

# Milk Co-Op Lawyer Tells of Duplicity in Fees

By Joseph R. Tybor

CHICAGO, Nov. 20 (AP)—

An attorney who did work for the nation's largest dairy cooperative says the group paid him more than \$175,000 under the guise of legal fees for "services" which he never performed.

The lawyer, Stuart H. Russell, said in a deposition taken Monday that he received the payments from Associated Milk Producers Inc. as reimbursement for money he gave to a political operative of the dairy group.

Under subpoena in a tangled lawsuit, Russell produced copies of cancelled checks and other bank records which showed that he gave a total of \$176,828 to Robert Lilly. Lilly is a former political worker for the cooperative and has been implicated in previous sworn testimony with making illegal corporate cam-

paign contributions. The suit involves other dairy cooperatives and antitrust action against Associated Milk Producers by the Justice Department.

President Nixon has denied charges that government price supports to dairy men were raised in 1971 in return for a \$2 million pledge to his re-election campaign. Mr. Nixon said he raised the price supports because of pressure from Congress and because he feared if he did not do so that Congress would raise them even higher.

The records introduced Monday showed Russell made 24 payments by check to Lilly between December 1969 and December 1970. The largest payment was \$24,809, the smallest was \$5,000. He also said Associated Milk Producers gave him \$50,000 to cover increased tax liability caused by the disguised legal fees.



STUART H. RUSSELL

... produces records

Russell was asked if he ever performed the services for which the cooperative was billed in the Lilly payments. "No," he replied. "Not ever?"

"No. Not once," said Russell said he did not know what the payments to Lilly were used for, but said his idea was that the dairy cooperative wanted to cover up business it did with politically well-connected law firms.

Russell said among the politically well-connected law firms were ones which included persons such as Herbert Kalmbach, Mr. Nixon's former personal attorney; John B. Connolly, former Treasury Secretary under Mr. Nixon; and John N. Mitchell, Mr. Nixon's first Attorney General and twice his campaign manager.

In a previous deposition given in the same case, a lawyer fired by Associated Milk Producers swore the producers channeled political contributions to Lilly through Russell, Joseph A. Rose Jr., 35, said Russell had acknowledged passing

money to Lilly for "political contributions." Federal law prohibits corporate campaign donations.

Russell said the payments to Lilly were set up by Robert O. Isham, former treasurer of Associated Milk Producers, and verified by Harold Nelson, the group's general manager. Lilly and Isham have been given immunity to appear before the Senate Watergate committee.

Russell said Lilly first approached him in 1969 for a payment of \$5,000. He said he contacted Nelson, before giving Lilly the money. Russell said Isham told him to include the money paid to Lilly among Russell's regular billings to Associated Milk Producers.

Russell said he asked Isham, Lilly and Nelson on several occasions for explanations as to where the money to Lilly was going.

"I didn't like it (the arrangement)," said Russell. "It forced up my tax returns. It was causing me all kinds of complications."

He said he was told the Lilly payments were for legal fees and expenses the cooperative wanted to cover out of accounts other than home office expenditures.

Russell said he was told, "That's all you need to know."