

# Connally's Name Turns Up in Watergate Investigations of Big Political Contributions by Dairy Industry

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WASHINGTON, April 16—John B. Connally, spoken of as one of the most possible Republican candidates for President in 1976, is being pulled, a bit at a time, into the Watergate backwash.

No charges have been brought against the former Texas Governor who served as President Nixon's Secretary of the Treasury. But his name has crept into the investigations of massive political contributions made by the dairy industry, one of the areas under study by Leon Jaworski, the Watergate special prosecutor.

The central point of it all is \$10,000 in a safe-deposit box—



Associated Press

John B. Connally

a tiny sum compared with the millions of dollars that dairy groups in the United States acknowledge having spent on politics in recent years.

The money had been solicited by Jake Jacobsen, a lawyer from Austin, Tex., who has been indicted for perjury in his testimony before one of the Watergate grand juries about the \$10,000.

Last week the columnist Jack Anderson reported that F.B.I. agents working for the special prosecutor had evidence that Mr. Connally pocketed the \$10,000 and then hastily returned it when the investigation into the dairy industry's contributions began.

### Denied by Connally

Mr. Connally has continued to deny it. Charles A. McNelis, Mr. Jacobsen's lawyer, would make no comment on the situation, and neither would a spokesman for the Watergate special prosecutor.

The matter first came up in words unsaid and names unnamed in one of the Watergate

indictments.

Then Mr. Connally was among the many political figures identified in a report that the Associated Milk Producers, Inc., ordered done on itself.

When Mr. Jacobsen was indicted on Feb. 21, it was a simple, one-count affair and turned on the \$10,000.

The milk producers had been seeking a rise in price supports. It was granted in late March, 1971. Mr. Jacobsen, following the increase, "solicited and received \$10,000" from the milk producers "on the representation that such money was to be paid to a public official for his assistance in connection with the price support decision."

Mr. Jacobsen said he put the money, received from Bob A. Lilly of one of the dairy industry political committees, into a safe-deposit box where it stayed until an inventory in November, 1973, by agents of the Federal Bureau of Investigation.

He answered questions for one of the Watergate grand juries about it:

"Q. And is it your testimony that that \$10,000 was the \$10,000 which you put into that box within a number of weeks after it was given to you by Mr. Lilly and it was untouched by you between then and the time you looked at it with the F.B.I. agent?"

"A. That is correct."

"Q. You are certain about that?"

"A. Yes, sir."

The key word was "untouched." It was the basis for the perjury charge.

Presumably the safe-deposit box contained greenbacks when it was opened. Cash leaves no trail behind it in ordinary circumstances and is a favored medium for those who like to make anonymous donations to political campaigns.

But cash is numbered and records are kept as to its date of issue.

This particular cash had supposedly lain untouched in the safe-deposit box for two and a half years. A check of the numbers apparently showed that some bills were issued after the cash had been put into the box.

"It doesn't take a 10th-grade education to figure it out," said a source at the Watergate special prosecutor's office.

### Earlier Article Recalled

When Mr. Jacobsen was indicted, reporters who had covered the Senate Watergate hearings recalled that there had been an article attributed to anonymous sources saying Mr. Connally had received \$10,000 on one occasion and \$5,000 on another for aiding the milk industry with its problems.

Telephone calls to Mr. Con-

nally were returned by George Christian, former press secretary for President Johnson and for Mr. Connally when he was Governor of Texas.

Mr. Jacobsen had come to Mr. Connally in June or July, 1971, Mr. Christian said after

Mr. Jacobsen's indictments, and told him that \$10,000 was set aside for Mr. Connally to use "however he wanted to politically."

Mr. Connally "didn't want anything to do with it," Mr. Christian said.

That same transaction came up again in the Associated Milk Producers' own investigation, which was published March 13 by the Little Rock, Ark., law firm of Wright, Lindsey & Jennings, and sent to the Federal courts, the special prosecutor and the Internal Revenue

Service. On Pages 44 and 45, the report notes:

"On May 4, 1971, Mr. Lilly executed note No. 17266 in the amount of \$10,000. Mr. Lilly stated that on April 28, 1971, Mr. Jake Jacobsen called Mr. Lilly and requested \$10,000 in cash for use of Mr. John B. Connally.

"Mr. Lilly discussed the request with Mr. Nelson on May 3, 1971 [Harold S. Nelson, general manager of Associated Milk Producers from 1969 to January, 1972]. Mr. Lilly stated that

at the direction of Mr. Nelson he delivered the \$10,000 in cash to Mr. Jacobsen on May 4, 1971, at the Citizens National Bank of Austin for use by Mr. Connally and that Mr. Jacobsen took the money into the safe-deposit box room.

"In our personal interview with Mr. Jacobsen he said that he had personally received \$10,000 in cash from Mr. Lilly. Mr. Jacobsen stated that the money was made available to Mr. Connally for political purposes.

"Mr. Jacobsen stated that he

obtained the money on the theory that it would be available for Mr. Connally to make political contributions to individual candidates.

"Mr. Jacobsen said that when he told Mr. Connally he had the money, Mr. Connally said that he did not want to make any political contributions. According to Mr. Jacobsen, he later offered to make the money again available to Mr. Connally. On this occasion, Mr. Jacobsen offered the \$10,000 for a contribution to the Democrats for Nixon campaign. Mr. Jacobsen

said that Mr. Connally again refused the money.

"Finally, Mr. Jacobsen stated that the money is still in his safe-deposit box and that he will return it to A.M.P.I. when he receives clearance to do so from his attorney. . . ."

### Another Reference

Mr. Connally's name comes up again on pages 50 and 51:

"Mr. Lilly reported that he was enroute to Washington, D. C., on Oct. 13, 1971, and stopped at Dallas.

"He had a telephone call

from Mr. Jacobsen and returned it at about 12:15 P.M. According to Mr. Lilly, Mr. Jacobsen stated that he was going to Washington, D. C., and wanted to be able to tell Mr. John B. Connally he had another \$5,000 in the safe-deposit box.

"Mr. Lilly reported the fact of the telephone conversation to Mr. Nelson and Mr. Nelson approved the transaction. Thereafter Mr. Lilly received a check from Mr. Russell [Stuart H. Russell, an Oklahoma City lawyer who formerly worked for

A.M.P.I.] dated Nov. 3, 1971, in the amount of \$5,000.

"The check was made payable to cash and endorsed by Mr. Russell. Mr. Lilly stated that he went to Austin on Nov. 10, 1971, and cashed the check at the Citizens Bank of Austin. He reported that he delivered the money to Mr. Jacobsen at Mr. Jacobsen's law office. The cash was in an envelope. . . .

"The \$5,000 transaction above described was in addition to the \$10,000 and was specifically denied by Mr. Jacobsen."