

Again, Political Slush Funds

Like many other U.S. corporations, Gulf Oil, Braniff and American Airlines took some legal lumps in the aftermath of Watergate. Charged with having made illegal contributions to former President Nixon's re-election campaign, the three companies and some of their executives pleaded guilty and were forced to pay fines. Federal law prohibits corporations from making contributions to political candidates, parties and campaign organizations.

Last week the companies and several executives found themselves the targets of new charges. The accusations stemmed from the practices by which they had raised the money that got them into trouble in the Watergate case in the first place. This time the prosecutor was not the Justice Department. The Securities and Exchange Commission went after Gulf, and the Civil Aeronautics Board's bureau of enforcement filed complaints against the two airlines. These actions raised the possibility that other previously convicted firms and executives may be probed anew by federal regulatory agencies and perhaps tried on even broader charges.

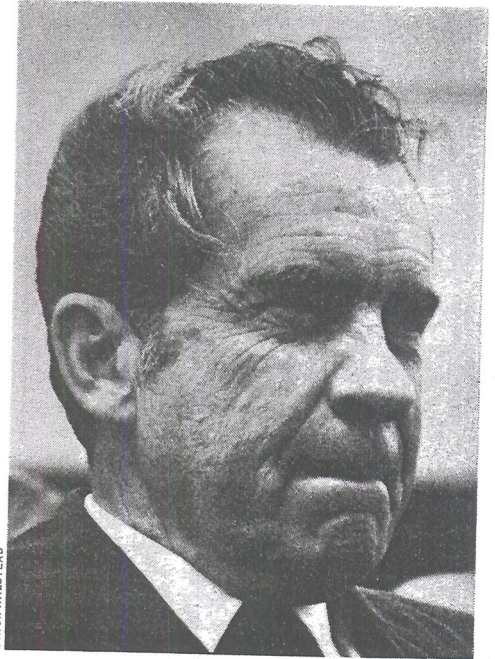
Largest Illegality. The new investigations have already revealed a far greater magnitude of wrongdoing than did the original Watergate trials. Initially, Gulf Oil pleaded guilty to having made gifts of \$100,000 to Nixon, \$15,000 to Arkansas Congressman Wilbur Mills and \$10,000 to Washington Senator Henry Jackson. A federal court imposed fines of \$5,000 on Gulf and \$1,000 on the company's Washington-based vice president, Claude C. Wild Jr. Now SEC investigators state that from 1960 to 1973 Gulf and Wild funneled no less than \$10 million into political activities, a "substantial portion" of which was spent illegally. Gulf appears to have been the largest illegal contributor, far surpassing second-place Phillips Petroleum, which was charged with doling out \$2.8 million.

Gulf raised the funds by shifting

company money to a subsidiary in the Bahamas, where it was supposedly spent for legitimate Gulf business. More than half the money was returned in cash to the U.S., the SEC asserts, and the rest was used abroad.

Suicide Note. In a Washington, D.C., federal court, the SEC charged Gulf and Wild with violating the agency's full-disclosure regulations. A specific complaint: the company failed to include in its proxy statements and annual reports the fact that it had "created a secret fund of corporate monies for the making of unlawful political contributions and other purposes." The SEC also charged that Gulf's balance sheets were understated because they failed to reflect the slush fund's value. Gulf signed a consent decree in which it agreed not to sin in the future. But Wild, who resigned last year after paying his fine, refused to sign the decree.

Braniff and American are caught in even more dramatic situations. One month ago, William M. Gingery, the chief of the CAB's enforcement bureau, committed suicide and left behind a mysterious note. It alluded to possible efforts within the CAB to suppress investigations into illegal political contributions by many airlines. The enforcement bureau, which acts as the CAB's prosecuting attorney, last week charged that from 1964 to 1973 American had created a slush fund of at least \$275,000. According to the bureau, American made fake entries for expenses on entertainment accounts and then diverted the proceeds to the campaign chest. American raised cash by claiming it had paid a \$100,000 fee to a Lebanese aircraft dealer in a totally fictitious transaction. Two of the American executives accused of having set up the slush fund have already left the company, notably former Chairman George Spater, who resigned after American Airlines pleaded guilty in 1973 to making illegal campaign contributions and was fined \$5,000. But six of those named in the CAB complaint



DIRCK HALSTEND

FORMER PRESIDENT NIXON
More lumps for contributors.

are still active officers, including American's senior vice president, Donald Lloyd-Jones.

According to CAB investigators, Braniff bankrolled its political fund by selling at least 3,626 airline tickets that were never registered in the company's books. The investigators said that the proceeds, estimated to be nearly \$1 million, were put into a fund to which Braniff's Chairman Harding Lawrence and President C. Edward Acker had access.

The enforcement bureau urged the CAB to investigate both airlines fully. In regard to Braniff, it asked the board to consider two questions that reflected the agency's indignation: Should the Braniff management be permitted to remain in control? Should the Government punish the airline by cutting back its routes?

WILD OF GULF, LAWRENCE OF BRANIFF AND SPATER OF AMERICAN

