

Watergate Prosecutor

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The Watergate special prosecutor's office announced yesterday that it has closed its investigation of President Ford's finances after finding no evidence to substantiate an allegation that he mishandled campaign funds as a congressman.

In a brief written statement tracing the course of the investigation, Special Prosecutor Charles R. Ruff concluded:

"The evidence developed . . . was not corroborative of the allegation on which it was predicated. Nor did evidence disclosed during the inquiry

into that allegation give reason to believe that any other violations of law had occurred. Accordingly, the matter has now been closed, and counsel for the President has been so advised."

The announcement, delivered almost exactly three months after the special prosecutor's inquiry began, removes a political cloud that has been hanging publicly over the President's head since The Wall Street Journal disclosed on Sept. 21 that his campaign finances were under investigation.

Ford, who underwent an extensive FBI investigation when he was nominated to be Vice President in 1973, emerges from the special prosecutor's probe as one of the most thoroughly in-

vestigated persons in high national office.

The White House, it was predicted yesterday by both Democratic and Republican sources, will attempt to turn this fact to the President's political advantage, and thus offset the effect of several damaging disclosures that were the indirect result of the special prosecutor's probe.

Within half an hour of Ruff's announcement, a White House spokesman said that the President would hold a nationally televised news conference at 7:30 p.m.

The President was described by one high-ranking aide as "ebullient" upon

receiving word that the prosecutor's inquiry had ended.

The probe, according to Ruff's announcement, centered on allegations by an informant that contributions from "certain named unions" had been transmitted to political committees in Ford's home district "with the understanding that they would be passed on to Mr. Ford for his personal use."

The informant, who originally made his allegation to an agent of the FBI, was not identified in the statement. "Investigation has revealed no apparent motive on the part of this individual to fabricate," it said.

Knowledgeable sources have identified the unions in question as the Sea-

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farens International Union and the Marine Engineers Beneficial Association, two powerful maritime groups that were Ford's largest political contributors in the period under investigation, 1964-74.

Records from both unions, as well as three Republican political committees in Ford's old congressional district, were subpoenaed by the special prosecutor during the probe.

Yesterday's announcement disclosed that the special prosecutor also sought, and received from the White House, "certain information relating to the President's personal finances."

In addition, the statement said, White House Counsel Philip W. Buchen authorized the Internal Revenue

Service to provide—at Ruff's request—a report of its 1973 audit of Ford's income tax returns for the years 1967-72.

Information from all those sources, plus FBI interviews with officials of the campaign organizations and grand jury testimony by at least one union official, turned up no evidence to corroborate the allegation that Ford had mishandled campaign funds.

Ruff's statement constituted the first public exoneration given by the special prosecutor's office to the subject of an investigation since the office was created in May, 1973.

The facts contained in Ruff's terse See PROBE, A4, Col. 1.

PROBE, From A1

explanation of the investigation appeared consistent with information from knowledgeable sources who had previously described the allegation involving Ford as "substantial" and "serious."

The allegation, Ruff noted, was brought to the attention of Attorney General Edward H. Levi in a memorandum, dated July 13, from FBI Director Clarence M. Kelley.

Levi then formally referred the matter to the special prosecutor for investigation. According to Justice Department sources, the matter would not have been sent to the special prosecutor had not Levi and Kelley been convinced it warranted full investigation.

Ruff's statement, similarly, appeared to go out of its way to discount any possible political motivation for undertaking the inquiry in the midst of the presidential campaign.

The informant's information, said the statement, "concerned a previously unreported allegation" of which the informant had only recently become aware.

Those facts would tend to undercut suggestions by many of the President's aides that the FBI's previous investigation of Ford made a new inquiry superfluous.

From the moment the special prosecutor's inquiry was publicly disclosed on Sept. 21, the White House had been on the political defensive about how to respond to it.

According to presidential aides, the White House was unaware of the investigation until a few days before that, when worried Republican officials in Michigan telephoned presidential counsel Buchen to tell him that they had been interviewed by the FBI and that their records had been subpoenaed. Three political committees in Kent County, where Ford's old congressional district is centered, were the subject of FBI inquiries.

Reporters, meanwhile, were able to piece together enough information to learn that the investigation was focused on an allegation that Ford had mishandled contributions from the maritime unions.

Aside from questions about whether the President might have broken the law, the allegation again raised the politically sensitive area of Ford's relationship with the maritime unions during the period he served as minority leader of the House.

During those years, the Seafarers and the Marine Engineers were by far the most significant contributors to his congressional campaigns, helping Ford raise money far in excess of what he spent toward his own re-election.

Some of this money, records show,

was passed on to other Republican candidates for state and national office. The purpose of these transactions, as acknowledged both by the contributors and associates of Ford, was to hide the fact from the candidates' constituents that they were getting money from organized labor—information that could hurt the election chances of Republicans, particularly conservative ones.

Such transactions were perfectly legal at the time they were undertaken, however, and seemed to be of far more interest to the news media than to the special prosecutor.

Upon learning that Ford was under

investigation by the special prosecutor, reporters also began examining his relationships with lobbyists representing other special interest groups. Several instances were discovered in which then-Minority Leader Ford had allowed the U.S. Steel Corp. to pick up the tab for expenses incurred on vacations taken with the company's Washington representative, William Whyte, a friend of Ford for more than 20 years.

The White House, responding to repeated questions from reporters, meanwhile disclosed that Ford had also accepted golfing invitations from at least four corporation executives while he was minority leader.

For almost a week after the initial report of the special prosecutor's investigation, both the Carter and Ford campaigns maintained a cautious silence regarding the probe.

Then, on Sept. 27, Ford's running mate, Kansas Sen. Bob Dole, dismissed the investigation as "nothing but election year politics." Other White House officials, speaking "on background"—without permitting the use of their names—reacted similarly.

A day later, the Democrats broke their silence on the matter with a statement by party Chairman Roberts Strauss: "I would remind the public and Sen. Dole that this is the very response Americans got from Nixon, Agnew and Dole in 1972, covering up the Watergate scandal until after the election." Strauss added that he knew of no reason "to believe President Ford is guilty of any illegal activities."

During the next two days, Democratic presidential nominee Jimmy Carter and his running mate, Minnesota Sen. Walter F. Mondale, called on Ford to discuss publicly the allegations under investigation. "The best way to resolve the question if there is a doubt among the people is for Mr. Ford . . . to have a frank discussion through the news media, which so far he's failed to do," Carter said on Sept. 29.

Ford responded the next day with a

"limited press conference"—no television, no sound permitted—a decision which White House officials said was mindful of the disastrous spectacle of Richard Nixon declaring before the cameras, "I am not a crook."

During that news conference, Ford calmly denied that he had ever diverted any campaign funds to personal or other improper use and expressed confidence that he would be exonerated by the special prosecutor's investigation. He showed more emotion, however, when he said: "There is a saying that is prevalent in the law that 'justice delayed is justice denied,' a statement widely interpreted as a call on prosecutor Ruff to expedite his inquiry. "Justice delayed" in this instance, Ford's campaign aides said pointedly, could cost him the election.

That same day, according to the statement issued by the special prosecutor yesterday, Ruff asked the White House to supply some of the President's personal financial records and for permission to ask the IRS for the results of its 1973 audit of Ford. The White House complied with both requests.

While FBI agents and lawyers working under Ruff continued to run down leads, the IRS summary of its 1973 tax audit of Ford was leaked to reporters by a Carter supporter.

The audit, while showing no evi-