

Dairymen Used Democrats To Cover Up Gift to Nixon

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A string of prominent Democrats were used by the nation's biggest dairy co-op in an elaborate scheme to cover up a \$100,000 cash contribution for President Nixon, it was learned yesterday.

According to a report on the dairy co-op's political dealings, the scheme generally involved dummy payments to Democratic lawyers and public relations consultants who, in turn, gave the money back to the co-op—apparently with no questions asked.

The co-op, Associated Milk Producers, Inc., then used the money to pay off various obligations, including a \$100,000 bank loan that AMPI officials had obtained to pay for the secret Nixon contribution.

"I thought I was sophisticated and they were naive," one of the Democrats, Ted Van Dyk, protested yesterday of his dealings with the milk producers. "It's beginning to turn out the other way... I didn't know they were playing footsie with Nixon."

Among those used in the payback plan for the 1969

Nixon money, the report said, were:

- Richard Maguire, former treasurer of the Democratic National Committee and subsequently a Washington lawyer for AMPI.

- Van Dyk and Kirby Jones, Washington public relations consultants who subsequently became high-ranking aides in Sen. George McGovern's 1972 Democratic presidential campaign.

- W. DeVier Pierson, former associate special counsel at the White House under President Johnson, where he was an adviser on

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agricultural policy, and later a Washington, D.C. lawyer retained by AMPI.

- The late Clifton C. Carter, once executive director of the Democratic National Committee and another Washington lawyer for the dairymen.

- U.S. Rep. James R. Jones (D-Okla.), a former appointments secretary to President Johnson and later a Tulsa-based lawyer for AMPI as well as editor of the co-op's Dairymen's Digest. He was elected to Congress in 1972.

Details on the "payback plan" are contained in a report by Arkansas lawyer Edward L. Wright, a former president of the American Bar Association. The study was commissioned by AMPI's board of directors to follow up reports of illicit campaign contributions by co-op officials.

The Texas-based co-op had been active in supporting Hubert H. Humphrey's 1968 Democratic presidential candidacy, but following Mr. Nixon's election, the report said, its officials decided that it was time to "make peace" with the Republicans.

Accordingly, as one attorney involved in the transaction has described it, a cash contribution of \$100,000 was handed to President Nixon's personal lawyer, Herbert W. Kalmbach, in August of 1969. The money was reportedly withdrawn from the Austin, Tex., bank account of AMPI's political arm, the Trust for Agricultural and

Political Education (TAPE).

After the contribution was made, the Wright report quoted TAPE treasurer Robert O. Isham as stating that he "learned of the limitation of \$5,000 on individual contributions" prescribed by federal law.

As a result, the report said, AMPI's general manager at the time, Harold S. Nelson, arranged a meeting in December of 1969 at AMPI headquarters in San Antonio with Isham and Pierson, whose firm was then on a \$2,000-a-month retainer with the co-op.

At the meeting, the Wright report said, Isham "told us that there was a general plan formulated" to have TAPE secretary Robert Lilly borrow \$100,000 to replace the money that had been withdrawn from the TAPE account and given to Kalmbach.

"This loan," the report said, "would then be repaid through money solicited and obtained by Mr. Lilly from lawyers and public relations consultants employed by AMPI. Mr. Isham said that this general plan had the full approval of Mr. Nelson."

According to the study, Lilly generated a total of \$142,500 during 1970 and 1971 in this fashion in order to pay off the \$100,000 loan and various other loans at the Citizens National Bank of Austin.

Van Dyk acknowledged yesterday that he helped AMPI generate \$20,000 of the total. A former speechwriter for Humphrey, he said AMPI officials called him in December of 1969 and told him they wanted to

give Lilly a \$10,000 "bonus... outside of the regular AMPI channels."

"I assumed they wanted to do it that way so that other guys at AMPI wouldn't find out about it and get upset," Van Dyk maintained.

As a result, he said, he paid Lilly \$10,000 and was reimbursed for it by billing AMPI. Van Dyk said he also reported the \$10,000 payment to Lilly to the Internal Revenue Service, a step that apparently rankled AMPI officials since Lilly was then forced to pay some \$4,000 more in income taxes.

"Mr. Lilly was subsequently reimbursed by AMPI for the amount of this tax payment," the Wright report stated.

Subsequently, in September of 1970, Van Dyk said, AMPI officials asked him to send another \$10,000 to Lilly, but without bringing the IRS into the act. Van Dyk said he couldn't do that and instead agreed to have the payment made personally by one of his employees, Kirby Jones, on condition that AMPI would pick up the tab for the extra income taxes that Jones would sustain.

"The payment was made to Mr. Lilly," the Wright report stated, "and Mr. Van Dyk submitted a statement to AMPI which included a billing of \$12,000 for 'direct expense.' When Ted Van Dyk Associates, Inc., received this payment, Mr. Jones was reimbursed \$12,000."

Van Dyk later became research director of the McGovern campaign and Jones served as McGovern's press secretary. Van Dyk said yesterday that he had no idea the money was to be used to cover a contribution for Mr. Nixon.

"I had no reason to think there was anything under the table about this at all," Van Dyk declared. "These [AMPI] people were essentially country people and they operated in an extremely erratic, harum-scarum way. I had no reason to suspect anything untoward."

According to the Wright report, other Democrats on various retainers for AMPI were solicited in similar fashion. Pierson was said to have furnished \$5,000 on Feb. 2, 1970 — one month after AMPI increased the Pierson law firm's monthly retainer.

Pierson declined yesterday to comment on the reported transactions involving him.

Congressman Jones acknowledged that he made two contributions of \$5,000 each—the first in December of 1969 and the second in May of 1970—but declared emphatically that he was not reimbursed by AMPI for the donations. He said he put up the money simply to help TAPE, the co-op's political arm, get off the ground.

"It was clearly my understanding that they were going to contribute to both political parties," Jones said, "but it was also my understanding that my contributions would be used for Democrats. If they did (go for Mr. Nixon), I have no knowledge of it. And I'm damn mad if that's what they did with the money."

According to the Wright report, Jones received an annual retainer of \$40,000 from AMPI and at times billed the co-op for additional compensation for ex-

tra services above that amount. He got \$60,192 from AMPI in 1969-70 and \$47,810 in 1970-71.

Jones denied yesterday, however, that any of these

payments included reimbursement for the \$10,000 that he sent to Lilly. The congressman maintained that AMPI still "owes me money for work performed."

Former Democratic National Committee treasurer Maguire was listed as having contributed \$10,000 to the payback plan after an AMPI increase of \$1,500 a

month in his legal retainers. He could not be reached for comment.

Others listed as having made payments to AMPI with AMPI money included

the late Clifton Carter, \$10,000; the law firm of former LBJ White House aide Jake Jacobsen, \$25,000; and Oklahoma lawyer Stuart H. Russell, \$56,500.



CLIFTON CARTER



RICHARD MAGUIRE



TED VAN DYK



JAMES R. JONES



W. DEVIER PIERSON



HERBERT W. KALMBACH

... Five prominent Democrats used by Associated Milk Producers, Inc., to conceal a \$100,000 donation to President Nixon, which was channeled through Kalmbach.