

## WATERGATE

## Connally's Spilt Milk

Though he was one of the stalwarts of the Nixon Administration, privy to its innermost secrets, eloquent in its defense, John Connally was barely grazed by the Watergate scandals as they unfolded. But last week he appeared perilously close to being dealt what may be a politically fatal blow. Despite his denials that he has done anything improper, he is under investigation by a Watergate grand jury and faces possible indictment for his role in the raising of campaign contributions from the free-spending milk producers. The Texas whirlwind may have good reason to start crying over spilt milk.

From the beginning of the White House dealings with the dairymen, Connally was a key figure. Lobbyists wanting a boost in milk price supports made a pitch to him in 1971 while he served as Treasury Secretary. As chairman of Democrats for Nixon in 1972, he was in the market for campaign contributions for the President's re-election. The milkmen pledged \$2 million to the cam-

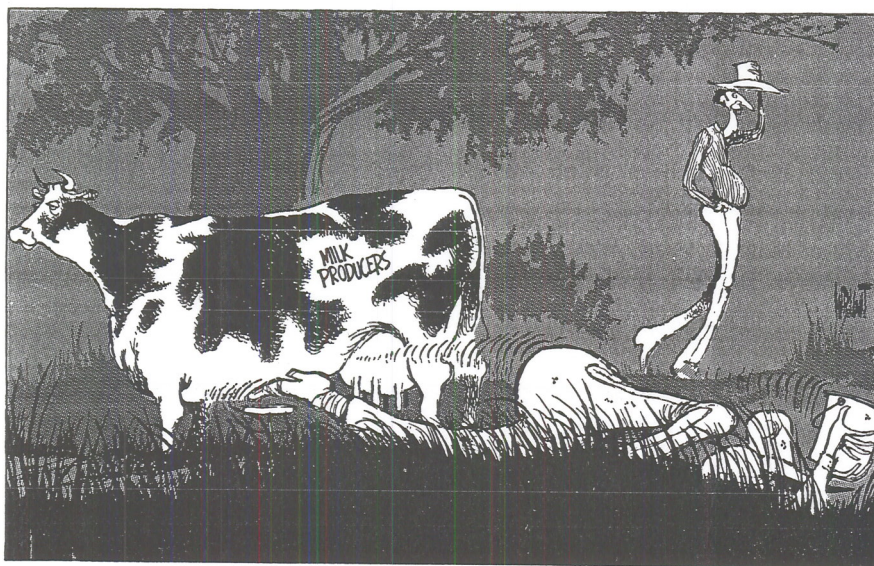
ferred it to Connally, but his fellow Texan refused to take it. Much like the \$100,000 campaign gift from Howard Hughes to Bebe Rebozo, the cash was reputedly placed by Jacobsen in a vault in a bank—an Austin bank that happened to be controlled by Jacobsen. There it sat, unwanted and unused, he testified, from mid-1971 until November 1973, when the FBI examined it. Connally told



JOHN CONNALLY

money, but in November 1973, when the milk-fund investigation spread, he returned the entire amount to Jacobsen, who replaced it in the vault. When Jacobsen was called before the grand jury, he agreed to let the FBI inspect the box.

Jacobsen may begin to plea bargain with the special prosecutors and start talking. What Jacobsen has to say could well doom any of Connally's lingering ambitions for the presidency, unless Connally can exonerate himself. Speaking in Maine last week, Connally again denied that he had accepted the cash campaign contribution, but ruefully acknowledged that the speech might be his last "for a while."



"Morning, Mr. Connally."

paign, and after a series of meetings with Connally and the President in March 1971, began making contributions, which fell far short of the pledge. Although Secretary of Agriculture Clifford Hardin initially objected, price supports for milk were raised enough to add \$500 million to the annual income of dairy farmers, a measure Nixon argues he took to forestall an even larger increase by the Democratic Congress.

**Unwanted Bills.** A fraction of the amount pledged by the producers—namely, \$10,000—went to Jake Jacobsen, an Austin, Texas, attorney who was close to Connally. The milk producers instructed Jacobsen to turn the money over to Connally, who would then distribute it to deserving congressional candidates. In his testimony to the grand jury, Jacobsen said that he of-

fered it to Connally, but his fellow Texan refused to take it. Much like the \$100,000 campaign gift from Howard Hughes to Bebe Rebozo, the cash was reputedly placed by Jacobsen in a vault in a bank—an Austin bank that happened to be controlled by Jacobsen. There it sat, unwanted and unused, he testified, from mid-1971 until November 1973, when the FBI examined it. Connally told

much the same story to the grand jury. But the jury was not buying. In February, it indicted Jacobsen for perjury. The bills, investigators discovered, could not possibly have been placed in the vault in mid-1971. Their serial numbers indicated that they had been issued prior to that date, but they had not, in fact, been put into circulation until many months later. Someone had blundered.

From the investigation led by Henry Ruth, an assistant special prosecutor for Watergate, enough evidence has now accumulated to support the belief that Connally was given the \$10,000 and, once the heat was on, tried to give it back. According to this evidence, he received \$5,000 in May 1971, after helping to get the milk subsidies increased, and another \$5,000 in March 1972. It is not known what Connally did with the