

WHERE DID ALL THAT MONEY GO?

Each new disclosure in the tangled Watergate affair has carried a price tag—from petty cash spent for electronic bugs (apparently listed as “smoke detectors” on the Nixon campaign books) to some \$350,000 allegedly set aside in total secrecy to pay for the legal fees, living expenses and, presumably, the silence of the seven original Watergate defendants. By last week, however, the tainted funds were being measured in the millions, several more secret caches had come to light, and Federal investigators were browsing intently through the entire fund-raising and spending record of the Nixon reelection machine.

The week brought the sternest criticism yet by the government's General Accounting Office of financial shenanigans in the GOP campaign, and a new series of startling disclosures underlined the point. Veterans of the Committee for the Re-election of the President admitted, for example, that they had secretly used campaign funds to finance a “spontaneous” nationwide display of support for the President's mining of Haiphong harbor a year ago.

In sum, NEWSWEEK learned, Federal investigators now suspect that the Nixon committee may have spent some \$10 million more than it reported, before and after the new Federal election finance law took effect on April 7, 1972.

NEWSWEEK also learned that indictments involving top Nixon associates may be handed down this week by a New York grand jury looking into the unreported donation of \$200,000 to the CRP by a financier and alleged swindler named Robert Vesco (NEWSWEEK, March 12). Vesco was under investigation by the Securities and Exchange Commission at the time, and eager for a friendly ear in the Administration.

An Old Friend: The Vesco case was a prime example of backdoor financing in the Nixon operation. According to a 371-page deposition by attorney Harry Sears, a Vesco associate and chairman of the CRP campaign in New Jersey, the original approach was made by a Nixon fund-raiser to a Vesco man in Europe. Sears, a well-connected GOP state pol, claimed to have talked with CRP director John Mitchell, an old friend, about Vesco's problems with the SEC, and with finance chairman Maurice Stans about the campaign contribution. Stans reportedly wanted it in “currency,” a request confirmed by no less a figure than the President's brother, Edward Nixon. The \$200,000 donation was finally arranged in early March and delivered on April 10—three days after the deadline for unreported gifts. In May, Vesco had an audience with William J. Casey, then chairman of the SEC.

The upshot was hardly worth the price Vesco may have thought he was paying. In late November, the SEC filed a Federal suit charging the mustachioed wheeler-dealer and 41 other defendants with milking some \$224 million from Investors Overseas Services, Ltd., which Vesco had acquired from Bernard Cornfeld in 1971. All the principals have insisted that there was no thought of influence-peddling connected with the \$200,000 gift and a later installment of \$50,000, all of it returned to Vesco just before the story broke into print early this year. But a grand jury in New York nevertheless began looking into possible conspiracy and election-law violations. Mitchell himself appeared before the



Business Week

Vesco: Was he buying ‘influence’?

panel last week and told newsmen that he had “answered all questions fully, frankly and fearlessly.”

The former Attorney General later described himself as “an innocent bystander who got shot in the leg.” But sources close to the investigation told NEWSWEEK's Rich Thomas that there are apparent discrepancies between testimony taken by the grand jury and the denials of impropriety made by Mitchell and Stans. These sources said that Stans, at least, repeatedly hinted that there might be help for Vesco after his money was received. And, according to the Los Angeles Times, Presidential aide John D. Ehrlichman also promised to help Vesco with a Lebanese banking deal. It, too, fell through—and Ehrlichman last week denied the story, saying he had actually

blocked Federal assistance to Vesco.

The Manchester (N.H.) Union Leader asserted that longtime Nixon operative Murray Chotiner was involved in collecting \$1.1 million in unreported CRP contributions from Las Vegas gambling interests and the Teamsters Union. The money was given, the story implied, in exchange for relief from an impending Justice Department suit challenging loans allegedly made to the gamblers by the Teamsters. Chotiner denied the entire story ("I'm not some bum that they can bandy my name around"), but in the fevered rush of events, the denial passed almost unnoticed.

Whatever the truth of those specific charges, the Nixon campaign clearly spurred sufficient covert generosity to finance at least three "secret funds" that, though possibly overlapping at times, may have totaled close to \$2 million. Reconstructing the story from various sources, they were:

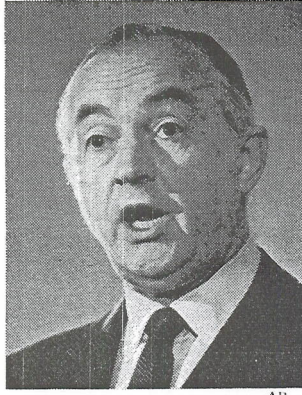
■ **The Stans Fund**, a safe full of cash in the finance director's office that Federal investigators now believe may have fluctuated between \$800,000 and \$1.3 million. The Finance Committee for the Re-election of the President first argued that this was cash left over from the 1968 Presidential campaign, but later conceded that it included \$200,000 from Vesco, \$89,000 from Texas industrialist Robert Allen (later returned) and \$25,000 from Dwayne Andreas, a former Hubert Humphrey supporter from Minneapolis.

■ **The Haldeman Fund**, another \$350,000 reportedly turned over by the CRP to White House chief of staff H.R. Haldeman, who kept it in his office from April 1972 until after the election, ostensibly to be used for "polling." Then it was reportedly taken to the apartment of Frederick C. LaRue, Mitchell's right-hand man at the CRP.

■ **The Kalmbach Fund**, some \$500,000 from undisclosed contributors in 1971 and 1972, controlled by Herbert W. Kalmbach, the President's attorney and chief West Coast fund-raiser.

After the Kalmbach fund surfaced last week, it was learned that the Watergate grand jury broadened its inquiry to determine how extensively the three secret stashes might have been used to finance illegal activities—including attempts to thwart official investigations into Watergate and other alleged incidents of political espionage. There was a wealth of tantalizing leads.

Kalmbach, for example, has told FBI agents that he was instructed by former White House aide Dwight Chapin to pay out between \$30,000 and \$40,000 for undercover work by Donald H. Segretti, an old California school chum of Chapin's. And Federal prosecutors have determined that CRP aide LaRue, the last known steward of Haldeman's fund, channeled most of the unreport-



Stans: Cash in the safe



Kalmbach: \$500,000

ed payments to the Watergate defendants after their arrest last June.

But the Stans fund remained the most intriguing of all—a fount of crisp \$100 bills that initially financed the Watergate caper and presumably other "intelligence" operations organized by former Administration staffers E. Howard Hunt and G. Gordon Liddy. It also seemed to be the likely source of a \$100,000 mini-fund given by deputy campaign director Jeb Stuart Magruder to Herbert L. (Bart) Porter, then the CRP scheduling chief. Porter, NEWSWEEK learned, has told Senate investigators that the money was earmarked for a variety of "dirty tricks," including a small ring of college spies who infiltrated radical groups.

Ballots: The Stans fund—or some similar but still undisclosed cache—also seemed to be the wellspring for payments made by the CRP in the Haiphong Harbor propaganda campaign that came to light last week. After the President announced his decision to mine the harbor last May 8, White House aides and CRP employees apparently telephoned sympathetic organizations and personal friends to ask for telegrams of support. In some cases, said one former campaign staffer, the loyalists went even further and signed other people's names to telegrams dispatched by the committee itself. In Washington, CRP officials also bought up some 3,000 newspapers in order to clip ballots on the Nixon policy and mail

THE PEOPLE

VS.

THE NEW YORK TIMES

The May 10th *New York Times* editorial, critical of President Nixon's closing of North Vietnam land and sea supply routes, argued that the President's actions ran "counter to the will and conscience of a large segment of the American people."

How "large"? The *Times*' self-serving assertion would suggest that the majority of the public opposed the President's actions.

BUT WHAT DOES THE PUBLIC SAY?

—A telephone poll, conducted by Sindlinger & Co. of Swarthmore, Pennsylvania, on May 10 found that 76% of the public supported the President in his efforts to end the Vietnam war. 23% were opposed.

The CRP's ad: Propaganda masquerade

them to a local TV station—thus loading the poll in the President's favor.

How much that campaign cost the CRP was not immediately clear, but the committee did forward some \$4,400—again in \$100 bills—to one of its ad men to pay for a half-page, pro-Nixon advertisement in *The New York Times*. The ad, reportedly written by Presidential counsel Charles Colson, was signed only with the names of ten persons who had no apparent connection with the committee.

Charges: Disclosure of the Haiphong masquerade bolstered the GAO's Office of Federal Elections in its latest citation of apparent election-law violations by the committee. Referring the charges to the Justice Department for prosecution, the GAO urged the Attorney General "in the strongest terms to take the initiative" and indicated a strong belief that "substantial" amounts of campaign cash have yet to be accounted for.

That seemed to suggest still more political "dirty tricks" financed by the Nixon campaign, and more disclosures are likely. But the experts also anticipated at least some instances of "creaming," in which campaign workers may have skimmed off some secret cash for their own personal benefit. "The further away you get from the guys on the top," said one Federal investigator, "the less confidence I have that some of the money didn't stick to their fingers."