

Milk Ruling Made After New Pledge

Connally Linked Senate Report

By Lawrence Meyer
Washington Post Staff Writer

The Senate select Watergate committee is investigating charges that former Treasury Secretary John B. Connally Jr. and a lawyer for milk producers "conspired" to cover-up \$15,000 in cash payments allegedly made to Connally in return for aiding the dairy industry.

The committee staff, in a draft report obtained yesterday by The Washington Post, said it is still investigating charges that Connally received \$10,000 from Jake Jacobsen, a former lawyer for the Associated Milk Producers Inc. (AMPI) after Connally helped secure higher government milk price supports in 1971.

In addition, the staff is investigating an alleged \$5,000 payment from Jacobsen to Connally in 1972 when Connally attempted to help AMPI with an antitrust suit brought against it by the Justice Department.

The staff report, which was turned over to commit-

See **CONNALLY**, A9, Col. 1

By George Lardner Jr.
Washington Post Staff Writer

Dairy cooperative leaders apparently were kept in suspense about President Nixon's controversial 1971 increase in milk price supports until a \$2 million pledge for Mr. Nixon's reelection was reaffirmed, Senate investigators said in a report yesterday.

Harold S. Nelson, the leading industry strategist in the drive for higher support prices, said in sworn testimony that he was warned "not to count on it" until the increase was officially announced.

Nelson said he was given the admonition by the late Murray M. Chotiner, a former White House aide, on the night of March 24, 1971, doing a chat in the lobby of the Madison Hotel here.

Although Mr. Nixon has since said he personally ordered the increase at a meeting with his key advisers on March 23, no announcement was made until March 25.

See **MILK**, A9, Col. 4

CONNALLY, From A1

tee members yesterday, asserts that significant portions of Connally's sworn testimony in closed session before the committee are in direct conflict with the sworn testimony of other witnesses concerning Connally's role in discussing campaign contributions and in connection with the anti-trust action.

The report circulated to committee members does not contain the information that the staff is investigating the alleged cover-up, although a committee source confirmed the staff investigation.

The committee has been investigating for several months the connection between a March, 1971, decision by President Nixon to raise government milk price supports and \$727,500 in contributions made to the 1972 Nixon re-election campaign by three major dairy cooperatives.

The staff report quotes Connally as testifying, "At no time to this good day do I know, nor has anyone ever told me, what they contributed to who(m), or by what means, or in what amount. I had nothing to do with their political campaign contribution activities."

"However," the report states, "there are several pieces of independent evidence that tend to indicate that Connally in fact was aware at least in a general way, of the milk producers' activity."

According to the report, former White House chief of staff H. R. (Bob) Haldeman said that in early 1971, after he had learned that milk producers had pledged \$2 million to the Nixon campaign but before they actually began honoring the commitment, "Connally informed him that the milk producers wanted to make a contribution but that committees were not being set up for them."

Second, the report says a letter from the House Judiciary Committee to President Nixon on April 19, 1974, says that Connally "discussed milk producer contribution 'potential' with the President by telephone at 10:15 a.m. on March 23 and again with the President and a number of his aides at the 4:45 p.m. meeting the same day."

It was on March 23, 1971,

that President Nixon decided to reverse the decision of the Agriculture Department announced March 23, 1971, that President Nixon decided to reverse the decision of the Agriculture Department announced March 12 that it would not raise government milk price supports.

In addition, the report states, a memo made at the time by a milk official "appears to indicate that Connally discussed, possibly first with the President and then with the milk producers, their failure to have yet made any contribution to the President."

Although Connally said he could not recall the meeting, dairy officials who testified before the committee said that they had a chance encounter

with Connally in March, 1971 at the Page Airways Terminal at National Airport.

Bob A. Lilly, an official of the largest dairy cooperative in the United States and a lobbyist in Texas when Connally was governor, testified before the committee that he asked Connally about the chances for an administrative increase in price supports. Connally replied, the report quotes Lilly as testifying, "It's in the bag. Pass it on to the others."

According to Lilly, on April 28, 1971—more than a month after President Nixon announced that he was raising government milk price supports—Jacobsen called him in San Antonio and requested \$10,000 in cash for Connally.

Jacobsen told the committee that he asked for the money so that Connally could make personal political contributions. Jacobsen also told the committee that he asked for the money since Connally "had been helpful to us in the price support thing."

Jacobsen and Connally both told the committee that when Jacobsen attempted to give him the money in June or July, 1971, Connally refused the money. Jacobsen testified that he placed the money in a safe deposit box in May, 1971, and it remained there until late 1973 when the FBI took inventory of it.

Judge Hart yesterday signed an order granting immunity to Jacobsen to testify before the committee effec-

tive June 21.

The report states, however, that at least 34 bills in the safe deposit box were either printed or put in circulation after May, 1971. One bill, according to the report, was not in circulation until after July, 1973.

Jacobsen was indicted by a federal grand jury on Feb. 21, 1974, for prejury in connection with his testimony about putting the \$10,000 in a safe deposit box. The indictment was dismissed for technical reasons by Chief U.S. District Judge George L. Hart Jr. on May 3. The committee has voted to grant limited immunity to Jacobsen in order to obtain further testimony from him.

The report states that Lilly told the committee that in late 1971, again at Jacobsen's request, he secured another \$5,000 in cash, which he gave to Jacobsen for Connally. The report says Jacobsen and Connally deny knowledge of the "request, receipt or use of this money."

Further investigation by the committee staff, however, provided independent corroboration for Lilly's testimony that he turned over \$5,000 to Jacobsen on Nov. 10, 1971.

On March 16, 1972, after the Justice Department filed a civil antitrust suit against AMPI, Jacobsen and other milk officials met in Washington with Connally who then was still Treasury Secretary.

According to the report, Connally testified that he called former Attorney General John N. Mitchell the day of the meeting or the day after to relay to him the information that the suit was going to have a "very damaging effect . . . politically upon the Republican party."

George L. Mehren, executive director of AMPI and one of the officials at the meeting, testified that Connally called Mitchell while the meeting was still in progress. The report states that other participants in the meeting confirm that Connally called Mitchell during the meeting.

The report states that when Connally was testifying under oath during an ex-

ecutive session on Nov. 15, 1973, he said he did not recall any discussion of contributions during the March 16, 1972, meeting.

In a letter affidavit from Connally submitted in answer to questions from the committee, Connally altered his testimony, stating that Mehren said during the meeting "that under all the circumstances AMPI probably should discontinue all political contributions until later. I responded by saying something to the effect that this sounded reasonable.

Following this meeting, the report states, Jacobsen stayed behind to talk with Connally privately. "The staff is investigating the allegations that (1) in their private meeting, Jacobsen delivered another \$5,000 in cash to Connally from AMPI, in addition to the AMPI money alleged delivered to him by Jacobsen the previous year, (2) they discussed a pending federal investigation of Jacobsen's involvement with certain Tejas savings and loans institutions and (3) Connally subsequently called Attorney General (Richard G.) Kleindienst on Jacobsen's behalf," the report states.

The staff report does not indicate what evidence the committee has to support the allegation "that when Jacobsen and Connally learned in the fall of 1973 of the committee's and special prosecutor's investigations, they conspired to return the money to Jacobsen's (safe deposit) box and testify to the same story about the alleged payments."

Connally could not be reached yesterday for comment.

The Washington Post obtained an earlier draft of the report, which was altered before it went to the senators for their perusal.

According to committee sources, the only major change from the initial draft was the deletion of the statement that the staff is investigating allegations that Connally and Jacobsen conspired to cover up the alleged cash transactions. The other changes, according to reliable sources, were minor word changes.



By James K. W. Atherton—The Washington Post

Impeachment inquiry minority counsel Jenner, seated left, and chief counsel Doar talk to reporters before hearing.

MILK, From A1

Nelson was then general manager of the nation's biggest dairy co-op, Associated Milk Producers, Inc. Chotiner, a longtime confidant of President Nixon, had just left the White House staff to practice law with a \$60,000-a-year retainer from AMPI.

According to Nelson's testimony for the Senate Watergate committee, Chotiner told him that the prospects for higher 1971 price supports "looked favorable . . . but he also admonished [Nelson] not to count on it until it was absolutely lone . . ."

Until then, Nelson quoted Chotiner as saying, it was possible that an increase might "not happen."

The President's personal lawyer, Herbert W. Kalmbach, testified that Nelson and Chotiner came up to his suite at the Madison near midnight on March 24, 1972, after their meeting in the hotel lobby.

Once they were in his suite, Kalmbach said, Nelson confirmed the milk producers' \$2 million commitment. Kalmbach said Chotiner expressly linked the pledge to the price-support decision, which was "to be announced the next day."

According to Kalmbach, Chotiner also said he was acting at the request of White House adviser John D. Ehrlichman, who wanted to make sure Kalmbach knew the milk producers "were in fact reaffirming the \$2 million pledge to the campaign."

The staff of the Senate Watergate committee recounted the episodes in a 359-page draft report, which concluded that there was apparently a direct tie between the renewed promise of \$2 million, first made by the milk producers in 1970, and the higher 1971 price supports.

The report, compiled after months of investigation and testimony taken in executive session, was distributed to committee members yesterday. A copy was obtained by The Washington Post.

In ordering the higher price supports, the report said, the President "ignored the opinion of every agricultural expert in his adminis-

tration and the criteria of the governing statute."

In addition, the investigators charged, "within hours after the President made his decision privately, his top aides were arranging for the milk producers to reaffirm their 'support' as a condition for public announcement of the increase.

"The dairymen agreed, the announcement was made, and the promised contributions began to flow. . .

The White House has acknowledged that Mr. Nixon knew of the \$2 million pledge when he ordered the higher price supports on

March 23, but the President has denied that this influenced him in any way.

According to the Senate committee's chief counsel, Samuel Dash, Republican staff members intend to submit their own report on contributions by AMPI and two other huge dairy co-ops to Democratic presidential candidates.

Yesterday's report said that AMPI's support of Democratic contenders was made largely in secret, out of the co-op's corporate funds, because AMPI leaders said they were afraid they would "incur the enmity" of the Nixon administration if their support of key Democrats were detected by the White House.

AMPI's backing of Mr. Nixon began in 1969 with a \$100,000 cash contribution that was secretly delivered to Kalmbach on the West Coast.

The report traced AMPI's initial pledge of \$2 million to talks in 1970 between co-op officials and then-White House special counsel Charles W. Colson, at which AMPI's hopes for higher price supports and quotas on imports also were reportedly discussed.

AMPI's No. 2 man at the time, David Parr, the report said, testified that at one of several 1970 meetings with Colson, the dairymen mentioned first \$1 million in contributions for the President, and then \$2 million.

"At that point, according to Parr, Colson replied: 'This is a \$2 million package,'" the report says.

Colson subsequently told Mr. Nixon of the \$2 million

pledge in September of 1970 when the President had a brief meeting with Nelson and Parr. Secret handling of the expected donations, the Senate investigators said, was discussed as early as November of 1970 at a meeting that included Nelson, Colson, Kalmbach, several AMPI lawyers, and Tom Evans, a former law partner of Mr. Nixon and then-Attorney General John N. Mitchell.

Since the political trusts of AMPI and the other milk co-ops, Mid-America Dairymen, Inc. and Dairymen, Inc., were required to list their contributions publicly, the report said, it was decided to funnel the money to the Nixon campaign through several hundred dummy committees.

Formation of the committees, however, dragged on for months. In the meantime, Secretary of Agriculture Clifford M. Hardin decided, on March 12, 1971, that another increase in milk price support—for the marketing year starting April 1—could not be justified.

The milk producers stepped up their lobbying both on Capitol Hill and at the White House in an effort to overturn the decision.

According to the Senate report, however, the White House was apparently annoyed by the congressional pressures that the milk producers had been drumming up.

Dwight Morris, the secretary of the AMPI board who was then in Washington, told Senate investigator Alan Weitz of overhearing a March 18 phone call from the White House to Parr. Morris, who said he listened in on an extension, said the caller told Parr flatly that "we want this congressional effort called off. . . . The President wants his congressional effort called off."

"And Mr. Parr said, 'I don't believe you understood me. I can't call it off.'"

"And then the man from the White House said, 'You've heard of the Federal Trade Commission, haven't you?' Mr. Parr said, yes. 'You've heard of the Justice Department, haven't you?' Mr. Parr said, yes. And Mr. Parr went on to say that

'you just trot them out. We'll meet them anytime, any place you say.'"

At that, Morris reported, the White House caller hung up the phone. To the best of his recollection, Morris said, Parr told him later that it had been Ehrlichman on the other end of the line.

Despite Parr's protestations, both Morris and AMPI lobbyist Bob Lilly, the report said, stated that very little legislative work was done after this.

Meanwhile, White House aides gathered in Ehrlichman's office on March 19 to discuss milk price supports — and the President's upcoming meeting with dairy farm leaders, which had been scheduled for March 23. One of those present, White House aide Henry Cashen, told Senate investigators that "there may have been some statement" at the meeting that "if the decision were negative, the contributions from the milk producers might not be forthcoming."

The Senate staff report said Cashen, who had been told of the \$2 million pledge by Colson the year before, hastened to add, however, that "no one present at the meeting appeared concerned about the contributions."

Donald Rice, who was then associate director of the Office of Management and Budget, said it was finally decided at the session that the President should "tough it out" at least through his meeting with dairy co-op leaders to avoid any impression "of capitulation."

Accordingly, the Senate report said, Mr. Nixon made no commitments at the March 23 meeting and, in fact, "let Hardin and [Under Secretary of Agriculture J. Phil] Campbell defend the previous decision."

The session ended with

the co-op leaders in disagreement about what would happen, the Senate investigators said. AMPI president John Butterbrodt thought the President "was going to change his mind," the report said, but Parr, on the other hand, "was not optimistic." Neither was Gary Hanman of Mid-America Dairymen, the report said.

Later the same day, around 4:45 p.m., Mr. Nixon met with his top advisers and, after strong urging by Treasury Secretary John B. Connally, decided to order higher price supports. According to the House Judiciary Committee, which has a tape of this meeting, there was a brief discussion, after Mr. Nixon had announced his decision, "about someone at the meeting contacting Colson."

Ehrlichman did, the Senate report said. He met with Colson at 5:50 p.m., "only minutes after the meeting between the President and his aides ended." Colson, in turn, met with Chotiner at 6 p.m., the report said.

That night, AMPI officials and other dairy co-op leaders launched a round of all-night meetings, one of them after a predawn flight to Louisville, Ky., where a hurry-up attempt was made to raise \$300,000 for the President from an official of Dairymen, Inc. The request was turned down, but Dairymen, Inc., did send up \$25,000 on March 24 when it was donated at a Republican fund-raising dinner here. The Senate report said the political arm of Mid-America Dairymen, Inc., also pledged \$50,000 to a string of Republican committees the same day.

The Chotiner-Nelson-Kalmbach contacts at the Madison Hotel took place later on the night of March 24 following the GOP dinner.