

Watergate North?

Upon close examination, Nixon's Pennsylvania fund-raising efforts raise some potentially explosive questions.

By John Guinther

"I WAS APPOINTED chairman of the Pennsylvania Committee to Re-Elect the President [CREEP] in February of 1972, at a press conference held in Washington, D. C. I don't remember the precise date. But I'm sure there are news clips on it, and you could find the date from them." The speaker is Arlen Specter, District Attorney of Philadelphia, and the sentences quoted are vintage Arlen: meticulous, grammatical, the resonant delivery as ever carrying that undertone of sincerity he places in every sentence he utters, no matter how empty. The years of reporters and television cameras have given Arlen a lot of front, but what is increasingly uncertain—smooth interview after smooth interview—is how much is left underneath. He is a man who hardly ever hesitates verbally, absent the "ah's" and "er's" that mar the speech of many men when they know they are on treacherous ground. "I had nothing to do with financing," says Arlen. Twice.

"We followed orders," says courtly Frank McGlinn, the executive vice president of Fidelity Bank who was finance chairman of Pennsylvania CREEP. McGlinn is an old-timer in the more Union Leaguish upper echelons of Republican Party politics, a man whose reputation for integrity has always been impeccable. "They wanted to be sure," says McGlinn, "that everything was reported properly." It is mid-June; the Senate Select Committee Hearings on Watergate are in progress. "They were afraid we'd violate the law," McGlinn adds.

Most accountants spend their words carefully, measure by measure, even more than incumbent district attorneys do. Such a keeper of records is bald, cigar-smoking Harold Wessel, who, by the size of his office, is a top dog in the Philadelphia office of the nationally prestigious Ernst & Ernest business management firm. Wessel was treasurer of Pennsylvania CREEP. "We never kept official records of contributions over \$100," says Wessel.

Herman Bloom's smile comes and goes, as though he always has an imaginary handkerchief to his lips, wiping it on and off. Bloom's a nervous man. He's a man who has made enemies. And, right now, a silent man. Herman Bloom, a Philadelphia lawyer and former Democrat, doesn't want to talk about the 1972 campaign. "That's all in the past," he says, a statement which, no doubt, President Nixon would like fervently to agree with. Bloom was executive director of the Pennsylvania CREEP. His old, old

friend is Arlen Specter. "I've known Arlen since 1951," Bloom has often said.

Then there's Anonymous. Good old Anonymous. Anonymous had a lot to do with the 1972 Presidential campaign. Maybe \$20 million worth. But our Anonymous is not all those quiet contributors who filled CREEP's coffers before the April 7th, 1972 deadline, but somebody else, maybe in Harold Wessel's office. He's an Anonymous who made a mistake. He filed, in Harrisburg after the election, some ledger books. Maybe he did it out of habit, or maybe he did it out of the arrogance a landslide victory can create in the most humble minds. But he made a mistake, which CREEPERS, as we know, hardly ever do. Ask Jeb Magruder. Ask G. Gordon Liddy. They'll tell you.

Anonymous's ledger books, with their detailing of information that legally didn't have to be detailed, along with federal finance reports, show that Pennsylvania CREEP—or PCREEP, as we'll call it—had two fiscal purposes. One was to be an entity to help rich people legally avoid paying federal gift taxes, and apparently capital gains taxes as well. The second, and probably primary, purpose of PCREEP was to be part of a contributions mosaic that hid from the public who the President's major financial supporters were, how much they gave, and how the money was being spent. As part of this mosaic, national CREEP fabricated a policy of local "non-record keeping" as an integral part of a money laundering scheme, placing state committees like PCREEP in the inferior position of being money exchangers.

The national CREEP leaders who put these policies into effect have not fared too well since the election. The former chairman of CREEP, John Mitchell, is under indictment on criminal charges; the finance director of CREEP, Maurice Stans, is under indictment on criminal charges; the assistant director of CREEP, Jeb Magruder, is a self-admitted perjurer and suborner of perjury; CREEP counsel Gordon Liddy is a convicted felon. Still, they were good fund-raisers. Just a month before the 1972 election they were talking in modest terms of raising \$25 million for the President. Now, ten months later, they admit to raising more than twice that amount, though nobody knows for sure really how much was raised, or how much was raised illegally, or how it was all spent, or how much stuck to the fingers of money brokers here and abroad as the



CREEPers bent over their washboards cleaning all the money that was needed to re-elect the President . . . and, it now appears, to pay hush money to criminals.

By obediently following the national CREEP system, PCREEP may have violated the Pennsylvania Election Code and been party to, if not a direct participant in, violation of federal law.

As a result of *Philadelphia Magazine's* investigation, the Commonwealth of Pennsylvania has initiated its own investigation into the PCREEP operation, regarding the handling of both contributions and expenses. Involved at the local level may also be violations of the Philadelphia Home Rule Charter.

ORGANIZATIONALLY, PCREEP was divided into two sections, political and financial, and if Arlen Specter goes out of his way to say he had nothing to do with the financial part, both finance chairman McGlenn and treasurer Wessel go out of their way to say they had nothing to do with the political operation.

To get the ballplayers straight, Arlen Specter was in charge of the whole thing as chairman. He had as his executive director Herman Bloom, who appears to have lost clout as the campaign went on, although he had plenty at the beginning. This was probably partly due to the arrival of Al Gaudiosi, Frank Rizzo's honcho, who joined the PCREEP staff in August as state coordinator, although, according to Specter, Gaudiosi's salary requirements were so high that the local CREEP couldn't afford him and National, consequently, picked up his tab, which came to \$1,000 a week for 15 weeks. By late October, Bloom appears to have been replaced by Gaudiosi in all but name as executive director in Philadelphia, as Gaudiosi, supported by his CREEP salary, helped Mayor Rizzo put the arm on Democratic ward leaders and committeemen to dump McGovern. Like many CREEP activities, this was no particular success, with McGovern carrying Philadelphia by almost twice as many votes as Rizzo had a year earlier.

On the financial side, for most of the campaign, in addition to chairman McGlenn and treasurer Wessel, there was Reeves Bunting, former Republican Party state treasurer and Bloom's opposite number in finance. McGlenn was not salaried. Bunting was—at about \$500

a week. Wessel's firm made what appear to be reasonable charges for the accounting services they provided CREEP.

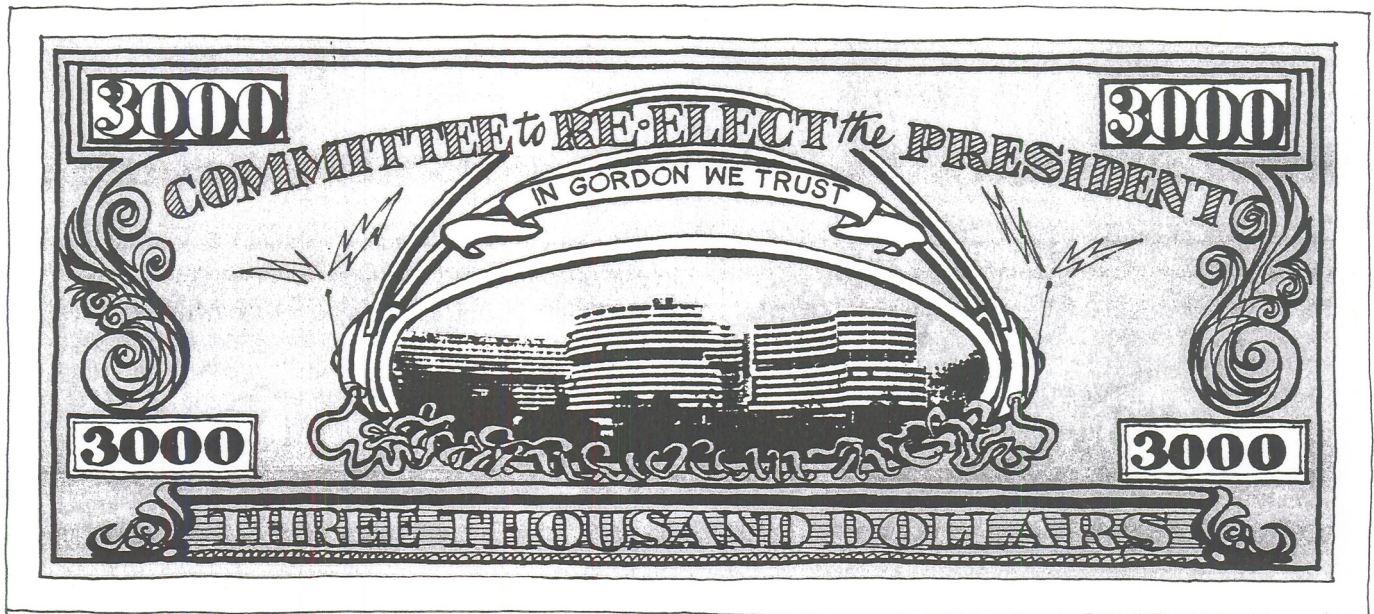
Physically, from about June 1972 on, the principal headquarters of the PCREEP state campaign were in Philadelphia at 1719 Chestnut Street, the entire four-story building rented for \$700 a month from the trustees for the estate of Martin Decker. (If this sounds cheap, it is. You try to rent a building on the 1700 block of Chestnut Street for \$700 a month. Even so, it was more than big Frank Rizzo's campaign organization paid the trustees of the bankrupt Decker a year earlier; Rizzo's monthly tab was \$600.)

PCREEP may or may not have had a treasurer before Wessel. Both Wessel and McGlenn say that Bloom was treasurer from April until the latter part of May. Specter says this was never so, although "Bloom may have made some disbursements." Bloom isn't saying one way or the other.

Somebody made some disbursements before Wessel became treasurer, and they seem to be almost all in even amounts, particularly for expenses and many of them to Bloom. (Specter is asked, based on his experience as a political campaigner, if expenses ordinarily come out to even amounts. "Never," says Specter.)

In view of Specter's professed ignorance of the expenditures and Bloom's silence, it is difficult to ascertain the details of those early expenses, particularly Bloom's. It becomes more difficult when one goes to Harrisburg and asks to see the vouchers submitted by PCREEP to prove campaign expenses and one finds that, according to Pennsylvania election officials, no such vouchers were submitted. That's a violation of the law.

The first expense PCREEP ever had (according to its ledger book) was to Bloom. On April 3rd, 1972, PCREEP paid \$500 for "rent" to Bloom, Ochs & Fisher, which is Herman Bloom's law firm, located in Herman Bloom's home. Specter has no recollection of having paid this out, although the PCREEP campaign did operate for a while out of Bloom's house. The same day Bloom collected the rent he also collected \$200 in expenses; two days later he collected another \$100 for postage and labels. On April 10th, he collected \$300 in unspecified expenses. April 13th, unspecified expenses, \$100. April 15th, unspecified expenses and salary lumped in one check, \$1,250. April 25th,



unspecified expenses, \$1,250. May 5th, unspecified expenses, \$1,000. May 9th, unspecified expenses, \$500. May 25th, unspecified expenses, \$1,000. Total payments to Bloom from April 3rd to May 25th, \$6,200. Total expenses paid Bloom after treasurer Wessel cracked down, from June to November, \$2,000. "Bloom tried to get me fired three or four times," treasurer Wessel says.

Specter does recall there were problems with expenses on and off throughout the campaign, and observes that in mid-October he issued a directive requiring that from then on all expenses required his personal approval. Frank McGlinn, however, recalls that another individual was involved in approving expenses and otherwise being politically active in the campaign. His name is Jon Steinberg.

About his role, PCREEP's two top officers—chairman Specter and finance chairman McGlinn—tell what appear to be mutually exclusive stories. Specter says unequivocally that Steinberg never participated in the PCREEP campaign; McGlinn says he dealt with Steinberg regularly on both financial and political matters. Other sources back McGlinn's recollection.

Before the 1972 Presidential campaign, during the entire 1972 Presidential campaign, and since the 1972 Presidential campaign, Jon Steinberg has been employed by the District Attorney's office. According to a 1967 State Supreme Court decision, that makes him a City employee, forbidden to participate in politics.* His salary is paid out of the City treasury. If McGlinn and others are to be believed, that means the public was paying Steinberg to work for Nixon.

Steinberg, 29, is a favorite of Specter's. Although he is not a lawyer, he has advanced rapidly up the ranks in the DA's office. After joining in 1969 as a law clerk at \$7,258 a year, Steinberg was promoted to "information officer" in September 1970 at a salary of \$10,186. The following July, he received what appears to be a line increment to \$10,836. Then, in October 1971, he got his big promotion, becoming something called "program development coordinator" at \$18,424 a year, an \$8,000 raise. Twenty days later, Steinberg got married, his bride the daughter of Specter's old friend, Herman Bloom. At present, Steinberg

*This interpretation was confirmed on July 2nd of this year when the State Supreme Court ruled that DA office employees were City employees and ordered a number of Specter aides, running for judge, to resign their jobs, and ordered the City to take them off the payroll.

makes \$19,939.

When asked about Steinberg's present function, Specter explains that Steinberg's the fellow community people are likely first to meet when they have a neighborhood problem. "Like taprooms," Specter offers as an example. Steinberg, Specter notes, also acts as his "scheduler."

Since a lot of Specter's 1972 scheduling involved politics, he is asked whether city employee Steinberg handled this for him. "No," says Specter, though he points out that in traveling he might combine "politics" with "legislative work," and "I made my own judgments about the proper use of my time." He goes on: "If I were in Erie, for example, I, ah, would contact media people. To that extent, and, uh, on other matters—but, if it were a political trip, ah, Steinberg would not handle it."

In fact, according to Specter (in response to a direct question), Steinberg was never in the PCREEP Chestnut Street headquarters. Certainly not on the staff. "Steinberg might occasionally call headquarters to check on where I would be," Specter says, but that was the size of it.

Others hold a different view. "Steinberg was Arlen's Ehrlichman," says one source, which, of course, does lead to the possibility that, like Nixon, Specter didn't know what his aides were doing. Harold Wessel says, "Steinberg was OK. Things improved when he came aboard."

PCREEP finance chairman McGlinn is also a Steinberg fan. He begins this way: "Herman Bloom was over and under. He was over-arrogant and under-qualified, and until Steinberg got there, I had a lot of trouble getting information. Steinberg at least tried to cooperate. If I wanted information on what was going on in the state, who was the chairman of a political committee, I got it from Steinberg. Also, if I needed to reach Specter, I reached him through Steinberg. I usually called him at a City Hall number. My impression," McGlinn adds, "is that he was in and out of the headquarters, and when the election was over I contacted Steinberg to make sure expenditures were authorized, because I felt some of them could be phony. Steinberg was our liaison with Chestnut Street . . . Wessel's and mine."

McGlinn also says Steinberg would call him about invitations to fund-raising affairs, something Bloom never did, and he remarks, "Jon would be the guy who would do Arlen's dirty work." By that, McGlinn hastens to add,

he doesn't mean Watergate-type dirty work, but unpleasant political tasks. He recalls an unauthorized Nixon headquarters in the southwestern part of the state, the closing of which Steinberg was required to handle, since the politically sensitive Specter didn't want to.

In addition to Wessel and McGlenn, other people worked with Steinberg politically. While Bloom doesn't want to talk about the campaign, he does admit, "You might have met Steinberg in my office." Also calling into question Specter's statement that Steinberg was never in the Chestnut Street headquarters is the comment of another PCREEP staffer: "Steinberg? I didn't see much of him, because I worked on the fourth floor, and he worked on the first floor out of Herman Bloom's office." A "Jon Steinberg" on two occasions did collect expense money from the PCREEP campaign: on October 19th, 1972, check no. 2437, \$83.73; on October 31st, 1972, check no. 3293, \$220.10.

In addition to the Home Rule Charter provision forbidding political activities by City employees, if what McGlenn says is true, then Steinberg may have also violated another Home Rule Charter prohibition, one which carries criminal penalties. Chapter 10, Section 107, Paragraph 3 states that any "employee of any governmental agency whose compensation is paid from the City treasury" is prohibited from being directly or indirectly involved "in any manner" in the solicitation of funds for political purposes. If, as McGlenn says, Steinberg was liaison between the political and the financial people, he may have violated that provision.

It depends finally on whom you believe, the district attorney of Philadelphia or the executive vice president of Fidelity Bank.

At least one PCREEP staffer did leave city government when he went to work for Nixon, chubby young attorney John Michael Willman, a former *Inquirer* reporter who held a top staff position at PCREEP as press secretary. Still in his 20s, Willman's rise in city government, like Steinberg's, has been pretty spectacular. Particularly in 1972. Indeed, Willman may be one of the few employees in Philadelphia city government who ever got a raise *after* he left a job. According to City personnel records, Willman joined the Court Administrator's office as a deputy in February 1971, eventually to earn a salary of \$16,742 by February 1972. On February 28th, 1972, he got a raise to \$18,054. Then on April 18th, 1972, he got still another raise, this time to \$20,271 or \$4,000 in increases in two months. Unfortunately, Willman wasn't around to enjoy it, because by then he was already working full-time for PCREEP, his last full day at the Republican-dominated Court Administration office having been March 24th. Even so, it put him on a nice salary plateau when it became time once more to take up his burden as a civil servant, which he did two weeks after the election, this time in the DA's office. Salary, \$22,500. But that wasn't to be all. On January 1st, 1973, former PCREEP press secretary Willman got still another raise, this time to \$24,000. He is now chief of policy planning in the District Attorney's office, his office just outside Specter's.

Nor is Willman the only former PCREEPER to end up in the DA's office. Young Bill Powell, described by sources as Steinberg's assistant during the PCREEP campaign, is employed there as a law clerk.

Bob Moss, though not a CREEPER, is still another politically experienced chap who works for Specter. He was top aide to Thacher Longstreth during the latter's unsuccessful run for the mayoralty in 1971. Widely regarded as Specter's eyes and ears in the Longstreth campaign, Moss

has an association with the DA's office going back to 1966. A non-lawyer like Steinberg, Moss is presently employed by Specter as a consumer protection coordinator. Salary, \$19,198.

Among them, Steinberg, Moss, Powell, and Willman collect more than \$70,000 a year from the city treasury.

A Republican who wants to remain anonymous but who isn't notably fond of any of the major participants put it this way: "Everybody was out for themselves during that campaign. Nixon was a shoo-in, so Arlen spent most of his time going around the state promoting himself for governor, and Al Gaudiosi was doing the same thing for Rizzo. I guess they were all kind of lucky at that. They were so busy helping themselves, they never got involved in doing dirty for Nixon."

ONE OF THE FIRST THINGS you notice when you study PCREEP's financial reports is that most of its contributions came from non-Pennsylvanians. Or, in the happy phrasing of Anonymous, "Sent from Wash."

Speaking of laundering, let's start with Robert L. Vesco, whose name may ring a bell. If it doesn't, you should check with former Secretary of Commerce (and national CREEP finance chairman) Maurice Stans, or call former Attorney General John Mitchell. Vesco, you'll learn, is the fellow whose \$200,000 anonymous contribution prior to April 7th, 1972 (sloshing its way through a Mexican laundry) led directly to the indictment on criminal charges of both Stans and Mitchell. What has received less attention is that Vesco later gave additional contributions to CREEP, or at least to PCREEP.

On September 20th, 1972, PCREEP received "sent from Wash" a \$3,000 check from Mr. and Mrs. Robert L. Vesco of Boonton, N. J. It seems that PCREEP officials didn't recognize Vesco for the important man he is. Instead of associating him, on their returns, with Investors Overseas Services Ltd. (Bernie Cornfeld's Swiss-headquartered mutual fund disaster), PCREEP describes Vesco as a "finance consultant, self-employed." There are those who say he employed the entire Nixon Administration, to say nothing of the country of Costa Rica.

Another \$3,000 check "sent from Wash" listed by PCREEP comes from a "retired entertainer," name of Frank Sinatra. (Incidentally, all you Sinatra fans out there, if you want to write your hero, his home address is Frank Sinatra Drive, Cathedral City, California.) According to *Newsweek*, New Jersey gangster Gyp De Carlo gives Sinatra credit for successfully prevailing on the Nixon administration to get a commutation of De Carlo's sentence. Administration officials deny this.

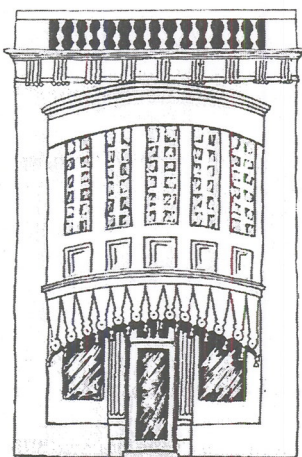
Still another \$3,000 check pipelined from the wash came to PCREEP from J. Paul Getty on September 15th, 1972. The largest single check PCREEP received in the entire campaign was also from out of state, \$6,000 from Mr. and Mrs. Raymond Kroc; he's chairman and chief executive officer of McDonald's Corporation, which, according to Jack Anderson, got special consideration for a price increase on cheeseburgers during the price freeze.

Somewhat less generous to PCREEP was Stanley Goldblum, and if his name gives you a chill it's probably because you dabble in the stock market. Goldblum, of 1900 Avenue of the Stars, Los Angeles, was president of Equity Funding Corporation of America, which did some funny things with its books, too. On October 30th, 1972, Goldblum rushed (via Washington) precisely \$2,256.90 to aid the beleaguered PCREEP.

Nor did contributions stop coming from out of state to PCREEP just because the election continued on page 124



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was over. So enthralled, for example, was Elizabeth Williams by Arlen's Pennsylvania performance that she sent PCREEP \$99 on November 14th, 1972. Ms. Williams lives in California. Her contribution came just one week after a "self-employed investor" from Houston, Texas, "sent from Wash" \$3,000. His name? Howard R. Hughes. Cleveland industrialist S. E. Knudsen was also good for \$3,000 "sent from Wash," as was the Philadelphia Phillies' Bob Carpenter of Delaware.

Early in November some other biggies came across, though with the oddest amounts. J. Willard Marriott "sent from Wash" \$2,383.42. William J. Levitt, the builder to whom all suburbia owes a debt, also kicked in about the same time. Sent from Wash, \$2,552.79.

A clutch of out-of-state contributors, all of whom enjoyed figuring out odd-sized checks and all of whom contributed to PCREEP *after* the election, were: Neil A. McConnell, president of McConnell & Co., New York, \$2,545.13; Fred R. Sullivan, Walter Kidde & Co., Clifton, N. J., \$1,116.90; Ben Voth, Tulsa, Oklahoma, \$2,212.03; and W. S. Farick III, Houston Country Club, Houston, Texas, \$2,123.57.

All these gentlemen, along with the Messrs. Goldblum, Carpenter, Marriott, Levitt, and Knudsen, also gave exactly the same amounts of money on the same day to some other Nixon committees, including, though not necessarily limited to, the Media Committee to Re-Elect the President, the Radio Committee to Re-Elect the President, and the TV Committee to Re-Elect the President.*

In total, PCREEP reported contributions of \$1,203,068.49 and disbursements of \$1,242,007.87. But don't pass the hat for Arlen. Not only was it typical (based on the records of the Victory Committee, the TV Committee and the like) for a sub-CREEP campaign to end up in the hole, but in the case of PCREEP more than \$100,000 of its expenditures are in the form of transfers of funds *back* to Washington.

Out of that \$1.2 million contribution total, about \$450,000 was in

*What all these committees seem to have in common is that they are fakes. The Media Committee to Re-Elect was typical. It shows expenditures of \$5,051,126, of which all but \$400,000 was in "transfer of funds" from it to national CREEP. Another one, Victory Committee '72, turned over \$4 million of \$5 million in receipts to national CREEP. In all cases, the odd-sized checks dominate; the committees clearly existed for the sole purpose of being repositories for contributions that CREEP couldn't show elsewhere. Large contributions from Hank Green-spun, the Las Vegas publisher and supposed Nixon target, also show up in these "committees."

operating funds sent PCREEP from time to time by Washington. This is standard operating procedure. Of the remaining \$800,000, it appears that \$600,000 was either "sent from Wash" or is identified in the ledger books as "out of state."*

In sharp contrast with the PCREEP report is that of the Pennsylvania McGovern for President Committee. It shows that about 90% of its contributions were from Pennsylvanians.

When asked about the high percentage of out-of-state contributors, finance chairman McGlinn has a number of explanations. He points out that some may have given before the April 7th deadline against anonymous contributions. He points out that other good Pennsylvania contributors of years past have since passed on to that great tax shelter in the sky. Of the remainder, he notes sorrowfully, many are "cheap."

Yet, somehow, McGlinn says he did manage to raise \$2 million from Pennsylvanians for Nixon.

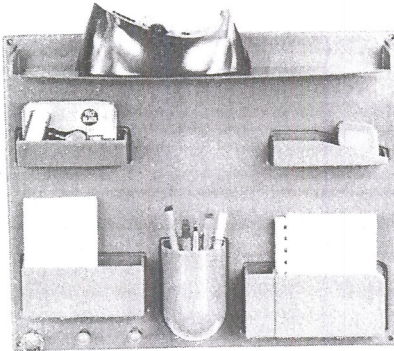
Don't get confused now! True, the PCREEP returns show only \$800,000 in contributions in total and only \$200,000 roughly from Pennsylvanians instead of \$2 million. But there's a good, logical and even legal explanation for all of it—well, maybe not for *all* of it. To get some kind of handle on what went on, it's best to first take a primer course in federal gift tax avoidance and then another little primer course in stock sale donations.

TO BEGIN WITH, donors, not recipients, pay gift taxes. Anybody in the course of a year can make a gift of up to \$3,000 to any other person—which apparently includes political committees—without having to pay federal gift taxes. (Husbands and wives, filing jointly, can give up to \$6,000). Further, you can give as many of these \$3,000 gifts as you want annually as long as they are each to a different person. Thus, if you give your son a gift of \$3,000 and his wife a gift of \$3,000, you pay no federal gift tax. On the other hand, if you give your son a single check for \$6,000, you pay gift tax on \$3,000 of it.

While, for most Americans, gift tax statutes are of only the most

*The exact figure is hard to tell. According to Pennsylvania officials, their computations indicate that PCREEP's *state* report doesn't jibe with the federal report: Anonymous' ledgers show a higher figure on major contributions from out of state (\$2,000 and more) than do PCREEP's *federal* reports. If anything, it should be the other way around, since federal law requires continuing reports as long as any money keeps coming in, while the state requires only reports on moneys received through a period of 30 days following the election.

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esoteric interest, for the wealthy they can be onerous, not only because they exist in the first place but because they are both graduated and cumulative. That means if you give a \$50,000 gift to somebody one year and \$25,000 to the same person a second year, you pay taxes the second year not just on \$25,000 but on the cumulative \$75,000. On top of that, because the tax base is graduated, the more you give, the higher a rate you pay.

Since a principal occupation of the upper class in this country is figuring out ways to make the middle class pay for the lower class, the wealthy naturally see gift taxes as something always to be avoided. It has, therefore, been traditional for political campaigns to set up all manner of committees, so that the wealthy can give a whole lot of checks, each of which must be made out and signed by the donor, and none of them for more than \$5,000. This explains why the single largest donation sent from the Washington laundry was a "Mr. and Mrs." for \$6,000 and why there were so many \$3,000 ones.

The Republicans in Pennsylvania, McGlinn is quick to point out, went out of their way to help their wealthy contributors avoid paying taxes. If PCREEP received a check for, say, \$30,000, the solicitor would advise the contributor that he should instead make out 10 checks for \$3,000 each, even proffering the donor a list of committees from which he could choose. In so doing, PCREEP appears to have been following National's orders.

Therefore, we can assume that one reason almost 90% of the \$2 million McGlinn raised in Pennsylvania does not appear on the Pennsylvania contribution reports is because it was spread out among other committees to help the donors avoid paying gift taxes.

Even so, you would think that well-heeled Pennsylvania Republicans would show up on the Pennsylvania contribution reports for at least \$3,000 each. Few do. For example, of the couple dozen names on the Southeastern Pennsylvania Finance Committee to Re-Elect, only three or four appear on the Pennsylvania list for any amount. Also absent entirely are such Pennsylvania Republican names as Mellon, McCabe, Dorrance; absent too are the big banking, the big steel, and the big oil names (except for a tiny clutch of Pews).*

*H. J. Heinz II, the pickle king, does show up twice, first in the summer of 1972 for \$3,000 and then after the election for another \$4,711.55, which would put him presumably over the gift tax ceiling. This second donation on PCREEP's federal report carries the notation "deposited by us in error contrary to intent of contributor —See Part 10." Part 10 carries no reference to

McGlenn thinks, even though they don't appear on Pennsylvania reports, that it should be easy to track down the 90% of PCREEP's \$2 million receipts that aren't recorded. He should try. Federal law requires intermittent reports during the course of a campaign, so not only National CREEP but every other committee which their lively imagination could come up with each filed seven or eight reports, each with the contributions of the specific period. A spot check of national CREEP's thousands of pages of print-outs on contributors shows, for the most part, only relatively small contributions, more than \$100 but almost all less than \$1,000. The rest is shown as "transfer of funds" to other states. That means to begin to find out what a Pennsylvanian contributed through PCREEP, one would have to not only go through all of National CREEP's print-outs but through every one of the seven or eight different reports each state filed in Washington, plus all the miscellaneous committees.

Another reason Pennsylvania contributors are lost in the myriad of CREEP records is that, acting on National's orders, PCREEP did not record any contributions it received over \$100, but instead sent them directly to Washington. According to Wessel, even if a check for more than \$100 was made out to PCREEP, it was forwarded to Washington and "we kept no official records of it." McGlenn agrees this was the policy but adds that "at one point" National CREEP began to require that all checks over \$100 be made out to it rather than PCREEP.

In following National's orders, PCREEP may have been violating a law it should have been aware of. Federal law does not require identification of contributions in amounts of \$100 or less, but allows them to be listed as "unspecified income" in federal reports. It does require name of donor, address, occupation, and day, month, and year of receipt of checks in excess of \$100. Pennsylvania law, however (Election Code section 3227) requires that every contribution received by a political committee shall be filed in Harrisburg, including "the name of the person from whom received." According to what both McGlenn and Wessel say, PCREEP did not do this.

The Pennsylvania McGovern for

it. However, there is a \$1,711.55 contribution noted there to "Host the President Committee," which Wessel thinks may be what happened to the money, although he admits he has no knowledge of what "Host the President" was and admits "we could have shown that more clearly." The transfer was made toward the end of December.

President committee interpreted this law strictly. It was their view, according to one of their top officials, that even if a contributor *asked* them to pass on a contribution to Washington, they had to report it under Pennsylvania law.

A related problem is presented by those odd-sized checks, such as Goldblum's and Marriott's, which PCREEP received. The PCREEP report is peppered with them, all "sent from Wash." McGlenn identifies these as stock sale donations, by which the wealthy avoided paying not only gift taxes, but capital gains taxes as well. It's all very complicated, but basically what you do is donate stock to the candidate of your choice which, assuming the stock is now worth more than what you paid for it, allows you to avoid capital gains tax on it—a handy tool for the wealthy. Also, in a loophole big enough to make any fund-raiser and any campaign-wise contributor salivate, you are liable for gift tax only on what the stock originally cost you. Let's suppose, as many CREEP contributors were, that you are president of a corporation. You bought stock in your corporation many years ago at 25¢ a share. It's now worth \$9 a share. You love Nixon or want a favor from Washington or whatever and so give CREEP 10,000 shares. CREEP realizes \$90,000, less broker commissions (hence the odd dollar amounts), while you show a gift of only \$2,500, which frees you from paying gift tax.

Harold Wessel, however, is a little less certain whether Marriott's \$2,383.42 and Goldblum's \$2,256.90 were actually stock donations. "We can only presume these were stock donations," he says. And: "We presumed Washington handled them legally."

There could be several good reasons for Wessel's caution. Reason number one is that the stock gimmick, as applied in the 1972 campaign, was a device (according to McGlenn) dreamed up by one G. Gordon Liddy, who, when he wasn't busy being CREEP's counsel, occupied himself as a telephone repairman, all the while dreaming dreams of extortion, kidnaping, and blackmail.

A second reason for Wessel's caution appears to be that he doesn't factually know that these odd-sized checks came from any individuals. "With one exception," he says, all checks which PCREEP received "sent from Wash" were signed by the donor and made out to PCREEP. The exception was the "presumed" stock sale contributions. They were signed by

National CREEP. How then did Wessel know to whom to credit them? Well, Washington provided us a list of names, Wessel says. "We often had to look the person up in *Who's Who* to identify him," he adds.

Opened up by these "presumed" stock donations are hairy legal areas which not only could—but very likely will—occupy many a high-powered lawyer and many a high-powered client over a high-powered period of time. Although they seem to have gotten hardly any stock donations, the Pennsylvania McGovern people had a policy on how to handle them, a legal theory much at odds with both PCREEP's and National CREEP's. The McGovern view was that in order to comply with state and federal law, stock donations had to be *accepted* and *sold* in the state of origin and accompanied by a letter of intent signed by the donor. If the McGovern theory is the exclusively legal one, then not only CREEP but a lot of their contributors could be in big trouble, since this manifestly was not done. In fact, according to one attorney who is knowledgeable in this area, if National CREEP received such donations and was ordered by the donor to act as the broker on the sales, then properly such contributions should have appeared solely on National CREEP's reports. A spot check of National CREEP's reports shows no such "presumed" stock sale donations in the revelatory odd amounts. (PCREEP, according to Wessel, did pass a federal GAO audit, which may indicate they handled the stock donations legally. That doesn't necessarily imply that National CREEP did, or that PCREEP could pass a state audit, which has never been done.)

PCREEP's handling of contributions of \$100 or less also raises some interesting problems, which brings us back to the ledgers submitted by Mr. Anonymous. They show that not only were the majority of PCREEP's over-\$100 contributions from out of state, but that at least 40% of its under-\$100 contributions were also from out of state.

Some of them boggle belief, particularly when we keep in mind Wessel's unequivocal statement that *every* contribution PCREEP recorded was from checks made out to PCREEP and signed by the donor (except, of course, for the "presumed" stock donations).

Take Mark Edward Minyard, for example. He sent PCREEP 25 cents. From Fullerton, California. ("I can't explain that one," says Wessel.) Min-

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CREEP

yard, reached by telephone, says he sent the quarter to cover the cost of a Nixon button. Or, how about Augusta Petrone. Why would she send PCREEP \$90 from Marshalltown, Iowa? Or Brigadier General Glenn Goodhand (U.S.A. Ret.), a big sport from McLean, Virginia, who coughed up \$35 for Arlen's forces.

By far the strangest single category in Anonymous' books, however, is the one he defines as "Bethlehem Steel." These go on for 29 pages of one ledger book and come out to a total of \$4,919, all in sums of less than \$100. (Presumably, of course, checks which were "Bethlehem Steel" and in excess of \$100 went to the Washington wash and could show up anywhere.)

The majority of the small Bethlehem Steel checks come from out of state. Timothy Ahrens of Michigan City, Indiana, for example, sent PCREEP \$10; Dennis Kizemier of Chicago made out a check to PCREEP for \$1; J. R. Vinovich of Merrillville, Indiana, \$5; Thomas Koswe of Valparaiso, Indiana, \$2; Eugene Herzog of West Coving, California, \$25; James Kotkowski of Baltimore, \$11 (yes, \$11; Wessel agrees that's a strange amount); Frank J. Jeramus, St. Claire Shore, Michigan, \$10; Ernest Bentley, McRoberts, Kentucky, \$1; and on and on.

When asked about the Bethlehem Steel contributions, Frank McGlenn recalls that Bethlehem Steel has a bipartisan program to encourage employees to contribute to the party of their choice. If so, it's a well-kept secret from the Democrats. At least a top McGovern fund-raiser says he never heard of that campaign, and doesn't know of one penny which McGovern received that can be identified as from a Bethlehem Steel campaign. Wessel thinks the Bethlehem Steel contributions were a result of asking executives to contribute. "We do that sort of thing in our own office," he says. If so, based on the amounts shown, Bethlehem Steel executives for the most part must be a cheap bunch although, considering the far-flung places in which they live, remarkably dedicated to making out small checks to Pennsylvania. (Something, as we have observed, you can't say about Pennsylvanians.)

Bethlehem Steel spokesman Henry Von Spreckelsen has his own version of the Bethlehem Steel campaign, which also doesn't answer a lot of questions. He says it was limited to "middle-management people" and "secretaries," some 28,000 in all. Con-

tributors were to send their contributions in sealed envelopes to their district supervisor with the name of their candidate on the outside. Von Spreckelsen at first says he has no idea how many contributions were made and then says "that is privileged information." He cannot explain why the majority of Bethlehem Steel's employees, the steelworkers, were not also "encouraged" to support the candidate of their choice.

One of the Bethlehem Steel contributors, William Schnure of Valparaiso, Indiana told *Philadelphia Magazine* he gave \$50 to CREEP but didn't know how it wound up in Pennsylvania.

Bethlehem Steel is not the only steel company identified as a contribution source in PCREEP's books. A number of pages of contributors, mostly in the \$15 to \$40 range, are described as "J-L Steel Company" (presumably, Jones & Laughlin). More profitable, it seems, was a drive from good Republicans employed by Pittsburgh-Des Moines Steel Company, in which most contributing employees somehow all happened to hit on \$100 as the proper amount. Out of the foundries, but closer to home, was a "Central Penn National Bank" list of small contributors—again, anything over \$100 would have gone to the wash—in sums ranging from \$5 to \$25. McGovern sources in Philadelphia have no knowledge of any bipartisan program put together by Central Penn, though they do recall that First Pennsylvania Bank made what appears to have been a genuine effort in that direction. Nothing, however, identified as First Pennsylvania shows up in the PCREEP books. If Central Penn had nothing to do with raising money for Nixon, as by law it shouldn't have, how did Anonymous know these were Central Penn contributions?

A spokesman for Central Penn says its program was a "bipartisan" effort, but was limited to officers of the bank who were "encouraged" to send their checks to the bank's cashier, who is one of its top executive officers, Edmund Williams Jr. Williams says he kept a record of who donated. Not surprisingly, there were few checks for McGovern. The bank has no explanation as to why it doesn't "encourage" all of its employees to support the candidate of their choice.

Without assuming this occurred in the Bethlehem Steel drive or any other, it is evident such company-originated programs offer excellent opportunities for abuse. An unscrupulous corporation (which Bethlehem

Steel, of course, is not) using the CREEP laundering system could wash around the country absolutely enormous sums of money without its ever being traced back to its origin, especially since contributions of \$100 or less don't have to be attributed to individuals on federal returns. In fact, had Anonymous not handed in the original ledgers, there would have been no way of knowing that a Bethlehem Steel or any similar campaign existed. Had Anonymous done his job properly and simply had the small donations re-typed, omitting source and address, the Bethlehem Steel contributions would have looked like the typical small donations any campaign can be expected to receive. When to this picture is added the recent newspaper reports of PCREEP's finance man in Pittsburgh passing around a memo bellyaching about Pittsburgh corporations not filling their quotas, it appears there is prima facie evidence for the Commonwealth of Pennsylvania to institute an investigation to determine the legitimacy of all PCREEP's donations identified in its ledgers as being associated in some way with a business firm. Pennsylvania law, like federal law, forbids donations from corporations. *Philadelphia Magazine* has reason to believe that at least one major Philadelphia engineering firm asked executives to allow their names to be used for donations which really came from the company.

ONE RESULT OF WATERGATE has been a number of proposals for reform of our federal election laws. Most of these reforms have been triggered by the amount of money CREEP raised and the uncertainty over the purposes to which it was put. Nor have we reason to be confident that National CREEP's latest admission of \$58 million is any more truthful than its earlier admissions. "Toward the end of our campaign," Frank McGlinn says, "I had difficulty raising money because people couldn't understand what the money already raised had been used for." The President, it will be recalled, did precious little campaigning, and his television advertising expenses appear to have been exceeded by McGovern's. "I often wondered myself what it was being used for," McGlinn admits. As well he might have.

The odious uses to which CREEP put contributions tend to make us lose sight of the fact that the McGovern campaign, like CREEP's, had almost equally tight financial controls also in the hands of very few men. As it hap-

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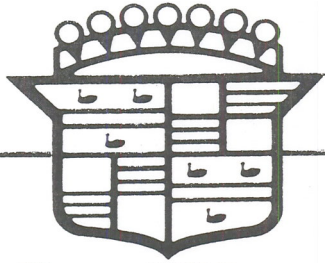


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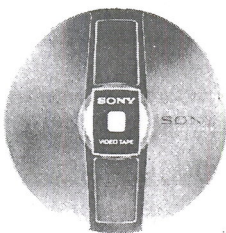
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pens, perhaps because they weren't tempted often enough, the McGovern people appear to have taken a high road. The White House CREEPERS, perhaps because they were tempted too often, took a low road.

"We were following orders," says McGlinn. "We presumed they were acting legally," says Wessel. "I had nothing to do with finances," says Specter, as if this rinses away from him the responsibility for how the group of which he was chairman comported itself. As they say in the laundry, it just won't wash.

All of them, and particularly Specter, whose job it is to uphold the law, should have asked questions and demanded answers. They knew that Pennsylvania law required a listing of all contributions, not just those of \$100 or less, and they knew that even if they were sliding around that law legally by forwarding them to Washington, they were clearly violating its spirit. They knew, when they filed their reports, that the money they listed as contributions bore only the most incidental relationship to the actual moneys they had raised. Wessel, for one, should have questioned all those small donations, \$1 from Indiana, \$11 from Maryland, 25 cents from California, \$2 from Illinois. Such contributions are suspicious on their face, and the PCREEPERS were sophisticated enough to know it.

The Commonwealth of Pennsylvania will decide whether prosecutions are called for, and if they are, Specter, running for re-election, will almost certainly dismiss them as politically motivated. That need not concern us.

What concerns us is the need to strengthen our laws so that in the future political candidates will find it difficult to obscure who their contributors are, how much they gave, and how the money was spent.

One reform suggested is that, from now on, all Presidential campaigns be funded out of the public treasury, with equal, limited amounts given to both major candidates. A variation would allow private contributions, but with a low ceiling on expenditures. The first suggestion would undoubtedly cut down on a lot of the hanky-panky, but it presents serious constitutional difficulties. The second assumes that the candidate is only going to raise what he needs to spend, a proposition which, as we have seen from the CREEP experience, is of doubtful validity. Neither suggestion deals with fund-raising during the primary election period, when candi-

dates are just as vulnerable to temptation.

Others urge, cogently, that the \$3,000 gift exemption be eliminated on political contributions. They also propose that on stock donations, the price at which the stock is sold (rather than the original cost to the donor) be the applicable amount for tax purposes. Both these reforms would not only raise additional tax revenues, but would also cut down on the numbers of committees a Presidential campaign creates just for the purpose of these tax dodges. It would, therefore, then become easier to find who contributed how much. Such reforms are long overdue and, if passed, would eliminate many major abuse areas.

Politicians, however, have not yet reached the point where they are about to strangle those two golden geese, stock sale benefits and gift tax loopholes.* In view of that, other reforms involving *decentralization* of Presidential campaigns seem not only in order but practicable.

The reason usually given for centralized campaigns is that a Presidential election involves national issues, and that if every state campaign is allowed to do its own thing, anarchy would result. This argument has merit in issue areas. A Presidential candidate should be able to spell out his issues nationally, have cohesive literature, and uniform, coordinated advertising. In the finance areas, however, decentralization, coupled with more stringent disclosure laws, offers hope.

First of all, federal election law should be changed to require that *all* contributions be listed by their state of origin. This would work two ways. The national campaign committee would be required to list all contributions *it* receives by state.

Second, each state committee would have to list the *total* it receives from any contributor, including tax avoidance checks. Thus, if as a Pennsylvanian you give \$30,000 to a Presidential candidate and want it spread among ten committees, Pennsylvania would still have to list you as a \$30,000 contributor, showing how your money was disbursed.

Third, Anonymous inadvertently did the right thing in identifying all those campaigns like the Bethlehem Steel one. Maybe these are innocent, and, if so, full disclosure is not going

*When, during the Senate Select Committee hearings on Watergate, Senator Ervin of North Carolina began questioning in this area, both his fellow Democrats and Republicans were quick to move him away, nor did Ervin himself ever return to the subject.

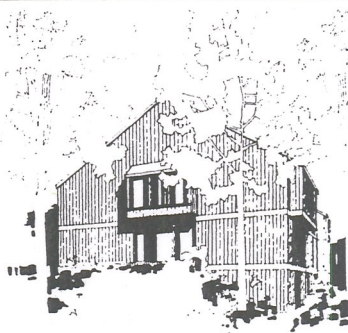
to hurt them. Therefore, any business firm which engages in any form of fund-raising, no matter how voluntary, for a Presidential candidate should be required to keep records of the amount that "voluntary" campaign produces and submit its figure nationally, as well as in the state. As citizens, we have a right to know which corporations are trying to get a major stake in a Presidential candidate, or, as it might be called, "Ves-coizing" him. If such a disclosure law has the effect of discouraging such efforts, we're probably much better off without those efforts.

At a minimum, any company "encouraging" financial support for candidates should do so for all its employees, and it should not be allowed to see or learn in any way which employees contributed and to whom, as occurred in the Central Penn Bank situation.

At the same time, state campaigns should be required to pay for what is spent in their state. The PCREEP expense ledger books, for example, show almost nothing spent for advertising and only nickel-and-dime amounts for "printing" costs. Even if the advertising is created and scheduled by National, it should be a state function to pay for it on a pro-rated basis. The same would be true of literature. National would still be allowed to send funds to state committees, but only for specified purposes.

No election reforms are ever going to be written that the fecund mind of a G. Gordon Liddy is not going to find some way around. Have no doubt about that. The aim is to make it maximally difficult for him to do so.

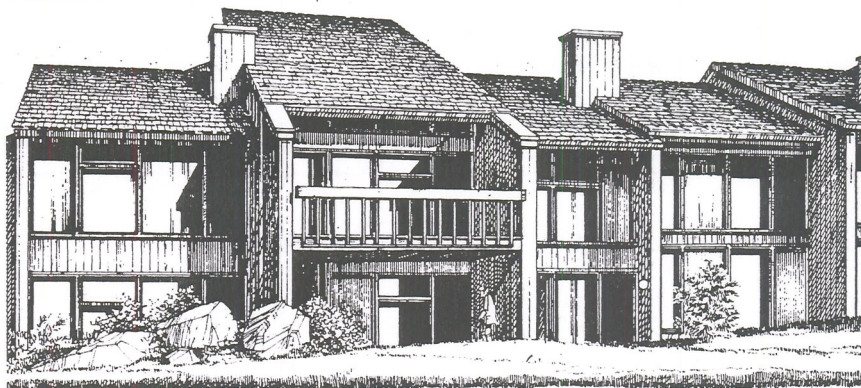
By taking out of the hands of the few the ability to hide contributions and to spend money as they wish, we are going a long way toward accomplishing that goal. In so doing, we will probably also be setting up situations that will make it relatively easy for local politicians to figure out ways to use Presidential contribution money for their own purposes. This, in fact, is a fear that has always been implicit in a national campaign's reluctance to give state campaigns any real financial responsibility. But that, really, is an internal matter. Safeguards can be created by campaigns, and the more they enforce full disclosure provisions, the easier it will be for an honest national campaign to keep its local people honest, too. The public interest, ultimately, is that it is less harmful for a few politicians in some states to rip off money than it is for a handful of top national officials to rip off an entire election. ■ ■



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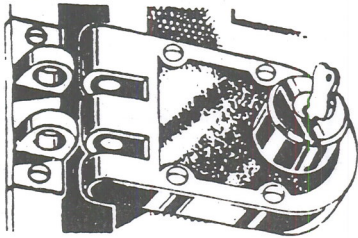
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Green continued from page 85

for humanity into him."

Ralph Gray is a hurt man. He's hurt because his son won't let him see his own grandchild. He's hurt because his son keeps rubbing things in—like the day he sent one of his men over to hand deliver a copy of Green's official name change certificate.

Ralph Gray says he tried to be a good father to Jerry Green, he helped him, gave him jobs, but when it got down to name calling, he got disgusted and fired him. Ralph Gray says he worked hard all his life to get where he is. He does not owe his success to anyone.

Ralph Gray does not speak so highly of Jerry Green. And these days he's not the only one.

Green's being sued by a big local security agency. An agency official says he hired his security services, and he wasn't paying. The man went down to Green's office to try to collect. He says Green made him wait for two hours like some errand boy and then called him in, cursed him out and refused to pay. According to a former Mirror World secretary, this kind of treatment was standard, even to his own people.

He did have his kinder side, though, the secretary says. Green would be the first one to tell you that. "I may look like a bastard," he says, "but I've got a heart of gold." One day he promised a salesman who was trying to close a big deal, "You make that sale, you get a Caddy." The sale was made and Green called up a leasing company and got the man a Cadillac. He always treated himself well, too. In the time this secretary was with him, he acquired four different Cadillacs in five months.

He also gave the secretary a Great Dane but not until he made her agree to a contract stating that while she could have the dog, Green maintained all the rights to any puppies it might bear. And several months after he physically threw her out of the office, he took one of the puppies away. Only her feelings were hurt.

With another employee, she remembers, he was not so gentle. She says he once pushed a salesman named Willie Pontarelli into a glass door.

EVIDENTLY, GREEN MADE UP with Pontarelli. He must have, because he's now living at the same address in a small row house in South Philadelphia. At least that's what Green swore to the Philadelphia voting registrar when he signed up to vote in January of this year. He swore that this was his address, and that he's lived in

Pennsylvania all his life.

The house, at 1523 S. Stanley Street in the 33rd division of the 36th Ward, actually belongs to Aurelio "Willie" Pontarelli. Green and his wife and their small daughter actually live in a much bigger house on Hialeah Drive in Cherry Hill, New Jersey. Green admits that "my family lives there," and that he oftens eats and sleeps there, but says he's so busy working seven days a week, 18 hours a day in Philadelphia, that he actually doesn't consider that his residence.

He's had the house in New Jersey for almost five years now. Before that, he was registered to vote at his Park City West address in Philadelphia. In fact, he voted there in four different elections. But when he signed the Stanley Street voting registration, he legally swore it was his first registration. So he's now a registered Republican from South Philly. His original intention was to capitalize on all his television and newspaper advertising popularity and run for Ben Donolow's state senate seat. He says he was asked to run by a high-ranking Republican. He won't name him. He says his bid was quashed by political pressure on his business by certain Democrats. He won't name them, either.

All that's certain is that he's claiming to live in Pontarelli's house on Stanley Street. He has no listed telephone there and his cars wouldn't fit into the tiny parking spaces, but that's what he's sworn to. To further add to the confusion, Ralph Gray says Pontarelli showed up at his place last month, trying to get a job.

It's that kind of business, specialty salesmen switching from one company to another. Sometimes it's hard to keep track. Jerry Green says he doesn't like high-pressure salesmen. "I would like to feel my sales ability is because I am a salesman, not a liar," he says.

"WHEN I LEFT my father's business and got out on my own for good," Green says, "I went to work for a carpet company that had 21 salesmen. They were all the type of salesman I hated. They were high binders, they'd do anything to make a sale. I don't even like to be with those people. They're not working in my company today. My men show people everything we have, and they can buy whatever they want."

The salesman wore white patent leather loafers and a white short-sleeve knit shirt, open at the neck. He looked in his late 40s. In his green case were samples and pictures of mirrors. He