

Please note that this transcript is being made available for research purposes only and may not be reproduced or disseminated in any way. Should you determine you want to quote from the transcript, you must seek written permission from the UCLA Library's Center for Oral History Research:

UCLA Center for Oral History Research
Room 21564 Charles E. Young Research Library
Box 951575
Los Angeles, California 90095-1575

oral-history@library.ucla.edu

ENTREPRENEURS OF THE WEST

John E. Anderson

Interviewed by Gigi L. Johnson

Completed under the auspices
of the
Oral History Program
University of California
Los Angeles

Copyright © 1990
The Regents of the University of California

COPYRIGHT LAW

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be used for any purpose other than private study, scholarship, or research. If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement. This institution reserves the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of copyright law.

RESTRICTIONS ON THIS INTERVIEW

None.

LITERARY RIGHTS AND QUOTATION

This manuscript is hereby made available for research purposes only. All literary rights in the manuscript, including the right to publication, are reserved to the University Library of the University of California, Los Angeles. No part of the manuscript may be quoted for publication without the written permission of the University Librarian of the University of California, Los Angeles.

* * * * *

This interview was made possible by support from the Price Institute for Entrepreneurial Studies through the Entrepreneurial Studies Center, John E. Anderson Graduate School of Management, UCLA.

CONTENTS

Biographical Summary.....	vi
Interview History.....	viii
TAPE NUMBER: I, Side One (January 11, 1988).....	1
Learning the importance of work as a child-- Attending UCLA and working at North American Aviation--Business advice from A. V. Rasmussen-- Harvard Business School--Marriage and military service--Becomes a certified public accountant-- Loyola Marymount University School of Law-- Meeting James H. Kindel, Jr.	
TAPE NUMBER: I, Side Two (January 11, 1988).....	26
Michael J. Clemens--Teaching at Loyola Law School--Anderson obtains tax exemption for a Catholic school thrift shop--Partnership with James H. Kindel--Seminars for the Young Presidents Organization.	
TAPE NUMBER: II, Side One (January 18, 1988).....	38
The importance of athletic activity--Enters the beverage-distribution business--Trusting employees--Recruiting law school graduates to the Kindel and Anderson law firm--Acquires the Topa Topa Ranch in Ojai--The growth-management system.	
TAPE NUMBER: II, Side Two (January 18, 1988).....	64
Expansion of the Ace Beverage Company--Therese Curtis comes to work with Anderson--Anderson's second wife, Marion Redding Anderson-- Establishment of Topa Thrift and Loan Associa- tion--Involvement with Summit Health, Ltd.-- William Pierpont.	
TAPE NUMBER: III, Side One (January 29, 1988).....	80
Anderson acquires beverage-distribution companies in the Virgin Islands--A short-lived involvement with the retail business--Buying real estate-- Acquisition of A. H. Riise--Island Media magazine--Carib Vendors, Inc.--Anderson's life insurance business in the Virgin Islands--Expands	

his business interests into Hawaii--The
importance of the people ingredient in business.

TAPE NUMBER: IV, Side One (February 1, 1988).....105

Anderson's clock collection--His trucking
companies--How to structure the sale of a
company--Reasons for forming companies without
fixed assets--Advantages of a private company--
Anderson's public speaking--Community involvement
and donations.

TAPE NUMBER: IV, Side Two (February 1, 1988).....133

Respect for capital--The Marion and John E.
Anderson Foundation--The future of Topa Equities,
Ltd.

TAPE NUMBER: V, Side One (February 22, 1988).....140

Learning from failure--Determining what risks are
worthwhile--Guidelines for taking on new
businesses--Annual planning--More on the future
of Topa Equities--Reasons for Anderson's success
--Government regulation of business--A sense of
satisfaction with life--Promoting innovation in a
firm.

TAPE NUMBER: V, Side Two (February 22, 1988).....167

Need for executives to listen to employees--
Cultivating a broad outlook--Anderson's greatest
accomplishments and disappointments.

TAPE NUMBER: VI, Side One (March 2, 1988).....175

The value of time--The future of Southern
California and its business community--Quality of
UCLA's Anderson Graduate School of Management--
The future of the United States--Employer
responsibilities in nonunion companies.

Index.....192

BIOGRAPHICAL SUMMARY

PERSONAL HISTORY:

Born: September 12, 1917, Minneapolis, Minnesota.

Education: B.S., business administration, UCLA; MBA, Harvard University; J.D., Loyola Marymount University School of Law.

Spouses: Margaret Stewart, married 1942, died 1965, four children; Marion Redding, married 1967.

Military service: lieutenant, United States Navy, 1942-45.

BUSINESS HISTORY:

Certified public accountant, Arthur Andersen and Company, Los Angeles, 1945-48.

Office manager, Hill, Farrer, and Bledsoe law firm, Los Angeles, 1949-50.

Partner, Kindel and Anderson law firm, 1953-present.

President and sole owner, Topa Equities, Ltd., 1953-present.

Chairman, Ace Beverage Company, 1956-present.

Board of directors, Summit Health, Ltd., 1969-present.

Chairman, Topa Capital Corporation, 1971-present.

Chairman, Topa Thrift and Loan Association, 1971-present.

Chairman, Kayne, Anderson Investment Management Company, Inc., 1984-present.

Chairman, Topa Insurance Company, 1985-present.

Chairman, Topa Savings Bank, 1986-present.

Sole stockholder, First Business Bank, 1989-present.

ACADEMIC CAREER:

Associate professor of law, Loyola Marymount University School of Law, 1953-70.

Lecturer, Graduate School of Management, UCLA, 1968-present.

ORGANIZATIONS AND AFFILIATIONS:

Claremont McKenna College, trustee.

John E. Anderson Graduate School of Management, UCLA, chairman, board of visitors.

Saint John's Hospital and Health Center Foundation, trustee.

World Business Council, frequent speaker.

Young Men's Christian Association of Metropolitan Los Angeles, vice-chairman and director.

Young Presidents Organization, frequent speaker.

AWARDS:

Distinguished Service Award, Loyola Marymount University School of Law, 1985.

Southern California Entrepreneur of the Year, 1987.

INTERVIEW HISTORY

INTERVIEWER:

Gigi L. Johnson, B.A., Cinema-Television, University of Southern California; MBA, UCLA.

TIME AND SETTING OF INTERVIEW:

Place: Anderson's office, Century City, California.

Dates, length of sessions: January 11, 1988 (61 minutes); January 18, 1988 (63); January 29, 1988 (40); February 1, 1988 (55); February 22, 1988 (59); March 2, 1988 (28).

Total number of recorded hours: 5

Persons present during interview: Anderson and Johnson.

CONDUCT OF INTERVIEW:

This interview is one in a series of oral histories with entrepreneurs. The series is supported in part by the Price Institute for Entrepreneurial Studies (New York) and involves Columbia University and UCLA.

Dr. J. Clayburn La Force, dean of the John E. Anderson Graduate School of Management at UCLA, and Dr. Alfred E. Osborne, Jr., director of the Anderson school's Entrepreneurial Studies Center, selected the interviewer, who was at that time a graduate student in the MBA program.

In preparing for the interview, Johnson reviewed articles written on Anderson's 1987 donation to UCLA, read his listing in *Who's Who in America*, and consulted Therese Curtis, Anderson's corporate secretary and director of Topa Equities, Ltd., for additional information about Anderson's personal and business history.

The interview was based on a question-set originally drawn up by the Price Institute and later adapted by Dale E. Treleven, director of the Oral History Program at UCLA, in order to elicit additional information on the interviewee's early life and education. The first half of the interview is organized chronologically, beginning with Anderson's childhood and moving through

his education and business career. The second half is organized by topic and deals with Anderson's personal and business philosophies.

EDITING:

Virginia Carew, assistant editor, edited the interview. She checked the verbatim transcript of the interview against the original tape recordings, edited for punctuation, paragraphing, and spelling, and verified proper names. Words and phrases inserted by the editor have been bracketed.

Anderson reviewed the transcript. He verified proper names and made minor corrections and additions.

Teresa Barnett, editor, prepared the table of contents and index. Lisa White, editorial assistant, prepared the biographical summary and interview history.

SUPPORTING DOCUMENTS:

The original tape recordings of the interview are in the university archives and are available under the regulations governing the use of permanent noncurrent records of the university. Records relating to the interview are located in the office of the UCLA Oral History Program.

TAPE NUMBER: I, SIDE ONE

JANUARY 11, 1988

JOHNSON: Going back into your past, where were you born in Minnesota?

ANDERSON: Minneapolis.

JOHNSON: Minneapolis. And this was when?

ANDERSON: This was September 12, 1917. I was born in an area called Northeast Minneapolis, a community of Scandinavian, Jewish, and Polish people.

JOHNSON: And which were you?

ANDERSON: My father was Norwegian and my mother was born in England. So I am half Norwegian and half English, by my parents.

JOHNSON: And your parents' names?

ANDERSON: My father's name was William Charles Anderson, and my mother's name was Myrtle Grosvenor Anderson.

JOHNSON: And that's where Grosvenor came up in one of your company names?

ANDERSON: That's right. Our daughter, our second daughter, is Judy, Judith Grosvenor [Anderson], and so I've-- It's a name that I love.

JOHNSON: How do you think that your parents influenced your going into business?

ANDERSON: My father was a barber, and I really had a lot of thoughts of following him as a barber. Both my mother

and father encouraged me to earn some money to fulfill some of the desires I had, like a baseball glove or-- So I got into a number of things, as many youngsters did--you know, selling newspapers, collecting. I went down the alleys and went through the garbage cans. We used to get something for a quart and something for a gallon. I think you used to get a penny or two for an empty quart jar and more for a gallon. I used to take my wagon down the alleys and pick up these bottles and then sell them, and my mother used to encourage me, used to praise me when I had a good day. I think the fact that they did not have a lot of money-- My father was a barber. I think the fact that they wanted me to have things, but they couldn't afford it, so they encouraged me to do something on my own, I think that was helpful. And my father, with his barbershop, suggested I might get a popcorn stand, and so I got a popcorn stand as a youngster. Anyway, I think the fact that they encouraged me, as well as the fact that I think so many of us today, including, I am sure, myself as well-- You want to do a lot for your children, and you tend to, as a parent, give to your children. And if your resources are limited, the child tends to have to do more himself, which I think in many instances is-- Although we as parents want to give, perhaps it's to the child's benefit that you don't give him or her too much, that you make the child start to stand on

its own two feet as early as you can. And I, because of our economic situation, had to get out and do a few things for myself if I wanted a new baseball glove or new pair of tennis shoes or something like that.

JOHNSON: Did this continue through high school?

ANDERSON: It did. I was continually working through high school and was playing a lot of athletics and then finally got a scholarship to college. I was not thinking so much of college as I was thinking of following my father, maybe taking over his barbershop. One day I asked him about barbershop colleges, and he took the catalog away from me and said that he would cut the hair in the family and that I should go on to school, so I think that was very important. A lot of parents would be pleased to have their son come into their business, but my father was, I think, smart enough or loving enough to want me to go on to school.

JOHNSON: How did you decide to study business administration at UCLA?

ANDERSON: Well, I came out here on an ice hockey scholarship, I think perhaps you know, and I was working at North American Aviation [Company]. Our ice hockey coach was a fellow by the name of Harvey Tafe, who was an officer at North American. Our scholarship included books and tuition and a job. We could either get a job on the campus or we

could get a job working at North American. Mr. Tafe was in a position that he could recommend us. I remember counseling with him as to whether I should work on the campus, which would have been a lot easier work, or coming to work in the factory. I remember him telling me, "Look, you're young and energetic and in the eight hours, although it will be a burden on you, you'll learn a lot." And I think the fact that I had had other jobs at home-- I also failed to mention that I worked delivering-- I was a Western Union youngster in the summertime at sixteen cents an hour when I was in high school. But, anyway, Mr. Tafe said that he would recommend it and he thought it would be great experience for me to get some factory exposure. So I took his advice and went to work in the factory and went to college in the daytime. Every afternoon at four o'clock I would take off for the factory and work from four in the afternoon until one in the morning and get home at about two. Many times we had to be on the ice at six thirty because we practiced before the ice rink opened, so I had kind of a vigorous experience during the ice hockey season.

But I think the fact that I was interested in business-- In the factory I could see things in there that I started to relate to in college. I think we all start out the first year and just take some general courses, and

one of the courses was economics. I think my major, ultimately, was accounting, and I had a minor in English or something of that nature. I felt communications-- I used to see the lack of communications so very strongly, so I just-- The written word was always-- You know, I was always attracted to it. So that's why I kind of got interested in the business side.

JOHNSON: What encouraged you to go on for postgraduate education?

ANDERSON: Well, a number of things. I was the recipient of a number of scholarships at UCLA, scholastic scholarships as well as athletic scholarships. In addition to working, I got some scholastic scholarships. And I think because time was so limited, I learned to make pretty good use of time. Despite working eight hours a night in the factory, I had another job besides that in accounting. That job was very helpful to me. I'll tell you more about that in a little bit. I did well in school. There were many times that I had straight A's in school, and I was a member of the various honor societies. I forget what they were. Beta Gamma Sigma was the business school honorary. I think people were impressed with the fact that I was working eight hours a night in a factory and still doing well scholastically.

The dean of the school then was Howard [S.] Noble, and

one of my favorite professors was a gentleman by the name of Ira [N.] Frisbee. Both of them were graduates of the Harvard [University] Business School [now Graduate School of Business Administration]. I remember them asking me to come in and talk with them one time, and they asked me what my plans were. I had been offered a job at North American to move up into, I guess, the office side, not the executive side. At that time I was the night foreman of my department. I was running a department of some twenty-five or thirty people, and so North American was pleased and felt that there was a position of upward mobility situation. So I said, "I think I'll perhaps stay at North American." They were encouraging me quite a bit, both the dean and Professor Frisbee. Ira Frisbee was a CPA [certified public accountant], and he had a public accounting firm in Beverly Hills called the Ira [N.] Frisbee and Company. They both said, "I think you ought to think about graduate school," and at that time, forty years ago or more, graduate school was not something that people thought about too much. Now going to graduate school is like going to college. In other words, now you pretty well expect a person to go to graduate school. But certainly, that was not the case then, so that was kind of a new idea to me. They said that they thought they could recommend me and see if I couldn't get a scholarship, so I got the

national scholarship to the Harvard Business School, which was a big help. So that was kind of the reason. They opened up my eyes, and I was thinking at that stage of the game-- And so I got this rather attractive scholarship. They said they'd give me my tuition, part of my room, and get me a job and also loan me whatever money I'd need to complete the two years. So I went back there, and I certainly am very grateful that I went back there, because it certainly has opened up a lot of doors that I'm sure would not have been opened up otherwise.

JOHNSON: You were mentioning a job in accounting that was your second job.

ANDERSON: Yes. During my last two years in college, I somehow or other found an opportunity to work a little bit more. So I got a job in Inglewood, which is in the location of North American, Inglewood, California. I got a job with a gentleman by the name of A. V. Rasmussen. He was of Scandinavian origin, and he was a real estate developer. I was his bookkeeper, and I would go in there about three days a week. He was always very cordial to me. He would sit me down at the beginning of the day and talk to me about what courses I had taken and what I had learned that day in school, the typical almost parent asking how school was.

I really learned a lot about the real estate business

from him--management by objective. He would try to build three or four houses a month, and what we would do, we'd sit down and make our objectives, basically a budget. That's really what management is all about, sitting down and trying to set a goal and then managing toward that goal. We would basically say, "Look, we're going to build this kind of house, and the plumbing ought to cost this and the electrical this and the roof this and the carpentry this." We'd set the budget, and then I would record the actual experience and compare it to the budget. I'd bring to his attention how he was doing, and I began to see how important accounting was as a management tool and also how it could be used in setting objectives and then working toward those objectives. That was very helpful to me.

I remember one particular day that has stayed with me. He asked me what we had learned in school that day, and it was a class in finance. Although it sounds like I was kind of uninitiated, it was new to me at the time. We had talked about bulls and bears--I mean the bull and bear market. So I said I learned about bulls and bears, and he asked me to come over and sit down.

He said, "Look, I want to tell you something. In business you can just forget about the bulls and bears. What you got to remember are the pigs and the cows." I had spent some summers working on a farm in Minnesota, down in

Kellogg, Minnesota, and so that kind of amused me, because I remember milking cows and feeding the pigs and taking the milk and throwing it-- Sometimes we had surplus milk that we couldn't sell, and we'd throw it in with the pigs. So he said, "What you really need are some cows to feed your pigs."

That related to me, so I said, "What do you mean?"

He said, "Take the real estate business, for example. A pig piece of real estate"--you maybe have heard this--"is a vacant piece of land that just eats and eats and eats. It eats the taxes, it eats the interest on your mortgage. Then the government comes along and tells you that you have to burn the weeds off, so you have to hire a guy to do that, and you have got to clear the field because people throw trash on your vacant land." He said, "It's just a real pig piece of real estate, whereas a cow piece of real estate is one that throws off milk or throws off rent. You need a few cows to feed your pigs until such time that the pigs are ready to be fattened and to go to market."

And I've really used that philosophy, certainly in the real estate game, and I've also used it to a great extent in the various businesses that I own, whereas I have a number of-- A lot of my presidents don't like to be called pigs, [laughter] but I have four insurance companies that

really need capital, so you can put them into a pig category in that they constantly eat capital. I have a savings and loan and a thrift and loan. All of them are companies that require capital and you have to feed them. I have a lot of high-grade, cash cows in the beverage-distribution field that throw off a lot of cash. So I've tried to combine these, this concept, so that working with Mr. Rasmussen, and particularly that afternoon where he chided me about the bulls and the bears, has stayed with me quite a bit, Gigi.

ANDERSON: What are your more memorable experiences of your time at Harvard?

JOHNSON: Well, one of the great things about the Harvard Business School is that you have a mixture of so many different people, and I'm sure that's true at your graduate school. I think all--at least when I was there--all of the students lived on campus. They even had a married students dorm. When I was there, students weren't as married as they are today or they were not cohabiting as much, and we had strict rules. A few students were expelled from school because women came into the dormitories. So there was a different ethical culture, you might say. But everybody at Harvard, when I was there at the business school, lived on campus, and I think the exposure that we had to one another was certainly a highlight there. We had what we called

roommates, and we had what were called canmates. We referred to the toilet as a can, and we had a common toilet between two apartments. I think the school arranged it-- The second year you could change it, but the school arranged to have different people from different areas room together and share toilets together. So I was blessed as a westerner with some wonderful eastern Ivy-League-school roommates and toiletmates. I got a chance to learn about the Ivy League, and that certainly--the personal, student side--I think was a highlight.

Also, while I was there, one of the jobs I got-- They give you various things, easy jobs, but one of the jobs I got on my own was to coach a prep school's ice hockey team. The school was Brown and Nichols [Buckingham-Brown-Nichols School], which is a Cambridge prep school for a lot of the Harvard faculty's children. We had the son of the president of Harvard. As the ice hockey coach, I would take the team around to a lot of the Ivy League prep schools, which I had never had an exposure to, and that was certainly a wonderful education that I look back on. I think the fact that I was kind of very uninitiated and I was kind of overwhelmed with going to the Harvard Business School-- And they make a big to-do about how good they think they are. They indoctrinate you with that concept, and it was a kind of a high point.

I think the fact that I did well my first year and became a [George Fisher] Baker Scholar sort of put me into a special category back there. That opened up a lot of doors. I was asked to continue on the faculty of the Harvard Business School, which I was not able to accept because of the war. The war came along in our second year on Sunday, December 7. December 7 was during our second year, so a lot of our hopes and dreams were changed because of the war coming along. But it was a great experience. I'm grateful I went and I'm grateful that I did as well-- Because I think that having gone there at that time and having been a Baker Scholar, which I really didn't think was that great, after the war was over that opened up a number of doors for me. I think that in the years that have gone by it has been helpful.

There's not much difference between people--there's just little differences. I think if you can get a little edge or a little opportunity-- I think having gone to the Harvard Business School-- And then when I went in the service I passed my CPA exam and then immediately started into law school. That's not as much today to have a Harvard Business School, Baker Scholar, CPA lawyer, but back in the forties, forty years ago, all of my friends were saying, "When are you going to go to medical school?" [laughter] [tape recorder off]

JOHNSON: Before I turned off the tape, we were talking about your stint at Harvard and starting to move on, but I want to step back a second. What is a George Fisher Baker Scholar?

ANDERSON: Well, he was an investment banker in New York. They came to him and asked him, I believe-- They were trying to develop the graduate school of business at Harvard University and then came to him and asked him if he would give a million dollars (I think that's the way it reads). And he said no, but he'd be willing to pay for the entire school if they'd permit him. I think he gave them \$5 million at that time, and he said he wanted to remain anonymous or something of that nature, if you can imagine. So that's the background. What they did do in our particular class, they took the top ten students out of-- I think we were about four hundred. They took the top ten students out of the four hundred the first year and called them George Fisher Baker Scholars, and also at the end of the second year took another ten and designated them. There might be nineteen or twenty or twenty-one or something, but basically that's what it was then. I think the student body has increased now. Basically they designated people in that and gave them a little key, like a Phi Beta Kappa key or something like that, that said your name and had the Harvard Business School on it. And over

the years it's been sort of a special designation to a certain small group of people from the Harvard Business School.

JOHNSON: How did getting married fit into your plans at this time?

ANDERSON: Well, I had a college romance and then went back to the Harvard Business School and wrote lots of love letters during that period of time. And during my summer between my first and second year, I had a delightful experience. I had been, in addition to an ice hockey player, a reasonable golfer and had won a few golfing events. I got a job during the summer as a golf professional up in one of the delightful resorts in the Adirondack Mountains up in New York and Vermont, right at Lake Champlain. Port Kent, New York, we were at. My wife's parents gave her a week's vacation at the resort, and I think following that we became engaged.

Then the war came along. When it did come, at Pearl Harbor, things sort of accelerated because I went-- Pearl Harbor was on Sunday, and on Monday morning-- I remember Sunday I was typing. We used to have to write a report every week at the Harvard Business School; we had to write a report to the board of directors or to some executive that we were supposedly working with on some problem. I remember I was right in the middle of that Sunday afternoon

when Pearl Harbor hit. I was typing, and I remember tearing the report out of the typewriter and delightfully tearing it up. I most likely wasn't doing that well with it or something and said, "To hell with this." So Monday morning-- That was a very popular war. In other words, we were being attacked, our country, and submarines were supposedly appearing on the West Coast. So early Monday morning I was in line down in Boston volunteering for the [Army] Air Corps.

Anyway, we accelerated our program at the Harvard Business School, and I think we graduated in April or early May rather than, as typically, June. Then I went to an officers training school at Dartmouth College. I also sent my wife-to-be [Margaret Stewart] a ring, and we were married that September as I was preparing to go on active duty. She was training to be a schoolteacher, so she-- While we were in the service we were together part of the time. I was on an admiral's staff, and she was with me quite a bit of the time, but when I went overseas she was not.

JOHNSON: So your rank went up to lieutenant?

ANDERSON: Yes, I started as an ensign and then became a JG [lieutenant, junior grade]. When I was issued out I was lieutenant, senior grade.

JOHNSON: How did the war affect your perceptions of what

you were going to do in the future?

ANDERSON: Well, you know, it was a time when we were all kind of excited about protecting our country, and it was a sort of a game that we were playing. The military service gives you a lot of-- If you're not really involved in action, you have a lot of spare time, and that was kind of a bore. After having gone to college and worked eight hours a night in a factory and worked in the daytime and worked every Saturday and Sunday studying, and then you go to Harvard Business School and you compete to become a good student back there, and I was coaching a team and I had a very active life-- I think it's very, very critical that you should realize the limitation of the hours that God gives you, that you only have so much time on this earth. So I had had a good realization of trying to make use of my time. When the service came along I found lots of excess time, so I really decided on some sort of a self-study program.

I remember writing to some of my professors at the business school. One in particular was Richard Claire. He had been with Arthur Andersen and Company, and he was teaching accounting. I had done well, and he had liked me. A lot of times you like people because they like you. Anyway, I wrote to him, and he said, "Why don't you try to take the CPA exam?" So I took that as a study

program while I was in the service. While I was in the service I took leave a couple of times and passed the CPA exam. I think that was a step that gave me another door open, as I came out of the service as a Harvard Business School graduate and a successful candidate at the CPA exam, and so when I went to work-- Then I got a job, because I needed to spend two or three years--I think it's two years now, but it was three years then--to become a CPA. I think the fact that I passed the CPA exam--

From that standpoint the service was helpful, and also, you know, I think being with men and earning the respect of men in a military atmosphere or climate is a good experience for anybody. I would welcome that for our children if you could afford it to them. Then I developed some wonderful relationships that have still stayed. Under extreme pressure you get to know people. I had a lot of wonderful experience, from the standpoint of people, that still stays with me. I think, from that standpoint, the service was good. I'd like to think that we don't need wars, but there are some benefits that come out of tragedies.

JOHNSON: What made you choose, after the war, to go with Arthur Andersen?

ANDERSON: Well, I guess that fact that I had had some accounting in college and that I had-- When I went to the

Harvard Business School, I skipped all the first-year accounting courses and immediately jumped into the advanced courses the first year and then did some research my second year and got to know some of the professors, particularly this fellow Richard Claire. Having passed my CPA, he in turn wrote to two people. He wrote to the dean of the [UCLA] Graduate School of Business [Administration]--at that time they were looking for professors--and told him that I had done well at the Harvard Business School and was considered for the faculty. I guess they give you graduate research and things, and I was offered one of those. In fact, I could have gone back to it. He wrote to UCLA because they had connected him. Then he also wrote to Arthur Andersen, and his having been with Arthur Andersen-- I think at that time he had left the school and was director of education for Arthur Andersen. I interviewed at Price Waterhouse and Haskins and Sells and Arthur Andersen. I knew at that time for some reason or other that I also wanted to practice law. So when I went there I immediately went into night law school. Just working eight hours or ten hours as you did for a CPA just didn't seem to be enough, so I had to go to law school at night.

JOHNSON: Can you be more specific on when you knew you wanted to practice law?

ANDERSON: Well, at that time I was reading, and there were

conflicts developing between the CPA fraternity and the legal fraternity. The law fraternity was accusing the accounting profession of practicing law, particularly in the field of taxation. I guess I didn't go to law school the first year. I went to work for Arthur Andersen, and during this period of time I was doing a lot of tax work as well as [work on] the auditing staff. And I started to see this conflict: "If I'm going to stay in accounting I don't want to find myself at cross--" I guess I thought being a lawyer and a CPA would be something kind of special. So my second year-- I know what it was. I got out of the service in November and December, and I went to work for Arthur Andersen in January. Then I went to law school the following September, so it wasn't a full year. Within a period of six months I made that realization, so when fall came around I jumped into law school.

JOHNSON: What influenced you to choose Loyola [Marymount University School of Law]?

ANDERSON: It was the only-- I better be careful about this. I think it was the only-- I don't think Southwestern [University School of Law] was-- There's a certain rating that law schools have, only I can't seem to pull it out. But Loyola was the only law school that you didn't have to take the "baby bar." When you went to Southwestern, at the end of your first year you had to take what they called the

baby bar. You had to take an examination given by the state. Now you don't have to do that with Southwestern. They now qualify, but at that time there was only one-- what do I call it?--registered or whatever it was that-- In law school all you have to do now is go to the law school three years and get your degree and you can take the bar. Accredited--that's the right term. That was the only accredited night-school law school in the Los Angeles area. Now I think there are more than that, but at that time that was the only accredited night school. I was always impressed with Catholic schools. I am of Methodist and Presbyterian religious background, but I was always impressed with the Catholic approach to education. I had some wonderful experiences, and I'm glad I went. I'm glad I had the exposure. Loyola's been very special to me. There was a sort of a cadre of people who went to night school who had all been, more or less in my time, had all been military and married. I didn't start law school until I was thirty, and so there was sort of a unique camaraderie among our night school people. I'm kind of glad I had the privilege of going. I could have gone back East to school, but I was married and we were thinking of a family, so it just made sense that I would continue to work and go to law school.

JOHNSON: Why Los Angeles? Why did you end up coming back?

ANDERSON: You know, I came out here to go to college. During those days, as it is today, you know, climate-wise your San Fernando Valley was a pretty country. You went over the hill--it would take you a long time to get over the hill, because there were no freeways--and it was a very special, wonderful place. And having been raised in Minnesota and the cold country, maybe one of the biggest things I ever got at Christmas would have been an orange in my stocking or something, as a youngster. To be in California was something very, very special. So when the war was over, I was just delighted. I think-- I don't know, it seemed to me-- I remember going back home to Minnesota, and there hadn't been any change at all, but coming back here you sensed the change--you sensed that this was an area on the move. And it's certainly proven to be a wonderful place to be. And also, I remember at the Harvard Business School people would say, "You're from the West, aren't you?" And I'd say, "Yes. Why?" They'd say, "Well, you're open and you're friendly, whereas you find a lot of staid and restricted [people] and things that go on in the East that don't go on on the West Coast." I think that it's a lot easier for people to be judged on what they are and what they do, rather than necessarily who their father or family [is] or what prep school or where they went to school or what their heritage has been. I think

we're a lot more open, and I think it's one of the great powers that we have out here, that aspect of us. I'm sure you agree.

JOHNSON: Yes, definitely. So you're going to school at night at Loyola, you're working at Arthur Andersen. How did you transition from Arthur Andersen to an office manager position?

ANDERSON: It took me three years, I think, and a couple of summers to get through law school. But after my second year Arthur Andersen knew that I was going to law school. Arthur Andersen is a wonderful place. They have a group of alumni that they-- Everybody that I know that's been with them-- They treat their people quite well. Anyway, they knew that I was in law school, and a senior partner of one of the major law firms, a fellow by the name of Bud Hill of the firm of Hill, Farrer, and Bledsoe at that time-- It's now called Hill, Farrer, and Burrill. He died, and the bank that had been appointed the executor of the estate wanted the law firm audited. So Arthur Andersen called me and said, "Look, this is a great opportunity. Why don't you run the audit?" I was a senior auditor at that time; I was running audits for Arthur Andersen. So I took a couple of people in, and we went in and made the audit on the law firm. I got to know the senior partners in the firm and they learned of me, and they said, "Look, how would you

like to go to law school in the daytime and come to work in the afternoon here?" I said, "Boy, would I like to go to law school in the daytime!"

So anyway, I went to work my senior year with this reasonably large law firm. I became their office manager. They asked me to run their office for them when I was a senior in law school, and that was kind of an interesting thing. I was the office manager of the law firm as a senior in law school. So I really got to see the inside of the law firm and the law firm operations and how they did it and what I thought were the strengths and the weaknesses of their particular system. They had a rather unique compensation policy of how they treated people. When you're dealing with people in the service business, compensation is always one thing that leads to happiness or unhappiness with your professional-- Anyway, I had a good opportunity, and then I graduated from law school and they immediately asked me to come to work for them.

I was with them for a couple of years until I got a call from the father [Father Joseph J. Donovan] of the law school. I immediately was asked to go on the faculty of the law school. I graduated and graduated well, did well. I graduated with some number of honors, and I was asked to go on the faculty of the law school. I was the first graduate to ever go on the faculty, and so I got to

know the father. He was very special to me during law school as well. Let me just reiterate that. Because I was working in the daytime and also going to law school at night, I was always a difficult guy to get out of the library. Father used to come along-- He used to lock the place up. He would come around and tell me, "Hey, it's ten o'clock. Let's go." And I said, "Father, I've just got to do this one thing more." So he let me get away with it a couple of times my first year. From my first year in law school, about the third month-- He had known of me and known of my Harvard Business School [background]. After about the third month, he came along and gave me the key to the law school! He said, "Look, you lock it up."

[laughter] And so I would very frequently open it up in the morning and close it up at night. So I had this wonderful relationship with him. Anyway, when I graduated, he asked me if I would join the faculty because at that time I had had three years with Arthur Andersen. They needed some business law courses, so I taught a course called Accounting for Lawyers. I also taught taxation, and I also taught a number of other business courses: partnerships and agency.

Anyway, he called me up two years after I was out of law school and said, "How about having lunch?" I thought, "Oh brother, what's he up to?" When I got there he had Jim

[James H.] Kindel [Jr.], who was also a UCLA, CPA, law school graduate. I thought the fellow had a problem or something. Within a few minutes the father said, "You know, you two fellows both went to UCLA, you're both CPA's, and you both went to Loyola. And you both did very well, and I think you guys would make a great law firm." Jim was looking for a partner at that time; I think he had a couple of people working for him. I kind of pulled back and said, "Father, I'm very happy where I am. I'm making more money than I had thought after two years and--" Anyway, he just said, "Look, promise me one thing. Promise me you people will have lunch or dinner together two or three times before you say no to my idea." So that was very instrumental in getting our law firm [Kindel and Anderson] started.

TAPE NUMBER: I, SIDE TWO

JANUARY 11, 1988

JOHNSON: Referring to the father, you were referring to--

ANDERSON: Yes, Father Joseph J. Donovan. We're having a dinner in his honor. He's died, but we're trying to establish a scholarship in his honor. He's been very special to me, and I certainly want to be a part of the dinner. A professor's chair has been established in my honor at the law school, but I also want to be a strong part of doing something for Father. He was always a very stern taskmaster, but we all respected and all loved him. I'm grateful that he asked me to join the faculty, because teaching has been a chance to share with people. It's also been a chance to learn how to express myself, and it has certainly helped me in the practice of law.

Talking about teaching and just a little light side and talking about the military, when I took our military training, we left the Harvard Business School and went up to Dartmouth. It was a wonderful summer there while we were preparing to go into active duty. We were organized into companies, and each company had a dormitory. Our particular leader was a delightful guy by the name of Mike [Michael J.] Clemens, who had been the fullback on the [United States] Naval Academy team and was a very competitive guy and wanted to make sure his guys did very

well, so he worked our tails off. I don't know why-- Maybe because my name was "A" or something and I was in the front of the line all of the time, he always seemed to delight in working me over. We did a lot of exercise. I had come from the Harvard Business School and was in reasonably good shape. I remember one time we were doing push-ups, and he said we had to do twenty-five push-ups. Everybody groaned, and he thought I was groaning. He said, "What's the matter, Anderson? Can't you do twenty-five push-ups?" And I said, "Well, I think I can do more than you can." So that started, and I think every day we'd do better than a hundred, each of us. So I developed a nice relationship, despite his constantly needling me. I went one direction when we went on active duty, and Mike became, I think, a PT boat skipper and was shot up pretty badly in the war. So he didn't come out of the war as quick as the rest of us. When the war was over, we all went our respective ways. Mike, I think, went to the hospital.

Anyway, I went to law school, and immediately after law school I got a chance to teach. I left Mike in '46, and I graduated from law school in '50, so I started to teach law school in '51. This is five years [later], and in walking in this first class that I'm teaching, there as a freshman is a guy that I can't remember his name, but I know who he is. And it's this former commander of ours

from the navy. I have all of these registration cards, and I start to go through them one at a time. I finally [came] across it, and I pick this up and point it at him like this. So for, I guess, six or seven weeks, he got called on first. [laughter] The first moment of every class, he got called on. It got to the point where he would just stand up and start to recite the case. You know, in law school you teach by cases. You give what the name of the case is, the jurisdiction, who the judge is, what the facts of the situation are, what is the legal issue involved, what did the court conclude, and what was the logical reasoning of the court in arriving at that conclusion. So, anyway, Mike and I have stayed very close friends, and he and I are the cochairmen to honor Father, I think sometime in February this year, at a party. So it's very special.

But anyway, I was going to tell you about this painting, and then we'll get off these little insignificant things. Most people think it's four footballs going through a couple of goalposts there. But anyway, Father called me up when I was on the faculty and said, "Look, we've got some--" He used to use pretty strong language; he'd describe people in rather graphic [terms]. But he was talking about the "ladies" of one of the Catholic girls' schools. He said they had got themselves in difficulty.

Somebody had come up on their board of trustees with the idea that they could have a thrift shop. They could have people contribute clothes which they could sell and make some money for the school. It's a girls' school. I am sure you know, possibly, what I'm thinking about. Anyway, they had a lot of success. One of the lawyers on the board of trustees had formed a corporation for the thrift shop because they didn't want to have any liability on the school if something went wrong. They had a lot of success. They had filed their sales tax, and finally the IRS [Internal Revenue Service] found out that they were operating this little corporation and was looking for their income tax payments. They thought they didn't need to pay taxes because they were a church, but they were really a conventional private corporation. Well, Father said, "Hey, you've got to do something about this." So there's a specific provision in the code that says if you operate and form a thrift shop, just like if you form a church or an educational [institution], you're exempt from tax. But this was just formed as a department store would have been formed. The attorney was not aware of the provision in the code that would have allowed exemption if he had formed it as a thrift shop.

So I went to the Internal Revenue Service and said--
At that time we had a wonderful head of the Internal

Revenue Service. I won't mention his name, but he was a good Catholic. He said, "Look, if you can give me any reason, but I don't see how you're going to avoid the payment of the tax." I came up with the idea that all these ladies who had worked had not been paid, and we hadn't filed a tax return, so we adopted the accrual method, as opposed to the cash method. We adopted the accrual method and showed a huge liability. We had each of these ladies turn in the hours they had worked, and we accrued a reasonable salary for the hours that they had worked. So we offset the income with an accrual of wages due and charged the expense and eliminated the income. Then I said to the sister, "You know, you've got to pay these ladies." I said, "If you pay them, do you think you could encourage them to make a contribution back so it isn't going to cost you anything?" She said, "Don't worry about it." So this was the mother superior. So what we did was we accrued wages and filed a tax return with no income, which is a true position, paid the wages that were due, and I think what she basically had them do was to have them just endorse the check back to the school as a charitable contribution. So they had wages income, but a charitable contribution offset.

Anyway, when it was all through they said they wanted to do something for me. At that time they had this

wonderful Sister Mary Corita [later Corita Kent]. I don't know if you've ever heard of her. She's a great artist, and she's now developed cancer. She took important sayings or quotations and put them into some form of art. And this, as you can see, is from William Shakespeare. This where the young man is leaving his father and his father says to him, "This above all: To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man." It's a great quote as the young boy is leaving his father; Polonius and Laertes, I think, in Hamlet. But anyway, it's been kind of a special thing because of Father and the ladies that got themselves in difficulty.

JOHNSON: You have a good memory.

ANDERSON: But anyway, that was a quick story.

JOHNSON: An interesting one. Now, you got put together with Mr. Kindel?

ANDERSON: Yes.

JOHNSON: And you started practicing with him? How did that follow?

ANDERSON: Yes. We had several meetings together. We had both gone to a Catholic law school, and I didn't have anything against Catholicism--I was very enthused about it. But I knew he had to be Catholic because he had four children--I think the oldest was six or something like

that--and at that time we had five children and he knew that we were Catholic. Anyway, it turned out that one dinner, our two wives went to the bathroom, and at that time contraceptives were with diaphragms, I guess it was. They came back and both of them were laughing, and they said that they both had thought that we were both respective Catholics, but they both decided that they were both just lazy Presbyterian girls. I remember that, not that it would have mattered.

I always felt that a partnership was something very, very special. That's not the way the large partnerships turn out to be. Large partnerships turn out to be a lot economic rather than necessarily special. I was kind of dreamy about partnerships, and I wanted everything to be kind of special. And it has been a very special relationship with Jim Kindel, and we've had nothing but a wonderful relationship. I think that was very, very important to our law firm, the fact that we did have such a close, admirable relationship with one another, and I really love the guy. A partnership is a delicate relationship if you're going to really succeed. You really have to love that person as a brother, maybe more than a brother. So, from that standpoint, it's worked out. It was a wonderful relationship over the years.

I came in as kind of the junior. He had been

practicing during the war. He had blown an eye out during high school chemistry. He was fooling around with something in chemistry and the explosion wasn't quite the [right] way, and it blew his eye out. He was not able to go into the service, and he's older than I am. So I came in as kind of the junior partner to him, and within a year or two both of us became equal. He had a lovely lady that had been with him--she's still with him. The two of them kind of ran the firm, and I kind of-- I spent more time outside the firm than in the firm and was sort of instrumental in developing the quantity of practice at the firm. Teaching at the law school as I was, I started to do a lot of speaking. I spent a lot of time giving seminars. Somehow or other, people think that when you're a teacher, or when you speak, that you know something. Not necessarily the case. But anyway, as a result, it was a great client getter. It was a nice relationship. I just let Jim run the administrative side of the firm while we were growing, and I was interested in the client side.

JOHNSON: What spurred you to break off, essentially, not on your own, but away from the comfortable firm?

ANDERSON: I guess, you know, Father invited me and I was very happy. I was with a firm that had a rather interesting compensation arrangement, that you were paid based on what you bring in. In most law firms, they pay

junior partners and they pay junior lawyers and everybody just on a certain percentage. But this particular firm had a compensation arrangement that you got paid for not only what you did, but what you brought in. There was the salesman's compensation and the production man's compensation, and the partners got something. First of all, they took the expenses out, and of what was left, at that particular time 20 percent went to the salesman whose account it was. If you were my client, I'd get 20 percent of their fee. Twenty percent went to the partners, and then 60 percent went to the people that did the work. This is after overhead, so it would be 60 percent of maybe 60 percent. The typical overhead of a law firm is about 35 or 40 percent--secretaries, library, telephone, stuff like that. And it isn't the most cohesive type-- Because very frequently you'd say, is this a good deal or isn't it? People would come in and ask you questions, and I'll tell you who it was. Just say, "Look, my brother-in-law has this problem," and they wouldn't let you charge the time. So anyway, it was good for me, and I was doing very well because I had started to develop a number of clients. I had been fortunate over the years that a lot of people have, for one reason or other, felt that they would be in good hands if I was involved with them. That necessarily hasn't been the case, but that's been the concept. At one

time-- In our law firm, we had numbers of lawyers, forty or fifty lawyers. More than 50 percent of the work was my clients. Generally, I had a wonderful relationship with Jim Kindel; we still have a wonderful relationship. So he was a bright spot in my life.

JOHNSON: Good. So instead of studying at night, you were speaking and traveling a lot? How did that fit in?

ANDERSON: Yes. Well, I started to practice law in '53, '54, and for about ten years we were starting to build our law firm. My wife died in '65, that's right. And I thought about a career change at that time. I had five little kids, and I had some opportunities. I was actually interviewed by a number of educational institutions to become a dean of a law school and asked if I wanted to be considered for USC [University of Southern California]-- actually, at the time they were also changing deans at UCLA--and there was a small college president opportunity. I was thinking about a change because my life had sort of been stepped on.

Along about that time, I was invited to speak to the Young Presidents Organization [YPO]. I was also teaching at the law school. I was teaching three nights a week at the law school. At this particular period of time, I got myself more involved, I think just to kind of get away from the things that I was otherwise thinking of. And I started

to give seminars to the Young Presidents Organization. The Young Presidents Organization, as far as educational organizations are concerned, is looked upon really as kind of the number one. They do the best job, I think. And there are thousands of associations. I got started with YPO, and they just consumed me. What I am trying to say is that-- I remember starting out in Phoenix at their International University. I think I started with thirty people in my room. I was giving four classes, one every day, and by the end of the fourth day I had over three or four hundred people. You know, it had gone from thirty to fifty to eighty to something. I really started-- They frequently said that I've attended more YPO meetings than any YPOer. So I used to give a lot of that. And from that, everybody else in the association business said, "Won't you come speak to us?" So Therese [Curtis] will tell you, I used to give maybe two-day seminars at least-- I used to give fifty of them a year. My income from that was in excess of a couple of hundred thousand dollars, just for giving those seminars, and practicing law at the same time and also getting these other businesses started.

So the teaching at Loyola gave me a lot of confidence, you know. I'm sure that I could talk on various subjects. I'm now trying to cut down, and I am cutting down. She will tell you that I'm just saying no, and I've

removed myself as a speaker for YPO. But the teaching--
And a lot of times I go into class not as well prepared,
but I would just let it go, and if I hadn't read the
particular case then I'd say that today was the day that
we're going to talk about tax-free exchanges. So I'd just
talk about tax-free exchanges and give some examples. And
that has given me a lot of confidence, and the teaching and
the seminars and the law firms have been very helpful.

TAPE NUMBER: II, SIDE ONE

JANUARY 18, 1988

JOHNSON: When we left off last time, we were talking about your college days and your time at UCLA and at Harvard [University] and Loyola [Marymount University School of Law], and you started talking about your speaking at the Young Presidents Organization. I'd like to step back a little ways and talk about your entrée into athletics, how you got involved in athletics and how that's affected the rest of your life. How did you get into ice hockey?

ANDERSON: I had no mentor or anybody that supervised my athletic endeavors as a youngster. I think I was just an average boy liking to compete, as most youngsters do. I developed some abilities in a couple of areas. I played a number of sports in high school. I played football for a while until I got injured, and then I played ice hockey and was on the swimming team and on the tennis team, so I had a number of things that seemed to interest me. Sports were big with my father [William Charles Anderson], and he used to buy me-- Although he was a barber and we were of limited financial resources, he always was able to get me a new glove or a new baseball bat or a new hockey stick or a new set of skates. So that was important to him, and I guess that was important to me.

I developed some expertise in the area of ice hockey

and was offered the opportunity to go to various schools on scholarship, and one of them that came up was UCLA. UCLA was starting an ice hockey team and [so was] the entire Southern California [area]. USC [University of Southern California] had a team, and [University of] California [Berkeley] and Stanford [University] had teams. So they were importing people from Canada and from Minnesota, and I came out here and received a scholarship to UCLA. My scholarship covered my books and my tuition, and I was offered a job--that was part of it. Looking back on it, the scholarship wasn't that great because the tuition was thirty-six dollars a quarter and the books weren't too expensive. Then I also got some other scholastic scholarships during the time that I was there. I was the beneficiary of a number of scholarships from UCLA. They had a program when I was going to school that if you thought you qualified, you could go to the administration office and apply for scholarships. They would interview you, and depending on how your grades were and things like that, they would consider you. So from the athletic standpoint, I always liked to compete, and I think the competition is important no matter where you are, whether you are a student or whether you are an athlete or whether you are a businessman or a lawyer or whatever it is. Healthy competition, a desire to compete and a desire to

win in a fair and equitable fashion, I think, is a good quality, and if you show me a good loser I'm not that charged up about him.

Anyway, that's kind of a brief history. I played a lot of athletics as a youngster, as most people did. That was important to me, to excel in athletics, and it certainly opened the door for my coming out this way, for which I'm very, very grateful.

JOHNSON: Did you ever consider keeping going in ice hockey?

ANDERSON: When I went back to graduate school, I got a job coaching at a prep school in Cambridge. The name of the school was Brown and Nichols [Buckingham-Brown-Nichols School]. That also was a rewarding experience, because as the varsity ice hockey coach of this school, we traveled to other prep schools and I got to learn about [Phillips] Exeter [Academy] and Andover [Proctor Academy in Andover, New Hampshire] and Groton [School] and some of these very prestigious [prep schools]. So it opened up a lot of New England aristocracy, you might say, to me. Also, I roomed with people from Williams [College] and Amherst [College] and Bowdoin [College], so that was a cultural experience. And I played some hockey back there as well.

JOHNSON: I also understand you're a mean squash player.

ANDERSON: Well, I play a lot of squash, just as an

exercise, played squash over the years. It's been a wonderful way, in a short period of time, to get a tremendous sweat and a great workout if you're evenly matched, so I enjoy that very much. And athletics has been-- For example, this afternoon I'm taking off to play in the Bob Hope [Desert] Classic. I'll play four days down there with four different-- It's a wonderful tournament. You play four days with four different professionals on four different golf courses, so I'm really looking forward to it. It's been an important activity. I think a healthy body is very, very important. Because business or the law profession require long hours of concentration and patience, and, you know, being able to hold steady is important. And I think if you're in good physical condition, that does a lot to help you. At least that's my attitude. I may be wrong, but I feel that if you're in good physical condition, you're able to withstand the pressures that are bound to occur and the changes that occur in the business world.

JOHNSON: Have you encouraged your kids as well?

ANDERSON: Yes, they are all good athletes. I always introduce them-- For example, our son Bill [William Stewart Anderson] is an exceptional athlete, and I always introduce him as the second best athlete in the family. [laughter] So I've tried to be competitive with them, and there are

just a few sports that I can still beat them at, but those are the only sports I play with them. No, the whole family-- We call ourselves the "Anderson Athletic Association." Everybody is athletic. I think health within one's body is a very important factor to maintaining the stability and pressure pot that you're bound to get into in the business world.

JOHNSON: You've mentioned a couple of people at UCLA who were fairly influential in your time there and influenced you to go on to Harvard. Are there are any other people that really made UCLA a good experience for you or a very memorable experience?

ANDERSON: Well, I think I mentioned our ice hockey coach, Mr. Harvey Tafe. He was a businessman as well as our coach, and he was always willing to counsel. I remember I went to him. I knew that I had a possibly reasonably good career if I stayed on and continued at North American [Aviation Company]. I also told him I had this scholarship to the Harvard [University] Business School [now Graduate School of Business Administration], and he spent many hours talking to me about the advantages of it. I think I have mentioned Ira [N.] Frisbee and Dean Howard [S.] Noble were very helpful. And I had the usual professors that I related to. But I had a busy schedule. As you know, I would very frequently play ice hockey in the morning, go to class up

until one o'clock, come home and have lunch and try to study for a couple of hours, and then off to work for eight hours at the factory. I really didn't have the usual leisure that the average college student had.

JOHNSON: Moving forward in time, around 1956 or '57-- I'm not quite sure when that is when you bought Ace Beverage [Company]. How did that come about?

ANDERSON: Well, I had been a young-- I don't want to use the word "struggling" lawyer, but I was starting out in the practice of law. I graduated from law school in '50, and I think I was admitted to the bar in January of '51, if I'm correct. During my senior year in law school I had worked with a very fine law firm, Hill, Farrer, and Burrill, so I joined them for a couple of years. Then after a couple of years, I had the opportunity to meet Jim [James H.] Kindel [Jr.], and we formed our own firm in '53. So we were just a young three- or four-man law firm trying to promote things.

One day at church, the tenor in our church choir, who was in the life insurance business, asked if he could bring a client down. I was honored that he thought that much of me, and the gentlemen he brought down was someone in the beverage-distributing field, a fellow by the name of Vince [Vincent] Burcham. As in the professional practice, some people you are able to help and get along with very

effectively and others sometimes you stub your toe, but I got along very well with Mr. Burcham, and he was also someone who was highly regarded by his fellow businessmen. He was nice enough to recommend me to a number of other beverage-distributing companies. As time went on in those three years from about '53 to '56, I started to represent I think at one time fifteen to twenty distributing companies, and I also started to represent the supplier to them. The suppliers, when they formed a new distributor, would say, "You ought to talk with John Anderson or his firm about getting properly organized." I have some strong ideas on how a business ought to be organized. I think most businesses are organized improperly. I have a very strong feeling that most businesses are not organized the way they ought to be.

JOHNSON: "Organized" meaning--?

ANDERSON: How they're put together, what they consist of, and I'll be very happy to expand on that if you want me to.

JOHNSON: Okay.

ANDERSON: So anyway, I was representing a lot of these beverage distributors and the suppliers, and one of the suppliers came to me and said, "Look, we've got a problem in downtown Los Angeles and we need a distributor." I'm looking at all these people doing so very well that I'm representing, so I said, "That's no problem. I'll be

delighted to be your distributor." And they said, "We'd love to have you, but do you really know what you're getting into?" I thought, well, this is an easy business, so on April Fools Day 1956, we started our first entry into the beverage-distributing company. We started to distribute Hamm's beer. We took over their downtown operation, and we were all excited. I think within six months, going through a very hot summer, which is the best time, we had lost all of the money that we had invested come November.

I still see the table where I met with the general manager of the Hamm Brewing Company. I asked to have a meeting with him. I took the keys to the warehouse out and I dropped them in front of him, and I said, "Here are the keys to the warehouse. I have got to get out of this business. My family is mortgaged; my kids are under water." He asked me what the problem was, and I said, "You know, when we talked, we both agreed that I needed an additional product in the distributing business. It's a volume business. You have a certain fixed overhead, and you need a certain volume of business to cover your overhead." They had been having trouble with their single product, but they couldn't take a competitive product, because they were the Hamm Brewing Company. So I said, "I just have to get out of this business or get another

product." He and I had discussed it when we first went into it, that he was going to help me get another product, but he had forgotten about it. When he remembered that he had made a tentative commitment to try to help, he said, "How much longer do you have?" I said, "I may have another four or five weeks." He said, "Why don't you hang on?"

He came back within a week or ten days and said, "I can't get you very much. The only thing I can get you is Budweiser," which at that time was a very little nothing-type brand. I shouldn't say "nothing-type" brand, but a brand with a very, very low sales volume at that time. It was maybe a third of what the Hamm Brewing Company was. Today, of course, it is the number one brand throughout the world, and I very frequently say that despite my Harvard Business School education, [laughter] it was very difficult to foul up with the increase in volume that we have enjoyed with Budweiser. It's been a wonderful relationship there; they're a fine company and we've been blessed to be associated with them.

So that was kind of a start. We had a company. We got into it with a lot of high hopes, and I'm glad I was as frank as I was with this gentleman. I was going to hang on anyway, but I wanted to kind of make a very large point to him that I needed his help. So with that in mind and with careful monitoring, the company now is a very sizable

company with several hundred employees and a very high rate of return. I won't mention the return, but we do very well.

JOHNSON: How did you manage to be doing your law practice and to be starting this distributorship that probably took a lot of your time?

ANDERSON: Yes, it did. I have typically worked, you know, maybe a seventy-hour week, and I am still on that. I worked this past weekend on an acquisition. I was teaching at the law school at the same time, and I was also teaching at the UCLA graduate school at that time. I was teaching maybe three nights a week and also teaching early in the morning, and even before that I would maybe show up at the distributing company and maybe go by there at lunch and eat my lunch there, maybe spend Saturday practicing law to catch up. So basically, I might say, I compromised all of them to a certain degree, but I think they had sufficient time.

I have been a people person in my relations with business. I feel if I have been successful, it's because of people. One reason or another, I get them enthused and give them a head of steam. Today I have about twenty-four corporate presidents. I think if they have an objection to me, it's that I don't spend as much time with them as I should. The point that I'm getting at is that I trust

people. I give them a head of steam, and I try to compensate them so they feel that it's their company. I don't sign any checks, I don't have an office in any company. I think it's the right way to go. I don't have to open up the mail. There are a lot of presidents that still open up the mail. There are still a lot of presidents that have to sign all the checks--they have to have everybody know that they are the boss. In every one of the companies that I'm involved with, everybody knows that I am not the boss, that the boss is the president who is on the premises and that my role is to be of help to him. Usually when I go to a place, I say, "Bill, how's it going?" "Fine." "What can I do to be of help?" And I think that's a very critical and important approach. And I really trust people. I think when you trust people, they know when you trust them. Like Mrs. [Therese] Curtis here, she knows that I have the utmost confidence and trust in her. She's on all my bank accounts. I think one of the reasons why I've been able to do as much as I have is because, one, I really don't need the recognition of being the head man in the company. I don't have any daily responsibilities such as signing checks or making the day-to-day decisions. I really trust people, and I have been hurt, but I'd rather be hurt by one person than let nine other people know that I don't trust them. I think people

know when you trust them, most people. As a lawyer, people seemed to trust me, and that was very exciting to me, that people would trust me. And I responded. I was very proud and grateful and I thought that was pretty wonderful that they would trust me. I think I responded-- I think when you trust people, first of all they know when you trust them, and two, most people [feel], "Gee, I have got to do a good job, because he trusts me." I don't do that because of that response, but I think that that's a by-product of trusting people, that they like to be trusted because they think, "Hey, that's pretty good."

JOHNSON: At what point did you feel comfortable trusting and stepping back with Hamm's distributing?

ANDERSON: Also, along with that you have to be strong enough to replace people, and I have certainly replaced a certain number of people, but I've always tried to sit down with them and come to an understanding. For some reason-- It may have been the busyness that I was involved with, just like, also in the practice of law, for one reason or another I was responsible for a great deal of business that came into the law firm. And I soon found that I couldn't do it all myself. I got the attitude that other people could do things much better than I could, at least I felt they could. So that gave me, I feel, [the idea that] the secret is success through other people, and so I'm not the

least bit-- I have no difficulty in saying, "He can do a better job than I can." And I think that once you realize that, you ought to let them go, let 'em run.

JOHNSON: So meanwhile, you were being "Mr. Outside"?

ANDERSON: You might say that. In the law firm you mean?

JOHNSON: Yes.

ANDERSON: I got to the point where I was doing an awful lot of seminar giving and I also was serving on a lot of boards. Like I said, a year ago today I was on seven publicly held boards, and today I've cut that down. In addition to publicly held boards, I was also on a lot of private boards, and that was-- Between sitting on a lot of boards and giving a lot of seminars, I had the best of the practice of law, because I would get the benefit of somebody doing a lot of research and doing a lot of documentation, and I could, in a very brief time, reap the benefits of all of their work and then go on to another problem. So I had a number of lawyers that I worked with. They were the lawyer, and I was kind of sitting there trying to listen and make sure the client had the benefits of everything. I think most of the clients felt I was doing it, but actually it was being done by the other lawyers.

JOHNSON: At that early point in time, how did you go about picking lawyers to work for your firm?

ANDERSON: Well, Jim Kindel and I were both UCLA/Loyola Law graduates, so number one, we agreed that we would not hire anybody from USC. That's just true Bruin talk.

[laughter] We've now been very blessed with some great lawyers from USC. One of the things we didn't do was hire any lawyers from USC when we started out. I'm not so sure that UCLA had a law school at that time. They may have, but I'm not positive. But we set our sights very high. Both of us had done very well scholastically, and so we went the Harvard, Yale [University], [University of] Michigan, [University of] Pennsylvania, University of Virginia [route]. We took what we thought were the top law schools of the country. He and I went back and interviewed and tried to get the editors of the Law Review. We went to Stanford and Boalt [School of Law, University of California, Berkeley]. In California we interviewed at Stanford and Boalt, initially. And we would go to Harvard and Yale. I went and sat there many times in our early years. We would get very few people coming. Now we send back three people, and they have three or four days of interviewing--people get in line to come with the firm. But anyway, we set our sights high scholastically. I was always trying to seek the more rounded person. If we had difficulties within the firm, I sometimes would settle for a lesser student but someone who had been active in

athletics or campus politics or something like that, as opposed to necessarily the highest IQ. So we had a mixture--that's kind of how we went about it. That's what most law firms do. They go to law schools and they advertise that somebody from Kindel and Anderson or some other law firm will be available. You sign up, and you have hours that you will be available in room number so-and-so. You usually get in the night before. You find some particular ones; you try and take them to dinner or something like that.

JOHNSON: So what has happened to those people who originally came away?

ANDERSON: Well, as a typical law firm, you've got to expect that some of them are going to leave you to become judges. Some are going to leave you to form their own firm. Some of them are going to leave to go into business for themselves. Some of them are going to leave the practice of the law. And some of them are going to physically not be able to continue. So over the years, I think we've been a normal firm from the standpoint [that] we've fathered a number of judges, and we founded, I think, two or three law firms [that] have grown out of our firm, but I think that's the typical run of what happens. You've got to expect it, particularly if you go for the higher level of student. You've got to anticipate that he's going

to have a lot of personal motivations, and you may be just one of his dreams. It used to hurt me at the early stage when someone would leave. You think of them as a child leaving your family. But now, after the years went by, I've learned to wish them well and to be proud of them rather than to think they were a disappointment. I think that's the right attitude. So we have a lot of people that we continue to see that we used to be with and are proud of what they are doing.

JOHNSON: Changing topics here, how did you become a ranch owner in 1962?

ANDERSON: You've done your homework, haven't you. When I was practicing law, I was also teaching both at the law school and at the UCLA graduate school. Really, I was teaching at the [University] Extension division of UCLA. I started teaching at UCLA extension right after the war. The people from Harvard Business School put me in touch with UCLA; UCLA, I guess, had approached them. I started teaching accounting courses in extension, and then I worked my way up from beginning accounting to advanced accounting. I taught all of them, and finally I moved up and taught what was called the CPA [certified public accountant] review, which was kind of the summary of all-- And you had these guys that were really highly motivated. There were three of us that were teaching: a wonderful

fellow by the name of Harry Simons, one Kenneth Leventhal-- I don't know whether you've heard of the Kenneth Leventhal firm--and myself. Then Harry dropped out, and Kenny and I ran it. And for a couple of years, Leventhal and Anderson graduates from UCLA extension were right up at the top of the percentage passing of the nation, so Leventhal and I thought we had the real secret. We decided to write a book, and we met every Saturday morning and we tried to write a chapter on how to prepare for the CPA exam. He always accuses me of not having written my chapter, and I always accuse him of not having written his, so somehow it fell by the wayside.

But anyway, during this period of giving the CPA review, accountants up and down the coast heard about us. Particularly a group in the Santa Barbara-Ventura County [area] asked if I would come up and give them the CPA review course. I would guess for three, four, five years, someplace in that area, throughout the year, I would give two courses. I would give the course-- I don't know whether it was two courses, twice a year or once a year, but I would give a course preparing these people in Ventura [County] and Santa Barbara County to pass the CPA review. We would hold the meetings in Santa Barbara--then we did it at the Pierpoint Inn. Then one time we did it at the Ojai Valley--we did it at the Ojai Valley Inn. I think we did

it through the spring of the year when the orange blossoms started to come on. The Ojai Valley-- I think you know the word ojai is an Indian word meaning "nest", and it's sort of nestled among some Switzerland-type mountains, high mountains and lovely, so it's pretty hard for that aroma to get out of the valley. So the valley is very aromatic in the March-April period. And I guess I kind of fell in love, and I said, "Look--" The children were young at the time. So I said to one of the members of the class--his name was Godfrey Jacobs--"If ever a little ranch becomes available up here, I'd sure like to know about it."

Well, within a month or so he called and said, "Look, it's not a little ranch, it's the largest ranch in the valley. It's the Topa Topa Ranch, which sits at the foot of the Topa Topa Mountains. It used to be owned by Mr. Thacher and is available for sale. Would you like to--?" I said, "Well, what are we talking about?" I said, "That's a little bit beyond what I had in mind, but I'll be up." Of course I fell in love, and that's kind of the background of the ranch. And so we've had a lot of fun in the family.

JOHNSON: Now, topa topa means--

ANDERSON: It means "gopher." It's an Indian word meaning "gopher," so some of our presidents have said, "We are topa--we gopher it ['go for it']. " [laughter]

JOHNSON: So topa topa is "gopher, gopher"?

ANDERSON: Yes, it would be "gopher, gopher." We are the base ranch at the foot of the Topa Topa Mountain, which is the highest peak in the Ojai Valley. It's a lovely ranch. It used to be owned by Mr. Sherman Thacher, who is the founder of the Thacher School. We adjoin Thacher School and are good friends with them. Our two boys went to Thacher. We have two grandchildren up there and hope to have three of them in school next year. It's a great school; it's been a great privilege.

JOHNSON: Now, the ranch was purchased primarily for pleasure, or was it ever purchased as a business?

ANDERSON: We can't ever say that, can we? No, it's been a profitable venture over the years. We grow a lot of trees for sale. We have close to four hundred acres that are intensely cultivated with two types of oranges, grapefruit, and avocados. We grow a lot of avocado trees commercially for sale. It just happens that Mr. Thacher brought up from Mexico a wonderful avocado tree which has become the mother tree of most of Ventura County. It's called the Topa Topa. If you're familiar with avocados--

JOHNSON: I love avocados!

ANDERSON: Many people will tell you that their root stock is the Topa Topa. We have trees that are sixty and seventy years old up there doing okay. So we've become kind of the mother ranch. They are always developing new ideas in

agriculture. But the old Topa Topa tree is still a very favored tree. You plant the root; then what you do, when the tree gets about five, six inches high and about that thick, you cut it off. Have you done a little grafting?

JOHNSON: I've done a lot of avocado eating and a little bit of growing, but not grafting.

ANDERSON: But anyway, when it gets about that high, you cut it off and you go out in the orchard and you take things off the trees that have little eyelets that are about to pop up, and you decide what kind of a tree you want to make. You can make a Haas or a Fuerte or whatever type of tree you want to make. We have a tree up there that we've-- We have lemons on one branch and oranges on one branch and grapefruit-- You can fool around with nature. It's kind of exciting to take a little root and graft it into whatever you and the Lord are able to come up with.

JOHNSON: So this has been a little bit of a steadier business than your distributing business, which--

ANDERSON: No, it's been an up-and-down business. You know, in the agriculture business you have good years and you have bad years. Like right today we're kind of worried about this temperature right now. We don't know what's going to happen. We came through the earlier freeze up there. We got burned, but we didn't get killed. If you

get a real cold period of time and it drops down in the lower twenties for a while, on a very clear [night]--as we're going to have tonight--if the wind keeps blowing, then we'll be all right. But if it gets very still-- When you get a real freeze it looks like someone's put a torch to it--everything turns black. And we've had a few of those. If you get a real bad freeze this year, you lose the fruit that's on there. You may lose the next year's crop as well because the tree grafts can't reproduce, because what you've got right now is fruit on the trees and buds coming on for next year. So the next couple of nights are going to be kind of interesting in the Ojai Valley.

JOHNSON: So the ranch became Topa Equities [Ltd.]?

ANDERSON: The ranch started out as Topa Topa Ranch, and I think my wife [Margaret Stewart Anderson] died and I started to put things together. I used that ranch as kind of a holding company of all of my entities. I think it was a kind of estate planning as well as a strategy that made sense. I also felt the strategy to call it a ranch would be good. I've always been attracted to agriculture for some reason or another. I love to participate in the ranch activities. So I started to put things under the ranch.

I think the ranch would have these up-and-down years, so the income was not as stable as it might be. By putting

in something that was a pretty steady earner, like the distributing companies, it sort of blended together. I've been a big believer-- I think I may have mentioned to you the last time we were together, Gigi, that you put pigs and cows together; you don't let the pigs try to survive all by themselves, because if you do, they won't make it. In my book, it's very difficult to be in the agricultural business only. My experience has been that you need something to go along with the agricultural business. Either you need a very successful lawyer that can put money into it when it needs it-- And my experience has been that the real reason for being in the agricultural business, from my standpoint, is to have a piece of real estate that is in the path of progress. During the period of time where you're waiting for it to come to market like a true pig, you have to feed it. We bought our ranch for less than \$1,000 an acre, and today it's worth something over \$20,000 an acre. We've had those kinds of appreciations in value. You've had to have something else to kind of carry it.

Now, there are a lot of people in the agricultural business who are just in the agricultural business, but my experience has been that if you're taking all the risks of weather-- Normally what happens, oranges become very hot, so everybody plants oranges, and then you have to go

through the cycle where-- You have to wait until that's overdone. Then you have to pull out your oranges, and then you jump into something else. So there is overproduction, and you're guessing the economics, you're guessing the weather, you're guessing all the vicissitudes of being in the agricultural field.

JOHNSON: So at that point in time, you had Hamm's distributing. When did that become Ace?

ANDERSON: When we acquired an additional product. The other product supplier wouldn't allow the company to just be called Hamm's, so we got a name that we felt was going to be first in the telephone book. It was short, it was easy to say, and it would be homogeneous--we could bring other products under the banner.

JOHNSON: So what other cows did you bring in to help with this pig?

ANDERSON: Well, we were successful with Ace Beverage immediately with this additional product. When I say "successful," we came from a deficit to a positive result. I think we thought we were very successful. I think we maybe made \$20,000 or \$25,000, and today we make more than \$5 million a year net profits in Ace Beverages. I always was fortunate enough to not-- I don't want to use the word "milk," but I always tried to let the company-- I think it's very important that you recognize that success

is very fragile, and your success, as I always very frequently-- I hope you will forgive me, but I said I think a man should treat it as you would a very lovely lady: you should love her, you should treasure her, you should protect her, you should do everything you can to build her and to build your company. I think a lot of people abuse companies. I think you have to realize--and I may have mentioned it to you before--that I strongly believe in what I call this "growth-management system," where you sow an idea for a while, then you grow the idea, and then hopefully you want to get it to the harvest stage. You must realize that someday you're going to plow it under.

So many people don't treasure a business, or they don't grow it, so I've always-- Like in my Ace Beverage, a lot of my fellow beverage distributors went and bought yachts and airplanes and fancy this and fancy that, but we've tried to keep a very conservative, quiet, growing atmosphere, Gigi. So what we did-- We started to become successful, and everything we made we plowed back in. We tried to improve our equipment; we tried to enhance ourselves with our suppliers. And then, as this happened, there must have been-- Gee, I don't know how many acquisitions we have made here in town. But other distributors who didn't necessarily do the job they should have done or whose product was failing-- We must have bought-- I can't tell

you, but I would say we must have bought eight to ten other distributors in the city, who, for one reason or another, found themselves either forced to sell or wanting to sell either because of the way they ran the company or because of the vicissitudes of the times or they had taken too much money out for the racetrack or for this or for that. And we usually wound up buying businesses that had not kept their equipment up, and so usually we got a bunch of junk equipment that we had to replace over the years. So then we formed another company that originally we called Community Beverage [Company]. Now we've changed the name to Mission Beverage [Company]. But we put together a group of companies around the city, and we also got into the wine business. We've expanded. We've constantly looked to kind of expanding the business, Gigi.

I think one must have a respect for capital and remember there's nothing that succeeds like success. But there is nothing more fragile than success. It is very easy to get carried away with success and think that it's going to go on in perpetuity, and I think you have to realize that it is a very fragile commodity. It's easy to move from success to success, but if you don't really treasure it and if you don't really care for it, or if you abuse it-- So many people, I notice, for example in the Young Presidents Organization-- And the Young Presidents

Organization is an organization that has had a lot of success but a lot of failures. Very frequently what happens is these young men adopt a certain practice that gets them up to a certain level. When they get up to that certain level, they change their way of doing business. They change their way of living. Maybe that's what it's all about is to get to the point so you can change your way of living, but you have to recognize that when you change your philosophies of doing business, if you're no longer hungry and you don't, you know-- I'm kind of branching out into philosophy here.

JOHNSON: That's fine.

ANDERSON: But I think that success is something-- You just can't take it for granted. I guess you have to say "hungry."

TAPE NUMBER: II, SIDE TWO

JANUARY 18, 1988

ANDERSON: I just think, Gigi, that we were talking about a very important subject, and I'm not sure that-- I hope that I got my feelings across. A lot of people meet with a certain amount of success and they figure, "Hey, I've got it made." That happens in students. Some people will peak in grade school and never go on to do something. They'll do very well in high school, but they don't do a thing in college. Or they were valedictorian of their class, and they don't do at all well in law school or they don't do very well in graduate school. Motivation is such a very important factor, and I think that carries over into business. I mean, I think if you once become satisfied or once you think you've got it made or you feel you don't have something to learn or you're not willing to go out and knock on new doors or open up new vistas or if you start to take things for granted-- You know, you shouldn't take people for granted, and you can't do it in business. So that's the point I was just trying to make, that we've tried to run our businesses on a very hungry-- We want to learn. We're never going to try and take things for granted. See? I hope I didn't go too far astray.

JOHNSON: Oh, no, that was fine. When was this that you took the different distributors you purchased and made them

into Community Beverage?

ANDERSON: Well, I think we started Ace Beverage originally as Hamm's on April 1, '56. And I would guess that, as we went along in the-- In the sixties we started to expand. You're going to have to help me with dates, but I would think that we started this Community Beverage, and then as opportunities came along, we made acquisition after acquisition. I'm not sure when we expanded into Hawaii and into the Virgin Islands. I know we expanded into the Virgin Islands in '80. So that was a quite a bit of a gap in that period. In the interim period, there were a number of other areas that we got involved with, like I became involved with Mr. Robert Hollman, who was here, and he was a very important guy. He came with us, I think, in about '65. He's an MBA graduate, and he's been very helpful to us. And he really kind of got us interested in the financial area. As you know, Topa Equities has about five divisions--two rather major divisions, one in the beverage-distribution field and one in the financial field. So with his entrée in there, we sort of branched into the financial and also branched into the real estate development field. So this all started to take place in the early sixties.

You must realize that I personally-- My wife died in '65, so I had sort of some personal searching. I had five little children that I was involved with, and so I don't

know that I was slowed down at all, but I know that I was kind of searching as to what it was all about. So I kind of got cranked up again, as far as business goes, in the latter part of the sixties and the seventies. Our real growth started after that.

JOHNSON: Something fairly good that happened in that time period, though, was Mrs. Curtis wandering in. How did that happen?

ANDERSON: Yes, she's been a blessed event as far as I'm concerned. I guess that would have been just about that time.

JOHNSON: Nineteen sixty-four, in October.

ANDERSON: Yes, yes. In my business career, if I can call it that, I've only had two secretaries, for some reason or other. I had this very lovely lady [Elaine Hulsebus] who had been with me for a number of years--from '53, I guess, to about '63 or '64. She had married and had children, and her husband's place of business required that she leave. And so I was looking for a secretary. I was talking to a lot of friends. And I'm one that feels that-- I don't call her my secretary; I call her my assistant. I feel that that role is a very important role. A lot of people do not. But I feel that she's very critical. And so I asked a number of people, and I met a gentleman by the name of Tom [Thomas] Kizer, who was the president of an advertising

company that was leaving-- He had left his business. "Gee, you know," he said, "I had a secretary that-- No matter if I talked with you as long as I could about it, she's better than anything I could say to you." I said, "Oh, come on." And he said, "Well, that's the case. I just couldn't say enough about her." And so I said, "Well, where is she?"

She was working for a movie-studio general manager. I called her up and asked her if I could take her to lunch. I drove out to the movie studio, which was in Burbank. We [Kindel and Anderson] were in downtown Los Angeles at the time, and I took her all the way back downtown from Burbank to lunch. On the way down, I said, "Where do you live?" And she said, "Oh, I live just a block from my work." I thought, "Oh brother! [laughter] I bet this is going to be a wasted day."

But, for one reason or another, she was willing to make a change. She was very apprehensive about becoming a legal secretary, because she'd had no legal experience. But she's just a very good human being and very able and trustworthy and concerned, and everybody loves her. So I've been very blessed with her. I think she's been an important part of my success, because everybody-- You know, I used to get to the phone, and I'd pick up the phone and they'd rather talk with her than talk with me. Then I knew

I was really being successful. She's a super lady.

JOHNSON: You remarried?

ANDERSON: Yes.

JOHNSON: How did that fit in with your plans and family?

ANDERSON: I was a widower with five little kids for two years. I was very happy in my first marriage. You know, I enjoy being married. There are some people that think contrary, but I think a marriage relationship is a very important one. I've been very blessed, and the lady that I'm married to now [Marion Redding Anderson] came into our life not physically able to have children, so she really-- You have to take your hat off to her. She took over the responsibility of five children which were not her own. And she's just done a great job with them. She also has awfully good business judgment, which has been very helpful to me. I mean, she's of Syrian background. (She's over there in that painting.) And she, either fortunate or unfortunate, was not able to-- Her family is very humble, of humble background. That was one of the things that attracted me. I don't know why, but I felt it was something where I could be of help to her. I was more interested in-- I don't know that you do that-- You don't outline what you're looking for, but the fact that she didn't have money was attractive to me. It was something I felt I could do something [about]. And what money she had,

I made her give away, so she gave it to her mother and to her sister. She had a couple of houses. I just wanted to be part of building whatever, you know, she had. And so she's been very helpful. She has not had a great deal of education, but she's a very smart, well-educated person, self-educated, and she's a trustee of Claremont McKenna College. She really absorbs knowledge. I have her on a number of our boards, and she more than holds her own. I put her in charge of a number of projects; for example, she's been rehabilitating a number of our historical buildings. She's a lot better at it than I am. She's a good negotiator. She spends money a lot more carefully and more prudently than I do. I have, over the years, maybe paid more for things than I should. At least, I think she thinks I have. I don't know. But I have taken an attitude that if the thing fits in, don't haggle about the price, not too much. Negotiation is part of her background, her way of life, and so she thinks I could always maybe negotiate a little better deal than I do. And I think I could be a better negotiator. I don't look upon that as where you make it. I think you make it by going the quality route and getting something that's very prideful.

We're about to buy a piece of property over in Hawaii. My treasurer over there says, "Well, I've offered them \$16, and the guy wants \$18 a square foot." I said,

"Don't lose the thing for \$2 a square foot. You know, in ten years, we'll look back and we'll think you stole it at \$18." I bought this building here for \$42 million. Everybody when I bought it said, "You are out of your cotton-picking mind." And, you know, we now are turning down offers at \$75 and \$80 million, because there only is one such location looking at that golf course. We'll never lose that view, and we've got a big footprint here. It's easy access--easy in, easy out. We went the quality route, and we overpaid for it. But in the long run, quality--

What is it they say, Gigi? "Long after the price is forgotten, the quality remains." Something like that. So we've gone that way. We've many times paid more for them than what we should have, in some people's eyes. In our real estate development activities, that's another thing. We always try to do something that we're very proud of. I don't know whether as you walked down the lane you perhaps saw a number of our buildings. We like to do things we're proud of. Sometimes it costs more. But I think in the long run--

JOHNSON: It makes it worthwhile.

ANDERSON: You know, do you buy a gold cross, or do you buy the other one?

JOHNSON: Now, you met your wife, I understand, through friends or at the theater.

ANDERSON: Yes, met her at the golf tournament. We were playing in a golf tournament. You know, you play in foursomes, and one of the foursome members-- We played with these people for two or three days in this tournament, and one of them said, "I have a lady friend whose birthday it is on Saturday night. Would you join us?" And there were three of us that were unmarried at the time and a married gentleman there. So I met her as the date of someone else at that time and took it from there.

JOHNSON: Took it from there and got married March 3, 1967.

ANDERSON: Yes.

JOHNSON: What happened at that point in time? Were you still in the midst of acquiring more companies?

ANDERSON: The company has grown immensely since that time, the last twenty years. We've just moved back into our house after a two and a half year vacancy from a fire, and I was going through some things that we might throw out. I was going through some of the financial papers and tax returns of twenty or thirty years ago, and certainly since that time there's been a lot of growth, with inflation and values and whatnot. I would guess that since that time, we've continued on a very active acquisition program. In the early eighties, it was very active when we acquired all the things in the Virgin Islands. The Virgin Islands has been a major acquisition area. And then we also expanded

our financial group by the acquisition of the insurance company [Topa Insurance Company] and the acquisition of the savings and loan [Bel Air Savings and Loan Association]. I think we acquired our thrift and loan [Topa Thrift and Loan Association] back in the sixties. So it's been very active. Right today, we're involved in-- I think this weekend we're working on an acquisition. We're involved in three additional acquisitions right now of sizable proportions. So we've been moving forward.

JOHNSON: You originally acquired Topa Thrift, which was named Provident Thrift and Loan. How did you get into that?

ANDERSON: That's right. Well, it was really recommended by Mr. Hollman, thinking that he felt that the thrift and loan was an emerging industry. And it has proven to be. At the time we came in, I think there were about, oh, ten or fifteen thrift and loans. The average person, maybe you included, when I say "thrift and loan," you think it's a savings and loan. And it really has nothing to do with the savings and loan industry. So when people see a sign up there that says Topa Thrift and Loan, the average person thinks they're dealing with a savings and loan. And it's really an industrial-loan company. It's chartered under an entirely different law. At that time, I think there were about fifteen or twenty companies, and Bob was right.

After about ten or twelve years of being in there, they were then forming fifteen or twenty new companies every year. And so it was an emerging industry, and a lot of people have come into it. A lot of people have come into it that haven't managed their companies the way they should have. A number of them have gone into bankruptcy. And as a result, that segment is likely to disappear, because we have a law now that says you cannot, after 1990, be a thrift and loan unless you have federal insurance, whereas for many years, there was no insurance on the money that the people were depositing. We had an industry organization called the Thrift Guarantee Fund. Anyway, we got into that as an emerging industry, and it's proven to be a wonderful investment. The company has grown and has been one of the most profitable companies in the industry. We've had wonderful leadership in the form of one Richard Young, who's the president and has just done a great job.

JOHNSON: Now, Richard Young originally came aboard as a branch supervisor?

ANDERSON: That's correct.

JOHNSON: How did you pick such a person to move into a position of leadership?

ANDERSON Well, I think we acquired Provident Thrift and Loan and then we acquired a company called People's Thrift and Loan. And each of them had a president. They both

thought their name was the best. One thought that "Provident" was a great name; the other thought that "People's" was a great name. And who was going to be the president, and who was going to do this-- And at that time-- We first of all acquired Provident. I was chairman of the board, and a gentleman was president. Then we acquired People's, and we had a fellow that was the president there. We put the two together, and so we decided to go with the name Topa. Everybody kind of laughed at it a little bit, whether they thought it was Topa or what it really meant. We decided that who we were would determine what the name would stand for. The name is only as good as you are, and so we decided to take a name-- We thought we would someday go public, and we thought we'd try to get a name that nobody would ever try to duplicate. And so far we haven't had too many duplications. We've had Topazes and we've had Topaks, but nobody has really adopted the name Topa. So we went with it.

Then I resigned as chairman, and I made one of the presidents chairman and I made one of the presidents president. I had to select a chief executive officer, which we did: Mr. Kurt Mann, and he's the gentleman that hired Richard Young. He's the fellow that brought Mr. Young along. He [Mann] would appear before the board, and he [Young] then came along. I was chairman, and the other

chairman of Provident died. So at that time, I became chairman of the company, and Mr. Mann became president. Mr. Mann retired, I think when he reached sixty-five or something, and he's now our vice-chairman. And we all agreed that Mr. Young should have the opportunity. It's really been under Mr. Young's leadership that the company has really grown. He's a high, high, high-energy person and highly motivated and just does a great job. So we've been very fortunate. We've grown from one branch in Provident to two branches when we got People's. I think we now have about twenty-seven branches, and we still have a lot to do.

JOHNSON: So most of the growth came after 1975, when Richard Young became president?

ANDERSON: That's correct.

JOHNSON: Okay. Also in the seventies, you got involved in a company that I think originally started out as Elder Care [Centers, Inc.] but then became National Accommodations [Inc.] and then Summit Health [Ltd.]. How did you get involved?

ANDERSON: Well, Elder Care, now Summit, was conceived by a very outstanding gentleman by the name of Mr. Don Freeberg, a Minnesotan by heritage. He had, at one time, been in the building business and saw a need to build a nursing home and got a number of doctors involved with him. The doctors

helped him recommend the filling up of it. At that time-- As you know, there are fashions in the public market as there are in ladies' clothes, and it was very fashionable back in the sixties, I believe, to be in the health care field. He was thinking about maybe taking the company public, and so he went to an accounting firm. He had been with a small firm and went with one of the big eight. Whether it was Arthur Andersen or Peat Marwick, or I'm not just sure, but one of those. They said, "Better get a lawyer that knows something about SEC [United States Securities and Exchange Commission] work," and they were nice enough to recommend our firm, along with two other large firms in the city. Anyway, Mr. Freeberg came over, and I think [because of] the fact that I was Scandinavian and that I was from Minnesota and he was [too], I think he felt comfortable with me and chose our firm. Early on, he asked me if I would be willing to go on his board of directors. He also offered me the opportunity to buy some stock in the company, for which I was very grateful. So that's how it kind of got started, and that must have been some twenty years ago or more than that. And Mr. Freeberg and I have had breakfast together every Wednesday morning for the last twenty years. Now, we usually get in about two and a half or three breakfasts a month. We get, you know, two or three or four or one, but we try to meet every

Wednesday. He's been a wonderful friend, and he's been very receptive. He's allowed me to suggest a lot of strategies to him, and a few of them have worked out to his and our mutual benefit. So it's been a major opportunity for me to be a part of a successful entity from the very start. You know, that's been kind of the history.

I've been involved with several publicly held companies at an early stage. Elder Care, then National Accommodations, and then Summit Health, has been a great experience. Health care's in some tough times right now, but this is a tough company, and they will do a good job. Every year they've made money, and they will continue to make money. They're making money right now. But this is a tough time for the health care [field]. Basically, the government health care program is working. That's about what you'd say. The cost of health care is being controlled, and you have to face up to that, whereas we had runaway health care costs, and as a result, these companies were just making lots of money.

JOHNSON: So a lot of the change has come from the DRGs [diagnostic-related groups] in 1983?

ANDERSON: Well, you're talking the right language! You're right. The DRGs, you're right. We took a company that we invested, I think, \$87,000 in, and without additional investment we got it up to the point where it was earning

\$20 to \$25 million a year before taxes.

JOHNSON: That's pretty substantial.

ANDERSON: It's more than that.

JOHNSON: When did Mr. [William] Pierpoint come in?

ANDERSON: I was chairman of the board of a little privately held company in the exercise field. It was called RelaxAway. And we built a product called a Slim Gym. We had a sign that said Every Body Needs a Slim Gym. Everybody needs a Slim Gym, like everybody needs a glass of milk, or something. When I got into this company, it was headed by a former airline pilot that had broken his back. He designed this exerciser as a back exercise. I thought the financial affairs were in very poor shape. They said, "John, we want you more involved. Come on our board." That's typically what happened in so many of these companies. So when I first got in there and I surveyed the financial affairs, I said, "We need a good financial officer. [The financial officer is a] nice person, but we have got to replace him." They said, "Well, look, you interview him."

So I interviewed a number of people and ran across Bill Pierpoint. I hired him as a chief financial officer, and was at the same time involved with Mr. Freeberg. (We subsequently did a good job there, excellent job, subsequently sold the Slim Gym company.) And I immediately went to Don Freeberg and I said, "Look, we've got a guy over at

RelaxAway with the Slim Gym that's doing a great job, and we ought to get him over here, if we can, as our chief financial officer." So we hired him into Mr. Freeberg's company as the chief financial officer. Mr. Pierpoint tells another story. I offered him the job, and he said, "Well, I'll have to think about it." I said, "Well, if you have to think about it, why don't you just forget about it." And he said, "Okay, I'll take it." That's the story he tells.

JOHNSON: That's his story.

ANDERSON: That's his story. I don't remember, but anyway, that's when he came, and he then was our chief financial officer. Then he said, "Look, I'd like to get into operations." And so we let him run a division. Then I made the suggestion to Mr. Freeberg that I resign as chairman of the board and that he resign as president of the company and move up to chairman, and that we give Bill the shot at the presidency. And Bill, along with Mr. Freeberg as chairman (I guess I'm chairman of the executive committee), he's done an outstanding job, and it's been a great, rewarding experience for all of us.

JOHNSON: I'm not sure what your time frame is here.

ANDERSON: Well, I think we'd better--

JOHNSON: Okay. Let's wind this up, and we can start next time talking about your acquisitions in Hawaii and the Virgin Islands. We'll start at that point.

TAPE NUMBER: III, SIDE ONE

JANUARY 29, 1988

JOHNSON: We'll be talking further about your Virgin Islands adventures, but before we get to that, I want to ask you how the golf tournament went.

ANDERSON: I had a lot of fun. It was just a wonderful, therapeutic week for me. We had good weather; we had some wonderful amateur partners. We did reasonably well. I think we finished in the top 20, 25 percent of the amateurs.

JOHNSON: This was the Bob Hope Desert Classic?

ANDERSON: It was, so we had a wonderful time. It was just a very joyful, relaxing, fun experience for me.

JOHNSON: Is that primarily why you do things like this?

ANDERSON: Well, I love the game of golf, and I normally don't take vacations. I normally find if I can take, oh, some long weekends, if I can get away in the early part of Friday afternoon and maybe even come back Monday morning, that really does a lot for me. I'm not too good at taking long vacations. I find myself wondering what's going on. This was three days of wonderful-- Well, actually I played four days, including Saturday. It was just wonderful, a good tonic, and I came back refreshed and ready to go.

JOHNSON: Did you meet any interesting people?

ANDERSON: Yes, I played with a doctor who was the head of

the ophthalmology department at Cornell University, and he is Bob Hope's personal eye physician. He was staying with Bob Hope, so we had some interesting chats, and I also ran into a number of other people that I enjoyed.

JOHNSON: Let's move further in time--we keep edging up on your time frame here--to acquisitions in the Virgin Islands. How did you get involved in the Virgin Islands?

ANDERSON: Well, I had the difficult experience of losing my wife and wound up with five young children, and I sought help for caring for them. I had acquired a lovely elderly lady from the church, and she moved into our house and she did a wonderful job. I think we were just what she was looking for. She was delighted to take care of the children, and also she enjoyed sort of telling me what to do and when to do it.

Also about that time, I was teaching at the law school and I was starting to become active in a group called the YPO, Young Presidents [Organization]. I was lecturing to them. I was participating in their [Inter]national University over in Phoenix, and I met with a lot of favorable response from the people. One of the people there was enthused about some of the things I was saying. He asked me as a sort of a way to see if he could get me to come and help him, "How would you like to play golf in Puerto Rico with Chi Chi Rodriguez?"--who was a well-known

professional golfer. And he said, "How about Memorial Day weekend?" As much as I loved the children and loved the lovely lady, I was ready to try to get a little brief vacation, so I thought a long weekend was just what I needed. I said, "You've got yourself whatever you need." This gentleman, who was in the beverage-distribution field down there, invited me to come down. I met with him and his partner and their respective family members, and also they had their lawyers and their accountants there. I found that it was very easy, because to do just what we would consider pretty standard practice--profit-sharing plans and trusts for their children and proper corporate reorganization--they thought was very exciting. Although it wasn't that unusual, I recommended what we were doing here, and they sort of hadn't gotten around to it. So I developed a nice relationship and found the area delightful.

A year later I brought down to them my present wife [Marion Redding Anderson], my wife-to-be. They in turn gave her a very warm welcome. And as a result, we've developed some wonderful friendships. The gentlemen [for whom] I went down there, I would guess for fifteen years-- I just tried to be of help to them as a lawyer, and also the fact that I was in the beverage business here-- I knew the business, so I was able to make some recommendations that were both business and management oriented. Because I

could say, "This is what we do in Los Angeles, and would you consider doing it down here?" I was able to make some business recommendations as well as legal, so I endeared myself, you might say, to them, and they were very generous in their response to me and to my new bride. So we've had a nice relationship.

The two of them as time went on, they separated, and one of them took over the business. Then that gentlemen wanted to sell the business. We found a buyer for him and documents were signed and ready to close, and they got into some disagreements about what the seller, our client, was going to do, whether he was going to be chairman of the board, and the deal fell apart. During the next year or so, he had the opportunity to be considered as an ambassador of the United States to go to one of the Caribbean countries. He knew that he was being considered and told the broker that had sold the company before-- In fact I was sitting on a park bench with him in Central Park [in New York City]--there were three of us, the investment banker, the seller, and myself. He said, "I made a mistake in not selling it a year ago." And the broker said, "The guy you ought to sell it to is sitting on the other end of the bench." I said, "Look, I've been your lawyer and I don't want to get into that situation, but if you want to take the document that we had before and just add to it

whatever profit you've made in the past year," I said, "I would be very happy." He was delighted, so I took over this business pretty much on the same deal he had worked out with this other third party. And that sort of got me into the business. That was in 1980, October of 1980, when we acquired the West Indies Corporation. He then went on to become the ambassador to Haiti.

JOHNSON: Who was this?

ANDERSON: The name is Mr. Henry Kimmelman. And he at one time had been the finance chairman for George McGovern and had also been very active in the Virgin Island politics, as well as being a successful businessman, along with his partner, Elliot Fishman. So that kind of got my feet wet. I acquired the West Indies company, and thereafter I made a number of additional acquisitions in the Virgin Islands, Gigi. I think we acquired three or four more companies down there.

JOHNSON: Most of those were also distributors as well?

ANDERSON: They were all in the beverage-distribution field and real estate. Following that we acquired the Charles Bellows Company, and we acquired a company called International Liquors and combined the two and renamed them Bellows International from the Charles Bellows and International Liquors. We put them together and came up with a company called Bellows International, Ltd. And then

subsequently we acquired a very major company called the A. H. Riise [Retail and Wholesale Beverage Company], and with that came a lot of real estate. We acquired some real estate from Mr. Kimmelman, and [acquired real estate] also when we acquired the Bellows and International. We acquired that [A. H. Riise] from Host International, the people that service the airports. They were selling to the Marriott Corporation, and Marriott did not want to be engaged, to our understanding, in the Virgin Islands or the nature of the business. So they had to sell. Along with it came a number of retail stores, and we really had quite a lesson in the retail business. We realized that we didn't know the retail business. We lost a lot of money and got out of it within a year and a half. So it was a real good lesson to me that you don't stay too long with something if you don't know what you're doing. We had never been in the retail business, and it was kind of exciting. My wife took over one of the stores and became the purchasing agent and went to New York and bought a lot of clothes. She did a good job, but it's difficult to run a retail store with a lot of cash going through the transom if you're not there. We had a wonderful old place called Sparky's Waterfront Saloon, just a delightful place to be in, just a lovely little saloon. Now it's highly successful. What we did-- When it was proposed to us by

Host, they told us that they had both a retail business and a wholesale business. So we made an offer on the wholesale business. They said, "No, we're going to sell the whole thing." So I said, "I'm not interested." Then they came back and said, "Did you look at the real estate?" And I went down and looked at the real estate. The real estate was attractive enough to have me buy the whole thing. So I bought seventeen retail stores, if you can imagine!

JOHNSON: Now, these were all in the Virgin Islands?

ANDERSON: All in the Virgin Islands. Drugstores, restaurants, saloons, jewelry stores, ladies' clothing stores. So I really had a lot of fun, really learned a lot and lost a lot of money.

JOHNSON: How would you have done that differently if you could have gone back?

ANDERSON: Well, I don't know. We have a program called growth-management systems, and we say that you just can't stand idle and not grow, because one thing for sure that is growing is your expenses, so you've got to be growing your top line. A lot of times you try to grow within the industry that you're in. But sometimes you try some new ideas. And under this growth-management system, we have this concept: You sow a new idea, then you try to grow it, then you try to harvest it. And you like to have that harvest be a long period of time. Then sometimes you have

to give it up and plow it under. Sow, grow, harvest, and plow. Sometimes you never get to the harvest stage. For example, in my retail business down there-- We didn't sow it--we took it over--but we were trying to grow it. But we never got to the harvest stage, and then finally we just plowed it under.

So I think you have to move with new ideas, but I think you have to do it with a great deal of caution. We certainly did the right thing in acquiring both the wholesale and the retail and the real estate. The real estate has been a joyful experience. I would say that we lost several million dollars in the retail business, but the real estate has multiplied many times, and also our wholesale business had been very rewarding. I would have preferred to have just bought the wholesale business and the real estate, but a lot of times in deals, in order to many times make a deal, one of the first things you must do is to really understand what the seller wants to accomplish as well as what your goals are. A lot of times you have to look at the big picture and say, "Well, gee, I've got to help him out." I had a seller that had to get rid of the entire package. It would have been nice if we could have parceled it out and had somebody take this and somebody take that. Sometimes you can do it. But when I got down there, I saw the attractiveness of the real estate, and I

just didn't want to take a chance that we weren't going to get it.

JOHNSON: What made that so attractive? I know that it has multiplied in value, but what made it attractive at that time?

ANDERSON: Well, real estate is not a big corporation area of endeavor. Real estate is "feel." I don't want to call it hip shooting, but you have got to be able to make a decision quickly. You can't do planning. There are very few, if any, successful publicly held real estate developers. I can tell you eight or ten that were private, highly successful, and were acquired by public companies and have not succeeded. You can't go before the boardroom and say, "This is what the budget is. This is what we're going to do." A lot of it is feel, and so I just can't tell you exactly, but I had a feel of what was happening in the islands, that the islands were moving ahead, the number of ships, the people, the number of arrivals were increasing, the number of people coming in by aircraft. I looked at rents a few years ago and then looked at what they were, and you can see the ascending trend. And I was able to make what I thought was a very attractive purchase. They had bought the property many years ago and had depreciated it down, and they were selling it to me at the book value. So it was their prior year cost less

depreciation.

JOHNSON: How do you depreciate land? I thought land wasn't depreciable.

ANDERSON: I'm talking about real estate; I'm talking about the buildings. Yes. From their standpoint they were happy to get rid of it because they were selling their retail stores to me at the then cost value of their inventory, which was in part overstated as well. So they compensated with the idea of "Look, we're getting rid of the inventory at cost, which we couldn't do otherwise, and we'll give him the land and buildings at our cost, less depreciation." So it was good for them and it was good for us.

JOHNSON: How did you acquire the feel to be able to figure out on real estate? You said it's a feel. How did you acquire that?

ANDERSON: Well, you know, experience is certainly the best thing, Gigi. And I guess, you know, I hate to use the old, hackneyed expression about the importance of location. It's just like the building that you and I are sitting in here. This has a certain quality to it because of its location. It's kind of hard to think that the corner of Santa Monica [Boulevard] and Avenue of the Stars will not be an important piece of real estate. And I guess one of the things that I've adopted and that we use throughout Topa Management [Corporation] here is that we are willing

to pay more for quality. What is the slogan? "Long after the price is forgotten, the quality remains" or something along that line. I think that early on-- I don't know who it is, but I guess I've admired people that have gone the quality route. Life is pretty short, and you ought to be happy with what you're doing and you ought to be proud of what you're doing. As well as that being a good idea, it's also, I think, an economically profitable situation. If you can say-- Look, just like people. I don't think you can pay too much for good people. I don't think you can pay too much for the corner of Wilshire [Boulevard] and Beverly Drive, because if you overpay, time will allow you to catch up, whereas if you go to some other location, it just may go continually on down.

This real estate in the Virgin Islands was right in the center of Main Street. In other words, if you've ever been down there, it's right on what you call Dronningens Gade--that's a word that you'll have fun with. Dronningens Gade is a Danish word meaning, I think, "the main street." Gade is a street or a highway or something like that. Dronningens is either "the king's highway" or something like that. Anyway, this was right in the middle of town. There's about five or six blocks, and this is where it was located. Good location, quality, those are some of the things that you have to go by. And I think the

word pride, as I said before, is very important, Gigi.

JOHNSON: Now, Riise was a ship's chandler?

ANDERSON: Yes. Along with the acquisition of the A. H. Riise-- A. H. Riise was the largest. It was a very wonderful family. Mr. Riise was an apothecary; he had the apothecary store, the drugstore. In early years, the Danish people had a law against drinking alcohol unless it was prescribed for medicine, so the apothecary found that he delivered a number of prescriptions. When the United States acquired the Virgin Islands during World War I, the German submarines were appearing. We had tried to buy them before. There were many lovely islands there, over fifty islands. Anyway, we had tried to acquire the three islands--Saint John, Saint Thomas, and Saint Croix--from them [the Danes], and we were unsuccessful. But during World War I when the German submarines were appearing out there, we made them an offer they couldn't refuse: Either we'll give you \$25 million, or we'll just take them. So we bought all three islands, Saint Croix, Saint Thomas, and Saint John, for \$25 million. And then they came under the United States flag, and then along with that came the liquor and things of that nature.

So Mr. Riise was already in motion, and he had the largest liquor store in the Caribbean, which we now own. We own the real estate and we lease it out, because we

don't like to be both in the wholesale business and in the retail business. If you're in the retail business, you're competing with your other customers who are in the retail business. So we also were in the ship [chandler] business, and when the Riise people wanted to sell, we acquired not only their wholesale beverage distribution, but we also acquired their ship chandler. A ship chandler is a function that supplies the ships. I think the ship chandler is kind of like the purchasing agent for the ship, and when you're in the ship-chandling business, you're furnishing the ships with their supplies. Saint Thomas-- when the ships leave Miami or Puerto Rico, we are one of the turnaround points. They maybe go to Jamaica, Curaçao, Cozumel, and whatnot. Then they usually go to Saint Thomas, and then they have got to refuel and reliquor, so we're there. They call to us and say they need this, this, and this. So we supply them. That's a simple business but it's a good business, particularly if you're the only act in town.

JOHNSON: What was the time frame on this?

ANDERSON: Well, we started our acquisition in 1980, and this is now '88. During this period of time, we've acquired West Indies, Charles Bellows, International Liquors, A. H. Riise--we've acquired four companies, which included the real estate and the operating companies and

the ship chandler. So that's about the time frame.

JOHNSON: You also have Island Media. Now, that is a magazine there?

ANDERSON: Island Media, I'll give you a copy of it. It's a little magazine that we hand out to tourists. We were a very big user of a publication, and a young lady came to me and said, "I'd love to be your editor, and I can run your magazine if you will just get me started." She's just done a wonderful job, and she's just had either her second or third child. It's kind of nice for her; she can bring the child in the office. She's very creative and she's good in advertising, as well as creating, and we've developed-- I'll give you a copy; it's a very attractive little magazine that we hand out to the tourists in the airport and on the ships. We, being such a big advertiser-- You know, in business you need to cover the overhead. And our advertising, which we were previously dispersing to a lot of other people, we were able to give to her and give her a good start. We've got her on a participation of profits basis, and we had a year or two of losses but we are now turning the corner, and we are doing okay.

JOHNSON: Also, you have a company called Carib Vendors [Inc.]. I understand they're vending machines.

ANDERSON: You are knowing more about myself than I'm forgetting.

JOHNSON: I've got a crib sheet!

ANDERSON: This is a little company that-- When you go into what we call an "on sale" where the product is for sale and you ask for a Coca-Cola, they don't give you a bottle of Coke. They pick up a gun or a faucet or something like that. So we supply dispensing equipment to stores that sell the product over the counter, 7-Up, Pepsi-Cola, soda water, and things of this nature. Carib Vendors is also in the automatic vending machine business. We have a number of soft drinks in the schools and airports and public places. We put our products in there, and we have this vending machine operation through Carib Vendors.

JOHNSON: So how do your life insurance businesses in the Virgin Islands tie into all the rest of this?

ANDERSON: Well, I have very much an interest in insurance; I think there is a real opportunity for the insurance business in the Virgin Islands. There have been a number of failures in the companies. I'm not saying we won't fail, but we're going to go slow and we've hired a very talented young man to head up our operation. And there again, we have several hundred employees down there. It's a way of reducing our insurance costs. Because with the typical insurance policy, I think typically 15, 20 percent goes to the broker. Say with your insurance dollar that you're insuring your car or home with, 15, 20 percent goes

to the broker. Then if they reinsure with another company-- and most companies don't take the whole risk, and so they reinsure with something else--then there's a profit there. Not too much of the insurance dollar really is doing your insurance. So if you go direct with a company that is your own company, there is a big opportunity for saving. These companies are sometimes, Gigi, called "captive." In other words, you own them and your insurance business is placed with them. And we're hoping to start with a foundation of our companies and then expand out into the community with some reasonable risks that we might be willing to take. I think we'd be doing a good thing for the islands, because they've had a number of insurance companies that have gone bankrupt down there. So it's an opportunity to do a community service as well as, we hope, show some economic progress.

JOHNSON: You have quite a selection down there in the Virgin Islands. Where else do you have businesses besides there and California?

ANDERSON: Well, you know, we have a business in Hawaii.

JOHNSON: How did you get involved in that?

ANDERSON: Again, while I was a widower with the five children, I tried to spend some time with them in depth, and we started during the two years that I was without a wife-- We would try to go away for a week or so, and those

two years we went to Hawaii and fell in love with it. It's such a delightful place. That would have been twenty some odd years ago, and Hawaii was still not what it is today. It was a delightful experience, and we have a lot of memories, so I just said if the opportunity ever came I would love to have a reason to go to Hawaii. And again, from the speaking standpoint, for a period of about twenty years, I did an awful lot of work before the microphone to business groups. I was asked to go to Hawaii a couple of times with the YPO, and then the YPO chapter over there would invite me over to speak to YPO Hawaii. In talking with some of these people, I said, "If the opportunity ever comes along for an attractive investment, gee, I'd certainly be interested." Well, one of the YPOers by the name of Calvin Lui had a company, and he asked me if I would be willing to go on his board as a director. I've had a nice relationship. It's a small company, but it's in the travel business. So being in the travel business, I got a nice feel of the islands.

I met a number of people, and somebody knew I was over there--they were with a beverage-distributing company over there--and he came to me and asked if there was a chance for him to work in our companies in the United States. A lot of people after they are over [there] they get "rock fever" or "island fever," and although it's delightful,

after they've been there for a long period of time, some of them want to come back. So he asked if he could come back. We didn't have a place then, but I said, "Incidentally, if you ever hear of a beverage-distributing company that is for sale, I'd sure appreciate it." Well, within a short period of time, he called and said, "Look, the company I'm working for is available"--I think it was owned by Schenley [Spirits] at that time--and so I looked into it. We made a deal and we acquired a good company, then called Paradise Beverages. Then again, we've expanded that company three or four times. We've acquired various companies over there. It's a delightful place to go. My schedule is a tough one! One month I have to go to the Virgin Islands, and the next I have to go to Hawaii.

JOHNSON: Tough schedule. [laughter]

ANDERSON: You know, I told that to a Britisher, and he said, "You know, that's very civilized." [laughter] It's kind of interesting, this year both islands, both the Hawaiian Islands and the Virgin Islands, are enjoying their best years, despite the fear of recessions and whatnot. America is traveling. We're having more arrivals by ships than ever. We set a new record in '87 in the Virgin Islands, and Hawaii has had a higher hotel occupancy, more tourists. Besides that, the Japanese people are coming east, as well as the people going from our mainland west.

JOHNSON: Do you think there is any threat in stretching your business into Hawaii and into the Virgin Islands?

ANDERSON: You know, both of them are reachable. It's three o'clock, and I could get on an airplane, have dinner, and be in Hawaii by nightfall and be there for breakfast in the morning. Sometimes I've gone over and come back in the same day. That's pretty good. And when you get a three-hour time change, which will be the case when we get to daylight saving, you can leave on the early flight, which is, I think, seven thirty or eight, and you get over there in time for lunch. You can then have lunch and work the afternoon and then get a flight that gets you in after midnight. But you know, you can in five or six hours have a pretty good financial review. I don't do that; I normally try to have a couple of days over there. So that's not so bad. I think it's very important that you have businesses that you can get to within a day. I think I'd be concerned if I had to fly a couple of days. I just got off the airplane after having been down in Saudi Arabia, and something like that gives you a little apprehension about those kinds of distances.

In this world today, I think you really have to make up your own mind what's good for you. These island involvements have been very interesting and very attractive, and I have some wonderful people that I'm

involved with. Good management in both locations. And that's really, Gigi, the key to success. You know, success is the people's success. Ideas and things of that nature are very important, but they're not nearly as important as the people. You can be lucky and have a good piece of property appreciate or get a share of stock or something like that, but overall success is people's success, and I've been fortunate in the people that I've been associated with. I think I've got some good principles and philosophies as to how to work with corporate presidents.

If I've been-- I'll tell a little joke on my wife. My wife is an exceptional negotiator. She is a lovely, beautiful woman of Syrian background. And if I'm really trying to get a good price, which normally doesn't seem that important to me, she could do a much better job than I do. We were sitting in our desert home in El Dorado [California]. We were looking out at one of the columns that belong to our house, and the paint was peeling off. She looked at the paint peeling and what we paid for this house. She said, "You overpaid for this house." I said, "You are perhaps right, but gee, you couldn't buy this location today. It's just a fantastic--" She said, "You know, you always pay too much." I said, "Well, I don't know about that." She said, "You know, you have been amazingly successful in spite of yourself."

The point that I am getting at is that I think by buying something, you kind of have to look at the overall picture. Very frequently it doesn't hurt to pay a little bit more, and how you structure it depends, because if you can bring Uncle Sam in as a partner and have Uncle Sam pay part of the purchase price, and then if it fits into what you really want, then it makes sense to buy it. A lot of times, I don't think you have to get the last dollar out of a deal. I think maybe I am kind of a softy in that area. I think in the long run-- I'm right now in the middle of three deals. And I think one of the reasons I am in a couple of them is that they know that we maybe have a reputation for not grinding or not trying to-- But they know that they will get a pretty good situation.

I had left the subject about people because people are what really make it tick, and I have been blessed with some good people. I have some strong thinking on how you take care of people.

JOHNSON: And that is?

ANDERSON: Well, if you have people that are in leadership positions, you've got to make sure that they feel they are the leader, that they're not subservient to you. In all these companies, I don't, from my standpoint-- I don't have an office, I don't sign any checks. I make it very clear that Gigi is the boss. And if somebody were to come to me

in a company that you were running-- And I know a lot of the people in the companies. They will come up to me with an idea, and I say, "Gee, Bill, that sounds great. What did Gigi think of it?" And most of the time, they haven't presented it to Gigi. And I say, "Well, you know, I think you ought to talk with her, because she's the boss, she's the president of this company. I'm just here basically to help her." We have a company and I have got to write a letter this afternoon to the president and the chief financial officer suggesting--I'm a little concerned about it-- that we start having weekly meetings. I will say in my letter that the only purpose of that meeting is to see how I can be of help. And when they start talking about-- When Gigi starts saying "my" company does it this way or "my" company did this, then I know I've been successful with her. Then I also make sure that-- In other words, I don't need to be known as the owner of Topa Thrift and Loan [Association]. That's Dick [Richard] Young's company. And he knows that within the industry it's regarded as Dick Young's company. I think that is a very important ingredient in the ownership of companies, that as the owner, you don't need the ego gratification. Do you know what I'm trying to say? Because if you've got a real good leader, he needs that recognition, and if you don't build him-- It's good to build people, and if you can build them, it's one of the areas--

And then I think also from a compensation standpoint, they've got to know that you want to do something. For example, I just met with one of our presidents. I said, "How are we doing?" And he said, "Fine." I said, "Have you got some dreams that we are not fulfilling?" And he said, "You know, someday I'd like to be a millionaire." I said, "How would you like to be a millionaire right today?" "If something were to happen to me, I would love to have my family have a million dollars." We've worked out a very simple approach whereby he's insured for a million dollars payable to his family if something happens to him. And we've gone out and bought some zero coupon bonds. I think we paid \$190,000 or \$210,000. By the time he reaches the age of sixty, the zero coupon bonds will have matured to a million dollars, so he's got a million dollars right now. In other words, if he dies he's got a million, but if he stays and weathers the heat of the kitchen, he's got a million dollars. It's better than-- A lot of them say, "Gee, I'd like to own a piece of the company." I say, "Look, the company isn't really worth very much. To have a minority interest in a privately held company, where do you go with that? You're devoting your life to that part. What we ought to do is build some assets on the side for you." So I work with our people on their bonuses and whatnot; we try to build an estate for

them in addition to the monument that they are building as a company. I think that is very important.

I also learn the birthday of their wife, and I try to do something for that wife on her birthday. It's an expression of saying, "Look, Gigi, your great husband has been doing a great job, and we just want you to know that we feel you're a very important part of this team effort. You don't have him as many nights as you ought to. Here's a little something that we want you to know we've been appreciative." Just, you know, let them know that they are important. I think that--

JOHNSON: That's a very nice touch.

ANDERSON: I think it is, and I try and do that with any outside directors as well. We try and do something. For example, we are bringing all of our beverage corporate fellows together for a little-- One year we're going to go to the Virgins, the next year we're going to go to Hawaii, and the next year we'll bring them here. And we sort of have an exchange of ideas. Their biggest criticism of me is that I'm not there enough, and that's a wonderful criticism. I know they don't want me. It's just kind of like a father or a grandfather. We don't want to appear every week for Thursday night supper or dinner. We want to be invited and have the kids say, "Dad, when are you going to come?"

JOHNSON: Are those nice touches to people a similar reason

that you sent oranges to Mrs. [Therese] Curtis's mother years and years ago?

ANDERSON: I'd forgotten about that. I think that, as I go back, Gigi, people are the real key. I try to have a periodic review with all the people, and I think that-- Like today is Brenda [Seuthe]'s birthday, and in about another half hour-- We're not going to surprise her, but we'll call her in here and everybody will-- I will rig up some crazy excuse and say, "Brenda, I want to talk with you about this. Would you bring in the file on this?" She'll bring in the file and we'll be sitting here with a birthday cake, and she'll say, "Aw, I knew it all the time." Little things help I think, don't you?

JOHNSON: Yes, definitely. So how do you find time, with everything else you're doing, to take two weeks off with the grandkids to Sun Valley, is it?

ANDERSON: Well, first of all, they get two weeks and we normally just stay one week, because we think it's nice for them to be with us, but we think it's nice for them to be with their own families. So we usually take at most a week and really enjoy them. Yesterday we just had the birth of our thirteenth grandchild.

JOHNSON: Congratulations!

ANDERSON: So that will add to the rolls. But anyway, I think it's important that you do it, and I know you do too.

TAPE NUMBER: IV, SIDE ONE

FEBRUARY 1, 1988

JOHNSON: Before we get started, I wanted to ask you a question that has been bothering me for a while. Why all the clocks? I mean, someone listening to this tape every fifteen minutes will hear these clocks. Why do you have such a lovely collection of clocks?

ANDERSON: I don't hear them myself. Apparently they're-- Well, each of them has a personal significance to me, and all of them were given to me by people that have a special place. This, the grandfather's clock, was from a delightful gentleman [Mark Gates]. He was the mayor of Santa Monica. I was very closely involved with him, and when he died, his wife said, "I think Mark would enjoy knowing that you might have this in your office." And the old clock over there came off of a ship. If you look at it you can see that the salt has eaten much of the brass; I've had it polished. The other one like it was a gift from some of the girls in our office in Saint Thomas. They thought they might get the old one back. And the little one on my desk was just recently given to me; I made a speech. They've all kind of come to me. But I do love them. And they all have a meaning. This particular clock, my wife [Marion Redding Anderson] and I have played games with it. When I married her, some twenty-one years ago,

she really came into my office and admired it. She said, "Gee, what a wonderful gift that would be. What a wonderful thing to have that in the reception area of our home." I said, "Oh, my goodness, you're really talking about something that is very dear to me." But anyway, I listened to her pleadings, and so at Christmastime I engaged Bekins [Moving and Storage] to come and get the clock the day before Christmas. And on Christmas morning we had a big, red bow tied around the clock, and I delivered it to our home on Christmas morning and wished her merry Christmas. Somehow or other she sensed that I really missed it in the office. I think for my birthday the next time around she had Bekins deliver the clock back to me with a big blue and gold [ribbon], which are the UCLA colors and very dear to me. I haven't seen fit to return it to her. That's kind of the background. But I do have a number of them, and I have a book on old clocks. So this being Monday morning, the first thing I did was to wind all the clocks, which consisted of four of them that needed winding. I do it once a week.

JOHNSON: Last time we were commenting that we would continue talking about the organization and the buying and selling of firms. Before we do that though, I wanted to talk about one area of companies that we haven't discussed, and that's your trucking companies. How do those tie in

with the rest of the businesses?

ANDERSON: Well, that's a very easy tie-in, because they basically do the hauling of beverage products from our supplier, which may be in Van Nuys or it may be down at the harbor, so it's really kind of what you might call vertical integration. We have also expanded the trucking companies to haul for third persons as well that don't have enough volume to justify their own trucking. So it's sort of a natural sequence. It might not even be necessary to have a separate and distinct company, but we do have a separate legal entity for legal-liability purposes and also so that third persons do not think they are dealing with a competitor but that they are dealing with a third-party trucking company. It has blended in very well because we have a very good foundation for a trucking company based on the volume, you know, that we engender in our own businesses. So we can do a good job for other people at a very good price, which helps them and also helps us because we have our overhead and basic costs covered with our own volume.

JOHNSON: Now, Preston [Trucking Company], Mission [Trucking Company], and Lowe [Trucking Company] are the three companies. Why three?

ANDERSON: Well, they each have a history. Two of them are with two different unions, and so it was a little

difficult-- You'd have the competition of the unions if you combined them, and the third company, Lowe, is a nonunion company. So I think basically it's for that reason, that the Lowe was a company that was owned by a gentlemen by the name of Lowe, and Preston the same way, so we just carried on their tradition. And again, when we are hauling for different people, we can use different trailers. The Miller Brewing Company does not like to be hauled in with Budweiser labels. So we can sort of blend the trucking company to our customers' desires, and also because we just didn't want to get into some union difficulties of trying to combine two unions and have the two unions telling us which one we should go to. So it was basically a customer request that we don't haul their products in trucks that are labeled with some other competitor's label.

JOHNSON: How crucial is it when you buy a new firm that it fits in with what you currently have?

ANDERSON: Well, you know, we're right in the middle today with two acquisitions in the beverage business. And it's a volume business. The only thing in this particular-- In fact, I guess it's true of any business. The only thing you can really count on is that your costs are going to normally go up each year. Starting salaries are up and taxes are up and everything continues up, so you have to be in a continual growing situation. And when you do make an

acquisition, you try to see that it blends in, and if it can add-- After you've got your basic costs covered, the addition of another product or an additional item makes a big difference, because a lot of it goes right to the bottom line, because of the continually increasing costs of doing business. You have to either grow the items you have-- Like in some cases we have such a very dominant share of the market that it's kind of difficult to increase beyond. In some cases we have 60, 65 percent of the marketplace. In some cases it's just easier to just add an additional product.

JOHNSON: How do you decide how to structure a deal for a new company?

ANDERSON: Well, I think the guiding principle is to try to find out the emotional and financial needs of the seller; a lot of times people are selling for various reasons. One that we're right in the middle of right now, the two people are just wanting to play golf and get out of the business and have no emotional problems of continuation of their name or continuation of them, whereas the other one that we're involved with, we're not sure we're going to get it. One of the key items will be what title we give the seller; we may make him chairman of the board of a particular company. So one [thing] is to, Gigi, if you can, tactfully find out why they want to sell. Normally

they won't really tell you initially, but if you can, find out why they want to sell. That will give you the real parameters of what to sort of come up with. Documents on my desk right now are signed by a seller. We obviously could have done a much better job of negotiating. I am not unhappy that we didn't do a better job, but-- He asked a very sizable price and we came in with a very, very much lower price, and he just grabbed it. He kind of wondered if we overstated even that. We gave him two-thirds of what he was asking. We thought, "Well, he'll come back and negotiate and raise it." But instead he said, "That's just fine." I think we could have done a little better job of homework before we made the offering. But one is to try to find out what he's interested in and why he is selling, and there is a whole raft of things that you must make yourself familiar with.

I think the real key to a successful acquisition is, if you can in any way, make the entire price a deductible purchase price. In other words, normally when you buy something, there is very frequently the item called excess of purchase price over the fair market value of the hard assets. That difference could very well be labeled goodwill, and goodwill is not an item that is subject to amortization or deductibility for federal income tax. If you can make Uncle Sam your partner in the purchase, that

is very much more to your advantage than it not being to your advantage. In other words, if you put up a million dollars, then some day you're going to be able to deduct a million dollars. That is a lot more attractive than putting up a million dollars and only being able to deduct \$600,000 or \$700,000.

So what do you do with the difference between, say, \$700,000 and a million dollars? Much depends on how you make your offer. You could say, "Look, we'll pay you \$700,00 for the hard assets, namely the inventory and the receivables and the equipment that might add up to the \$700,000." Then you say to this gentleman, "Look, we'd like to have you be the board chairman of our company, and we will pay you \$300,000 over a period of six years, payable at the rate of \$50,000 a year, provided you will render consulting services at places and at times convenient to you and that you also agree that you will not compete against us," because that is an important legal characteristic. Under the present law, a covenant not to compete on a consulting agreement is a deductible experience for the buyer and it is an ordinary income experience for the seller. Which was a very big detriment before the change in the tax law. Today we have a tax law that says it doesn't matter whether it's a capital gain or ordinary income--it's all taxed at a maximum rate of 28

percent for federal purposes. So this has eased a lot of negotiation, and normally what you say is that it is understood in this consulting agreement that the buyer is going to deduct it for services being rendered. You can render services two ways--you can render services by doing something or you can render services by not doing something. So you are rendering two types of services. One, I'm going to render consulting service, and I'm also not going to compete against you. So this is deductible to the buyer, and it's an ordinary income to the seller. That's a very important strategy move. A lot of buyers just sort of stumble along and make their handshake deal, and after it's all over they say, "Gee, I paid a million [dollars] but all I got was \$700,000. What did I do with the \$300,000?"

Capital is so very, very critical in the business community and in the building of a business. You're constantly trying to build a balance sheet that will show a strong capital position. And one way to do it is not to have a lot of water on your balance sheet. In other words, it's good not to have intangibility on your balance sheet, because anybody of any creditability will discount that item and realize that if the company fails, usually the intangible item is the first thing to fail. You might have Van de Kamp's bakery with their windmills, and if Van de

Kamp were to go down the drain, that windmill concept or that image-- You may not be old enough to remember, but you understand what I'm trying to say. So that's a very key item, trying to make sure--

I use the term "soft dollars" and "hard dollars." The more you can spend that are soft dollars as opposed to after-tax dollars, it's to your advantage, particularly whatever you buy, whether it's a lunch or a trip to New York. Your trip was deductible because it was of a business nature to the person that supplied it to you. That's a lot easier than a trip to Hawaii for personal pleasure, which would be a hard dollar, because it would be an after-dollar personal expenditure. So I think in the purchase of a business, it's very important that at the time you make your negotiations that both parties understand what your respective goals are. One, your goal is to satisfy the seller's needs, and you in turn share your views with him as to, "Look, I don't mind paying you this very extraordinary price, but I want to do something of this nature." Also, if he asked for the million dollars and you say, "I know you're not expecting it all, but I'm happy to give it to you. So we'll give you \$700,000 for the equipment and the inventory and the receivables, and then we'll give you \$300,000 on this covenant." One thing that you don't recognize is that there is no interest on

the covenant, because you can't pay interest on a wage payment. And so that also, in effect, from a present use of money cuts down your purchase price. It cuts it down in two ways. It eliminates the interest, and it also gives you a deductible item. You understand what I'm saying? So if you pay out \$300,000 over six years, what's the present value of \$50,000 a year discounted back to today? So it helps in both ways.

JOHNSON: You're saying on the one deal, you probably hadn't done your homework enough. What homework do you do?

ANDERSON: I don't know whether I did or not. It turns out that we had a very anxious seller. We were led to believe that there were other people that were interested in the picture, and so we moved maybe quicker. My son [John Edward Anderson, Jr.] and our chief financial officer went up and took a trip and made an adequate in-depth couple of days' visit. We thought we knew what we were doing, and, frankly, the price that we offered is less than what we have paid for similar situations in the past and were willing to pay. They had two very fine brands, so we paid what we thought, but the way they negotiated, it was very obvious that we had a very, very anxious seller. I guess if I have a reputation, I certainly have overpaid in more instances than I have underpaid, but I think in the long run that doesn't necessarily hurt you.

JOHNSON: Okay. Other than avoiding intangibles on your balance sheet, you were saying you had some strong feelings on the organization of firms.

ANDERSON: Yes, I really do, Gigi. I think a lot of businesses in this city and across the nation are, in my opinion, organized improperly. The average man starts a business and they start it on a shoestring or with a typewriter or renting some premises. Then as his business grows, he may need real estate; he will undoubtedly need equipment and things of this nature. And as the business grows, he will take a lease on a property and get an option to buy it, and so when he exercises the option, that comes in the corporation. He needs an automobile, so he buys it in the corporation. He needs a truck, he buys it in the corporation. I feel very strongly that in any business there should only be working capital in the business. There should not be any fixed assets. To put it from a positive standpoint, there should be in the business cash accounts receivable if you are in a service business, or cash accounts receivable and inventory if you are in the product business. But there should be no place for land and buildings and equipment in an operating business. They should all be kept out. Put it another way, any time there is any depreciation involved, it would be preferable to hold that in your hands.

Let me give you a half a dozen reasons. Do you understand what I'm saying? For example, I am suggesting that in a beverage company or in any company-- And they're all the same. All businesses are the same. Everybody thinks his business is unique, but they're all the same. They all have cash and they all have receivables and they all have inventory of their product and they all need some physical assets, a couch to sit on or a typewriter to type or a telephone to pick up or an automobile to deliver or a truck or a forklift or you name it, a lathe. And they all usually use some real estate. And let me give you a half a dozen reasons I like to keep the equipment out and I like to keep the real estate out. Number one, first of all, let me talk as a lawyer. I like the fact that I am limiting my liability. Today, there are a number of beverage companies in town here that I own [whose] trucks are already on the street. If something happens out there, the worst that I am going to lose is the company. I'm not going to lose my real estate that is not in the corporation. I'm not going to lose my equipment that is not in the corporation. So I like, first of all, as a lawyer, to limit my liability. I like to have pockets of assets rather than one big pickle barrel. Follow me?

Number two, from a key man-- All of the companies are operated by presidents; they all have a chance to

participate in the profits. My philosophy is that people should be paid, but then capital should be paid. So I think you ought to pay a man a good salary. Then you ought to pay a reasonable rent for your real estate, you ought to pay a reasonable rent for the use of the equipment, and then if there is something left over, then you ought to talk about bonuses to these key men. I think a lot of people have everything in a pickle barrel, and they don't really ever sit down and evaluate how they're doing and make a charge for the use of capital. They say, "Oh, gee, we did very well," not realizing they had \$5 million in the company and they made \$400,000. Well, hey, that ain't any real great shakes, because a reasonable return on \$5 million would be the 12 percent that you can get in some good bonds. So now is \$400,000 a good return? What's left? So I think that it does two things. It makes management a better management by recognizing that they have to pay capital return. For example, we're doing equipment--we've already done it for the coming year, 1988--and all these presidents know that if they want a new truck, they're going to pay 2-3/4 or 3 percent a month for the use of it. They start to recognize the value of capital, so I like the idea from a key-man participation-- They get paid, capital gets paid, and then we share.

Number three, I like the idea that there is an

opportunity to take cash out of a business in a tax-free nature. When you have the equipment and the real estate outside, if you're a success-- The typical thing of a business, Gigi, is that you start a business and most businesses fail. But if the business is successful, you struggle, you get on your knees, and hopefully you get to stand tall and hopefully the wind gets at your back. Then it's good time. You say to yourself, "Gee, I'd like to enjoy a few things," and you have this in the corporation. How do you get money out of the corporation if everything is in the pickle barrel? Well, you can pay yourself a salary, pay yourself a bonus. You can pay yourself some goodies and the idea of travel and car and country club if it's a reasonable deduction. How do you get anything more out of it? It's kind of difficult. You can pay yourself a dividend, but that's double taxation: the corporation pays a tax, and you take it out and you pay a tax. Whereas if you have land and buildings and equipment, it's very easy to put a CPI [consumer price index] onto them. As the CPI goes up, your rent goes up, and you take the money out in the form of payment of rent to you. It's always nice to have in your hands the cash that has come to you, and before you have to pay taxes on it, you can take depreciation with the stroke of a quill. Typically in Southern California if you have real estate,

at the end of the year you can say to Uncle Sam, "My building here in Century City has depreciated, and I am going to take an income tax deduction." In reality, maybe the building has appreciated, and to the extent that I take depreciation, the cash that I get from rent is tax-free.

Do you understand what I've said?

JOHNSON: Yes.

ANDERSON: Anytime that you have depreciation, it would be nice to keep it in your own hands; you can offset the cash that you get with the depreciation that's first of all tax-free. So tax-free cash flow is attractive. Another reason that I like it is this gives you the opportunity if you are a married person with children to let your children become involved with ownership of equipment, with ownership of part of the real estate. For example, our five children--we have four now--thirty years ago I started them as a limited partner in our equipment company. I don't know whether I should share this with you, but their original investment was \$500. I've never increased it; I've never added another nickel to it. This year their share of the rental income from that original \$500-- This year, they are receiving \$560,000. We distribute \$200,000 in cash, and we build with the rest.

It's a way with children that you can take a child, which is a hard dollar after tax expenditure (that's what a

child is), and you can in some way convert it to a soft dollar. And instead of having one exemption for a child, you can have three exemptions for a child, because one, you can have the child as a dependent by giving him a tree that throws off some fruit, taxable income. He becomes a taxpayer, and as a taxpayer he gets an exemption, he or she gets an exemption. Number three, if you use a trust, then the trust can become a taxpayer. In other words, if we have a trust for Gigi and if she were my daughter and I could have you as a dependent, if you were younger, you having income from the trust-- Say that we have the trust be the partner in the equipment situation, and let's say that the trust receives income as a partner and distributes some income to you. So you are a dependent. You get some income from the trust and you become a taxpayer. And from what we leave in the trust, then the trust becomes a taxpayer and the trust gets an exemption. So from Gigi having normally just one exemption, we still have her as a dependent. She becomes a taxpayer, and the amount of money that we do not distribute to her but leave in the trust, then the trust becomes a taxpayer and the trust gets an exemption.

So this gets a lot of businessmen very excited, when we say to them, "Gee, what lovely children you have. How many exemptions do you have?" And they say, "I've got four

kids; I've got four exemptions." Very frequently I say, "What a pity. You ought to think about getting eight or twelve for those four wonderful children." So that's another reason.

Another reason would be in the event that you are involved with another gentleman in your business and death comes along. It's very difficult if everything is in the pickle barrel. What do you do with the surviving wife? Maybe she is the type that will come in and work in the business. But generally the surviving wife, when that tragedy occurs, really isn't equipped or interested in coming into the business, and by having the real estate and the equipment outside, you have a way to see that she is in some way compensated by her share of the rent. Whereas if everything was in the pickle barrel and your policy has been not to pay dividends because it's a closely held company and you want to avoid double taxation by tax to the corporation and tax to the-- You have a conflict. This is very helpful from an estate-planning standpoint. Do you follow me on that?

The last and one of the very most important things is that I have a strong feeling that every business will someday fail or it will be sold. Now, you don't manage your business for failure; you manage it with the understanding that someday, whether in your lifetime or in

the next generation, that business will be sold or go public. And I refer to going public as selling your business. I mean, it's a whole different change of philosophy when you go public. You strive for earnings rather than cash flow; you strive for P and L [profit and loss] statements rather than balance sheet. If you're a privately held company you work on your balance sheet; if you're a publicly held company, because of shareholders and because we dream of earnings per share and all that, you work on your profit and loss statement. Never yet have I ever to pick up an annual report and see the balance sheet be the first item when you open the page. All you see is what the sales were and what the earnings were, and they try to give you the bar charts. That's not the case in a privately held company: cash is important, assets are important, balance sheets are important. So you've got to manage your company for sale, and most companies are based on earnings. If you're going to sell your company, you would like to maximize the return upon the sale. You will get more for your company if it's properly organized than if everything is in the pickle barrel, because most buyers of companies look at the earnings and say, "What can I make out of the earnings?"

So first of all in the sale, if you are a seller now, as opposed to being a buyer-- If you are a seller, you

should just sell earnings, so you should have your working-capital company just with earnings in it, and you should sell that company based on so many times the expected earnings, based on your past experience. And then when that part of the negotiation is done, you say, "Look, incidentally, are you going to need any of this equipment?" You then negotiate the equipment. You give yourself a lot of flexibility. You can rent the equipment or you can sell the equipment. You can sell the company on one base; you can sell the equipment on a different base. And then after they are involved with the equipment, you might say, "What about the real estate? Are you going to have any interest in the real estate?" So you are going to do many times better by, first of all, having only working capital in your company and selling that based on an earnings return to the company, saying, "Look, this company is going to earn X amount of money. What's \$500,000 or a million dollars of earnings worth to your company? Your stock is selling at twelve times earning, so I will take twelve times my earning, you know. And then what about this, this, and this? What about the equipment? What about the real estate?" I think it's a super approach to business. Most people are gradually getting hold of this, but I think it's of such critical importance when you're starting a company.

A lot of times when you start a company, you have different people. You might have the guy that's running the company; you might have the investors. You can give the entrepreneur or the key guy, you can give him a larger piece of the deal because the investment in the working capital is without the land and buildings and equipment. And you can let the investors, who are already in a higher tax bracket, have the benefits of the depreciation and the tax benefits. If they are going to come up with a lot of money, they normally say, "I want control." Well, you can dilute that control by saying, "Look, you can take 100 percent of the land and building, take 100 percent of the real estate." You follow? But a neat situation is when you get into, you know, entrepreneurial or venture-capital situations. The venture-capital guy that's going to operate it can put in a smaller piece and get a larger piece of the percentage. From the investor standpoint they have the security of the real estate outside the corporation, they have the tax benefits. Okay?

JOHNSON: Yes. Anything else on the organization?

ANDERSON: No, I think from an organization standpoint that's fine. I think when you get into operating a lot of these principles, we can talk about them, but I hope you personally understand, and I hope it makes sense to you because--

JOHNSON: It makes sense.

ANDERSON: I, over the years, feel very, very strongly about this, and there isn't a month that somebody doesn't call up and have sold their company and say, "Boy, I sure am glad I kept the real estate out. I'm sure glad I did this." Or "We went public, but I got my real estate out and I'm drawing rent from my company." Like in our health care company, we kept all the hospitals out when we went public. We're renting them to the health company. We disclosed--we have third-party fairness tests and all that. It's very attractive.

JOHNSON: How does the way that other entrepreneurs that you know [run their businesses] differ from the way that you have run your own business?

ANDERSON: Gigi, I don't know too much. A lot of the entrepreneurs or the fellows that have started companies have gone the public route, and a lot of them that have gone, you might say, the private [route] leverage buy-out--which is just a new term for buying things with a little bit down. This is a new term, but it's not a new concept. It's been around for thirty, forty years, but it seems to be getting a lot of publicity these days. I think the average creator of a business maybe has gone public or has sold out. I think there is a difference. Also, I think maybe I'm different from the standpoint of owning 100

percent of the companies that I own. A lot of the people haven't been as successful in motivating corporate presidents without giving them an equity participation.

I remember when I was speaking at great lengths to the Young Presidents Organization, they used to say there are three types of young presidents: One is the fellow that started his own company. One is the young president whose father moved up to chairman of the board so his son could become president and join YPO. And the third one was the professional president that started in a company and worked his way up--maybe the president died and there wasn't any heir, or something. Those were the three types. Well, the real three types I found were there was the private company, there was the public company, and then there was what was referred to as the big-board boys, the fellows that had worked their way up to the New York Stock Exchange. And a lot of people have kind of looked upon that as maybe the goal--starting a company, building it up, taking it public, and ultimately getting on the New York Stock Exchange and becoming a major company.

I've kind of felt-- There are a number of articles written about the wonderful world of private companies, and I guess as a lawyer, I've seen all the problems of being a public company. I've been chairman of the board and vice-chairman of the board of a number of publicly held

companies, and I look at the expense and I look at the involvements of being a publicly held company, the legal expense and the accounting expense and the SEC [United States Securities and Exchange Commission] expense and the registration expense and the fishbowl living and the annual meetings. There is a lot of, you might say, ego gratification by being in a public [company] and seeing your value in the paper every morning. On the other hand, there is also a tremendous pressure for short-term planning as opposed to long-term planning. I really manage our companies for cash flow and asset building, rather than to try to produce some fictitious profits. That's the wrong word, but rather than to try to maximize profits, because if you try to maximize profits, you would go the goodwill route rather than the consulting-and-covenant-not-to-compete route. You don't get to write goodwill off, or you can write it off over forty years and not worry about your generation but let the other fellows worry about that takeover. Because the average corporate president in public life is only there for ten or twelve years, so pass it on to the next generation. I think if I were to differ, Gigi, it would be that I have gone the private route. I have no need for--I don't want to use the word "ego gratification"--being the head of a publicly held company who's going to advertise in Fortune magazine and tell everybody that we're everything to everybody.

I guess one of the reasons for going public is to get, you might say, cheap capital. That's one of the reasons for going public, to be able to make acquisitions with your stock and to also be able to give some of your key people a chance to participate in the equity and build up with stock options and things like that. So I think if you are in the private world, you have to work hard to preserve your banking relations and make sure that that's a strong area. You have to make sure that you monitor your people well and make sure that they understand how much you appreciate them and that you reward them equally as well as if they were in the public arena. And I think that you have got to realize that you have to limit your acquisitions to a cash transaction, rather than handing out paper stock. I think based on what has happened with some of the stock, I don't think that is too much of a disadvantage. Does that seem to fit in the picture?

I think that most of the people that I think of as my vintage or people that have started companies sort of have an ultimate goal of either building it up and selling it or building it up and going public for one reason or another. Maybe they needed money or whatever it is, but I just think that there is a wonderful world of being a private company. You can concentrate on what I think of as really important concentrations and build for the future

rather than build for this particular month or quarter.

JOHNSON: Which brings me to another train of thought. If not for ego gratification, why do you do public speaking?

ANDERSON: Well, I did it initially-- I guess I was amazed anybody would want me, and I guess I could hardly believe they were willing to listen to me. I was a practicing lawyer at the time. And then I also at the same time was teaching, and there is a very personal reward in teaching. There is a reward in helping people, and you get that reward very much in teaching, that you are being helpful. I frequently, nine times out of ten, when I get a call, usually after an initial thing, I usually say to Bill or John, "How can I help you?" People kind of kid me about that, but that's what I do. I do get a gratification-- I did get that gratification out of teaching, and then after I started speaking to some third-party groups, I realized what a tremendous source of revenue it was for me and our law firm, because somehow people, when they listen to someone speak, they seem to think he knows what he's talking about. That isn't necessarily always the case, either in school or in the public seminar arena. But it was a tremendous source of business to our law firm, and I think everybody in the law firm was happier when I was out of the law firm speaking than when I was in the law firm drawing a will or forming a corporation. So I think that

was the real reason. It got to the point where I did it for a number of reasons, for the law firm and I also learned a lot. You learn a lot by trying to express yourself, and I think I did become a better lawyer and a better businessman by trying to express or sell an idea. And it certainly gave me a tremendous travel exposure. You know, I was flown to London, to Hong Kong, to Paris, to many places around the world. And for many years, Gigi, just as a little aside, it was worth somewhere between \$200,000 to \$250,000 a year just in speaking fees. I got to the point where I would just turn them down, doing a few for friends now. So those are some of the reasons.

JOHNSON: Those are very good reasons. In a similar vein, your community service has been tremendous, including the YMCA [Young Men's Christian Association], the Opera Association, the UCLA Foundation, Saint John's Hospital [and Health Center]. Why the community involvement?

ANDERSON: Well, I just feel I've been very, very fortunate, and I just feel that when you've been blessed, as I feel I have--I think so many people have been blessed--I think you have to put a little bit back in the well. I get a lot of satisfaction out of helping people. I really do. Since the UCLA gift, I've got to the point now where I have to turn off the telephone, so now I'm learning to say no, whereas before I was looking for areas of helping.

With the publicity that has come through the gift to the Graduate School of Management-- I'm doing much more now than I ever did, but I'm finding that where I was a very private person before, I am now rather visible. I have my secretary well trained in trying to screen some of these situations. But I think, Gigi, we all-- I know you do, and I think most people do. But learning to give has been-- If someone had told me that I would ever give away \$15 million dollars, I would have thought they were out of their mind, but I am so grateful that we have made this commitment to UCLA. Because I think one of the things that I'm trying to get across to you, to be a true capital accumulator you have to have a respect for capital. In order to accumulate capital, you have to buy a ticket. You have to step up to the window and say, "Look, I want to buy a ticket on the race," and in order to do that, you have to have some capital. And as you get into that race, you realize how critical capital is. So you are doing everything you can do to conserve capital, whether it's in tax planning or "This is Monday, but on Friday we went throughout the system and found out what money we had in the system and we put it to work." On Friday morning you had to do it before eleven o'clock, and that money was working all day Friday, all day Saturday, all day Sunday. "We'll work today, and we'll cash in tomorrow." And we really fight for the best

rate of return that we can get over Friday, Saturday, Sunday, Monday, Tuesday--five days out of the week that you can make money work that the average person would not make work. So you have to go through all these kinds of things. You learn about LIBOR [London interbank offered rate] as opposed to the prime rate. In other words, we borrow money not at the prime rate, but we borrow it below the prime rate. Do you understand what LIBOR is? Good for UCLA! Most financial people have never heard of the London interbank offered rate. You work hard on economies and you work hard on these kinds of things, so you're normally trying to pull the money in rather than give it away. I've been working for UCLA a lot trying to get money for UCLA, and a lot of people are very frank to say, "Look, I am not at the point where I want to give money away yet." But I'm glad that I have crossed over that bridge. I am grateful. I am glad that giving has become easy for me.

TAPE NUMBER: IV, SIDE TWO

FEBRUARY 1, 1988

ANDERSON: You have got to respect it [capital].

JOHNSON: Do you think that's crucial in being an entrepreneur, to really respect capital, or do you think there's also some other motivation?

ANDERSON: So many people are not aware of the importance of capital. I can remember when I got my first bank loan. I can remember this banker sat there with his crossed arms and just said, "Well, why do you think we should loan you this money and how are you going to pay it back?" Whereas after you meet a certain degree of success, they're knocking on your door, once you build this aura of integrity and responsibility and capital position. That's what they're looking for, and capital is crucial. It's one of the key items in business, and once it's there, we tend to take it for granted, you know. It's kind of like success. It's very easy to take success for granted. But success is very fragile, and it's very important that you continually keep on winning. Think of the guys back in Denver this morning. That's going to be a very lonely trip back to Denver for those Broncos [football team].

JOHNSON: You mean the Super Bowl loss.

ANDERSON: Yeah, that's right. And you have to have this respect for capital. You have to respect it, because if

you don't respect it the people around you won't respect it, and if the banker knows you don't respect capital-- I think how you conduct your personal life is very critical to the whole situation, the pattern you set and having respect for capital. I still have trouble paying seventy-five cents for a candy bar, and going to an airport, my wife will kid me about it. It's good and it's bad. There should come a time in your life when you-- But I think the answer is that your life should have two sides. There should be a business side that has all the qualities of care and that, and then there should be the personal side where you should do things and not put the pencil too sharp to that side of your-- But that's got to be under control. In other words, you can say, "Look, I want to set aside X amount, and I am going to be very frivolous in that regard and we're going to do things." But it's kind of hard to justify living as we do in a 12,000-square-foot \$8 or \$9 million home. It's very difficult to justify, but there ought to be a side of your life that you don't take the sharpest pencil and say, "That is costing us \$50,000 a month or something like that on a use-of-money formula."

JOHNSON: How does your own foundation [the Marion and John E. Anderson Foundation] fit into these?

ANDERSON: Well, we have created this foundation for a couple of reasons. One, I have named my wife as the

president of it, and I've given her some responsibilities of the foundation--the selection of the charities. We try to distribute to a number of them. I think we did fifteen or twenty last year--and we'll do more next year--different charities. The selection of the charities is her responsibility, so she will go out into the community and visit the people and try to see that the money that is going to this particular charity-- Like she is very high on the Skid Row Fund charity. She's gone down on skid row and been a part of that. So, anyway, it's a way of getting her involved, for which I am grateful that she is involved.

Also, I feel very strongly that our children have a responsibility, so a certain portion of our estate will go to this foundation, so it will have to be given away, and this will be an experience that they can develop and learn to give money away. It's difficult to learn to give money away. I don't know whether you personally have adopted this practice, but you're in the struggling stage of your life, you and your husband, so you're trying to work hard to accumulate, and it's kind of hard to turn the key the other direction. So I want our children to feel the responsibility of contributing to the community, and I think having it in the foundation rather than-- I'm sure that if I left some of it to them they would say, "Sure, Dad, we'll give it away." But if I leave it in the

foundation, I know darn well that it will be given away, because the law requires it. That will be an experience and practice of them doing it. Also, when we set the foundation up, the income tax was greater than it is today, and I'm being very practical about it. So by making a gift to the foundation when we did, we got a larger income tax deduction than if we gave it away today. Now we are giving some of the foundation money away, but we are continuing each year to make a gift to the foundation and will continue to do so, Gigi. I just think that it's the right thing to do. And that's important.

JOHNSON: I want to broach a new set of topics that we can finish off this session with and continue from here. But a little more on your attitudes and beliefs towards more theoretical aspects of entrepreneurship. Before we get into that, I am going to ask something that is probably a little more of a thinking-type question: Where do you think Topa [Equities, Ltd.] would be without you at this point in time? If you had to step back from the company for some reason at this point, where would things go?

ANDERSON: Well, you know, that's constantly on my mind. We have basically four or five divisions of the company, and what I'm trying to do is develop a head of each division. We have what you might call the beverage-distribution field, and I'm trying to get our oldest son,

John [E. Anderson, Jr.], who I have a lot of admiration and gratitude for-- John's an awfully good person, and he's developing into a good businessman. I would like to have him head up that division. And then there's another division called the finance division, which has the Bel Air Savings [and Loan Association] and Topa Thrift and Loan [Association] and our four or five insurance companies. That's owned by a subsidiary called T Capital [Topa Capital Corporation], which Mr. [Robert] Hollman is the president of. He is doing a good job of kind of heading up that division. Mr. Hollman is also the executive vice president of T Equities. If anything were to happen, he along with my son [John, Jr.] and my wife are named as the three trustees, and I think they would look to Bob to run the companies. He would do a good job--have no fear. I'm sure that they would maybe dispose of a few of the loves I have in the company. They think that it shouldn't demand as much time or affection as I give them. But the question you raise is one that has to be faced, and I'm certainly hoping that our younger son, Bill [William Stewart Anderson], who graduated from law school-- I want him to practice law for three or four years. A young lawyer is a very dangerous person; until he starts to become a lawyer, he's just a graduate at that time. He's going to work for O'Melveny's [O'Melveny and Myers]. I hope he gets three or four years

under his belt and then comes with us. So that would add another dimension to the picture. I'm not foolish enough to think the company will continue as it is. I think you might say that one of the reasons-- But I expect that there will be a breakup of the company, and I'm not sure what their dreams and desires would be. That doesn't bother me. I don't think you should fall in love with anything of a material nature.

I enjoy what I'm doing and I hope to do it for a few more years, but you put your finger on a very important issue that is constantly on my mind. One of the things that I have done, Gigi, is not to be important to any particular operation. I was talking to the Virgin Islands this morning, and the presidents were calling to bounce [something] off me. They were going to do something, and I said, "Hey, have you thought about this?" And they said, "That's a good idea." I don't know whether they did it because I suggested it or not, but they seemed to think that it was a wiser move. And so the point I'm getting at is I try not to be critical to any operation. As you know, I don't sign any checks, I don't have an office. I have a very small overall corporate staff of maybe four or five people up here. And I am kind of proud of the fact that we have that kind of low overhead.

JOHNSON: Let's wind it up for the day here. We'll start

up next time--

ANDERSON: We might come back on this area, because that will certainly be a measure of [what] my success will be as to what happens after I leave, and I think you can just say, "I've done a good job" and then do a lousy job in this area that you bring up.

TAPE NUMBER: V, SIDE ONE

FEBRUARY 22, 1988

JOHNSON: It's been a short while since we spoke last, and there are several topics that I want to go over with you about entrepreneurism in general. Let me start out with probably a little easier question: How do you handle failure? There is a situation that I heard about where you bought some hats in China and later found them in Bloomingdale's [department store]. How does failure affect your decisions?

ANDERSON: Well, I think, Gigi, that you have to expect in business that the only thing that you can count on is change. Things can certainly change for the better or the worse, and I think you have to face up with both of them. I think both of them are equally a challenge. Living with a success sometimes might be as much of a challenge as living with failure. But talking about the situation in China, that really wasn't anything that we ever got into. I had the idea and came back here with the idea of doing something and found that somebody had already had the idea, that it was already on the market, a very strong, well-capitalized company in Bloomingdale's. And also it was a feel that I didn't know too much about it. So it really wasn't something that was difficult to make up my mind that I wasn't going to go into.

I've had a number of situations where we've met with other than success--call it failure if you like. I sometimes like to call it a learning experience. For example, let me cite just a couple of them, one in the beverage-distribution field. We had to decide how we would expand if we were going to expand, and one of the areas we attempted to expand into was the wine-distribution field here in Los Angeles. Over a period of time we became, I think, the second largest wine distributor in the state of California and just lost several million dollars in the field. It turned out to be a field that was very disjointed compared to the beer distributing. There are exclusive territories, more or less, in the beer-distributing field. They don't call them exclusive territories. They call them areas of service--responsibilities that you are charged with servicing that particular area. There has been some movement afoot in some of the legislatures to grant exclusive territories to preserve the quality of product that the consumer uses and also preserve a reasonable, you might say, profit margin. In other words, whereas in the wine field today in California there are several distributors into the same market and the purchase or sale is made largely as to what is the best price or the lowest price that a retail buyer can buy at-- You need a certain margin of profit to

operate, and typically in the beverage field the average markup to the wholesale distributor is around 18 to 20 to 22 percent. When the margin got down to 7 or 8 or 9 percent-- That's on your cost of goods sold. And the average company today normally works on a 30 or 40 or 50 percent gross profit, not net profit but gross profit, to cover selling, G and A [general and administrative costs], and manufacturing and delivery expenses. When your gross margin to cover those kinds of expenses gets down to 7, 8, or 9 percent, you just aren't able to compete--not compete, but stay alive. We recognized this, and although there was a lot of kind of emotion being in the wine business, of having things draped around your neck in the bordeaux country of France and putting cloaks on and things of this [sort], that wore off after a period of time. Perhaps it should have worn off sooner.

But, for example, we are in the wine business in Hawaii and we are in the wine business in the Virgin Islands, and it's a very good business. We have a reasonable margin. And we are the exclusive distributor, say, of Mondavi wine in Hawaii, and we are the exclusive distributor of Gallo wine in the Virgin Islands. We have to compete with other wines, and we have to maintain a reasonable price, but we don't compete with other people that are selling Gallo wine or Mondavi wine in the Hawaiian

Islands. We had a very strong lesson in the Southern California area. Although we had a great volume, sometimes you make it up by losing a little bit more in the long run. And then also in the Virgin Islands, to acquire a wholesale beverage business down there, the seller would only sell us his retail stores along with it--I think I may have mentioned that. We just learned there that although we thought we could run that business, we found that it wasn't advisable for two reasons. We didn't want to compete against our customers who were buying from us--we didn't want to be both a retailer and a wholesaler. I strongly disagree with trying to be that type of vertically integrated concept. And also we learned that we didn't know the retail business.

I think that you have to recognize that you do have to try, just like you're about to try a new job. You have to try it. It may work out, but you ought to face up to the fact that sometimes in situations, you shouldn't be afraid to say, "Look, we didn't make it here" or "We didn't succeed and we better get out and we better take it." One of the important things that a businessman has to decide is that he has got to move on. I may have mentioned to you a philosophy we have called "growth-management systems" of sow and grow and harvest and plow, and sometimes you don't ever get to the harvest stage. You just have to plow an

idea under before you've even grown it, you know. I think it's a great concept of looking at various projects and saying, "Look, what stage is it in and where is it going and what should we do?" I guess in the loss stage, I think what I'm trying to say is don't be afraid to take your losses. Don't be afraid to admit that you've-- Because a fellow that has never had a loss is not a very good businessman--he hasn't taken enough risks. You've got to have some losses. It's just like bad debts. If you don't have bad debts in your business, you haven't made enough sales.

JOHNSON: Speaking of risks, how do you determine what risks are worthwhile and what risks you are not going to get enough reward back for?

ANDERSON: You know, you can certainly do cash projections and return on investment, and I think all those things must be looked at. Every risk you take has got a lot of elements to it. It has got certainly the pure economic justification, where you sit down and-- We just made an acquisition since I've seen you. We've just acquired the [Adolph] Coors [Brewing Company] franchise in a large part of the Los Angeles area. We, you know, did a lot of looking at vertical integration. We were already in the accounts. I think you have to do the economic analysis. Then, I don't know whether it's a sign of my age or what it

is, but I think you want to make sure you're doing something you're proud of as well, something that you can say, "Gee, I like this building. I'm proud to own it." Or "This is a business that I hope our grandchildren or somebody would be in." It's got to be more than just the economics involved, as far as I'm concerned. There's more. It can be both from the integrity or right standpoint, but it can also be from the emotional standpoint, too. Are you proud of it? And then also, I think you have to also realize that you just have so many arrows to shoot, and you want to really say to yourself, "Is this a significant arrow that I'm shooting?" Because you can't just be everything to everybody. So I think that you have to, one, do your homework--maybe I've belittled doing your homework--about cash flows and cash projections and integration and saving and-- What do they call it? They used to call it synergism or something like that. You have to do the economics, and that's a very important part of it. But I think also from the risk-taking standpoint, there should be other elements that I have mentioned, the pride, the integrity, the emotional side of it, Gigi.

JOHNSON: You mentioned that that might be part of also looking at it from your current age perspective. Did you used to look at things differently?

ANDERSON: Well, I don't know. I think that when you're

hungrier, maybe that the economic side tends to mean a little bit more. In other words, if you're just scratching and crawling, I think that it may very well be that in the early stages, you tend to stress the economics as opposed to the other side of it. I would hope I didn't, but I can understand that when someone is without capital, you tend to stress the economic return rather than the aesthetic or emotional or integrity side. I think integrity always has to be uppermost, but I would think that you might stress the economic sometimes.

JOHNSON: So what type of decision rules do you use on looking to take on a business?

ANDERSON: Well, certainly you try to do something that makes an economic-viability situation with your existing situation. I think you have to think a long time before you branch out into something completely new or a completely different field. So I think that if you are already doing something, you try to do something that you understand and that you feel will blend and that you won't have to start all the new superstructure going. One of the things that we are looking at right now is insurance-premium financing. It's a natural fit to one of our financial situations. I think to go out and, say, start a new product in sportswear or something like that, you know, would be something that you would have to have a real

important bet on with some people. So, I guess, what do you look for? You look for something that seems to fit, that you can manage, that you have an understanding or appreciation of. I think the complete independent start-up is something that takes an awful lot of courage, you know. [If] somebody came along and said they had a new jogging shoe or a new this or a new that, I'd want to think a long time before I got into it. So I think it's got to be a fit.

JOHNSON: Looking over what you've done in the past, do you feel you make big decisions and plans or that there are a bunch of little turning points that you've faced with your businesses and with your life? Quite a broad question I know.

ANDERSON: Yes, it is, Gigi. If I had to answer that question in the context that it was given, I think that you are constantly looking at the big picture. In other words, I, on a weekly basis, try to look at the overall economic and the overall personal life that-- You try to look at your priorities. But I think that-- You know, it would be nice to think that you had a master plan, but I think it's made up of a lot of smaller decisions that somehow fit into that master plan. I don't think I'm giving you a very good answer, but I think that you sort of build. Like we made a \$12 million acquisition a week ago Friday. It's something

that fits in beautifully, and we didn't program it. We just know that the opportunity came along, and we jumped at it. So I really don't have an answer. I would like to be able to say to you, "Yes, I have a master plan," but I think I'm not being honest with you. In other words, we started out in one particular area of beverage distribution, and then from that, knowing that we had good profits, I said, "Look, let's put this beautiful cow along with some pigs and do some good, effective tax planning." So we moved into the real estate field, and then we had need of some money, so we moved into the financial field. It was building blocks on top of building blocks. I didn't necessarily sit down and say, "Look, if I'm successful here, well, then I will do some tax planning, and to do the tax planning I will need some money and things of that nature." It's a thing that you are constantly working on. This idea of five- and ten-year plans has pretty well gone out the window. A lot of businesses today are working on, you know, this year's plan. That's long-range planning right today. People used to do long-range, five-year planning, and they would multiply their sales by 20 percent each year and say, "Hey, that's what I'm going to do." And things have changed a little bit, I think, in planning.

JOHNSON: What type of planning do you do now?

ANDERSON: Well, we do annual planning. We have profit

planning and we have balance sheet planning and we have cash flow planning and we have income tax planning, all of which blend together. At the beginning of each year we have all of our companies do a goal setting. Those goals are helpful in determining the compensation of the key people in the company. We use it for a compensation setting. We won't accept goals that are not strong and bullish. It's also important to us from our banking relationship, and it's also important from the standpoint of what are we going to do from the holding company standpoint, what are our goals. So we start at the bottom, and we basically start with the salesman. You know, he comes in and he says, "I can sell this kind of product." And from that the president of that particular subsidiary comes up with a plan of what they can perform, and then the financial officer of that subsidiary says, "This is what we're going to use the money for." And we build on that, but we do our forecasting and budgeting from the bottom up. That in turn allows us to sort of set some goals about acquisitions and our balance sheet. We want to strengthen our balance sheet as well.

JOHNSON: We left off our last discussion talking about the future, especially of Topa Equities [Ltd.] and yourself combined with Topa Equities, and you were commenting that a measure of your success, or an entrepreneur's success is

how well your efforts will carry on.

ANDERSON: Yes. That's certainly something that, I think, is a true statement. It's one thing to-- I think also how one sort of plans his estate and how he feels his responsibilities are. And I, as an individual, certainly have some strong feelings toward wife and family, and also some strong feelings to the community. I think that all of them play a very important role, and certainly it was an important factor in setting up our family's charitable foundation [the Marion and John E. Anderson Foundation], because I want to put some significant money in there. I have nothing but trust and love for our children, but I want them to be a contributor to the community in which they live. And I think if the money is in a foundation out of their reach, they are going to have to administer that to the community, so that is an important part.

But getting into the specific business standpoint, I feel very, very pleased that we are a private organization. Because we have a lot of freedom. We do not have the pressure of trying to produce earnings for this quarter or for next quarter, and we can take into consideration-- Although I have said we don't do a lot of long-range planning, we do everything we can on a short-range basis that will build for the future. We try to reinvest, and if the reinvestment reduces current earnings, we don't mind

that. In other words, like this acquisition, we may in two or three years be stepping back with the idea that in three years we will have a very strong organization. This acquisition may negatively impact earnings this year, but I know that in the third or fourth year the earnings will go [up] by a multiple of two or three. In other words, we were making, let's say just for example, a million dollars last year. By this acquisition we may lose some money this year or we might make less than a million dollars this year, but I can assure that in the third or fourth year we will be making \$3 or \$4 million from that particular investment. And that's part of the beauty of being a private organization.

However, being a private organization, you have the problem of what happens when I die or something of that nature. There will be a tax impact, perhaps, unless I do a good job of planning, which I plan to do. Certainly when Mrs. Anderson, the two of us die, there will be a tax impact. So in that area, I am blessed with some very good associates that know my hopes and dreams. I am very blessed with Robert Hollman and I am very blessed with a Richard Kayne and I am very blessed with two sons that I think will, if I have the time, have some of the dreams. I'm not convinced that our family will have the same dreams and drives that I have. I am certain that they don't. I

am certain that whatever wealth has been created will be spread, and I don't have any big hopes or insistence that it be kept together, that we try to build a monument. I think it's very important that material things don't, you know, that you don't put too much emphasis on them or that you don't put too much emphasis on "Hey, I've created something. It's got to stay together." My guess would be that over a period of time following my death there will be a dissipation. When I say "dissipation" I mean a spreading out of the assets. We today have four children, and we currently have thirteen grandchildren and another one on the way. Undoubtedly there will be fifteen or sixteen grandchildren, and by the time that generation gets into control and you try to treat them with equality-- They'll all go their separate ways. Some of them will be highly successful and some of them will perhaps not be as successful as their other brothers and sisters. I expect that, and that doesn't bother me.

JOHNSON: How do you measure success?

ANDERSON: I was just talking about economic success, because certainly success is more than just the economic success. I think in our community that's a term we have perhaps improperly measured by the dollar sign, and that certainly isn't the true measure. I guess it's really accomplishing to the best of your ability what the good

Lord gave you in that area. It does not have to be necessarily in the dollar sign, but that is certainly one of the measures in the business field, how people have handled that, and so I was just talking about our business entity.

I don't have any preconceived ideas that it should be kept together. I can see it going many different directions, and I won't be that unhappy because I've had a lot of fun. You know, every business either fails or some day will be sold, and I expect that we will have some failures, but I hope that in the overall we'll be looked upon as an economic success as well as a success in fulfilling our community responsibilities. I think that you have to, you know, realize that businesses will, if they do not fail, will be sold ultimately, because as families get larger everybody wants to kind of take a little bit and go their separate way.

JOHNSON: Do you consider yourself successful?

ANDERSON: Well, I think I do, yes.

JOHNSON: Where do you see that that success really springs from? We discussed a lot of your early life and childhood. Do you think it comes from your upbringing or role models, or what do you think really--?

ANDERSON: I think it's a number of things, Gigi. I think I was maybe presumptuous in saying that I consider myself

successful, but I'm confiding in you on a very personal basis, and I think I'm very grateful and satisfied with the wonderful blessings that have come my way. I guess from that standpoint I would say that I certainly don't have any complaints about life. I feel only gratitude for what has come my way. From an economic standpoint I would feel the fact that, you know, I came from a very modest, humble, barber-father-type situation, and somehow or other I've been competitive, if you want to use that term, or willing to work, if you want to use those-- High energy. My father [William Charles Anderson] had a lot of energy. I'm still thinking the typical day will be a twelve-hour day, and I typically spend a lot of time in the evening and on the weekend. So I feel we are only given so much time on this earth, and I've made pretty good time of it and pretty good use of it. And I gather through the education that I've been blessed with I have not had any difficulty in thinking in larger--

You know, I think a lot of our growth is by the limitations that we put on our thinking. A lot of people would have a lot of difficulty going into a \$12 million transaction that I went into a week ago. I borrowed all the money for it. So I think that we are fortunate. I think I have been blessed by not confining my thinking to small situations. I've been able to expand my thinking. I

don't know whether I've been making my point. But I have also limitations. I think other people have thought much larger than I have and say, "Gee, \$12 million, big deal." Maybe a lot of people would think of \$120 million, rather than my thinking of \$12 [million]. I think that has been helpful.

I think that I have been willing to pay my dues and I have been willing to spend the time. And I have been blessed with good education, and through that education I have been exposed to people that I've learned to admire. Somehow or other I admired various people and have tried to listen to them, and I've read a lot about the various successes that people have had. I think that by the education it has made reading-- I'm reading a lot. I read a lot of books all the time. I read some novels, but I also read a lot of biographies, and I think that is helpful.

JOHNSON: On a little lighter note, looking at yourself in retrospect from when you first started your various entrepreneurial activities, how have your skills or attitudes changed, your attitudes towards delegation changed, for example, or working with people?

ANDERSON: Certainly you have to-- You asked me about that. I also think, about success, in just going back a minute-- Because you have brought up a point that really is

something I overlooked. I was going to say "rightfully or wrongly," but rightfully I think, I have learned to trust and to delegate. I think that is so critical. In the first business I started I signed all the checks, and sometimes, if I had a moment and the mail was coming in, I would see what was coming in the mail. I've learned to relate and trust people. I have no difficulty in being here in this office and not being known as the owner. I mentioned that to you before, that if I can get the president to start talking about it as his company, I think that's been a very important element. Because, one, if I had the day-to-day responsibilities or wouldn't be willing to delegate or wouldn't be willing to trust people, you couldn't do as much. That has certainly been a key to me, and I think it's a very important ingredient, because you have got to be able to learn to trust people and learn to recognize that sometimes that trust will not be fulfilled. You have got to learn to take some of those failures and their disappointing personal failures. People failures are tough failures. You learn to love people and trust them--it really hurts you when something goes amiss.

JOHNSON: How do you handle when you disagree with these people you trust? When they want to do something that you really don't agree with?

ANDERSON: Well, I first of all try to sell my ideas to

them, and if they in some way agree with me, I immediately say, "Gee, I think your idea is great." [laughter] A lot of people are more receptive to ideas than other people, so you learn to deal with various people. Some people just will do, you know, what I suggest, and that's not good either. It's a give-and-take with them. A lot of times you have to let them do what they're wanting to do, and a lot of times they're right and a lot of times I'm wrong. So I think it's a give-and-take. We try to have boards on most of the companies. In other words, most all the companies are run by boards of directors. And when I say there are people who are willing to come on the board (maybe for regulatory purposes we have to have a board, like we have to for a savings and loan and we have to for a thrift and loan and the insurance companies), we get the benefit of that. So it's sort of a give-and-take situation. In the beverage field, I know that I can walk in and smell what's going on and I can almost hear it. Usually I relate pretty well to the president. If he knows what he's doing, we don't have any problem.

JOHNSON: Are there any other things that have changed in your attitude towards how to operate your business from when you started out in entrepreneurship and now?

ANDERSON: [pause] No. You know, I think the principles of people and capital and delegation-- You have to find out

people are the most important thing, Gigi. And I would rather have an outstanding person in an ordinary situation than an average person in an outstanding idea. And I think you have to really let them know of your trust, and you also have to let them know, from my standpoint, how important they are. I mean, I think you have to find out really where their button is. I think you have to find out what turns them on. And compensation is certainly one of those items. I think other things are important too, that you spend some time with them. For example, I try to do something with their wives, on their wives' birthday--I think I may have mentioned something like that. You have to recognize that they need, as we all do, they all need stroking. First of all, it's the right thing to do. If people are doing the job, you ought to show your appreciation personally as well as with dollars. On the other hand, I think it's very important, at least from my standpoint-- You want competitive, you want goal-oriented people who are doing it. And you have to set an atmosphere that they have a goal and that they have a competitive situation, and so I think that's very important. Once a year you have to sit down and sort of say, are we doing the right thing with this guy? I think that's very critical.

JOHNSON: So do you look for good managers or do you look for good entrepreneurs or what really is the difference?

ANDERSON: Well, I think you look for good managers. You want a guy that wants to think of it as his company, but maybe you don't want a guy who's going to become a good entrepreneur in his own way. That's a very interesting question, because you don't want to lose the man. So when you say the entrepreneur, usually that's the guy who wants to get in and do it himself and get his own company and wants to be the owner. If you have that kind of person, you have got to be sure that you really give him the sense that what he's building for his own account in your atmosphere is basically an entrepreneurial reward. They sometimes refer to it as "golden handcuffs." You want to have something on him that's going to keep him there, like arranging the compensation arrangement whereby he will not come into this pile of money until a certain age. I may have mentioned to you this fellow that wanted to be a millionaire, and I said, "Fine, you are a millionaire if you weather the heat of the kitchen and you stay with us until harvest time, you know." So I think you have to keep that in mind. You're not really looking for the fellow that wants to start his own business and wants to be the owner. But you're looking for someone who wants to have the executive suite to himself and has all the benefits of it and wants to build an estate and all these kinds of things that go with it.

JOHNSON: Picking up on a couple of things that you've mentioned today: one, you were talking about benefits of the regulation of having to have boards for financial institutions, and [another], you were talking about the benefits of the regulations now coming into the wine industry about competitiveness. In general--again this is a broad question--how does regulation generally affect the entrepreneur? I mean, is it something that can be used to benefit, but you have to understand it?

ANDERSON: Well, you know, we live in-- It's kind of interesting. I think one of the big problems America is facing with Japan, for example, is the difference in government regulation. Whereas the government is helping business compete in Japan, a lot of businessmen feel that the government is putting restrictions on the businessman's ability to compete here in America. So I don't think you can generalize on the effect of regulation. You just have to recognize what it is. You have to recognize what the income tax laws are, you have to recognize-- Look, here we are in West Los Angeles, and it's very difficult to do a real estate development out here with all the homeowners groups and things of that nature, so I think you kind of have to work within that concept. Maybe if you're in the real estate investment business you try to buy already developed properties because in the long run you may be

better off than trying to develop it. But I think regulation is a fact of life in America. I think that we must realize that the politician's main goal is to get into office, and once he's in office it's to stay in office. We are inclined to pass those laws that benefit the voter rather than necessarily the man who has built America. In other words, we're benefiting the common man rather than the uncommon man in our regulations. So I think you have to recognize that, and as a businessman or an uncommon man or someone who is the employer of the laboring force, you have to recognize that you are going to be faced with these and try to live with and work with these regulations. I think the creative business mind has a way of making change as the regulation climate changes. I mean, the tax laws are changing and so a lot of people instead of being the conventional corporations have gone to subchapter S corporations. We are doing a number of things that you have to [do to] respond as change comes along. We have to recognize that we live in a regulatory climate, and I think as a whole the regulations are good. I think they are done with the idea of benefiting the human being and trying to give him equal rights and things of that nature. Sure it would be cheaper on our ranch if we had labor from Mexico or something like that, but in the long run, I think prices will go up and we will have to hire people that are here

and have a higher standard of living, and I don't object to it. A lot of businessmen do, but I think we have to face up with it.

JOHNSON: Does anything make you bored? Do you get bored with any situations?

ANDERSON: I think, after thirty-five years of practicing law, I had drawn enough wills and formed enough corporations and done enough buy-and-sell agreements. But I'm excited by what I'm doing right now, so I wake up and say, "Gee, I have got to stay in bed another half hour," or something like that. So from the business standpoint I'm still very excited about what we're involved with. I think repetitive, routine things-- But fortunately I'm not in that situation of being involved with it. All I can say to you is I am at a very exciting time of my life right now.

JOHNSON: Is a lot of it because of the acquisitions you are doing? Or is that--?

ANDERSON: I don't know. I guess I'm so excited about the [UCLA] Graduate School of Management. I'm so honored that it's bearing my name. I'm humbled with it. I still have trouble calling it the Anderson Graduate School of Management. I still say "our graduate school." Anyway, I'm very excited about that, and I'm very excited about trying to do something in the community and having the wherewithal to do some of what gives me a great amount of

joy and pride and happiness about doing it. Businesswise, you know, I'm excited about what we're doing, and having a good time on the personal side as well. So I'm trying to stay in shape. So life is very sweet at the moment.

JOHNSON: Good, excellent.

ANDERSON: I have no complaints. I am sure I could do a better job in many areas, but I am happy with what I am doing.

JOHNSON: There's a list of questions that I'm sort of basing some of these things on, so some things may jump between topics here. You say that you tend to be looking for managers more than entrepreneurs?

ANDERSON: I said that, and I guess what I'm really trying to say-- I would not look for someone who has got a short-term point of view, who is coming with the idea, "Look, I'll be there a few years and then I'll go out and start my own business." I think I'm really looking for longer-range managers. It may very well be that I'm looking for people that have had a few years in the trenches and they look upon this as, "Gee, what a tremendous opportunity this would be." I guess that's really what I'm trying to say. And I guess I am looking more for managers, but still I would want managers to have an ownership point of view, because their benefits are going to come if ownership also-- They're going to share in the ownership rewards.

JOHNSON: How do you see innovation coming out of your firms? What is the source of innovation?

ANDERSON: Well, I don't think that we are going to necessarily solve a lot of the problems of the world, but we are constantly seeking new ideas and we are constantly looking for ways to improve. I wish that I could say to you that we are going to develop some products, but we are not a product-developing company. In the areas that we do develop real estate projects and things of that nature, you know, we try to be on the cutting edge of new ideas and things [like] that, Gigi, but we are not in the technical sense going to break through for a new toothbrush or something of that nature, you know. We are constantly trying to be aware of what's going on in the industry, and constantly we have management meetings of the various corporate presidents where we exchange ideas on innovation. "What are some of the new things that you are doing?" For example, I have just attended a meeting of what they call the "twenty group" in the automotive field. There are twenty numbers, and they are from different parts of the country. They exchange ideas on innovation, and I think that you must be open all the way up and down the line with your people and you try to pass that along. For example, off the record--

JOHNSON: Should I turn the tape off?

ANDERSON: No, no, that's all right. I belong to a particular club--I don't want to use its name--and it's a very conservative club. And in the front of the building there is a large tree, and the tree must scale sixty feet. Maybe halfway up the tree at the thirty-foot level--that's three times the height of this room--there's a brightly painted box, and it says Suggestion Box. That's not the way to run a company. [laughter] So I think you're not going to innovate many new ideas if you have the suggestion box thirty feet up in a tree that looks rather difficult to scale. I don't know how frequently the owners of that box would even open it up to see what had been put there. So I think that to stay alive and also to grow and to fulfill your mission, you've got to innovate. You've got to get new ideas.

Sometimes the new ideas come a long ways. For example, just a little simple idea. For twenty-five years, we always had our drivers at the end of the day bring home whatever they had sold to the customer and bring home the checks and the cash and what they had collected from accounts receivable and turn it in at the end of the day. And it took us twice. We were robbed at four o'clock in the afternoon by people that knew what was going on. It took us thirty years for someone to suggest, "Mr. Anderson, why don't you just deposit it at three o'clock. Just have

all your drivers go to a branch of the Bank of America and just deposit the money to your account rather than give it to you." That word got out, and we've never been approached since that time. It's known that our drivers-- We don't have any cash to any extent on hand overnight. Well, you've got to innovate even in simple procedures such as that. And I think the most important thing is you must be open to it. You can't have a suggestion box that is thirty feet upstairs.

TAPE NUMBER: V, SIDE TWO

FEBRUARY 22, 1988

JOHNSON: You were talking about innovation before I turned the tape over here, and you were talking about how you have to do it with all the little things. How do you find out information? What are your information sources about what can be done in relation to what's going on in your markets?

ANDERSON: I think you have to-- I had a group of corporate presidents come out and talk to a group of students, and this one man, talking about ideas and whatnot, said there are two types of power that a president must have. One is brain power, and the second-- I'm a little embarrassed to say, but the second is ass power. He said you've got to be willing to sit and listen. In that second one that I mentioned, he said you've got to learn to be a good listener if you're going to know what's going on. He said you've got to get out, and I think that that is very important, of your door. For example, I don't have a lock on this door here. It's the only door that is not locked around here, and perhaps I have more valuable personal things than anybody else around here, but that doesn't bother me. (And we've had some difficulties with some things being lost.) I think it's very important that you do have an open door and that people do feel open with you, and I think that not only you but your people in your other

organizations must have an openness about them. So I think that you start with that, and then I think you have to give recognition if someone does come up with a new idea or something. You've got to respond to it. You've got to encourage that flow of information. You've got to give recognition; you've got to give monetary rewards. And you've got to keep it coming, because I think nobody has a monopoly on ideas, least of all the president, least of all the owner. You may be thinking about it, but if you give the people an opportunity to participate with ideas and you show appreciation, I think that's very helpful, because a lot of great ideas come from rather small situations that can really improve your business.

JOHNSON: How do you focus outward, looking for information? What do you look for on the outside?

ANDERSON: Well, I think that requires a number of things. One, it requires a dedication to reading and really, I think also, Gigi-- For example, like this job that you're thinking about taking, I think it's very important that you have an exposure to the broad commercial community as opposed to narrowing. I think it's very important when you start in your career that you look for a situation that is going to give you a broad exposure rather than a narrow exposure, even though the broader exposure might not initially reward you financially as much as the

specialist. But I think that focusing outward, I think it's very important that you do a lot of reading. From the business standpoint, I read the [Wall Street] Journal, I read Barron's, I read Forbes, I read Business Week, I read Fortune. And I have a couple of financial journals that I read. I try to read the Financial Times periodically. I try to read the weekly New York Times--I think that is great. I take that on Sundays, and I try to do that. I have the Harvard Business [Review] and a few of these other things. I try to do a lot of reading, but I also try to associate myself with people that are broad-gauge people, and I think you can do that very easily by whom you entertain and they in turn entertain you. When I was a lawyer, I spent very little time with lawyers. I always tried to spend it with businessmen, who-- One, they were better opportunities to get clients, but I also broadened my view. So I think your reading, your exposure to people, and then your attending of various seminars and attending various things that are available to you. I, in turn, also got an opportunity to speak on a lot of these things. I think that learning to try to express your ideas-- And if you can in some way get on a speaking circuit or something-- There are a lot of people, you know-- You never think about it, but you could very well get involved in something from that standpoint, whether it's your church or whether it's

some business organization or whatever it is. I think that broadening point of view is one that certainly keeps you young and is certainly a lot more exciting than to become a specialist in the purchasing of O-rings for the rubber industry or something like that. You might become the best O-ring purchaser, but it isn't going to, you know, keep you going the way that you want to.

JOHNSON: How do you feel about the way people look at you in your business? Does that affect you at all?

ANDERSON: Well, I guess if I'm honest, you'd like to have the respect of people, and I would certainly hope that people would think that I would do the right thing. I guess we ask that question a lot every day: Is this the right thing we're doing? Because I think in the long run, I think this life is pretty honest and the circle comes back many times. If people like to deal with you, if people feel they've had a fair shake, if they've been treated properly, it's not only the right, moral, ethical thing to do, but it's the right thing to do economically, because it's amazing how that comes back. So I guess how people think of you is really not so important. It's the result. It's the combination of many actions that you take, what people think of you, so you can't do that by PR. It's really a multitude of things piling on top of one another. I think you also have to realize--and this is not

a very nice statement to make--but there are very few people that are genuinely happy for another person's success. So I think it requires you to try not to worry too much about what other people think but just try to do the right thing and try to be humble about it, rather than get out and advertise or try to create things so you can create what people think about you. I think you just have to live your life and run your company and know that you have to do the right thing and hope that as it adds up, one building block on top of the other, that you will achieve a good and proper image. I think it's important if you're honest about it, what people think and [what] you'd like to have people think, but you can't manufacture that.

JOHNSON: What's been your most rewarding accomplishment?

ANDERSON: Well, I guess it's a very difficult question, but we've got four children that fortunately were not raised in a lot of wealth. Fortunately my success came later in life. I mean, in other words, our children came along-- And so I'm just so grateful that we have four kids that really have their feet on the ground. They're all contributing in this world. Our son was just designated "man of the year" for his work in East Los Angeles. The Hollenbeck [Youth Center] Police [Business Council]--he has been president of it.

JOHNSON: Which son was that?

ANDERSON: John [Edward Anderson], Jr. So anyway, they're all doing a great job, so I would certainly feel that-- There are a lot of people who have been highly successful who feel they have had not so much success on their personal side. I've been very, very blessed with that. We are an exceedingly close family, and I think that has been a blessing. I play in the Bob Hope [Desert] Classic, and our youngest son [William Stewart Anderson] says, "Dad, can I come down and caddie for you?" So we have a lot of those kinds of relationships. Although I have compromised the family and have not spent the time with them that I perhaps should have, I feel very blessed that I have been lucky in that area. Certainly from the other side, I would have to put a wonderful marriage that has worked out well. To lose a wife and wind up with five little kids and find someone who was willing to come in and take over that, I was certainly blessed.

And certainly a high point in my life is trying to make a contribution up here in the Graduate School of Management. As the years roll by, I think I will look upon that as certainly a high point. I think from the economic standpoint I have just, year after year, been building blocks. There is no one item that I would say has been any more rewarding than the other, but certainly the fact that I've been able to build what we've built with the successes

that we have enjoyed, I have certainly got to be grateful for that, Gigi.

JOHNSON: Most of the rest of my questions that I have are in a similar vein. They are a little bit more philosophical questions, so I will put one more here, and we can pick this up in the next session. You were talking about your most rewarding accomplishment. What do you think is your greatest disappointment?

ANDERSON: [pause] I've got to have a greatest disappointment, so you're going to have to bear with me for a minute. I lost a young wife at a very early age, and I lost a young daughter at a very tender age of seventeen. Those are certainly great disappointments. I think they were also strength builders; they certainly brought our family together. They were really great disappointments. But on the other hand, they gave us an appreciation of one another and strength that brought us-- We closed in and became a very closely knit family. Professionally, I've just been very blessed as a lawyer. We've built a magnificent law firm. There were a lot of disappointments as younger people that you'd brought into the firm left to become entrepreneurs on their own and start their own law firm, but I soon realized that with the quality of people we had that was very normal. I've had some business reverses that I haven't let bother me. So October 19,

1987, was--

JOHNSON: A long day!

ANDERSON: I think we maybe lost \$8 or \$9 or \$10 million, but that really didn't bother me, because we had made that many more times on the way up. If you're going to be a player, you have to recognize that there are some downs. That didn't really affect me. I guess that I'm sure that there have been many disappointments and many failures, Gigi, but if there have, they are not in my mind. I am sure that they are there, but I am fortunate to say, "Hey, let's go on. Let's get off the floor." And I've tried to pass that on to our children. It's not how many times you get knocked down, but it's how many times you get up. So I think that's-- I shouldn't say that I am without that, but certainly it's not so indelibly impressed upon my mind that it's of any concern.

JOHNSON: We'll pick up next time with also a little on the philosophical end of things and also talk about where you see Los Angeles going.

TAPE NUMBER: VI, SIDE ONE

MARCH 2, 1988

JOHNSON: Before we turned the tape on, we were discussing time, as we both raced each other in here this morning, and you mentioned that you wanted to talk a little further about the use of time and scheduling time.

ANDERSON: Yes, Gigi, I'm not certain what we've covered on it, but I just feel that we--[I say this] with a little smile--we human beings only have so much time, and I think much of one's accomplishments are determined by the value we place on time and what we do with it. During, certainly, my early years, I always found myself doing things that I felt were constructive when other people were-- Call it relaxing or playing. It started in college when I resented missing fraternity meetings and dinners while I was working at night. But when the four years was over, I felt that I had accomplished more than the average person in the college ranks who had just gone to college in the daytime. Time has been something that I feel is very precious, and I think how you organize your time has, in a lot of regards, a lot to do with your accomplishments that you achieve. I certainly always carry a pad of paper. Actually, it is a cardboard that fits into my wallet size and that I carry with me. So I constantly have that with me, and I always work off of a "to do" list. In other

words, sitting on my desk right now there is a pad of paper with a "to do" list. While you were getting set up here, I was adding a few things that had to be done today. And I just think it is very important to recognize the limitations that we human beings have on time. I think if you do treasure time, you have a chance to accomplish a little bit more than the average person who has a disrespect or a disregard for time. I don't think you ought to try to budget every minute of your life, but I think time is a critical element in the field of accomplishments.

JOHNSON: Does the rest of your family feel similarly?

ANDERSON: I am frustrated sometimes over the time that some of them spend on the telephone. But I don't know. That's a very good question. I don't know that I have conveyed that to the members of our family, but I am certainly very proud of them and what they're doing. I think they realize that their father values time. You know, it's very difficult to give your family members advice. A lot of times when they ask for it, you have a good chance. But it's certainly a challenge that a parent is constantly faced with. [tape recorder off]

JOHNSON: Do you encourage this in your employees as well? Do they have that same respect for time?

ANDERSON: I think that we all work on a "to do" list. The

people that report to me at the start of a day or the start of a week-- I have a list of the various people, and as you know, we have a small corporate staff here, but I have a pretty good idea of what is on everybody's "to do" list. A number of them are the result of my imposing on them, and a number of things are the result of their own initiative. And from time to time we review their list of items to be done; we sort of establish priorities. I do that every day with Mrs. [Therese] Curtis, so I have an idea of what she's got, and we are constantly prioritizing what has to be done.

JOHNSON: So looking back with the time that you have had to spend, is there anything that you haven't done that you wish you had? Or had done differently?

ANDERSON: I gather, Gigi, that's something everybody kind of reflects on. As I've spoken to you before, I lost my first wife [Margaret Stewart Anderson] to cancer, and I wish that I had given her a little bit more, because we were at a time of our life when we were struggling, as you well know, as you are. We were trying to build a home and build a family, and I just wish that I had given a little more of, you know, the material things. I wish that I had made it a little bit easier for her. That is certainly an area that I reflect on. Certainly from a family standpoint, I reflect that I haven't spent as much time--

But you know, I'm one that recognizes that life is such a compromise, and you can't do everything to the desire that you would like. I would like to have played more golf, I would-- [laughter] A lot of things. But I think that you have to realize that life is truly a compromise. I think that you have to, of course, wish you had more time and wish you could have done a little bit more of this and a little bit more of that and spent a little bit more time and read a few more books, but I have no regrets. I think that I have been very blessed both from a personal family standpoint and from a personal health standpoint. I have had a lot. I am certainly a high-energy person. I am still at the age of seventy working a twelve- or fourteen-hour day and enjoying most every bit of it. So I've been blessed with good health and I've been blessed with certainly good family and I've certainly been blessed with more material results than I ever felt I was entitled to. You have regrets of, you know, not selling the stock before October 19 and those kinds of ridiculous regrets, but I think most of all I'm grateful that I've had all the blessings I have.

And as I've said to you, I am very grateful that I've been able to bridge the gap of being able to start disposing of some of the good fortune that I've collected. You know, I just feel that we all have a

responsibility to the community in which we live, and it's been a rewarding kind of experience. It's opened up a new vista on the fact that I now can say I am a cheerful giver. If you are a true accumulator of capital-- I don't want to use the word "love," but you've got to respect it and you've got to like it and you've got to want to bring it in to you, and the normal tendency is not to give it out. I am glad, however, that I have reached the stage where I am still trying to accumulate, but I am in the same breath trying to recognize some of the responsibilities that we have to the community in which we live.

JOHNSON: We've talked a lot about your own past and about the way you run your firms and work with people, and we've talked a lot about you yourself and your own thoughts.

Let's at this point look a little outward. Where do you see the Southern California business community going?

ANDERSON: Well, I think this is going to be the center, if it isn't already, of the United States. We are so blessed with physical characteristics, the ocean, the desert, the mountains, the weather. We have everything here, so I can only see it growing, from Santa Barbara to San Diego being one big megalopolis. I had breakfast this morning with someone who was looking at a piece of real estate, and I said, "It may be overpriced today, but it will be cheap as time goes on." I think unless we have some drastic

earthquake or some physical phenomenon that would deter the growth that is built into this economy, I can see it only as continued vitality, as the place to be if you can work it out that way. With the growth of the Pacific Rim and the nearness to Japan and China and the growth coming in that direction, I think that Los Angeles, Southern California, has an unlimited future up ahead. That's the bet I'm making.

JOHNSON: What problems do you foresee in this growth?

ANDERSON: Well, you know, I see the problems of smog and congestion, and I see the problems of the ethnic situation [that] have to be faced. When I say "ethnic" I'm talking about the invasion from Mexico. I think we have to recognize that is coming. I think more than 50 percent of our public school children speak Spanish, are of Spanish descent. I think that is going to grow, and I think we ought to recognize that although we have a Negro or black mayor today, I expect the time to come when we will have a Mexican-oriented man heading the city. So I think that we are faced with a lot of these problems--or challenges rather than necessarily problems. But they are wonderful people, these people from south of the border, but we are going to have the problem of putting them together and into our community. We've got transportation problems, and we've got all these kinds of problems that go with growth,

but that is kind of a nice kind of problem. We have a lot of concern-- We'll call them concerned citizens that want a no-growth policy. The city where you and I are now, I think there are a couple of office buildings on the [drawing] board, but I think it will be very difficult to build a high-rise office building after a few years. So it's the wonderful, difficult challenge of success and growth that we're faced with. I think we'll be up to it. I suppose we've got water problems coming down the line, someplace or other, but what a wonderful land of opportunity.

JOHNSON: Is it also a land of opportunity for entrepreneurs? I know that it used to be. Is it going to continue?

ANDERSON: I think that particularly-- You know, Californians are more impressed by what you do than necessarily who you are or what your family background is. That's a whole different ball game than what is in the East--where you prepped and where you went to college and what clubs your parents [belonged to]. Out here, we accept people for what they are and what they do rather than their family or background. That's why we've been the birth of so many entrepreneurs, and I think will continue to be. We are still the western frontier. We have more Nobel Prizes out here. We subscribe more to the **Wall Street Journal**

than New York City does themselves. We consume more alcohol. We have a lot of other things. We have more illegitimate children, and we have a number of things that do not necessarily make us completely proud of [ourselves], but we are innovative, open to ideas. So I think the opportunity will continue to be [here]. I think we will feed a lot of entrepreneurs. We've done it in the past, and I think we will do it in the future.

JOHNSON: That's an interesting bunch of statistics that you were quoting there.

ANDERSON: Yes. You are absolutely right. I think we have a great education system out here. It's still the frontier, and as a frontier, it's open to new ideas and new customs. We set the trends in ladies' clothes, California clothes. We set a lot of new ideas and tax-planning ideas. We do a lot in the architectural field. So it's a field of good thoughts and maybe not such good thoughts.

JOHNSON: You were saying that education is good out here. Are you speaking on the upper levels?

ANDERSON: Yes. I think one of the wonderful things about California is that our state institutions rank very, very high. Perhaps you would be pleased-- I don't think you have heard about this, but there has just been a new ranking of graduate schools of business [that's] come out. Stanford [University] was ranked number one, with 54

points or 53 points, and there were two schools tied at 52. And of those two schools that were tied at 52, one was the little school back in Boston by the name of Harvard [University], and the second school was the Anderson [Graduate] School of [Management] at UCLA. Ranked number two.

JOHNSON: What was this in?

ANDERSON: Well, it was a publication that's on the desk of Dean Clay [J. Clayburn] La Force right now. But UCLA was tied in the ranking of graduate schools of business with Harvard--they scored 52. Stanford gathered 53 or 54 points, and Harvard and UCLA each got 52. And then Wharton [School, University of Pennsylvania] and Sloan [School of Management, Massachusetts Institute of Technology] and whatnot fell behind with further ranking. I think [University of California] Berkeley was close behind, but, you know, when you start having these kinds of situations-- Why do we have it? We've got a faculty that wants to live out here. It's got climate; it's got an opportunity to be in the community that they like. They've got a reasonable, competitive salary, and I think we are raising the kind of funds that we can add to their salary. So I think we have a lot going from the faculty, and certainly the student body speaks well of it. Last year we had four thousand applications--or forty-one hundred I think in total. And

now here we are in March, and for the September [admission], most of the applications are not in and we're already beyond five thousand applications.

JOHNSON: And last year was a record year as well.

ANDERSON: Last year was a record, and now we are 25 percent more than what we had for last year.

JOHNSON: And they want to get a smaller entering class!

ANDERSON: That's very true. Anyway, I think that the state schools have somehow or other been able to present themselves as a fine educational facility, and it's paying dividends and it's wonderful. I don't know what you paid to go to school, but if you are a California resident, you got an awfully good bargain.

JOHNSON: Especially compared to undergraduate, yes.

ANDERSON: I'm sure that you as an alumna will recognize your responsibilities of putting some back in the well to the school as time goes on, because that's the real secret, if we can get a concerned alumni that will really continue to build the school.

JOHNSON: So where do you see the future of the Anderson School?

ANDERSON: Well, I don't know. I think we have dreams. We are going to be building a complex of five or six buildings. It's such an exciting thing. We've had a presentation by the architect, and we certainly made the

right selection in the selection of Harry Cobb. He talks of magic and the magical nature of it, but when you start to think that here fifty years, sixty years after Harvard did their act, here we ought to have without question the number one facility of the entire world in here, situated in the center of the great financial area of Los Angeles, surrounded by a great university. We certainly ought to be able to attract-- We've added in the last few years seven or eight professors' chairs, and we'll add another seven or eight. We'll be able to have a great number of endowed professors. So we'll certainly have the dollars to select the best to bring to the finest community in the finest facility. If we stumble it's only our own fault, because we've got an outstanding student body right now. I think they're beginning to believe that they are attending a great school as the school continues. I think we've got a chance of doing something that we can be very proud of. I think you agree with me.

JOHNSON: Now, as the school is getting more of a national focus, and not just a regional focus, let's also look nationally. Where do you see the United States going?

ANDERSON: Well, I am certainly not one to comment, but very briefly on the national picture-- We've certainly got some problems. We are no longer a producing nation. We are a nation of a service-oriented economy, and we

certainly have a huge debt that's got to be faced with. We have some real problems that I think are certainly of serious proportions. There are a lot of suggestions that could solve our debt situation. I'm one that believes that a VAT, a value-added tax or a national sales tax, would immediately within a few years bring our budget into balance. I think the biggest problem if we did it would be that the politicians would spend the money rather than pay off the debt. But there are a number of ways that we can solve this debt. The government owns a lot of property that if they would choose to privatize it could solve their debts. So there are a number of things that can be done in addition to restraint on the spending side. It's a difficult situation when you have the social welfare responsibilities that we as concerned human beings have for our fellow man to just say, "Hey, look, the social security system is out of control and it ought to be cut back." We can't just do that overnight with people that have counted on it and are counting on it. The politicians' biggest goal is to get into office, and once they're in, it is to stay in office, and these are significant votes. I think, Gigi, we are blessed to be here. We have problems, but I have a lot of faith in America and where it's going. I think it's going to be around for a while.

JOHNSON: What is your faith on things like--? I'm thinking

about the dollar and how it affects your business. Where do you see that going?

ANDERSON: Well, I'm basically involved in the domestic area. I do not have any companies--well, I shouldn't say any companies--that are contingent upon the devaluation or increase in valuation of the dollar. I think it's a problem that we must face, that the world is getting smaller. It would be wonderful to have one currency and one language and one worldness and one religion, but that isn't in the cards. So I just feel from the world standpoint that every businessman, every business student, has got to be aware of the international scene and has certainly got to prepare himself or prepare herself in the warehouse of the effect of the outside world economy.

You know, it's very interesting. America's industrial revolution came because we were a young nation and we were willing to work for less, and now we see these Third World countries, the Koreas and the Thailands and originally Japan-- Japan is now starting to face some of the things we face. Their wages are increasing. The history of a democracy is an ever-eroding currency. You start out with a very competitive position, and then gradually we have concerns for one another and we start-- You know, you don't see many unions-- It's happening in the airlines to a certain extent, but you don't see many situations where the

cost of labor goes down. I mean, when you run a business you have to always figure that your costs are going to go up, and because of that, you feed inflation, you fan inflation, and you make yourself less competitive. I think from that standpoint we have to recognize that we are in a declining situation as a nation to a certain extent, and these Third World countries will start to come--

JOHNSON: What opportunities will this pose for entrepreneurs?

ANDERSON: Well, I think the entrepreneur that is willing to leave the country and go into some of these areas, I think there is a tremendous opportunity to harness the less expensive labor. Unfortunately, I know a number of countries that are looking for future production facilities in places other than America. That's a difficult situation. But a number of companies are saying, "Look, we are either going to buy from Korea or we are going to produce in this country or we are going to go down south of the border here and set up a manufacturing plant." And that gives the entrepreneur the opportunity that we are talking about.

JOHNSON: Like checking that baseball cap to see where it is made?

ANDERSON: Yes. Yes, this is produced for you in Taiwan. Most of our baseball equipment and whatnot in America today

is produced otherwise. This is just a little illustration.

JOHNSON: You have unions in your facilities, don't you?

ANDERSON: I do have a union, but I think unionism is declining in America as a whole. We've had a number of our companies where our employees have elected to drop out of the union and form their own employee group, and so we've been aware of that movement.

JOHNSON: Does that make negotiation easier?

ANDERSON: I think it does, but it also places a responsibility on you that if they've shown that kind of faith in you, I think you in turn have got to respond. I think it's a short-range point of view if you don't recognize those responsibilities. And so we try to match our wage rates so that employees don't-- [tape recorder off]

JOHNSON: What were we discussing? We were talking about unions and responsibilities.

ANDERSON: Well, we were just talking about unions and your responsibilities in the event that a company chooses to go nonunion. I think that the big fear of employees in going nonunion is that they won't have the proper representation. And I think that if a company is nonunion, you have the responsibility of organizing an employee group so they can make suggestions without necessarily having an identity on a personal basis, and also you have the responsibility of

making sure they are well provided for. For example, in a number of our companies, we have profit-sharing plans for all of our employees, and we, you know, constantly let them know that they are getting greater rewards from that than were they into a union-controlled pension fund or something of that nature. Relationships are a constant selling situation and a constant expression of affection and love and care, whether it's a family member or an employee. I think that most companies-- [clock chimes] You've made me aware of the clock. [laughter]

JOHNSON: I'm sorry.

ANDERSON: No, not at all. I think as I've said time and time again, Gigi, success is a people's success, and I think that it's very, very important that people get the feeling from leadership or ownership or whatever the role is that they are appreciated, that they are recognized, that also you are watching their performance. People like to be judged and monitored. I just think that what I'm trying to say here is that people like to be recognized. They like to have someone be aware of what they are doing. We are just human beings. So I think that is one of the real successes and that is one of the things you have to be careful of when you grow too large, that you don't lose that.

JOHNSON: We've covered a lot of ground in these

interviews. Is there anything we haven't talked about that you would like to include in this oral history?

ANDERSON: Gigi, I don't think so. I've been very pleased with what you've done and the ease with which you have made me disclose my life story to you. You have been most engaging and you have been very nice.

JOHNSON: I have enjoyed this very much.

ANDERSON: I think that I have been very privileged to have you be assigned to this task.

JOHNSON: Why thank you! At this point in time, I can't think of anything else to add without gilding the lily.

ANDERSON: Be sure you keep in touch with me and drop me a postcard from New York.

JOHNSON: I hope that people who listen to the tapes and read the transcripts enjoy them very much. If they enjoy them as much as I have enjoyed speaking with you, they'll enjoy them a lot.

INDEX

- Ace Beverage Company, 43-47, 60-62, 65
 Anderson, John Edward, Jr. (son), 114, 137, 171-72
 Anderson, Judith Grosvenor (daughter), 1
 Anderson, Margaret Stewart (first wife), 14, 15, 35, 58, 65, 68, 177
 Anderson, Marion Redding (second wife), 68-69, 71, 82, 85, 99, 105-6, 134-35, 137
 Anderson, Myrtle Grosvenor (mother), 1-2
 Anderson, William Charles (father), 1-3, 38, 154
 Anderson, William Stewart (son), 41, 137, 172
 Anderson, Marion and John E., Foundation, 134-36, 150
 Arthur Andersen and Company, 16, 17-19, 22, 24

 Baker, George Fisher, 13
 Bel Air Savings and Loan Association, 72, 137
 Bellows International, Ltd., 84
 Beta Gamma Sigma, 5
 Bob Hope Desert Classic, 41, 80-81, 172
 Burcham, Vincent, 43-44

 Carib Vendors, Inc., 93-94
 Charles Bellows Company, 84, 85
 Claire, Richard, 16, 18
 Clemens, Michael J., 26-28
 Cobb, Harry, 185
 Community Beverage Company, 62, 65
 Coors, Adolph, Brewing Company, 144
 Curtis, Therese, 36, 48, 66, 67-68, 104, 177

 Donovan, Joseph J., 23-26, 28-29, 31, 33

 Elder Care Centers, Inc. See Summit Health, Ltd.

 Fishman, Elliot, 82, 83, 84
 Freeberg, Don, 75-77, 78-79
 Frisbee, Ira N., 6, 42

 Gates, Mark, 105

 Hamm Brewing Company. See Ace Beverage Company
 Harvard University, 6-7, 10-14, 18, 42, 51, 53, 183
 Hawaii: businesses in, 96-98, 142
 Hill, Bud, 22
 Hill, Farrer, and Bledsoe, 22-23, 33-34, 43
 Hollman, Robert, 65, 72, 137, 151
 Host International, 85-86
 Hulsebus, Elaine, 66

 Internal Revenue Service (IRS), 29-30
 International Liquors, 84, 85
 Island Media, 93

 Jacobs, Godfrey, 55

 Kayne, Richard, 151
 Kent, Corita, 31
 Kimmelman, Henry, 82-84, 85
 Kindel, James H., Jr., 25, 31-33, 35, 43, 51
 Kindel and Anderson (law firm), 25, 33, 35, 49-53, 67
 Kizer, Thomas, 66-67

 La Force, J. Clayburn, 183
 Leventhal, Kenneth, 54

Lowe Trucking Company, 107-8
 Loyola Marymount University
 School of Law, 19-20, 23-
 24, 26, 35, 36-37, 47, 53
 Lui, Calvin, 96

 Mann, Kurt, 74-75
 Marriott Corporation, 85
 Massachusetts Institute of
 Technology, 183
 Mission Beverage Company,
 62, 65
 Mission Trucking Company,
 107-8

 National Accommodations,
 Inc. See Summit Health,
 Ltd.
 Noble, Howard S., 5-6, 42
 North American Aviation
 Company, 3-4, 6, 42

 Opera Association (Los
 Angeles), 130

 Paradise Beverages, 97
 People's Thrift and Loan,
 73-74
 Pierpoint, William, 78-79
 Preston Trucking Company,
 107-8
 Provident Thrift and Loan,
 72, 73-74

 Rasmussen, A.V., 7-10
 RelaxAway (company), 78
 Riise, A.H., Retail and
 Wholesale Beverage
 Company, 85, 91-92

 Saint John's Hospital and
 Health Center (Santa
 Monica, California), 130
 Schenley Spirits, 97
 Seuthe, Brenda, 104
 Simons, Harry, 54
 Skid Row Fund (Los
 Angeles), 135
 Southwestern University
 School of Law, 19-20

 Stanford University, 39,
 51, 182
 Summit Health, Ltd., 75-77,
 79

 Tafe, Harvey, 3-4, 42
 Thacher, Sherman, 55, 56
 Thrift Guarantee Fund, 73
 Topa Capital Corporation,
 137
 Topa Equities, Ltd., 58-59,
 65, 71-72, 136-39. See
 also names of individual
 companies
 Topa Insurance Company, 72
 Topa Management
 Corporation, 89-90
 Topa Thrift and Loan
 Association, 72-75, 101,
 137
 Topa Topa Ranch (Ojai,
 California), 55-59

 UCLA Foundation, 130
 University of California,
 Berkeley, 39, 51, 183
 University of California,
 Los Angeles, 3, 5-6, 35,
 39, 42, 47, 51, 53-54,
 106; Anderson Graduate
 School of Management, 18,
 131, 132, 162, 172, 183-
 85
 University of Michigan, 51
 University of Pennsylvania,
 51, 183
 University of Southern
 California, 35, 39, 51
 University of Virginia, 51

 Virgin Islands: businesses
 in, 65, 71, 84-86, 90-95,
 97-98, 142-43

 West Indies Corporation,
 82-84

 Yale University, 51
 Young, Richard, 73, 74-75,
 101

Young Men's Christian
Association, 130
Young Presidents
Organization (YPO), 35-
37, 62-63, 81, 96, 126