

UFLC 71

Interviewee: Alex Grass

Interviewer: Julian Pleasants

Date: July 8, 1997

P: This is an interview with Alex Grass. It takes place in his office at the Rite Aid Corporation. The date is July 8, 1997, and the interviewer is Julian Pleasants. Mr. Grass, where and when were you born?

G: I was born in Scranton, Pennsylvania, on August 3, 1927.

P: What were the economic circumstances and social situation of your youth?

G: I came from a family of decent means. My father was a business man; however, he unfortunately died during The Depression when I was nine years old. A lot of the business insurance had been borrowed upon, and as a consequence we were left without too much money.

P: How did his death affect you?

G: It taught me that I had to depend upon myself, and that if I were going to achieve anything, it would have to be as a result of my doing.

P: What was your father's occupation?

G: He was a manufacturer of hats and caps in Scranton, Pennsylvania.

P: Did your mother work?

G: She did not work until after my father's death.

P: How did your father's death impact your mother?

G: I think that it was difficult being a widow with two young children. I was nine and my brother was three. My mother was from Pittsburgh, Pennsylvania, so shortly after my father died we moved from Scranton to Pittsburgh. I actually stayed in Scranton until I had my Barmitzvah, which is the Jewish ceremony when you reach thirteen years of age. Although my mother did have some brothers and a sister in Pittsburgh, she decided that there was no real reason to remain in Pittsburgh. She had a brother living in Miami, Florida. So she packed up the car, took us by way of New York to see the World's Fair (which was there at that time), and then we went down to Miami.

P: This was 1939?

G: 1940.

P: When you were in Miami, what did your mother do?

G: She worked during the war with the post office department censoring letters, and after the war she worked as an assistant manager in a small hotel.

P: During the war, as I recall, a lot of Miami Beach hotels were taken over by the military. Is that correct?

G: That is correct. It was like living in a huge military base. At the time that we lived in Miami, there was marching going on all around us.

P: Describe what Miami was like in the 1940s. There was a huge increase in population from about 1939, 1940 to 1945.

G: In the 1940s, Miami was still a relatively small Miami Beach, which is where I actually lived. I lived in Miami for a year, and then we moved to Miami Beach. I went to junior high and high school in Miami Beach.

P: At that time, how many people would be in Miami Beach and how many hotels? Was it very well built up at that time?

G: There were quite a few [hotels], but no where near what occurred after World War II when the major building boom took place, particularly toward the northern end of Miami Beach. For those people who were year-round residents, it was a relatively small, close-knit community. Our high school was not a large high school; it was medium size. There was an awful lot of camaraderie. It was a totally different kind of population mix than is the case today.

P: Before I leave this area, did your father have any impact on your business career?

G: Not really, no.

P: Where did you go to high school?

G: I went to Miami Beach High School. I felt that I received an excellent education there particularly in terms of the liberal arts (grammar and vocabulary). During the years that I went there, I think that Miami Beach High School was considered one of the better high schools in the country. It had a disproportionately large Jewish population, most of the graduates went on to college, except for those whose education was interrupted by the war. It was challenging intellectually because of the caliber of the students that went there.

P: Were you a good student?

G: I was just a fair student because I was working almost the entire time that I was in school.

P: I understand one of your early jobs was in a drugstore.

G: That is correct.

P: How did that affect your later career?

G: It is just coincidental. The drugstore job happened to be a good job that paid well. During the war with all of the military in Miami Beach, it was quite easy to get a job and to work as much as you wanted to, and I pretty much worked full time.

P: Phil Emmer [local developer in Gainesville] mentioned that during the war, you and he were involved in things like blood drives, paper drives, war bonds, and that sort of thing. Could you tell me a little about that experience?

G: During the war, there was a great deal of patriotism in the country. There were not any of the kinds of doubts that existed during the Vietnam Era. As high school kids, our ambition was to finish school and be old enough to go into service. Prior to reaching that stage, we did what I guess most people throughout the country did and that was to do all that we could to help in the war effort. As I say, there was great patriotism and great loyalty during World War II. People collected their used Crisco cans that were supposedly used to help make munitions. People picked up cigarette packages off the streets and peeled the foil from the paper. Everything was saved.

P: Tell me a little bit about the paper drives. What would you do and how would you collect your paper?

G: We would go from house to house on our bikes, which had baskets, and collect them.

P: Where would you take them?

G: There was a central depot that collected it and took it away. I do not recall what it was used for at that time. I think all newspaper was saved back then.

P: So you were in school, had a regular job, and worked on these volunteer projects. Did you go to a synagogue in Miami Beach?

G: No.

P: Phil Emmer said that both of you lived in poverty, but you did not know that you were poor. Could you explain what he meant by this?

G: I lived with my mother and my brother in a small apartment that did not have a bedroom. It was what is referred to as an efficiency apartment. We had studio couches that we slept on at night. Because I was working, we always had whatever was required. We did not miss a meal. We managed to get along fairly well, and we had a lot of fun back in those days.

P: Would you describe this period as a happy period for you?

G: Yes, I would say happy. I was not old enough at that time to be too concerned about the future as is normally the case with youth. I looked more to the next day and not much further ahead.

P: Phil Emmer did mention that you all did take time out, as he said it, to chase girls.

G: To the extent that we had the time. I think Phil may have been more active in that endeavor than I was, but we did go out on dates.

P: Why did you enter the Navy in June of 1945?

G: [I entered] in the same spirit of patriotism that we talked about earlier. I had been involved in the Miami Beach environment; I had seen the military, which was all around us. Also, I was aware that Hitler had been a particularly vile person, and the knowledge of his anti-Semitism was starting to become known. I think that I was interested in getting in the war to help beat the Germans.

P: Did you encounter any anti-Semitism in your high school or in Miami?

G: Not in high school. I did in Miami when we first moved to the area. We lived in Miami before we moved to Palm Beach, and in the junior high school I attended there, I was the only Jewish person in my class. I can remember being chased down and running ahead of whoever was trying to catch me. As a result of that, I think my mother decided that even though it was more expensive, it would be better if we moved to Miami Beach rather than stay in Miami. We were living in the same apartment building that my uncle lived in, which was less expensive (that is why we first went there), and we were getting acclimated [to Miami] there.

P: How did you deal with that sort of anti-Semitism as a young boy?

G: There was not a lot of it. And I do not know whether it was anti-Semitism as such or just kids chasing one another.

P: Where did you get your naval training and where did you serve?

P: I received my naval training in Bainbridge, Maryland, at the Bainbridge Naval Training Center. After that, I was sent to Yeoman's School in San Diego, California. After San Diego, I was sent to San Francisco for a short period of time, and then I was sent to work at the Separation Center in Norfolk, Virginia, which was called Camp Shelton. By this time the war had ended. It actually ended while I was in boot camp. I think I was shipped to Norfolk with a company of about 120 people, which was typical of the Navy. I think that I was probably the only Jewish sailor in the company, so they made me Yeoman to the Methodist chaplain. [laughter] That was a very good experience. He was a great guy. I learned a lot from him, and I had a lot of fun in Norfolk.

P: Why did you choose the Navy?

G: It just seemed more interesting. Life on a boat seemed better than life in a trench.

P: Had you always had a love affair with boats?

G: On occasion I had been out on a motor boat. Phil and I had a friend whose father had a large boat that we constantly worked on. We helped him clean it and paint it, and in return he would always promise us a ride that never came. So I guess it was just the environment of Miami Beach and seeing the boating that took place there.

P: What impact did your Navy experience have on you life?

G: I do not think that it had a major affect. It was my first period away from home, so it did help me develop some independence which was probably the major factor.

P: You did get to see quite a bit of America: San Francisco, San Diego, Norfolk...

G: Then I finished up in Jacksonville. I was in the Navy for fifteen months, and in that period of time I was able to experience a variety of places without spending too much time in any one place.

P: You were discharged in August of 1946, is that correct?

G: That is correct.

P: What were your plans at that point?

G: To go to college.

P: Why did you choose the University of Florida?

G: It was the best school that I could afford.

P: Did you consider other schools?

G: I dreamt about other schools, but I did not consider any other school seriously.

P: What undergraduate courses did you take at Florida that were meaningful to you?

G: I do not know whether they still offer them today, but there were courses in the Humanities that I found to be very helpful to me and that left me with a real interest in art which has continued through today. Actually, though, I did not have the time to take too many elective courses, but I did have an advantage as a result of having been a veteran. Back then, law school was requiring an associate of arts degree, which was two years of undergraduate work, to help all of the veterans who had spent years in service catch up. The school was also offering what were referred to as "USAFIE" tests, U.S. Armed Forces Institute Exams, that also helped the people who had lost years in service catch up by giving them the opportunity to take certain exams, and, if they passed them, to receive credit for freshman courses. I received enough credit from those exams to obtain the equivalent of one year of undergraduate studies my freshman year. Then I took one year of actual studies. At that time I was seriously considering architecture, and one of the courses that I took was a drafting course, which I enjoyed. The other course was advanced calculus, which I did not enjoy, and it was at that time that I decided to go to law school. As a result of the one year of credit that I received from those tests and the one year of undergraduate school that I had completed, I was in law school one year after I entered Gainesville. At that time they were offering a five year law program. So as a result of having been in the service, I was way ahead of myself instead of being behind. Also, in terms of the economics of the time, I had the G.I. Bill, but because I had been in service for such a short period of time, I did not have a large amount in the G.I. Bill. I had a very small trust fund of \$2,400 that had been set up by an uncle of mine who my father had helped when he had gone into business. So my objective had to be to get through school as quickly as I could in order to have sufficient funds to complete my degree. In the summer of my first year of school in Gainesville, I went back to Miami and attended the University of Miami because I could live at home and get the balance of what I needed for pre-law school. When I came back to Gainesville in the fall, I started law school, and I

went to law school year-round so that I was able to finish law school in two years plus two summers. I carried a heavy load.

P: Did you have a job while you were in school?

G: I just could not take as many credits as I was taking and work. I lived initially in the dormitories and then moved out of the dormitories into a house that I rented with three other fellas. It was roomier and actually no more expensive.

P: What was the campus like during this period of time?

G: The campus was just starting to blossom. Right after the war there was a large increase in the size of the student body. Everyone was crowded because there were no new buildings. However, there were a lot of temporary housing that was built for married students.

P: You are referring to Flavet, the area that was for Florida Veterans?

G: Yes.

P: So there were Quonset huts, trailers, and other facilities?

G: Exactly. Of course, also at that time, I think it was 1947, the school was made co-educational. So there was also the introduction of the co-ed to the campus.

P: How did that change the environment?

G: I think that most of the fellas were pretty excited about it. Although women were a small minority compared to the male student body, if you did find someone to go out with, you did not have to travel to Daytona Beach or to Jacksonville, which seemed to be the places we would migrate to on weekends when we had the chance.

P: How many women would have attended the university in the first year?

G: I do not remember the exact quantity, but it was a very small number. Of course, back then the university was much smaller than it is today. I do not recall the exact student body count, but it seems as though the number 9,000 sticks in my mind.

P: Were there any women in law school?

G: Yes. There were a couple of very bright girls. This has nothing to do with what we are talking about, but one of the big events that occurred, as far as the school

was concerned, was the Gator football team's win that broke its very long losing streak. In fact, I believe they went winless for a full season. So there was a big event in town celebrating their win.

P: What other sort of extra-curricular activities were you involved in?

G: I did not have a lot of time given my course load. Back then, there were a lot of very serious students. Veterans who had been in service for a long period of time worked very diligently to get through school, and that hard work set a pattern and created an environment that was more serious and more scholastic than perhaps might be the case today.

P: Was there a large Jewish student population?

G: There was not a large Jewish student population, but there were two Jewish fraternities: ZBT and Pi Lam. When I entered the school, I started to pledge Pi Lam. One of the things that they did as part of their hazing was ask me to clean the bathroom with a tooth brush. I was feeling my oats in the fact that I had been in service, and I said, they are not going to have a veteran do this, and I dropped out.

P: What courses did you take in law school that you thought were significant in your later career?

G: Overall, the kind of study habits that you learn and the kind of concern for issues and detail provide a groundwork that is extremely helpful in business. In terms of specifics, those courses have helped me when I had to read a contract or when I had to understand some of the legal matters that you become involved in as a business grows. On the other hand, I learned early on that I would depend upon people whose principal activity was to practice law when my principal activity became the building of a business.

P: Which courses did you like the best in law school?

G: I enjoyed contracts and common law. I did not enjoy property law. Beyond that, it was [just a matter] of getting through the three years of law school as quickly as I could. One of the more interesting situations in my law school career occurred in my freshman year, at the time we were studying for a Torts exam. I had Professor Maloney [Frank Edward Maloney, Professor of Law and Dean Emeritus, 1946-1981], who was there for a good many years, and I stayed up all night studying for the exam to the point where I fell asleep in the early morning hours and missed the exam. I went to see the professor, and I was really worried as to what was going to happen, but he was understanding and gave me the opportunity to take the test a day later. He trusted that I would not

violate any of the confidences of the exam. A few years ago when I was in Gainesville, I reminded him of that. He did not remember it, but to me it was one of the important experiences of my law school career because it could have really played havoc upon me.

P: Are there any other professors you remember who were particularly outstanding?

G: There was a corporate law attorney who was a visiting professor. Coincidentally, he turned out to be the senior partner of the major law firm here in Harrisburg, Pennsylvania. His name was Sterling McNees [Professor of Law, 1947-1948]. He is long since deceased, but he taught me corporate law.

P: What was the law school like during this period of time? How many students? What kind of curriculum?

G: I do not recall the exact number of students, but there were certainly less than 1,000. I think there were between 600 and 700 students. I have not looked at the current curriculum of the law school, but I would guess that it has changed little since the time I was there.

P: Not too long ago, I met with the law dean, and one of the things they are doing now is having a specific practicum with Holland and Knight, which, as you know, is one of the large law firms in the state of Florida, so that the students can really get more of an idea of how to practice law. Does that sound like a good idea to you?

G: That sounds very important. I thought that one of the key elements of learning law that was missing from the law school curriculum at the time that I graduated was the real experience of a courtroom. There was a moot-trial, but that does not give you exposure to a judge which is so important in preparing you for that first time you walk into a courtroom. When I started practicing law, and I practiced law for only a very short period of time, I really was not prepared for the real circumstances of actually being in a courtroom with a judge, and I was worried about what might happen under those circumstances.

P: What kind of law did you plan to practice?

G: I was not sure. I was looking to find whatever possibility I could find. By the time I graduated in the summer of 1949, there were an awful lot of lawyers being turned out, proportionately speaking for the period, because a lot of the people who had been in service were all catching up and pouring out of school. So I ended up just getting some space in an attorney's office in Miami Beach.

P: What were your goals at that point?

G: To make a living, and that was really about it. I did a couple of divorces and a couple of collections, just some odds and ends. Then I decided that if I could accomplish it, I would like to specialize in tax law, and the ideal preparation for a specialization in tax law is work with the Internal Revenue Service. Now at that time, soon after I started practicing, I met a girl from Harrisburg who I subsequently married.

P: This is Lois Lehrman.

G: Right.

P: How successful were you in the practice of law in Miami?

G: I was not at it long enough to really achieve any meaningful success. I was at it for just about a year.

P: Did you see yourself as a career attorney at this point?

G: I would say, yes. But I was convinced that I was going to do whatever I had to do to make a decent living.

P: Let me get back to the law school. What impact do you think these veterans had on the law school and how did they mix together with the younger law students?

G: I think they mixed together well. I think that they created a very serious, studious environment. They did not have the time to fool around; they were anxious to catch up for the time that they had lost. So that was the kind of surrounding in which I found myself. But as I have said, in my case, military service enabled me to get through law school much sooner than I would have otherwise. I graduated in 1949. If I would have followed the normal seven-year course, I would have gotten out in 1952.

P: So your patriotism was an advantage?

G: It worked out extremely well.

P: Could you have gotten through law school without the G.I. Bill?

G: No, I do not think so.

P: How important was the G.I. Bill in American history?

- G: I think that the G.I. Bill created the success of this country after World War II because it made it possible for individuals to go to college or to get all types of technical and professional training. Without the bill, many of these people probably could not have otherwise afforded to do those things.
- P: I wanted to mention one anecdote. Phil Emmer said that occasionally you all would get so hungry that you would go and kill squirrels and cook them for food. Is there any truth to that?
- G: That is a gross exaggeration. We might have eaten cans of beans, but we did not eat squirrels. [laughter] In fact, I remember a can of beans exploding because we were eating it wrong. Phil was at Georgia Tech, so he really does not know precisely what happened during college.
- P: You would have eaten a lot of Spam, I believe.
- G: Spam, beans, and a lot of cold cuts -- a lot of bologna and salami. I will tell you one other anecdote about the school. We did live really short of funds, particularly when we were waiting for the first of the month for the G.I. check to come. There were four of us living in this cottage, and we all had gone to high school together. One of the fellas was an architecture student who was quite talented at drawing delineations -- prospective pictures of buildings to be built -- and he was doing work for an architect in Jacksonville. We had reached the end of the month and were just about out of money, and he had a picture to deliver to Jacksonville which he was supposed to be paid for, but he did not have the money to get to Jacksonville. So we pooled our funds so that he could take a bus into Jacksonville. He came back the next day, and we asked him where the money was to pay us back. He said, well, I spent just about all of it. So we asked him what had happened to it. He told us that he had met a prostitute in Jacksonville, and there went all of our money.
- P: That was not a good early investment, right?
- G: That is how close we were living in terms of having funds available.
- P: How and where did you meet your first wife, Lois Lehrman?
- G: I met her grandfather, who was a winter visitor to Miami Beach. He told me that he had a granddaughter coming to visit him, and one thing led to another and I took her out on a date.
- P: And how long after that first date did you get married?
- G: About six months. We eloped.

P: Where did you elope?

G: She went down to Florida to visit me a second time and a third time. She was a freshman at Bryn Mawr College [Bryn Mawr, Pennsylvania]. After about her fourth or fifth trip to Florida, I came up here [to Pennsylvania], and she introduced me to her parents. When she came to Florida, we got married with some friends of mine as witnesses. We went to a place called Tyler Cafeteria for our wedding dinner, and that was it.

P: You did not have a honeymoon?

G: No.

P: When did you move back to Harrisburg, [Pennsylvania]?

G: We moved back to Harrisburg about six months after we were married. Her father told me that he was friendly with someone who could help me with the Internal Revenue Service. But in order to be helped, I would have to be a Pennsylvania resident. So we came to Harrisburg in 1951. I went to work for the state in the Bureau of Corporation Tax with the thought that a combination of state tax and federal tax would be very helpful for what I wanted to do. While I was working for the Bureau of Corporation Tax, I took the Pennsylvania Bar Exam and passed it on my first try. At that time, Florida had the diploma privilege, and there were some people who I knew looked down their noses at Florida attorneys. I thought that the fact that I was able to take the bar exam, three years after I graduated from law school, and pass it in Pennsylvania was a credit to the University of Florida.

While I was working for the state, I lost the connection that I had with the IRS. At the time, there was some sort of scandal at the IRS, and, as I recall, the director was replaced. As a result, the contact was lost. So here I was in Harrisburg, Pennsylvania, and I did not know anyone in terms of practicing law. My father-in-law had a wholesale food business, which had been started by his father, that had done quite well during the war.

P: This is Louis Lehrman and Son?

G: Yes. During the war, they had coffee and sugar, so it had been quite successful. But after the war the chain supermarket started to expand very rapidly. One of the major chains of the region, the Food Fair chain, actually originated in Harrisburg. So the business, along with the other independent grocers, were struggling. It was doing \$4,000,000 a year at the time that I entered it in 1954. At that time, our discussions centered around the fact that the business had a decent building; it had a 55,000 square foot warehouse. So

maybe instead of staying in the grocery business, we thought we could possibly use the warehouse for a beer distributorship or perhaps maybe even a television distributorship because television was starting to really expand at the time. But we decided to stay in the business, and in five years I had the volume up. My father-in-law pretty much let me do whatever I wanted to do. He was not one who was too aggressive in the business. His father had been the aggressive one.

P: What was your position? Did you have a title?

G: I do not remember. Probably vice-president.

P: Did you invest money in the firm?

G: No. There was no need to.

P: How did you improve the sales?

G: I developed some programs that were appealing to some of the better independent grocers and, as a result, was able to get them as customers. I replaced most of the sales force, I watched more closely in terms of our purchasing and our promotions, and in five years I had the business up to about \$12,000,000 a year. In 1958 I decided to go into the rack-jobbing business as an adjunct of the food business. And that was to supply health and beauty aids and other non-foods to our grocery customers.

P: This is the Rack Rite Distributors?

G: That is correct.

P: Explain in a little more detail exactly what you did with this business.

G: The slang for the shelves were racks, the gondolas. The whole idea was to go into a store and take responsibility for the health and beauty aid section, which was relatively new to food markets in the 1950s, or the small toy department or small housewares department. We would provide the merchandise, a few pieces at a time, to the retailer pre-priced with a guaranteed margin or mark-up so that if it was priced at say \$1.00, the retailer would pay \$0.70 for it, and he would have a 30 percent margin on the selling price on everything that he bought in that line. I hired someone to run this business with me, who was actually to be the day-to-day manager. I rented a small abandoned railroad passenger station, which was our first location; it was 4,000 square feet. And that business caught on pretty well. By 1962 we were doing over \$5,000,000 a year and making much more profit in the rack-jobbing business than we were in the

whole-sale food business. In 1962 I decided to try a retail health and beauty aid store. In the early 1960s, fair trade was overturned by the Supreme Court. Prior to that time, the manufacturer could tell the retailer at what price he had to resell his products. For example, everybody sold Gillette blades at the same price. When fair trade was overturned and the manufacturer could no longer enforce the resale price, discounting started big-time in this country. That is when I started with a health and beauty aid store figuring that I had all of the product lines because of the rack-jobbing business, and I decided to open a store outside of our wholesale trading area so that we would not antagonize any of our customers. I opened a store in Scranton, Pennsylvania, in September of 1962.

P: This was Thrift-D Discount?

G: That is correct.

P: What products did you start with?

G: We had a line of about 1,500 health and beauty aids that we were selling to our grocery costumers through Rack Rite in addition to a very limited selection of non-health and beauty aid products -- some candy, some housewares, and some stationary products. The store in Scranton was very successful from the beginning. I opened a second store in Wilkes-Barre, Pennsylvania, which is up near Scranton, and that store was extremely successful. I opened a third store in Hazelton, Pennsylvania, which was also successful. By the time that I had three stores, the retail stores were making more money than the other two businesses put together. It was at that time that I decided to put my main emphasis and effort into the retail health and beauty aid business; we did not have pharmacies in the initial stores. So we started opening stores at a pretty rapid rate to the point where in 1968 the combined profit after tax of the companies, with the bulk of the profit coming from the retail business, was \$1,000,000. Once the profits reached \$1,000,000, it was my objective to have a public company.

P: What was your position in Thrift-D Discount?

G: I was president.

P: Where did you get the capital to expand?

G: Leverage with the banks, plus the money we were making. One time early on, we had \$100,000 worth of equity in the business, and I borrowed \$100,000 of bank debt.

P: This was for the first store?

- G: No. The first store did not take that. I am just saying that is the kind of leverage we had as we were building. For the first store, we took the inventory out of the rack-jobbing inventory warehouse.
- P: Your development was extraordinarily fast. It is interesting because you had some experience in the wholesale grocery business, but other than rack-jobbing, you really did not have business experience in this kind of situation. How did you develop your knowledge and skill of the business?
- G: I think that law school helped in terms of being precise and being logical. I feel that the most important asset of a legal education is that it teaches you to think in a logical fashion. I have always read a lot of business journals and business newspapers. I do not read a lot of fiction at all. Even today, I am still committed to my *Wall Street Journal*, my *New York Times*, my *Forbes*, my *Business Week*, and my *Fortune*.
- P: In the beginning, did you have confidence that this business would succeed?
- G: If I had nothing else, I had a lot of confidence. I pretty much have had confidence in whatever I have done. I do not think that you can really be successful if you have doubts and if you equivocate.
- P: Did you consider the beginning of this company, with its rapid expansion, as a risky venture?
- G: I did not think so.
- P: Why did you not have pharmacies in the first twenty-two stores?
- G: Because I knew nothing about the drugstore business. Pharmacists were expensive employees, and pharmacy, as I said, was something with which I was unfamiliar. But I guess the key determination was that we were being so successful without them.
- P: Then why did you decide to go to pharmacies?
- G: We were not the only ones in the drugstore industry or the discount health and beauty aid industry. We were in it early on, and we moved faster than a lot of other people, but there were certainly surroundings to be observed. As supermarkets and as discount department stores, like the K-Marts and the **Korvets** in the field, expanded their health and beauty aid departments, we were faced with more competition. I then started to think, how can we differentiate our business from a supermarket that is selling health and beauty aids. Of

course, this is well before supermarkets or discount department stores added pharmacists and pharmacy departments to their stores. And [pharmacies] appeared to be the way in which we could set ourselves apart. So we started adding pharmacies to all the new stores. I guess as big an influence as any is the large acquisition I made in 1969 of a company in Rochester, New York, called Daw Drug Company. That acquisition in effect doubled the size of our business, and they had pharmacists in all their stores.

P: How did you decide on the name Rite Aid?

G: We were using the name Thrift-D on the stores, and I had picked the name Rite Aid as our private label. When we were getting ready to go public, the people at Merrill Lynch said, we do not like Thrift-D; it is, to use the phrase that they used, a "shlock" name. They said that we had to come up with another name, so I suggested that we use the name of the private label, Rite Aid, which was a name that I had picked out and had liked from the beginning. And they said, fine, that is good. So that is where we have the Rite Aid corporation of today.

P: Were there other names you considered?

G: I do not recall, but I would doubt it. I just felt that Rite and Aid fit so well for the pharmacy business. It had the health connotation that I felt was appropriate.

P: When did you start your private label products?

G: We had private label products before the first retail store. I had private label products in the rack-jobbing business probably as a result of the fact that the wholesale food business had private label products, so it just seemed natural to me to have them. As it turned out, we were really at the forefront of the health and beauty aids business with our private labels and have maintained that position over the years. Today we have one of the strongest private label positions in the retail drug industry.

P: How many items would you have now?

G: I am guessing, but I would say about 1,600.

P: When you started, how many did you have?

G: A hand-full.

P: How did you choose which items to put under private label?

G: Initially, it was those items whose profitability could be enhanced, and where there was not a strong competitive national brand.

P: Could you give me some examples?

G: Rubbing alcohol, Boric Acid, Powder, Epsom salts, and those sorts of thing. Early on, we were not ready to take on Gillette with a Rite Aid razor blade or Proctor and Gamble with a Rite Aid deodorant, which we do today without any concern and with great success.

P: Where were these products manufactured?

G: At various small manufacturing plants, including a manufacturing company that I bought and moved to Harrisburg, which was not too successful because we did not have sufficient volume at that time to justify having our own plant, and we did not have the right management in the plant. I was so busy opening retail stores that I did not devote appropriate time to that business. That is one of the areas where I was not successful.

P: So you go to a small manufacturer that makes the Epsom salts and puts your label on them, and then you sell them. By doing this, you can then undercut the competition?

G: That is not a good product to use for that kind of comparison, but let's say that we would do it with a shampoo. We would go to a manufacturer and tell him that we want a Rite Aid shampoo that is the equivalent of a Prell shampoo. They would assay the competing national brand and create a formula for the equivalent brand. We would send their finished product to an independent laboratory to test it to be sure that it is the equivalent. Without the costs of advertising and sales that a major manufacturer has, you are able to produce an equivalent product that can be sold at a much lower price primarily because of those factors.

P: How much difference would there be in the price of the products?

G: 30 to 50 percent is what there should be.

P: That is a tremendous amount.

G: It takes a large saving to induce a consumer to be willing to pick a brand that is not advertised. Colgate and Proctor and Gamble spend so much money on advertising that a substantial part of the selling price of their products result from advertising. As a result, you have consumers who are inclined to look for the advertised brand, unless you are able to offer them economies of scale that may

induce them to try something else. The key thing with private label is being sure that your quality is there.

P: Would there be any real difference between, let's say, your deodorant and Right Guard? Are those two products essentially the same?

G: Most products are essentially the same. I would say this, it is very difficult to make a razor blade quite as good as Gillette. They have equipment that is different. But when you are mixing chemicals and putting them in a bottle, it is not hard to emulate the brand. As I said, the key thing is quality. Of course, today our name is so well-known, and as long as we are careful with our quality, a customer who tries one Rite Aid product and is happy with it is more inclined to use another Rite Aid product.

P: So in effect, Rite Aid is a brand name?

G: Definitely so.

P: I noticed that in the very beginning you did so well with these private label products that by 1986 they counted for almost 14 percent of your sales. Did you anticipate that they would be that successful?

G: Back then we were also still adding a large number of new products, which now is a difficult thing to do. New products are only added today when there is a new successful national brand that we want to emulate. There are only so many green mouthwashes and red mouthwashes and yellow mouthwashes and once you have them, nobody is coming along with fuchsia mouthwashes. So the number of new items that we currently add has slowed down.

P: What have been your best-selling items over the years?

G: The products that people use most -- mouthwash, shampoo. We also have been very successful with film and disposable diapers.

P: How do you decide which national brand products to emulate?

G: For the most part, a manufacturer who specializes in private label products will be looking at the brand, and he will come in and say, this product is doing well, and we are in a position to provide it. Don't you think it is time that you emulate it?

P: So the manufacturers would make the suggestions?

G: Yes.

P: Did you sell your products to stores other than Rite Aid?

G: We did through the rack-jobbing business, and we rack-jobbed until three years ago.

P: Why did you stop that business?

G: It interfered with our warehouse operations as well as the fact that it was maintained over the years as a service to wholesale food customers. When the wholesale food business was sold about three years ago, we decided it was no longer necessary to maintain the rack-jobbing business.

P: Why did you decide to go public with Rite Aid in 1968?

G: In order to obtain sufficient capital to expand rapidly and in order to have stock that could be used as an inducement to make acquisitions. I mentioned earlier that I made my first acquisition in 1969 -- the Daw Drug Company. I made that acquisition with stock. Over the years, Rite Aid has grown as much through acquisition as it has through internally generated stores. We could not have done it without having the ability to either give stock to a seller or use stock to finance the business.

P: Did the public sale meet your expectations? I think the original stock offering was \$25.

G: \$25, which today I believe would be forty-eight shares.

P: Why did you pick Merrill Lynch to do the offering?

G: At that time Merrill Lynch was considered to be the most prestigious of the firms in terms of having wide distribution ability with a public company. Today it is done almost all through funds. But back then you wanted as many shareholders as you could get with small stock holdings. Because of Merrill Lynch's retail system, they were considered to be the optimum in terms of distribution.

P: The original prospectus listed eight selling shareholders. Who were they?

G: Myself, my wife, my brothers-in law, my father-in-law. I would have to look at the prospectus, but they were family members.

P: What part did Louis Lehrman have in the development of Rite Aid?

G: He was not around when we started. He was in school or getting ready to finish school. I told him that business was growing very rapidly, and I was going to have to hire some really key management assistants unless he was willing to come into the business. I convinced him to come into the business, which he did in 1967.

P: What was his position?

G: He was initially a real estate agent. I went out on the road with him and showed him how we selected sites, pointing out to him that location is a crucial part of the retail business. And that is where he started.

P: How did you select sites?

G: [Where there was] high traffic. At that time, our first stores were in downtown areas. They were not in shopping centers. That is why our initial stores were so spread out rather than concentrated in any one place. Early on, we were in Richmond, Virginia, and Newark, New Jersey. We wanted to be on the main shopping street right near the variety store; an area that was still very crowded on Fridays and Saturdays. That was certainly before the regional mall and just during the time strip centers were becoming the fashion.

P: After you acquired Daw Drugs, you acquired Fountain, Cohen, and Warner Drugs. How did you pay for these new acquisitions?

G: Cohen was paid for with stock. Cohen was a company headquartered in Charleston, West Virginia. I got to know the management of Cohen through my membership in the National Association of Chain Drugstores. I made a lot of my contacts and connections that resulted in later acquisitions through that association. So Cohen took stock. As a matter of fact, I remember one of the sons calling me when the stock momentarily dropped and giving me a hard time. Fountain, I believe, was a cash purchase. Fountain was headquartered in Clarksburg, West Virginia. It was smaller than Cohen.

P: Why did you pick these two companies?

G: Cohen had a very strong position in West Virginia. In fact, it was the largest chain in West Virginia. It was dominant in its markets. It had management that was ready to retire and take their profits.

P: It was a successful business?

G: Yes. Daw's skilled part of management had also retired. And the part of management that was left wanted to turn over the business to somebody else.

- P: When you acquire businesses, do you generally try to get businesses that have potential or businesses that are already successful and command a portion of the market?
- G: Primarily the latter. But if we feel that a business is mismanaged and does not have satisfactory locations, then that would be sufficient inducement to want to acquire a business. Also, to this day, we have never looked for management, which may be somewhat of a different approach in the drugstore business. We generally look for a situation in which management wants to leave the business for one reason or another.
- P: When you make these decisions, you really buy them out; you do not merge. It all becomes part of Rite Aid.
- G: It all becomes part of Rite Aid. On the other hand, we may issue shares so that a selling owner can become a shareholder in Rite Aid as a result of additional shares that have to be issued.
- P: So when you take over a chain like Daw, how do you then make the transformation to Rite Aid?
- G: The Daw Corporations would become subsidiaries of Rite Aid. The Daw shareholders would exchange their Daw shares in return for Rite Aid shares. They are also then given what is known as "registration rights" so that they can ask to sell a certain number of their shares over a certain prescribed period of time under certain circumstances. Now with smaller acquisitions we will pay cash. What happens is a company pays cash for a lot of acquisitions, and then it may get in a position where it can finance expansion by selling additional shares to the public in order to replenish the corporate treasury or the company may issue bonds. We have done all of that.
- P: When you take over, do you replace their management with your management and you refurbish the stores?
- G: We refurbish them. A major part of any acquisition is to be able to eliminate the central overhead without having to replace it or expand our administrative staff to anywhere near the same degree. As a company makes an acquisition, it does not need another president or another vice-president of real estate or finance, which enables you to eliminate an awful lot of positions. The only place where you must maintain or change management is at the field level -- the supervisory personnel and the district management. But beyond that, it all reports to the existing infrastructure.

- P: Would you change the store managers as you took over these stores?
- G: In some situations we would because we feel that one of the weaknesses of the business has been their selection of store personnel. The other thing that we do, and have done from the very beginning, is to change the store name soon after we take over. We remodel the stores so that they are laid out in the same fashion as a Rite Aid store. That is done for logistics as much as anything else so that our order book and our ordering systems are consistent throughout the chain. If you went into one store in one city and then into another store in another city, you will pretty much find each product in its same location no matter where you go to shop.
- P: So it is convenient for the consumer as well as for you?
- G: Yes.
- P: Who would make the decision about replacing the store manager?
- G: The district manager.
- P: How many stores would the district manager oversee?
- G: Between 80 and 125. The district manager has supervisors under him. There is a supervisor for every eight to twelve stores depending upon the geography.
- P: By 1972, you had 267 stores. Were most of these new stores by acquisition or were you also building new stores?
- G: We were renting. At that time, we were not building as we do today. At that time, they were either existing storerooms that we rented or storerooms that were built for us.
- P: Which was better, to build and rent or to acquire?
- G: They all are equally important to the growth of the chain.
- P: By 1971 and 1972, your stores were filling over six million prescriptions. At this point, was the pharmacy the biggest money-maker for the stores?
- G: No. The pharmacies have never really been the biggest money-maker for the stores, and today are probably the least profitable part of the store. Even though there have been higher margins on pharmacy products going back to 1972, there are also much greater costs connected with pharmacy products. Pharmacists are much more expensive salary-wise than other employees in the store.

P: How would you decide what to pay a pharmacist, a store manager, a clerk, a district manager?

G: Factors include the prevailing wages in the industry, the location of the store (for instance, a manager in New York City is paid much more than a manager in Beckley Springs, West Virginia), the volume of the store, the person's ability. The most likely possibility is that as someone exhibits ability they will be promoted because of the way in which we have grown over the years. It was fairly easy and quick for someone to be promoted from the store management level.

P: By 1983, you generated over \$1,000,000,000 in sales and were the third largest chain. Did it ever concern you that you might be growing too fast at that point?

G: Never.

P: If I may quote you, I think this was in either *Business Week* or *Forbes*, you said, I'm always willing to take chances and expand and use leverage. Who did you go to for advice in this kind of business? How did you determine the quality or the potential of the chains you acquired?

G: Incidentally, that quote you just mentioned was something that I said earlier this morning, so it is consistent. I always felt that no one knew this industry better than I and my people here at Rite Aid. We know the industry and the players better than any outside advisors, so we relied upon our own insight and knowledge to make our acquisitions.

P: Do you have a legal team that works for you that also advises you on contracts and mergers and that sort of thing?

G: Both in house and out of house, yes.

P: If you had to explain Rite Aid, what was the key marketing concept for all the stores?

G: Keep the concept simple; we called it a cookie-cutter concept. Also, do not get confused by what other people are doing. Too many times people see one competitor doing one thing, another competitor doing another thing, a third competitor doing a third thing, and they will end up trying to copy everyone. As a result, they become very confused and lose direction.

P: When you were marketing Rite Aid, what image did you want to give to consumers?

- G: The primary image was one of price. Rite Aid sells health and beauty aids that you could get anyplace, but Rite Aid sells them at a better price. Now that has changed today.
- P: The early stores used to be called the "bantam stores." They were maybe 6,400 square feet.
- G: They were that size in the early 1980s. Before the early 1980s, they were even smaller.
- P: Were they basically self-help, spartan stores?
- G: Except for the pharmacy, our stores have always been self-service. We have now added service departments that deal with film processing, the one-hour film processing, and that sort of thing. But otherwise the store is a self-service store.
- P: In the beginning, you spent very little money for advertising and promotion. Why was that?
- G: Because we were able to develop a price image, a discount image that created traffic, my concern was that the more expenses we added, and advertising is an expense, the more it would cost us to do business, which would result in higher priced merchandise.
- P: In the 1980s, you had a net margin of 3.8 percent which was significantly higher than the rest of the industry. How did you manage to do that consistently?
- G: By having a tight control over expenses, by maintaining the policies that made the first store successful: limited selection, limited advertising, a smaller-sized store.
- P: How are the goods distributed?
- G: The bulk of the goods come from our own distribution centers. We have central centers covering a wide area that orders are sent to by satellite, and in most cases the stores receive the goods the next day.
- P: By truck?
- G: Yes.
- P: Do you own the trucks?

G: We own the trucks and the distribution centers, which are big and relatively modern.

P: What kind of incentive programs do you have for your employees?

G: The major incentives are at the very highest level.

P: How do you see your competition from Wal-Mart and K-Mart? And then also from Walgreens and Eckerd?

G: In terms of our situation vis-a-vis the discount department stores like Wal-Mart and so on, we feel that what we offer, and have to offer by comparison, is convenient, pleasant stores. Typically, when a woman is making a trip to a drugstore, she is going to spend, excluding prescriptions, \$5.00 or \$6.00. He or she, the customer, is not going to travel a long distance if all he/she needs is a few items. If the customer is going to their discount department store for their trip or bi-weekly trip, then that is very difficult competition for us. But when the situation is such that people shop at both types of stores, then the issue becomes, as far as Rite Aid is concerned, are we more conveniently located than our drugstore competitor? Are we as well priced or better priced? Are we likely to be in stock? Is our competitor out of stock? Will our store associates be more pleasant or less pleasant? Those are all factors that are taken into account. Some competitors are much better than other competitors. Walgreens, the largest in the industry in terms of store volume, is a very difficult and tough competitor. On the other hand, we do compete with them in some major metropolitan markets and have done quite well.

P: Do you usually undercut them in price?

G: No, we do not. Normally, their prices are the same or higher than our prices.

P: I have noticed that Walgreens has recently undergone a huge expansion.

G: They have in certain markets, primarily in Florida. Walgreens is not a major competitor of ours in a lot of our markets, but they are in Chicago and on the West Coast. Now we are starting to compete much more with them as a result of a recent acquisition that the company made, the Thrifty PayLess acquisition. Walgreens is not in most of the states in the Northeast to any great extent, except in Massachusetts.

P: Do you see your most significant competition in K-Mart or Wal-Mart?

G: No. Our most significant competition is whoever happens to be in that particular area. In areas where Walgreens does not operate, we compete with other drugstore chains that are in that area.

P: In the early 1970s, there was an article in *Forbes* which talked about the reduction of your stock. It went from \$56 to \$2.50 a share. *Forbes* said in the article that you had paid off the debt of your expansion, and therefore, had lost market-share, which led to the lowering of your stock. Was that a correct assessment?

G: That was not a correct assessment. The rapid expansion led to some costs which caused our profitability to slow down. Because we were considered one of the high-flyers of the stock market that period, we had one of the highest price-earnings multiples of any company on the New York Stock Exchange. As a high multiple stock, when you disappoint investors, particularly mutual fund managers, they tend to overreact. That was an overreaction of classic proportions.

P: This is mainly the fund managers overreacting?

G: Everybody did. I think that people panicked and said, this company is going out of business; this company is not going to make it. So everybody was selling their stock and nobody was buying.

P: How did you turn it around?

G: The company really was not in trouble. The company had seen a blip in its earnings improvement, but the company was not losing money at the time, the company was making money. The problem was it did not make as much money as the year before. That is not the same as saying somebody is going out of business.

P: What is your relationship with union labor?

G: We like to operate without unions whenever that is possible. Since I am no longer in the day-to-day management of this business, I am not too familiar with the union situation with the Thrifty PayLess acquisition, but I have always made every effort, whenever possible, to operate in a non-union fashion. We have had unions in some of our distribution centers. I have had strikes; I have had some difficult union negotiations.

P: With the Teamsters?

G: Yes.

P: How did you resolve those?

G: In one instance in Rochester, New York, in the 1970s, I hired replacement workers, which is permitted under the regulations of the NLRB [National Labor Relations Board], and kept the distribution center operating to the point where they finally agreed to negotiate. We reached a contract agreement that we were able to live with, and, as a result of having taken the tough position that we did, we obtained quite favorable terms, and to this day that union has been relatively easy to deal with. Here in Harrisburg, where we had our major distribution center, I had some very difficult strikes in which the strikers threw tacks, nails and bricks at the building, and at home I kept all of my outside lights on at night.

P: Were you ever physically attacked?

G: I was never physically attacked, but I did receive threatening mail.

P: Phone calls?

G: Yes.

P: Was that strike in 1981?

G: That sounds about right.

P: How much did that strike hurt business?

G: Not seriously. I anticipated the strike. You generally know when your negotiations are not going well. At that point you load up the stores with the products that are most in demand so that you do not run out of those products, like toothpaste, or at least run out of them too soon. You want to get yourself in a position where you can take two weeks to a month of striking before it really starts to hurt you.

P: Did you do any of the negotiations yourself?

G: I did the negotiations in the background.

P: Not face-to-face?

G: In that Harrisburg strike, I did meet face-to-face with the union representatives the first time around. However, the second time around I did not, primarily because I concluded that we were better served if our negotiator was able to say, I cannot give you an answer; I have to go back and talk [to my boss]. If I were at the negotiating table, then I could not have used that sort of tactic.

P: That tactic gives you a little more time to determine a strategy?

G: To think it out, right. Sometimes stalling is the strategy.

P: In 1969 and 1971, you diversified by buying Blue Ridge Nursing Homes and Sera-Tec [Biologicals]. Why did you buy these particular businesses?

G: Back in that period, conglomerates were very much in vogue. I bought these two businesses because I felt that, in a way, they had a health connotation. They would, to a certain extent, fit well with the drugstore businesses. They were small businesses that had a local presence. Blue Ridge Nursing Homes consisted of two nursing homes, both of which are in business today. We sold them at a very good profit at a time when it became a diversion. It was pretty well established that expansion would have required a lot of capital. Since expansion is brick and mortar intensive, it would have cost us a lot of money. At that time, Sera-Tec was a highly profitable, small business. It was involved in obtaining plasma which was sold to pharmaceutical manufacturers to make products like gamma globulin, an antifactor aid for hemophiliacs, and so on. The plasma is necessary. It is a relatively small and fragmented industry, and I had bought both of those businesses because they both had management. As I said a few minutes ago, I sold the nursing home business. We had already expanded them, and we could not expand them anymore. We would have had to open others or buy others, and I decided that it was too capital intensive. The plasma business, on the other hand, was not capital intensive. The management that came with the business did not work out, but I did replace the management with someone who had been employed by the business. We continued to operate the business with great success over the years, and a few years ago, when we had concluded that we wanted to devote ourselves entirely to the drugstore business and really expand the drugstore business, the plasma business was put up for sale.

P: When you say "we," do you mean Rite Aid or was this owned by you personally?

G: At the time, it was owned by Rite Aid.

P: Later, as you further diversified, you acquired American Discount Auto Parts and Encore Books, which are vastly different acquisitions in that they are not related to the health field. Why these particular businesses?

G: At the time, we felt that there were a lot of similarities in certain kinds of retailing where a lot of the expertise that we had available to us could be spread to those operations. They were acquired at a period before we had made certain major acquisitions. After we had made those major acquisitions, we decided that we would like to go back to our drugstore business. We also found that there were

some changes, for example, in the book business. We missed the shift to the superstores, since we had a bunch of smaller stores. So we decided to get out of everything but the drugstore business, and we put everything up for sale, one business at a time -- the book business, the auto-parts business, and the plasma business -- and they were sold through a bidding process. I was the high bidder for the plasma business, which I bought and now run today.

P: On your own?

G: Personally.

P: The Wall Street Journal indicated that the sale of these businesses amounted to after tax profits of \$130,000,000. What did you do with that money?

G: Paid dividends.

P: In 1987 you purchased 113 SuperRx stores in Florida, Georgia, and Alabama. Was that the first time you had expanded into those states?

G: I think we may have been in the northern part of Georgia.

P: But not in Florida?

G: Not in Florida or Alabama.

P: Then you sold these to Eckerd?

G: Yes.

P: Why did you do that?

G: We felt that we did not have enough concentration of stores in any one market. We saw that there were opportunities for expansion and acquisition in the area in which we were already trading. For instance, acquisitions such as the Perry Drug acquisition in Michigan gave us a concentration of stores in specific markets. We found that in Florida expansion had slowed down during that period. There were not a lot of new strip shopping centers being built, and there was an awful lot of competition between Eckerd, Walgreens, and us for the few that were being built. So we just decided that we could spend our money more fruitfully in other markets like in Michigan with the Perry Drug acquisition.

P: What is your analysis of Jack Eckerd as a businessman?

G: Jack Eckerd was actually out of the drugstore business before I really became involved in it. He got out of it a long time ago.

P: I did not realize that.

G: **Stutolie** was a good manager. And a good competitor.

P: Have you thought about going back into Florida?

G: It would have to take a major acquisition for us to go back into Florida. And because of the way the market has consolidated, it is highly unlikely that will occur.

P: You purchased 50 percent of Super Drug, which is a British chain. What was your goal in purchasing those stores?

G: I believe we made that purchase in 1971, which was the time that we were doing real well with our concept. Two young fellas, who came from a retailing background, managed Super Drug. Their family had owned a chain of supermarkets which they had sold to one of Britain's major supermarket chains, a company called Tesco. They had eleven stores. Someone told them about us, and I went over to the U.K. to meet with them. I liked them, felt that they had a lot of ability, and recognized that, since at that time they had eleven stores, they did not have the systems and the methods that we had developed, and we invested \$1,700,000 in that company. I forget what year they took it public. I used to go back and forth to the U.K. three to four times a year, which was all it took just to attend board meetings, and they would come over here on occasion. They copied just about everything we did. After having gone public, we maintained our interest. Eventually the company was sold. But we walked away with \$103,000,000 for our \$1,700,000 investment, so it worked out very well.

P: Did you ever have any intention of expanding to England or Europe?

G: On many occasions, we talked about expanding to Europe from England, but we decided that there were just too many distinctions -- language problems, restricted pharmacy laws, and so on.

P: When you are thinking about buying and selling, I presume at some point you have to sort of integrate all your acquisitions, do you make a decision to close some drug stores that are maybe older or not generating enough profit?

G: Generally you make those decisions before you make the acquisition, and they are some of the ingredients that enter into the evaluation and assessment of

what you are buying and oftentimes you buy knowing that you want to close certain stores. You just have to be cautious in terms of what you plan to close so that you are not doing anything that will create a monopolistic situation in an area that the Federal Trade Commission might object to.

P: What would you do with the employees of the stores you close?

G: Pay them severance unless we were able to relocate them to other stores. But in many instances, it is a severance payment.

P: How important was the acquisition of the Reed Drug chain?

G: In terms of cost (what we paid and what we got for it), it was probably the most successful acquisition that the company ever made because I bought it at an extremely good price. It had not been managed to anywhere near its potential. It had a strong concentration of stores in the state of Maryland; in fact, all the stores were in the state of Maryland.

P: Baltimore particularly?

G: Yes. That acquisition was so successful that the cash flow from it was such that we were able to pay for it in less than three years.

P: How about the Gray chain?

G: The Gray acquisition got us into markets that we wanted to be in, like Ohio, and it also got us into some that we subsequently closed. They had some stores in Florida, so they are part of our Florida situation. It was a good acquisition, but it certainly does not rank at all with the Reed acquisition.

P: Why did you purchase Concord Custom Dry-cleaning Establishments?

G: We did not purchase them. We acquired a company in Kentucky called Begley Drug. At the time, they were called Begley Drug, and I changed the name to Concord. Because we had acquired them, they were not capital-intensive. We continued to run them and were making money from them. It was one of the businesses that was sold when we decided to get out of the non-drugstore businesses.

P: Would that be the same for Eagle Managed Care?

G: No. Eagle Managed Care is still a part of our business today. Eagle Managed Care deals with prescription plans.

P: What percentage of your sales today comes from pharmaceutical products?

G: Today prescription sales are about 55 percent of our total retail sales, and that figure is increasing at a rate of 2 to 3 percent a year.

P: Why?

G: With an increase in third-party plans and state programs for the indigent, there are fewer and fewer people who are paying for their prescriptions. Now, through these types of programs and plans, either employers or the state pay for them. The expanding of the prescription business has been the good half of it. The bad half is that the third-party plans, for the most part, do not pay anywhere near the kind of profit levels that had been and is the case with private-paid prescriptions.

P: I would imagine that the Managed Care would be vulnerable to all kinds of attempts by the state to cut back on health care programs like Medicare.

G: That is absolutely the case, and that has happened in recent years with a vengeance.

P: What is the Rite Buy Program?

G: That is a promotional test program in a few markets whereby a discount is given for the purchase of private-label products and certain weekly specials.

P: Does this include the pharmacy?

G: No. One of the problems with the pharmacy is that anything that you cut or any inducement that you give to a cash customer would then force you to do the same thing for a third party payment customer. So the third party plans preclude you from doing that sort of thing.

P: I realize that some of this is after you stepped down, but I am still interested in how the company has changed recently. In 1995 you started a new type of store that was much larger. According to the *Wall Street Journal*, you broke down the walls between the pharmacy and the front end.

G: Our stores have always been getting gradually larger, but in 1993 we decided that our stores should be about 10,000 square feet and that we should add a one-hour photo development. We also decided that we should increase the size of our cosmetic departments and add small appliances and electronics. We felt that with these other product lines, we could do a better job of competing against the Walgreens, the K-Marts, and the Wal-Marts, since the customer is more inclined to go to a store that had more variety. So about three years before I

gave up the position of CEO, we had reached that conclusion. And now the growth of the company has become much more evident in the last year or so, because the initial years of our recent expansion required some time to buy and rent those larger locations.

P: Explain to me what your category management strategy is.

G: That is just a modern term for buying.

P: It sounds impressive.

G: The concept is that a buyer is given a department, let's say shampoos, and you tell him that you want X profit for that department. He then is supposed to use the computer to analyze the movement of the various items in that department and look at the competitive pricing of those items. Then based on that information he is supposed to price the leading items real cheap and the slower moving items at a much higher cost. Once he has factored in the movement and sales of all of those products, he should be able to automatically come up with a certain bottom-line number. It sounds as though it is an easy thing to do, but as a practical matter it does not work out because you do not have the people who have that skill and knowledge.

P: Is this for all the stores?

G: Yes. It has become a slang term in the industry today. Everybody who had buyers three years ago has category managers today.

P: Why did you start adding food and what kind of food do you normally offer?

G: Convenience food was one of the other lines that we started adding in about 1993. We do not offer a large selection of food, but just enough so that if someone runs out of a box of cereal, that person will find some cereals in our stores. Of course, he would not find the selection that he normally would find in a supermarket. We have always had what would be considered "grocery-store" items -- cleaning products, toilet tissue, and so on. It seems that those items have been additions which have helped develop traffic.

P: Milk and things like that?

G: Milk and convenience frozen-food products.

P: So now you are competing with convenience stores?

G: To a certain extent. They are competing with us too. For a long time, there has been competition with a certain overlap of items such as candy, cigarettes, and magazines.

P: What was the thinking behind putting in a drive-through pharmacy?

G: We were not the first. There were other people doing that. We saw that they were continuing to do it, so once you see someone repeating their procedure you figure that it is something that is working. The whole idea is that a prescription normally, unless it is phoned-in, requires two visits to a store. Certainly one of those visits is going to be quite inconvenient. So it is the convenience for the customer of being able either to drop it off on their way into work or to pick it up on the way home from work.

P: And that is one reason you expanded your cosmetic offerings, to attract more women to the store?

G: Yes.

P: Has that been successful?

G: The combination of all these items is working well. Together, they are increasing our average store volume substantially.

P: If you can, explain to me a little bit about this satellite network you put in and the computer technology you use for ordering and renewing products.

G: The reorder is done through point-of-sale devices which you see in the store with the wand or when they take the product and run it over the universal product code, the UPC. When the product is sold, the reorder is automatically written. You then have to check the shelves periodically so that you factor in the shrinkage -- that part of the inventory that does not go through the cash register. The in-store computer, the P.C. (every store has one), collects the information and communicates that information via satellite to our computer here in Harrisburg which writes the order. The order is then sent to the computer at whichever warehouse is delivering it so that the actual invoice can be printed.

P: This saves a lot of money in transmission costs?

G: It saves time because it gets the order there quickly, and time is very costly. It saves the cost of using telephone lines because if you did not have a satellite, and you wanted to transmit the order, you would have to do it by way of telephone. It also allows you to send other things to the stores, such as video programs, management programs, and instruction. The satellite system also

enables us to send the payrolls which, in the past, was done by way of telephone. As I said, it really is a major way of eliminating telephone costs.

P: What about the cost of the satellite?

G: It is expensive, but over the long run it is cheaper. In addition, the satellite gives you all of these other ancillary benefits that the telephone does not offer.

P: Mainly speed and efficiency?

G: Mainly being able to communicate with the stores in a different fashion. It is one thing to send the stores a plan for resetting a certain section on a piece of paper. It is another thing if they are able to turn on a television set in their store and see one of our merchandising people actually demonstrating how and where products are to be put.

P: You now have a thirty-minute show on television, sort of a weekly corporate television show I guess you might call it, where you present new ideas or new products to store managers.

G: Anything that might be a timely topic at the time. I might discuss shoplifting or ways to increase profitability or some new products that we are introducing.

P: How big a problem is shoplifting?

G: If you do not stay on top of it, shoplifting can be very, very severe. It can be, and with a lot of chains it is, a cost greater than the net profit margin. The items that are often shoplifted are desirable because they are very small but have fairly high values. You really cannot stop shoplifting, but, if you take certain measures, you can reduce it. For one thing, you should cautiously select the people you hire. You should also be attentive to the ways through which you keep your inventories and your accounting so that you know what is being shoplifted and to what degree. Now you can get that information through the computer. Some things that we and other stores have done to reduce shoplifting is bend down the end of the peg hooks that hold razor blades and other products. In the past a shoplifter could come into the store and sweep the entire contents off of a peg hook. Now you have to remove the item one at a time, which does a lot to slow down shoplifting. In some instances, you will see products, like batteries which are very pilfer-prone, placed behind the check-out counter or placed in direct view of and closer proximity to the cashiers. So there are all sorts of things that you can do.

P: Do you use cameras as well?

- G: We have found that cameras are very ineffective and inefficient. Cameras have all sorts of blind spots, and it takes somebody to stand and look at the camera and for the most part they are unmanned.
- P: Do you find that there is more in-house theft?
- G: Not more, but we find that it is very important. It can be 50 percent. So it has to do with who you hire.
- P: Do you give your employees a drug test?
- G: No, we do not.
- P: Should you?
- G: Probably, but it is expensive.
- P: Your 1996 advertising campaign, "For your life, Rite Aid has got it," is sort of a departure from what you have done in the past.
- G: I had nothing to do with that. At this stage, I do not know whether or not it is worth the cost; it is too soon to say. Our advertising costs have gone up substantially.
- P: Print, television, radio?
- G: Mainly, television.
- P: Why have you expanded so significantly in New York?
- G: New York was probably the only major metropolitan market that did not have chain domination. A long time ago, we had some stores in New York, but we always had been slow to open stores in New York because of the very high rents and operational problems. Everything costs more in New York (your trash removal costs more), your delivery is tougher (it has to be done early in the morning or late at night), and the personnel are more difficult to control and are much more costly. But a few years ago we decided that New York is a major market that has been neglected, and if we know the problems and treat them properly, it is a place where we can really expand. So we started signing a number of leases there in the early 1990s, and we have signed even more in recent years due to some acquisition space that became available. We were able to obtain and buy leases on a small chain of supermarkets (in New York supermarkets are small stores) which we, in turn, converted to drugstores. One of the supermarket chains that had a chain of drugstores in New York decided

that they wanted out of the drugstore business and needed cash. We took advantage of that situation, which also helped us to expand in that area.

P: Do you know if you want to continue to expand?

G: Definitely.

P: So New York is your most difficult market?

G: No question about it. The other thing you have to do there is price differently, which you can do.

P: Explain a little bit about the Thrifty PayLess acquisition. How did you pay for it?

G: The Thrifty PayLess is an acquisition with which I had nothing to do. That was done by Martin [Grass, in 1995 replaced his father as chairman and CEO of Rite Aid], and it was done with the choice of cash or stock and the cash was replaced with a bond offering.

P: Would you describe to me a typical day for you in the 1980s as you were expanding the company. When would you come to work, how long would you work, what would you do?

G: I was never a real early starter, but I like to stay up late. I would generally come to work at 8:00, 8:30, or even 9:00 am, and I would never come home from the office until about 7:00 pm. I always would bring all of my mail with me and generally stay up at night reading until about 1:00 or 1:30 am.

P: How many days a week?

G: In the 1960s, seven days a week. On Sundays I would let up some; I would come into the office at 11:00 am and return home at 3:00 pm. But I always had something at home to work on.

P: What were your leisure pursuits?

G: I did not have one. I am not a golfer.

P: Obviously, you enjoyed working.

G: I did enjoy working, and I do even today. Now I travel a lot, but when I am in the city, I am here at 9:00 am, and I rarely finish before 6:00 pm, and I always have something that I am taking home with me. I am still managing some businesses and a lot of investments.

P: You are on the board of Hasbro Industries, Inc.?

G: Yes.

P: How did you happen to get involved with that company?

G: I have been on that board for a number of years. I knew the founder of the company who had died, and his son asked me to join that board.

P: How did you handle the stress of making multi-million dollar deals? There has to be a certain amount of anxiety involved in this kind of business at this level?

G: I am a pretty calm person. If I was doing a deal that I had decided was the right thing to do, I really did not worry about it.

P: Is that not unusual in this level of business?

G: I do not know. I would think that a lot of people who are successful, who have built big businesses, did not worry too much about the risks that they took. I think that the person who stays small is the person who is not willing to take a chance, who is not willing to use leverage, who is not willing to make a tough decision. He would rather play it safe.

P: According to *Forbes*, in 1990 your annual salary was \$925,000, which ranked you 479 out of 800 top executives in the country. With the success of Rite Aid, why did you not have a larger salary?

G: I was always very conservative in terms of my position in the company. Of course, your salary can be affected from year to year by options, and it might be a year when you are not drawing down any options. I also have a pretty substantial income outside of Rite Aid. If you look at the prospectus way back when, my salary was always less than maybe it might have been.

P: How do you feel about stock options for top management?

G: I think they are a very important and valuable tool, and they are probably the best barometer as to whether or not the compensation that is being paid is appropriate because in most instances, if the options are within reason, management is only benefitting if the shares of the company are growing.

P: What about golden parachutes?

G: I object to those.

- P: I would like to get your reaction to the severance pay of \$90,000,000 given to Ovitz after Michael Eisner fired him.
- G: It just proves what a good negotiator Ovitz is. Disney was so anxious to hire him at that time that they went way overboard. It should be a good object lesson to all business managers who may think that one person is so great that they are willing to pay that person an unrealistic salary. That incident also shows business managers the importance of having a relationship that is going to be mutually satisfactory.
- P: How would the Disney shareholders feel about something like that?
- G: They were very unhappy, but, on the other hand, they have seen Disney stock go up. And the complaint cannot always be, look what they are paying him. You have got to look at what has happened to me. Putting aside what Ovitz has received, Eisner has been very highly paid.
- P: Are top management positions overpaid? I read all the time about people who make \$30,000,000 and the company loses money.
- G: When that happens, you can probably say, yes. It depends on the company. Generally speaking, I would say businessmen are being paid for the value that they create. Now I am sure that it is pretty hard for someone who is on a salary to say, how can anyone be worth a \$1,000,000. But the worth has to be determined by what has happened to the stock values of that company. If you create value and you create assets for someone else and you get a salary that may seem obscene to some people, then the only thing that you can say to those other people is, well, then you ought to go into this activity. If you can do it, you will be paid that obscene salary.
- P: So you do not think then that Michael Eisner is overpaid?
- G: I think he is on the high side. I think that there is a limit. You have got to be realistic and rational. On the other hand, a very strong argument can be made for what has happened to the value of the Disney Company stock since he has been there. It has sky-rocketed.
- P: He has really saved that company.
- G: It is not so much that he saved the company. His success is reflected in the values he has created for the investors. An investment manager who bought shares ten years ago has seen the value of his shares really go up. So although Eisner has made about \$200,000,000, during his time there the value of the company has increased by \$30,000,000,000 to \$40,000,000,000. And that is

really what you have to look at. When you see his salary in those terms, \$200,000,00 does not seem so excessive.

P: What other perks did you have as CEO? Did you have a corporate dining room?

G: When we built this building, we built a corporate dining room which has been used maybe a dozen times.

P: Did you have a plane?

G: Yes. When our plane is used for personal purposes, the company is reimbursed. It is just awfully convenient to know that you can go somewhere when you please and return when you please, and then reimburse the company for it. The plane also makes it possible for you to be a more efficient manager. A company wants its chief executive to work at his maximum capacity, but it also wants its chief executive to be able to have a weekend of relaxation. Is it so terrible if the chief executive can take the company plane to Florida on a Friday afternoon and come back on a Sunday night, which he could not do commercially? At the same time, you have to remember that he is flying his ass off all week in the corporate plane -- to Michigan, California, or New York -- and coming home at 10:00 pm, 11:00 pm, or 12:00 am, which was my routine for years and is the management routine here today.

P: How often would you visit the stores in the districts? For instance, when you went to somewhere like Michigan, would you actually go into some of the stores or would you just meet with managers?

G: When you have as many stores as we have, there is no way that you can get into all the stores. But you want to be sure to get into a cross-section of stores often enough so that you know what is happening. In my opinion, six store visitations a week is enough to know what is going on in the stores.

P: Why do you think you have been so successful in business?

G: Because I work so hard, because I am driven, because I drive other people, because I, for the most part, am consistent (I make a decision and I stick with it), and because I am very prone to delegate, which is particularly important when a business grows very large. I do not attempt to micro-manage; I attempt to manage by looking at reports and results, and if they are not there, I am not willing to temporize, but if they are there, I am willing to give a lot of latitude and leeway to those people who were below me in the business.

P: Were you difficult to work for?

G: I do not think so, but a lot of people say otherwise.

P: The CEO always has some people who would make that statement.

G: I do not go off the deep end often, but I do go off the deep end.

P: Why did you step down as CEO in 1995?

G: I was very tired of doing the same thing year after year, and I wanted to be able to spend more time away from business. With my work habits and attitude, I could not maintain the position and take off the time that I would like to take off. I feel that I would have felt guilty. Also, I was sixty-seven; it was time to do some other things. And it is not that I am not very busy today, I am extremely busy, but with a wider variety of activities, and I do take more leisure. In relatively recent years, I became a boater. I bought my first boat about six or seven years ago.

P: I understand that you are having one made now, is that right?

G: It is made. It is in Palm Beach.

P: What kind of boat is it?

G: It is a 122 foot boat called a Delta. It was made in Seattle, Washington. This weekend I am leaving for Palm Beach for a week to spend time on my boat. Now I can spend a week away from the business without having to worry if I am in a place where I can get overnight mail. Even today, when I am in Florida, I get my mail sent to me daily.

P: What occupies most of your time now, in terms of business?

G: I would say that my activities with Hebrew University occupy about a third of my time, which is pretty demanding. Those activities require that I get to Israel about five to six times a year. I am also on the phone a lot, and there are meetings in this country. But it is something that I have enjoyed. A lot of what I have done in the non-business field has been fund-raising. This is fund-raising, but it also includes helping to set the policies of the school. What do you do with the business school or the school of economics? How do you strengthen them? I have enjoyed that sort of activity, and I have enjoyed communicating and being with the professors on the faculty. I find the university faculty to be very interesting and very bright people. So that is enjoyable. And then I spend a lot of time with my plasma business that I mentioned earlier I had bought. Although I have management there, I will visit there about once a month. Its headquarters

are in New Jersey. I talk with the management on the phone two or three times a week. Last October I bought a business that manufactures caps and gowns for sale and rentals. Our customers range from kinder-grads, who are little toddlers, to university students. As a matter of fact, right now I am trying to see if we can get the University of Florida. When I bought it, it was an existing business run by someone for forty-some years. The manager I hired was a banker I had gotten to know through the plasma and wholesale food business. He came to me and said, you are doing so well in all these deals. The next time you have one I am ready to leave the bank and come work for you. So he is down there managing this business which is doing extremely well.

P: You mentioned the food business. This is Super Rite foods?

G: It is Super Rite Foods, but it originally had been Louis Lehrman and Son. Louis was my wife's grandfather; Lewis, spelled differently, was my brother-in-law who I ended up being estranged from until everything was over.

P: What ultimately happened to Super Rite Foods?

G: It was put up for sale by Rite Aid. At the time, we had made some acquisitions and were looking to get cash. There was a bidding process, and I was the high bidder with my kids and the management who was there. We did an LBO, a Leverage Buy-Out, took it private, and ran it for several years as a private company and did quite well with it. We were able to get major new customers and got it up to the point where it was doing \$1,300,000,000 in sales. I was CEO there while I was CEO here. Somebody came to us and wanted to buy it. I sold it two years ago this October.

P: Did you not take it public one time?

G: I took it public early on when Rite Aid owned it. Rite Aid wanted to liquify its holding, so Rite Aid sold 53 percent to the public and owned 47 percent. It was a public company, and I was CEO with the day-to-day management of the business. In the late 1980s, about 1986 or 1987, Rite Aid decided to sell its other 43 percent. That is when the LBO was done.

P: That is what you and your family purchased?

G: Right.

P: Are you still chairman of the executive committee at Rite Aid?

G: Yes.

P: What influence do you have on day-to-day decisions?

G: Virtually none.

P: Do you still go to meetings?

G: I go to the board of directors meetings, but the executive committee meets only on rare occasion.

P: How was your son chosen as CEO?

G: He was the logical choice because he had been so active in the business for so long, the board knew him well, they knew his achievements, and there was no need for us to look outside. Over the years, he was sort of being groomed for the position.

P: I know this is not on your watch, but I am interested in the tender for Revco. The FTC [the Federal Trade Commission] argued that big was bad, that there would be too many stores, and therefore, it was obviously going to create some sort of monopoly. What was your reaction to that decision?

G: I believe that they were totally wrong. As a matter of fact, before we made the tender offer, we had explored and considered whether or not it would be an FTC problem. Based upon prior decisions by the FTC and based upon certain guidelines that they had put into effect, we concluded that we would not be in violation of any FTC regulations. But the FTC changed the rules, the parameters, after we made the tender offer. We did not get control of any one market with the exception of a few, but we told them we would have been willing to disengage ourselves from those stores. However, as I say, they changed the rules.

P: You had offered to sell 340 stores, but they apparently wanted you to sell twice that many?

G: There was a rule, and I am trying to remember the name of it, but as you pointed out it was not on my watch. The rule stated that you were permitted to have a certain percentage of presence in any given market, and the percentage of presence was determined by everybody who sold prescriptions, which, in addition to other drugstores, included discount department stores and supermarkets because you are competing with all those other kinds of outlets. And the FTC changed that percentage number, which had been the number that they were accepting prior to the time that we made the offer.

P: Do you think this was directed at Rite Aid?

- G: The decision was made solely upon Rite Aid's acquisitions, so you would have to say yes.
- P: *The Wall Street Journal* said that one reason given by the FTC for denying the purchase was that in a previous deal with the FTC, Rite Aid had agreed to sell stores but had not done so; therefore, they were not sure that vestiture would occur.
- G: That was a smoke screen. They were talking about three stores in the state of Maine that were located in very small, rural areas where we could not find buyers, and they knew that.
- P: I believe your son said that the FTC's demand that you sell more stores amounted to extortion.
- G: That was all part of the posturing during the publicity that was given to the situation.
- P: So is this deal dead then?
- G: As dead as they come.
- P: What would be a cost to Rite Aid for a failed bid like this?
- G: Millions of dollars. We wrote it off; it is public knowledge. Revco was recently acquired by CVS, so that is why the deal is over and done with.
- P: Discuss Merck's lawsuit against Rite Aid. Merck lost their contract with the state of Maryland?
- G: State of Maryland employees.
- P: And they accused you of boycotting Merck?
- G: That is what they accused us of. They had bid on a state program, and they offered a reimbursement level that we felt was inadequate. So we said that we would not participate. After we said that we would not participate, other companies in the state said, well, if it is not good enough for Rite Aid, it will not be good for us, so we too will not participate. Merck had contracted with the state that they would provide a certain number of outlets and convenience for the state employees. When we and then the others dropped out, they were not able to meet their contractual obligation. They claimed that there was collusion between us and the others, and the Justice Department investigated it. Just last

week the Justice Department announced their conclusion which stated that there was no communication at all, and that it was an independent action by people who felt that they were not being properly compensated. With that conclusion by the Justice Department, my guess is that Merck may think twice about continuing their lawsuit. One of my proudest accomplishments in recent years, and some of this is just now coming to fruition, is the instrumental role I played in getting Rite Aid and some others in the industry to sue the major pharmaceutical manufacturers for discriminatory pricing practices. After I started that activity, there was a class action suit brought by a large group of independent pharmacies which was settled by the manufacturers for a very sizeable sum of money. Just this past week in our suit, Eli Lilly agreed to give more than 30 million, 9 million of which will go to Rite Aid as our part of the share. Rite Aid also has made a settlement with Smith-Klein. Since it was a private settlement, I cannot disclose any figures, but the amount of money was substantial. I think I have eliminated pricing whereby an HMO would pay less than we would for the same drug, and then incorporate that price into their bid when bidding for third-party businesses, which left the pharmacies and the drugstores in an untenable and unfair position. I believe that when it is over, Rite Aid's share of these settlements will be well over \$100,000,000, so it is going to be one of my last important legacies to the business. So as you can see, it is very difficult to try to figure out the worth of an executive.

P: What is Rite Aid's and other such companies' general assessment of Smith-Klein and Eli Lilly and the price-setting that leads the general public to think that they hold a monopoly on many drugs and charge outrageous prices for them, and in some cases withhold them from the market to raise the prices.

G: I would not accuse them of withholding medication; I hope they have never done that. What is obvious is that the American public pays much more for drugs, many of which originated in this country, than people in Mexico, in South America, and in much of Europe. I bought drugs recently in Mexico that cost a fraction of what they do here. Also, many of the drugs that are prescription drugs here you can buy over-the-counter in Mexico.

P: Why is it so much cheaper in Mexico?

G: I can only surmise, but my guess is that the income levels in Mexico are so much lower than they are here that if they want to sell their products, they have to price them for the market. However, I say drug companies do not have to make 10 percent after-tax on their sales. Their excuse is that they spend so much money on research, but, despite their research, they are still making 10 percent after-tax. So instead of making 20 percent pre-tax, maybe they should make 15 percent pre-tax and 7.5 percent after-tax. They could lower the prices of their

drugs and still do as much research. I do not know of anybody who has given up research.

P: They would have to go out of business.

G: Right.

P: Do you think that these lawsuits are going to have some effects on the pricing?

G: Unfortunately, I think the lawsuits will force the price up on the other end rather than down on our end.

P: So the consumer will end up paying for the lawsuit as it were?

G: Unless you can say that water will somehow seek its own level and settle at someplace in between.

P: What do you see is the future for Rite Aid? Can Rite Aid continue to expand?

G:C: Certainly for the foreseeable future. Whether it can expand forever is something else because there can only be so many drugstores; it is a finite situation. With the closing and purchasing of independent drugstores, there has been a great consolidation within the chains. Going back to when I started in the business, there were probably 65,000 drugstores in the country. My guess is today that number is in the low 40s, but, on the other hand, pharmacies have moved into new outlets. So I think that Rite Aid can grow at least through Martin's career. These big companies will continue to consolidate and expand. The volume of this company, for instance, has doubled in one year. When I withdrew it was doing \$5,300,000,000, then it was doing \$5,700,000,000 or \$5,900,000,000, and now all of a sudden it is doing \$12,000,000,000.

P: As a result of the PayLess acquisition?

G: Yes.

P: So that acquisition moves you into new markets?

G: That is one of the things that you have to do, enter new markets and achieve greater domination in each market. And most of our new stores are within existing, operating markets.

P: I came across a statistic I would like to read to you. If someone had invested \$1,000 in Rite Aid in 1968, the stock would now be worth \$92,000, which is a pretty good return on your investment. My question is why did you not tell me that in 1968? [laughter]

- G: When the stock went all the way down in the mid-1950s to \$2.50, I bought some shares. In fact, I bought what many people might consider a lot of shares, but answer the question for me, why did I not buy a lot more? [laughter] When mob hysteria takes hold, people start to doubt even themselves, although they are there and know [what is probably going to happen]. So I bought some shares for my current wife, and they did really well for her, but nowhere near what I could have done at \$2.50 a share. And it was not at that value for very long, but I could have combined it for \$3.00, \$4.00, or \$5.00 a share. I just did not buy as many shares as I should have. But then again, this business has been very good to me.
- P: Let me ask you about your charitable work. Who makes the decisions for the Grass Foundation?
- G: I make the principal decisions. Originally, I put all of the money into the Foundation. In recent years, three of my children have put money into the foundation, and they influence the decision-making roughly to the extent that there are earnings on the portion that they put in.
- P: What charities do you give to through the Grass Foundation?
- G: I would have to look at the list, but mainly Jewish charities. The United Jewish Appeal is one of my major charities. The Harrisburg Hospital and the Hospital Pinnacle Health System have been sizable recipients. Probably the largest single gift that I ever made was to our Jewish community center here in town. I gave a sizeable gift to the University of Florida, and I also gave a \$500,000 gift to the arts center here in Harrisburg.
- P: You have an Archipenko [Alexander Archipenko, Ukrainian-American sculptor and painter, 1887-1964] sculpture. Did your interest in that piece of sculpture derive from your humanities education at the University of Florida?
- G: That Archipenko, in particular, is part of that education. In a humanities course [that I took at that time], one of the pieces of sculpture that we were shown in the book was an Archipenko, and years later I remembered that Archipenko, including the name of it. So I was in a gallery in New York, saw it for sale, and bought it.
- P: This is the Bronze Walking Soldier?
- G: Yes.
- P: What other pieces of art have you acquired?

G: I have some Picassos [works by Pablo Picasso, Spanish painter and sculptor, 1881-1973], some Monets [works by Claude Monet, French painter, 1840-1926] some modern artwork by [Joan] Miro [Catalan artist, 1893-1983] and [Roy] Lichtenstein [American painter, 1923-].

P: That is impressive.

G: I have a nice art collection. I enjoy art.

P: Talk a little about Hebrew University. I thought that it is fascinating that you are now switching your interests from business to academics. You are really involved with the planning of curriculum, in a way, are you not?

G: Direction and policy.

P: What is your long-range goal for Hebrew University?

G: Just to help strengthen it. It is a school that is over seventy-five years old, it is the major university in Israel, it has 23,000 students, of which more than one-third are post-grad, which is a very high level of post-grad. In fact, it has more post-grad students than any of the other six universities in Israel. It has a computer science school that some people say is equal to Harvard's computer science school. It is a place where I felt that I could be of assistance, where my accomplishments could be meaningful. I think that Israel is a country that has been extremely productive in proportion to its size. I do not particularly agree with the current government of Israel which is very far to the right and very conservative. The university, which is in Jerusalem, is a bastion of liberal influence that I think is very important when you have so much extremism. And I think that to the extent that we can produce scholars who also happen to be Jewish strengthens the country and also strengthens Jewish continuity. I do not know why I think that is so important; it is just something that I grew up with.

P: What do you think about [Benjamin] Netanyahu's [prime minister of Israel, 1996-] views towards the expansion of settlements, and do you think that it is probable, or even possible, that some agreement will be reached with [Yasir] Arafat [leader of the Palestinian Liberation Organization from the late 1960s to the present]?

G: I think that Netanyahu is making it increasingly more difficult and embarrassing for Arafat to make a settlement. Although I do not think that settlements are necessary, I do think that a military presence is necessary on the West Bank because before 1967 Israel was so vulnerable with its borders so confined. There was one point along the border that was nine miles across. With modern warfare, that is nothing.

P: What impact did the death of Yitzhak Rabin [prime minister of Israel, 1974-1977, 1992-1995, assassinated in November of 1995] have?

G: That is what changed the whole direction of the peace process. I think a peace settlement would have already been reached. People had a confidence in Rabin that they did not have in Shimon Peres [prime minister of Israel, 1984-1986, 1995-1996], who they were afraid was going to give away the house.

P: Let's discuss the conflict that you had with your brother-in-law. As I understand it, when Lewis Lehrman was running for governor, there was a piece in the New York magazine indicating that he was, to a large degree, responsible for the success of Rite Aid. And you took exception to that.

G: I took exception to more than that. His campaign material claimed that he was the founder of Rite Aid, and since he was the founder of such a successful business, he would make a great governor. I had no problem with him saying that he had been very helpful in the growth of Rite Aid, but, as I told you earlier, Rite Aid was started in 1962. At that time, he was a college student. So his untruthful claim of being the founder and the magazine's confirmation of that claim created the problem.

P: What ultimately happened in terms of your relationship with Lewis Lehrman?

G: I totally severed my friendship with him and do not talk to him to this day.

P: How does that affect your relationship with the Lehrman family?

G: It really never hurt it. My ex-wife was very supportive of me at that time and would be very supportive today.

P: Let me end with a couple of big questions. How would you sum up your life?

G: My life has been very rewarding and very satisfying. Do I wish I knew years ago what I know today, absolutely, yes. Would I like to live my life over again? I doubt it very much.

P: What would you consider your greatest contributions?

G: Certainly, creating so much opportunity, employment, and wealth for so many people with whom I have been associated at Rite Aid has been extremely important. What I have done through my charitable work has also been very satisfying. My chairmanship of the National United Jewish Appeal, for example, helped to raise very large sums of money for Jews not just in Israel but throughout the world. Being in a position to meet so many fine people in so

many different areas at so many different levels -- businessman, governors, senators, and so on -- has also been a very gratifying part of my life. For instance, I would never have had the opportunity to get to know John Lombardi [president of the University of Florida, 1990-] if I had not been as successful as I have been.

P: I am not telling you anything that you do not know, but obviously John Lombardi speaks very highly of you. If you had to write your obituary, what would you have it say?

G: I would rather leave that task for someone else.

P: What about your family? Probably at some time or another all of your family members have been involved with the company.

G: Directly or indirectly. My one daughter has never been in the business, but her husband was in the business. He ran the bookstore operation.

P: So now you must derive a lot of satisfaction from your grandchildren.

G: I certainly do. There are fifteen of them. My wife has six, so we have twenty-one.

P: [laughter] That will keep you busy.

G: There are plenty of birthdays to remember and lots of visiting that we have to do because none of them live in Harrisburg.

P: Some live in Baltimore?

G: Three of my children live in Baltimore with their families and one lives in Philadelphia.

P: I do remember on one occasion a few years ago you took some of your grandchildren to a Gator football game.

G: Yes.

P: So you gave them a little taste of Florida and Florida football.

G: Right.

P: That is great. Well, this concludes the interview, and I want to thank you very much for your time.

UFLC 71
Page 51

G: You are very welcome.

[End of the interview]