

Lynchburg Connections Key to Success and Legacy of Gilded Age Tycoon James B. Duke

Bonsack, Krise, O'Brien and Perkins

Bonsack Machine Co, United Cigarette Machine Co.

Part One

Slide 1

- The central story in my presentation tonight is that of the Duke family from Durham, NC and their rise from poor tobacco farmers to almost total control of the tobacco industry in the entire turn-of-the-century United States.
- It is as good an example of rags-to-riches in one generation as anyone can imagine.
- Ben and Buck Duke would eventually own Mansions on Fifth Avenue in Manhattan, belong to the right New York City clubs, and own extravagant rural farms with park-like grounds.
- They achieved this despite limited formal education.
- Like the Rockefellers they would be extremely generous philanthropists.
- And while their rise is a fascinating story of entrepreneurial genius, it is really going to serve only as the background to what I believe is a more intriguing aspect for those of us here tonight.
- And that aspect is how Lynchburg, and men in Lynchburg, played pivotal roles in kick-starting the Duke's growth in the mid-to late 1880s, and then many decades later in the 1920s in guiding their philanthropy and perpetuating their charitable legacy.

Slide 2

May, 1911 – Rockefeller and Duke lose in Supreme Court Antitrust cases



- The pivotal mid-point in that 40 year gap between the Lynchburg men's involvement is 1905 when newly elected president Teddy Roosevelt's administration started Anti-Trust investigations of Standard Oil Company, led by John D. Rockefeller and the American Tobacco Company led by James Buchanan (Buck) Duke.
- Both company's were perceived at the time as having monopolized their respective industries by horizontal and vertical acquisitions that gave them too much power to the detriment of consumers, suppliers and the normal functioning of markets.
- The Supreme court found both companies guilty in separate decisions handed down in May, 1911.
- Later that year the Supreme Court also ruled against General Electric, Phillips and Sylvania in another Sherman Anti-Trust case.
- The Sherman Anti-Trust Act, passed in 1890, had taken awhile to earn its teeth through lower court cases, a changing of the guard on the Supreme Court and the election of a Progressive party president, but its time had now arrived. Both Standard Oil and American Tobacco were ordered split into competing companies to reintroduce competition into their markets.
- Two of the wealthiest men in the western world, Ben and Buck Duke had risen from very humble origins in rural North Carolina. How did they do that? It took some assistance that they found right here in Lynchburg.
- After having his towering company split into four competitors, Buck Duke, at age 55, turned his interest to a completely different industry, hydroelectric dams and power generation, and also increasingly to philanthropy. And for this stage of his life he turned again to another man from Lynchburg to assist him in realizing his new dreams.

Slide 3

History of the Duke Tobacco Fortune

1865– 1885 – Laying the foundation and making the deal with an inventor and a gifted machinist that gave him an unbeatable advantage.

1885– 1905 – Building an international tobacco empire

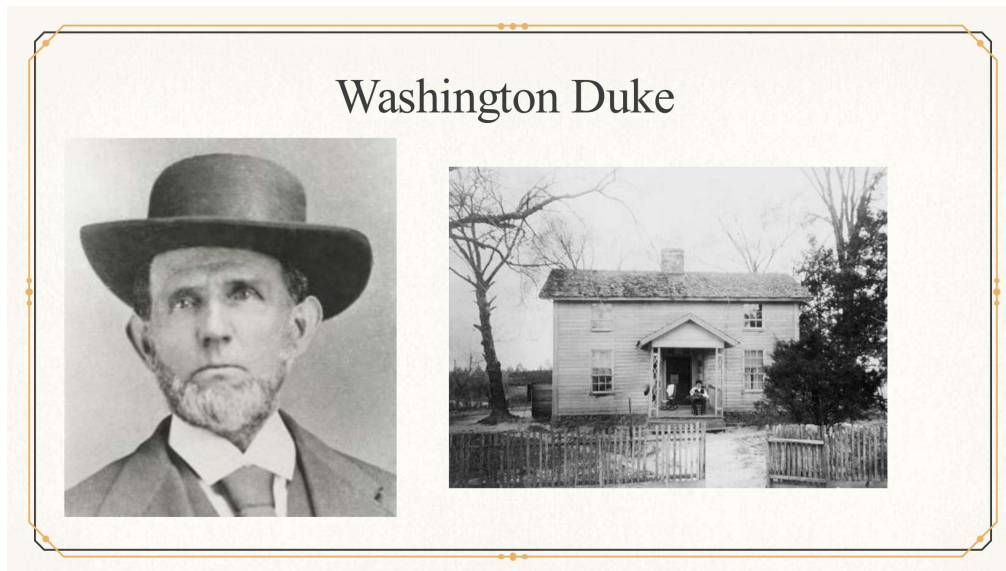
1905– 1925 – Turning away from tobacco toward electric generation, industrial development and planning a legacy.

1924– 1945 – After Buck's death, his legacy is crafted and guided by one man above all others.

- Tonight I will give you a brief history of the tobacco empire built by Washington Duke and his two sons Ben and Buck Duke.
- I have loved this story since I first read Duke University historian Bob Durden's 1975 Book "The Dukes of Durham" which chronicles their amazing rise from 1865 when Wash Duke came back to Durham, NC from the Civil War penniless and picked up his 3 sons from the aunts that had kept them after he had been drafted in 1863.
- Illustrated here I have divided this story into four periods:

- 1865 to 1885 – the period beginning when Washington Duke returns from a prisoner of war camp in South Carolina and moves from growing tobacco to manufacturing smoking tobacco with his sons as his partners.
- 1885 to 1905 – the period of innovation and explosive growth that creates a new market and leads Buck Duke to create a combination of the five major manufacturers into The American Tobacco Company
- 1905 to 1925 – The beginning of the Federal government anti-trust investigation through Buck Duke’s death at age 68 in 1925.
- And 1925 to 1945 – When The Duke industrial and philanthropic endeavors were guided by Duke’s hand-picked attorney and right-hand man who graduated from Lynchburg City Schools.
- I will be spending most of my time tonight on the 1st and 4th sections in which the Lynchburg actors play leading roles, but you need to hear the 2nd and 3rd sections to grasp the huge stage upon which they played large roles.

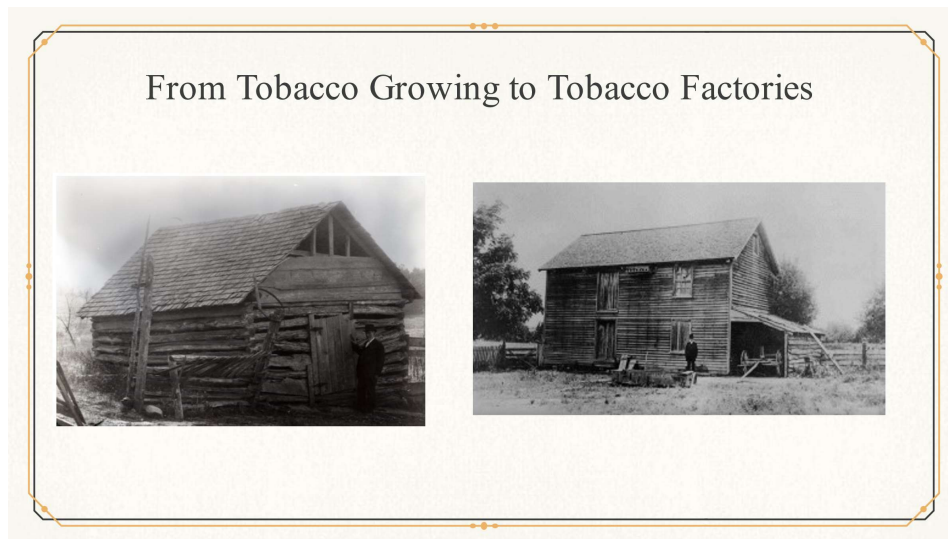
Slide 4



- I’ll start my story tonight with Washington Duke
- Wash Duke was born in 1820 in Orange County, NC; the eighth of ten children. They were a farming family in central piedmont NC, an area of small farms growing wheat and corn, vegetables, and raising chickens, hogs and sheep for meat.
- If a family had enough land, they might grow a few acres of tobacco and cotton which could be sold for hard cash.
- Lean, wiry and a prodigious worker, he later said “I have plowed more furrows in God’s earth than any man my age in North Carolina.”
- Duke had five children from two wives in the 1840s and 1850s, Unfortunately, both wives and his oldest child died during this same period. His second wife and daughter dying from Typhoid in the same week in 1958.
- When the Civil War broke out in 1861, farm work continued for the Duke family until Wash Duke and his oldest 17-year-old son were conscripted in 1863.

- He turned his farm over to a neighbor, and placed his three younger children (Mary 10, Ben 8 and Buck 7) with their maternal grandparents and aunts.
- When Wash returned the summer of 1865 he had a single fifty-cent piece. his home and farm had been ransacked and looted by Union troops, no wagons or farm equipment remained, nor any farm animals.
- However, in a remote part of his acreage he found a small storage barn that had been missed. It was packed with tobacco, and from the barter of that tobacco, he was able to get back on his feet, feed his family, plant crops and begin the long road back to a modest life.
- Growing and harvesting tobacco, however, was back breaking work, even with two young boys (Ben now 10 & Buck 9) to help. Shortly after the end of the war others in the Durham area had started manufacturing and selling smoking tobacco made from the newly popular bright tobacco variety.

Slide 5



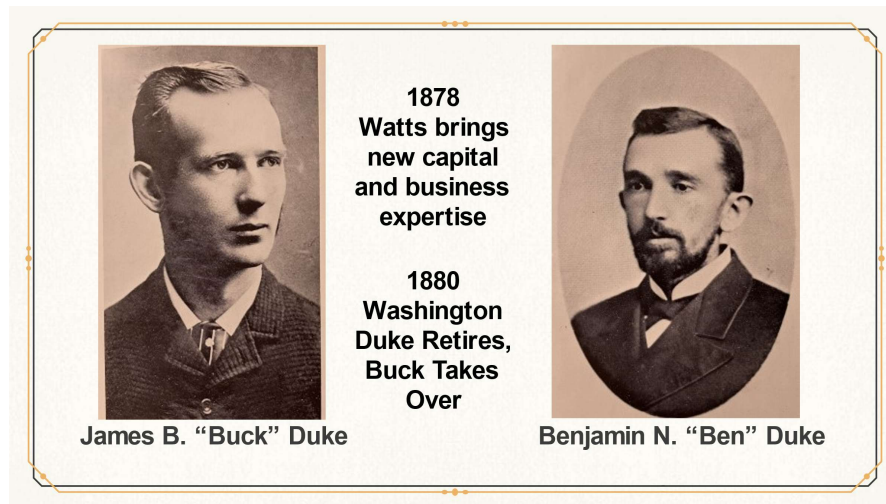
- Soon Washington Duke decided that manufacturing business had a brighter future, and he began curing, granulating and packaging his own “Pro Bono Publica” brand of smoking tobacco.
- They built a curing barn and a factory where the cured leaves were processed.
- At first he and the boys loaded a wagon, hitched up a mule and traveled throughout Eastern NC selling their product.
- Next, they started buying other grower’s tobacco, processing and selling it as well. They also added “plug” tobacco (for chewing) to their manufacturing output.
- In 1866 they sold 15,000 pounds. By 1871 that output had grown to 125,000 pounds as the bright tobacco taste was growing in popularity.
- And Buck Duke, still in his early teens, had become his father’s right-hand man, managing the workers, keeping the machines running, delivering the product to country stores, and always looking for new orders from merchants.

Growth Requires a Move into Durham



- Meanwhile, the village of Durham's Station, with a postwar population of just 256 residents, was becoming the center of bright leaf tobacco production.
- Julian Carr and William Blackwell with access to post-war capital not available to the dirt-poor Dukes, had started early, building their "Genuine Bull Durham" brand into the region's best seller. Driven in part by their heavy investment in advertisements, all over the United States and even Europe, in daily and weekly newspapers, and huge painted signs of the Durham Bull,.
- Carr and Blackwell built a very large brick factory in Durham in the early 1870s, and even Brodie Duke, Washington's son by his first wife, now 25 in 1871, had found a partner and built his own tobacco factory in Durham.
- Other entrepreneurs had begun to build warehouses in Durham where growers could sell their tobacco and where it could be aged and graded.
- Clearly Washington and his young boys were behind and in 1873, with the continued growth of Pro Bono Publica sales requiring larger production facilities, Washington sold his farm and moved into Durham where he built a frame house and beside it a three-story frame factory. Brodie Duke moved his business into this factory as well but continued to sell under his own brand names.
- With the move to Durham also came the opportunity for Buck and Ben and their sister Mary to attend New Garden Academy, a Quaker school in nearby Roxboro.
- While Mary and Ben thrived, Buck told his father that what he needed was not Latin and poetry, but a business education. Shortly thereafter Washington sent him to the Eastman National School of Business in Poughkeepsie, NY where he learned bookkeeping and accounting. After six months he returned, now 18 years old, and instituted a double-entry bookkeeping system for the Duke's business.
- Recognizing the contribution and importance of his sons, Washington created a partnership and made them equal owners in W. Duke & Sons.
- In the following years Buck led the production and selling ends of the business while Ben managed the correspondence and front office. Salesmen were hired for important cities and regions, and Buck traveled the country leading this effort and supporting the growth with heavy advertising expenditures to compete with Bull Durham and the many other brands.

Slide 7



- In 1878, growing, but still one of a dozen smaller firms in Durham chasing Bull Durham's fantastic growth, the Duke's jumped at an opportunity to bring in a new investor when George Watts moved to Durham from Baltimore looking for an opportunity to enter a business career.
- Only a few years older than the Duke brothers, Watts had a degree from the University of Virginia and a wealthy father who was ready to finance his son's business endeavors. The Duke's changed their partnership named to W. Duke, Sons & Company and sold Watts a one-fifth interest.
- Growth continued, but the cost of equipment, labor and advertising was heavy, and while profitable, margins were thin and competition was fierce.
- Entering the 1880s Durham's population had grown to 3,000 and it was the center of the bright tobacco industry.
- Buck Duke was realizing his company would never catch up with The Bull or the large tobacco producers in New York and Richmond unless he gambled on entering a new tobacco business slowly making noise on the fringes of the industry.

Slide 8



- That business was cigarettes. Up until now focused on smoking and chewing tobacco production, manufacturing cigarettes was the gamble Buck Duke felt he had to make to find a niche which his company could exploit.
- Cigarettes had been popular in Spain for some time, and usage had slowly migrated to France and England in the 1840s and 1850s, and by the late 1860s had spread to New York City where companies had started to manufacture them, bringing in experienced hand rollers to train the American laborers.
- Then in 1875 Richmond based tobacco company Allen & Ginter started to produce their own brand, using hand-rollers from New York City.
- When Buck Duke decided to make the move in 1881, he brought in more than 100 East European Jewish hand-rollers from New York City who were embroiled in labor issues with the manufacturers in New York.

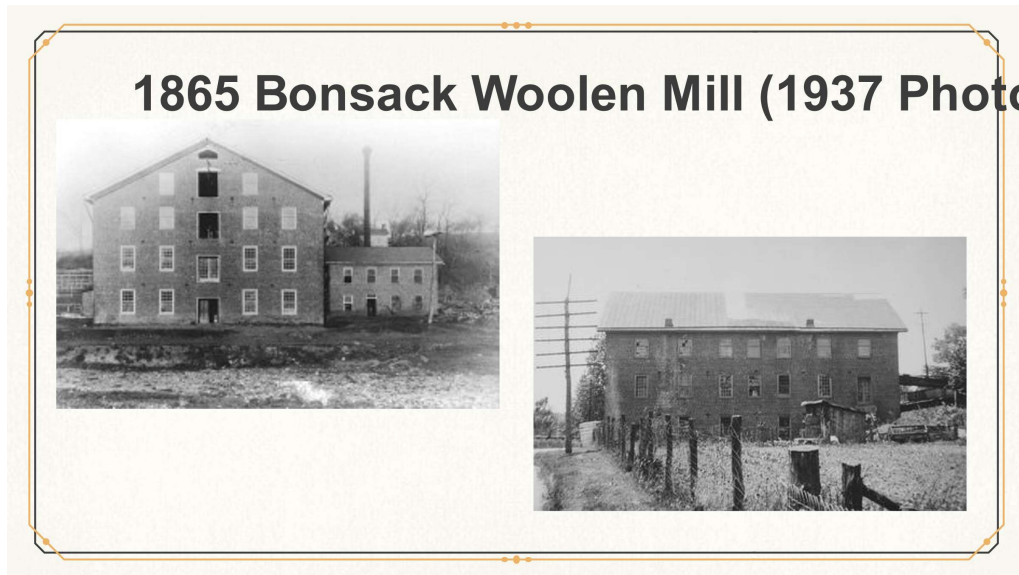
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- Duke's brands, "Duke of Durham", "Pin Head" and "Cross-Cut", enjoyed terrific acceptance and Buck and his salesmen were relentless in getting them into the markets and retailers throughout the US.
- Promotions were constant including sponsorship of baseball and other sport teams, endorsements from traveling entertainers, posters, painted signs on buildings, flyers, coupons and especially collectible cards.
- And, of course, discounts and rebates to wholesalers based on volume. And price cuts to keep the pressure on others trying to enter the market.
- Duke had gotten the jump on Bull Durham and was leading them in cigarette volume in the early 1880s. Plans were made to open a New York City factory in late 1884.
- But orders generated by the Duke sales machine were outstripping their ability to manufacture, and deliveries were weeks behind.
- However, while orders were booming, cash was not. The following quote comes from a Ben Duke letter to Richard Wright one of the partners in the firm who had bought out the now retired Wash Duke, and who focused on sales and who was in New York. "Only \$200 in mail today & with nothing in Bank I don't know how I am to pay what has to be paid this week[,] say \$12,000..." Ben wrote.
- Buck Duke realized that mechanizing the manufacture of cigarettes was the only way to meet this exploding demand. And in Lynchburg, VA he heard there was a man he needed to meet.

Part 2


Slide 10



- That man was James A Bonsack who was born in 1859 into a relatively well-to-do family just northeast of Big Lick Va (now Roanoke)
- His father John Bonsack purchased several hundred acres of property and constructed a woolen mill on Glade Creek in 1841.
- The mill operated continuously from that time and during the Civil War made uniforms for the Confederate army, The original mill was burned by General Hunter's troops during their retreat from the Battle of Lynchburg during 1864.
- Rebuilt in 1865, the mill was where young James Bonsack became familiar with operating and troubleshooting complicated manufacturing machines.

Slide 11

From Hand-Rolled to Machine Made



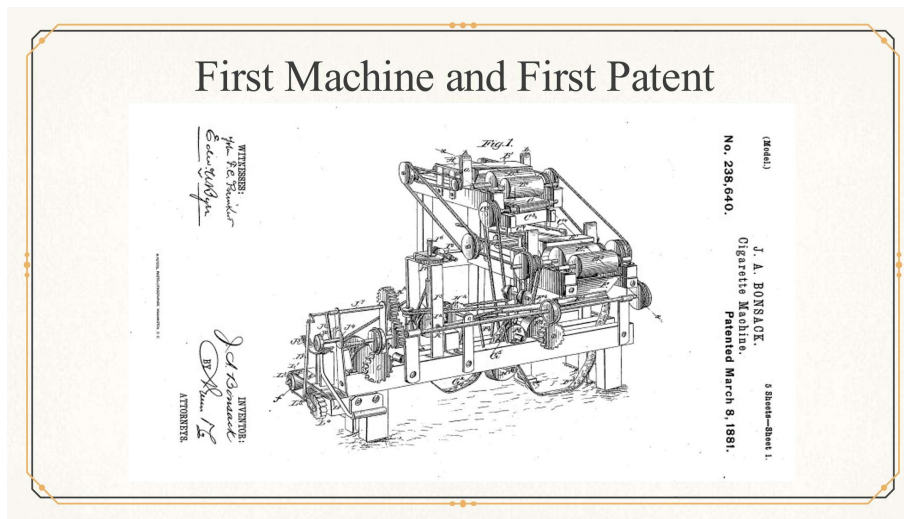
James Albert Bonsack
1859– Born in Bonsack, VA
1924 (age 64)– Died in Philadelphia

Family owned woolen mill

Early inventor of a functional cigarette rolling machine

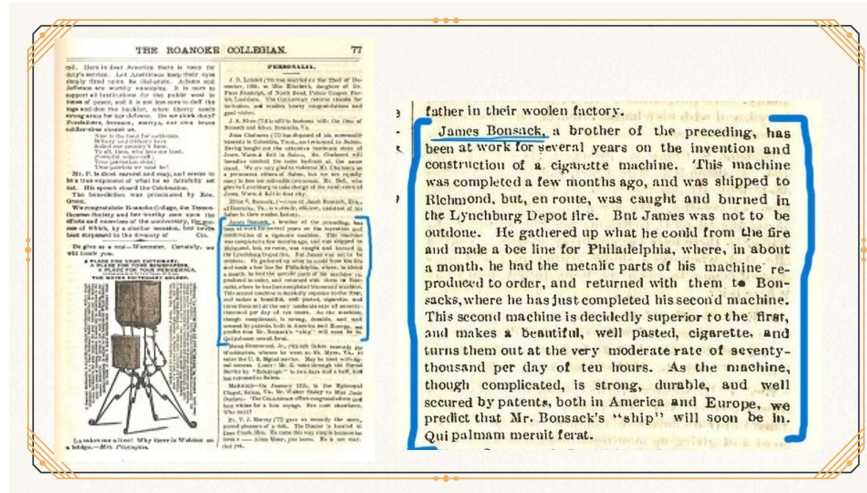
- In 1877 Allen & Ginter, the large Richmond tobacco manufacturer I mentioned earlier, had heard of efforts in New York to machine-make cigarettes. To spur efforts in the south toward making a “practical” rolling machine it offered a \$75,000 prize to the person who could deliver one to the company.
- Bonsack, 18 at the time, immediately went to work designing and testing components for such a machine and using scrap brass and iron remnants from around the woolen mill. In spite of his diligence in this effort, his father made him attend Roanoke College in the fall of 1878. After one school year, James begged his father to let him drop out so he can work full-time on his machine. His dad relented and partitioned off a small area on one floor of the mill for James to work. With no money to buy metal for his creation, he borrowed from his grandmother and continued to solve problems in his complicated machine.

Slide 12



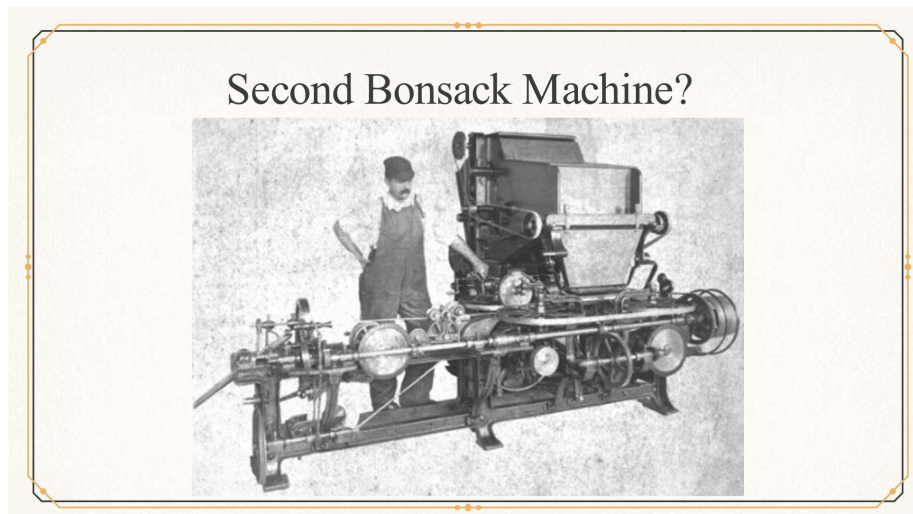
- After 3 years of work, Bonsack filed for his first patent in September of 1880. However, he was shortly notified that a patent for a machine designed by a Mr. Hook of Rochester, NY was already on file which contained a forming tube similar to Bonsack’s. The Hook machine was not in operation anywhere, but the conflict needed to be cured or there was no future for Bonsack’s machine.
- James asked his grandfather for help and he hired an attorney in Salem to negotiate a purchase. After much back and forth, a price of \$18,000 was paid and the path cleared. The patent on the first Bonsack Machine was approved on March 8, 1881.
- This first machine was later described by Bonsack’s nephew as “almost entirely a hand made and home made creation” and he also called it “a pretty crude affair”. Nevertheless, it did make cigarettes and it was loaded onto a freight car for its trip to Allen & Ginter’s factory in Richmond.
- However, fate intervened and while in the railyard in Lynchburg a fire consumed several cars including the one carrying Bonsack’s machine.
- The railroad company paid for the damages and with this money Bonsack had his second machine made from pattens and castings in a foundry.
- In addition to more substantial and professionally made components, the second machine also contained some improvements and so a second patent was applied for on June 21, 1881 and approved in October of that same year.

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- For a period of time I was hopeful I could find some documentation that the second machine’s parts were made at the Glamorgan foundry which was a stones throw from where Bonsack’s first machine burned.
- However, I came across a page on Ancestry.com from an 1882 Roanoke College publication which tells James Bonsack’s story with great pride, even though he was a one-year dropout.
- Read: – “This machine was completed a few months, and was shipped to Richmond, but, en route, was caught and burned in the Lynchburg Depot fire. But James was not to be outdone. He gathered up what he could from the fire and made a beeline for Philadelphia, where, in about a month he had the metallic parts of his machine reproduced to order, and returned with them to Bonsack, where he completed his second machine.”
- As a contemporaneous reference, this I believe is the true source of those new parts.

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- At this point Bonsack's father hired an attorney in Salem, Demetrius B. Strouse, and the Bonsack Machine Company was chartered in March of 1882 to own the patents and conduct the business of having the machines made.
- This second machine was the one delivered to Allen & Ginter, but the company never found that it operated smoothly enough to convince them to move strongly toward machine made cigarettes. In addition that company was convinced that it's customers preferred hand-rolled cigarettes and so they continued in that direction.
- Bonsack Machine moved forward in its efforts to find users for the invention, and had the early machines manufactured in Paris. In search of capital to fund these early machines they found a willing investor in Philip A. Krise of Lynchburg, who came on board as the company's Secretary/Treasurer. Concurrent with that change, the company's offices were moved to Lynchburg where they remained for the life of the firm.
- Let me take a minute to go off on two tangents and note how significant this investment was for Krise and for Lynchburg.
- Krise in 1882 was 49 years old, had been in Lynchburg for about 15 years, and had made his living making a market in and trading gold, silver & bank stocks for investors. This naturally brought him into contact with individuals who had capital and I assume also gave him an opportunity to invest in local businesses, one of which was Bonsack Machine Co. As you will soon hear in my narrative, the Bonsack Machine Company was wildly successful. I would guess that Krises's funds for the construction of both the 9 story Krise building in 1906, and his beautiful home Kriselea (more commonly called Villa Maria) on Rivermont Avenue in 1911 came from Bonsack Machine Company dividends.
- Bonsack Machine Company offices were moved to the Krise building upon its completion.

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- As a side note, Glamorgan did begin making the parts for these machines in late 1888 and it continued to be a very important item for them for a number of decades.

- This slide shows the cover of a very early parts book that is in the Rubenstein Rare Book & Manuscript Library at Duke. It was pretty fragile and the photos appear pretty dated, so my guess is this is from the late 1800s or very early 1900s.
- Notice the part numbers written in in the 50s through 80s.

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- From the same parts catalog showing varied parts numbered into the 300s.
- Seeing this definitely gave me a greater appreciation for the genius of James Bonsack in developing his first machine.

Slide 17

The United Cigarette Machine Company, Limited.

LYNCHBURG, VA., U.S.A.
DRESDEN, GERMANY.

80, COLEMAN STREET,
LONDON, E.C.

15th April, 1905.

DEAR SIR ~~Mr. Hanson~~

I am directed to inform you that at the Annual General Meeting of the Company held at Lynchburg, Virginia, U.S.A., on the 10th instant, a Dividend of 5 per cent. was declared in respect of the profits made for the year ended 31st December, 1904, instead of 4 1/2 per cent. as mentioned in the Directors' Report of the 17th March last, and which I would ask you to kindly note.

Yours faithfully,
ALFRED B. SEEL,
Secretary.

**UCM Co., Ltd.,
London 1905**

(Earlier Documents from 1903)

Also Registered with Virginia SCC in 1905

A STATEMENT
TO THE STATE CORPORATION COMMISSION,
Made pursuant to Section 30 of Chapter V, of an Act of the General Assembly of Virginia, which became a law on the 20th day of May, 1905.

Name of corporation, **THE UNITED CIGARETTE MACHINES CO., Limited**

Location of corporation, **LYNCHBURG, VIRGINIA**

Name and Post Office address of agent upon whom process against the corporation may be served,
WILLIAM ANDERSON, Lynchburg, Va.

Character of business transacted, **MANUFACTURING AND SELLING CIGARETTE MACHINES**

Business capital stock authorized by charter, **500,000 Dollars**

Amount of stock actually issued, **100,000 Dollars**

Amount of stock actually received, **100,000 Dollars**

Date of last annual meeting of stockholders, **April 10, 1905**

Day of last dividend of earnings, **April 15, 1905**

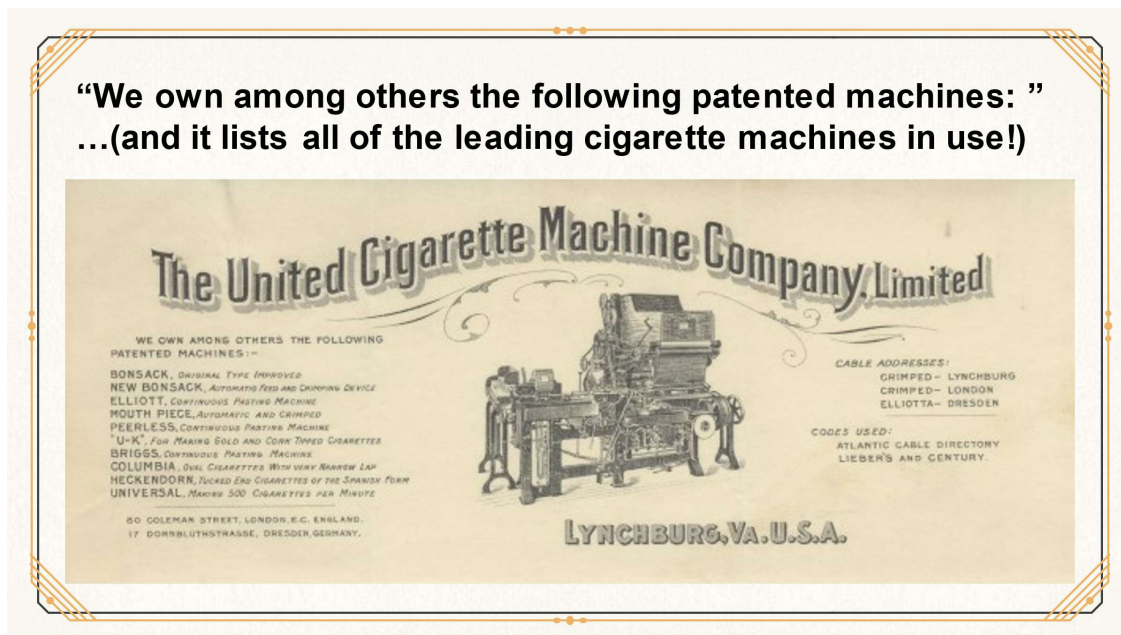
NAME	TITLE	ADDRESS	Day term of Office Expires
John T. Jones	President	Lynchburg, Va.	1905-1906
Alfred B. Seel	Secretary	Lynchburg, Va.	1905-1906
J. W. Hanson	Director	Richmond, Va.	1905-1906
W. A. Hanson	Director	Lynchburg, Va.	1905-1906
W. B. Hanson	Director	Lynchburg, Va.	1905-1906
W. C. Hanson	Director	Lynchburg, Va.	1905-1906
W. D. Hanson	Director	Lynchburg, Va.	1905-1906

Date appointed for next annual meeting of stockholders, **April 10, 1906**

Alfred B. Seel
Secretary

- So that first tangent was Krise’s involvement which in my mind led to Bonsack Machine’s offices being moved to Lynchburg.
- My second tangent is a brief history of the United Cigarette Machine Company which operated in Lynchburg from 1906 to 1956.
- You can see from the letter on the left that this company was originally chartered in London, but shows it’s locations in Dresden, Germany and Lynchburg, VA and in the body notes that it’s Annual General Meeting was on April 10th 1905 in Lynchburg.
- Based on an Iron Worker magazine article from 1951, which gives an overview of Lynchburg’s tobacco history, UCMC was chartered in London in 1899.
- On the right you see a Statement for a filing with the State Corporation Commission of Virginia for United Cigarette Machine Company, Ltd registering with the state as a foreign corporation doing business here. This is also, like the letter, from 1905.
- It’s too faint in to read, but one of the three officers listed is Philip A. Krise, American Secretary. So, he is an officer and director of both Bonsack and United.
- Let add here that the parts book you just saw, these letters and the document on the next page all come from the United Cigarette Machine files in the Rubenstein Rare Book and Manuscript Library at Duke University.

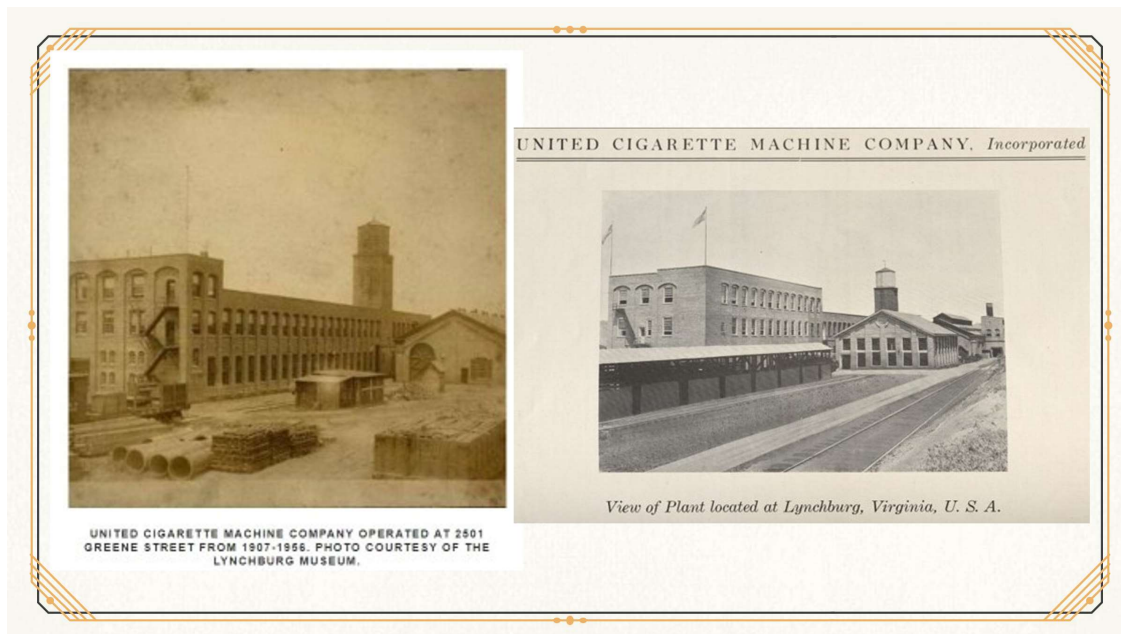
Slide 18



- In this letterhead from the 1907 time period you see on the right the office locations: Lynchburg, Dresden and London.
- On the left you can read the list of cigarette machines patents owned by the company – Bonsack, New Bonsack, Peerless, Heckendorn, Universal.... It is essentially every cigarette machine used by the leading cigarette companies in the United States.

- I mentioned these papers come from a library at Duke University. In fact there are 32 storage boxes filled with United Cigarette Machine documents and materials. These were found in Box #1 but in
- Box #32 there was the official handwritten minute book for Bonsack Machine Company from 1900 to 1919. All of this and more in a library at Duke University, possibly a clue to who actually controlled these companies in the early to mid 1900s.
- Digging into the 50 year relationship between Bonsack Machine Company and United Cigarette Machine Company will probably be my next SPHEX paper, but from reviewing Box #1 and Box #32 I would guess that just as the Duke's eventually rolled up all of the major American Tobacco manufacturers into one giant company, so, too, during that process they rolled up all of the patents to the various cigarette making machines as well and housed them in this company that in 1916 changed its headquarters from London to Lynchburg, and changed its name to remove the Limited and replace it with Incorporated.
- And of course, it is interesting that Krise serves as secretary of both Bonsack Machine and United Cigarette Machine, indicating that the companies are cooperatively managed in practice.
- The 1951 Iron Worker magazine article says that when originally set up in 1899, Bonsack Machine owned 75% of UCMC, but ownership changes in the future will have to be researched.

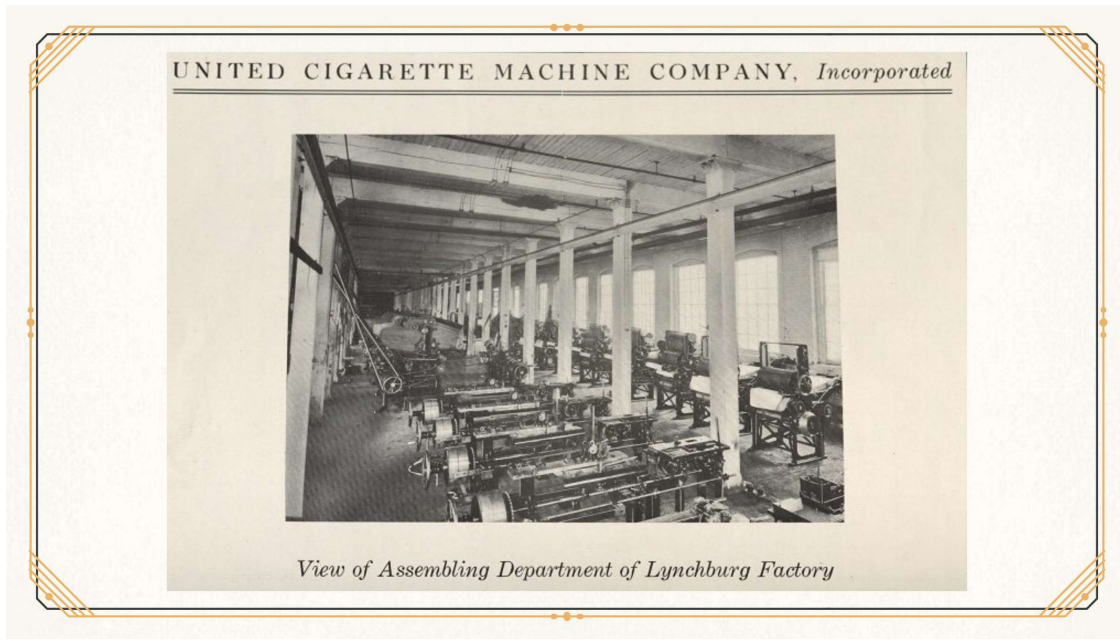
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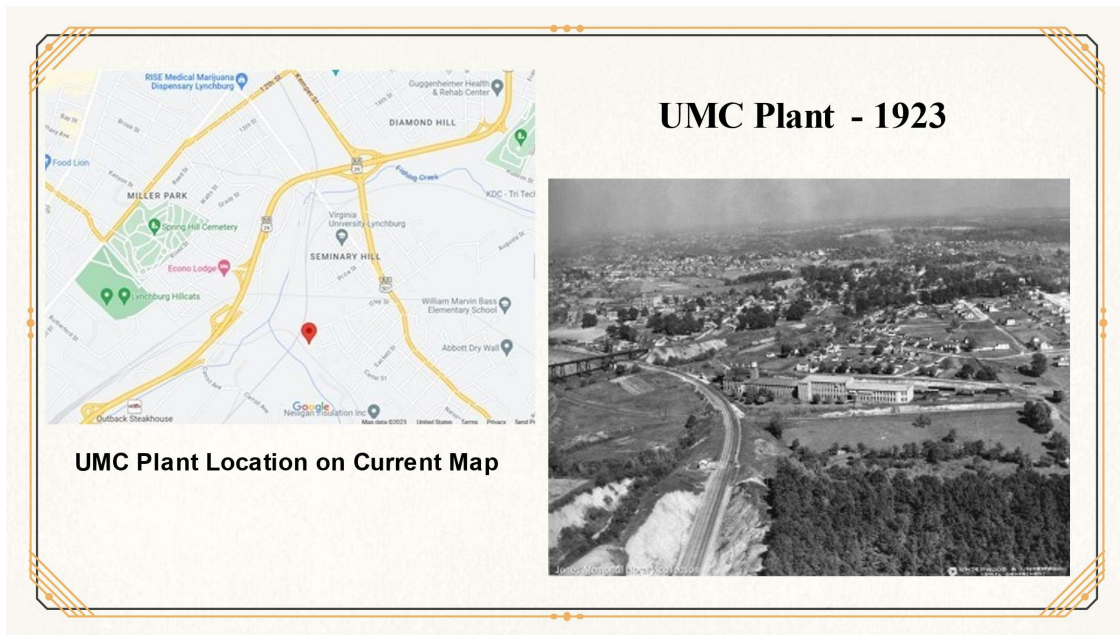
- But as long as we're on this aspect of the Lynchburg connection, here are some photos from the early 1900s of United Cigarette Machine's new facility off of Campbell Ave. in the Fairview Heights area of Lynchburg.

You can see it's a significant facility.

Slide 20



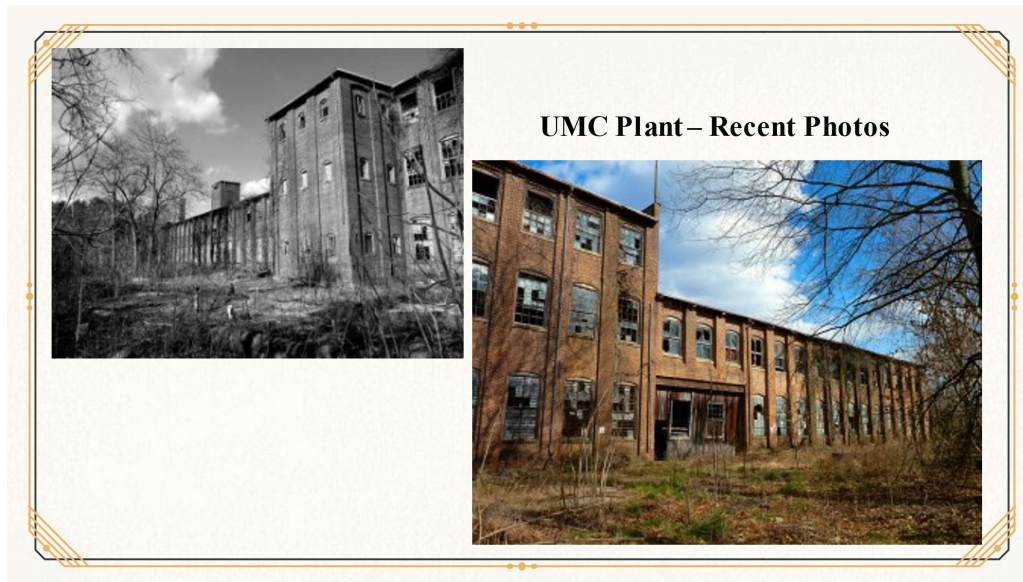
- An interior photo from an early sales brochure showing the assembly line of machines.



Slide 21

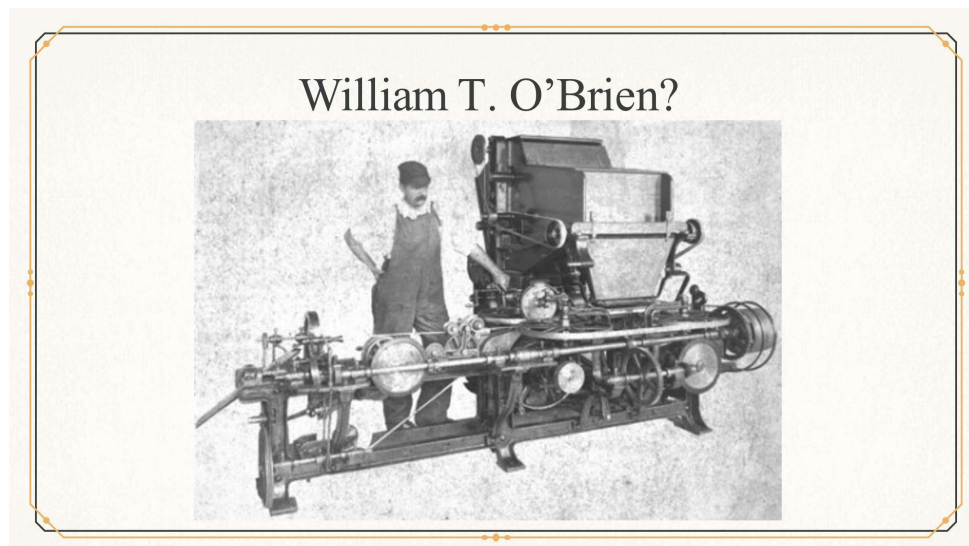
- A Google map on the left with a Red Pointer on the plant's location.
- And on the right a 1923 ariel photo of the plant. It's pretty impressive for that time.

Slide 22



- And I said earlier it closed in 1956. These photos were taken within the last 10 years or so. Pretty sad looking condition, but also easy to see how magnificent it was at one time. When machines assembled here were shipped all over the world.

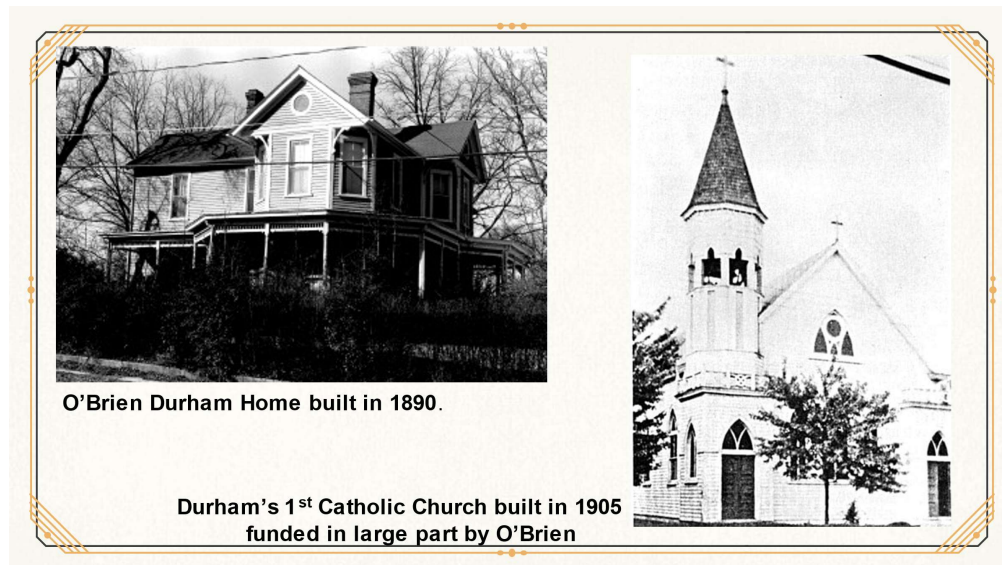
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- Now back to early 1884 when Buck Duke comes to Lynchburg to see the new machine and see if it has potential to change the trajectory of his company's future.
- What he found intrigued him, and it was clear that it could make a huge difference, if he could only get it to work consistently.
- At this point the Bonsack Company enlisted the aid of a Lynchburg mechanic from Glamorgan named William T. "Tom" O'Brien to work on the machine to cure its finicky nature. I was never able to find a photo of O'Brien, but there is a slight chance that the man in this photo is him so I'm going with that.
- Over the course of months the machine did improve somewhat and negotiations began on price.

- Meanwhile two machines were sent to the Duke's factory in Durham and O'Brien went with them. On April 30th, 1884 the two machines operated for ten consecutive hours without breakdown.
- Each machine was capable of making the same production as 48 hand rollers. While this did not bode well for the long term future employment of the hand-rollers, cigarette demand was such that both types of cigarettes were necessary until more machines could be produced and more demand generated for machine made cigarettes versus hand rolled ones.
- But who was this machinist savant Tom O'Brien from Lynchburg that finally got a mechanized cigarette maker to work consistently when no one else had over the previous several years? In fact, according to contemporary articles in the journal *Tobacco*, other cigarette makers were having difficulty with the Bonsack machine through the late 1880s.
- Buck Duke clearly realized O'Brien's importance, as he hired him away from Glamorgan by offering an open-ended compensation based on the volume of cigarettes manufactured by the Bonsack Machines ultimately earning O'Brien well into 6 figures which embarrassed him such that in 1887 he and Duke agreed that he would be promoted to Supervisor of the Durham factory and would go to a salaried basis.

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- Per Nannie M. Tilley, the author of *The Bright Tobacco Industry, 1860-1929*, Tom O'Brien was born in Lynchburg in 1854 to parents who were both Irish immigrants. His father was a laborer and Tom left school and went to work at age 14 in a Lynchburg tobacco factory. At 16 he was apprenticed to a machinist in Lynchburg and spent 4 years in that capacity. During the next seven years he was a journeyman machinist in several large cities around the US. In 1881, age 27, he returned to Lynchburg for a position as foreman at Glamorgan, and thus was nearby when James Bonsack's first machine was destroyed by fire in Lynchburg in early 1882.
- He was married in 1883 and moved to Durham in 1884 where, as we know, he was very successful. He and his wife Lucy had 4 children, 3 sons and 1 daughter.
- Tom was a devout Roman Catholic and finding no Catholic church in Durham he eventually arranged for services in his house led by a priest from Raleigh. As more Catholics moved to Durham, Tom later

was a driving force and key benefactor in the construction of Durham's first Catholic Church, Immaculate Conception.

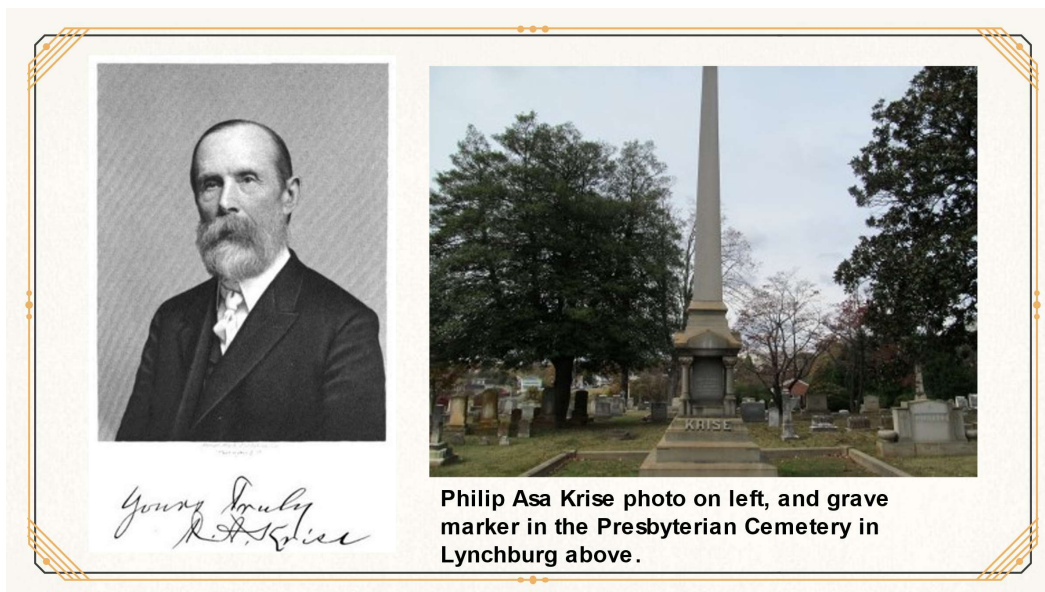
- He was an investor and director of several businesses in Durham, and was also a donor and supporter of Trinity College when the Duke's moved it to Durham in 1901.
- O'Brien was also active in the Republican Party in NC, and was a delegate to the Republican National conventions in 1896 and 1904.

Slide 25



- Unfortunately, he died at the age of 51 in 1906 shortly after Immaculate Conception was completed.
- And is buried in Holy Cross Cemetery here in Lynchburg, with his father John on one side and his wife Lucy on the other.

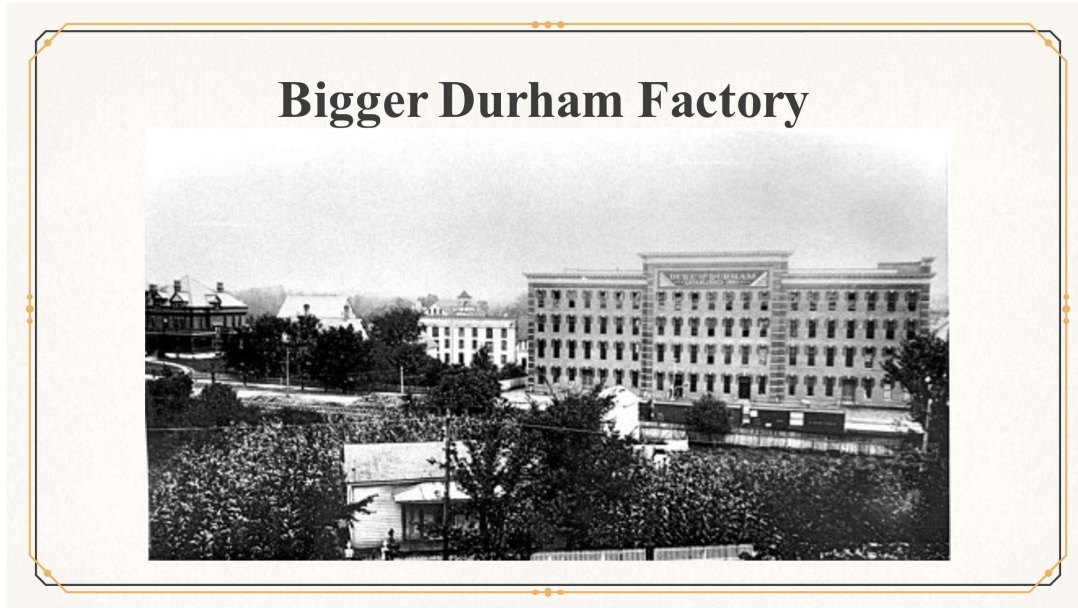
Slide 26



- And while I am showing O'Brien's final resting place, I wanted to back track and also show a photo of Philp Krise as well as his monument in the Presbyterian Cemetery on Grace Street in Lynchburg.

Part 3

Slide 27



- So now I would like to take you back to the Duke's story, again in 1884 as the new machines are proving themselves up to the task.
- The Bonsack Company had previously decided that it would not sell the machines, but would instead lease the machines on a royalty basis at two-thirds of the cost of what hand-rollers were paid per cigarette.
- Buck Duke negotiated a discount on that price as compensation for getting the machines to actually work, for moving strongly into machine made cigarettes to overwhelm consumer's hesitancy to smoke them, and for the business increased cigarette demand would generate for Bonsack from other cigarette makers as well.
- Duke also negotiated terms that no matter what price Bonsack negotiated with other manufacturers, the price W. Duke, Sons & Company would be charged would always be reduced to 25% less, with the difference in price rebated
- Signed in 1885, this became known as the "Secret Contract" and was the foundation on which W. Duke, Sons & Company were to build their phenomenal success.
- One can gauge the importance of the 1885 contract with Bonsack Machine by noting that only five years elapsed between that signing and Buck Duke's creation of the American Tobacco Company in 1890 which brought under one corporation the five largest tobacco companies in the US. Buck Duke was only 33 when the American Tobacco Company was organized, yet he was selected as the President signaling the grudging respect these other business leaders had for his unusual abilities.

Slide 28



- Using his cost advantage and his huge volume advantage in the early years due to rapid increase in the number of Bonsack Machines his plants used, W. Duke, Sons & Company simply overwhelmed the market with product, advertising and marketing.
- At the same time, he used D. B. Strouse, the president of Bonsack Machine, who had access to and meetings with all of the other company's leaders, to signal Duke's readiness to form a combination in order to rationalize the cigarette market and improve efficiencies. As an intermediate step in the 1880s, Duke won agreements from the competitors to share distributing facilities in major cities. Over the years Duke's competitors grew weary of the vast waste of money on advertising and direct talks began culminating in the 1890 combination.
- After the combination, Buck Duke, instituted a cost accounting system in all five companies, eliminated smaller less efficient factories, and cut less profitable cigarette brands, all toward the aim of reducing the cost per unit sold and improving profitability.

Slide 29

Building the American Tobacco Company




And Losing the Anti-Trust Case

- Although the American Tobacco Company had between 90% and 95% US market share in cigarette revenues, its share of smoking tobacco and plug, or chewing, tobacco was much lower, so he soon went about a series of acquisitions of firms in large cities.
- Other financiers and wealthy business men saw what Duke was up to and put together their own capital to form giant firms to buy up plug, smoking, cigar and snuff tobacco companies under the names Continental Tobacco Company, Union Tobacco Company and American Snuff Company. Early in the new century in 1901 all of these combinations, including American Tobacco were under the control of Consolidated Tobacco and Buck Duke was the President.
- By 1906 American Tobacco controlled 80% of the domestic tobacco industry, except in the very fragmented cigar business where they controlled 15%, and expansion was continuing abroad with ownership of Canadian, Cuban and Australian subsidiaries, the purchase of Ogden's Ltd. in England, and Murai Brothers in Japan.
- By 1911 and the loss of the Anti-Trust case, the American Tobacco company controlled 250+ subsidiaries and was of such complexity that the Circuit Court with dominion over the dissolution plan asked Buck Duke, as the only person who understood the value and functions of the various corporate pieces to take charge of separating them into the five competitors required by Supreme Court decision.
- STOP _____
- *Note if asked: The surviving companies were Liggett & Myers, P. Lorillard, R.J. Reynolds and United Cigar, along with a much reduced American Tobacco*


Slide 30

Focus on Philanthropy and Economic Development



1902 – New entrance and main building of Trinity College, Durham, NC

1919 – Wateree River Dam and Hydro Station



- The Duke family, particularly Washington and Ben, in an effort to enhance the growing town that Durham had become in the early 1890s, pursued the relocation of Trinity College.
- Trinity College was a methodist supported school in rural eastern North Carolina, whose new president in 1887 wanted to move to Raleigh. The Duke's, lifelong fervent Methodists, in conjunction with other leading Durham business leaders offered more land and money than Raleigh and by Sept. 1892 Trinity


was open on the west side of Durham. In 1896 Washington Duke offered \$100,000 more if Trinity would become co-educational, a rarity in the South at the time.

- The Duke family provided funding and support for Trinity and in time, with a very large gift from Buck Duke in 1924, the school was renamed Duke University in honor of Washington Duke, the patriarch of the family and two entirely new campuses were constructed.
- Likewise, the family had used its resources beginning in 1905 to boost the economies of North and South Carolina through the damming of rivers to create electrical generation, and pursuing the movement of New England textile mills to the Carolinas.
- Begun as the Southern Power Company, the Duke's acquired property and dams were built on the Catawba, Yadkin, and Wateree Rivers among others, all in the Piedmont section of the Carolinas. Chief among these locations was the Great Falls of the Catawba located in South Carolina between Charlotte and Columbia.
- According to John K. Winkler, a biographer of Buck Duke, the family built a generating system of plants "with a generating capacity of a million horse-power, distributing annually some billion-and-a-half kilowatt hours of electricity through 3,500 miles of transmission lines, lighting the streets and homes of scores of towns and cities, driving trolleys and inter-urban railroads."
- Winkler further writes "During and immediately after the war years, Duke attracted to the Piedmont a textile industry rivaling that of Massachusetts. His method was to invest in the stock of any company to which he could sell power. By the early 1920s more than three hundred cotton mills, with approximately 6,000,000 spindles, were supplied with power from Duke plants - this being not only more than one-half of all spindles in the Carolinas, but over one-third of those in the entire South and one-sixth of all the spindles in America."

Part 4

Slide 31

Young Lynchburg Attorney Goes to Work for American Tobacco Co.



Born: 11 -3-1875 Elmington, Nelson County, VA

1890 - Family moves to Lynchburg and he attends Lynchburg City Schools.

1894 – After graduation, Perkins reads law with A. H. Burroughs in Lynchburg.

1897 – Graduates from W & L with a Bach. of Law

'97 to '01 – Practices law in Lynchburg with Judge J. Singleton Diggs.


'01 to '06 – Practices law in Newport News

1906 – Moves to New York to work for American Tobacco Company

- This brings me to the last section of my presentation, and the subject is William R. Perkins.

Slide 32

Perkins Becomes Right Hand Man and Confidant to J. B. Duke



1906 – 1911 – Takes active roll in the Anti -Trust litigation

1911 – Becomes General Counsel to P. Lorillard Tobacco after dissolution of American Tobacco, but continues to work with the Duke's as well.

1913 – Chosen as the personal attorney for Buck & Ben Duke

1913 to 1925 – Provides counsel in all Duke personal and business affairs, electrical, tobacco and educational.


1924 – Becomes a trustee of Trinity College. Working with J. B. Duke, draws up his Will and the Trust Indenture establishing The Duke Endowment. Named as a trustee of the endowment.

1925 – Named as one of three executors of J. B. Duke estate.

- Supreme court suit was filed in 1907, and Perkins worked on that case, among other duties through its resolution 1911

Slide 33

James B. Duke Dies and William R. Perkins Steps Into His Shoes



J. B. Duke dies Oct. 10, 1925 at age 68. Over the next 8 years Perkins led the litigation defending the estate and its beneficiaries from tax suits by eight states and the Federal government. Two of these went to the Supreme Court and in both the estate was victorious.

Served as a long term board member and Vice Chairman of the Duke Endowment.

He was a long term trustee and member of the Executive Committee of Duke University. Duke's library was named for him in 1966.

Active in the origin and growth of what was to become Duke Power Company, served as Vice President of the company, and was a long term board member.

In 1927 W&L awards Perkins an Honorary Doctor of Law.

- James B. Duke passed away in October of 1925 at age 68.
- According to Duke historian Robert F. Durden in his book about the Duke Endowment *Lasting Legacy of the Carolinas*, Duke's death left Perkins in the position of carrying out Duke's vision on many fronts. I quote from that book - "If J. B. Duke had lived longer.....he would, naturally, have exercised considerable power and influence in a variety of businesses and institutions but especially in the Duke Endowment, the Duke Power Company and Duke University. As matters stood after his death, however, much of that power and influence were inherited by two individuals, George G. Allen and William R. Perkins."
- Read bullet points....

- Note: My estimate of Duke's wealth at death - \$100m to Doris, \$50m to DE, \$47m to build Duke, \$2m to relatives. About \$200m, equivalent to \$3.5B

Slide 34

*An Address on
The Duke Endowment*
ITS ORIGIN, NATURE AND PURPOSES
BY
William R. Perkins
DELIVERED BEFORE
The Sphinx Club
AT LYNCHBURG, VIRGINIA
OCTOBER 11, 1929
WITH AN APPENDIX CONTAINING THE INDENTURE
ESTABLISHING THE DUKE ENDOWMENT AND THE
PROVISIONS OF THE WILL AND OF A TRUST
OF JAMES B. DUKE SUPPLEMENTING
THE ENDOWMENT.
PUBLISHED BY
THE DUKE ENDOWMENT
DUKE BUILDING
CHARLOTTE, N. C.

Perkins presented to the Lynchburg's SPHEX Club twice.

The first in 1929 was a review of The Duke Endowment.

The second in 1936 was a political commentary on the rise of constitutional immorality.

A RISING OR A SETTING SUN?
A Study in Government
Contrasting Fundamental Principles
with Present Policies in the Light of
Authentic History.
An Address
by
WILLIAM R. PERKINS
BEFORE
THE SPHEX CLUB,
LYNCHBURG, VA.
April 21, 1936
THE GREAT PRESS, S. F. C.

Slide 35

THE LYNCHBURG NEWS: SATURDAY MORNING, OCTOBER 12, 1929.

Sphex Club Speaker Tells Of Life Of James B. Duke

William R. Perkins Explains Vision Back Of Philanthropies Of Capitalist

Virginia May Benefit By Endowment Fund

Millions Left To Universities, Hospitals And Churches Of Carolinas

A warmly sympathetic and intimate picture of James Buchanan Duke, as well as a highly interesting and instructive exposition of the Duke Endowment, was presented to the Sphex Club last evening by William R. Perkins, who was Mr. Duke's personal attorney and who drew his will. The speaker's long association with the philanthropist, as friends as much as attorney, gave him an insight into the millionaire's philosophy of life which enabled him to present his subject with a feeling and enthusiasm that was contagious, and the fact that Mr. Perkins, now practicing in...

Giving Away Power
The speaker then told of Mr. Duke's interest in the power business which, rather than his tobacco interests, came in time to be his favorite and his most profitable venture as well. He described the growth of water power developments in the Carolinas and continued, "And there was borne in upon Mr. Duke the great thought which lies at the very foundation of his endowment—why not let his philanthropy take the form of giving this power system to the communities it served in a manner whereby through it they could finance their own charities by simply doing business in the usual and ordinary way?"

He quoted also from the declaration for guidance of the trustees where it is stated, "My ambition is that the revenues of such developments shall administer to the social welfare, as the operation of such developments is administering to the economic welfare, of the communities which they serve."

Mr. Perkins then undertook to defend the principle of perpetuity in the endowment as compared with the idea advanced by other philanthropists that...

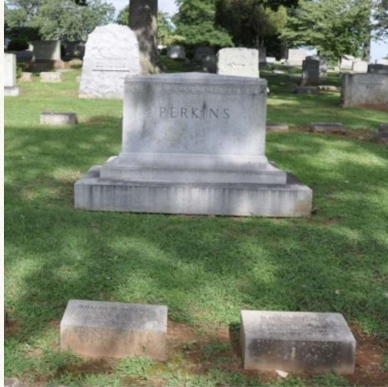
ambition for life. And I advise that the courses of this institution be arranged, first, with special reference to the training of preachers, teachers, lawyers and physicians, because these are most in the public eye and by precept and example can do most to uplift mankind; and, second, to instruction in chemistry, economics and history, especially the lives of the great of earth, because I believe that such subjects will most help to develop our resources, increase our wisdom and promote human happiness."

Mr. Perkins expanded on this statement and then dealt at some length with the life and personality of Mr. Duke, saying that charges of oppressiveness in business practice were unjustified and that his vast fortune had been built up through a creative genius rather than by grinding down others.

In the absence because of illness of Dr. E. C. Glass, president of the Sphex Club, and Dr. A. L. Wilson, its vice president, the dinner was presided over by A. R. Long as toastmaster and at the...

Slide 36

Returns to Lynchburg



Perkins purchased a home on Holcomb Rock Road outside of Lynchburg in 1936 and split his time between New York and Virginia.

His oldest son, William, Jr., and family moved back to Lynchburg in 1940. Perkins' granddaughter Sara continues to own William Jr.'s family home on Rivermont Ave., although her primary residence is in England.

His other son Thomas practiced with Perkins in New York from 1941 until 1945 when William R. Perkins died, age 68.

Thomas moved to Charlotte and ultimately served as Chairman of the Duke Endowment trustees from 1960 to 1973. He was also a trustee and member of the Executive Committee of Duke University, a board member and Executive Committee member of J.P. Morgan and Morgan Guaranty Trust, and a board member of General Motors.

Perkins family plot in Spring Hill Cemetery, Fort Avenue, Lynchburg, VA

- And one last piece of history about Perkins. If you are ever at Duke and hear the carillon of 50 bells, the largest of which weighs 11,000 pounds, playing from the Duke Chapel tower, you should know that Perkins and George Allen, his partner in carrying out James B. Duke's vision for the University, gave \$150,000 each in 1930 to pay for the bells, as there was no money in the budget to do so!

Slide 37



- Lastly, let me close with a photo montage of the protagonists in my story.
- Review photos
- Thank you for your time and attention, and if you have any comments or questions I would be happy to hear them!

Following Slides Provide Additional
Information Potentially of Interest

Original Beneficiaries of Duke Endowment

The annual earnings were to be distributed as follows:

32% to Duke University

5% to Furman College

5% to Davidson College

4% to Johnson C. Smith College

32% to non-profit hospitals for both races, in both North and South Carolina, for free care of patients and for buildings and equipment.

10% to NC Methodist Church to build and maintain rural churches

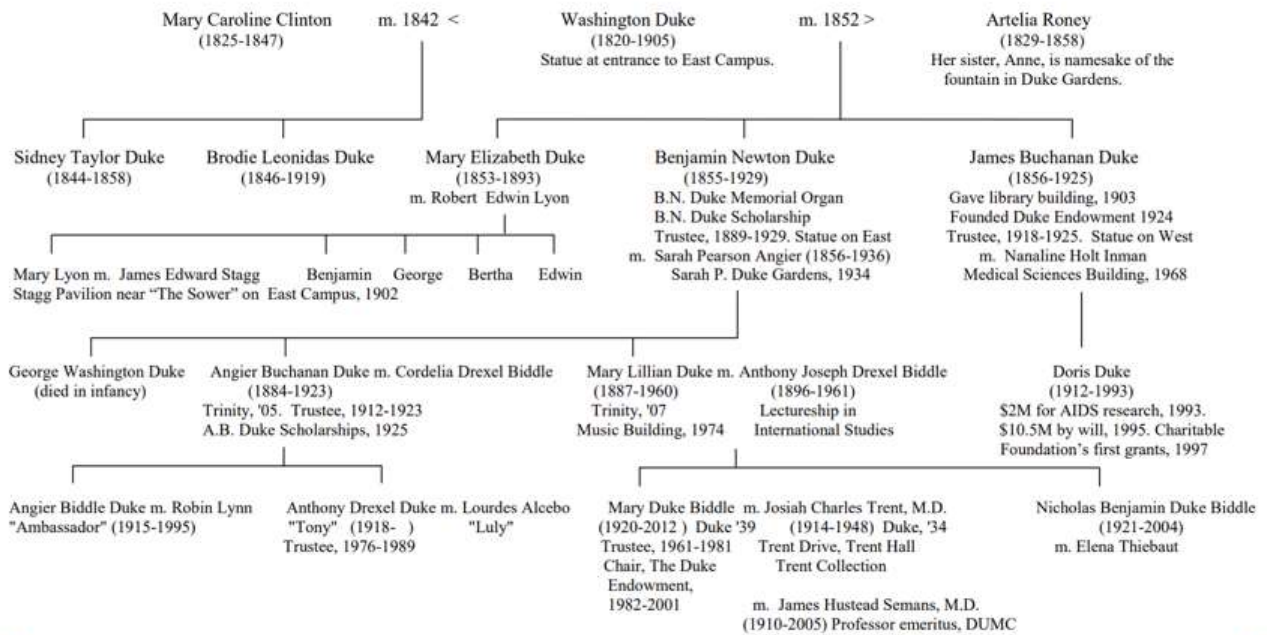
2% to aid and support retired Methodist clergy and their widows.

10% to support orphans of both races in North and South Carolina

Perkins on J. B. Duke in Lynchburg Speech

Nature endowed Mr. Duke most generously. A truly magnificent mind was supported by a splendid physique and graced with those finer qualities that mark the true gentleman. Common sense, rugged honesty, dynamic energy, tenacity of purpose and courage of conviction were his in abundance. He was most considerate of others, their rights, opinions and pleasures, which made him always a charming host and temperate in his views and expressions. I never heard him use an oath and he rarely spoke disparagingly of any one.

A Washington Duke Genealogy as it pertains to Duke University



Significant Sources

(Not a complete list of all material read by the presenter)

- The Rubenstein Rare Book & Manuscript Library, Duke University: United Cigarette Machine Papers, 1887-1955; William Robertson Perkins Papers, 1903-1945; Thomas Lee Perkins Papers, 1929-1973; and The Mary Sarah Perkins Papers, 1932-1941.
- *The Dukes of Durham, 1865-1929*, Robert F. Durden, 1975
- *Tobacco Tycoon, the Story of James Buchanan Duke*, John K. Winkler, 1942
- *The Bright Tobacco Industry, 1860-1929*, Nannie, M. Tilley, 1948
- Letter from John E. Bonsack to Nannie M. Tilley, Nov. 30, 1938
- *Lasting Legacy To The Carolinas*, Robert F. Durden, 1998
- Lynchburg Tobacco Imprints, by E.A. and L. McWane Watson, *The Iron Worker*, Vol 15, No. 1 (Winter 1951-52).
- Paving the Way for the Tobacco Trust: From Hand Rolling to Mechanized Cigarette Production by W. Duke, Sons & Company, *The North Carolina Historical Review* Vol. 69, No.3 (July, 1992) by B.W.C. Roberts and Richard F. Knapp.