

# AIRLINE DISCLOSES ILLEGAL DONATION TO '72 NIXON DRIVE

JUL 7 1973

American Says That It Gave  
\$55,000 After Kalmbach  
Solicited a Contribution

## MERGER PLAN IS CITED

Proposal to Combine With  
Another Carrier Pending  
Before C.A.B. at Time  
NYTimes

By SEYMOUR M. HERSH

Special to The New York Times

WASHINGTON, July 6 — American Airlines admitted today that it illegally contributed \$55,000 in company funds to President Nixon's re-election campaign early last year. The airline thus became the first corporation voluntarily to acknowledge an illegal political contribution in the Watergate investigation.

In a statement issued in New York, George A. Spater, chairman of the airline, said that the funds had been solicited by Herbert W. Kalmbach, Mr. Nixon's former personal attorney. The initial Kalmbach request was for \$100,000, Mr. Spater said.

At the time, American, the nation's second-largest airline, had pending before the Civil Aeronautics Board a plan for merger with Western Airlines. One of Mr. Kalmbach's clients was United Airlines, the largest United States Airline and a major competitor of American. United was strongly opposing the merger.

### A 'Substantial Response'

"I knew Mr. Kalmbach to be both the President's personal counsel and counsel for our major competitor," Mr. Spater said. "I concluded that a substantial response was called for."

"Under existing laws, a large part of the money raised from the business community for political purposes is given in fear of what would happen if it were not given," Mr. Spater said. "A fair and honest law is one that would remove the need of any candidate to exert such pressures, as well as the need for any businessman to respond."

In all, he said, American contributed \$75,000 to the re-election committee, with \$20,000 coming from individual donors. All the cash was delivered before the new Federal campaign reporting law, which rules out secret cash contributions, went into effect on April 7, 1972, Mr. Spater said.

## Merger Was Rejected

The Civil Aeronautics Board, by a 4-to-1 vote, rejected the proposed merger between American and Western last July, four months after the illegal gift was made. The board's action was upheld by President Nixon.

In Phoenix, Ariz., an attorney for Mr. Kalmbach said that the former Republican fund-raiser had no knowledge that American Airlines had planned or made an illegal contribution from corporate funds, The Associated Press reported.

In response to the American  
Continued on Page 19, Column 1

## Continued From Page 1, Col. 1

Nixon's opponent in the 1972 election.

Both the old and the new law forbid corporate contributions to political campaigns and state that the corporations and individual officers, as well as the campaign committees and campaign officials, can be charged with crimes when such contributions are made. The given to any candidates or committees to re-elect President Nixon or to elect Senator George S. McGovern or to anyone for the Federal elections." Senator McGovern, Democrat of South Dakota, was Mr. Airlines statement, a statement issued by United Air Lines in New York said that Charles P. McErlean, executive vice president and chief operating officer of United, was "unaware of any corporate contribution and to the best of his knowledge and belief no corporate contributions or corporate funds were current law provides a \$5,000 fine for the violating corporation along with fines of up to \$10,000 and jail terms of two years for individuals whose actions are determined to be "willful."

The illegal contribution by American Airlines was initially disclosed today by Archibald Cox, the special Watergate prosecutor, who praised Mr. Spater's willingness to come forward and urged other corporate officers to report similarly illegal contributions made before the cutoff date.

There have been published reports that the Finance Committee to Re-elect the President raised more than \$22-million before that date.

"It is fair to say," Mr. Cox remarked in a statement, "that when corporate officers come forward voluntarily and early to disclose illegal political contributions to candidates of either party, their voluntary acknowledgment will be considered as a mitigating circumstance in deciding what charges to bring."

However, Mr. Cox issued a warning to corporate executives, saying, "Whether they come forward or not, we intend to get to the bottom of illegal funding practices."

On June 21, The New York Times reported that Mr. Cox had set up a special staff under the direction of Thomas F. McBride, a special assistant, to determine whether the re-election organization used extortion and other illegal forms of fund-raising in 1971. Mr. McBride was said to be considering a special grand jury investigation.

## List Reportedly Drafted

Officials said then that Mr. McBride had accumulated allegations indicating that Republican finance officials at one time drew up a list of corporations and individuals "who had problems with the Government" and solicited funds in late 1971 and early 1972 on that basis.

In addition, there have been published reports indicating that high-ranking Republican campaign officials, led by Maurice H. Stans, the former Secretary of Commerce who served as the chief fund-raiser in much of 1972, set financial quotas for certain large corporations before the fund-raising efforts began.

Mr. Stans, in his televised testimony before the Senate Watergate committee last month, acknowledged that as many as 35 cash contributions of \$10,000 and more were received last year by the re-election finance committee. About a dozen of those, he said in response to a question, may have been more than \$50,000.

Sources close to the prosecuting team said that the announcement today by Mr. Cox was designed in part to put pressure on other corporations that had made illegal cash contributions.

## Airline Gift on List

Last month, attorneys for Common Cause, the citizens' lobby that has been seeking a court order requiring full disclosure of all 1972 Republican re-election funds, announced that they had obtained a copy of the pre-April contributors. The list had remained in the possession of Rose Mary Woods, President Nixon's personal secretary.

That list, whose existence was previously denied by re-election committee officials, accounted for more than \$19-million in contributions, including the \$75,000 donated by American Airlines, one source said. The list, known as "Rose Mary's Baby" among Common Cause officials, was turned over to the special Watergate prosecuting team on Monday. p.u. 4th add

The document is still under court seal in connection with the Common Cause suit and has not been made public, which means that violating corporations cannot be sure whether they are on the list.

One of Mr. Cox's aides acknowledged the hope that some corporations not on the list would respond to today's events by voluntarily reporting illegal contributions. The Rose Mary Woods list is believed to be the only available accounting of the Republican cash contributions.

"We think we know most of them," one official said in reference to the corporations that had made illegal contributions, "but one sure way to find out is to put the dragnet out."

One source said that John W. Gardner, chairman of Common Cause who is a former member



of American Airlines' board of directors, knew for weeks about an illegal contribution and urged that it be disclosed, although he did not know which corporation had been involved. Other sources said that Lloyd Cutler, a Washington lawyer and lobbyist who represents American Airlines here, had also been actively urging that the contribution be made known.

In his statement, Mr. Spater said, "Our purpose in making this public disclosure has been to mitigate any resulting charges or penalties against the officials involved, and also to focus attention on the evils of the present political fund-raising system."

"We need honest and sensible new laws that will effectively reduce both the pressures on candidates to seek political campaign contributions from business firms, and the pressures on business firms to make such contributions," he added.

A spokesman for Mr. Cox said that no charges had been filed against the airline or any of its officers, but he did not rule out such action.

One American Airlines official said in a telephone inter-

#### Kalmbach's Position

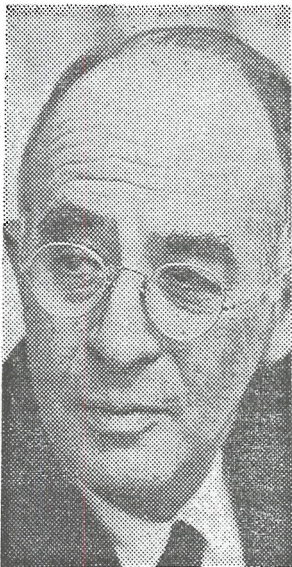
PHOENIX, Ariz., July 6 (AP) — Mr. Kalmbach's attorney, James H. O'Connor, said that Mr. Kalmbach had no knowledge that American Airlines had planned or made an illegal campaign contribution from corporate funds.

"Mr. Kalmbach confirmed he had met with Mr. Spater to seek his support for President Nixon in 1972 just as Mr. Kalmbach had met with other industry leaders who might support the President's re-election," Mr. O'Connor said. "Mr. Kalmbach confirmed Mr. Spater gave a pledge to contribute \$100,000 but said there was no mention of use of cash.

"Mr. Kalmbach said it was his understanding that Mr. Spater and American Airlines executives subsequently did forward a contribution to the Washington headquarters of the campaign. But Mr. Kalmbach had no involvement in the form or nature of that contribution."



Herbert W. Kalmbach



The New York Times

George A. Spater

view, "We're not alone here. We happen to be the first, which I guess puts American in the limelight right now."

Asked whether the company felt that pressure had been applied by Mr. Kalmbach in connection with the request for contributions, the airline official caustically observed, "The company is subject to the Government's regulatory agencies."

At the time of its contribution to Mr. Nixon's re-election campaign, the airline was known to be still attempting to collect more than \$800,000 from the Democratic party in connection with unpaid air charter bills left over from the 1968 campaign.