

Milk Unit's LBJ Gifts Described

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The Associated Milk Producers Inc., once paid dozens of "phony bonuses" that wound up as contributions to the late President Johnson's "Thousand Dollar Club," according to statements filed in court.

The payments were later restored to the big dairy co-op's corporate treasury, but not until AMPI had set up a legitimate political spending arm that could afford the reimbursements, the documents indicate. By then, LBJ had left the White House.

Robert O. Isham, former AMPI controller, was quoted as saying that the payments for the "LBJ Thousand Dollar Club" contributions amounted to more than \$54,000.

His statements were made in connection with an independent investigation of the dairy co-op's political dealings by former American Bar Association President Edward L. Wright. The work papers compiled in the investigation were recently subpoenaed by the Justice Department's Antitrust Division as an outgrowth of the government's civil antitrust suit against AMPI.

AMPI has come under intensive investigation as the result of a \$2 million pledge from the milk producers for President Nixon's reelection campaign, allegedly in connection with Mr. Nixon's controversial 1971 decision to increase milk support prices.

Before Mr. Johnson left the White House, however, the co-op, which was known in 1968 simply as Milk Producers Inc. (MPI), concentrated on Democratic candidates — first on the late President and then, when he dropped out of the race, on the Humphrey-Muskie ticket.

According to Isham's statement, former AMPI general manager Harold Nelson's secretary kept a folder listing all the individuals who got fake bonuses from corporate funds and then ostensibly made \$1,000 contributions to the LBJ

See MILK, A4, Col. 1

MILK, From A1

Club out of their own pockets.

The co-op also maintained close relationships with former President Johnson even after it began courting the Nixon White House in 1969. The Washington Post reported in March that AMPI was still paying the late Mr. Johnson's holding company a minimum of \$94,000 a year for use of the 13-seat turboprop airplane based at the LBJ Ranch.

Spokesmen for the Johnson interests called the lease arrangement a "bargain" for AMPI and described it as "absolutely an arms-length transaction."

MPI general manager George L. Mehren, however, was quoted as saying in another subpoenaed document that the price was "too lush" for most organizations.

According to Mehren, who said he once spoke to Mr. Johnson about the lease, the former President regarded, and welcomed, the payments for the plane as a "supplement" to his "retirement income."

The agreement with Mr. Johnson for the twin-engine plane was ostensibly made by AMPI manager Nelson a few days before he was ousted in January of 1972 in a management shakeup. The \$767,000 aircraft was subsequently purchased and delivered to the Johnson Ranch in April of 1972.

According to Isham's statement, the AMPI board of directors, which has 51 members, disapproved the co-op's leasing of the plane, but Nelson and an associate "afterwards falsified the board minutes to show its approval."

As Nelson's successor, Mehren said he tried to get out of the lease, which does not expire until April of 1976, but changed his mind after his talk with LBJ about it.

"In light of what he said," Mehren related, "it was clear to me there was no way legally of getting out" of the agreement. Regardless of any suspicions that Nelson might have signed it after he had been ousted as general manager, Mehren stated, "it became plain to me that AMPI was in no position to charge the im-



GEORGE L. MEHREN
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mediate past President of the United States with being party to a fraudulent transaction."

As a result, Mehren, a former assistant secretary of agriculture in the Johnson administration, said that he added his own signature to the agreement with "the full knowledge" of the AMPI board's executive committee.

The lease agreement was originally made with "L. B. Johnson" but it was later assigned to the Western Wildflower Corp., the holding company for the Johnson interests. Under the terms of the agreement, the Beechcraft King Air turboprop must be hangared at the LBJ Ranch. AMPI headquarters is in San Antonio, Tex., some 50 air miles away.

Donald S. Thomas, a lawyer

and spokesman for the Johnson interests, has told The Post that the arrangement saves the co-op the costs of renting hangar space for it in San Antonio. He said AMPI has first call on the plane. Thomas also stated that the co-op last year used it for more than the minimum of 40 hours a month for which it must pay even if the plane stands idle.

In another statement filed in court, however, AMPI controller Gary V. Woods was reported as stating earlier this year that current total usage of the plane by AMPI did not amount to the 40 hours a month for which it must pay.

Woods also said that another problem with the lease from AMPI's point of view was that calling it down to San Antonio requires payment of "a half-hour ferry time from Johnson City to San Antonio and a half-hour ferry time back to Johnson City."

Speaking of President Johnson's abortive 1968 campaign, Mehren said that LBJ once told him, a few months before he died, that "the dairy people in his last campaign had agreed to give \$250,000 but had not done so and he had forgotten it."

The co-op was not entirely neglectful. In addition to the disguised corporate contributions to the LBJ Thousand Dollar Club, the milk producers paid \$104,000 in early 1968 for a slick 241-page tribute to the President entitled "No Retreat for Tomorrow." These payments also came out of corporate funds.

Former AMPI lobbyist Bob A. Lilly has said that at least one of the co-op's checks for the book was endorsed by the 1968 "Salute to the President Committee" as a "duplicate payment."

"I am inclined to think that MPI was not the only one who paid for the book," Lilly said in another statement in court records.

Federal law prohibits the use of corporate funds for presidential and congressional political campaigns. However, the five-year statute of limitations has run out on any violations in 1968.