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**Minnesota Mining
Had \$634,000 Fund
For Political Gifts**

By ANTHONY RIPLEY

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WASHINGTON, Dec. 31—

The Minnesota Mining and Manufacturing Company acknowledged today that it had kept a \$634,000 political fund, that it was facing a grand jury investigation for criminal tax evasion and that the company could be assessed \$11-million in back taxes and penalties.

The problems, growing from a series of illegal campaign contributions from 1963 to 1973, were disclosed in a stock registration statement filed today with the Securities and Exchange Commission.

In another political campaign financing case, C. Arnholt Smith, the California financier who is a friend of former President Richard M. Nixon, was charged today with five misdemeanors in connection with alleged campaign gifts. The charges were in a criminal information brought in Federal District Court in San Diego by the Justice Department.

In the 3-M case, the company statement disclosed that from 1963 to 1969 \$634,000 was transferred into the political fund, masked on the company's books as insurance premiums and payments for foreign legal counsel. By the time the fund was dissolved in 1973, it showed that \$466,500 had been paid out.

Bert S. Cross, chief executive

Continued on Page 6, Column 1

Continued From Page 1, Col. 6

officer of the company from 1963 to 1970, and Harry Heltzer, who replaced him, directed how the money was to be spent. The fund was kept by the former financial vice president of the company, Irwin R. Hansen. The company, in its statement to the S.E.C., said it had been advised that the Internal Revenue Service had recommended criminal prosecution and that witnesses had been subpoenaed to appear before a Federal grand jury in St. Paul in mid-January.

Could Total \$11-Million

"With respect to civil tax liability related to the fund subsequent to 1963, the company has been advised that there could be claims for additional Federal and state taxes, penalties and interest, which could total approximately \$11-million," the statement said.

The S.E.C. is also formally investigating the political contributions and their effect on the accuracy of company annual statements and the accuracy of company books, the concern reported.

In addition, a stockholder's suit against 3-M is close to settlement, the statement reported. It was brought by Judith Bonderman, who was represented by Alan B. Morrison, a lawyer with consumer advocate, Ralph Nader's Public Citizen Litigation Group, a public interest law firm.

Under the settlement, William L. McKnight, chairman of the company from 1949 to 1966, would pay the company \$300,000; Mr. Cross and Mr. Heltzer \$70,000 each; Mr. Hansen, \$34,000, and Wilbur M. Bennett, director of civic affairs, \$1,000.

In Murphy Campaign

In the San Diego case, Mr. Smith and Sovereign State Capital, Inc., a San Diego financial management firm, were both charged in four of the counts with giving \$7,000 in corporate funds to the 1970 re-election campaign of former Senator George Murphy, Republican of California, and \$3,000 to a political committee supporting Mr. Nixon's re-election in 1972. There was no indication in the charges of the connection, if any, between Mr. Smith and Sovereign State Capital.

The fifth count charged Mr. Smith with making a contribution to the Nixon campaign under the name of Frank A. Thornton, a San Diego adver-

tising man. It is illegal to make a contribution in the name of another person.

Mr. Smith was indicted last July for misapplication of \$170-million in bank funds in a case growing from the largest bank failure in American history—the collapse of the United States National Bank.

If convicted in the campaign contributions case, Mr. Smith could be sentenced to a maximum of a year in jail and fines of \$29,000. Sovereign State could face \$28,000 in fines.

In another campaign contributions case brought yesterday by the Watergate special prosecutor, Ashland Oil Inc., a Kentucky-based independent oil concern, disclosed that it had given Robert S. Strauss, the Democratic national chairman, \$55,000 in cash when he was treasurer of the party.

For Expenses

Reached by telephone today, Mr. Strauss said he remembered the contribution but never suspected it as corporate money and not a personal donation from Ashland officers.

"The money as used for payroll and other operating expenses," he said.

He said three Ashland officials came to his office to see him and talked about wanting to be of help to the Democratic party and about opposition to Mr. Nixon and to the Vietnam war.

"I was delighted to get it," he said of the donation, which was in cash. "I bragged about it."

The party, he said, was \$10-million in debt and having difficulty meeting payrolls. During this time, Mr. Strauss said, he was mailing back more than 100 checks that had been made out on corporate check books and that he knew to be illegal.

"They ranged from \$5 to \$5,000. It was hard," he said.

Former Kentucky Gov. Louie B. Nunn, reached today at his law office in Lexington, said that the \$10,000 contributed by Ashland to his unsuccessful 1972 Senate campaign was "unsolicited and I had no knowledge of it."

Suit Over Haircut and Job

ST. LOUIS, Dec. 31 (UPI)—A 23-year-old railroad switchman has charged in a Federal court suit that he was forced to cut his hair to keep his job with the Missouri Pacific Railroad. The suit, filed Monday by William Knott of Fenton, accused the railroad of sex discrimination because similar hair standards were not applied to women employees. The suit sought \$12,000 in damages.