

THE PANAX CORPORATION: A CURRENT HISTORY

Thesis for the Degree of M. A.  
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NEILA E. POMERANTZ  
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## ABSTRACT

### THE PANAX CORPORATION: A CURRENT HISTORY

By

Neila Edith Pomerantz

The international communications company known as Panax, Incorporated, was started less than 20 years ago when John Peter McGoff, the son of a Pittsburgh steel worker, founded an FM radio station in a rural Michigan town. The company soon added several radio stations and then purchased daily and weekly newspapers. The marginally profitable radio and television stations were then abandoned as more weekly and daily papers were purchased, along with several printing companies. In the early 1970s advertising and promotion companies were acquired along with a shipping company, and by the mid-70s the growth of Panax had spread to include properties in Michigan, Ohio, Georgia, Florida, Illinois, California, and South Africa.

In 1975 McGoff set up Star Newspaper Company in order to buy a California daily and a controlling share of United Press International Television News Service based in London, England. He also tried to purchase the Washington Star-News but failed because the sellers found the promise of alternate bidder Joseph Allbritton to retain much of the staff

more palatable than McGoff's proposal of totally revamping the Star-News operation.

All during its development Panax has placed most of its profits back into the company. Profits and earnings have been low, particularly after the company decided to sell common stock to the public in 1967 and had its stock revalued by the Securities and Exchange Commission.<sup>1</sup> Yet, although the profits and dividends have been thus far small due to losses on the broadcast properties in the early years, at least one stock analysis forecasts a bright future for the company in the late 1970s or early 1980s.

Panax Corporation has emerged as a viable growing suburban newspaper chain. Revenues and earnings have increased by quantum leaps through acquisitions and internal growth. We recommend the common stock as an attractive businessman's risk.<sup>2</sup>

McGoff said he plans to add even more newspaper and publishing and printing firms to Panax as well as news information services throughout the nation and the world. He also plans to diversify Panax's holdings by eventually purchasing cable communications and satellite communications.

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<sup>1</sup>Interview with John P. McGoff, Panax headquarters, Williamston, Michigan, June 8, 1975. McGoff said Panax stock was valued at \$11.75 when it was a privately held company but was reduced to less than \$2.00 after becoming a public company; it has subsequently ranged from \$3 to 3.50 a share.

<sup>2</sup>"Panax Financial Appraisal," Wall Street Transcript, Dec. 11, 1972, p. 31096.

Neila Edith Pomerantz

This thesis will describe John Peter McGoff's enterprise, from its inception through 1975. It will discuss the founder, officers and board of directors of the corporation and will trace the growth of the company through a discussion of the purchases and sales of its properties.

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Neila E. Pomerantz

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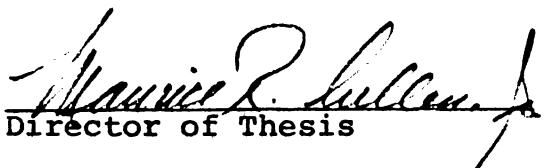
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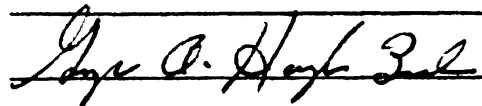
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## INTRODUCTION

At a time when multinational companies are under fire for alleged exploitation of blacks in their industrial investment and manufacturing in South Africa, the Panax Corporation of Williamston, Michigan, has invested a quarter of a million dollars into a printing company in Johannesburg. At a time when most businesses are cautious, Panax is boldly expanding. And even though employees of many large companies could not recognize the company president at the annual Christmas party, John P. McGoff strives to maintain a strong personal contact with Panax employees.

Panax is a unique publishing corporation that reflects, on a small scale, the growth patterns in the news industry. The story of Panax is in the tradition of the American success story--how a single radio station was parlayed into an international newspaper publishing and printing corporation with products and policies that are both admired and criticized.

McGoff purchased his first radio station in 1958 and by 1965 he owned seven more stations, a television station and five newspapers. Since that time he has sold the unprofitable broadcasting stations but has increased his newspaper holdings to nearly 50, including the evening daily in Sacramento, California. The company has grown vertically

as well as horizontally and now owns several printing companies, an advertising agency, a promotional management firm and a shipping company.

McGoff conducts business with a missionary zeal. One of his objectives seems to be to help save the American free enterprise system.

The spirit of free enterprise, the spirit of adventure, has made this country so great in the last 200 years. Because anyone could say, "If I want to be president I think I can be, or if I want to be the president of a company, I can be if I work hard enough; if I seize opportunity when I see it."<sup>1</sup>

His methods include his own development into a working model of success and encouraging others to follow suit. His efforts to help the expansion of his and other American businesses in South Africa is the most obvious example of this free enterprise zeal.

This thesis will explore to what extent this philosophical commitment guides the purchase and operations of Panax properties. Furthermore, it will consider McGoff's commitment to the use of his newspapers as the "Fourth Estate" watchdog of government. Other considerations are how successful Panax has been in fulfilling the goals of its president. Panax stock, at three dollars a share, has remained a low-cost stock since 1967. Only miniscule

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<sup>1</sup>Interview with John P. McGoff, Panax headquarters, Williamston, Michigan, June 30, 1975.

dividends have been paid to shareholders, and some years no dividends at all were paid. This paper will consider the reason for the apparently depressed market value of Panax stock and suggest reasons why stocks and dividends remain so low. An examination of business decisions and financial records suggest some of the answers, while the reasons given by McGoff should suggest others.

Information on the Panax properties and personnel was gathered from articles in magazines, newspapers and financial journals and directories, from Panax annual reports, and from interviews with Panax personnel. Information on the newspaper publishing industry was gathered from books, magazines, newspapers, and journals. These sources plus interviews with John P. McGoff have provided information on the firm's South African holdings.

## CHAPTER I

### JOHN P. MCGOFF

Apparent contradictions in speech and action are one of the most intriguing aspects of John P. McGoff's personality. He describes himself as the poor son of a steel mill laborer who had to work at a young age; yet he vehemently fought a government program to give free lunches to poor children when he was a member of the Williamston Board of Education. McGoff also talks about the importance of local control and national pride at every opportunity; yet he has been leading an effort for American corporations to invest in and trade with the Republic of South Africa. The prematurely grey-haired businessman nearly bursts with pride when he describes how he turns unprofitable businesses into moneymakers; yet he suffered defeat in a well-publicized school recall election that he could have avoided by changing some of his tactics.

The youngest son of Peter Frank and Sarah Thomasine Robinson McGoff was born on the 29th day of June 1924, the second year of Calvin Coolidge's presidency. John P. McGoff, his sister and five brothers lived in Edgewood, Pennsylvania, near the steel mills where his father worked. McGoff recalls his childhood in a biographical sketch on file at the State of Michigan library.

We lived in a small town east of Pittsburgh, where I enjoyed many happy, youthful days. My early experiences were centered mainly around Boy Scouting and Sea Scouting with my summers spent either hiking and camping in the Allegheny Mountains or sailing and cruising on the Allegheny, Monongahela and Ohio Rivers. I owe much to the scouting program.<sup>2</sup>

At 11 years of age McGoff also sold newspapers, and at age 13 he treated himself to a week-long trip to Chicago, where he stayed at the YMCA and got his first taste of broadcasting by seeing all the free radio shows he could. At Edgewood High School he played basketball and participated in the band, orchestra and glee club. He was graduated in 1943 and served as senior class president.

The Third Infantry Division Medical Battalion was McGoff's home for the next two and one-half years. He served in France, Germany and Central Europe as an aid man and letterbearer. Then, with funds from the G.I. Bill, McGoff went to Michigan State College where, in time, he earned a Bachelor of Arts degree in Political Science and German. He spent summers working in the steel mills and as a railroad fireman in Pittsburgh. His college interests included languages, skiing, writing for the campus radio station, and singing in the Men's Glee Club. He became president of the Glee Club, the second time in his life he held a student executive office.

From 1949 through 1959 McGoff worked for Michigan State

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<sup>2</sup>Michigan State Library, Michigan Biography Collection, John P. McGoff.

University's Alumni Relations Office and Office of Continuing Education. This included a job as associate editor of the alumni magazine and working in various fund raising activities.

In 1954 he married Margaret Hermina Ewert, a teacher. He switched jobs to become the coordinator of the university's Cap and Gown series where his task was to develop cultural projects in Michigan communities. At the same time he worked on his Master of Arts degree in History, writing a thesis entitled, "The Controversy Over the Establishment of Michigan Agricultural College" (Michigan Agricultural College later became Michigan State University). His first child, a daughter, was born in 1957. A year later the business that was to become Panax was born.

In addition to building, buying and selling radio and television stations, newspapers and printing companies, McGoff was active in civic and political affairs. He sought the State Republican Party nomination for a seat on the Michigan State University Board of Trustees in 1963 but did not make it. However, he later was appointed by Republican Governor George Romney to the Board of Control of Northern Michigan University, located in the Upper Peninsula city of Marquette.

McGoff did become the Chairman of the Ingham County Republican Party in 1965, at a time when Republican politics dominated mid-Michigan. McGoff states that he has been friend, advisor and confidant of many state and national



legislators and has played important roles in their campaigns. In a biography printed by McGoff he stated that "Senator Robert Griffin of Michigan credits the support of the Panax newspapers in general and the Macomb Daily in particular for his recent victory."<sup>3</sup>

During the 1960s McGoff also gained membership in the National Association of Broadcasters, the National Association of Manufacturers, the Governor's Commission on Higher Education, the National Association for the Advancement of Colored People and the Society of Professional Journalists, Sigma Delta Chi. At the same time he served as chairman of the Regional Michigan Week Committee, the National Association of FM Broadcasters, and the Task Force on Extended Navigation on the Great Lakes. His continuing interest in the upper peninsula was further evinced by his service as vice president and treasurer of "Operation Action--UP", an organization devised to promote downstate business investments for the upper peninsula.

In the 1970s McGoff involved himself in activities closer to his home. While serving on the Williamston Board of Education from 1971 to 1975, he became the object of controversy for such actions as voting against federal subsidy programs for the school district, particularly the hot lunch program which he opposed on the grounds that the program would erode local control and autonomy. He and other school

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<sup>3</sup>Personal Data Sheet, John P. McGoff, Panax Corporation.

board members also sharply disagreed on the school superintendent, who was eventually fired as McGoff desired. Then, in a special election in 1975 McGoff and another like-minded board member were recalled.

McGoff's other recent activities include membership on the Advisory Board of Directors of the Michigan National Bank, from 1973 to the present, and the chairmanship of the board of the Michigan State Chamber of Commerce in 1974.

## CHAPTER II

### WSWM: THE BEGINNING

The year was 1985, a time of economic recession and national concern over the European expansion of the Soviet Union. In East Lansing, Michigan John McGoff became friends with a neighbor, Michael Lloyd Dow. A year earlier McGoff had met Mike's father, the architect Alden Dow, whose family had founded and owned the Dow Chemical Corporation of Midland, Michigan. The Dows helped McGoff launch what was to become Panax.

McGoff wanted to start a business of his own, and, since he had worked at the Michigan State University radio station and in public relations, a radio station seemed a likely possibility. He persuaded Alden Dow to lend him the money and took Mike Dow in as a partner in the corporation.

Alden Dow loaned me the money; he loaned me the money personally. And he helped me in the financing of several other things after that. I've continued to pay him back since that very first time.<sup>4</sup>

The money was used to launch WSWM-FM in Williamston, just outside of East Lansing. Partners in the venture were McGoff, Dow, Clarence "Dusty" Rhodes and Harold L. Good.

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<sup>4</sup> McGoff, interview, June 30, 1975.

They bought an old white farm house on M-43, between Williamston and East Lansing, and remodeled it.

Mid-State Broadcasting Corporation of East Lansing was formed as the corporation operating WSWM. The gross revenues in 1959 were \$12,579.<sup>5</sup>

The seven original WSWM employees shared all the tasks to be done at the station. McGoff himself sold advertising, vacuumed the carpets and did some broadcasting, while Dow started off as a "job trainee", selling and installing the background music for six months; he then became the company's treasurer. Officers in the original station were John McGoff, president, general manager and commercial manager; James F. Anderton, vice president; Robert J. Coleman, secretary-treasurer; Robert J. Rentschler, commercial manager (Musicast); William J. Finucon, program director; and Willard M. Green, chief engineer.

Throughout the years, however, there were several changes in the station's top personnel: by 1962 the news director was James Hughes; the chief engineer, Donald Kemp. Two years later Clarence Rhodes had been elevated to general manager, Francis Martin to commercial manager, David Jewell to program director and Walter Wierzbicki to chief engineer. A new general manager was appointed in 1965, Robert J. Rentschler, while the new commercial manager was Ronald Heller. William Dayton replaced Wierzbicki as chief engineer. In

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<sup>5</sup> Ibid.

1966 Francis Martin was promoted to station manager, while Munson became the general manager. In addition, the positions of program director and news director were added with Bob Kately and John Small, respectively, filling them.

By 1967 the company had changed its name to the Panax Corporation. The name was changed to reflect the company's growth into newspaper publishing and television. The company had hired the William John Upjohn and Associates advertising agency in Kalamazoo to come up with a new name. Upjohn had advised that the letter "X" be used as the last letter of the new name to provide a modern, bold quality.<sup>6</sup> They put that requirement, along with that of two-syllables, into a computer and came up with Panax. "Pan" is the Greek word for "all encompassing" and "Ax" is the Greek word for "action."

Also by 1967, according to the company's annual report, WSWM was the most powerful FM stereo radio station in central Michigan with 116,000 watts. The station's signal covered 39 counties and was providing full-service programming, including newscasts and analysis as well as broadcasts of Michigan State University and high school football and basketball games. McGoff, a self-proclaimed classical music lover, played this type of music on the station. He also provided straight background music transmitted from a second signal on the WSWM transmitter, to businesses on a monthly basis.

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<sup>6</sup>"How Panax Got Its Name," The Panax Communicator, Jan.-Mar., 1973, pp. 1-2.

The Panax Corporation had net earnings of \$34,000 for 1967, \$77,000 for 1968 and \$51,000 for 1969. Separate net earnings information for WSWM, as well as for the other stations and newspapers, is not available. In fact, according to Harry Buckel, vice president for administration, Panax has a current policy of not making public any specific information on individual properties within the corporation; this enables the company to keep competitors from discovering which properties are making money and which ones are losing money. However, Buckel says this policy may change in the near future since all Panax properties in 1975 operated in the black for the first time.<sup>7</sup>

Along with the name change came more personnel changes: in 1969 Martin became general manager, Tim Matthews, regional manager, John F. Casey, operations director, and Wierzbicki, technical director. Also in 1969 Leanor Reizen joined the station as continuity director and Gary Stuart was named chief engineer. The next year Casey was promoted to station manager.

When WSWM was founded in 1959 there was only one other FM station in Lansing or East Lansing--that was WKAR-FM, a public radio station. Other area AM stations were WILS, WJIM and WKAR. A year later, however, WJIM had an FM station in operation, and two years later station WMRT had both AM

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<sup>7</sup> Interview with Harry Buckel, Panax headquarters, Williamston, Michigan, Jan. 15, 1976.

and FM operations. In 1961 WITL-AM was started; an FM affiliate began operating in 1964. WVIC-FM went on the air in 1963, and WILS-FM started operating in 1967. Thus, during its first eight years in operation WSWM went from a near monopoly station to a highly competitive one.

Panax's FM station, located 20 miles from the state capitol, was not able to compete well with the combination AM-FM stations located within 10 miles of the state capitol and the populous East Lansing area. Panax therefore decided to drop out of the competition, and in December of 1970 McGoff sold WSWM--now renamed WFMK--to Robert Liggett of Media-Media, Incorporated. The selling price was \$255,955, with a down payment of \$64,200 and the balance due over 12 years.<sup>8</sup> The total gain from the sale was \$195,000.<sup>9</sup>

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<sup>8</sup>Panax Corporation Annual Report, 1970.

<sup>9</sup>Ibid.

## CHAPTER III

### OTHER BROADCAST PROPERTIES

The development of the first radio station was far from being the only activity of the fledgling broadcast company, (see Appendix A for listings of Panax broadcasting properties). Panax's growth in broadcasting started in 1963 with the purchase of a television station and five radio stations. The largest single acquisition was a combination television (KFEQ) and AM radio station in St. Joseph, Missouri, purchased on September 1 from the Jesse Fine family. The price was \$1.4 million in cash.<sup>10</sup>

On the same date radio station KLIK-AM in Jefferson City, Missouri, was purchased for \$228,823 in stock, as was radio station WGMZ-FM in Flint, Michigan for 23,871 shares of Class A stock.<sup>11</sup> Later that year, on December 31 of 1963, McGoff purchased three other radio stations, all in Michigan: WABX-FM in Detroit was bought for 81,354 shares of Class A stock by merger; station WQDC-FM in Midland was purchased for 50,000 shares of Class A stock by merger; and the third station, WMAX-AM in Grand Rapids, was

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<sup>10</sup>Securities and Exchange Commission, Form 10 for the Fiscal Year Ended December 31, 1969 (Washington, D.C.: The Securities and Exchange Commission, 1970).

<sup>11</sup>Ibid.



purchased on January 2, 1965 for \$200,000 in cash and \$37,500 in notes.<sup>12</sup>

The St. Joseph television station was the only one in that city, but the radio station had competition from one other FM station and two AM stations. In Jefferson City there was one other AM station. When McGoff's company purchased WGMZ-FM in Flint, there were no other commercial FM stations, but one educational FM station and six AM stations were in operation. Mid-State bought one of the Flint AM stations, WAMM, later that year. There was virtually no competition in Midland where only one AM station existed. Competition was stiff in Grand Rapids, however, with Detroit, of course, offered the most competition with 14 commercial FM stations, two educational FM stations and seven AM stations.

Panax did not keep the stations very long. In fact, the first three stations were sold just three years after they were purchased; all of them were disposed of by 1970. This occurred for two reasons. First, the stations were not making money for the corporation, and second, McGoff resented government reporting requirements imposed by the Federal Communications Commission. McGoff says:

We decided to divest ourselves of government regulation. The main reason was more and more government interference. The other concern we had is related to television as a communication medium. With the satellite, it would eventually

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<sup>12</sup>Ibid.

supplant the use of secondary markets around the country. CBS, NBC, ABC won't need a bunch of affiliates. They'll shoot their signal from Los Angeles to Chicago via satellite and we'll all receive our television programs from the satellite.<sup>13</sup>

Former Panax vice president Mike Dow elaborated:

We were seeing the beginning of stronger federal control and became concerned about it. We were also concerned about the controls around the ability to make money. We were having a hard time making a profit and with the controls it wouldn't justify the investment.<sup>14</sup>

In radio broadcasting nationwide profits were low in 1961--the worst since 1939. However, by 1963 profits began to soar, and in 1965 the margin of profit in the industry was 7.65 percent.<sup>15</sup> The majority of radio stations came very close to operating in the red in 1965. And the television industry suffered its own profit slump in 1961, though it began to pick up in 1962. In fact, by 1965 TV stations not owned by the networks earned a pretax profit of 30 percent of the return.

The year Panax sold all but three of its broadcast properties, 1968, coincided with the great federal interest in cross-ownership of news media. In addition to the

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<sup>13</sup>Interview with John P. McGoff, Panax headquarters, Williamston, Michigan, July 8, 1975.

<sup>14</sup>Interview with Michael L. Dow, in his Okemos Office, September 17, 1975.

<sup>15</sup>Ward L. Quaal, Broadcast Management: Radio, Television (New York: Hastings House, 1968), p. 9.

broadcast properties, Panax now owned 10 newspapers and three printing companies. At this time the Federal Communications Commission wanted to ban radio station owners from also owning television stations in the same market areas. This would have affected the St. Joseph combination. The FCC was also toying with the idea of prohibiting newspapers from having broadcast interests, although a combination AM-FM radio ownership would have been allowed. Several versions of these proposed rules were promulgated and discussed at agency hearings in the late 1960s. By 1970 it looked as if divestiture of broadcast properties by newspaper owners would be mandated by the federal government within the next five years. McGoff, however, denies that the threat of forced divestiture had anything to do with his company's sale of the stations between 1966 and 1970.

Panax did sell three radio stations in February 1966. WGMZ-FM in Flint was sold for \$60,000 in notes (assets including receivables) to Metrocom, Incorporated, headed by Panax employee Philip R. Munson. WQDC-FM, Midland, was sold on the same day, February 14, for \$55,000 in cash (assets including receivables) to Habco, Incorporated, whose president was Ned S. Arbury (a member of the Panax Board of Directors). A week later Century Broadcasting Corporation purchased Detroit Station WABX for \$30,000 in cash and \$70,000 in notes (assets including receivables).<sup>16</sup>

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<sup>16</sup>Securities and Exchange Commission, Form 10, 1969.

The next sale occurred on April Fool's Day in 1968. WAAM, Flint became the property of Neal Mason for \$25,000 in cash and \$190,000 in notes (assets excluding receivables). Three days later WMAX, Grand Rapids, was sold for \$203,000 in cash (assets excluding receivables). Then, on September 30 Panax realized a profit of \$342,823 with the sale of KLIK radio in Jefferson City to Floyd Linn for \$130,000 in cash and \$445,000 in notes (assets excluding receivables).<sup>17</sup> And a total profit of more than \$2 million was realized from the sale of the St. Joseph, Missouri, radio and television stations in 1968, although the transfer wasn't approved by the Federal Communications Commission until the summer of 1969. Panax received \$565,000 in cash (assets excluding receivables) for the radio station and \$3.1 million in cash for the television station. The purchaser was I.S.C. Industries, Incorporated, a diversified holding company. The original McGoff station, WSWM, was the last to be sold, as is discussed in a separate chapter.

Thus, Panax got rid of its unprofitable and marginally profitable properties and began to concentrate on newspaper publishing and printing, areas less regulated by the government. McGoff explains:

We decided to divest. . .once we saw more government regulation coming down the road . . .You have a lot of businesses today that are tied into government either by regulation

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<sup>17</sup>Securities and Exchange Commission, Form 10, 1969.

or they are tied in by government contract. And I guess that as a free enterprise, I still believe very strongly that I do have my rights.<sup>18</sup>

McGoff also says that he regretted changing Panax from a private to a public corporation, saying he did it on the advice of brokerage houses in order to protect the assets of Panax by having marketable stocks that could be used to raise money when necessary. However, he objected to the "monumental task" of putting together reports for the Securities and Exchange Commission, saying it involved the accounting firm, lawyers and many Panax employees and resulted in a report that "will be filed in some cabinet." McGoff also says that he didn't like being under public scrutiny all the time.

In the atmosphere of today, if you're a public company it doesn't make any difference what you do; what you do is wrong to somebody, whether it's government, whether it's minority groups, whether it's the public in general or whether it's a competitor. In our case, we are in a very unfair advantage right now because all our information is public.<sup>19</sup>

The divestiture of the broadcast properties alleviated some of the government regulation so abhorrent to McGoff.

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<sup>18</sup> McGoff interview, June 30, 1975.

<sup>19</sup> McGoff, interview, July 8, 1975.

## CHAPTER IV

### NEWSPAPERS AND PRINTING PLANTS: 1963-68

In October 1964 Panax purchased its first newspaper, the Mt. Pleasant Times-News, a daily with a paid circulation of 4,900. It cost the firm \$75,000 in cash and \$451,700 in notes. As is the case with most Panax newspapers, there was not direct competition in the primary circulation area; the Times-News was the only daily paper. Other papers included a weekly buyer's guide with a free circulation of 20,000, and a tri-weekly student university newspaper with a free circulation of approximately 10,000.

The Times-News, a letterpress printing operation at the time of purchase, changed to offset in 1966. That year the circulation climbed to 6,900, the highest in its history. Since then it has leveled off to approximately 6,000. Gross revenues after one year of operation, in 1967, were \$276,341. The second year they increased by almost seven thousand dollars.

The next acquisition was a combination weekly paper and printing company in Alma, Michigan. The Alma Record-Leader and Record Printing Company were purchased in June of 1965 for \$50,000 in cash and \$160,000 in notes (assets excluding receivables). The only other papers in the area were a 1,500 circulation college newspaper and a weekly

shopper with a free circulation of 15,000. Circulation for the Alma Record in 1966 was 14,150. This was free. Gross revenues increased from \$115,258 in 1965 to \$223,123 in 1966. In 1968 Panax purchased a suburban weekly paper, the St. Louis (Michigan) Leader-Press and combined it with the Alma paper to produce a daily, the Alma Record-Leader, published six days a week. Paid daily circulation was just over 3,000; free Wednesday circulation was 15,000. The circulation figures have remained steady.

Panax sold the printing company in August of 1968 for \$15,000 (assets excluding receivables), a price representing a loss of \$55,094. Panax kept the paper, however, and in 1973 replaced its composition equipment, along with that of the Mt. Pleasant paper, with electronic editorial and photo typesetting systems. In line with their policy not to release specific financial information on any individual property, Panax officials refuse to disclose current gross revenues and profits of the Mt. Pleasant and Alma Papers. However, vice president Harry Buckel does say that the papers have experienced a "significant increase in profits and a dramatic increase in editorial quality over the years."<sup>20</sup>

In April 1966 Panax expanded into the upper peninsula of Michigan with the purchase of the Marquette Mining

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<sup>20</sup>Buckel, interview.

Journal, the Iron Mountain News and the Escanaba Daily Press. All three were purchased for the combined price of \$1.25 million in cash and \$2.95 million in notes, in addition to 75,000 shares of Class A stock (assets including receivables).<sup>21</sup> Neither the Escanaba nor the Iron Mountain paper had any competition. In Marquette a student newspaper at Northern Michigan University published approximately 6,000 papers a week. An American Indian student group also published a now-defunct monthly paper.

The Marquette paper, published daily except Sunday, had a circulation of 17,400 in 1968. This had dropped to 16,703 in 1974, but it was still the upper peninsula's largest newspaper. The Escanaba Press, also published daily except Sunday, had a circulation of 10,700 in 1968, a figure which has stayed about the same through 1975. The Iron Mountain News, publishing Monday through Saturday, had a circulation of 10,800 in 1968; by 1974 this figure had increased by 150 subscribers. The Mining Journal was converted from letterpress operation to offset in 1973 followed the next year by the Escanaba Daily Press, and in 1975 the Iron Mountain News changed from hot to cold type.

In 1970 Panax invested \$51,000 in a residential and commercial real estate development company, Unlimited Developments, Inc., at White Pine in the upper peninsula, an investment which gave Panax 51 percent of the voting

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<sup>21</sup>Securities and Exchange Commission. Form 10, 1969.



control and 34.4 percent in net assets. The company had been formed to develop housing and related facilities at White Pine. However, development prospects did not look too promising after a year, and the company sold its interest in it in the fall of 1971. The investment was written off as a loss on December 31, 1970.

In the early 1970s McGoff became involved in two organizations dedicated to boosting the upper peninsula's economy: the Michigan Chamber of Commerce and Operation U.P. Additionally, a subsidiary of Panax, purchased in 1972, became the promoter of a large shopping center in Marquette. McGoff's business and civic interests in the upper peninsula can be partially explained by his feelings about the northern Michigan country. In talking about his appointment to Northern Michigan University in the mid-1960s he says:

I have a very strong affection for the upper peninsula, for the free enterprise and the rugged, individualistic spirit that the people who live there have. I think they have that spirit because they have been isolated for such a long time.<sup>22</sup>

The next acquisition by Panax was in the southern part of the state. The Ypsilanti Press, with a circulation of 17,000, was purchased on July 1, 1968 from Booth Newspapers, Inc., a Michigan daily newspaper chain. Panax

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<sup>22</sup> McGoff, interview, June 30, 1975.

paid \$500,000 in cash and \$1 million in notes (assets including receivables). Booth sold the paper under the threat of anti-trust action by the United States Department of Justice because Booth also owns the Ann Arbor News, which is the only major competitor of the Press. By 1970 the circulation of the Press had decreased to 15,436, but it apparently made profits because Panax was able to sell the paper to Harte-Hanks Newspapers, Inc. for \$3 million in 1971. McGoff claimed that Panax took the paper from a \$165,000 annual loss to a quarter of a million dollar profit. The sale of the Press enabled Panax to buy the Macomb Daily.

Shortly after buying the Ypsilanti Press, Panax moved closer to home base with the purchase of the Ingham County News, the Holt Community News and Inco-Graphics, properties bought in July of 1968 for \$195,000 in cash, \$730,000 in notes and \$75,000 shares of Class A stock.<sup>23</sup> The Ingham County News, a weekly, is based in Mason, the county seat, located about 10 miles from Williamston. Inco-Graphics also in Mason, and Holt is in Ingham County. This purchase gave McGoff two weeklies and a printing company in the same market area.

All three properties were purchased from James N. and Richard W. Brown, the former becoming part of the Panax corporate structure. He was also involved in McGoff's political ventures. Brother Richard, however, who retained

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<sup>23</sup>Securities and Exchange Commission. Form 10, 1969.

his editorship at the paper, disliked being part of Panax and wanted to be his own boss again. Hence, the newspaper was sold back to him in January of 1971 for \$200,000. Panax kept the printing company, however, which produces commercial work as well as weekly papers and advertising circulars. As of 1972, Inco-Graphics in Mason printed 37 newspapers--all weeklies not owned by Panax--along with 21 monthly publications. An offshoot printing plant in Mt. Pleasant was also started; it prints the Mt. Pleasant and Alma papers, advertising material and a paper not owned by Panax.

One of the final purchases of 1968 was the Kalamazoo Printing Machinery Company. This was purchased on December 31 for \$100,000 in cash, \$200,000 in notes and 75,000 shares of Class A stock from Adrian Vanderlinde, who was a Panax director until 1971. K.P.M., technically a subsidiary corporation of Panax with a branch in Indianapolis, Indiana, is a sales and service company for the graphic arts industry in Michigan, Northwestern Ohio, and Northern Indiana. It sells such items as offset presses, camera and platemaking equipment, composing room equipment, and supplies and equipment for putting together publications. K.P.M. is the exclusive representative for several United States and foreign printing manufacturing firms. Claims McGoff: "K.P.M. is a vital part of the total Panax long-range plan, providing the company additional strength through

diversification within the printing and publishing industry."<sup>24</sup>  
This philosophy has been carried out in subsequent purchases.

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<sup>24</sup>Panax Annual Report, 1968.

## CHAPTER V

### NEWSPAPERS AND PRINTING PLANTS: 1968-1975

By 1968 Panax had acquired properties in upper and central Michigan (see Appendix A for listings of Panax newspaper and publishing properties). McGoff originally desired to purchase all the weekly papers in the Lansing area, combine them into a daily paper and compete with the Lansing State Journal. Under his plan the Ingham County News, with its printing plant, would be the base of the operation. The planned purchase of the East Lansing Town Courier and Williamston Enterprise from publisher Harry Stapler and the Grand Ledge Independent from McGoff's friend Richard Milliman would have completed the plan. As McGoff puts it: "That would have closed the noose around the city. We would have converted all of those to zoned daily editions."<sup>25</sup>

However, this never occurred. McGoff says that Harry Stapler reneged on an agreement to sell the papers in 1968. Stapler later sold the papers to Synercom, Inc., a chain of weekly newspapers based in Birmingham, Michigan. Hence, McGoff's scheme was stymied in Mid-Michigan. However, he decided to attempt the same approach around a much larger

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<sup>25</sup> McGoff, interview, July 8, 1975.

market area--Detroit.

Panax promptly purchased the Associated Newspapers, Inc. of Wayne, Michigan, which consisted of five weekly papers published in Western Wayne County. They included: The Wayne Eagle, the Westland Eagle, the Garden City Guardian-Review, the Inkster Ledger-Star, the Belleville Enterprise, and the Romulus Roman and Legal Times. The total circulation for the five papers was 38,600. The papers were bought from Ray G. Clift and Wesley S. Willit in December 1968 for \$200,000 in cash and \$434,907 in notes. This was the largest market area for any Panax purchase, approximately 220,500.<sup>26</sup>

Competition in the area came mainly from the Detroit News, the city's largest daily paper with a downriver "zone edition" coming out weekly at first and then daily in 1971. Other papers in the area included The Heritage, a weekly with a 20,000 circulation, distributed in Belleville and Romulus.

In 1970 Panax combined the Wayne, Westland, Garden City, and Inkster papers into a new daily, the Daily Eagle. The Belleville and Romulus papers were treated as separate weeklies under the Associated Newspaper group. By 1972 the Daily Eagle, which began with a paid circulation of less than 8,500, had a circulation of 15,000. The combined circulation of the Belleville and Romulus papers was 8,500.<sup>27</sup>

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<sup>26</sup>Panax Annual Report, 1968.

<sup>27</sup>Ann Arbor News, "Panax Buys Western Wayne Papers," Jan. 3, 1969.

The Associated Newspapers were the most difficult of all the newspapers to get on a paying basis, according to Harry Buckel, vice president for administration. He claims that Panax "skinned the operation until costs no longer exceeded expenses. This was done through aggressive sales and the addition of printing presses to do printing jobs for others."<sup>28</sup> Buckel also says that 1975 was the first year the papers purchased from Associated Newspapers, Inc., operated in the black.

Panax's next move was to buy more weekly papers in an adjacent part of town. Thus, the Mellus Newspapers, in downriver Detroit, were purchased on October 6, 1969 for \$2,732,500 in cash through a stock merger. The Mellus Newspapers which had a combined circulation of 71,000, consisted of: The Allen Parker, the Ecorse Enterprise, the Lincoln Parker, the Melvindale Messenger, the Southgate Sentinel, the Riverview Sentinel, and the Taylor Tribune. The main competition, again, was from the Detroit News. The Mellus weekly papers ranged in size from 60 to 72 pages, in addition to a weekly television magazine.

Also in October 1969 Panax rounded out its holdings in the western Wayne and downriver areas with the purchase of the News-Herald weekly newspapers from the Wyandotte News company for 425,000 shares of common stock. These papers

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<sup>28</sup>Buckel, interview.

included the Wyandotte News-Herald, the Riverview News-Herald, the Southgate News-Herald, the Trenton News the Gibraltar News-Herald, the Grosse Ile Camera and the Flat Rock Guardian. Total circulation for these papers was 50,000 and their purchase brought circulation of all Panax papers to 283,642. Now the only larger Michigan newspaper publishers were the Detroit News, the Detroit Free Press, the Gannet Newspapers and the Booth Newspaper chain. Panax prints identical editions of its Mellus newspapers using different logos for each separate community, a practice which helps control printing costs.

Nearly two years later Panax made its next acquisition, a major one, The Macomb Daily was purchased in November of 1971 from the Macomb Publishing Company and the Macomb Legal News went along with the deal. The President of the Macomb Publishing Company, Mark T. McKee, Sr. and the publisher, Mark T. McKee, Jr., along with Lucille McKee, have been members of the Panax Board of Directors since 1968 and are also involved in a variety of other businesses.

The Macomb Daily is the largest daily Panax owns, with a circulation of 53,000 at the time of purchase. It is the only daily in the populous suburban Detroit county and is located in the county seat, Mt. Clemens. The paper had converted from "hot type" letterpress operations to "cold type" photocopying and electronic equipment four years earlier. Its purchase was part of the noose around another suburban Detroit location. Panax was now in the



northeast suburbs, where again, only the metro edition of the Detroit News was any real competition. By 1973 the Macomb Daily's circulation had increased to nearly 57,000.

After acquiring all these suburban Detroit newspapers, Panax purchased two Detroit Area printing plants--Keystone Publishing Company, Inc. of Detroit and its subsidiary, Wayne Graphics Publishing Services, Inc.--from Mortimer Feder in July of 1972 for 70,000 shares of common stock. Keystone was the largest independent offset printing company in metropolitan Detroit, located in the middle of Detroit itself, while Wayne Graphics was in suburban Lincoln Park. McGoff said he bought the plants so that Panax could print some of its own weeklies as well as sell services to print papers and advertising materials for others. The name of Keystone was changed to the American Press Company and the company became a wholly owned subsidiary of Panax, with Feder staying on as President.

The 50,000 square foot American Press Plant contained 21 offset presses, sheet-fed presses and bindery equipment. Panax kept the plant for only two years. However, the 110 workers went on strike on June 6, 1974, five days after the old contract expired. Two weeks later Panax officers decided that the demands of the Graphics Arts International Union Local 981 were too high, and they closed the plant, an action which resulted in corporate losses of \$465,000 in 1974. McGoff explains the action:

We closed the American Press Company when the unions decided they wanted a 50 percent increase and didn't seem concerned about the profits, which is the point of the free enterprise system. If there is no profit, there is no necessity, no reason, no rhyme, no need for a lot of people to be working there unless those who have risked their reputation, their money, realize a return.<sup>29</sup>

The same year Panax bought Keystone it also purchased its first out-of-state newspapers and printing plant in suburban Chicago, Illinois from James A. Linen, IV, son of the former publisher of Time, Inc., for 224,977 shares of common stock. Linen was given a vice presidency in Panax and a seat on the Board of Directors. He also continued as President of Calumet Publishing Company, a Panax subsidiary which publishes: The Chicago Daily Calumet; weekly papers, the Harvey Bee News and the Calumet Day; semi-weeklies, the Munster Sun Journal, Highland Sun, Griffith Sun, and Route 30 Sun; tri-weeklies, the Calumet City Sun-Journal and the Lansing Sun-Journal; and the South suburban Advertiser-Shopper. Other properties that came along with the deal included another printing plant, Midwest Community Press; a typesetting company, Litho Type; the Illiana Advertising Agency; Promotion Management Associates; and Suburban Publishers Press.

The Panax papers have strong competition in Chicago. The three major dailies publish approximately half a million

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<sup>29</sup> McGoff, interview, July 8, 1975.

copies each per day; the Tribune publishes more than a million on Sunday. There are also 19 independent general interest, English language weekly or bi-weekly newspapers with circulations ranging from 4,000 to 52,000. In addition, there is the Southtown Economist Group with seven papers; the Leader Papers, Inc. with 10 papers; and the Lerner Home Newspapers with 22 papers.

The circulation in 1974 of the Calumet Day was 16,000; the Chicago Daily Calumet, 13,000; the Harvey News, 9,000; the Sun-Journal newspapers, 22,000 and the South Suburban Advertiser, 29,000.

All but two of the former Calumet properties are in the Chicago area. They are the Calumet Day, serving North Hammond and Whiting, Indiana, and Promotion Management Associates, with one branch in Illinois and one in Detroit. The printing plants publish Panax newspapers as well as school and small community newspapers. Litho-type performs typesetting work for all the Panax Illinois newspapers and for most work handled by the Midwest Community Press. Promotion Management Associates stages shopping center events to attract customers and also serves indirectly as a sales arm for Litho-Type and Midwest Community Press. In addition to work in Illinois, Promotion Management Associates secured a promotion contract for a new regional shopping center in Marquette through contacts on the Marquette Mining Journal.<sup>30</sup>

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<sup>30</sup>Panax Annual Report, 1972.

A final venture in 1972 was the launching of the freighter John P. McGoff, with a cargo capacity of 550 tons which went into service as a newsprint carrier for Panax. Panax bought the ship by setting up a subsidiary called Panax Shipping, Inc., registered in Georgetown, Grand Cayman, British West Indies. During the 1972 shipping season the freighter carried 3,000 tons of newsprint from paper mills at the head of Lake Superior to parts of lower Michigan.<sup>31</sup> But the John P. McGoff was to have a short life. The ship was lost at sea in the Carribean in May of 1973 when the crew fell asleep and it ran aground.<sup>32</sup> There were no casualties and the ship was fully insured, though at the time of the accident the ship was carrying a load of Dow Chemical "Dremthe" pellets. Panax shipping, Ltd. was liquidated during 1973.

In January of 1973 McGoff and the other Panax officers decided to tighten the noose around Detroit by buying more newspapers in the east and northeast suburbs of Detroit. As a result, the Detroit area weekly newspapers, known under the acronym of "DAWN" were purchased from Ben and Charles Nathenson for an undisclosed amount. These ten community newspapers, located in the cities of Harper Woods, Grosse Pointe, St. Clair Shores, East Detroit, Roseville, Fraser,

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<sup>31</sup>Ibid.

<sup>32</sup>David Johnston, "John P. McGoff, Michigan's Baron of Free Enterprise Journalism," The Detroit Free Press, July 13, 1975, p. 10.

Warren, Center Line, Mt. Clemens and Clinton Township, had a total circulation of 99,000. Again, the only major competition came from the Detroit News suburban edition.

In May of 1973 Panax bought a weekly newspaper in Florida, the Miami Beach Times. The paper was soon losing money, however, and so Panax sold it in November of 1975. Nevertheless, the paper had "served its purpose," according to Harry Buckel, because Panax was able to develop the printing facilities of the Times into a printing company which Buckel said is very profitable.

Panax's final domestic purchase was the weekly Dearborn Press, a paper whose location just north of the former Mellus newspaper circulation area, extended the noose northward on the western side of town. The Press was bought for \$377,500 in cash and notes. Its circulation was 10,000 with competition from three weeklies with circulations of 19,500, 21,300 and 27,000. With these final purchases Panax now owned 36 weekly and eight daily papers with a total circulation of 450,000.

## CHAPTER VI

### SOUTH AFRICA

In December 1973 Panax made an unusual move for a company of its size. It formed Xanap Limited, a printing company, in the Republic of South Africa, with an initial investment of \$230,000 worth of equipment. Then, in 1974 Panax created a holding company, Panax Limited in South Africa, which acquired 60 percent of the capital stock of Xanap; the other 40 percent is owned by "local management interests" in South Africa, according to Harry Buckel. The Panax Corporation transferred to Xanap equipment having a net book value of \$425,274 and incurred shipping and other related costs of \$135,653. Panax Limited built another plant in Johannesburg that opened in the fall of 1975.

James N. Brown left his job as General Manager of the Macomb Daily and took over as the Managing Director of Xanap in October of 1974. The plant, located in Pretoria, South Africa, prints 50 periodicals ranging from women's magazines to educational comic books and a half million copies of a weekly television guide for the government-owned stations.<sup>33</sup> McGoff maintains that the educational comic books, many about

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<sup>33</sup> McGoff, interview, July 8, 1975.

health, are underwritten by the South African government. McGoff obtained the contract to do this government printing work through his contacts with the South African Prime Minister and other government officials. He explains:

It's just like anything else. You deal and relate with people you trust. The feeling is mutual. Of course, if I hadn't known those people, known who to see about certain situations, I wouldn't have gotten the jobs. I think it's also a case of a two-way road. I'm doing something for them. We're providing printing services for that company: we probably have the most modern printing plant in all of South Africa.<sup>34</sup>

McGoff and Panax have been criticized by peace groups and South African liberation organizations for exploiting the cheap labor in South Africa. McGoff states that he's helping the South African economy and giving jobs to black Africans, as well as making a profit.

Under the agreement I have, I and other companies, American, Japanese, French, German, in there [sic.] the reason to move to the homelands [is that] we could borrow up to 90 percent of costs with the understanding that we have to have at least one black man for every white man; our ratio is much higher. And at the end of 20 years we have to turn over these plants to the blacks. Now, if there's anything wrong with that, in the philosophical concept, I want to know what's right. It again proves that they have, the whites, recognized the hard, cold economic facts of getting those people to a viable economic position.<sup>35</sup>

Panax never did take the loan, Harry Buckel says, but

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<sup>34</sup> McGoff, interview, July 8, 1975.

<sup>35</sup> Ibid.

financed the plants on its own. The two Xanap printing plants are in the homelands of the Tswanas and Zulus, all-black areas created by the 1971 Bantu Homelands Constitution Act, giving the six black areas more power over their own government than they have had before. One area, the Transkei, became self-governing in 1963.

Xanap general manager Brown says that Xanap provided blacks with their first opportunity to become journeymen printers. Because South African unions--supported by the government--had prevented blacks from becoming journeymen, Xanap had to spend a year training the workers before they could open up shop. The printing companies initially employed 10 whites and 109 blacks and paid them union scale or better. By law, there are differeng wage scales for blacks and whites.

In addition, McGoff defends the policies and programs of the South African government.

The South African government is, they have been for years, sponsoring very good programs for education among the black people. The Prime Minister said to me, after all, we have to look at this in a selfish way. Here are 18 million blacks and we want them to be economically viable. We can only have them accomplish that by educating them. I've been going there (to South Africa) for years and the changes have been dramatic. They're spending hundreds and hundreds of billions of dollars educating their blacks. They have set up many colleges and universities. The University of Zululand--my wife and I spent a few days there last year--is a fine, physical facility and has good teachers.<sup>36</sup>

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<sup>36</sup> Ibid.



McGoff's enthusiasm for South Africa's educational policies is not necessarily borne out in the facts, however. For example, the 3.7 million whites still receive more education than the 17.7 non-whites do. These non-whites include 15 million Bantus; the remainder are Asians and other "coloreds." Of South Africa's 14 universities, three are for Bantus, one is for Coloreds, and one is for Indians.<sup>37</sup> In 1972 there were 86,232 white university students and 2,884 Bantu students.<sup>38</sup> These numbers do not at all indicate the commitment to black education that McGoff indicates.

McGoff views his business venture as more than a money-making proposition. He says he feels he is helping the blacks in South Africa.

It's going to take a long time. But I still believe in evolution as far more realistic than revolution. Regarding the homelands, I consider the Bantu to be very fortunate to have their own homelands in South Africa. It's the only place in all of Africa where there is any chance. So I'm proud, very proud to have these direct links to South Africa.<sup>39</sup>

McGoff first visited Africa while in the army in 1942, in an area north of Casablanca. He has revisited the continent several times, including several visits to the Republic of South Africa during the past 10 years. These

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<sup>37</sup> International Encyclopedia (New York: Grolier, Inc., 1975), XVII, 42.

<sup>38</sup> John Paxton, ed., The Statesman's Yearbook 1975/76 (New York: St. Martin's Press, 1975), p. 1293.

<sup>39</sup> McGoff, interview, July 8, 1975.

visits have certainly contributed to McGoff's feelings about South Africa which he often expresses in newspaper columns and at public meetings. For example, he told the Lansing area Daughters of the American Revolution on January 23, 1975 that the approximately 300 American companies operating in South Africa are "doing much to help the black man find his political as well as economic freedom."<sup>40</sup> Moreover, McGoff agrees with the apartheid policy of the South African government as the best way for the black Africans to obtain their political and economic freedom. He condemns the nation's expulsion from the United Nations and believes that the United States must support the Republic of South Africa as one of the last bastions of free enterprise and the only bulwark against Communism on the African continent.

Attacks are made by those who don't know what they're talking about. Boycotting investment in firms that do business with South Africa by church groups is nonsense. Investment is vital to the development of the black community.<sup>41</sup>

McGoff, in his speech to the D.A.R., also said that South Africa is important to the Western World because of its plutonium, uranium and gold and its strategic location on the world shipping route. He warned against infiltration into South African politics by the Soviet Union and People's

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<sup>40</sup>John P. McGoff, Speech at Lansing Public Library to Daughters of the American Revolution, January 23, 1975.

<sup>41</sup>Ibid.

Republic of China.

McGoff sees South Africa as a relatively safe place to invest abroad. "We'll never see nationalization of our businesses in South Africa unless they are taken over."<sup>42</sup> And the decision to own printing plants in South Africa appears to be a good one in terms of market supply and demand. A UNESCO report states that most books in Africa are imported and that says they are costly because of high paper costs, excessive freight charges and poor distribution.<sup>43</sup> Publishers Weekly magazine also says that obtaining reading materials for schools in Africa is costly, particularly since tariffs raise the costs of books shipped out of the United States.<sup>44</sup> These reports clearly indicate a market for books printed on the African continent for sale both in the Republic of South Africa and elsewhere.

McGoff has also used his membership in the Michigan Chamber of Commerce to spur others to invest in South Africa. For example, the June/July 1974 issue of the Chamber's magazine, Michigan Challenge, contained an advertisement placed by the government of South Africa to purchase South African goods and to invest in the country. In the same

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<sup>42</sup>Ibid.

<sup>43</sup>C. M. Fyle, "Continent in Quest of a Publishing Industry; UNESCO Survey in Africa," UNESCO Courier, Vol. 18, September 1965, pp. 28-31.

<sup>44</sup>"Opportunities and Problems in International Markets for New Media," Publishers Weekly, Vol. 204, Oct. 15, 1973, pp. 50-51.

issue the state Chamber of Commerce advertised a business promotion and economic expansion delegation sent to South Africa in October of 1974 under McGoff's leadership. The advertisement says:

This economic mission offers an opportunity for businessmen interested in developing markets in a free enterprise economy for a wide variety of manufactured goods, particularly heavy capital machinery and equipment. South Africa has the second highest industrial growth rate in the world. Unusual capital investment opportunities exist.<sup>45</sup>

McGoff and his employees have also written articles in the Lansing State Journal as well as editorials in Panax owned newspapers defending the South African regime and Panax business activities in that country.

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<sup>45</sup>Michigan Challenge, June/July 1974, p. 27.

## CHAPTER VII

### OTHER MCGOFF PROPERTIES

During the past two years McGoff has purchased two properties under different corporate names that he eventually would like to turn over to Panax when they are in a good financial condition. They are the Sacramento (California) Union, and United Press International Television News Service, and they were purchased by McGoff under the Star Newspaper Company. McGoff claims that all the properties bought through Star Newspaper Company were offered to Panax. He said he bought them himself in order to protect Panax from losing money. The Sacramento Union lost \$1.7 million in 1974. McGoff said taking that kind of risk would be dangerous for Panax and would be delinquency on his part, as president. McGoff borrowed the money for the Union and told the Panax board of directors that if the paper succeeded he would offer it to Panax.<sup>46</sup>

The California daily, with a circulation of 101,000 was purchased for \$7 million just before it was scheduled to be closed down by the Copley Press, Inc. in December of 1974. The paper, which serves the capital of the nation's largest state, has one major competitor the Sacramento Bee,

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<sup>46</sup> McGoff, interview, July 8, 1975.

with a circulation of 175,000. Since buying the Union, McGoff has deliberately reduced its circulation area to 87,000.<sup>47</sup> He has also consolidated operations, rented some building space, sold some presses, and cut the news space.

McGoff says he used the same strategy in buying the Union as he does in buying other Panax properties.

You have to have a master plan, you have to know what your objectives are--your goals, where you're going. I think Sacramento is another classic example. Before I bought Sacramento I knew that 10 suburban newspapers that surrounded the city could be acquired. The discussions were simultaneous--buying the 10 suburbans with 237,000 circulation and the Union with 101,000 paid circulation. So that placed us in a very very competitive position with the Sacramento Bee.<sup>48</sup>

Star Newspaper Company was originally formed when McGoff wanted to buy the Washington Star-News, one of the two major newspapers in the nation's capital. The Star was losing money daily, \$7.7 million in 1974 alone. McGoff lost his bid to Texas millionaire Joseph Allbritton, however. He offered to pay the Washington Star Communications, Inc. \$25 million for the newspaper alone, but Allbritton's similar offer was for the paper plus a one-third interest in the parent company, which owns television and radio stations in Washington, Charleston, South Carolina, Lynchburg, Virginia, and the Washington Star Syndicate, Inc.

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<sup>47</sup> David Johnston, *ibid.*, p. 11.

<sup>48</sup> McGoff, interview, July 8, 1975.

McGoff had felt that he could reorganize the paper so it would make a profit in three years. This would have meant increasing the advertising department, cutting staff by one-third, and taking a new conservative editorial approach.<sup>49</sup> McGoff did not accept Allbritton's victory and filed a petition with the Federal Communications Commission asking it to not grant the waiver necessary for Allbritton to close the deal, since the purchase included a radio station and a newspaper in the same market area. McGoff says he wanted to own the Star-News both to give an alternative conservative view at the national level and to break up the Star-News corporation monopoly.

Of course I'm fighting for the Washington Star. I believe that that's a monopoly that has to be broken up from the standpoint that the Star owns the radio, television, AM-FM and TV in Washington, D.C., the place where all the decisions that affect us are made on a day-to-day basis. I think that has to be changed.<sup>50</sup>

The Star-News would have been McGoff's largest single property, with a daily circulation of 413,000 and a Sunday circulation of 344,000. McGoff's interest in buying the Star-News is coincidental with the fact that the father of Panax board member James A. Linen, IV tried to purchase the paper in the late 1960s. McGoff says he knew James A. Linen, III, president of Time, Inc., but that he was of no assistance

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<sup>49</sup> "Star-News Bidder Tells Plan," Advertising Age, Jan. 13, 1975, p. 8.

<sup>50</sup> McGoff, interview, June 30, 1975.

in McGoff's bid for the property.<sup>51</sup> McGoff also claims that he obtained money to purchase the Sacramento Union and the U.P.I.T.N. from different sources. "I borrowed from banks."<sup>52</sup>

The final property purchased under Star Newspapers was a 50 percent interest in United Press International Television News, (U.P.I.T.N.), based in London, England. Subsequent to the purchase, McGoff created Global Communications, Inc. and placed U.P.I.T.N. and the Sacramento Union under its aegis, disbanding Star.

U.P.I.T.N. collects and distributes filmed news stories to more than 100 clients in 70 countries, 24 hours a day. McGoff is co-chairman of the U.P.I.T.N. board of directors and Clarence E. "Dusty" Rhodes is the company's president. Other owners of U.P.I.T.N. are the Independent Television News of Great Britain and United Press International of New York. In the United States, U.P.I.T.N. sells its stories to the American Broadcasting Company and a dozen independent stations. The stories are transmitted on Western Union's Telstar Sattelite.<sup>53</sup> In Europe U.P.I.T.N. provides filmed news to both non-Communist and Communist nations. Finally, in addition to three daily closed-circuit news feeds to client stations around the world, U.P.I.T.N. maintains a library of

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<sup>51</sup>McGoff, interview, July 8, 1975.

<sup>52</sup>Ibid.

<sup>53</sup>Clarence A. Rhodes, "TV News Goes Global," Michigan Challenge, November/December 1975, p. 17.



news film to be used in addition to immediate, "hot" news coverage.

McGoff says he is very concerned about the fairness of television news coverage, yet maintains that he does not attempt to manipulate U.P.I.T.N. material. McGoff is upset about some of the material U.P.I.T.N. filmed.

At our meeting of our general managers of U.P. I.T.N. in Rome in the early summer of 1975 the staff brought to us the fall of Saigon and U.P. I.T.N.'s camera crews were one of three groups who were permitted to stay there. It was a devastating piece of propaganda. . .of the joyous people throwing flowers in the street at the conqueror who had killed millions over the years. . . I say, here I am, with 50 percent ownership. Am I continuing to propagate and permit that kind of progaganda? The film was a classic example of the kind of propaganda that Adolph Hitler, Joseph Goebbels, provided the works in the 1930s and 40s and even during the war for those who accepted it. So, the responsibility is great.<sup>54</sup>

Nonetheless, McGoff denies any intention of slanting U.P.I.T.N. news stories to represent his political views.

There's no possible way I could do it. I sit here in the United States. . .we've got literally hundreds of people at the source of the news, watching the news, making a determination of what's going on. There's no possible way that I could control the views of those out on U.P.I.T.N. on a daily basis. Absolutely impossible.<sup>55</sup>

On the other hand, McGoff says he is going to spot-check the stories put out by the network; he thinks it is the responsibility he has as chairman of the company.

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<sup>54</sup> McGoff, interview, June 30, 1975.

<sup>55</sup> McGoff, interview, July 8, 1975.

## CHAPTER VIII

### OTHER PANAX OFFICIALS

Although John McGoff was and is the guiding force behind Panax, several other persons have helped to make Panax what it is today (see Appendices B, C, D for appropriate listings of Panax officers, their service years and business affiliations).

#### Michael Lloyd Dow

Dow said he became involved with Panax through an interest in electronics he developed while in the army and a chance acquaintanceship with McGoff, who was his neighbor in East Lansing. Dow was trained in fixing electrical equipment in the army and had an interest in background music and other areas of radio. For his first six months with Panax Dow sold and installed background music. Then he became interested in the financial side of the company and was named treasurer in 1963. That same year he invested a small amount of his money in the firm, and later he invested more until he became a major stockholder, with 10 percent interest in Panax. He said his father became a smaller shareholder in the corporation in 1963.<sup>56</sup> He gradually got

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<sup>56</sup>Dow, interview, September 17, 1975.

into the management aspect of the corporation and was instrumental in getting together the group of investors that bought WABX-radio in Detroit.

Until 1974 Dow served as a member of the board of directors and as vice president and treasurer of Panax. In addition to his treasurer's duties, Dow had personnel responsibilities. His comments on his feelings towards hiring and firing employees are one reflection of his much quieter and less overtly aggressive personality in comparison to that of McGoff.

Firing employees is the hardest thing to do. Hiring is easy the first time, but later you realize if you don't hire the right person you have to fire them. But firing is something that is very much a part of free enterprise and it must happen.<sup>57</sup>

Dow acknowledged his agreement with McGoff's basic philosophy.

I agree with his business views: they are not unusual, but he expresses it better than many; he speaks very strongly about what he thinks.<sup>58</sup>

A Republican, Dow is not active in party activities. He has contributed to the campaigns of Republican Governor William Milliken but not to those of Senator Griffin, former Governor Romney, former Congressman Chamberlain nor Congressional candidate Clifford Taylor. Like McGoff, he has been

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<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

active in the local Chamber of Commerce and declares an interest in cultural and civic activities, such as the new Lansing Impression 5 Science Museum and the Leelenaw School Board.

Dow left Panax in April of 1974 because he saw no future for himself there.

The reason I left when I did relates to turning 39. What am I going to do for the rest of my life? As the years have gone by I have come across other business activities. I have invested in another company and I saw other business opportunities. I was vice president and treasurer and I felt I had no future in Panax unless John McGoff would leave. He is a very solid guy, a good president, and young enough to keep the job for life.<sup>59</sup>

Dow now is a partner in two Holiday Inns, at Traverse City and Mt. Pleasant, and in General Aviation, Inc. in Lansing.

#### James N. Brown

Another force behind Panax, Jim Brown, became the company's vice president and director in 1968, the year that Panax purchased the newspaper and publishing company that he co-owned. He has retained those positions in the firm in addition to becoming the general manager of the Macomb Daily News in April of 1973 and later trading that job in for that of managing Xanap Printing Company in South Africa.

Prior to joining Panax, Brown worked as advertising salesman and manager and as co-publisher of the Ingham County

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<sup>59</sup> Ibid.

News which his father founded. In 1968 he joined Panax and ran for state representative. This followed his family history: his great grandfather, Ancel Covert, was a founder of the Republican Party and his grandfather, Vernon N. Brown, served as a state legislator, auditor general and lieutenant governor of Michigan. Brown served for two terms in the legislature and ran for Congress in 1970 but lost in the primary election. McGoff said that he assisted Brown in his campaign activities. Brown chaired the Ingham County Republican Party from 1967 to 1968, shortly after McGoff served in that position. In addition, he was on the board of directors of the Dart National Bank in Mason and served as secretary of the Mason Chamber of Commerce.

Clarence E. "Dusty" Rhodes

"Dusty" Rhodes, as he is called, has served as a vice president and director of Panax since 1963. He also served as vice president of two Panax divisions--the Associated Newspapers, Inc. and Panax Shipping Limited before becoming the president of U.P.I.T.N. in London in mid-1975. Rhodes, like several other Panax directors, attended Michigan State University from which he was graduated in 1950.

Rhodes was well known in the community for his play-by-play announcing of Michigan State University football games for more than 20 years, as well as for a variety of civic activities. He served several years on the Okemos Board of Education. (Okemos is a Lansing suburb adjacent to

Williamston.) Born in 1927 in Flint, Michigan, Rhodes represents Panax in four newspaper groups: the Associated Press, American Newspaper Publishers Association, Inland Daily Press and the Michigan Press Association.

#### The McKee Family

Mark Thompson McKee, his sister-in-law Lucile, and his nephew, Robert, became members of the Panax board of directors in 1972, the year after Panax purchased the Maccomb Publishing Company from the McKee family. Mark Thompson McKee, a lawyer born in 1887 in Iowa, has many varied business interests which are listed in Appendix D. One affiliation is with the American Family Life Assurance Association, where he is a member of the board of directors. McGoff, too, is a member of this Georgia-based insurance company; in fact, Panax offers its employees various insurance plans through American Family Life. McKee also fits the pattern of belonging to the Republican Party.

Lucile McKee is president of the Landmark Company, and Robert McKee is treasurer and director of Sand Products Corporation.

#### Ned and Dorothy Arbury

Ned Stephen Arbury served as chairman of the board of Panax from 1963 to the present. Arbury owns two percent of the outstanding stock in Panax. His wife, Dorothy Doan Arbury, has also been a member of the Panax board of directors along with her husband. She is a cousin of Michael Dow.

Arbury is president of the A.S. Arbury and Sons, Inc. Insurance Company in Midland, Michigan. He is also an officer of the Ultra Carbon Corporation in Bay City and a trustee of the A. S. Arbury and Sons Retirement Trust. He has been active in several disease prevention groups and in the Republican Party. Arbury was born in 1913 in Midland and received both his bachelors and master's degrees from the University of Michigan. In 1966 a company he headed bought the Flint radio station from Panax.

Edwin O. George

Edwin Ordell George became a director of Panax in 1965. He was a president of the Detroit Edison Company for more than 40 years where he served as both president and director. George is also a member of the boards of directors of Reddy Kilowatt, Inc., First Federal Savings of Detroit and many cultural, civic and educational organizations. A native of Petoskey, the 71-year-old attorney attended Alma and Knox Colleges, the University of Illinois, Wayne State University and Northern Michigan University. One activity George has in common with McGoff is service on the Northern Michigan University Board of Directors.

Sam M. Cohodas

Eight-one year-old Sam Cohodas has served on the Panax board of directors since 1966. Cohodas is also president, director and chairman of a variety of companies and banks located in northern part of Michigan and in Wisconsin and

Washington. Moreover, he serves as trustee of the Francis A. Bell Memorial Hospital and as director of the National Jewish Hospital and Research Center. Cohodas is chairman of the Board of Miners First National Bank in Ishpeming, Michigan, where he lives. Most of his bank affiliations are in Michigan, where Panax started its newspaper operations. A complete list of these is provided in Appendix D.

Donald H. Layman

Donald H. Layman is currently a vice president and controller of Panax; from 1966 to 1973 he served only as company controller. Prior to joining Panax, he was an accountant with Ernst and Ernst, which is the auditing firm for Panax. The 35-year-old Layman was graduated from Central Michigan University. Layman's grandfather, Donald Edward Layman, published a newspaper, worked with the Ruben H. Donnelley Corporation, and was with Scholastic Magazines, Inc. for 27 years (some of those years he served as president).

James Alexander Linen, IV

James A. Linen joined Panax in 1972 when the company merged with Linen's Calumet newspapers and printing plants in Illinois. Linen was made a vice president of the company as part of the deal; he also continued as president of the Illinois properties until mid-1975, when he resigned from this latter position. He will also resign from his board of directors position and sever all ties with Panax in May



of 1976. Linen, age 38, ran Calumet Publishing Company from 1965 to 1972. Prior to that he worked for Field Enterprises in Chicago. He was graduated from Yale University.

Linen's father is James Alexander Linen, III who was the president of Time, Inc. and was publisher of Time Magazine from 1945 to 1960. Linen senior was interested in buying the Washington Star-News in the late 1960s but never completed a deal.

#### Calvin F. Selfridge

Calvin Frederick Selfridge joined the Panax board of directors in 1972. The 82-year-old attorney has practiced law in Ohio and Illinois and has been a partner in the firm Wilson and McIlvaine since 1937. He is active in legal organizations and has been a member of the Selective Service Appeals Board since 1944. He resides in Illinois.

#### Joseph J. Gross

Joe Gross, the director of personnel, is the only black officer or director in the Panax organization. Prior to joining Panax in the mid-1960s, the 61-year-old Gross was an executive with the Boy Scout's of America in Dallas and Detroit from 1940 to 1969. Like several other Panax officials, Gross has served on the Northern Michigan University Board of Control and is a past chairman. He is also a member of the Midwest College Placement Association and the Newspaper Personnel Relations Association.

Donald J. Hoenshell

Don Hoenshell is editor of the Sacramento Union, a Global Publication. Previous to that he was director of editorial services at Panax as well as bureau chief for the State Capitol Bureau in Lansing. Before joining Panax in 1969, Hoenshell was a reporter and editor at the Alpena News, Midland Daily News, the Lansing State Journal, the Detroit News and the Suburban Detroit Observer Newspapers. Hoenshell, age 53, received his bachelor of arts degree from Michigan State University.

F. Marion Marsh

F. Marion Marsh is director of production for Panax. Previous to that appointment he was general manager of the Mount Pleasant Daily Times-News. Marsh, age 53, joined Panax in 1972. Before joining the company he worked in a production capacity on the South Bend Tribune. He has owned and published the Kincaid (Kansas) Dispatch and has written numerous articles on advanced newspaper technology.

George T. Trumbull, Jr.

George Trumbull is director of market research and public relations at Panax. Trumbull, age 47, is also a graduate of Michigan State University, where he earned a journalism degree. He was a reporter for seven years for the Pontiac Press (now the Oakland Press) and was an aide to former Republican Governor George Romney. Trumbull was a management consultant with Ernst and Ernst, the firm that

audits Panax, before joining the company in 1972. In 1973 he was appointed by Republican Governor William Milliken to the Michigan Consumers Council. He is a member of the International Newspaper Promotion Association.

Philip R. Munson

Phil Munson was one of the original group that built station WSWM. When the company grew and became Panax, Munson became a member of the board of directors. He was a vice president involved in the television and AM radio operations, and when those were sold he left the company--a move which coincided with the purchase of Panax radio station WGMZ-FM in Flint by a company that Munson owned (Metrocom, Inc.) in 1966.

Harold C. Good

Harold Good also has been with the company since 1963. Good is a director of the J. M. Smucker Company and is retired from work with General Motors.

James J. Conway

James Joseph Conway served as vice president for finance during the years 1970, 1971 and 1972. Conway, age 52, is also president of C.T.D. Corporation. He is a graduate of the University of Pennsylvania (Wharton).

Frank Shephard

Frank Shephard is vice president of operations for Panax, promoted in April of 1975 from group vice president.

Shephard, age 34, joined Panax in 1969. He has also served as regional manager for Central Michigan, Florida and the commercial printing properties of the company. Before joining Panax, he worked at the Utica (Michigan) Daily Sentinel and the Port Huron Times-Herald.

Ralph Kaziateck

Ralph Kaziateck is group vice president for Panax. When he joined the firm in 1974 he was regional manager for Northern Michigan and Southeastern Michigan newspapers. He also is general manager of the Mining Journal in Marquette, the Iron Mountain News and the Escanaba Daily Press.

Harry Buckel

Harry Buckel is vice president for administration, with an office right across the hall from McGoff's. Buckel joined Panax in 1972 as director of public relations and marketing. He later became group vice president for the southeast Michigan newspapers. The 32-year-old executive also has served as vice president for research for the Michigan State Chamber of Commerce. Buckel is currently chairing a project for the State Chamber of Commerce which is studying year-round use of the Great Lakes, a long-time interest of McGoff's.

Richard L. Milliman

Richard L. Milliman was vice president and director of the Panax corporation in 1966. He continued as director

only through 1971. Milliman also was president and publisher of the Grand Ledge Independent when he joined Panax, and he purchased the Livingston County Press while he was a director. Before joining Panax Milliman worked as a press aide to Republican Governor George Romney. Milliman left Panax in 1972.

## CHAPTER IX

### FINANCIAL SUMMARY

In 1959 Panax had gross revenues of \$12,579. Gross revenues for 1975 will be \$30 million, according to McGoff. Figures from 1959 to 1965, when the company was privately held, are not available. However, in 1965 the company operated at a net loss of \$501,545, even though gross revenues from newspapers were \$2.3 million and gross revenues from broadcasting were \$1.6 million. McGoff, in the 1966 annual report, attributes this dismal figure to heavy interest expenses on money borrowed to buy newspapers and equipment.

By 1966 Panax had started a financial reversal and realized a net profit of \$16,698, with gross revenues of \$2.6 million from newspapers and \$1.8 million from broadcasting properties. In 1965 Panax owned two newspapers and derived 20 percent of its gross revenues from newspapers. Then, in April of 1966 Panax bought the three upper peninsula dailies which resulted in 59 percent of its gross revenues being derived from newspapers that year. Panax also sold three radio stations in February of 1966.

In 1965 stockholders lost 39 cents a share of Class A common stock, but in 1966 they gained one cent a share (net). Because of the purchase of the newspapers the company's

assets doubled from 1965 to 1966; but because of the indebtedness required to buy them, so did the liabilities. However, operating revenues increased about 80 percent, while operating expenses increased about 65 percent. This difference in operating earnings, plus an extraordinary change in 1965, due to the sale of three radio stations, accounted for the difference.

In 1967 Panax had operating revenues of \$4.4 million and operating expenses of \$3.9 million, leaving the company with earnings of \$466,842. However, interest expense, principally on long-term obligations, left the company with net earnings of only \$34,370 which was still twice the amount of the year before. Current assets in 1967 were \$870,038; property, plant and equipment were \$2.8 million and operating licenses and goodwill for newspapers and stations were \$4.4 million. Total current liabilities were \$1.6 million and long-term debts were \$4.9 million. It does not appear as if stockholders received any dividends that year.

In 1968 net earnings were \$77,410. After counting in the gain on the sale of three radio stations, earnings increased to \$1.6 million. The corporation had \$5.4 million in total current assets; \$4.1 million in property, plant and equipment; \$3.7 million in intangible costs of new newspapers and printing plants; and \$676,478 in other assets. Total current liabilities were \$5.9 million and the long-term debt was \$4.6 million. Equity due to stockholders was \$3.4 million, and net earnings per share in 1968 were 67 cents.

During 1968 three newspaper operations were purchased as well as a printing machinery company, and Panax sold two radio stations and one TV station a commercial job printing plant. McGoff says in the annual report that the sale of the broadcast stations was necessary to reduce the heavy capital drain of interest on notes. He also maintains that the gains on these sales enabled the company to reduce its long-term debt and to expand into print media which is a better area for potential growth.

In 1969 Panax had net earnings of \$8,854 from continuing businesses and \$51,247 after counting earnings from businesses sold and income tax reductions due to write-offs of future losses. Net earnings for stockholders were two cents a share. Total current assets were \$2.3 million; property, plant, and equipment were \$4.1 million; and agreements not to compete and intangibles costs of newly acquired businesses were \$5.5 million. Other assets were \$403,753. Total current liabilities were \$2.8 million; long-term debt rose to \$5.9 million; and stockholder's equity was \$3.6 million. Also during 1969 Panax bought a newspaper chain and completed sale of a radio and TV station. Two of the four weekly newspaper groups performed poorly, according to McGoff.

In 1970 Panax showed \$28,005 in earnings. However, after a count of the sale of a radio station, a write-off for a development project and income tax reductions as the result of the sale of the radio station, the net earnings were \$148,826--approximately three times as much as in 1969.



Net earnings per share to stockholders were six cents. Total current assets were \$2.3 million; money due from the sale of properties and similar assets, \$671,870; property, plant and equipment, \$3.9 million; and intangible costs of businesses acquired, \$5.4 million. Total current liabilities were \$4.1 million; long-term debt dropped to \$4.5 million; and stockholders' equity was \$3.7 million. Also during 1970 the last radio station was finally sold and a newspaper was sold. Seven weekly papers were converted into a daily paper.

In 1971 Panax earnings of continuing businesses reached a record high of \$216,093. After accounting for the sale of the Ypsilanti Press in September, net earnings were \$1.1 million. This came to a total of 32 cents a share in net earnings for stockholders. Total current assets were \$3 million; notes receivable from the sale of properties and other assets, \$623,931; property, plant, and equipment, \$3.5 million; and the intangibles value of businesses bought and agreements not to compete, \$5.2 million. Total current liabilities were \$2.8 million; long-term debt, \$3.3 million; deferred income taxes, \$100,000; and stockholder's equity, \$6.3 million. Also in 1971 Panax used much of the proceeds from the sale of the Ypsilanti Press to reduce its bank debt. The remaining debt was refinanced at a lower interest rate, according to the annual report. During 1971 a major daily and a newspaper chain were purchased.

In 1972 Panax derived 36 percent of its revenues

from daily newspapers, 19 percent from weekly newspapers, 37 percent from commercial printing, and 8 percent from "other." Net earnings soared to \$647,576, and stockholders earned 56 cents a share. Total current assets were \$4.8 million; notes receivable from sale of properties and other assets, \$643,878; property, plant, and equipment, \$4.7 million; and intangibles costs and agreements not to compete, \$5.2 million. Current liabilities totaled \$3.7 million; long-term debts, \$4.1 million; deferred income taxes, \$122,200; and stockholders' equity, \$7.5 million. In April of 1972 the board of directors authorized a cash payment of 7.5 cents per share, and in March of 1973 the board approved a ten cent per share dividend.

During 1972 Panax re-incorporated in Delaware and added two new corporate staff members to headquarters in East Lansing: a director of marketing and public relations and a director of production. Panax also established a news bureau in Washington, D.C., and added a second reporter to the Michigan News Bureau in Lansing. In addition Panax launched an accelerated management training program.

In 1973 Panax did not do as well as it did in 1972. Net earnings were \$577,457, with net earnings per share at 50 cents. Operating revenues totaled \$25.5 million, up two million from the year before. Total current assets were \$4.9 million; notes receivable and other assets, \$612,159; property, plant and equipment, \$5.4 million; and intangibles and agreements not to compete, \$5.6 million. Total current

liabilities were \$4.4 million; long-term debt was \$4.1 million; deferred income taxes, \$197,000; and stockholders' equity, \$7.8 million.

In 1973 daily newspapers accounted for 40 percent of Panax revenues, while weekly newspapers accounted for 21 percent. Commercial printing comprised 31 percent of revenues and "other" accounted for 8 percent. According to the annual report, a significant portion of Panax's revenue increase came from the acquisition of the Community Newspaper group. On the other hand, McGoff attributed the slight slideback from the year before to several factors: government controls on advertising and circulation rates; increased costs for other goods and services; the newspaper shortage and railway strikes that created disruption and short supply of newsprint; a study for methods to improve efficiency; higher lending rates; disruptions from building, remodeling and installation of new composing and press equipment; and loss of revenue from printing customers and advertisers due to uncertain newsprint supplies. Also during 1973 Panax committed \$1.3 million for newspaper printing equipment and facilities that would go into operation in 1974.

In 1974 Panax experienced a net loss of \$277,041 due primarily to the closing of a printing plant in Detroit and the loss on the lease for the building. Panax also claimed nearly half a million dollars in interest expense and a quarter of a million dollars in write-down to market value of obsolete equipment from the newspaper printing

facilities that received new equipment. Stockholders lost 24 cents a share in 1974.

Total current assets were \$5.3 million; notes receivable and investment in and advances to foreign subsidiary (Xanap) was \$1.2 million; property, plant, and equipment, \$4.1 million; and intangibles costs and agreements not to compete, \$5.5 million. Total current liabilities were \$4.9 million; long-term debt, \$3.3 million; lease obligation for closed printing plant, \$395,000; deferred income taxes, \$7,000; and stockholders' equity, \$7.4 million. Operating revenues increased two million dollars from 1973.

Panax experienced a turn around in profits in 1975. The first quarter of 1975 saw a loss of \$46,972, or four cents a share; however, by May 31 profits rose to \$86,396, or seven cents a share. For the period July through September of 1975 Panax claimed a net income of \$96,425, or eight cents a share. Net earnings for the first nine months of 1975 were \$191,241, or 16 cents a share. However, net revenues for the year decreased slightly from 1974.

Panax officials say that the money-making trend will continue, now that they have finally weeded out all the unprofitable properties and have every property operating in the black.

## CHAPTER X

### FUTURE OF PANAX

John P. McGoff forecasts more expansion and higher profits in Panax's future through the utilization of the same purchase methods he has used in the past, combined with a new corporate management structure. After experimenting with the broadcasting stations, McGoff feels he has the key to buying winning properties.

We acquired in most cases properties that were broken down, properties that were not performing and which we felt could, and therefore we were able to acquire them for often a lot less money. Secondly, to start a newspaper is an extremely expensive and very dangerous effort. To acquire something that isn't performing well and to give it new tools, new management tools, is a darn good investment. And we've proved that, time and time again. We can put the right people in the right places. That's a very basic philosophy that I have.<sup>60</sup>

McGoff also feels he succeeds because he does most of his own scouting for new properties.

I do most of my own scouting because I think I know what I want. I don't want a broker trying to convince me of what I should have. Secondly, in answer to your first question, I look at the market. I think it's very important. Is it a good market? Is it a static market? . . . Secondly,

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<sup>60</sup>McGoff, interview, June 30, 1975.

what are the physical facilities? Thirdly, what is the management? What kind of employees? Would a few changes of top management make it cause a dramatic turnaround? Those are the factors that I consider before I take the action to buy.<sup>61</sup>

McGoff also recommends his own brand of management.

I've found in our case we take properties that have been borderline for years. My modis operandi is to find the bad ones that I believe have potential, that I believe has the management and the management hasn't been properly managed, or it hasn't the management but could very quickly be turned around by putting new management in the operation.<sup>62</sup>

McGoff feels that television networks should be broken up and should be regionalized. He favors a dissemination of authority that can be seen on any given television station. However, no matter what actually happens to the organization of the broadcasting industry in the near future, McGoff says that by 1985 he would like to own one paper for each day of the year.

I wasn't kidding when I said I would like to see us own one paper for each day of the year--365 papers--around the world. I would certainly expect that we would move into new areas--book publishing, satellites, wire service company, more worldwide television news. And also maybe things that at this point we don't know about.<sup>63</sup>

When asked what the main purpose of Panax is McGoff

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<sup>61</sup>Ibid.

<sup>62</sup>McGoff, Interview, July 8, 1975.

<sup>63</sup>Ibid.

replies, "To make money; that is the basis of any free enterprise organization--it has to make money. And secondly, to provide good communications."<sup>64</sup>

After 17 years with Panax, McGoff has made money for himself and has begun to make money for the company and the stockholders.<sup>65</sup> As for providing good communications, that's up to the public to decide.

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<sup>64</sup>Ibid.

<sup>65</sup>In 1974 McGoff received \$67,386 as his salary as president. McGoff owns 66,365 shares of Panax stock. He will get \$11,580 annual retirement pay.

## **APPENDICES**



APPENDIX A  
LISTS OF PANAX BROADCASTING, NEWSPAPER  
AND PUBLISHING PROPERTIES

APPENDIX A  
 PANAX BROADCASTING PROPERTIES<sup>1</sup>

Station	Location	Purchase Date	Sale Date
KFEQ-TV	St. Joseph, MO.	9/1/63	7/15/69
KFEQ-AM	St. Joseph, MO.	9/1/63	3/8/69
KLIK-AM	Jefferson City, MO.	9/1/63	9/30/68
WMAX-AM	Grand Rapids, MI	1/2/65	4/4/68
WGMZ-FM	Flint, MI	9/1/63	2/14/66
WABX-FM	Detroit, MI	12/31/63	2/21/66
WQDC-FM	Midland, MI	12/31/63	2/14/66
WSWM-FM	East Lansing, MI	1959	12/15/70
WAAM-AM	Flint, MI	12/31/63	4/1/68

<sup>1</sup>Sources: [Source 1] Securities and Exchange Commission, Form 10 for the Fiscal Year Ended December 31, 1969 (Washington, D.C.: The Securities and Exchange Commission, 1970). [Source 2] Panax Annual Report, 1971.

PANAX NEWSPAPER PROPERTIES<sup>1</sup>

Newspaper	Location	Purchase Date	Sale Date
<u>Alma Record Leader</u>	Alma, MI	6/1/65	8/10/68
Associated Newspapers	Belleville, MI Garden City, MI Inkster, MI Romulus, MI Wayne, MI Westland, MI	12/31/68	
<u>Escanaba Daily Press</u>	Escanaba, MI	4/16/66	
<u>Iron Mount News</u>	Iron Mountain, MI	4/16/66	
<u>Marquette Mining Journal</u>	Marquette, MI	4/16/66	
<u>Ingham County News</u>	Mason, MI	7/25/68	1/9/71
<u>Mt. Pleasant Times-News</u>	Mt. Pleasant, MI	10/22/64	
News-Herald Weekly Newspapers	Riverview, MI Southgate, MI Trenton, MI Wyandotte, MI	10/6/69	
<u>Ypsilanti Press</u>	Ypsilanti, MI	7/1/68	9/71
<u>St. Louis Leader-Press</u>	Alma, MI	1967	
<u>Macomb Daily</u>	Mt. Clemens, MI	11/71	
Calumet Publishing Co. <u>The Daily Calumet</u> <u>Lansing Sun-Journal</u> <u>The News</u>	Lansing, IL Chicago, IL Lansing, IL South Chicago Suburbs, IL	10/6/72	
<u>Munster Sun-Journal</u> <u>The Calumet Day</u>	Munster, IL North Hammond, Whiting, IN		
<u>Calumet City Sun-Journal</u> <u>Harvey Bee News</u> <u>Griffith Sun-Journal</u> <u>Route 30 Sun-Journal</u> <u>South Suburban Advertiser</u>	Calumet IL Harvey, IL Highland, IL Griffith, IL South Chicago Suburbs, IL		

Newspaper	Location	Purchase Date	Sale Date
<u>Dearborn Press</u>	Dearborn, MI	1973	
<u>Miami Beach Times</u>	Miami, FL	6/73	11/75
<u>Holt Community News</u>	Holt, MI	7/25/68	
<u>Community News a/k/a</u>	Harper Woods, MI	1/31/73	
<u>Detroit Area Weekly Newspapers (DAWN)</u>	Harper Woods, MI Grosse Pointe, MI St. Clair Shores, MI East Detroit, MI Roseville, MI Fraser, MI Warren, MI Centerline, MI Mt. Clemens, MI Clinton Township, MI	1/31/73	
<u>The Mellus Newspapers</u>			
<u>The Allen Parker</u>	Allen Park, MI	10/6/69	
<u>The Ecorse Enterprise</u>	Ecorse, MI		
<u>Lincoln Parker</u>	Lincoln Park, MI		
<u>Melvindale Messenger</u>	Melvindale, MI		
<u>Southgate Sentinel</u>	Southgate, MI		
<u>Taylor Tribune</u>	Taylor, MI		

<sup>1</sup>Source: Panax Annual Reports, 1966-1975.

PANAX PUBLISHING AND OTHER PROPERTIES<sup>1</sup>

Property	Location	Purchase Date	Sale Date
American Press Co. (formerly Keystone Printing Co.)	Detroit, MI	7/14/72	6/18/74
Wayne Graphics Publishing Services, Inc. (Keystone)	Lincoln Park, MI	7/14/72	
Kalamazoo Printing Machinery Co.	Kalamazoo, Mi	12/31/68	
Record Printing Co.	Alma, MI	6/1/65	8/10/68
Inco Graphics	Mason, MI	7/25/68	
Panax Publishing Co. (formerly Calumet Publishing Co.)	Calumet, IL	10/6/72	
Panax Shipping Ltd.	Georgetown, Grand Cayman, B.W.I.	1972	
Illiana Advertising Agency	Lansing, IL	10/72	
Litho Type	Lansing, IL	10/72	
Midwest Community Press	Lansing, IL	10/72	
Promotion Management Associates	Detroit, MI Lansing, IL	10/72	
Suburban Publishers Press	Lansing, IL	10/72	
Xanap, Ltd.	Pretoria, South Africa	12/73	

<sup>1</sup>Source: Panax Annual Reports, 1966-1975.

APPENDIX B  
LIST OF PANAX OFFICERS AND  
DIRECTORS: 1966-1975

APPENDIX B

LIST OF PANAX OFFICERS AND DIRECTORS

1966

JOHN P. MCGOFF, President and Director  
NED S. ARBURY, Director and Chairman of the Board  
MICHAEL L. DOW, Vice President, Treasurer and Director  
CLARENCE E. RHODES, Vice President and Director  
RICHARD L. MILLIMAN, Vice President and Director  
THOMAS K. MATTHEWS, Vice President and Director

BERRIEN C. EATON, JR., Secretary and Director  
(Partner, Miller, Canfield, Paddock and Stone)

MRS. NED S. ARBURY, Director  
(Housewife)

PHILIP R. MUNSON, Director  
(President, Metrocom, Inc.)

HAROLD C. GOOD, Director  
(Director, J. M. Smucker Company)

ROBERT W. BOGART, Director  
(Eastern Michigan Branch Manager, Great West Life  
Insurance Company)

EDWIN O. GEORGE, Director  
(Senior Vice President, Detroit Edison Company)

FRANK J. RUSSELL, JR., Director  
(President, Russell Enterprises)

SAMUEL M. COHODAS, Director  
(President, First National Bank and Trust Company,  
Marquette)

EDGAR L. HARDEN, Director  
(President, Northern Michigan University)

1968

JOHN P. MCGOFF, President and Director  
NED S. ARBURY, Director and Chairman of the Board  
MICHAEL L. DOW, Vice President, Treasurer and Director  
CLARENCE E. RHODES, Vice President and Director  
THOMAS K. MATTHEWS, Vice President and Director  
JAMES N. BROWN, Vice President and Director  
RICHARD A. JONES, Secretary and Director  
MRS. NED S. ARBURY, Director  
HAROLD C. GOOD, Director  
EDWIN O. GEORGE, Director  
SAMUEL M. COHODAS, Director

RICHARD L. MILLIMAN, Director  
 ROBERT L. REFIOR, Director  
 ADRIAN L. VANDERLINDE, Director

1969

JOHN P. MCGOFF, President and Director  
 NED S. ARBURY, Chairman of the Board and Director  
 MICHAEL L. DOW, Executive Vice President  
 CLARENCE E. RHODES, Vice President and Director  
 JAMES A. LUKE, Vice President  
 JAMES N. BROWN, Vice President and Director  
 RICHARD A. JONES, Secretary and Director  
 MRS. NED. S. ARBURY, Director  
 HAROLD C. GOOD, Director  
 EDWIN O. GEORGE, Director  
 SAMUEL M. COHODAS, Director  
 RICHARD L. MILLIMAN, Director  
 ROBERT L. REFIOR, Director  
 ADRIAN L. VANDERLINDE, Director

1970

JOHN P. MCGOFF, President and Director  
 MICHAEL L. DOW, Executive Vice President, Treasurer and  
 Director  
 NED S. ARBURY, Chairman of the Board and Director  
 MRS. NED S. ARBURY, Director  
 JAMES N. BROWN, Vice President and Director  
 SAM M. COHODAS, Director  
 JAMES J. CONWAY, Vice President, Finance  
 EDWIN O. GEORGE, Director  
 HAROLD C. GOOD, Director  
 RICHARD A. JONES, Secretary and Director  
 RICHARD L. MILLIMAN, Director  
 ROBERT L. REFIOR, Director  
 CLARENCE E. RHODES, Vice President and Director  
 ADRIAN L. VANDERLINDE, Director

1971

JOHN P. MCGOFF, President  
 NED S. ARBURY, Chairman of the Board  
 MICHAEL L. DOW, Executive Vice President and Treasurer  
 CLARENCE E. RHODES, Vice President  
 JAMES J. CONWAY, Vice President-Finance  
 JAMES N. BROWN, Vice President  
 RICHARD A. JONES, Secretary  
 MRS. NED S. ARBURY, Director  
 HAROLD C. GOOD, Director



EDWIN O. GEORGE, Director  
 SAM M. COHODAS, Director  
 RICHARD L. MILLIMAN, Director  
 ROBERT L. REFIOR, Director  
 ADRIAN L. VANDERLINDE, Director  
 WILLIAM E. KREGER, Director  
 LUCILE D. MCKEE, Director  
 ROBERT MCKEE, Director  
 MARK T. MCKEE, Director

1972

JOHN P. MCGOFF, President and Director  
 MICHAEL L. DOW, Executive Vice President, Treasurer, Director  
 NED S. ARBURY, Chairman of the Board  
 MRS. NED S. ARBURY, Director  
 JAMES N. BROWN, Vice President and Director  
 SAM M. COHODAS, Director  
 JAMES J. CONWAY, Vice President, Finance  
 EDWIN O. GEORGE, Director  
 HAROLD C. GOOD, Director  
 RICHARD A. JONES, Secretary and Director  
 WILLIAM E. KREGAR, Director  
 JAMES A. LINEN, IV, Vice President and Director  
 LUCILE MCKEE, Director  
 MARK T. MCKEE, SR., Director  
 ROBERT S. MCKEE, Director  
 ROBERT L. REFIOR, Director  
 CLARENCE E. RHODES, Vice President and Director  
 CALVIN SELFREDIGE, Director

1973

JOHN P. MCGOFF, President  
 NED S. ARBURY, Chairman of the Board  
 MICHAEL L. DOW, Executive Vice President and Treasurer  
 CLARENCE E. RHODES, Vice President, Administration  
 DONALD H. LAYMAN, Vice President and Controller  
 JAMES N. BROWN, Vice President  
 JAMES A. LINEN, IV, Vice President  
 RICHARD A. JONES, Secretary  
 MRS. NED S. ARBURY, Director  
 HAROLD C. GOOD, Director  
 EDWIN O. GEORGE, Director  
 SAMUEL M. COHODAS, Director  
 ROBERT L. REFIOR, Director  
 JAMES N. BROWN, Vice President; General Manager of the Macomb  
Daily  
 RICHARD A. JONES, Secretary  
 WILLIAM E. KREGAR, Director  
 LUCILE MCKEE, Director

MARK T. MCKEE, Director  
 ROBERT MCKEE, Director  
 CALVIN SELFRIDGE, Director

1974

JOHN P. MCGOFF, President, Director  
 NED S. ARBURY, Chairman of the Board  
 CLARENCE E. RHODES, Senior Vice President, Director  
 MICHAEL L. DOW, Treasurer, Director  
 JAMES A. LINEN, IV, Vice President, Director  
 DONALD H. LAYMAN, Vice President and Controller  
 RICHARD A. JONES, Secretary and Director  
 JAMES N. BROWN, Vice President; Managing Director, Xanap Ltd.  
 FRANK SHEPHARD, Vice President, Operations  
 RALPH KAZIATECK, Group Vice President, Regional Manager  
 HARRY BUCKEL, Group Vice President, Regional Manager  
 MRS. NED S. ARBURY, Director  
 HAROLD C. GOOD, Director  
 EDWIN O. GEORGE, Director  
 SAMUEL M. COHODAS, Director  
 ROBERT L. REFIOR, Director  
 WILLIAM E. KREGAR, Director  
 LUCILE MCKEE, Director  
 MARK T. MCKEE, Director  
 ROBERT MCKEE, Director  
 CALVIN SELFRIDGE, Director

1975

JOHN P. MCGOFF, President, Director  
 FRANK H. SHEPHARD, Executive Vice President  
 DONALD H. LAYMAN, Vice President, Finance  
 HARRY J. BUCKEL, Vice President, Administration  
 RALPH S. KAZIATECK, Northern and Central Region Group Vice  
 President  
 MARTIN N. HEIM, Southeastern Regional Group Vice President  
 ROBERT ANDERSON, Group Vice President, Panax Publishing Co.  
 ADRIAN L. VANDERLINDE, General Manager, Kalamazoo Printing  
 Machinery Co.  
 JAMES N. BROWN, General Manager, Xanap Limited  
 RICHARD J. NICOL, General Manager, Panax Printing and Miami  
 Beach  
 NED S. ARBURY, Chairman of the Board  
 CLARENCE E. RHODES, Senior Vice President  
 RICHARD A. JONES, Secretary  
 MRS. NED S. ARBURY, Director  
 HAROLD C. GOOD, Director  
 EDWIN O. GEORGE, Director  
 SAMUEL M. COHODAS, Director  
 ROBERT L. REFIOR, Director

WILLIAM E. KREGAR, Director  
LUCILE MCKEE, Director  
MARK T. MCKEE, Director  
ROBERT MCKEE, Director  
CALVIN SELFRIDGE, Director

**APPENDIX C**  
**LIST OF SERVICE YEARS OF PANAX BOARD**  
**MEMBERS AND OFFICERS: 1968-1975**

APPENDIX C

LIST OF SERVICE YEARS OF PANAX BOARD  
MEMBERS AND OFFICERS: 1968-1975

MEMBERS AND OFFICERS	1968	1969	1970	1971	1972	1973	1974	1975
Ned S. Arbury	X	X	X	X	X	X	X	X
Mrs. Ned S. Arbury	X	X	X	X	X	X	X	X
James N. Brown	X	X	X	X	X	X	X	X
Harry Buckel							X	X
Sam M. Cohodas	X	X	X	X	X	X	X	X
James N. Conway			X	X	X			
Michael L. Dow	X	X	X	X	X	X	X	X
Edwin O. George	X	X	X	X	X	X	X	X
Harold C. Good	X	X	X	X	X	X	X	X
Richard A. Jones	X	X	X	X	X	X	X	X
Ralph Kaziateck							X	X
William E. Kreger	X	X	X	X	X	X	X	X
Donald H. Layman						X	X	X
James A. Linen, IV					X	X	X	X
James A. Luke		X						
John P. McGoff	X	X	X	X	X	X	X	X
Thomas K. Matthews	X							
Lucile McKee	X	X	X	X	X	X	X	X
Mark T. McKee	X	X	X	X	X	X	X	X
Robert McKee	X	X	X	X	X	X	X	X
Richard L. Milliman	X	X	X	X	X			
Robert L. Refior	X	X	X	X	X	X	X	X
Clarence E. Rhodes	X	X	X	X	X	X	X	X
Calvin Selfridge					X	X	X	X
Frank Shephard							X	X
Adrian L. Vanderlinde	X	X	X	X				

**APPENDIX D**  
**BUSINESS AFFILIATIONS OF PANAX**  
**BOARD MEMBERS AND OFFICERS**

APPENDIX D

BUSINESS AFFILIATIONS OF PANAX  
BOARD MEMBERS AND OFFICERS

NED STEPHEN ARBURY.

A.S. Arbury & Sons, Inc., Midland, president, treasurer  
Ultra Carbon Corp., Bay City, secretary, director

JAMES N. BROWN

Ingham County News, Mason, past president and co-publisher  
Davis Index, Davison, past president (past)  
Ram's Head Toggery Men's Wear, Holt, president (past)  
Dart National Bank, Mason, director (past)

HARRY BUCKEL

Michigan Chamber of Commerce, vice president of finance &  
development (past)

SAMUEL M. COHODAS

Miners First National Bank, Ishpeming, chairman of the board  
Michigan Financial Corporation, president  
First National Bank & Trust Co., Marquette, chairman of the  
board  
Cohodas Orchard Co., president and director  
Northwest Fruit Co., Escanaba, president  
Cohodas Brothers Co., Menimonee and Green Bay, Wisc., pre-  
sident & director  
Wisconsin Distributing Co., Appleton, president & director  
Cohodas Lancaster Frank Co., Yakima, Wash., president &  
director  
Cohodas-Paoli Co., Houghton, president & director  
Cohodas-Phillips Co., Iron River, president & director  
Cohodas-Paoli-Nast Co., Ironwood, president  
Mather Inn, director  
Trenarry State Bank, chairman  
First National Bank & Trust Co., Escanaba, chairman  
Gwinn State Bank, chairman  
First National Bank, Hermansville, director  
Yakima Fruit & Cold Storage Co., director

MICHAEL LLOYD DOW

Michael Dow Associates, East Lansing, president  
Holiday Inn, Traverse City & Mt. Pleasant, co-owner  
General Aviation, Inc., Lansing, co-owner

## EDWIN ORDELL GEORGE

Detroit Edison Co., president, director and other positions  
 Reddy Kilowatt, Inc., director  
 First Federal Savings, Detroit, director

## HAROLD C. GOOD

J. M. Smucker Company, director

## RICHARD A. JONES

Miller, Canfield, Paddock and Stone, partner

## WILLIAM E. KREGER

Great Lakes Coca-Cola Bottling Co. of Indiana, Inc., vice president  
 Coca-Cola Bottling Co. of Wyandotte, Inc., former director

## DONALD H. LAYMAN

Ernst and Ernst, accountant (former)

## JAMES A. LINEN, IV.

Calumet Publishing Co., Inc., Chicago, president and publisher

## JOHN PETER MCGOFF

Michigan National Bank, Lansing Office Advisory board of directors  
 Michian State Chamber of Commerce, member; former president  
 Operation Action--U.P., executive committee member; former treasurer, vice president  
 American Family Life Assurance Co. of Columbus, Ga., director  
 Overseas Advisory Associates, Inc., director  
 Maintenance Services, Inc., vice president and director

## LUCILE MCKEE

Landmark Company, president

## MARK THOMPSON MCKEE

Wisconsin-Michigan Steamship Company, chairman of the board  
 Pan American World Airways, retired director  
 Sand Products Corp., director and vice president  
 Steeprock Iron Mine Co., Atikokan, Ontario, director  
 West Michigan Dock and Market Corp., director  
 Muskegon Dock and Fuel Co., director  
 Macomb Publishing Co., Mt. Clemens, director



HCM Company, director  
Guerdon Industries, Inc., director  
Hans Mueller Corp., director  
American Family Life Association, director  
Chatmar, Inc., San Francisco, chairman

ROBERT MCKEE

Sand Products Corporation, treasurer and director

RICHARD L. MILLIMAN

Grand Ledge Independent, publisher  
Livingston County Press, publisher

ROBERT L. REFIOR

American Mobile Products Company, director

CALVIN FREDERICK SELFRIDGE

Wilson and McIlvaine, partner

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