

NYTimes
**CONNALLY PAYOFF
ALLEGED AT TRIAL**

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**Jacobsen Testifies He Gave
\$10,000 in Two Meetings
for Aid on Milk Prices**

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Special to The New York Times

WASHINGTON, April 3 — Jake Jacobsen, a former dairy industry lawyer, testified here today that he gave John B. Connally a \$10,000 gratuity in 1971 and joined the former Secretary of the Treasury two years later in a plan meant to cover up the payoff.

Mr. Jacobsen, the Government's central witness in the bribery trial of the 58-year-old former cabinet officer, told a jury in United States District Court that he gave the dairy industry money in appreciation of Mr. Connally's assistance in raising the federal milk price support level.

Speaking softly and hurriedly, Mr. Jacobsen said he gave Mr. Connally an envelope containing \$5,000 on May 14, 1971, in the Treasury Secretary's office, saying, "Here's some of the money."

Mr. Connally, the witness recalled, said, "thanks very much."

A second \$5,000 was handed to Mr. Connally a little over four months later, Mr. Jacobsen testified, at a quick meeting sandwiched between the Treasury Secretary's official ap-

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pointments.

"He had a lot things to do," Mr. Jacobsen said of the alleged Sept. 24, 1971, transaction. "So I said, 'Here's the rest of the money, some more of the money I got for you.'"

The witness testified that he had obtained the \$10,000 in cash from officials of the Associated Milk Producers, Inc., the nation's largest dairy cooperative, after Mr. Connally reminded Mr. Jacobsen of his efforts and asked that the milk producers "raise a little money" for him.

Mr. Jacobsen, a swarthy man with sleek, gray hair and dark arching eyebrows, gave his account of the alleged payments and alleged labyrinthine efforts to cover them up during 90 minutes of questioning by Frank M. Tuerkheimer, an associate Watergate special prosecutor.

When the trial resumes Monday, the allegations will be challenged by Edward Bennett Williams, Mr. Connally's chief defense attorney.

Mr. Connally stared at Mr. Jacobsen, his one-time political associate from Austin, Tex., throughout most of the testimony. From time to time Mr. Connally took notes.

The witness glanced at Mr. Connally for only a moment, as he entered the courtroom late today and did not return Mr. Connally's stare until Mr. Tuerkheimer asked for the record if Mr. Jacobsen could identify the defendant.

"He's the silver-haired gentleman seated at the table over there," Mr. Jacobsen replied, his eyes locked briefly on Mr. Connally.

Deal Over Guilty Plea

Mr. Jacobsen pleaded guilty last August to a charge of making an illegal payment to Mr. Connally. In return, the Government agreed to drop perjury charges against Mr. Jacobsen and to abandon prosecution of him in an unrelated Texas bank fraud case.

Mr. Williams said in an opening statement yesterday that he would disprove Mr. Jacobsen's charges as those of an inveterate perjurer who had implicated Mr. Connally to lessen his own punishment.

Mr. Jacobsen told Mr. Tuerkheimer several times today that he perjured himself when Watergate prosecutors and the Senate Watergate committee

began delving into the milk fund scandal in 1973. But he said his lying was in furtherance of a plan Mr. Connally had suggested to conceal the payments.

Mr. Jacobsen testified that in late 1973, after learning that another official of the dairy cooperative had disclosed the \$10,000 payment to investigators, he met Mr. Connally in an Austin, Tex., hotel and offered to "stick with the story" that no money had ever passed between them.

He quoted Mr. Connally as volunteering to "raise \$10,000 or whatever you need, and you can just put it back in your safety deposit box and say it was there all the time."

According to Mr. Jacobsen, he and Mr. Connally settled on a story from which Mr. Connally has since never deviated—that the former Treasury Secretary twice rejected offers of \$10,000 in dairy money that he would use as political contributions.

Mr. Jacobsen stated that Mr. Connally gave him \$10,000 at an Oct. 29, 1973, meeting in Mr. Connally's Houston law office.

Cigar Box and Gloves

"He left the office," Mr. Jacobsen testified. "He was gone 10 minutes. He came back with a cigar box filled with money and rubber gloves. He threw the gloves away. He said, 'This money should be all right, it's all old.'"

Mr. Jacobsen alleged that he deposited the money as planned in an Austin bank box. Several days later, he testified, Mr. Connally arranged a meeting at the home of a mutual Austin friend—George Christian, former press secretary to President Johnson—and warned of a discovery that "there were some Shultz bills" among the \$10,000 in the deposit box.

The reference was to money bearing the signature of George P. Shultz, who succeeded Mr. Connally as Treasury Secretary in 1972. Such bills could not have been in circulation in 1971 and thus, by Mr. Jacobsen's account, he could not claim to have left them untouched since then in the bank box.

Mr. Jacobsen said that, accordingly, Mr. Connally gave him another bundle containing \$10,000 wrapped in sheets of newsprint.

Mr. Jacobsen said that he arranged to have a law partner, Joe R. Long, who was chairman of the board of the Austin Bank, substitute the second \$10,000 in the bank box.

Jon A. Sale, another prosecutor, told the jury and Judge George C. Hart Jr., yesterday that the second packet of money nonetheless contained 16 bills too new to have been available in 1971 and that, with the alleged cover-up crumbling, Mr. Jacobsen agreed to cooperate with the Government.

Three Others Testify

The prosecutors, attempting to corroborate Mr. Jacobsen's account and thereby enable it to withstand rigorous cross-examination, introduced testimony earlier from a one-time assistant to Mr. Connally, a hotel official and a Washington bank officer.

Rose Cicala, who was one of Mr. Connally's secretaries, verified logs showing that Mr. Jacobsen met with Mr. Connally on May 14 and Sept. 24, 1971, the dates of the alleged payoffs.

Osman Moreno, the front office manager of the Madison Hotel here, testified that Mr. Jacobsen had stayed there on the nights preceding each of the two 1971 dates.

And Elizabeth M. Marshall, an assistant to the manager of

the American Security and Trust Company branch near the hotel, verified bank records showing that Mr. Jacobsen had rented a deposit box in which Mr. Jacobsen said he kept \$5,000 between the two payments.

Asked why he had made the payments in two installments, Mr. Jacobsen replied, "Well, to get more credit for it."

Mr. Jacobsen said he had set the \$10,000 figure. "I didn't want it to be too small because I didn't want it to seem we were unappreciative," he said. "I didn't want it to be too big. It would have made it look like we bought the [milk price support] decision."

Earlier, today, the prosecution set the scene for the alleged payoff by playing for Judge Hart and the jury the White House tape recording of a March 23, 1971, meeting on the dairy price-support issue.

As Mr. Connally donned black-framed reading glasses to follow a printed transcript of the meeting, the jurors heard his resonant voice, tinged with a sibilant Texas drawl, counseling President Nixon to beware of political miscalculation about dairymen who Mr. Connally said "are organized;

they're adamant; they're militant."

Mr. Connally, whose voice dominated the meeting and emerged clearly from what was otherwise a scratchy recording, told Mr. Nixon that the dairy lobbyists had "a legitimate cause" for seeking government assurance of a floor of \$4.93 per hundredweight of their products.

But most of his remarks at the White House meeting dealt with the political benefits to be derived from a decision to increase the price support level or the political risks involved in a refusal.

"They're amassing an enormous amount of money that they're going to put into political activities, very frankly," Mr. Connally told the President. He urged Mr. Nixon to satisfy the dairymen in 1971 to assure their financial support in the 1972 election campaign.

Political Aspects Stressed

In opening remarks to the jury yesterday, Mr. Williams characterized Mr. Connally's intervention in behalf of the dairy lobby as a reflection of his lifelong support of farmers. As the only Democrat in a Republican cabinet, Mr. Williams contended, the Treasury

Secretary was the natural ally of the farmers.

But Mr. Connally, on the tape recording, summed up his interest by saying, "I'm addressing myself to the narrow aspects, to the political aspect of it. I don't think there's a better organization in the United States. If you can get it, uh, you can get more help from, that, uh, will be, uh, be more loyal to you."

He warned that the Democrat-dominated Congress would enact a law raising the price supports if the Administration did not, and, Mr. Connally said in the meeting, the Democrats would try to use the situation to deny Mr. Nixon support in farm states such as Missouri, Wisconsin, South Dakota, Ohio, Kentucky and Iowa.

Mr. Nixon eventually agreed with Mr. Connally's suggestion that the Administration raise the price support level on condition the dairymen not seek another increase in 1972.