Minnesota Mining, 2 Ex-Officers Indicted In Tax--Fraud Case Tied to Slush Fund

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WASHINGTON — Minnesota Mining & Manufacturing Co. and two of its former officers were indicted by a federal grand jury on tax-fraud conspiracy charges stemming from the company's $634,000 secret political slush fund.

Named in the indictment, besides Minnesota Mining, were Bert S. Cross, chairman and chief executive officer until 1970, and Irwin R. Hansen who recently resigned as vice president, finance. Both remain directors of the company.

In St. Paul, Minnesota Mining declined to comment on the indictments, in view of the pending litigation.

If found guilty, Mr. Cross would face maximum penalties of five years in jail and a $10,000 fine, while Mr. Hansen would be subject to up to eight years in jail and fines up to $15,000. The maximum penalty for the company would be a $15,000 fine.

The indictment, issued in federal district court in St. Paul, accuses Messrs. Cross and Hansen of conspiring to defraud the government by claiming a total of $634,000 in fictitious deductions on the company's tax returns from 1963 to 1969. The deductions were listed as insurance premiums and legal fees, the indictment says, but the deducted funds actually were "laundered" in Switzerland and returned to Mr. Hansen's office safe to be dispersed to political candidates or organizations from 1963 through 1973.

Numbered Account

Those who received the funds weren't listed, but Minnesota Mining and its chairman, Harry Heltzer, pleaded guilty in 1973 to contributing $30,000 in corporate funds to Richard Nixon's presidential re-election committee in 1972. And on Wednesday, the company and Mr. Hansen pleaded guilty of state charges involving contribution of company funds to candidates in Minnesota's state elections in 1972. Both federal and Minnesota laws prohibit the use of corporate money for political contributions. In each case, the company and the official involved were fined.

According to the tax indictment, about $509,000 was deposited in a numbered Swiss bank account and fraudulently claimed on the company's tax returns as a deductible insurance expense. The remaining $125,000 was paid to a Zurich attorney, Ludwig Gutstein, and was fraudulently listed as legal expenses. Mr. Gutstein returned that money in cash to Mr. Hansen, the indictment says.

The criminal charges increase the chances that Minnesota Mining may be held subject to additional taxes, civil fraud penalties and interest totaling $5 million to $10 million, Justice Department officials said. This possibility stems in part from a provision of the tax code that, in essence, permits the government to assess 50% fraud penalties on the entire amount of any tax deficiencies, not just those underpayments found to be fraudulent.

A Justice Department official said that, even if Minnesota Mining and its former officials were found innocent of the criminal charges, the civil complaint likely still would be filed. "It's much more difficult to prove criminal charges than civil ones," the official said.

Named as an unindicted co-conspirator by the grand jury was the late Burgess F. Geib, who, as an accountant with the firm of Haskins & Sells, was responsible for the audit of Minnesota Mining. Mr. Geib died in 1972.

The indictment says Mr. Hansen was responsible for channeling most of the money through the Swiss lawyer and the Swiss bank account. On one occasion, the indictment says, Mr. Hansen sent $50,000 to Mr Gutstein and later personally went to Switzerland to retrieve the money.

'Public Relations'

According to the Senate Watergate Committee, the Minnesota Mining fund originated with the request of Mr. Cross, to Mr. Hansen, to figure out a way of raising money for "public relations." The indictment says Mr. Hansen then worked out the scheme to store the cash generated by phony bookkeeping in his office safe.

Minnesota Mining officials already have been hit in the pocketbook as a result of the political fund. According to information filed by the company with Securities and Exchange Commission, the company will receive payments from five individuals totaling $475,000.

William L. McKnight, chairman from 1949 to 1966, will pay the biggest sum, $300,000. It was during his term as chairman that the fund was established. Mr. Heltzer, the current chairman, and Mr. Cross will pay $70,000 each; Mr. Hansen, $34,000, and Wilbut M. Bennett, director of civic affairs, $1,000.

These payments are part of a settlement of a suit filed by a shareholder demanding that officials responsible return to the company any money used in illegal political contributions.