

John

February 27, 2006

William T. Sena

We were sitting in the Jacuzzi at John's home in Florida on this mid-winter Monday evening. It was a small, warm, circular pool nestled in the center of a much larger pool, surrounded by palm trees and a variety of exotic flora. John turned to me and said, "let's check the evening news and the market." He reached over to a panel behind him, pushed a button, and a television screen began to rise out of the wall below the arbor in front of us. We were soon immersed in the sight and sound of a 60 inch screen with the warm rushing water soothing our tired bodies.

Stone Phillips was talking about the continuing energy crisis as the price of oil had soared to \$80 a barrel, another all-time high. Stone opined that it wasn't war, OPEC, or politics, just good ole' fashioned supply and demand, with good economic times overwhelming a slowly growing and maturing supply.

With a sip of my gin and tonic, I turned to John and said, "maybe you should start Conserve again!" He laughed and said, "Wouldn't that be a hoot, we might even make some real money this time around!"

It was back in the seventies that I first met John Osher, as the first energy crisis began to heat up. He was introduced to me in quest of venture capital by a mutual friend. A few of our clients invested in his new company which developed and distributed an array of energy saving or conservation products, thus the name of the company, as "Conserve."

It was a unique little business based in a store front in Roselawn with a handful of employees, contract manufacturers, and John, taking on any heating or energy idea he could come up with, and converting it into a product to put into the retail system to appeal to the cost-conscious, energy-saving mind set. He did indeed come up with a number of interesting and innovative ideas and the company prospered for a few years, only to wane as

the price of oil came down. Conserve was sold in the early eighties, made a little money, lost a little money, but a great learning experience for all involved, particularly John.

Everyone who has ever been a child, I guess all of us, and anyone who has ever been a parent, most of us, have come up with innovative toy ideas. “My son really likes that, it’s nifty, I think I will patent it.” With a mind as entrepreneurial and inventive as that possessed by John Osher, the toy business was a natural. He moved to Cleveland, raised capital both there and in Cincinnati to form CAP Toys, an acronym for “Children At Play.” A number of my clients invested in it, and I was on the Board to represent them. We regularly met in Cleveland, although there were occasional meetings in Cincinnati, often at our offices. These Board meetings were quite a trip. John usually started off by introducing the new line of toys which he had acquired or created. We tried to discuss sales, profits, and other mundane items, but most meetings quickly degenerated into grown men playing on the floor, supposedly evaluating a new toy. Most of us had no talent whatsoever for selecting a toy that would make it to market, much less make a profit.

I vividly remember the toy product which I most liked and thought to be a real winner, “the Blooming Doll.” It was a transformer, a soft toy, and downright “cute” as could be. The Blooming Doll was made of fabric, it was flowerpot-like, various blooms on top which transformed into or was turned into a doll by pulling the flower out of the pot, legs pulling out of the bottom, the flower out of the top of the pot to reveal a head with a flower in the hair. It also turned into a hand puppet. Fame and fortune were ours! Well, it laid an egg. No fame, no fortune.

I soon learned, sometime after John and the marketing staff at CAP Toys, that two issues dominated the toy business. First, back then three retailers accounted for about 90% of the toy market: Toys ‘R Us, Wal-Mart, and K-Mart. Unless you got through to them, the best toy in the world was not going to make it. Second, a single toy which took hold of the public imagination could consume all of the dollars at the big Christmas selling season. Such products ranged from video games like Atari, to the Cabbage Patch dolls, or even novelty items like “pet rocks.” John Osher was a very “quick study” and began to redirect the efforts of CAP Toys to fit into these two prongs. He developed a number of very

interesting and unique products, some of which took hold almost as proprietary items. First of these was “Stretch Armstrong,” a putty-like doll figure which could be stretched or pulled apart to make a variety of configurations but, when left alone, returned by its substance memory to its original shape, thus the Stretch Armstrong, modeled after Jack Armstrong.

Remembering these CAP Toys days, as we sat in the Jacuzzi two decades later, engendered a great deal of conviviality. Stories about various products, marketing concepts, how the company moved forward, were humorous and pleasantly recalled.

The company soon had a couple of breakthroughs, although products that most of us thought made little sense. The first of these was the “Squish Ball” which was a squishy ball about the size of or slightly smaller than a tennis ball, multi-colored, filled with a silicon-like substance, sold individually for a dollar or two, which seemed to fascinate as something to toss, squeeze in one’s hand, or just bop around with. It did very well. I believe that the Squish Ball was the first product which was broadly sold at the big three outlets of Wal-Mart, K-Mart, and Toys ‘R Us.

The really big breakthrough came with the strangest product, the “Spin Pop.” This was a battery powered handle, 2 ½ to 3 inches long, an inch in diameter, multi-colored, into which one inserted a lollipop. When the on button was pushed, the lollipop went around and around, thus making for an effortless and rather pleasant taste treat. It went over big. The nature of the product was such that it was able to be placed near the checkout counter or on the end cap near the registers, which motivated impulse sales. Margins were quite good for the vendor, so it held the space for quite a while. With the Spin Pop we then licensed cartoon or television characters such as Batman, Snow White, race cars, or the like, creating even further popularity. Sales and profits at CAP Toys began to do well. The investor group was very pleased but now was interested in cashing out.

As the late eighties were a fairly robust period in markets and in corporate America, mergers and acquisitions, initial public offerings, and overall shareholding brought prosperity. CAP Toys was indeed an attractive merger candidate. After a couple of trial balloons we did merge the company into a publicly traded novelty, toy, merchandising

enterprise called Russ Berrie. We got \$16 million in cash for CAP Toys. A very successful venture which pleased all of the shareholders. Part of the deal, however, was that John Osher had to go to work under an employment agreement with Russ Berrie for three years to integrate CAP Toys into their company and to help manage the toy division.

Thus the era of CAP Toys, the outgrowth of Conserve, and several years of struggling, learning, and building, came to a very satisfactory and successful end.

CAP Toys was well integrated into Russ Berrie and John performed extremely well within that larger company, although his entrepreneurial spirit was unhappily bridled. A few years into the deal Russ Berrie sold their toy division to the giant toy company, Hasbro. John Osher got sold to Hasbro along with that division and found himself working for an even larger company. After a year or so with this giant company, and numerous offers to take senior management jobs, John left Hasbro and ostensibly retired. He was then a wealthy man, but had not completely reached his goal. After a year or two of trying to be retired, working on his golf game, getting down into a single-digit handicap, spending a good bit of time in Florida, would John's entrepreneurial spirit become too restless to remain on the sidelines.