



Jacobsen: The box was empty



Connally: 'The matter is now in the open'

## The Milk Spills on Connally

He had been friend and adviser to three Presidents, a man whose own Presidential hopes seemed thoroughly realistic. A millionaire lawyer, John B. Connally had been three times governor of Texas; he had brought stature and glitter to the Nixon Administration as Treasury Secretary, and he was said to be Mr. Nixon's first choice to replace the disgraced Spiro Agnew as Vice President last year. But even then there were whispers that Connally too was tainted by the ubiquitous Watergate scandal—that money from the dairy producers' bipartisan cornucopia had stuck to his fingers. And though he stoutly denies any wrongdoing, the special Watergate prosecutor made it official last week: Connally was indicted for bribery, perjury and conspiracy to obstruct justice.

The heart of the case was the charge that Connally had accepted \$10,000 in cash from Associated Milk Producers, Inc., the nation's largest dairy co-operative, as payment for helping to persuade Mr. Nixon to boost milk-price supports in 1971. That decision was a lucrative one for the dairymen, returning additional annual profits estimated at over \$100 million. But their ham-handed lobbying has proved disastrous for several AMPI officials. The co-op's former general manager, Harold Nelson, pleaded guilty last week to conspiring to bribe Connally; Jake Jacobsen, a former AMPI lawyer and a close friend of Connally's for 25 years, was charged with having delivered the bribe; and the former special counsel, David Parr, faced a maximum five-year prison term after pleading guilty to making illegal campaign donations.

The case against Connally began unfolding a year ago in the secret testimony of former AMPI lobbyist Robert Lilly to Senate investigators. Back in April

1971, Lilly recalled, Jacobsen asked for \$10,000 for Connally because the then-Treasury Secretary "had been helpful to us in the price-support thing." With Nelson's authorization, Lilly said, he gave the money to Jacobsen, who told him that it would be kept in a safe-deposit box for Connally. When investigators checked out the story, Connally told them that Jacobsen had indeed twice offered him \$10,000—but as a political contribution, to be used as Connally chose. But he had twice refused the gift, Connally testified, the first time because he wanted to be a "nonpolitical" Democrat in a GOP Administration, the second time because AMPI was in trouble with the Justice Department. Jacobsen told the same story, adding that the \$10,000 still remained untouched in his cashbox.

**Technicality:** But according to the indictment, the box was empty—and after he was questioned about it, Jacobsen asked Connally to replace the \$10,000. Connally allegedly obliged, but Jacobsen later grew nervous about what close scrutiny of the cash might show and asked Connally to replace it again with bills that could be proved to have been in circulation before May 4, 1971, the day Lilly gave Jacobsen the money. Again Connally consented, the indictment said, but despite the precautions an FBI examination of the cash turned up at least 34 bills issued by the Federal Reserve Board after May 4, 1971—and one dating from March 1973. Based on the FBI report, Jacobsen was indicted for perjury by a grand jury in January 1973. The charges were later dropped on a technicality, but Jacobsen has reportedly been plea-bargaining for months—and recently struck a deal. Sources close to the investigation told NEWSWEEK's Nicholas Horrock that Jacobsen

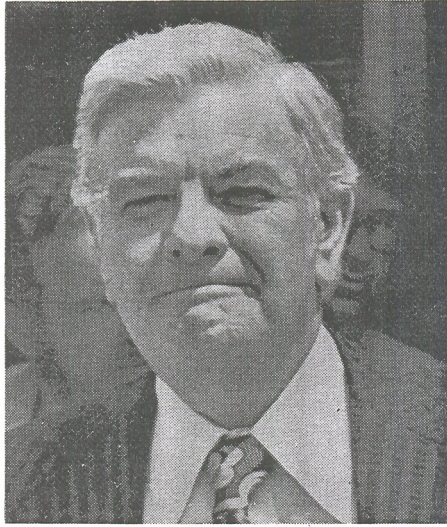


Parr: Was it a bribe?

will plead guilty next week to one charge of the new indictment, and turn government witness.

If convicted, Connally could be sentenced to as much as nineteen years in prison and fined \$50,000. But the case has obvious weaknesses. Not only does \$10,000 seem a trifling bribe for a man of Connally's wealth and stature, but much of the case leans on Jacobsen's word. Although Nelson, Parr and Lilly

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Nelson: A plea of guilty

are expected to testify that they meant to bribe Connally, Jacobsen is the only one who can say that Connally got any money—and Jacobsen is a man in straitened circumstances who has bartered his testimony for reduced charges against him in this case and an unrelated Texas bank scandal. One alternative explanation for the deal would be that Jacobsen had lied to the AMPI officials and used the money for himself. Connally gave no indication of his defense strategy, but said in a statement that he was “confident” of vindication. After months of “leaks, rumors and speculation,” he said, “the matter is now in the open where it can be dealt with honestly and fairly.”

**Helping Hands:** Whatever Connally's fate, AMPI's problems will continue—with a number of other politicians smelling of sour milk. Prosecutors have charged that the dairymen's illegal campaign donations went to Hubert Humphrey, Edmund Muskie, South Dakota Sen. James Abourezk and other Midwest Democrats, as well as the \$100,000 funneled into the Nixon coffers in 1969. Last week Humphrey's former press secretary, Norman Sherman, and Sherman's partner in a computer-services firm, John Valentine, were charged with the misdemeanor of helping AMPI distribute \$82,000 in illegal campaign gifts.

AMPI paid for some of its corporate sins last week, pleading guilty to a six-count charge of conspiracy and illegal campaign giving in 1968, 1970 and 1972. AMPI lawyer Erwin Heininger asked U.S. District Judge George L. Hart Jr. to hold down the penalty, on the ground that the dairymen had already suffered enough. “We find today that even if our cause is just and even if the government officials find our cause is just, they find it extremely difficult in this political climate to treat us as if we were any other citizen,” Heininger complained. But the judge was unimpressed. “The law against corporations giving political con-

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tributions has been on the books for a long, long time,” said Hart, levying the maximum fine of \$35,000. “This type of cavalier violation of the law has got to be put to a stop.”