of Farmers State Bank and the Farmers Loan and Investment Company of St. Cloud, the First State Bank of Clear Lake, and owner of valuable farm and ore lands; Charles F. Ladner (not an original member of the board but later a vice president and then president of Pan Motor), president of his own hardware company, of the Retail Hardware Merchants Fire Insurance Company, of the Hall Hardware Company of Minneapolis, and vice-president of the St. Cloud Iron Works and the Miner Theatre Company, as well as a director of Security State

⁸ Marie C. Shultie, State of Delaware, Division of Corporations, to the author, September 15, 1982; *Journal-Press*, November 20, 1919, p. 1.

⁹ Here and below, see *Journal-Press*, April 7, November 4, 1919, both on p. 1.

¹⁰ *Pan Siftings*, February, 1918, vol. 1, no. 4, p. [15], the house organ of Pan Motor.

¹¹ Here and below, see *Journal-Press*, November 26, 1919, p. 1; Forsyth and Williams, *Pictorial Proof*, 189-193. Fred Schilplin was later named postmaster of St. Cloud; *Journal-Press*, February 9, 1918, p. 1.

Bank in St. Cloud and holder of various civic offices; Hugh Evans, president of St. Cloud Grocery Company, a wholesale firm, and ex-mayor of St. Cloud; Fred Schilplin (whose name was misspelled often in the company's early promotional literature), publisher of the *St. Cloud Daily Times*, an owner of the Security Blank Book and Printing Company, and described as a "real live wire"; George E. Hanscom, president of Merchants National Bank of St. Cloud and of the First State Bank of Stewartville, vice-president of the Mayer, Watertown, Maple Plain, and Long Lake state banks, and the Farmers and Merchants State Bank of Sedan; Charles Bunnell, a trustee of the Nehemiah P. Clark estate and identified with the vast Clark lumber, ore, and stock interests; Peter R. Thielman, a director of Farmers Loan and Investment Company, and a successful stock farmer and landowner; and Hal C. Ervin, Jr., a director, secretary-treasurer, and manager of the St. Cloud branch of the H. C. Ervin Company (flour mills), director and vice-president of Beltrami Elevator and Milling Company, Bemidji, and director of Merchants National Bank of St. Cloud.

The announcement that the company would locate in St. Cloud was made public locally on March 2, 1917. A little over a month later the United States declared war on Germany. Neither the declaration nor the fact of war slowed Pandolfo appreciably. He obtained materials to start his factory and the labor to build it at a pace that dumfounded ordinary men. Part of the reason for the rapid construction and the availability of material was the company's ability to contribute to the nation's war production. But the major push was due to Pandolfo's seemingly limitless energy and fierce tenacity.¹²

SCENES from the 1917 Fourth of July barbecue show crowds lining up for bread (left) and Pandolfo addressing picnic-goers (right) as a movie camera grinds.



THE MEMORY that most St. Cloud residents retain of the early activities of the Pan Motor Company concerns the mammoth barbecue the company staged for the arrival of the first four Reed & Glaser-built cars from Indianapolis. Their appearance in the city and the barbecue — prepared by cooks imported from Texas and New Mexico — were timed to coincide with the city's celebration of the Fourth of July, 1917. In fact, the barbecue *became* the major celebration. It was the first opportunity residents had to view the "Pan cars" and to see the results of Pandolfo's promotional efforts.¹³

For a week before the Fourth, newspaper readers were treated to a chronicle of the trip the Pan cars were making from Indianapolis. They were behaving beautifully, Pandolfo reported publicly, but his private letters to Reed & Glaser, read in court at the trial, would tell a different story.

As the Fourth of July drew nearer, further details on the barbecue were released to the public. Through a St. Cloud butcher, Swift and Company of St. Paul supplied 15,434 pounds of beef that required a whole railroad car to ship. The quarters of beef were to be put on grates over fires placed in pits and kept roasting for 40 hours. Eight thousand loaves of bread were purchased, and barbecuers scoured the city for enough pickles.¹⁴

The wide publicity brought the desired results. On the big day, police estimated there were 40,000 cars

¹² *Journal-Press*, March 2, p. 1, July 7, p. 5, August 16, p. 6, October 19, p. 5, all in 1917, September 19, 1918, p. 1.

¹³ Here and below, see *Journal-Press*, June 22, 30, 1917, both on p. 8, November 4, 1919, p. 1; *Chicago Tribune*, November 1, 1919, clipping in author's possession; Pandolfo v. United States, Case 2787, 7th Circuit, Court of Appeals, RG 276, FARC, Chicago.

¹⁴ Here and below, see *Journal-Press*, July 2, 3, 5, October 3, 1917, all on p. 5; *St. Cloud Daily Times*, July 5, 1917, p. 5.





PAN-TOWN-on-the-Mississippi boasted architectural variety, as well as sidewalks, street lights, and lawns.

parked in the area. Visitors saw the Pan cars, painted red, white, and blue for the occasion, as they munched their beef sandwiches and wandered between the foundations that had been poured for the large assembly building of the plant. One report said that 11 men had their pockets picked. And the sale of Pan stock must have been brisk. A few months later the company announced that all of its assets — machinery, cars, and buildings — were paid for in full. In addition, the firm was paying the post office in St. Cloud \$30,000 to \$40,000 a year in postage — more, it claimed, than the local population and surrounding area paid.

The continuing and voluminous sale of stock was necessary. With the engineering staff still working on the design of the ultimate Pan automobile, whose manufacture was at least two years away, the main source of money for salaries, construction, and material came from the stock.

In addition to overseeing the design of the car, the construction of the plant, and directing stock sales, Pandolfo had to find housing for the workmen flocking to St. Cloud for jobs at Pan. The town had grown slowly up to this time, and little rental property was available, none at all in the vicinity of the Pan plant. Pandolfo attacked the problem head on. He would erect his own small city and name it Pan-Town-on-the-Mississippi, although the

area was much closer to the lowly Sauk River. A total of 58 houses, built for engineers and other workmen, utilized 25 different designs, not the usual identical company row-house development. Pandolfo also built his own rather more substantial home in the area.¹⁵

After a time even Pandolfo realized that he could not postpone producing an automobile for so long as the designers said it would take to get the Pan into production. Cash was needed. One solution was to begin exhibiting and taking orders for a tank-tread farm tractor designed for the company, which also began selling for the first time the Pan Model 250, an interim assembled car.¹⁶

But the trickle of money generated by the sale of the Model 250 was not enough to allow the company to continue working on the ultimate Pan car and to pay dividends to its stockholders. One year after its arrival in St. Cloud, the company had 23,000 stockholders. Few of them, if any, were clamoring for dividends, but there were others, both within and without the state, who thought the company was not facing up to its financial responsibilities.

LOCALLY, trouble began when the Associated Advertising Clubs of Minneapolis, affiliated with the national and worldwide organizations of that name and a forerunner of the Better Business Bureau, lodged a complaint with the State Securities Commission claiming the company was spending more on promotion than its Minnesota charter permitted. After a hearing in which the company was, in effect, cleared of the charges, a new license was issued restricting commission and other selling expense to 25 per cent of the stock's price. Another report, known to this author only by Pandolfo's reaction to it, was issued by "The Monte Vista, Colorado, Stock Sales Investigation Committee." In a 14-page, vituperative, and detailed reply to this "committee," Pandolfo rebutted, belittled, and generally tried to wear down the opposition.¹⁷

But the flood was only beginning. To answer past and forestall future attacks on the company, Pandolfo and his advertising department planned a brochure that even-

¹⁵ Forsyth and Williams, *Pictorial Proof*, 231. See also Clark E. Hunting, "Pan Town on the Mississippi: A Study of St. Cloud and the Pan Automobile Company," Master's thesis, Macalester College, 1962, copy in MHS. Pandolfo tried to get sewer and water lines extended to Pan Addition in 1917, but the city response was slow; *Journal-Press*, October 25, 1917, p. 1, January 31, 1920, p. 5.

¹⁶ Here and below, see *Journal-Press*, December 12, 1917, p. 3, March 1, p. 2 and 8, March 2, p. 5, March 6, p. 6, all in 1918.

¹⁷ *Journal-Press*, May 14, 15, 16, 22, 1918, all on p. 1, May 17, p. 7, May 28, p. 4, 1918. See also State of Minnesota, Securities Commission, *Order to show cause* . . . in re *Pan Motor Company*, May 23, 1918, copy in MHS; Pandolfo's reply to the Monte Vista group, *The Real Truth*, July 15, 1918: Minute Book No. 1, July 16, 1918, p. 131, in Minnesota Securities Commission Records, State Archives, MHS.



THE DROP-FORGE PLANT, which figured largely in Pandolfo's efforts to remain financially solvent

tually grew into a large 270-page, 12½- by 9½-inch book with a padded, blind-embossed cover depicting the future appearance of the Pan Motor Company. The book presented a historical sketch of Pandolfo, the beginnings of the firm, and a description of St. Cloud and the surrounding area. It detailed the production of a motor car, listed the buildings already erected, and the equipment already installed, gave the specifications of the Pan car — referred to as "the Feature Car of the Future" — gave the qualifications of the board of directors and many of the technical staff, described Pan-Town-on-the-Mississippi and pictured all of the houses, and concluded with an enumeration of the future plans of the company. Over 450 pictures illustrated the book, prompting its title, *Pictorial Proof of Progress*.

A printing of 5,000 copies was issued at a cost of \$15,000, and the first 500 with covers stamped in gold leaf were rushed to the governor of every state and to every senator and representative in Washington, D.C.¹⁸ The book remains the best single, albeit prejudiced, source of information on the company up to 1918.

This was only prelude. Five days after the November 11, 1918, armistice ended World War I, Pandolfo's war with the federal government began in earnest. A federal grand jury in Fergus Falls indicted him and John Barritt, company secretary, on four counts of "using the mails in furtherance of a scheme to defraud." Almost immediately after this the Capital Issues Committee in Washington, D.C., formed by Congress to determine whether a federal blue-sky law was necessary, issued a report characterizing the Pan Motor Company as "A Typical Stock Promotion."¹⁹

Quite obviously, some of the criticism leveled against the company in the report came from someone of little or no familiarity with the automobile industry. Pandolfo was described as "an individual having no previous experience in the business and without models, designs, or definite plans for production." While true, the same statement could have been made about a half dozen presidents who had started automobile companies, all successful at that time.

The report stung Pandolfo into instant and drastic retaliation. He instituted a million-dollar libel suit against Twin Cities members of the Associated Advertising Clubs of America, the group he believed was behind his persecution. The suit was later ordered amended by the court for being too broad and finally was dropped following Pandolfo's Chicago trial.²⁰

The Fergus Falls indictment was something that Pandolfo could react to directly. Through his attorney, Ripley B. Brower, a former state senator, Pandolfo demanded an immediate trial, claiming that any delay would slow stock sales and thus jeopardize a huge investment by thousands of stockholders. The government asked for a postponement, citing the need to gather more evidence, but Judge Page Morris agreed with Pandolfo. He chided the district attorney for bringing in the indictment and then asking for more time to prepare the case. The district attorney moved dismissal of the suit rather than risk trial.²¹

St. Cloud Mayor Henry J. Limperich, in his first official act following his appointment two days earlier, welcomed the Pan officials back from Fergus Falls with a supper at the Elks' Club. Pandolfo declared that "Justice came home, and so did we," while attorney Brower said

¹⁸ Interview with Richard L. Dagy, publisher's salesman for *Pictorial Proof*, May 2, 1970, tape in author's possession.

¹⁹ Here and below, see *St. Paul Sunday Pioneer Press*, November 17, sec. 1, p. 3, December 16, p. 5, both 1918; *Journal-Press*, December 16, 1918, p. 1; Capital Issues Committee, *Report*, 6, 7, photocopies in author's possession; United States, *Statutes at Large*, vol. 40, part 1, p. 512-514; Minnesota, *Laws*, Special session, 1916, p. 635. Blue-sky laws were designed to regulate and supervise sale of stocks, bonds, and other securities for the public's protection.

²⁰ *Journal-Press*, January 23, p. 1, February 11, p. 1, December 26, p. 5, 1919. The suit named Atkinson & Company, Dayton's, Leader Mercantile Company, Hartman Furniture and Carpet, Minneapolis Tribune, Journal Printing, Russell-Miller Milling, Maurice L. Rothschild Company, M. W. Savage factories, Wells-Dickey, F. W. Woolworth, and Young-Quinlan, among others.

²¹ Here and below, see *Journal-Press*, January 3, 4, p. 1 and 2, respectively, 1919.

the dismissal "clears the decks" of charges against the company. He was whistling in the dark.

Pandolfo's fear of a drop in stock sales was well grounded. During the month of April, 1918, Pan salesmen had sold 43,718½ shares, representing cash income of \$437,185. On one day in May, more than \$30,000 was received in the offices from stock sales. This cash flow abruptly ebbed in the wake of the indictment, until during the Chicago trial it became a trickle.²²

THE COMPANY'S difficulties with stock sales seemed always to overshadow the Pan car itself (except in the eyes of today's antique auto fan). The final design for the 1919 Pan, while perhaps not as revolutionary as Pandolfo might have wished or would have liked to claim, was what one auto magazine called "clean-cut, neat, workmanlike." The article pointed out that the car, while not "radical," embodied many new ideas. The most interesting feature, the writer thought, was its compact motor.

²²*Journal-Press*, May 7, 1918, p. 5. November 18, 1919, p. 1. The local newspapers carried an appeal for a cash subscription of additional stock made by the Pan office and technical staffs so that they might continue work on the car under development. They pointed out that Pandolfo was unaware of their appeal.

²³Here and below, see "The 1919 Pan, a Meritorious Small Motor Car," in *Automotive Engineering*, February, 1919, p. 75-80; Morris A. Hall to Victor Gauvreau, February 6, 1919, copy in MHS pamphlet collections. The Liberty was an American-built aircraft engine widely used during and after World War I.

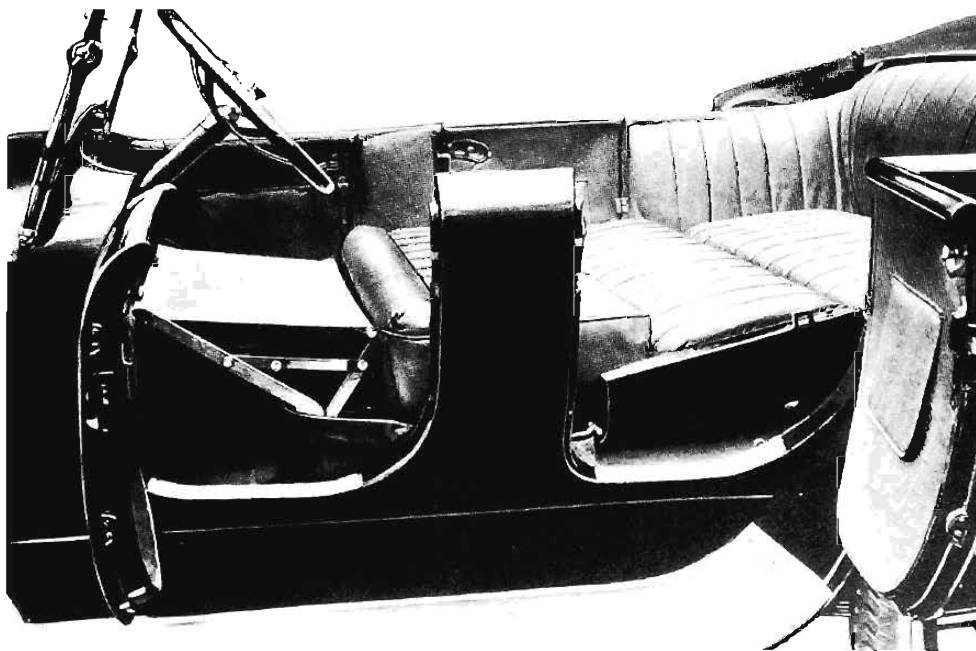
²⁴[Pan Motor Co.], *Care and Operation of Pan Model A*, copy in the McKean Collection of the Detroit Free Library and in author's possession.

One of the publishers of the periodical wrote to Victor Gauvreau, French-born designer of the Pan, complimenting him on having created an engine so efficient that it rivaled the "supposedly very efficient Liberty motor." The writer went on to say, "Another way to put it is that if you had a 12 cylinder motor, the same size as the Liberty 5 × 7, and used the same construction, and were able to obtain such an efficient engine, the output would have been 507 hp, as compared with the Liberty maximum of 526. . . a great achievement."²³

While the technical details of the Pan motor interested engineers, mechanics, and others who understood engines, the average person was more likely to be taken by the "Sleeping Car Body" on which, by turning two lock bolts, the back of the front seat could be dropped to the level of the rear seat, forming a bed. Or he might fancy the "Combination Compartment Tank" at the rear of the car (the Pan, like many others of that period, had its gas tank in the front under the hood), which allowed the motorist to carry an extra supply of water, oil, and gas for the car, provided storage for the necessary tools, and, with ice in an insulated compartment, carried food and beverages for passengers.²⁴

The car was interesting, but even a company producing a car as successful as Henry Ford's wonderful Model T would have had difficulty surviving the attacks that were mounted against the Pan Motor Company. The federal government was regrouping, gathering more evidence, and, from the Southwest, an area where many Pan stockholders lived, came more thunder. The *Grand Junction* (Colorado) *Daily Sentinel* of December 7, 1918, urged all who still owed money on Pan stock to withhold payment until they had legal advice. While the

THE PAN "Tourist Sleeper" model, showing how the seats folded flat for reclining



Sentinel said it "had no personal feeling in the matter," it issued another story four days later with a statement from Walter Walker, publisher of the paper, in which he declined an invitation "to take a junket trip at the expense of Mr. Pandolfo for the purpose of doing a 'white wash' job to please Pandolfo and his associates." Pandolfo sent a registered letter to the *Sentinel* demanding a full retraction. When that was refused, he filed a \$400,000 libel suit against the paper.²⁵

In a blizzard of material that now issued from the company, Pandolfo refuted all accusations against him — and except for the government's indictment, they were vague. He attacked his attackers with the same zeal and zip he exhibited in selling stock. He enjoyed a good fight, it seemed. He brought his own committee of stockholders from Colorado, including the manager of the Grand Junction Motor Sales Company and the editor of the *Montrose Daily News* and the *Grand Junction Daily News*; this committee gave the Pan Motor Company its "unqualified approval" in an eight-page report issued on January 2, 1919, which Pandolfo immediately put into wide circulation.²⁶

Nor was Pandolfo satisfied with rebuttal from such unofficial sources. He also circulated a "fac-simile [*sic*] of the letter received from Mr. George A. Levy, Chief of Industrial Bureau of City and County of Denver, followed by an exact printed copy of the [eight-page] survey and report of the affairs of the Pan Motor Company." Levy did not give the company "unqualified approval" in so many words, but his report concluded favorably with the statement that "the Executive Department appears to be well organized, working efficiently and getting results."²⁷

PAMPHLETS AND PROPAGANDA could not stop the government's courts, however. On February 1, 1919, a federal grand jury in Chicago indicted all officers of the Pan Motor Company, as well as Hal C. Ervin, Jr., who was no longer an officer, and H. S. Wigle, who had been an officer only during the incorporation proceedings and was later a stock salesman. The Fergus Falls indictment had listed only four counts against Pandolfo and John Barritt, but the Chicago indictment charged all past and present officers with seven counts of mail fraud and one of conspiracy to commit fraud. In April the original indictment was dismissed and a new one reinstated with additional charges centering on the Pan tank-tread tractor.²⁸

Again, Pandolfo's reaction was swift and vitriolic. He issued another broadside identifying the people he thought were behind the attacks on him and his company: 1) the Associated Advertising Clubs of the World, whose persecution, he claimed, was in retaliation for not having placed the Pan Motor Company's advertising through their agencies; 2) certain automobile and trac-

tor dealers and distributors, whom he accused of co-operating with the Associated Advertising Clubs; 3) certain bankers in different parts of the country who objected to "our taking money out of their banks and beyond their control"; 4) certain merchants who objected to "our taking money out of their communities and beyond their opportunity of getting some of it"; 5) traveling salesmen who had been "knocking us by spreading the propaganda of the enemies and conspiracy. I understand that some of these traveling salesmen have been paid a certain price per month to do this."²⁹

Pandolfo was understandably piqued. Quick-tempered at best, he now saw his efforts endangered by an enemy he could not come to real grips with. Working almost day and night, he had put together in less than two years a substantial enterprise in people, buildings, and good will. The Feature Pan, the Model A, was on the verge of going into production. It had passed its tests, and the hard work was about to pay off in the real product. Pandolfo could not stand by and watch it be destroyed. He would fight back in court. But had his opponents known him better, they would have realized that he could not restrict himself totally to the niceties of legal give and take. The first indication of his tactics came on September 26 in a court order from Judge Landis, warning the Pan Motor Company attorneys against intimidating or communicating with government witnesses in the case.³⁰

Pandolfo's instinct for promotion did not desert him even at this critical time. He shipped two railroad carloads of desks, files, and exhibits of the company's products to Chicago and took over the entire sixth floor of the Atlantic Hotel. Two Pan tractors, the tank-tread and a wheeled model, as well as Models 250 and A Pan cars were on display in the lobby. There seemed little doubt that the trial would be lengthy, even though the list of government witnesses had been pared from 400 to a more reasonable 125.³¹

Opening arguments began on October 24, 1919, and,

²⁵This suit, too, was dropped in December, 1919, after the Chicago trial concluded. Preston Walker, publisher of the *Daily Sentinel*, to author, April 18, 1970.

²⁶A *Very Special Message to All Pan Motor Stockholders and Subscribers*, an undated, 6-page pamphlet, copy in MHS.

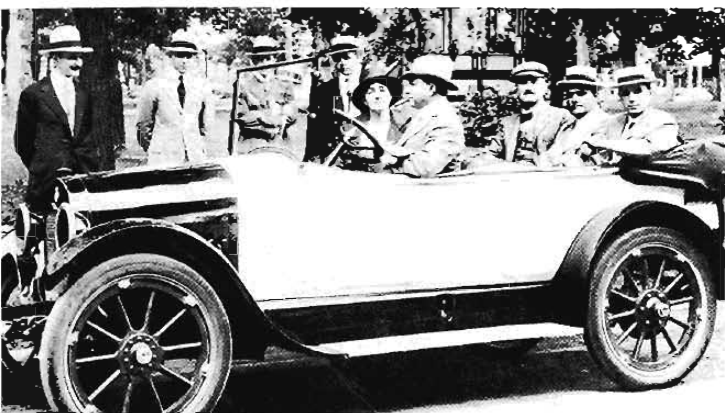
²⁷Levy Report, January 24, 1919, p. 8, copy in MHS.

²⁸*Copies of the Two Federal Indictments against the Officers and Directors of the Pan Motor Company and a Few Comments on Them by S. C. Pandolfo* ([St. Cloud?], March 9, 1919), copy in MHS; *Journal-Press*, April 7, 1919, p. 1.

²⁹*Thirteen Officers and Directors of the Pan Motor Company were Indicted the Other Day by the Federal Grand Jury in Chicago*, [3], undated pamphlet, copy in MHS.

³⁰*Journal-Press*, October 3, 1918, p. 5, July 19, p. 5, October 20, p. 1, 1919.

³¹*Journal-Press*, October 21, 23, 1919, both on p. 1; Pandolfo v. United States, Case 2787, Index, iv-xi, in RG 276, FARC.



ONLOOKERS admire the first Pan car in St. Cloud, driven by Pandolfo who chauffeured his wife Anna, company directors Fred Schilplin and Peter Thielman (left and center), and designer Victor Gauvreau.

but for the tragedy it represented for the accused, the trial presented a fascinating spectacle: a colorful, outspoken, and cantankerous judge in Landis; high-powered attorneys on both sides tossing out legal arguments like firecrackers; side accusations that flew back and forth; legal disputes over some of the questionable

³² *Journal-Press*, October 27, 30, 1919, both on p. 1, *Chicago Daily News*, October 30, 1919, clipping in author's possession; *Banker, Merchant and Manufacturer*, quoted in *Pan Siftings*, February, 1918, vol. 1, no. 4, p. 14.

³³ Here and below, see *Journal-Press*, November 4, 1919, p. 1, 3.

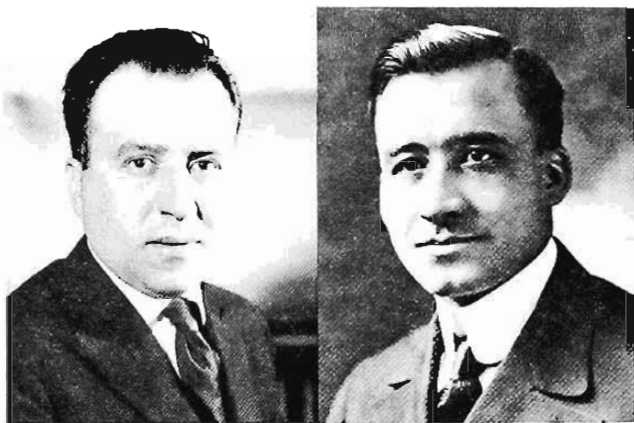


rulings made by Landis — outrageous, according to the defense, but deserved, according to the prosecution.

Early in the trial Landis set the tone when he directed the district attorney to prepare a case for the grand jury against one of the witnesses, Paul W. Hyde, publisher of a journal that had carried an article favorable to the Pan Motor Company. Hyde got into trouble with the judge when he admitted that the article might not have been published had Pandolfo not agreed in advance to purchase additional copies. Earlier when Carl W. Cummins, Pandolfo's St. Paul attorney, and Benjamin Epstein of the prosecution staff clashed over the introduction of evidence, Landis snapped at them, "No more of that cheap stuff! If you want to go on with the argument I have a side room and a set of boxing gloves at your disposal."³²

Pandolfo's own graphic language in letters to Reed & Glaser complaining about the first Pan cars — those exhibited at the Fourth of July barbecue — amused even Pandolfo as the prosecution read them in court. Troubles began, Pandolfo had written, on the way to St. Cloud from Indianapolis when the front axle broke.³³ "Fortunately we weren't going over twenty miles an hour, and were on a hard road, or I would not be dictating this [letter] now. . . . We were twenty-four hours trying to start the engine. Everyone was exhausted. Finally it developed the wiring was wrong. . . . never use cast steel

JUDGE Kenesaw Mountain Landis as he appeared in 1919; a 1912 view of the Federal Building in Chicago, where Landis heard the case against Pandolfo.



OPPOSING ATTORNEYS Benjamin Epstein (left) of the prosecution and Carl W. Cummins (right), who appeared for the defense

for connecting rods or crank shaft, or you may unintentionally cause the death of some poor boob.

"Noise in the gears next day developed the interesting fact that the transmission was dry as a bone.

The braking construction is bad — if it doesn't burn it doesn't hold. Give us a steering wheel that will

steer. It would take a man with a strong arm, a strong back and a weak mind to turn this car in a forty acre tract of land, at least. I still get cold shivers when I think of that axle breaking on the railroad track and a sixty-mile train upon [it]."

DURING the second week of the trial, in what was either a masterful stroke of timing or a fortuitous coincidence, Leroy C. Brown, superintendent of manufacturing for Pan, announced in St. Cloud that full-scale production of the firm's Model A would start in a few days and amount to one car a day during the first month, 70 the next month, and gradually increase to quantity production.³⁴

It was an optimistic prediction based on a favorable verdict for the company at the end of the trial. The prosecution was aiming for a different verdict, however, and throughout the trial emphasized the promises Pandolfo had made in letters and brochures to both present and potential stockholders. To counter this testimony the defense evidently attempted to show that failure to keep the promises was a result both of Pandolfo's inexperience in manufacturing a car, especially a new design, and of the interruptions caused by the United States involvement in the war. It was not, they insisted, an indication of an attempt to defraud.

One of the most detrimental rulings by Landis came when the defense attorneys tried to show to the jury motion pictures of the Pan plant in action. Landis first ruled that the movies could be shown, but when he heard that the Pan advertising manager had accompa-

nied the photographer, he reversed himself and refused to allow the movies to be shown. "It is a matter of common knowledge not only to me as a judge but to laymen as well, that an advertising man does not reproduce a thing as it is. If he did, he would lose his job."³⁵

Near the end of the trial the defense attempted again to introduce the motion pictures, even to preview them for Landis alone, but he said he would not watch them. "I have had as much experience with moving pictures as anyone in the past fifteen years, and I am not to be denuded of the opinion I have formed regarding them." Defense attorney George H. Peaks then offered to transport judge, jury, lawyers, and defendants to St. Cloud to see the plant in operation; Landis commended him for the effort but refused to accept the offer. Peaks finally got permission to pass photographs of the plant to the jurors. It was the only opportunity they had to see evidence of the physical plant.

Landis' remarks, often made in the presence of the jury, were later part of the basis for Pandolfo's appeal of the verdict. But when Pandolfo complained that his mail had been tampered with since his arrival in Chicago, the jury was dismissed during the discussion in which Epstein explained that the envelope had been marked by the post office "Opened by Mistake."³⁶

Pandolfo's testimony began late one day near the end of November. He took the stand and gave the details of his early life easily and confidently. He had worked into the insurance business gradually, he testified, while still teaching school. He claimed his troubles in that business began when John S. Patterson was made state commissioner of banking and insurance in Texas, replacing W. W. Collier, who was Pandolfo's friend. About 20 insurance companies of Texas had "put a stone-wall around the state," and Patterson was given the job of commissioner on condition he get rid of Pandolfo, who was taking too much business out of state. In 1910, Pandolfo maintained, he had first thought of the auto business and had had a special car made, but he went no further with it at the time. Details of the Pan Motor Company "formed in his mind . . . as he rode thru [sic] New Mexico in 1916."³⁷

When he came to St. Cloud, Pandolfo said, he laid all

³⁴ *Journal-Press*, November 5, 1919, p. 1.

³⁵ Here and below, see *Journal-Press*, November 13, December 4, 1919, both on p. 1; *Chicago Daily News*, November 13, 1919, clipping in author's possession. Benjamin F. Forsyth, coauthor of *Pictorial Proof*, was the Pan advertising manager.

³⁶ *Chicago Daily News*, December 3, 1919, clipping in author's possession.

³⁷ Here and four paragraphs below, see *Journal-Press*, December 2, p. 1, December 4, p. 2, 3, 1919. The War Industries Board had checked into the firm's status, see Vigilance Bureau to E. E. Parsonage, October 20, 1918 (telegram), in Better Business Bureau of Minneapolis Papers, 1912-1925, MHS.

his cards on the table. "I told them to investigate me so that they could feel they could trust me before we went ahead. I told them all the bad things my worst enemies could say about me. I told them that from past experience I knew beforehand that they would probably go thru [sic] the valley of the shadow of death with me, and that I didn't want any weak-kneed one to support me. It has come, and that is why they have stood by me."

He told the St. Cloud men he thought his compensation might reach a million dollars, and George Hanscom, who became a director of Pan Motor, had thought that was not too much if Pandolfo accomplished what he said he would. Asked to explain why he stated in his literature that he expected to be marketing Pan cars in February, 1917, only a month after incorporation, Pandolfo produced letters from various companies that had led him to conclude that he could be delivering assembled cars by that time.

He was questioned about another statement that had appeared in his literature: "Its [the company's] tangible assets will be greater than the capital investment when the stock is all sold." His assertion was based, he said, on the expectation of receiving a bonus in the offer of a factory site. He did not get the offer, but the 47-acre site in St. Cloud for which he had paid \$11,400 was now worth

³⁸ Here and below, see *Journal-Press*, December 6, 8, 1919, both on p. 1. The drop-forge plant produced such items as connecting rods, steering arms, accelerator pedals, and axle shafts for a number of companies, including Chevrolet and Emerson-Brantingham; Levy Report, January 24, 1919, p. 6, and *Report of Stockholders' Committee from Colorado*, 5, copies in MHS.

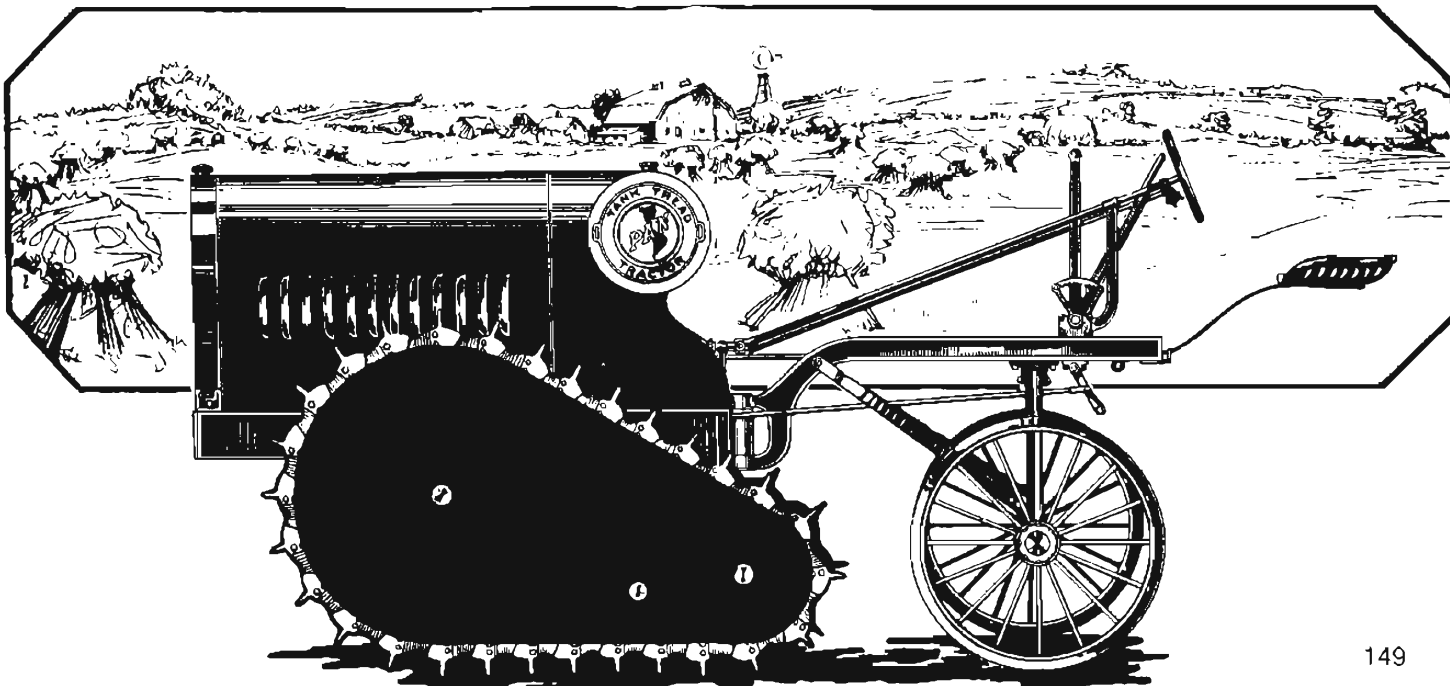
nearly \$80,000. The intangible of good will he explained by claiming that the company at that time had orders for \$113,000,000 worth of cars, trucks, and tractors.

Pandolfo blamed Reed & Glaser for part of his problems in producing a car. "To put it mildly," he said, "we were robbed." The company had to stop development work on the Model A to redesign the Model 250 (the interim Pan) into something that would not reflect badly on future cars. The 250 car was redesigned in six weeks, but difficulties with Reed & Glaser, who had contracted the parts for them, hindered their obtaining the parts directly. They had intended starting production in November or December, 1917, but no cars were produced because of delay in getting the bodies, sheet-metal parts, and motors. Finally, when the parts were on hand for 25 cars, they were completed, but by that time war conditions made it impossible to get into quantity production.

The company then turned its attention to the tank-tread tractor, based on a British army development during the war. Pandolfo said he thought a farm tractor would be safe to start work on, especially if the war should last from five to ten years. Asked why he did not go into production with the tractor, he said he had ordered 1,000 motors from the Buda Company of Harvey, Illinois, but they were never delivered. (The War Industries Board put tractor manufacturers in a B-4 priority class that allowed them to get material based on the amount they had used the previous year.) The company finally turned to its drop-forge plant as a means of making money and was successful in obtaining some government contracts for war work.³⁸

When he was asked if anything else had delayed pro-

THE TANK-TREAD, advertised by Pan Motor Company as "the tractor that will win the war"



duction. Pandolfo candidly replied, "Yes, these indictments, and the unfavorable publicity we have received. Thousands of stockholders have delayed making payments until this is settled, and our credit is practically gone." He estimated the company's physical assets at over \$3,000,000, with \$2,200,000 in unpaid stock subscriptions and debts of \$250,000.

At the conclusion of Pandolfo's testimony, the case went to the jury at 10:20 P.M. on Friday, December 5. The defense had caught everyone off guard by waiving final arguments, and Judge Landis had taken an hour and a half to read his instructions to the jury. He directed them to drop several counts of the indictment against most of the defendants and two against Pandolfo were directed to be dropped.

All Saturday, the defendants, their families and friends, and reporters awaited the verdict, walking the halls, or leaning over the railing to watch figures on the floor of the rotunda six stories below. At 5:30 the jury returned its verdict: Pandolfo was found guilty on four counts; all other defendants were completely exonerated.

An editorial in the *St. Cloud Daily Journal-Press* on December 8 seemed to express the mood of St. Cloud. While admitting that Pandolfo may have committed an "alleged unlawful act" in selling stock before the company was organized, it maintained that "but for government interference [the company] would probably have been making cars in large numbers at least since July last." Editor Alvah Eastman, who had been a witness for the defense at the trial, complained that the need to "drag men from their own state, where there are courts and honest jurymen, and subject them to weeks of expensive litigation, when any man with an honest sense of fair play would have known they were not guilty, is certainly a most drastic act." He complained also of the government's expense in the trial, stating that over 400 witnesses were said to have been subpoenaed and examined and only 74 placed on the stand. "One witness [A. R. Smith] was even brought from France, whose testimony was not of the slightest value."³⁹

BUT the verdict stood. Pandolfo resigned as president and chairman of the board of the Pan Motor Company on December 11, 1919. And Judge Landis had not yet finished with Pandolfo — nor with his company. On December 16 he pronounced sentence: Pandolfo was to serve ten years in prison and to pay a fine of \$4,000. Landis also wanted it made clear that the court's action was not intended to influence present or future holders of Pan Motor stock. "A United States citizen," the judge was quoted as saying, "has the right to throw his money away if he feels like it." He implied that Chicago lawyers Heidman and Street, while found not guilty by the jury, had "played for the table stakes" and got lucky. That, he

apparently thought, would clear up any doubts about his attitude. It did.⁴⁰

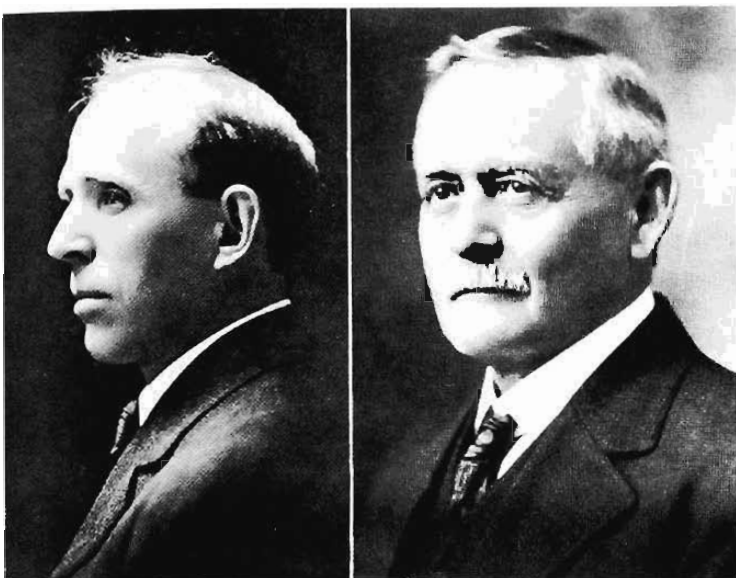
The doubled-barreled blast — Landis' widely quoted remarks and Pandolfo's resignation — brought the Pan Motor Company to a standstill, although Pandolfo himself devoted the next two years to carrying his appeal to the United States Supreme Court. The remaining Model 250 cars, which had been priced at \$1,250, were now offered for sale at the reduced price of \$850. But it was the sale of the stock that was most affected; Pandolfo's promotional energies were sorely missed. He attended a special meeting of stockholders called by Charles F. Ladner, temporary chairman of the board, at the end of March, 1920. As the heaviest individual stockholder, Pandolfo protested vociferously the directors' intention to raise needed capital by issuing \$2,000,000 in preferred stock paying a dividend of 8 per cent. The Minnesota State Securities Commission had reinstated the company's license, revoked in the fall of 1919, and would allow it to sell 30,000 shares of preferred stock only. The company's tangible net assets satisfied the commission that the dividend on the preferred stock would probably be paid. The company was now building two cars a day and had orders for \$350,000 of drop forgings.⁴¹

News coverage of the company and Pandolfo up to this time, especially during the trial, had been heavy: two or three stories a week, three and four stories each issue during the trial. Now, while Pandolfo himself still appeared in the news with regularity, either with progress reports on his appeal or with the details of a new venture he had begun, the Pan Motor Company surfaced rarely in the local press. In July, 1920, the company reported that Schwab, the former treasurer, had become president replacing Ladner, who had resigned because of ill health but retained chairmanship of the board.

³⁹ Here and below, see *Journal-Press*, December 8, 1919, p. 8, March 12, 1923, p. 1; Pandolfo v. United States, Case 2787, Index, iv, in RG 276, FARC.

⁴⁰ Here and below, see *Journal-Press*, December 16, 1919, p. 1, January 6, p. 7, March 31, p. 1, April 1, p. 3, April 6, p. 5, 1920; *St. Paul Pioneer Press*, December 16, 1919, p. 1. Landis was appointed the first commissioner of baseball in November, 1920; a commission of several members had been proposed, but Landis stated that he preferred to be the sole one. He refused to relinquish his federal judgeship even after being censured by the House Judiciary Committee, where the lone dissenting vote against censure was cast by Minnesota Representative Andrew J. Volstead. Landis finally resigned from the bench in 1922. *Journal-Press*, November 13, p. 1, November 15, p. 8, 1920, March 2, 1921, p. 5, February 18, 1922, p. 1.

⁴¹ Here and two paragraphs below, see Minute Book No. 2, March 3, 1920, p. 27, in Minnesota Securities Commission Records; *Journal-Press*, January 6, p. 7, March 31, p. 1, April 1, p. 3, April 6, p. 5, July 30, p. 5, August 2, p. 1, August 10, p. 5, 1920.



SUCCESSORS to Pandolfo as head of Pan Motors were Charles D. Schwab (left) and Charles F. Ladner.

One of Schwab's first acts was to shut down the plant for two weeks in an effort to conserve cash. A week later the St. Cloud Commercial Club held a special meeting to determine if \$100,000 could not be raised in the sale of the preferred stock. Things were getting desperate.

Pan Motor was not the only automobile company now facing hard times. Through the first quarter of 1920, the car industry broke all previous production records. On one day, March 27, the Ford Motor Company, for example, had assembled 4,256 Model T's. But boom turned to bust with shocking rapidity. Some companies went into receivership while their output and sales were the highest they had ever been. It was little consolation to Pan Motor to know that it was not alone, but at the annual meeting of the company in August, President Schwab took some battered pride in the fact that 21,086 shares of preferred stock had been sold. Pandolfo again attended, but this time, choosing to see his stock diluted by the sale of preferred rather than watch it disappear in the company's failure, he urged support of the preferred stock sales.⁴²

Car sales seemed to be as slow for the Pan as for its stock. In the spring of 1921, the company was still offer-

ing factory sale of Model 250 cars. "Price reasonable." And it was trying to establish dealerships, although it ran into some minor difficulties when it was discovered that the secretary of state's office had neglected to list Pan cars in its official classification, an oversight that was quickly corrected.⁴³

The engineering staff, once Pandolfo's particular pride, began to drift to other jobs. Victor Gauvreau, for example, the Pan designer, joined an inspector from the Pan plant in opening a Hudson-Essex agency in St. Cloud; he also took a teaching position in the engineering department at the University of Minnesota.

The company limped along somehow, and at the annual meeting in August, 1921, President Schwab described the state of the business: "The drop forge plant has been closed down entirely for the past year, and the motor plant was shut down completely during the winter, but since spring [it] has been operating with a greatly reduced force and is now turning out an average of two cars per day. . . . When the forge plant shut down, the motor plant was operating with orders for 7000 cars. Then the government put automobiles in the luxury class, the banks throughout the country began to refuse credit to purchasers . . . and every one of these 7000 order[s] were cancelled."⁴⁴

Schwab said 200 cars had been turned out since spring and enough material was on hand to produce another 69 before October 1. The company's remaining indebtedness, Schwab claimed, was offset by the raw steel at the drop-forge plant and a stock of more than 100 unsold cars. The end was at hand, however. This was the last annual meeting ever reported. In January, 1922, the Erie Foundry Company of Erie, Pennsylvania, filed suit to collect \$54,101 it claimed the company owed for machinery in the drop-forge plant.

Exactly when the Pan Motor Company closed its doors for good is difficult to pin down. In September, 1922, Ralph DePalma, former racing driver, inspected the plant on behalf of "wealthy Minnesota men" with a view to opening it; he pronounced it "the best in the country," but nothing came of it. Early in October, a St. Cloud hardware dealer instituted a suit to collect \$5,110.75 due him, and a court order placed the company in receivership.⁴⁵

One of the strangest episodes in the company's short history then took place. When news of the receivership reached them, stockholders in St. Paul, Minneapolis, Fargo, Denver, Spokane, and other cities grouped together, apparently spontaneously, to take over the plant. In March, 1923, at the receiver's sale, they attempted to buy the company and begin operating it again. And whom did they want to run it for them? Samuel Pandolfo.

Within a week of their offer, however, Pandolfo's conviction was affirmed; the Supreme Court had refused

⁴²E. D. Kennedy, *The Automobile Industry: The Coming of Age of Capitalism's Favorite Child*, 117-119 (New York, 1941); *Journal-Press*, August 25, 1920, p. 5.

⁴³Here and below, see *Journal-Press*, April 22, p. 3, May 18, p. 5, May 26, p. 5, August 16, p. 5, 1921.

⁴⁴Here and below, see *Journal-Press*, August 24, 1921, p. 1, January 21, 1922, p. 5.

⁴⁵Here and below, see *Journal-Press*, September 8, October 11, 1922, March 5, 7, 1923, all on p. 1.

to review his appeal. Present-day judicial opinion, ironically, has expressed doubts that the case would even come to trial today. It is not so much that the criminal justice system has changed in the last 50 or 60 years as that the temper of the times has changed. While federal judges may remain in splendid isolation today, it is unlikely that such conduct as Landis evidenced in his courtroom would occur now, or if it did, that it would be upheld on appeal. Today we have not only activist trial judges but activist appellate judges as well, which was not true in Pandolfo's time.

Pandolfo's final efforts to remain free now centered on applying for a stay of sentence, and a committee of St. Cloud men went to Chicago seeking that stay. His main argument was that "there are 75,000 stockholders in the Pan Motor Company — the very people I am supposed to have defrauded — that say that I am not guilty." That argument, too, was rejected, and Thursday night, April 5, 1923, at midnight, Samuel Pandolfo slipped out of St. Cloud by automobile bound for Minneapolis, where he took a train for Chicago and surrendered to authorities.⁴⁶

He made it just in time. The next night central Minnesota was blanketed by an April snowfall.⁴⁷

Pandolfo would return to St. Cloud after serving two and a half years of his sentence, and he would start yet another new enterprise, a health food company whose main product was a "whole-wheat, greaseless, raisin, chocolate do-nut."

Ah, but that's another story.

⁴⁶ *Journal-Press*, March 12, 24, both on p. 1, March 28, p. 6, April 6, p. 7, 1923.

⁴⁷ *St. Paul Pioneer Press*, April 7, 1923, p. 1.

THE PICTURES on pages 144 and 151 are from *Proof of Progress*, 120, 188, 189; that on page 145 is from *St. Paul Pioneer Press*, June 18, 1922, p. 6; photographs of Landis, the Federal Building, and Epstein on pages 147 and 148 are courtesy of the Chicago Historical Society; the illustration on page 152 is from the *St. Cloud Journal-Press*, October 25, 1926, p. 5; and those on pages 140–143 and 148 belong to the author. All other illustrations are from the MHS audio-visual library.

THIS ADVERTISEMENT greeted Pandolfo on his release from prison in 1926.

MONDAY, OCTOBER 25, 1926. THE DAILY JOURNAL-PRESS PAGE FIVE

WELCOME BACK



In recognition of the prominent part you have played in the growth and development of St. Cloud and your undying faith in its future, the people of St. Cloud fully appreciating what you have accomplished for this city, extend you the glad hand of welcome.



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