

**James E. Pepper Distillery, Lexington, KY**  
**Historic Context: Bourbon Production in Lexington, KY 1865-1958**

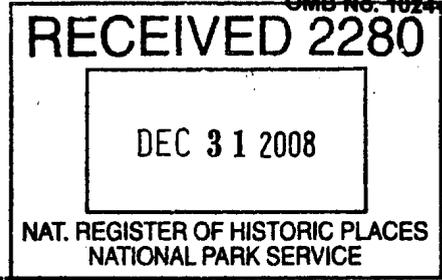
**Strengths of the Narrative Statement of Significance, Section 8**

1. The summary paragraph clarifies the specific aspect of the historic context for which the Pepper Distillery is important: “post-Repeal version of the industry.”
2. History of the industry prior to the Period of Significance (POS) is provided, with references to its growth in the state and city/county.
3. A list of other distilleries that existed in Lexington is provided, with location and status of resources (demolished, adapted, etc.).
4. Essential national political context is explained: Prohibition.
5. Effect of Prohibition on distilling in Kentucky is described.
6. Post-repeal developments in the distillery industry are described.
7. Descriptions of industrial processes and facilities elsewhere are described, for comparison to the Pepper Distillery, the only one remaining from the POS in Lexington.
8. Survivors of the post-Repeal boom and shifts to new industrial uses are mentioned.
9. History of the company if provided, with a focus on the POS.
10. Summary conclusion: reiterates how the distillery meets Criterion A at the local level and a statement regarding its integrity.

**Example of a context for an industrial property nominated under Criterion A--historically significant at the local level.**

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NATIONAL REGISTER OF HISTORIC PLACES  
REGISTRATION FORM



1. Name of Property

historic name James E. Pepper Distillery (Preferred)

other names/site number Henry Clay Distillery (RD #5), FAW-45

2. Location

street & number 1200 Manchester Street (Old Frankfort Pike)

not for publication NA

city or town Lexington

vicinity NA

state Kentucky

code KY

county Fayette

code 067

zip code 40504

3. State/Federal Agency Certification

As the designated authority under the National Historic Preservation Act, as amended, I hereby certify that this X nomination      request for determination of eligibility meets the documentation standards for registering properties in the National Register of Historic Places and meets the procedural and professional requirements set forth in 36 CFR Part 60. In my opinion, the property X meets      does not meet      statewide X locally. (     See continuation sheet for additional comments.)

Signature of certifying official Mark Dennen, SHPO

Date 12/23/08

     Kentucky Heritage Council/State Historic Preservation Office  
State or Federal Agency or Tribal government

In my opinion, the property      meets      does not meet the National Register criteria. (     See continuation sheet for additional comments.)

Signature of commenting official/Title

Date

State or Federal agency and bureau

4. National Park Service Certification

I, hereby certify that this property is:

- entered in the National Register      See continuation sheet.
- determined eligible for the National Register      See continuation sheet.
- determined not eligible for the National Register
- removed from the National Register
- other (explain):

Signature of the Keeper Elson H. Beall

Date of Action 2-11-09

10. Geographical Data

Acreeage of Property 6.4 acres

UTM References

Lexington-West, KY 1965 quad map

Zone Easting Northing  
16 717702.6 E 4214720.8 N

Verbal Boundary Description (See continuation sheet.)

Boundary Justification (See continuation sheet.)

11. Form Prepared By

name/title Kathryne M. Joseph / Architectural Historian and Craig A. Potts / Director of Architectural and Cultural History  
organization Cultural Resource Analysts, Inc. date October 31, 2008  
street & number 151 Walton Avenue telephone (859)252-4737  
city or town Lexington state KY zip code 40508

Additional Documentation

Submit the following items with the completed form:

Continuation Sheets

- Maps A USGS map (7.5 or 15 minute series) indicating the property's location.
  - Detail of USGS map (7.5) indicating the property's location.
  - Aerial view of property indicating site and resources.
  - 1958 Sanborn Insurance map of Lexington, KY.

Photographs Representative black and white photographs of the property.

Additional items (Check with the SHPO or FPO for any additional items)

Property Owner

(Complete this item at the request of the SHPO or FPO.)

name Pepper Distillery, LLC / Barry McNees  
street & number 1200 Manchester Street telephone 859-361-3339  
city or town Lexington state KY zip code 40504

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**James E. Pepper Distillery  
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**NARRATIVE STATEMENT OF SIGNIFICANCE**

The James E. Pepper Distillery complex (FAW-45) in Lexington, Kentucky meets National Register eligibility Criterion A for its local significance as evaluated within the historic context "Bourbon Production in Lexington, Kentucky, 1865-1958." The property's Period of Significance, 1934-1958, was chosen according to the vintage of features on the site, but the site has a longer history of use as a distillery. The Pepper Distillery illustrates several aspects of this important local industry. The growth of the site toward the end of the nineteenth century was consistent with industry trends, where producers abandoned smaller locally-marketed products in favor of nationally-marketed brands, by corporations that grew increasingly larger by acquiring smaller distilleries. National Prohibition of alcohol sales (1920-1934) had a devastating effect on Lexington's thriving distillery business; the Pepper Distillery became the only local distillery to emerge from this period intact. After constructing a new, modern distilling plant with advanced technology and associated buildings and structures essential to the distilling, production, and aging process in the 1930s and 1940s, the Pepper distillery operated until 1958, when it closed on-site production. Thus, the property, in its physical form as documented here, is locally important for illustrating the post-Repeal version of the industry, which was dominated by national alcohol production companies marketing on a national and international stage. The design of this facility, particularly with its fireproof distilling plant and the largely intact machinery within it, provides insight into the technological advances and modernization of the distilling industry in post-Repeal America. During its Period of Significance, the Pepper Distillery stood as the sole local instance of a distillery, so obviously claims to be the largest intact bourbon distillery complex in Fayette County. Its plant exhibits the array of features that would be present at any multi-national spirits production facility after 1934.

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**Historic Context: Bourbon Production in Lexington, Kentucky, 1865-1958**

***Early History until Prohibition***

By the beginning of the nineteenth century bourbon distilling was already a flourishing industry in Kentucky. As early as 1810, approximately 2,000 distilleries were operating in the state, and approximately 140 were located in and around Lexington. Due to limitations in transportation and expenses, the distiller's market area was restricted to his immediate vicinity. Whiskey sales were generally influenced by local considerations, such as word-of-mouth reaction to the product and the general perception of the distiller's reputation. It did not escape early distillery owners that their brand's success could be enhanced by attaching the term "Old" to their product. That term referred not only to aged whiskey, but implied the distiller's longevity and experience. The term "Old" became a major component in promoting the quality and longevity of Pepper products.<sup>19</sup>

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<sup>19</sup> Ambrose, 5.

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As advances in transportation, such as the growth of steamship and railroad networks, allowed for greater distribution of bourbon by the mid-nineteenth century, economic concerns increased from the implementation of the Internal Revenue Act of 1862. This act imposed a temporary excise tax on distilled spirits, causing the closure of smaller distilleries in the state. However, larger, commercial distilleries developed, primarily after the Civil War, establishing bourbon distilling as a statewide industry with a larger market beyond Kentucky's borders. During this era, known as the first "Golden Age of Distilling," several distilleries in Lexington and its vicinity were established or reorganized as national distilleries, including the Ashland, Commonwealth, Silver Springs, Woodland, Lexington, and Henry Clay (on the site of the James E. Pepper distillery) distilleries.<sup>20</sup>

The bourbon industry in Kentucky prospered through the mid- to late-nineteenth century, but near the end of the century, distillers experienced financial difficulties because of the overproduction of whiskey. By the 1890s, numerous distilleries ceased operation. The Pepper Distillery was one of the few operations in Lexington to survive through this period. The 1934 Sanborn Map and index for Lexington indicates the Jas. E. Pepper & Co Distillery was the only distillery in operation by the end of Prohibition. The following lists many of the other local distilleries that had less success:

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- The Commonwealth Distillery, Sandersville, 3 miles northwest of Lexington. Ceased production in early 1900s; the distillery was demolished and warehouses used for storage. In 1915, Hillenmeyer & Sons purchased the property for a nursery. Today the nursery uses 1 brick warehouse for storage.
- The Silver Springs Distillery, Leestown Road approximately 6 miles from Lexington. Purchased by Colonel Pepper in 1895 and operated by James E. Pepper & Co. circa 1907 under the name Nat Harris & Little Pepper Distillery. The distillery operated until 1918, and dismantled during Prohibition.
- Headley & Peck, located on Harrodsburg Pike about a mile outside of Lexington, operated until the turn of the nineteenth century and was converted into a farm. The distilling plant was demolished by the beginning of the twentieth century and the brick warehouse was used as a tobacco barn.
- The Lexington Distillery, Manchester Street (Old Frankfort Pike). Demolished by 1880s; nothing today.
- The Ashland Distillery, located adjacent to the Lexington Distillery on Manchester Street (Old Frankfort Pike), was in operation by the mid-1860s, but the distillery was dismantled by the beginning of the 1900s. The extant warehouses were used for storage until the 1960s, and the bottling plant that was constructed circa 1909 burned in 1986.
- During the mid- to late-nineteenth century the Grimes Distillery operated on Boone Creek off of U.S. 421 near Grimes Mill. This distillery was dismantled by the 1890s and the mill was later converted into the Iroquois Hunt Clubhouse.
- Other smaller distilleries in Fayette County that were in operation until the second half of the nineteenth century include the H.D. Owings Distillery on Russell Springs Pike, the I.H. Davidson Distillery one mile north of Athens, the Atkins and Shawbrun Distillery in the Dog Fennel Precinct, Adams and Druers Distillery near Athens, the Carter & McDonald Distillery on Combs Ferry Pike, the James O. Petit Distillery on Boone Creek, the John Robb Distillery at Waveland, the Reid Distillery, and the Foley Distillery at South Elkhorn on Lexington, Harrodsburg, and Perryville turnpike.<sup>21</sup>

<sup>20</sup> Ibid, 8.

<sup>21</sup> Ambrose, 107, 111, 113, 115, 123, 127-129.

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Because of the perceived overindulgence of liquor consumption, several temperance movements were started in the United States in the early to mid-nineteenth century. These groups were particularly active in the early 1830s, and legislation was enacted to regulate the whiskey industry by taxation. Largely forgotten during the Civil War, the pursuit to regulate the industry became strong once again by the late 1860s. By the late 1910s temperance leagues made a considerable impact on the decline of whiskey consumption, and as a result of these temperance movements, along with economic factors, the 18<sup>th</sup> Amendment was introduced by the United States Congress in 1917 and eventually ratified in January, 1919. Recognizing a need for legislation to enforce the 18<sup>th</sup> Amendment, the National Prohibition Act was introduced by Representative Andrew J. Volstead of Minnesota and passed by Congress in October, 1919. Over President Wilson's veto, the National Prohibition Act (also referred to as the Volstead Act) was enacted at 12:01 a.m. on January 20, 1920, thereby prohibiting the transport, sale, barter, trade, manufacture, delivery, and possession of intoxicating liquors.<sup>22</sup>

**National Prohibition, 1920-1934**

Prohibition had a devastating effect on the whiskey industry in Kentucky. Distilling properties were significantly devalued before the legislation was enacted, because of the growing strength of the Prohibition movement.<sup>23</sup> Prior to 1920, there were over 180 distilleries in operation in Kentucky. The major Kentucky counties with operating distilleries pre-1920 included Nelson with 23, Jefferson with 23, Bourbon with 17, Anderson with 12, Franklin with 10, as well as other distilleries distributed throughout an additional 26 counties. The profound impact of Prohibition on the whiskey industry meant less than half of these operations survived.<sup>24</sup> After legislation was enacted prohibiting the sale of alcohol, many bourbon distilleries sold their equipment to Canadian operations or for scrap. A few distilleries, such as the Glenmore Distillery in Owensboro, experimented with vinegar and industrial alcohol production, although most efforts were unsuccessful.<sup>25</sup> Most of Kentucky's small operations were dismantled or vastly altered for other purposes.<sup>26</sup> Thousands of distillery workers were laid off, reportedly up to 6,000 – 8,000 in the Louisville area alone. Also, an extremely important source of Kentucky's state tax revenue had vanished.<sup>27</sup>

Although Prohibition was the crucial determining factor in the downfall of most distilleries in the state, a handful of operations were able to survive, or at least recover and reopen during the Post-Repeal era. Two major factors contributed to the viability of some distilleries that were able to continue

<sup>22</sup> Sam K. Cecil, *The Evolution of the Bourbon Whiskey Industry in Kentucky* (Paducah, KY: Turner Publishing Co., 1999), 23, 16.

<sup>23</sup> Daniel J. Pezzoni, *George T. Stagg Distillery National Register of Historic Places Nomination* (Lexington, VA: Landmark Preservation Associates, 2000), 8.31.

<sup>24</sup> Cecil, 27.

<sup>25</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.31.

<sup>26</sup> David H. Hall, *Labrot & Graham Distillery National Register of Historic Places Nomination* (Bardstown, KY: Old Nelson Heritage, Inc., 1995), 8.2.

<sup>27</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.31.

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operating through the Prohibition years. These include The Liquor Concentration Act of 1922 and a provision for the medicinal trade. The Concentration Act facilitated government oversight of whiskey stocks by concentrating them in select warehouses. At the beginning of Prohibition, whiskey was held in approximately 800 bonded warehouses nationwide. However, by September of 1922 most of the whiskey reserves had been transferred to warehouses in Kentucky, such as in Louisville and other prominent locations.<sup>28</sup>

The Pepper Distillery was one of the few operations in the state to be selected for concentration housing. Another distillery to provide concentration housing in the central Bluegrass Region was the George T. Stagg Distillery (currently known as the Buffalo Trace Distillery) in Franklin County, which was also a well established operation by the end of the nineteenth century.<sup>29</sup> The Glenmore Distillery in Daviess County and the Old Grand Dad Distillery in Franklin County, both established in the second half of the nineteenth century, also provided concentration housing during Prohibition.<sup>30</sup> It is likely that the government selected these distilleries for concentration housing because of their stability and their capacity to store large amounts of whiskey in secure locations.

Another major factor that contributed to the viability of some distilleries during Prohibition was the medicinal trade. Traditionally, whiskey was one of the few readily available antiseptics and painkillers available to average Americans. At the time Prohibition went into effect, physicians had already been using whiskey as a stimulant to fight influenza, which became a major concern due to high mortality rates in 1918. During Prohibition, 26 states—including Kentucky—sanctioned whiskey as a prescription for medicinal purposes.<sup>31</sup>

Like the Pepper operation, many distilleries in Kentucky had been marketing their whiskey for medicinal purposes since the late nineteenth century. As early as 1890, Pepper had been marketing his whiskey by advertising that the Old Pepper brand could treat malaria, consumption, and other maladies. By the 1910s, the distillery was placing advertisements with drug stores for medicinal sales.<sup>32</sup> Along with the Pepper operation, the George T. Stagg Distillery and the Glenmore Distillery were also producing whiskey for medicinal purposes during Prohibition.<sup>33</sup> Each of these operations was able to continue production - selling their whiskey and marketing their brands despite the virtual destruction of the distilling industry as a whole.<sup>34</sup> During this period, Pepper whiskey stocks along with left over stocks from other smaller distilleries were bottled for the sole purpose of medicinal use.<sup>35</sup> The Pepper operation was in a select group of central Kentucky distilleries to maintain brand

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Pezzoni. *An Evaluation of Kentucky's Historic Distilleries*, 8, 11.

<sup>31</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.32.

<sup>32</sup> Ambrose, 46, 70.

<sup>34</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.32.

<sup>35</sup> Pezzoni. *An Evaluation of Kentucky's Historic Distilleries*, 8.

<sup>36</sup> Ambrose, 21.

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recognition and profitability during the Prohibition period through government-approved concentration housing and medicinal sales.

By the end of the 1920s, many Americans viewed Prohibition as a failure. Arguments advocating the repeal of Prohibition often focused on the loss of jobs, income, and tax revenues that had vanished alongside the industry.<sup>36</sup> By the early 1930s, the national dissatisfaction with Prohibition was sufficient enough to become an issue in presidential politics. Campaigning for the office in 1932, Franklin D. Roosevelt promised to repeal Prohibition. On December 5, 1934, the 21<sup>st</sup> Amendment was enacted, which repealed the 18<sup>th</sup> Amendment's prohibition of the sale of alcohol. On May 18, 1934, Kentucky governor Ruby Laffon signed an act that repealed the state's prohibition laws, allowing the production and sale of liquor in Kentucky to resume.<sup>37</sup>

***Post-Repeal, 1934-1958***

"Whiskey fever" swept through Kentucky with the imminent repeal of Prohibition in 1933. The few distilleries that had survived the period were refitted and enormous new facilities were built.<sup>38</sup> After fourteen years of inactivity however, the vast majority of distilleries that once operated in Kentucky were unable to re-enter the business due to corporate competition or a lack of available capital to reinvest in buildings and equipment. For many distilleries, the buildings that supported the manufacture of whiskey had been torn down or were in need of considerable renovations; however, most distillers could not afford to reopen their business. An additional impediment was the nature of the product itself. If a distillery were able to re-open and start production immediately, there would still be no product to sell immediately, given that bourbon whiskey takes several years to age sufficiently. Few businesses could survive that wait to recoup their investment.<sup>39</sup>

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One of the major whiskey distillers to survive Prohibition was Schenley Products. Lewis S. Rosentiel, a Cincinnati native, was one of the prominent leaders in the distilling industry who anticipated change with the repeal of Prohibition. Rosentiel rose to prominence as a buyer of warehouse receipts in the late 1910s and early 1920s, and through his involvement in the medicinal trade. Anticipating change, Rosentiel turned his attention to acquiring whiskey brands and distilleries throughout the nation in the 1920s. A major distillery Rosentiel acquired was the Joseph S. Finch Distillery in Schenley, PA, where the name "Schenley Products" originated. In 1929, Schenley acquired the Stagg Distillery and produced whiskey at both the Finch and Stagg distilleries.<sup>40</sup> By 1934 Schenley Products had also acquired the Pepper distillery.

<sup>36</sup> Pezzoni, 8.33.

<sup>37</sup> Cecil, 26.

<sup>38</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.34.

<sup>39</sup> Cecil, 27.

<sup>40</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.34.

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Schenley Products was initially much too small to adequately compete with the largest whiskey company at the time, the National Distillers Products Company. But Schenley Products grew quickly, and by the mid-1930s it had surpassed the National Distillers Products Company as the largest distiller in the United States.<sup>41</sup> The company launched major rebuilding campaigns at both the Stagg and Pepper distilleries and erected modern utilitarian buildings and structures with state of the art distilling equipment. The success of the Stagg and Pepper Distilleries in these years coincided with the elements of the New Deal, which fostered improved relations between management and labor. With progressive employee benefit programs, including pension and medical plans, the employees at these distilleries would have new opportunities and a better quality of life. In 1945 Schenley began an initiative to encourage employee ownership of the company stock, as Rosentiel viewed this as another way to improve the lives of his employees while bolstering profits and productivity.<sup>42</sup> The Stagg and Pepper Distilleries prospered under Schenley's ownership as a result.

Since the Pepper Distillery is the only example of a post-Repeal industrial bourbon whiskey operation in Fayette County, Kentucky, we must look outside of the context area to recognize its conformance to industry norms. A relatively few number of new distilling companies were established in central Kentucky in the post-Repeal era. Examples of new companies, such as the Heaven Hill Distillery and the T.W. Samuels Distillery in Nelson County, chose utilitarian designs and fireproof materials for their production and storage facilities. These physical characteristics are still evident at many of the post-Repeal distilleries that have survived in central Kentucky.<sup>43</sup> The size and array of buildings within these Kentucky distilleries of the post-Repeal era follow national trends in industrial architecture of the distilling industry.

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Similar to the structures at the Pepper Distillery, the new construction at the Stagg Distillery was utilitarian in character and designed with modern features, such as block massing, flat or parapet roofs, metal frame windows, and brick, concrete or structural tile wall surfaces.<sup>44</sup> In addition to the Stagg and Pepper distilleries, several other sufficiently funded operations revived older distilleries with the construction of modern buildings and the purchase of new equipment. The Barton Distillery in Nelson County, established circa 1889, was rebuilt in 1934 and a new utilitarian stillhouse was constructed. Established circa 1888 and partially razed during Prohibition, the Boulevard Distillery in Anderson County was rebuilt in 1935. The Charles Medley Distillery in Daviess County was established circa 1874 and rebuilt in 1939 with new buildings included a utilitarian, four-story brick stillhouse, a dry house, a boiler house, and tile-block warehouses. Established circa 1866, the Old Grand Dad Distillery in Franklin County was rebuilt in the 1930s and included buildings constructed of metal, concrete, and tile block. Labrot & Graham Distillery significantly expanded in the mid-1930s, incorporating modern industrial design within the historic buildings associated with earlier operations.

<sup>41</sup> Ambrose, 77.

<sup>42</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.34-8.35.

<sup>43</sup> Pezzoni, *An Evaluation of Kentucky's Historic Distilleries*, 6-7,9,11-12.

<sup>44</sup> *Ibid*, 8.40.

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The post-Repeal boom in the whiskey industry eventually led to overproduction, forcing some of the newly built or expanded distilleries to temporarily shut down. During the World War II period, limited supplies of grain for distilling whiskey further reduced production in the post-Repeal era. In the early 1940s Schenley refitted the Stagg and Pepper plants to produce industrial alcohol to make such materials as synthetic rubber, smokeless powder, and other materials to aid in the war effort. By 1942 other distilleries nationwide had converted their plants to industrial alcohol production and whiskey and bourbon production was soon banned.<sup>45</sup> Pepper, Stagg, and other Kentucky distilleries continued as viable businesses by producing alcohol for the war efforts in the mid-twentieth century.

**History of the James E. Pepper Distillery**

James E. Pepper came from one of the most distinguished whiskey families in American history. James's grandfather, Elijah Pepper (originally Culpepper) settled in Old Pepper Springs in Kentucky County, Virginia around 1776. By 1780 Elijah was a well-established farmer-distiller in the area. Elijah, who traded whiskey with neighbors and travelers passing through Versailles to the distillery site, was one of the few distillers with enough money to pay the excise tax during the Whiskey Rebellion of the early 1790s.<sup>46</sup>

Following Elijah's death in the early 1830s, his son Oscar succeeded him in his whiskey production ventures. In 1838 Oscar constructed the Old Oscar Pepper distillery and hired physician and chemist James Crow as distiller. Pepper and Crowe produced the first "Old Crow Bourbon" and Pepper's brand "Old 1776-Born With the Republic" during this period. James E. Pepper, Oscar's son, took over the distillery following the death of his father in 1867. Pepper sold the Old Crow label to a company partially owned by E. H. Taylor. In 1879 Pepper sold the family business to Leopold Labrot and James Graham, hence its present name Labrot & Graham.<sup>47</sup>

In May of 1880, Pepper began producing "Old Pepper" and "Old Henry Clay" brands. Pepper was one of the first distillers to invest large sums for advertising his whiskey and demand allowed him to charge more than his counterparts. The company began marketing their product nationwide.<sup>48</sup>

In the company's early years, whiskey was sold in barrels - as bulk trade. By the mid-1880s however, the James E. Pepper Company began to bottle its whiskey in quarts and pint flasks. Pepper entered the bottling business in an effort to prevent counter rectifiers (bottling operations) from blending his whiskey with cheaper substitutes.<sup>49</sup> The "Old Pepper Whiskey" brand gained considerable recognition across the United States by the 1880s. The brand was considered by many experts to be the best bourbon produced in the state at the time. Due to its success, other companies often tried to adopt the Pepper brand name. Pepper, for example, won a lawsuit again Labrot & Graham for using the

<sup>45</sup> Pezzoni, *George T. Stagg Distillery National Register of Historic Places*, 8.38.

<sup>46</sup> Regan, 181.

<sup>47</sup> *Ibid*, 181-183.

<sup>48</sup> Ambrose, 44.

<sup>49</sup> *Ibid*, 45.

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“Old Pepper” name.<sup>50</sup> Selling to over ninety brokerage houses across the nation, a trade paper noted how the widespread recognition of the “Old Pepper” brand throughout the United States had been “the wonder of the entire whiskey trade and competitors of the house.”<sup>51</sup>

According to Ambrose, referring to a December article of the Lexington Leader in 1920, Pepper had been described as “one of the best-known distillers of fine whiskeys in the world.”<sup>52</sup> Furthermore, the paper noted that Pepper’s brands “have probably been more universally advertised than any other of the Kentucky distilleries”.<sup>53</sup> Production was so high that the company still had 20,000 cases and 2,600 barrels stored in bonded warehouses in Lexington well in to the Prohibition period. Before legislation was introduced that authorized the sale of whiskey for medicinal purposes, these stocks were considered worthless, probably surviving only because the law did not require their removal.<sup>54</sup>

In 1920 the federal government legalized the medicinal sale of whiskey and the Pepper bottling plant resumed operations. Local drug stores only dispensed whiskey to customers that could produce a prescription. In 1923 the company marketed to pharmacists and “James E. Pepper” whiskey was endorsed by over 40,000 physicians throughout the United States. Roughly six times the pre-Prohibition price, a 24-pint case sold wholesale for \$31. The company was awarded a share of the allocation to distill medicinal spirits for pharmacists in October 1929. This was the first time the federal government allowed production of restocked whiskey for medicinal purposes. The company estimated that it would cost approximately \$35,000 to put the plant back in commission, and as a result, distilling was shifted to the Stilzel & Weller Distillery in Louisville.<sup>55</sup>

During Prohibition the Pepper distillery’s warehouses were used as concentration houses for whiskey. The distilling plant itself was mothballed and the company received its shipments from a number of independent distillers. With these two functions, the operation was able to maintain its reputation and remain productive when all other local competitors in the Lexington area disappeared.

Schenley Products purchased the company in 1934 and began to rebuild the distillery complex. Between the years of 1934 and 1937 Schenley was the largest distiller in the United States and the acquisition of the Pepper brand name and operation fit well into the company’s plans for growth. Schenley Products was willing to invest large sums of money to rebuild the complex, reopen the business, and further market the brand.<sup>56</sup> This substantial investment by the largest distilling company in America certainly added to the reputation of, and demand for Pepper products. The Pepper Distillery likely appeared to be a safe venture - it had survived a number of economic downturns and was always able to recover successfully. This was largely attributable to its brand recognition and

<sup>50</sup> Ibid, 45-46.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid,65.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid,72-73.

<sup>55</sup> Ambrose,74,76.

<sup>56</sup> Ambrose,77.

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reputation for quality. Another important factor was the property's location next to the Town (Middle) Branch of Elkhorn Creek, Old Frankfort Pike (Manchester Street), and a major railroad to efficiently transport raw materials and finished product.

Within two years of Repeal, in August 1936, the company reported that during the previous two years 97,000 barrels of whiskey were produced. At the time the distillery had approximately 100 workers. In 1938 the distilling plant shut down for the season due to an oversupply of whiskey and production was consolidated at the Leestown Distillery in Frankfort.<sup>57</sup>

During the Second World War, production was halted and the Pepper plant was converted to the production of industrial alcohol for the war effort. The federal government also limited the supply of grains for distilling whiskey until after the war had ended. Anticipating the federal government would again limit the supply of grain at the onset of the Korean War, the plant operated at full capacity. However, the restrictions were not enforced and the company was left with an oversupply of bourbon inventory. During the 1950s, production was significantly reduced to draw down the existing inventory in the warehouses.<sup>58</sup>

**Summation of Significance**

As the only fully operational whiskey distillery in Fayette County during the post-Repeal era, the James E. Pepper Distillery is eligible on the local level under Criterion A for its association with a long and distinguished bourbon heritage. The Pepper distillery stands as the sole expression of that local industrial heritage to survive Prohibition and to continue operations within modern, state of the art facilities. As previously discussed, other distilleries in Kentucky also survived Prohibition through their selection by the United States Government as concentration houses and/or medicinal whiskey producers. Other distilleries in Kentucky were also purchased in the post-Repeal era by large national companies that were willing to invest large sums of money in substantial site improvements. Compared to other distilleries in the state that were rebuilt and/or modernized during the time period however, the Pepper Distillery is considered to be a particularly uniform and intact example. It is also the twentieth century expression of Fayette County's bourbon tradition, manifested in buildings and structures that reflect regional and national trends in the industry during the post-Repeal era.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid,91-93.

**United States Department of the Interior  
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