

INTERVIEW II

DATE: March 13, 1987
INTERVIEWEE: DONALD S. THOMAS
INTERVIEWER: Michael L. Gillette
PLACE: The LBJ Library, Austin, Texas

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T: When I filed President Johnson's will for probate in the County Clerk's Office of Travis County shortly after his death, I felt there was a need at that time for me to issue a press release. Throughout the years of his political life, the press had been extremely curious about my affairs, the President's business affairs, and those of almost everyone who touched his life, for instance, A. W. Moursund, Waddy Bullion, other friends. The press had the purpose, I felt, to distort the business affairs that pertained to the Johnson family, and constantly they would include a large number describing his ranch holdings and also lands that were owned by me, by A. W. Moursund, by members of the Moursund family and by others. Consequently we had, I think justifiably, a belief that any knowledge of the Johnson business affairs other than those which were publicly visible would be distorted and would be used to create the wrong impression of the wealth of the Johnson family and the holdings of President Johnson himself. Consequently, the day I filed the will for probate, I filed a press release the essence of which was to say that, "I have today filed the will of Lyndon B. Johnson for probate in the County Clerk's Office, Probate Division, Austin, Travis County, Texas." I went further and said, "During his lifetime the press has had great curiosity about his business affairs. The President is now dead, our

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political years are over. We have no desire for secrecy pertaining to those affairs. Consequently, any members of the press who have any curiosity about any business operations of the Johnson family will contact me, Donald Thomas, and I will respond to any question you may pose."

To my surprise and shock, I was never approached by any member of the press in pursuit of that expression of a willingness to fully disclose anything that might be of interest to the press. As a matter of fact, I chided several members of the press for having failed to do so. Being disappointed in the lack of interest of the press in our business affairs, I decided that perhaps my mission in life, to serve the President, would be to write a book, a book that I entitled ***The Building of a Modest Fortune***. Unfortunately, I never got around to doing that. In 1983 I had a disabling stroke which has kind of lessened my activities; I have difficulty in writing and I just have business affairs that I have to tend to.

So I decided when I heard on national television Senator Barry Goldwater make the statement that President Johnson had made more money out of the presidency than any other president I was challenged to resume my efforts to set that record straight. In brief response to that, and this will be a detailed description of our affairs documented I think thoroughly as we go along, if I survive to tell the whole story, I just will answer Mr. Goldwater and I will say that in my association with President Johnson over a period of almost forty years, I heard him say many complimentary things about Senator Goldwater and his integrity; I never heard him say anything to reflect on Senator Goldwater. I know

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that he felt that Senator Goldwater was both his friend and an honorable, honest person. But I must say that if President Johnson made any money out of the presidency, I never knew it. I will say that I have had an intimate knowledge of the financial affairs of all of the Johnson family, going back to 1944. There is no asset held by any member of the family that I cannot trace to an honest and honorable source, and this will be my purpose as we move along.

And perhaps I should say in the beginning, as I am somewhat of a political unknown, that although I am described as the lawyer for the Johnson family, the Johnson family never had much need for lawyers. Basically, I began representing the Johnsons in 1944 when I came out of law school. They had just fairly recently acquired the radio station, and the biggest lawyer need we had in those days was to protect the stations against claims for libel or slander, as you might categorize it, by reading and approving all political speeches. So in political season it was virtually a full-time job to represent the radio station. Other than collections, I have no recollection of ever having rendered any other legal service to the radio stations in those early years.

My fondest memory is--I was twenty-four years old, I was fresh out of law school. I had been born into the Great Depression, into poverty. My father had lost his job as a salesman, as a traveling salesman for a wholesale grocery company in 1929, and then had the misfortune to die in about 1930. So I had never had any money, I had struggled going through school, I had worked my way all the way, I left home with six dollars. And I say that because I was the kind of populist that the President was, and he always accused me of being the bomb-throwing member of his

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organization. But at any rate I worked there representing the radio station through that political season of 1944. And the first time I met him or Mrs. Johnson, to have any association with them other than just mere introduction, was at Christmas of that year when they had a Christmas party for the staff. And to my great surprise I got a bonus as did every member of the staff.

So that was about the nature of the legal effort that was required. During this time I was leading a very active trial practice and had kind of won my spurs in the ensuing years as a trial lawyer. I was involved in the 1948 election. I have already spoken on that subject and will return to it if we have time, but most urgently I think I need to approach this.

Kind of as a preview of how I expect to proceed, because someone else may have to finish this for me, I have taken a copy or I have a copy of the Haskins and Sells audit that described President Johnson's business holdings and those of his wife that was published soon after he ascended to the presidency. I will go over the assets that are listed in that audited statement by a nationally recognized and respected national accounting firm and I will describe where each of those assets came from and what they cost and, to the extent that I can identify it from files which no longer have any relevance but for which I have a search going on right now in the business, in the family business, looking for every file pertaining to the acquisition of any real estate. Those records are largely public records. What we have in our files would normally be of record in the county clerk's office of the various counties where real estate may be located.

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So when I have reviewed those files that we can find, or when I get them segregated, I will go through every file that we have in our company business to describe every asset that we've acquired. Who we bought it from, what we paid for it, how we paid for it, how much did we pay down, how much did we finance? I will carry that through to completion to show everything that he owned that was associated in any way with company business, and then I propose to have an abstracter employed, such, as I would say right, now that Stewart Title Company is probably the most respected local abstract company. I expect to employ someone of that caliber, pay them to make a search of all the deed records of Harris County and Galveston County, Blanco County, of Gillespie County, of Travis County, and of Burnet County, which I believe cover all of the counties in which we ever had any real estate holdings. I will treat those the same way as I have said I would treat the items that are listed in Haskins and Sells.

I think there is another question and that question is why--why the real estate as [is?] a prime source of an estate or the prime asset of an estate. And there is an answer to that and it is an easy answer. And it goes back to a day in--did he become vice president in 1961, did he take the office in 1961? I guess I'm going to have to get 1959 and 1960. I would say in the latter part of December of 1960, or certainly if not in December, in November, it was after the election, because I was in the meeting in the fifth floor apartment, which is really the penthouse over the television station where they resided when they were in town. I was called to a meeting there with J. C. Kellam, President Johnson and me, the three of us, which was the way we conducted most of our business.

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As I left a while ago, I did not complete my point that throughout the years from I would say 1955 until his death, I did what legal work he had to have done, which was minimal. But basically I was a member of the executive staff of the LBJ Company and I participated in every business decision made, I will say, from 1955 until he died. Anything he bought, I was a party to it.

G: Is there any significance to the 1955 date, the beginning?

T: 1955 was the year of his heart attack, I believe, was it not?

G: Yes.

T: It was also the year that I did a job for him--I [may] just as well spell it out to show that I am totally candid. He had had the belief, supported by Waddy Bullion as his tax counsel, that Mr. [Thomas Jefferson] Taylor, Mrs. Johnson's father, was going to suffer disastrous federal estate taxation upon his death because of the nature of his estate, which was tens of thousands of acres of nonproductive land which could never generate enough revenue to pay the estate taxes that would be imposed on it. It was a very serious problem. And Mr. Taylor was having a problem with his wife. So he wanted me, Mr. Taylor wanted me--not me because I did not know him personally at that time. He told President Johnson that he wanted some tax advice, some estate tax advice for the benefit of everybody in his family, the natural objects of his bounty, as he wanted to do what was best for all of them. I never did practice any income tax or estate tax law, so I guess the President's close shave with death caused Mr. Taylor and perhaps President Johnson also to recognize an urgency to do something about Mr. Taylor's estate. So he had caused Mr. Bullion's firm to prepare a trust, a living trust

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so to speak, one under which although it was irrevocable by its terms, as required by the IRS, Mr. Taylor was left in control of the assets that he put in it, which was substantially his whole estate except that which he had already deeded to some of the grandchildren and to his wife and perhaps others that he wanted to give something to.

So they prepared this document, and I had been dispatched to go over and sit down with Mr. Taylor and discuss the document for how it would operate and what the tax people thought it would save him in taxes. I took it over there and I was there at Christmas, and I'm pretty sure that was Christmas of 1955, it could have been 1956; there's a record on that. So I went over there and I explained--I got along famously with Mr. Taylor; I mean, both of us, I was a country boy just up the creek from him there, up in Red River County and he was down there in Marshall, which was not too far. So we got along real well. He wanted to discuss it with his wife; he wanted me to discuss it with his wife. And she was away and he was distressed. This was Christmas Eve and she was not there and could not be reached. So finally, fearing that--and this kind of exemplified Mr. Taylor--fearing that my Christmas was going to be ruined, because I'm there in his office at noon on Christmas Eve, and I hadn't done my Christmas shopping and I'm all the way from Austin to Marshall which is over three hundred miles. So he finally said, "Let me just sign that paper." So I signed it, and I gave him a copy, left a copy with him. Told him I would come back anytime he wanted me to. Well, his wife did not react rationally to what he had done, because what he had done was to her benefit, too, and she still feels that that trust did not do justice by her. It was what Mr. Taylor

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had said he wanted. He was certainly a very astute businessman. Nobody would try to run anything over Mr. Taylor.

So here we are. It had to be irrevocable to achieve the tax benefits. And here he had signed an irrevocable trust, and his wife was extremely upset and did not settle down. And she started giving him hell, just to put it the way we would in East Texas. He said, "What in the world can we do?" Lady Bird said, "I just want Papa to die in peace. I don't want what he's got." Valuable assets, but not much money. I mean, she wasn't spurning the assets; I don't want to create the wrong impression because if you got into it, you'd find it was probably worth several million dollars. But at any rate, the President challenged me: "What can we do? If Mr. Taylor doesn't want that to be the way it's set up? If he had rather pay his taxes, can we accommodate him?" I said, "Well, it's an irrevocable trust. The only way that I see that we can do is let's let Mr. Taylor file a suit against the beneficiaries of this trust alleging that that trust was entered into as a result of a mutual mistake, that he realized all of the method of operation and how it all worked, but that really he had not realized that word irrevocable meant what it did." Then I testified that perhaps I did not explain that to him adequately, so maybe the execution of the trust itself was a result of a mutual mistake. So we set that trust aside. Now if we had wanted to, we could have defended that trust. There's no question in my mind.

But it was about that time, to answer your question, the significance of 1955 and my closer personal relationship with them was that. That early in the game what he really liked to do--it didn't have

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much value because it was recoverable--to show you how much he thought of you was let you have some of the stock in the company. But that stock had a repurchase provision in it that limited its value substantially. But anyhow, I was anointed; I became a stockholder then.

And then in the subsequent years--this I hate to say more than anything--he and Everett Looney and Ed Clark, the senior partners in my law firm, grew apart and were apart. I never did know exactly why, but they were not close I would say from about 1958, somewhere in there, until I would say--let's see, Looney died, I mean he had a stroke in 1958, died in 1963 I think or thereabout. But at any rate, they didn't want me to go over there and work. I was spending almost full time on this business and throughout all those years our law firm drew a retainer only and that retainer was two hundred dollars a month. And actually we preferred not to even have that because he thought he was buying the service he was getting, but it was a very low financial--

G: Why didn't you bill him for hours, or why didn't Everett Looney bill him hours?

T: Well, why did we all worship him, other than Looney and Clark? Well, Clark didn't know what was going on. In the first place, what I did when they put the brakes on, I checked in with Jesse Kellam every Saturday at ten-thirty and I stayed with Jesse till we would have dinner together. And I did a lot of slipping off and doing things or doing things over the telephone. I continued to be very closely associated with the business, but there was no high visibility of what I was doing. The answer to it is that as far as I'm concerned--the press always pointed an accusative finger toward him for the way he worked his staff,

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how many hours they worked, how they were on call. There I was over yonder on December 24. I think always there never was a Christmas Eve that I wasn't busy for him. He worked the hell out of you. He was testing you, really. And really the reason for it was simple. We all loved him, still do. We were all entertained by him, by his personality. Our wives loved him and enjoyed him. And you say that and people say, "Bullshit," but really, that's it. I mean, I learned a lot from him. I felt that he added a lot to my prestige. He was an extremely smart man in business. If he hadn't been president, I don't know how rich he would have gotten.

G: Could you elaborate on that? When you say he was smart, could you break it down as to what his gifts were, or--?

T: Foresight. Who do you know who if his family owned a highly successful near-monopoly television station that was generating after-tax funds, say, in the neighborhood--I don't know the exact number, I have no desire to keep it secret if I can find it, but let's say it was generating a million dollars after tax, which would not be out of reason for the radio and television [stations]--who do you know if they had a one-half interest in a cable company with an unpleasant association with a 50 per cent partner, a cable system that you had no real voice in managing--you had a right to have a voice, but it was just impossible. Anybody who knew George Morrell, who headed up the other side, the other partner, you had no voice in it. It had an accumulated loss at that time I would say somewhere between a half a million and a million dollars. If it was operating in the black, if so, it just reached that point of profitability, it had a long string of nonprofitable years.

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You had an order of the FCC that prohibited the ownership of television and cable in the same market with a prospective date deadline for disposing of one or the other, as I remember it, but that you were going to ultimately have to divest one of them. Who do you know that would have sold his television station and kept a half interest in a cable system that was just a source of displeasure rather than pleasure and losses rather than profits? Who could have seen over that hill that way? He sold the television station. We got about nine million dollars for the television station and we closed that in 1964. We stayed in the cable and we sold the cable--when?

G: Just last--

T: 1978 maybe, 1979.

G: Something like that.

T: We sold that. We got an apparent twenty-three million for our half. As it worked out with the conversion privileges on some of the debt that was involved, we came out with forty-six million dollars for that half interest of that losing proposition. So that's one thing.

I don't know what year it was, but I would say in the vice presidential years, probably, he told me, "You better borrow all the money you can borrow." That wasn't much for me because I didn't have any collateral. "Because," he said, "interest rates are going to go out the top. There is no way to stop it. It's going to happen, and to prepare for it, you better borrow all the money you can." And so he did. He went around and arranged to borrow money that he didn't need, just got commitment to borrow money. And I was embarrassed when he died, afraid somebody would say something that knew about it. He owed Frost Bank in San Antonio over a million dollars at 4 per cent interest.

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G: Four per cent.

T: Or five, I don't know. I was embarrassed by that, so I contacted Tom Frost and said, "This is not a realistic rate, and I think we ought to pay you back." Tom Frost said, "You made the deal when it was a fair deal for us and we went into it with our eyes wide open. He was cautioning us that interest rates were going to out the top at the same time. And we're not going to do it." But we did pay it off before maturity, but he wouldn't let us pay off when I went to him. That's another thing.

When they bought KTBC, here it was a daytime-only station. It went off the air at noon to let A&M College use the frequency. He had the ability to see--I don't know where he picked it up--that there were some new engineering concepts on the way, directional broadcasting; maybe it was already up, I don't know how old a thing it was. Of course, I was not on the team at that time, so I don't know the details of that like I do other things. But at any rate they bought that station and they went directional, moved the frequency, went full time and ultimately to 5000-watt power to make it a viable [operation]. It had been in bankruptcy, KTBC had. Again, I don't know all the details of that, but--

G: Well, let's go back to 1955 and--

T: Now, let me just go right on first--I'll go back to 1955 with you, but first before I forget it, I'm prone to forget these things, getting back to the meeting on the fifth floor in November or December of 1960. "Don, what in the hell are we going to do with this money? We're making this money in the television and I want it to work for us. Now, I'm

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informed that the conflict of interest law applies to the executive branch and not to the legislative branch. I'm further informed, as vice president I'm a member of the legislative branch, so it doesn't apply to me, but by God, I want to live by it. I want to live by it like it applied to me. Now what are we going to do with this money?" And he said, "Now, I want to get everything that we have out of here that might produce a conflict of interest."

I had a company, Brazos-Tenth Street Company, which I owned. It had been convenient in an earlier time for me to acquire that company, which I did, and rent the building to the television station. I said, "Mr. Vice President, the only thing I know that we can do with our money"--or Vice President, Mr. Johnson or Senator was probably what I called him at that time. I told him I sure hated for him to be vice president, because it's so much easier to say, "Hell, no, Senator" than it is "Hell, no, Mr. Vice President." But at any rate, let's say we agreed that the least sensitive investment that a politician could make would be to acquire land, ranch land, farming land, because the nature of the farmer and rancher is such that he wouldn't sell to Jesus Christ for a quarter less than he could get from his neighbor. There just ain't no way. He always thinks it's worth more than anybody will give him. So we decided that what we could do was put this money in ranch land, get A. W. to run it, to actually operate it. And he could make enough out of the operation to service the debt--the interest on the debt that we would acquire--by working hard, and he would come into ownership of half of it. They were really--on most everything, they were fifty-fifty in properties that were acquired after 1961.

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G: But did A. W. assume his equity just for managing, or did--?

T: Oh, he paid his part.

G: He did come in with--

T: Oh, yes, he wasn't given any big thing. He was given an opportunity. We financed some of this out of the company at market rates. And we had an option deal that we worked out on some of this property. And like with Brazos Tenth, the stuff that I held in there that ultimately went to him, he had the faith, he never had a written agreement, but he had faith in me and he put some of his assets into Brazos Tenth. For instance, at that time he wanted to sell his holdings--let me first say that the only stock that LBJ was ever interested in at all was bank stock. He had--

G: Why was that?

T: He had faith in banks because he had faith in the area. What he told me was that banks reflect the economic growth of your area. So the way to participate in the growth of your area is to own bank stocks. And that at one time I think was true. Now there are so many banks, I don't think that's true. But he had personally, I don't know, maybe thirty thousand dollars' worth of Capital National Bank stock. So I took those bank stocks into the Tenth Brazos Street Company, and my deal with him on those was, "I'll take these stocks. Now, I've got to borrow the money to pay for them. And we'll take these stocks and I'll own them. That is an unconditional ownership because if I'm going to borrow the money to buy these stocks, I've got to show these stocks on my financial statement. They're mine and I may lose them. But"--I mean I actually owed the company or owed him for those--"we will figure the income from

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these stocks or from any of these assets, the revenue. We'll deduct from that the cost of carrying and any income taxes that are paid, any expenses of ownership, and then you can buy them back."

Now, that pertained to that sort of an arrangement, whether ever formalized or not, [it] was something that he knew that I would do. So it became a company that held some assets that he had a call on under that kind of an arrangement where I just broke even, I was just carrying them as a convenience and accommodation. Those ultimately--they were of no magnitude, no great magnitude ever, and nothing that would be politically sensitive was ever owned in that fashion. The press always asked me do I own Brazos-Tenth. My answer to that is yes. And I had some assets in there that were purely mine. They never did ask me if he had an option or an agreement or an understanding that he could buy back any of those things. If they had, I would have answered yes, because there was nothing to hide really unless you use it to distort. Nothing illegal, improper, no conflicts of interest.

As I say, he never had any--the only other stock that he owned at that time was the stock that he did own, control, of the Johnson City Bank, which was a matter of pride to him. "Here is the bank of my boyhood. Here is the bank that turned me down for a loan when I needed it to get my education. I'm going to own it." So he owned it. Now, again, this is no big asset. I don't remember what its value would have been. Probably--the way he bought it, one of his friends, Melvin Winters had owned the bank and he was a road contractor and he got in financial distress, and he sold it to LBJ. That's where he got it, as he frequently bailed out friends on deals like this.

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G: What would happen, for example, when friends of his might give him stock in their companies as presents? Would he retain it or would he sell it normally?

T: He wouldn't retain it. Nobody ever gave him any stock.

G: Really?

T: If so, I can't [recall]. He might have an opportunity to buy in. I think he bought into a little venture with Jack Brooks that I carried in Brazos Tenth. Jack Brooks had a little bank down there in East Texas somewhere that he organized. Not any big money maybe, maybe ten thousand dollars. Why? Do you have some feelings that somebody made that charge?

G: No, I was just wondering, because he did have friends that had corporations and I just--

T: Sure, and a lot of them had given to the Library or to the Foundation.

But no, let me say we have the Johnson Family Foundation. It was originally organized as a Johnson City Foundation, as a trust, a charitable trust.

It was created around the time of his first heart attack and was occasioned by his sensitivity to returning gifts he received during his illness. He did not want to accept many of these gifts, but he thought returning gifts of minor value created the impression that he was being sanctimonious. He especially pointed out that when he had his heart attack how many pillboxes people gave to him from all over, many of whom he did not know. He would look at a pillbox and say, "This damned thing cost X amount of dollars," and he did not want it because he had so many of them, so after the surge of giving was over, he wanted to create a

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charitable foundation to be used solely as the recipient of gifts that were tendered to him from people he didn't know or whom he might think it was not proper for him to take. That was the reason he formed the Johnson City Foundation, which later became the recipient of substantial gifts from him, his family, and some friends. He did not refuse gifts from friends, when the amount or cost was relatively insignificant, but he would not accept gifts from people whom he did not have a personal relationship with, and to offset the amounts he received, he usually reciprocated with a gift of like or more value.

G: And that was about the time to--

T: He said, "He didn't want to be"--sounds better now than to send it back [sic]. He hated to send anything back. He hated to leave the impression that he thought they were trying to incur favor with him with some gift. And his rule was, "If you give me something, I'm going to give you something of equal value." And he did.

G: Yes. He did.

T: I know in lots of cases--I can't speak for the whole world, I don't know every gift he ever got--I'm just telling you the nature of the man as I saw him.

G: I know he was very indignant as a young congressman when he sent a turkey to John Carmody in the REA and Carmody sent it back. He said, "He thought I was trying"--

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--to bribe him with a turkey."

(Laughter)

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T: I don't know. But anyhow, I don't where I got lost, but we decided to buy land and went about the business of trying to do it. We've made some good money.

G: But did you see the land, this ranch land, as an investment from the standpoint of appreciation?

T: Yes, sir. Yes, sir, absolutely. That's part of what we decided. We could buy, that we'd have to pay as much as anybody would pay to get it, there's no guarantee.

The other competitor for the use of these funds would be government bonds and not any kind of cash deposits, because you have to report to the FCC every year, and we knew if we reported having the kind of money that we had, they'd really give us hell. The press would imply that every damn nickel of it would have been stolen some way. That would have been the attitude of the press.

G: Oh, I see, I see. This was the way--

T: Utilize this. And we had as a target--in the first place, bonds back in those days were yielding about 4 per cent--that the natural growth of the area would bring about an appreciation at least equal to what a bond would have produced. At least that's what we thought. Whether that's a fact or not, we weren't always accurate in our judgment, but that was our judgment.

G: But didn't he put quite a bit into tax-free municipal bonds as well?

T: Oh, yes, the biggest loss he ever took.

G: Is that right?

T: Yes; interest rates skyrocketed and bond prices plunged. I don't know how much he lost. He thought--the genesis of his tax-free bond. Again

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I'm getting repetitive into an era that I was not a party to. During the war your excess profits tax was confiscatory, as I remember, about 85 per cent of your earnings. The prudent thing which everybody did who was operating a small family-owned business during that period of time, they dissolved the corporation and operated it as an individual entrepreneurship. So that happened with respect to KTBC. They dissolved I believe it was the Austin Broadcasting Corporation and operated it as an individually-owned enterprise during the war years, and I would say up until perhaps 1946 when they reincorporated. Well, the stock in Austin Broadcasting had been recognized by everybody as being Bird's separate property, but when they operated as an individual proprietor, everything that it earned was community property. So when they went back into a corporate entity to be owned entirely by Mrs. Johnson, the company issued some debentures to him that reflected his community assets represented by the earnings during this time. It wasn't a whole lot of money. Again, that's just a year or two before I got there, but I know he was still converting those debentures that he got for his ownership. He was still converting those to cash and buying municipals when I came on the scene. So he had a considerable amount of--every time he got money he bought municipals because this is money he didn't have to account for to anybody. I mean, he could walk the streets, spending it at will; he called it walking-around money. And so he had those.

G: It was free of controversy, I guess. It was not something that ever--

T: Yes, right. There was never any controversy about it. I don't know that anybody knew about it. But anyhow, that was an easy way for him to spend some money and not have to account for it, and that's the reason he wanted it.

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After he got out of the presidency, he loaded himself up like you can't believe in municipal bonds. Also he decided that he'd learn to play the stock market after he got out of the presidency. And he was a complete neophyte.

G: Really?

T: I don't know how much he did lose. He got carried away. Arthur Krim down at Acapulco arrived there from a meeting of TransAmerica and at the dinner table he just said, "Well, I just came from a board meeting of TransAmerica. We had a hell of a good year. We made X dollars." And he said, "You know what? Next year we're going to make X-plus dollars. It is just absolutely remarkable how these guys can project your earnings for a year." And said, "So next year we're going to make--let's use, for example, this year we made a dollar--next year we're going to make a dollar and a half." So he said, "Now, the market always prices out stock at fifteen times our earnings. So this year stock is selling for fifteen dollars. Well, next year it's going to sell for what it figures out to-- $15 \times 1.25 = \$18.75$." So the President I guess thought he was getting some inside information. So he goes out into the market and buys a bunch of TransAmerica. Now TransAmerica price, this projected earning figure, had already been put out there into the *Wall Street Journal* and everybody in the world knew about it. So I guess he thought he'd got some inside information. So he loaded up on some of that, and, sure enough, two things happened. One, I don't think they made the dollar and a half, and number two, the high interest rates started coming along and the value of--high interest rates were particularly bad for them for some reason. They were an interest-sensitive stock. At least

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I--I don't know the details of that, but I just know that he did it. He bought some of it and he lost money on it. I know he had a big loss on his municipals. And he never really believed in anything but bank stock.

G: Did he ever talk to you about oil company stocks?

T: No, except--let me give you a little story. One of my best friends is Gordon Griffin, Sr. Gordon Griffin is a geologist. He was the man who was the chief enforcement officer for the Railroad Commission in the East Texas oil field when they had the oversupply problem and the market demand statute that had to be passed. Gordon was a darling of the oil companies, and by virtue of that he's still living and he is an extremely wealthy man, as is his son, Gordon, Jr., whom you may know. Certainly he had access to Gordon for advice. Although he was not a particular friend of the President's, I did. But Gordon always wanted to do something for me. I would talk to Gordon about some personal oil play. I'd say, "Gordon, why in the hell shouldn't I get into some of these deals?" He said, "I just don't like to recommend anything to anybody, because this is the riskiest business in the world and I just would feel bad about it if I got you to do something and it turned out bad." Well, he was on the same floor as I was over there in the Brown Building. One day I saw him and he said, "You know, Don, this is not going to cost you anything much, but I've got a lease here on a hundred acres that adjoins another lease that I got, and I've got some partners from Houston and we're going to drill a wildcat on there, so I want you and Warren Woodward to have this lease on the land next door, because it's a salt dome. We're all pretty sure there's a salt dome down there,

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but again nobody knows whether there's any oil anywhere around it or not. But it's not going to cost but"--as I remember, a couple of hundred dollars. So I bought it. I don't remember whether Woody went in on that one with me or not. I don't believe he did. So they drilled a dry hole. So I lost my two hundred. Now, two hundred's pretty big pickings for me in those days. So Gordon was real upset about it, so he goes down to Houston and he talks those people into coming up there and drilling one on mine, giving me my two hundred back and an override where, if they hit, I'd still have my one-eighth override or sixteenth, whatever it was. And they drilled a well on my place and hit another dry hole.

Now, seven years later he came to me and he said, "Don, I've got a little old small piece of royalty here that's just as good as gold. I mean, it's producing property." And he said, "You can buy that on about a three- to five-year payout on what it's producing." And the cost of it was maybe twenty thousand dollars. He said, "You and old Woody ought to buy that." So I went to Woody or Woody came to me, and said, "We'll take it." So Woody went and told the President, said, "Don and I have just bought us a little oil interest, going to pay out in about three years." He said, "The hell you are. Ain't you nor nobody in my close circle going to get involved in the damn oil business. You ain't going to take it." Well, Woody was working for him. I was more independent but still that killed that deal. If you look at my profit sharing, I never did, during those political years, buy any oil stock.

G: Why did he feel that way?

T: He just felt that he was being destroyed by claims that he was a lackey of the oil people.

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G: And yet my impression is that the oil companies always opposed him when he was up for re-election.

T: They sure weren't too strong for him, I don't think. I never did know.

G: Is that right?

Well, let's go back to the ranch lands. You were talking about the decision to--

T: To buy up ranch lands as we found properties, and bought them.

The other thing, another story I'll tell you, is when we bought in the first place, the biggest ranch we ever had was the Haywood-Nicholson, and that was about seven thousand acres, in two purchases. One was from Danny Nicholson and the other was from Carlos Ashley as a trustee of Texas Christian University. That deal was a hundred dollars an acre and had the lake front. The Nicholson deal appeared to be a hundred and twenty dollars an acre. I say appeared to be, because there were some other assets that came with it that reduced its actual cost to about a hundred dollars an acre. I want to make the broad statement that we never paid more than a hundred and twenty dollars an acre for any ranch land that we ever bought during his lifetime, as far as that family's concerned, nor since.

And we started soon after his death liquidating those surplus properties--he and A. W., in the last years of his life, split up everything, divided it out in a way that he felt was fair. I don't know how A. W. feels, but LBJ thought it was fair, and if anybody ever makes a charge on that one, there are some things in there I'm not going to say about that deal, because they reflect on A. W. and I don't want to do that. I want to not ever get crossways with A. W.

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So the most we ever paid was that, and most of these other ranches were, say, from eight hundred acres, the Lewis near Johnson City, bought for sixty-five dollars, sold for five hundred dollars. I think we'd do better if this project is worthwhile, when I get the full list of these things I'll discuss them individually.

G: Okay. Would A. W. generally locate the properties and then propose a purchase to--?

T: Sometimes yes, sometimes no. Clyde Weatherby, let's take Clyde Weatherby. He produced the Danny Nicholson; he was the agent on the Nicholson deal that brought about the sale. Carlos Ashley was beating the brush everywhere in the world trying to sell that Haywood place and he couldn't get anybody. He had no buyer. It was a hundred dollars an acre, I believe it was cash, it had to be cash, and there just wasn't that kind of market for ranches in those days.

I know he always fussed at Louis Shanks. He said, "Louis, you have ruined the price of ranch land in all the Hill Country." Louis said, "Why is that?" He said, "You bought that damn old Click place and you agreed to pay a hundred dollars an acre for it. Now every son of a bitch in the world wants a hundred dollars an acre for their property." Louis didn't pay a hundred dollars an acre. It just looked like it, again.

But what I'm trying to establish for history is that in the first place all this land he had was all bought at top price, negotiated with owners who had no obligation to him. The only one that ever really got the screws put on them was me. I mean, I bought the Lewis place. That one that Stubbs wound up with, it wasn't the Lewis place, he [LBJ] sold

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it to Noble Haden. That's who wound up with it. I bought the Lewis place and it was my neatest negotiations and it was for myself. Sixty-five dollars an acre. And he found out about it.

Just like the stuff up here where we're building our studio on Rutherford and Interstate 35, Johnny Joseph and I had that bought. I made the mistake of picking LBJ up at the airport and he said he wanted to ride a bit and we drove down and drove by that, and I said, "Johnny and I are buying that piece of property right there." And it had about 1600 feet of frontage on the highway and had a nice three-bedroom, two-bath house on it with some of the clinker brick, you know, they're kind of kiln brick, dark red.

G: Yes.

T: He said, "Yes, what are you paying for it?" I said, "We've got it bought, we think, for \$63,000." "Hell, that's just the way you are. Goddamn, I'm up there in Washington. I'm working twenty hours a day. I'm trying to save this country, and I'm trying to make you rich, make this area bloom, and by God, every time a good deal comes along, you want it." So I said, "Hold up. You want it?" "Yes, I want it." "Okay, you're going to get it."

So I go back to Johnny, who's my friend, do anything in the world, I said, "Johnny, we just lost that deal out there, that Spurlock deal." He said, "What do you mean?" I said, "Well, the President said he wanted it and I told him he could have it." He said, "Well, that's all right. If it's all right with you, it's all right with me." That's the way John and I always get along. And he said, "But we ought to make a better deal for him. If we're going to his agents, let's just see if we

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can't do better for him than we did for ourselves." So we went to this old boy and we said, "\$58,000 or we walk." So we bought that damn thing for \$58,000 and I don't know what the hell it's worth.

And he said the same thing to me on the Lewis place. Of course, he went on and he said, "That old place is droughty, you know. It ain't nothing but a caliche mountain. You don't need that ranch. What are you going to do with it?" So I let him have it, bought it for sixty-five dollars an acre and let him have it. I know he got at least five hundred an acre when he sold it to Noble Haden.

But that's just the way it was. And a lot of those things, I'd start out, it'd be my deal, and then it would go to him. I'd let him have it. I didn't care.

G: Did he tend to lose interest then if you weren't--if you didn't want it and--?

T: No, no, he knew what I was doing. He knew the values. On that Nicholson place--this is getting away from what I really intended to do, and to protect and defend his honesty rather than just kind of tell you the kind of a guy he was--he and A. W. had been dealing with Danny Nicholson for years, trying to buy the Nicholson place. Now, the Nicholson place was a really prime piece of property, had a brand-new three-bedroom, two-bath modest brick home on it; it had two other residences on it and a big barn; it had a fifty-acre lake, it had a diesel pump pumping water out of the Sandy Creek to keep the lake up, good fishing lake. It was a good piece of property from every standpoint, and when we sold it after LBJ died we got about \$1,500 an acre for it and that's just been within the last three years, or maybe a little longer than that.

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Danny wanted to go back home. He had been a successful businessman in Corsicana. I stated that wrong; his wife wanted to go back home to Corsicana. Danny loved the ranch; he wanted to stay there, and I think, although I never met his wife, she must have been on a twenty-four hour schedule, "Let's sell this damn place and go back home." So he would tell her that he was going to sell it. Well, he'd put a price on it. Then A. W. or The Man or the two of them would start haggling with him, and they'd never buy, they wouldn't get it. They'd wait four or five months and come back and say, "All right, we decided we'd go ahead and give in." And Danny said, "No, the price went up." So the damn price kept going up, kept going up, kept going up.

Finally he put it on the market and listed it with Clyde Weatherby, who knew about it from our talks with him through the years. He knew that he wanted to buy it. So he went and got it listed. And Clyde had a place listed over in Kerrville, in that area, that had been sold under threat of condemnation for some governmental purpose. And these people had the right to reinvest this profit and defer their tax. So this was a hot buyer. They were looking for a place. So Clyde started showing them other places as well as the Nicholson. So finally Clyde tells me, he said, "I am fixing to get in more goddamn trouble than you can imagine." I said, "How?" He said, "That fellow from Kerrville is going to buy that Nicholson place; in spite of hell, he's going to buy it."

And I don't know whether you know the relationship we had with Weatherby through those years. Anyhow--still have the same relationship with him. But he rocked along and a few days later he walks in my

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office and he said, "Don, I've done it. That man's going to take it." And I said, "What he getting for it?" He said, "A hundred and twenty dollars an acre." I said, "Well, let me just talk to The Man. Let me just see what he thinks about it. Because you are going to get in trouble if you don't let him know before it goes, because they want it and they've just been trying to steal it." So I called. I said, "Now, this is the last chance. You're either going to buy the Nicholson or it's going to be gone forever." "Oh, that's too much money, that's too much money." I said, "Mr. President"--I think he was president then, he could have been vice president--"this is not something you're going to negotiate with me or with Danny Nicholson or with anybody. Clyde is Danny Nicholson's agent. He has come close to breaching his fiduciary duty by coming by here and telling me that it's gone. Now, it's very simple. If you want that man's deal, I'm going to try to get it for you, but that's the deal you're going to get. You're not going to get it a penny cheaper, and there's not going to be any change in it. Clyde's got the man ready to buy, and he's to meet him at Danny's at two o'clock." Let me talk to A. W." I said, "There's not much time. He's got to meet the man at two o'clock and it's ten-thirty now."

So Clyde sits there in my office and we sit and we wait. And he calls back, "A. W. called in and he said that's too high. I ain't going to pay it." I said, "Well, that's fine. Now the blood is on A. W.'s hands because you've got to take this other man's deal or no deal at all." He said, "Oh, hell, it's too damn much, but the way you ain't representing me, you're not trying to help me at all." (Laughter) I said, "Yes, I am." He said, "Well, I'm going to call you back. I'm

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going to call back A. W. and talk to him some more, and I'll call you back." So I hung up and Clyde sits there and he sits there, and Clyde's still sitting there at about one o'clock and he's got to be at the other place at two. And I don't hear from him. So I said, "Clyde, here's what I'm going to do. I'm going to write you a check for ten thousand dollars' earnest money. I'm going to write up a contract and I'm going to sign it just exactly like your deal for the other man. And I'm going to sit here and wait for that phone to ring and you're going to have to get on the road and get going. Now, you call me just before you go to meet your buyer and I will have had the word and I will either say, "Turn my deal loose, let it go, or forget it." He said, "Well, I better do that." So he took off.

I got the call back too late. I told him, "He's already gone. He had to leave; he had to meet this man at two o'clock. "Well, that's too much money. What do you think?" I said, "I don't know whether any of it's worth that or not. But what I want to tell you is that I might be able to get it for you at that price, because I sent a contract personally with a personal check earnest money and I don't know what's going to work, but if you want it, I'm going to try to get it for you." "Get it, go on and get it. It's too much, too damn much." So Clyde called in and I said, "See if you can get it for me." So Clyde said, "I'll let you know."

So he called me back in a little bit [and] said, "I got the deal for you." I said, "How did you handle it?" He said, "Well, I just went in there and I told Danny Nicholson, 'Don Thomas is one of the best friends I've got in the world. If there's anybody I'm obligated to,

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it's him. And here's his contract.'" He said, 'I don't know, he may be buying it for LBJ, but if so, I'm not sure of it.' And he wasn't, because I could have very well wound up when LBJ's airplane hit [?]. So I just told Danny that and he said, 'All right, if he's your friend, fine, and he wants [it] and he's paying the price, same deal, I'll just go in there and pick a fight with that son of a bitch.'" (Laughter)

G: Is that right?

T: Among other things that went with it was some fishing boats and he went in there and started arguing with this fellow that those boats didn't go. Anyhow, he worked it out. I think it even closed in my name. I'm sure it did.

G: Is that right?

T: But Danny knew it, and I continued to be a good friend of Danny and represented his son when they tried to disqualify him to serve as district judge.

But Bird called me and said, "Don, what do you think about that deal? That's an awful lot of money." And I said, "Bird, we got toys, we got boats that will outrun the Secret Service, we got cars that will drive on the water." I said, "We've got a multitude of toys, and all of them will wear out except this damn ranch. He likes to play with these ranches, so I think that it ought to be worth what he's paying for it. If it ain't worth it now, it's going to be worth it some day, and he's going to have a lot of fun playing with it and it ain't going to wear out." And that was what I told her.

G: He did go out there a lot, didn't he?

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T: A lot, sure. Yes, because we got all that waterfront. And I had a chance to get in--no, that was on the Haywood. We had bought the Haywood earlier. But it joined the Haywood.

G: How far along was the other deal when Nicholson picked a fight with the guy?

T: The guy was there to sign a contract. He was ready to buy it, but he hadn't signed.

G: He hasn't signed yet, so it was--

T: He had just indicated to Clyde, "I'm going to make a deal."

G: Yes. That's a good story.

Now let's get back to the KTBC fifth floor meeting. It was you, Jesse Kellam and the President, or then Vice President-elect.

T: Or then to-be, yes. Vice President-elect.

G: Let me ask you to describe Jesse Kellam's relationship with the President. We know of course he was station manager.

T: Very close, yes. Absolute confidant on everything and there was never a deal that he wasn't involved in. Most of what the press and the public doesn't understand, you see in the paper that there was a trust set up and that Waddy Bullion and A. W. Moursund were the trustees. The only thing in that trust was the stock in the LBJ Company, and the only thing that stockholders normally do in the operation of a company are to elect its board of directors and its officers. Now, I was always a director; I was always a vice president, and Jesse was president, and the truth of the matter is that except for the ranches and except for the fact that A. W. was on the board--Waddy wasn't even on the board--and attended probably half the meetings, the business was conducted here in Austin,

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principally by Jesse and me. We would report, but we had no reporting function at all to A. W. or Waddy. I mean there was never a change and there never was any exercise of any power to change. The power to change the operation of a company was there, but it was never exercised.

G: But Jesse Kellam seems to have been a very conservative, cautious guy and--

T: Tough, conservative, who used me, who frankly used me--I always said if he was going to write a letter to his mama, he would run it by me. He used me to overcome what he recognized was a too-conservative attitude, and the President was the same way. I mean, he had a much more conservative attitude than a lot of games we played, and he used me to fight for the other side. And then instead of saying, "All right, I'm going to go along with you"--the way he operated, I remember so well, we had a debate one night up there at the Ranch. Jesse and the President and I. And I think it had to do, as I recall, because we had one, I know, with respect to whether the profit-sharing plan should be contributory, whether employees had to contribute. And I was taking the position, "No, let's give it to them right up front. No contribution from them." It's the most liberal profit-sharing plan that ever existed, in my judgment. Designedly so. And this happened a number of times, the reason I can say this, we had a debate. He'd never admit he was wrong or that he was going to change his mind. He walked into my bedroom the next morning just as straight-faced as he could be. "Uncle Don, you know what I think we ought to do?" And he's play back just what my position had been the other night as though it was his idea. (Laughter) I mean, we never had a disagreement, really, that lasted.

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Now, Jesse and I--I'm prone to say I did things; Jesse and I did them, because Jesse and I never had a disagreement. He'd come forward with his conservative attitude and I would take the other side and reason with him and we'd come to the same position, ultimately. We never had a disagreement. We did everything--

And I've got part of the preparation and this thing has not gone the way I intended for it today. I was just gong to lay out the outline for what I was going to do, but I've got all of the minutes of the corporation at my house--

G: Wonderful.

T: --from the day it was organized, certainly, through his death. And the things we did, I always felt like I was going to have to reach this point some day: Why did we do it? And so many things just put in narrative form the reasons why we did this or that or didn't do the other. Did a lot of that. It'll be very helpful to me in going through some of these deals because they are largely described in there.

I will tell one story if you feel that you need it specifically, because again, it's something other people or honest researchers would never find. And it started before my time, in 1938. The President bought nineteen acres from Charles Marsh on Taylor Slough. He paid three hundred dollars an acre, six thousand dollars. In about, and I'd have to guess the date of 1946 or 1947, Everett Looney, Ed Clark and Tom Miller, all able businessmen, bought a tract of land adjoining it. The center line of Taylor Slough was the boundary between the two properties. They paid three hundred dollars, and this is some eight or ten years after the President bought and in a time when land values were

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appreciating. I say that simply to say that he bought it from Charles Marsh, so I want it known that Looney, Clark and Miller bought the other tract years later at the same price. Then perhaps a year and a half or two years later, Looney, Clark and Miller sold out for four hundred dollars an acre. And their land is--I don't know what they call that subdivision; I would have known sometime. River Road runs into it. Joe Kilgore lives on that street. So that land was bought from Charles Marsh. It was not a bargain, and a part of this ability to see the future that you talk about and I talk about was demonstrated in that deal. He held his. The net of what he got for that was a million and a half dollars. We did buy four acres in there from the Bergstrom family, some Bergstrom, I remember his name was Bergstrom--for a thousand dollars an acre. Four and a half acres for forty-five hundred, I believe. And we bought the scraps that were left over when West Enfield Development Company developed that River Road area. When they completed, sold out their subdivision, they had some of the creek bottom and one lot next to the Yacht Club over there and that reclaimable kind of an island there between the lake and the mouth of Shoal Creek.

I don't know whether he bought that for the purpose but throughout all the years that he was holding it, he said, "I want my family to all live together in this compound," meaning my corporate family. He wanted me to have a place there, and he wanted Jesse to have one and Bobbitt and Cactus, and all of the key people. He wanted to have them all there. And it never came to that, you know, because everybody went their own way. But we traded half of that place to Ray Thomas for what I call the new Reagan, where the Englishes live. I think it was fifteen

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hundred acres. We traded a half interest to Ray for the Reagan, and then later sold him the other half for seven hundred and fifty thousand. So we in effect turned that ultimately into a million and a half dollars.

G: That was farsighted.

(Interruption)

Okay, you were going to mention names that--

T: Oh, yes, other names. The critics will say that, "Oh, he wouldn't have bought it in his name. He bought it in somebody else's name." The easiest way would be if we had an ownership map as of that time that showed who the owners were after the NASA [location] was announced. I just don't know, the charge that he owned land around the NASA base is so absurd. I never had any interest in any land in Harris County myself nor did he, to my knowledge. And that's a short time period, but you can throw names in there, you can throw George Brown's name in there, although George Brown would not have fronted for him on anything. If anybody ever fronted for him on anything, it would be me during my period of time. If he was going to do something like that, why use somebody like that? He could have used Johnny Joseph's name and nobody would have ever dreamed of tying a tie to him. It just didn't happen, but somebody's got to pay the price for an abstracter to sit down there and look at a time period and check off a bunch of names. It's not too hard to do. I could do it, but I'd have no credibility with the press.

All you've got to do is tell these people if they want to do some research, it's the easiest thing in the world just to go to that county clerk's office and you go to the applicable time period which--I don't

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know when people started dreaming about sputniks and things like that, or when the thought of ever building that space center in Texas, whenever it was first suggested, or building one anywhere was suggested, and you just start there and you just go right till the day he died. And you look at that time period, you go to a reverse index, and that reverse index lists every acquired property and cites you to the book and page where any instrument, any recorded instrument, can be found. You go there and read it and you'll see what you got. But another way is if--I don't know whether their charge is that the government was going to buy land or whether their charge is that somebody, speculators were going to speculate on improved values in the area. I just don't know what the feeble minds are trying to dream up, because it didn't happen. If so, neither it nor the proceeds of it were here when we did his death tax return, and obviously we didn't, wouldn't have dared file a false tax return.

End of Tape 1 of 1 and Interview II

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