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Thomas W. Bewley (September 13, 1973) #3

Evlyn Dorn

Third Oral History Interview

with

MR. THOMAS W. BEWLEY

September 13, 1973
Whittier, California

Evlyn Dorn, Conducting

For the Richard Nixon Oral History Project

This interview is conducted in the form of a dialogue between Mr. Bewley and Mrs. Dorn, as they both have recollections on Citrifrost.

BEWLEY: Mr. Nixon joined our firm after his graduation from law school. The office was located in the Bank of America Building, Whittier, California, and this dialogue is going to deal with the only small business venture which Mr. Nixon conducted on behalf of the law firm, with which Mrs. Dorn and myself are familiar.

Citrifrost arose from a client named K. D. Miller. Mr. Miller had long been a client of the firm of Wingert & Bewley. He was engaged in the electrical business and had a friend whose name was Ralph Ober. Mr. Ober was not a wealthy man and had a large family who lived south of Whittier [California]. Mr. Ober had a process for preserving orange juice, so that it came out much like fresh juice, very sweet, clear and without acid. In order to raise some money and promote the sale of Citrifrost, he contacted his friend, Mr. K. D. Miller, with the idea of forming a partnership or corporation to promote and sell citrus juice, the formula for which he had perfected and which was kept secret at that time. So far as we can remember, Mr. Miller probably contacted one of the senior members of the firm and was referred to Richard Nixon.

At least we know K. D. Miller was familiar with the makeup of the law firm and knew that Richard Nixon was a member of the firm and was handling corporate matters. Mr. Miller laid before Mr. Nixon the idea of forming a corporation to sell stock therein, in order to raise money to promote Citrifrost. After many conferences, it was decided to form a corporation, call it Citrifrost and sell stock to the public, most of whom would be friends of Mr. Miller in the Whittier area. With this in mind, Mr. Nixon prepared the Articles of Incorporation and caused them to be filed with the Secretary of State. The Secretary issued a certificate showing that the corporation was organized and a certified copy of the Articles of Incorporation was filed with the County Clerk of Los Angeles County. Under the law it was necessary, before stock could be sold in a corporation such as Citrifrost, to obtain a permit from the Corporation Commissioner. The permit is long and involved and can be referred to in the files of the Corporation Department under File No. 68895LA. The application was filed in January or February 1939. In February 1939 the Commissioner of Corporations issued a permit to Citrifrost, authorizing it to sell stock in the corporation, not to exceed 125 of its shares at par or cash, lawful money of the United States. The par value of the stock was \$100 per share. A copy of the permit is attached to this statement, and it is a rather interesting document to be considered. Exhibit "A".

After the permit was issued, Mr. Miller began to obtain purchasers for the stock. He consulted with Mr. Nixon frequently about the sale of the stock and it is probable, although we do not know, that Mr. Nixon even suggested parties who might be interested in purchasing stock. So far as the records show, there is nothing to indicate that Mr. Nixon ever solicited any purchasers, and it would be contrary to the general legal practice, and particularly Mr. Nixon, to seek investors in stock as speculative as Citrifrost was at that time.

Having obtained the permit, Mr. Nixon then proceeded to have the formula for the preparation of the citrus juice transferred to the corporation, and it commenced to organize itself to do business; that is, the squeezing of the orange juice, the preparation of the juice by the formula, the packaging of the same and its distribution.

BEWLEY: (Speaking to Mrs. Dorn:) Evlyn, why don't you put in some information now about the product.

DORN: Citrifrost was an orange juice with a preservative therein which made it possible to keep the same for an indefinite period under temperatures between 30 and 40 degrees. During 1929 and 1930 the inventor, Mr. R. R. Ober, sold the product commercially and had some degree of success with it, but due to lack of proper financing, he was not able to keep the business on a paying basis, and was therefore forced to drop his operation in the latter part of 1930. In spite of this fact,

he was convinced that the formula product was better than fresh extracted juice and that proportions of ingredients would enhance the hidden flavor. He contended that orange juice could not be pasteurized or condensed for canning without killing the vital vitamin C and, therefore, he felt his own formula was superior to any on the market. One of the primary difficulties in the commercial sale of orange juice was that the product would not keep longer than four or five hours unless it is kept in a frozen state. In 1925, R. R. Ober felt that the product was well enough established that it could be sold commercially throughout the Southern California area. The best tribute to the excellence of the product was the fact that the Owl Drug Company in the Los Angeles [California] area had for the past month been selling it in all of its stores and its management was convinced that it was the finest orange juice product that they have ever had. As set forth in the agreement, Citrifrost was a product which was unique, in that it was the only pure orange juice product on the market which would not spoil when kept under refrigeration of between 30 and 40 degrees. It was also unique in that it can be successfully stored throughout the winter months. It is a well-established fact in the orange juice business that Valencia oranges make the finest juice available. Navel oranges have never been proved successful for juice purposes. As a result, during the winter months from November to May, sales of orange juice fall off to a very low figure. Citrifrost thereby could place on the market Valencia orange juice products during the winter months which defies detection from pure Valencia orange juice and the market, therefore, would seem to be unlimited. Despite several offers to take the product to the East by various distributors, particularly to Minneapolis [Minnesota] and St. Paul [Minnesota] and to Kansas, the management had not yet felt that the plant was able to supply these markets. At that time the plant capacity was in such a position that this could not be done and an expansion program was imminent.

I think that is about the story about the product, Mr. Bewley.

BEWLEY: Mr. Miller had an agreement with Mr. Ober to purchase the formula for Citrifrost and the orange juice preparation, under which Mr. Miller was to pay \$5000 to Mr. Ober for that formula. However, after Citrifrost was organized Mr. Nixon suggested that they amend the original agreement, and on March 14, 1939, Mr. Ober and Mr. Miller entered into an agreement whereby the formula was to be transferred to Citrifrost and Mr. Ober was to receive certain payments in notes and cash for his formula. I'm relatively sure that, because of the financial condition of all parties, Mr. Nixon very adroitly prepared this agreement and suggested how the formula might be transferred to the corporation and payment made to Mr. Ober therefor. It is important to remember that at this time we were in the final stages of what was called the great depression of 1929. Money

was very scarce and we were just beginning to come out of that depression when this venture took place, so that the funds described in the various agreements or amounts thereof were sizable amounts for the conditions existing at that time.

Mr. Miller, who was closely associated with the company as an officer at that time, after it was organized, remembers that in going up to the office one day in the Bank of America building, he met Harold Demarest, a local stockbroker, and told Mr. Demarest about the advantages of Citrifrost and that he was forming a company to sell stock. Mr. Demarest told Mr. Miller at that time that if he could handle the stock issue he, Mr. Demarest, would raise \$100,000 but that his fee would be 10 percent. Mr. Miller felt that the 10 percent fee was a little high, and he also thought that he could raise the money, so the offer was turned down; but it was a bona fide offer to raise the \$100,000.

Pursuant to the foregoing agreements, on March 14, 1939, Mr. Miller sold, assigned and transferred all of his interest in the formula to Citrifrost and received as his compensation therefor, 125 shares of the capital stock of Citrifrost. A copy of that agreement is attached and made a part hereof. Exhibit "B". On March 14, 1939, the same date, Mr. Ober assigned any interest he had in the formula for the orange juice to Citrifrost Corporation.

DORN: The original directors of Citrifrost were: Donald Brings, K. D. Miller, Theodore Martin, Harry Stowe and R. R. Ober. Mr. Grover Ahmann and Mr. Frank R. Becker were in charge of distribution of the product in the Los Angeles area.

BEWLEY: In September 1939 Mr. Nixon drew an agreement between Citrifrost and Mr. Grover Ahmann for the distribution of the Citrifrost product. The agreement was for one year and required certain payments and sales. And a copy of that agreement is attached and made a part of the files. Exhibit "C".

In August of 1939 there was also an agreement with Mr. L. A. Dennis and Citrifrost wherein Mr. Dennis was to obtain and sell 300 gallons of Citrifrost orange juice at the price of 85 cents per gallon. A copy of that agreement is attached. Exhibit "D".

DORN: They said it was the best orange juice they had ever used and they sold a lot of it, and I believe they were still selling it at the time the corporation was insolvent.

Mr. K. D. Miller tells us that there was a carload of juice shipped to New York. The refrigerated cars were not sufficient to keep the temperature right, and by the time the car reached New York it had warmed up and the bags were broken, and there was nothing but a gooey mess. He says that, had they reached New York in good condition, it would really have been a success.

The problem seems to have been not having the proper packaging --the proper plastic bags or cases.

BEWLEY: Evlyn, I remember very carefully Mr. Nixon explaining it this way to me. He came into my office one morning and brought two or three little plastic bags. They looked much like the plastic bags you get in the supermarket to put vegetables in today. He had a process to fill these about 3/4 full with orange juice and then there was a sealer which sealed the bag, and they made a compact little package. The only trouble with the bag, finally, was that after it had been frozen and then brought down to room temperature, it gave way and they lost the juice. The plastic was not perfected so that it held together. But it did preserve the juice if it was frozen immediately and kept it quite well until they started to use it, and then it fell to pieces.

DORN: Mr. Miller told me that he had a friend in Peoria, Illinois, who was a well-known newspaperman--he couldn't recall his name--but he talked with him over the phone about this when he first went into it. He sent this man a gallon of the juice packed in dry ice, and it was received a month later and still in good condition, but you see, being in the dry ice the bags held, of course.

BEWLEY: About this same time, Mr. Nixon talked to me about a very substantial contract with the Owl Drug Company. Some of their officers had been contacted and they found the orange juice very pleasant and acceptable. They felt they could sell the juice in their fountains at the drug stores in Southern California.

DORN: Mr. Bewley, let me interrupt you here. There was a big drug company in Chicago [Illinois] who offered either Mr. Miller or someone connected with the company who was selling the juice a contract to use \$100,000 of this juice, but they wanted evidence of a substantial backing from Citrifrost to the extent of \$150,000 to prove that they could produce the goods. There were lots of opportunities but no money.

BEWLEY: In any event, in August 1939 Mr. Nixon drew a contract between Citrifrost and Owl Drug Company to sell them Citrifrost products at X gallons per month. Unfortunately, the copy of the contract we have in the file has blanks in it and we can't say what final figure was agreed upon. I recall there were some sales under the contract but not as great as was anticipated, and before the completion of the contract or before any great amount of Citrifrost juice was delivered to the Owl Drug Company, Citrifrost was unable to produce and the contract failed. A copy of the agreement is attached. Exhibit "E".

BEWLEY: By August 1939 the corporation had sold 80 shares of its capital stock for cash and had issued 80 additional shares to K. D. Miller for promotion. Under the terms of the original permit of the Corporation Commissioner, the corporation was authorized to sell its stock until August 21, 1939, that being the date that the permit expired. Prior to that date, the Board of Directors of Citrifrost unanimously adopted a resolution authorizing Mr. Nixon to apply for an extension of time to sell the remaining shares of stock and wanted until November 21, 1939, to complete its sales. The application was prepared by Mr. Nixon and filed and the permit granted by the Commissioner extending the time. Copies of those documents are attached. Exhibit "F".

In April 1939 Mr. Nixon had an agreement between Citrifrost and Frank R. Becker. The office file discloses that the agreement was not signed, but the interesting part is that the same agreement was apparently recast for Mr. Grover Ahmann. It was a distributor agreement and throughout the agreement in the handwriting of the President are various notes, signifying that he was not satisfied with the agreement as presented to him, and he had gone over it very carefully and made changes to comply with his thinking in the handling of the distributorship.

During all this time the corporation was in severe financial difficulties for the following reasons: First, there was not enough stock sold to make a large cash surplus on which to operate. The operating capital was very scarce and it was difficult to meet the payroll and ordinary expenses from capital on hand. In the second place, there was not enough money to hire labor and get full production or full products which could be sold. This kept distributors from wanting to tie up with the corporation. It also kept the corporation from making advantageous contracts for the sale of its product, so that almost from day to day, at least from week to week, the corporation was faced with lack of funds to buy raw products, to pay help and to properly distribute the product. At various times, within my own personal knowledge, Mr. [Francis Anthony] Frank Nixon, the President's father, worked in the shop, either preparing the oranges, hauling them in or assisting in the squeezing of the juice. He worked long hours and I am under the impression that he was very scarcely paid, if at all. Mr. Richard Nixon could be found during the evenings, after office hours, slicing oranges and squeezing juice in order to get an order out that had been sold. He spent hours in actual physical labor at the plant attempting to assist with the production, and I haven't any idea that he was ever paid anything for his services. I know this is true because on two occasions that I can recall, I went to the plant and assisted in the preparation of orange juice by washing the oranges, and both times Mr. Richard Nixon was there and one time Father Nixon was there. And about this time and in the latter part of 1939, there was a move to sell the assets of the corporation and its stock to an outside promoter and to wind up the business of Citrifrost. A contract was prepared wherein

the corporation agreed to sell to Mr. G. J. Corbett and Mr. R. E. Buell all the business of Citrifrost, including the stock held by the various stockholders. I can't say how many of the stockholders signed and whether that deal was actually consummated, but it illustrates the financial condition of the corporation, and a copy of that agreement is attached. Exhibit "G".

During this same time O. A. Perry who operated an amusement park on the river just west of Whittier, known as Streamland Park, entered into an agreement with Citrifrost to purchase products and sell the orange juice there at his amusement center. This agreement was entered into in April of 1940, and under the agreement he purchased a small amount of the product, but it never amounted to a great amount.

In October 1939 Mr. Nixon drew an agreement between G. J. Corbett and R. E. Buell wherein Harry Stowe and K. D. Miller and Harry Hartwell sold their stock to Mr. Corbett and Mr. Buell for a certain sum of money and they virtually purchased the corporation. A copy of that agreement is attached. Exhibit "H".

In December 1940 Citrifrost entered into a contract with Frank R. Becker for one carload of Citrifrost orange juice, not to exceed 6060 gallons which was sold at 50 cents per gallon and was to be shipped to the Merchants' Ice and Cold Storage Company in New York City [New York]. The agreement was carried out with rather disastrous results.

DORN: The refrigerated cars were not sufficient to keep the temperature right, and by the time the car reached New York it had warmed up, and the bags were broken and the entire shipment was lost.

BEWLEY: I will start here with a statement concerning Dr. A. T. Charlton.

In the early part of 1940, Dr. A. T. Charlton invested a certain amount of money by buying stock in Citrifrost and it was apparently used for the purchase of equipment. Dr. Charlton was a practicing physician and surgeon in Whittier and was very well acquainted with the law office and with Mr. Nixon personally. Along in August of 1940, Dr. Charlton became disenchanted with his investment and then began to press the corporation for payment or repayment of the monies he had invested. I know there were many conversations between Dr. Charlton and Mr. Nixon, with the result that in August 1940 Mr. Nixon sent Dr. Charlton a promissory note, which was to reimburse him for monies invested and also provided that the sale of the product to the New York firm would be used to pay off his indebtedness. The note was guaranteed by the directors of the corporation.

This is important because of all the things that I ever knew Mr. Nixon to handle, this was probably the most distressing bit of his law practice. He regretted sincerely that any friends

of his had ever invested their money in the corporation and did not get it back. I think, Mrs. Dorn, you have some comments to make in that regard.

DORN: I'm sure he was distressed about it. He was concerned about it even after he left the law firm and went with the OPA [Office of Price Administration]. He wrote letters to you and to the firm when he was in Washington, D.C., saying how sorry he was that it turned out the way it had, and giving you some instructions or asking you to do something in regard to Dr. Charlton, working out some sort of an agreement with him. There are some letters in the file regarding this. Also, I have interviewed Mrs. Edith Holt who related that the Nixons tried to reimburse her from their own pocket for her investment of \$100.

BEWLEY: And do you want to mention your conversation regarding Mr. Herman Perry?

DORN: One day I was on my way home, it was early in the afternoon and Mr. Nixon followed me out to the elevator. We were on the sixth floor of the Bank of America building. He asked me if I were in a hurry and if not, he asked if I would go up and sit in his car with him because he wanted to talk with me. So we walked up two blocks in front of the First Friends Church where he parked his car every morning, and he told me at that time that he was very distressed over Dr. Charlton's actions, because instead of coming to him personally with his grievances, Dr. Charlton had gone to Mr. Herman Perry of the Bank of America who, in turn, came to Mr. Thomas Bewley and then Mr. Bewley told Mr. Nixon the story, and this upset Richard Nixon very much.

BEWLEY: One thing I would like to correct on the record, so far as the Dr. Charlton note is concerned, is that it was not secured by the New York sale of Citrifrost products and that note was not guaranteed by the directors. The proceeds from the sale of the product in New York was to be applied to the Doyle McMillin note and the directors guaranteed the McMillin note.

In that connection, some time prior to October 1940 Mr. Doyle McMillin, who was in the house-moving business in Whittier, invested \$1000 in the corporation and took a corporation note and a mortgage on its products therefor. Mr. McMillin was one of the substantial investors and he received notes for any investments he made. Copies of the Charlton papers and the McMillin notes are also attached and made a part of this. Exhibit "I". Exhibit "J".

Another investor and stockholder was Dr. Harry Smith, a practicing physician specializing in ear, eye, nose and throat work. He was one of the staunch supporters of Mr. Nixon from the very beginning. He died during the time Mr. Nixon was in

the Senate. Harry Smith was very interested in Mr. Nixon's future, and he told me on two or three occasions that he went into Citrifrost because he thought there was a young man with great possibilities. He was a stockholder until the corporation wound up and dissolved.

As was stated earlier, the corporation often had difficult times in meeting its payroll, with the result that in November 1940 a Max Stephenson and others filed a complaint before the Division of Labor Statistics and Law Enforcement of the State of California, claiming Citrifrost failed to pay them their wages, and the hearing was set for Wednesday, December 4, 1940. I well recall that Mr. Nixon was very upset and distressed about this nonpayment of wages. I can't remember the outcome now, but I have a clear recollection that the wages were paid, and I think the funds came from the personal contributions of those interested in Citrifrost.

In October 1940 the corporation entered into an agreement with Home Ice Company of Los Angeles for the refrigeration and storage of Citrifrost products. That document shows the terms and conditions and the amount to be stored. Exhibit "K".

In May 1941 the corporation engaged Mr. Thomas Brewster to manage the corporation's business and particularly the plant located at Pico, California. His contract of employment is interesting and I know this was worked out by Mr. Nixon. It is attached. Exhibit "L". There is also attached a copy of a letter to the stockholders dated July 8, 1941, which shows the progress of the corporation. Exhibit "M".

There is also in the file a chattel mortgage from Citrifrost to Doyle McMillin securing a note for \$6,374.00. This money had been advanced by Doyle McMillin to the corporation and he was given a chattel mortgage on the products of Citrifrost.

In Richard Nixon's own handwriting is found a number of his famous yellow sheets, we call these foolscap sheets, on which he has written many interesting things in his own handwriting about the corporation. There is a list of the stockholders, a list of the laborers and the amounts owed, et cetera. A copy of this is attached. Exhibit "N".

In November, 1940 the corporation was unable to pay certain of its employees usual and customary wages. An employee, Max F. Stephenson took the matter up with the Division of Labor Statistics and Law Enforcement of the State of California. The office issued a summons to the corporation and named Richard Nixon, Fred Neushutz and W. S. Wicks as officers of the corporation. Exhibit "O". Money was raised prior to the time of any hearing and the employees met and the matter was not pressed further.

In 1941 Mrs. Mae Patton, an old-time resident of Whittier, filed a suit against the corporation to collect for gasoline, oil, etc., which had been furnished the corporation and the amount involved was \$60.41. This is typical of the pressure under which the corporation was trying to get started. The lawsuit was eventually settled.

There are a number of papers and letters in the file involving contracts, dividends on the stock of the corporation, et cetera, which were personally answered by Mr. Nixon but are too numerous to set forth. Suffice to say he started severing his association with the corporation when he found there was dissatisfaction with the stockholders and the chances of selling the product and obtaining substantial earnings was almost nil. On October 30, 1941 he wrote a letter to Harry R. Stowe, who was then secretary of the corporation, and delivered the stockbooks and other corporation documents to Mr. Stowe, with full explanation as to how the stock had been transferred in some instances and explaining various dealings between individual stockholders.

"In delivering these papers to you I also wish to terminate any connection with the company that I have had in the past. I have received nothing for legal and personal services rendered to the company over a period of two years, and in addition to that fact have made substantial cash advances in excess of the \$1000.00 to the company, which have not yet been paid. The only notation of these advances is a note for \$400.00. I am enclosing a bill for \$150.00 which partially covers my out-of-pocket expenses in cash in behalf of the company during the past two years. In the event that the company is able to work its way out of its present difficulties in some way, no other charges will be made for the services I have rendered."

This constituted resignation and so far as the file shows, there was no further activity in the corporation by Mr. Nixon.

The foregoing statements about Citrifrost are singled out and reported because it was the first business venture with which Mr. Nixon dealt in the law office, and because he devoted so much time and attention in attempting to make it a complete success.

The fidelity to the clients and his keen desire to protect the investment of not only clients and the inner feelings of the man were so greatly expressed in these transactions at a very early stage in his legal career.