

# Milk Co-Op's Report Finds Abuses in Campaign Gifts

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WASHINGTON, March 26—

A report on political spending by Associated Milk Producers, Inc., prepared at the request of its own officers, indicates a broad pattern of irregularities involving both Republicans and Democrats over a long period.

The most pervasive irregularity disclosed in the report was the concealment of political contributions by funneling them through lawyers and other professionals retained by the cooperative.

Government investigators familiar with the milk case said today that some of the irregularities described in the report might constitute violations of the Corrupt Practices Act.

The report, prepared by the law firm of Wright, Lindsey & Jennings, with an audit by the accounting firm of Haskins & Sells, was done at the behest of the cooperative's directors. The documents were turned over earlier this month to the United States Court in Kansas City, where the Government is conducting an antitrust suit against A.M.P.I. and two other milk cooperatives.

One of several copies of the report circulating in Washington was obtained by The New York Times today.

## A Peace Offering

One of the major contributions examined in the report was \$100,000 in \$100 bills delivered in a suitcase in August, 1969, to Herbert W. Kalmbach, President Nixon's private attorney and a fund raiser for the President.

The money, according to the report, was intended by the cooperative to "make peace" with Mr. Nixon and his Republican Administration after the cooperative supported Hubert H. Humphrey for President in 1968.

The report states that the \$100,000 was withdrawn from the account of the cooperative's political arm, the Trust for Agriculture Political Education, at

Continued on Page 26, Column 3

Continued From Page 1, Col. 6

the Citizen's National Bank of Austin, Tex., and delivered to Mr. Kalmbach by Milton P. Semer, a law partner of the chairman of the bank, Jake Jacobsen.

The treasurer of the company said that he found out about the donation several days later and realized it was a violation of the Corrupt Practices Act because it exceeded the \$5,000 limit on contributions to any one campaign organization and because it had not been reported to the Clerk of the House of Representatives.

According to the report, Robert O. Isham, the treasurer of the cooperative, along with Harold S. Nelson, head of A.M.P.I. at the time, and W. Devier Pierson, a Washington lawyer, held a meeting at which was formulated a plan to borrow another \$100,000 from the Citizen's National Bank of Austin to place in the account to replace the withdrawn \$100,000. This was allegedly done by Bob A. Lilly, assistant to the general manager of the cooperative.

## Fees Were Increased

Then, the report said, this was repaid through money solicited and obtained by Mr. Lilly from lawyers and public relations consultants employed by the cooperative. Increased fees were then paid to at least some of the lawyers and public relations men to compensate them for the money they gave to Mr. Lilly.

Among those used in the plan were several men prominent in the Democratic party. One was Mr. Pierson, who was an associate special counsel in the White House under President Johnson.

Other Democrats listed by the report as participants in the plot were Richard Maguire, a lawyer and former treasurer of the Democratic National Committee; Ted Van Dyk and Kirby Jones, public relations men who held important positions in Senator George McGovern's Presidential campaign; James R. Jones, now a Representative from Oklahoma but a Tulsa lawyer at the time, and the late Clifton C. Carter, one-time executive director of the Democratic National Committee.

All of those whom the preparers of the report were able to reach said that they had known nothing about the \$100,000 contribution or the plan to cover it up.

Another lawyer said to have

funneled funds to the cooperative was Stuart H. Russell of Tulsa. According to the report, Mr. Russell was the biggest single conduit for political funds generated by the cooperative or its political arm.

Mr. Russell made a steady stream of political disbursements that were supposedly personal but for which he was subsequently reimbursed by Mr. Lilly, including the taxes he was required to pay for the additional income, according to the report.

Democratic candidates were also the beneficiaries of Mr. Russell's contributions, including, according to the report, Mr. Humphrey—both as a Presidential and senatorial candidate—and Representative Wilbur D. Mills.

## Nader Suit Recalled

In the six years 1968 through 1973, Mr. Russell received a total of \$1,038,447 in fees from the milk cooperative.

The milk industry's political contributions have been a matter of controversy since Ralph Nader, the consumer advocate, filed suit against the Government, charging that contributions to President Nixon's campaign influenced the President's decision to raise milk price supports in 1971.

Associated Milk Producers subsequently alleged in a legal brief that government officials had practiced "extortion" in threatening the antitrust suit to obtain political contributions.

Included in the report is a statement by Dwight Morris, a former executive of the cooperative, reporting an alleged conversation that he had had with John E. Butterbrodt, who took over as president of the milk cooperative in 1972.

According to the report, Mr. Morris said that he had been told by Mr. Butterbrodt that he had gone, along with George Mehren, general manager of the cooperative, and Mr. Nelson to visit Mr. Kalmbach in California.

Mr. Butterbrodt reportedly said that an agreement was reached with Mr. Kalmbach "whereby \$300,000 would be contributed to the Republican party, with the result that the Government antitrust case 'would die a natural death.'"

"Mr. Butterbrodt told me that this payment was never made, because the ITT case broke publicly in the press, and Mr. Kalmbach said he did not want any milk money contributions," Mr. Morris reportedly added.

The report said that Mr. Butterbrodt asserted that he had never had any contact with Mr. Kalmbach.

## Other Cases Cited

The report cites other cases of what appear to be irregular use of political funds by the cooperative, among them the

following:

¶At Mr. Jacobsen's request, Mr. Lilly deposited \$10,000 in the Citizen's National Bank to be available "for political purposes" to former Secretary of the Treasury John B. Connally. According to Mr. Jacobsen, Mr. Connally refused the money. Mr. Jacobsen was indicted last month by the Watergate grand jury for allegedly stating falsely that the money from Mr. Lilly had remained untouched in a safe deposit box.

¶The cooperative allegedly paid the salary of a political worker for Representative Mills, Mrs. Betty Clement Bullock, while she devoted full time to Mr. Mills's campaigns. It also paid for a Washington apartment for Mrs. Bullock and one for another Mills campaign worker, Joe P. Johnson.

¶The cooperative apparently paid, in 1968, the printing costs of a book entitled, "No Retreat From Tomorrow" at a cost of \$90,711. The book is a collection of messages from President Johnson to Congress.

The invoice for the printing contains under the printed words, "customer reference," the notation, "White House letter dated 11/27/68."