

# Mitchell Aide Got \$70,000 Of Bug Fund

4/11/73

By Bob Woodward and Carl Bernstein  
Washington Post Staff Writers

About \$70,000 in funds from President Nixon's campaign was transferred in apparent violation of the law last July from the same account that financed the Watergate bugging to a principal assistant of former Attorney General John N. Mitchell, according to investigative sources.

The \$70,000—mostly in \$100 bills—was given to former White House aide Frederick C. LaRue, one of Mitchell's closet political advisers, for purposes yet unknown. The transfer came two weeks after the arrest of five men June 17 in the Democrats' Watergate headquarters and several days after Mitchell resigned as the President's campaign manager, the sources said.

The transfer was approved by former Commerce Secretary Maurice H. Stans, the finance chairman of the Nixon campaign, according to sworn testimony given this month to federal investigators in New York City.

A spokesman for the Committee for the Re-election of the President, reached yesterday afternoon, had no immediate comment on the report of \$70,000 fund. Mitchell, Stans and LaRue could not be reached for comment.

The testimony concerning the \$70,000 transfer is the first indication that the President's re-election committee continued to maintain a secret account of some sort after the arrests in the Watergate.

The General Accounting Office was not told of the transfer, as required by the new Federal Election Campaign Act, which directs full public accounting of all campaign money after April 7, 1972.

Philip S. Hughes, head of the Federal Elections Office in the GAO, responded yesterday to an inquiry about the \$70,000 by saying:

"It seems that the law is loud and clear that all money in their hands after April 7 had to be fully accounted for. If this money went out in July—and I've never heard of it before—I don't think any rea-

See WATERGATE, A19, Col. 1

## WATERGATE, From A1

sonable person could argue that it was not a violation—even Stans' hasn't argued

that." The \$70,000 came from a large cash fund that was kept in Stans' office safe and was used to finance a broad campaign of political espionage and sabotage.

That intelligence-gathering fund, which fluctuated in size between \$350,000 and \$700,000, was the source of at least \$235,000 for convicted Watergate conspirator G. Gordon Liddy, the former finance counsel to the Nixon committee.

In January, the Nixon committee pleaded no contest to eight separate violations of the new campaign finance disclosure law stemming from the payments to Liddy and was fined \$8,000.

According to two sources at the Nixon committee, the \$70,000 was given to LaRue for noncampaign purposes that are apparently known only to Mitchell, LaRue and other top campaign officials.

LaRue was one of two persons directed by former Attorney General Mitchell to keep the public and federal investigators from learning many details about the Nixon committee's involvement in the Watergate bugging, according to highly placed sources in the Nixon campaign.

Meanwhile, federal investigators in Washington are known to be checking into testimony of convicted Watergate conspirator James W. McCord Jr. that he received \$3,000 a month from the late wife of coconspirator and former White House consultant E. Howard Hunt Jr.

According to reliable sources, McCord received the money in cash—mostly \$100 bills—in exchange for his silence about the Watergate operation.

McCord, the former security coordinator of the Nixon committee, reportedly testified before a federal grand jury here that Dorothy Hunt told him last year that the \$3,000 month and \$1,000 monthly payments to other conspirators came from the Nixon re-election committee under an arrangement worked out by Kenneth W. Parkinson, the committee's attorney.

Parkinson has denied the charge and said it is "totally and completely false."

According to sworn testimony given to federal investigators in New York City, LaRue received the money from Hugh W. Sloan Jr., the former Nixon committee treasurer who resigned about the time of the July transfer.

The testimony by campaign committee officials was made to a federal grand jury in New York City investigating a

\$200,000 cash contribution to the Nixon committee by financier Robert L. Vesco.

Vesco is charged in a civil suit filed by the Securities and Exchange Commission with misappropriating \$224 million in mutual funds managed by IOS, Ltd., a financial complex based in Switzerland.

According to other federal sources, the \$200,000 Vesco contribution went into the cash fund kept in Stans' safe.

That fund has been a central focus of the Watergate investigation and has the following history:

- In August, the GAO cited the Nixon committee for 11 apparent violations of the law for failing to report receipts and expenditures from the fund, which the GAO at the time said contained at least \$350,000. In May, after the new disclosure law took effect, the \$350,000 was deposited in the bank, apparently liquidating the fund.

- Federal investigators later determined that at least \$12,000 from the fund (part of the \$235,000) was given to the Watergate conspirator Liddy after May 25, but before the Watergate arrests, establishing that the fund had not been liquidated on May 25.

- Cash from \$114,000 in checks, including \$89,000 in Mexican checks taken across the border to conceal the names of the original contributors, went into the cash fund. The checks were cashed by Watergate conspirator Bernard L. Barker in his Miami bank account last April.

- At least \$30,000 which came either directly or indirectly from the cash fund, was given to California attorney Donald H. Segretti, an alleged political saboteur working against the Democratic presidential candidates. The money was paid to Segretti by Herbert W. Kalmbach, President Nixon's personal attorney, at the direction of former presidential appointments secretary Dwight L. Chapin.

- Disbursements from the fund were, according to federal sources, controlled by Mitchell, Stans, Kalmbach, Jeb Stuart Magruder (the No. 2 official at the Nixon campaign) and White House chief of staff H. R. (Bob) Haldeman. The White House has denied that Haldeman controlled disbursements from the fund.

Hughes, head of the federal elections office, said yesterday that officials from the Nixon committee have declined to say how much money was in the fund. Reliable sources have said that the fund contained close to \$1 million.

LaRue, once the part owner of a gambling casino in Las Vegas, has been one of the

most enigmatic figures of the Nixon administration's inner circle since the President took office. During the 1972 campaign, he was one of the most important presidential aides placed by the White House in the leadership of the Committee for the Re-election of the President.

A wealthy Jackson, Miss., oil man, LaRue was one of the architects of the "Southern Strategy" of the 1968 Nixon campaign, in which he worked as an assistant to campaign manager Mitchell.

During the first three years of the Nixon administration, he officially served as a counsel to the President, although his name was never listed in the White House staff directories, and some lower-level

White House aides still say: "I never heard of him when he was over here."

Those few persons familiar with his work as a presidential counsel say many of LaRue's assignments involved political liaison with the Southern states and with Sen. James O. Eastland (D-Miss.), the Senate Judiciary Committee chairman who has become a powerful administration ally on Capitol Hill.

According to Nixon administration sources, LaRue was assigned by Mitchell and the White House to help establish the Committee for the Re-election of the President and, with deputy campaign manager Jeb Stuart Magruder, later ran many of the day-to-day operations of the Nixon campaign.

Both La Rue and Magruder played roles in the Nixon campaign's program of espionage and sabotage activities against the Democrats, according to campaign and investigative sources. At the committee, the two shared an office suite and, among campaign insiders, became collectively known as "MagRue."

Magruder has denied allegations in hearsay testimony by Watergate conspirator McCord that he was one of several former presidential associates who had advance knowledge of the Watergate bugging. McCord, the former security coordinator of the Nixon re-election committee, is known to have told investigators that he has no knowledge that LaRue was involved in the bugging.

According to Alfred C. Baldwin III, the ex-FBI agent and Mitchell security guard who monitored the wiretapped conversations of Democrats at the

Watergate, his hiring by the Nixon committee was personally approved by LaRue. Baldwin, in an interview with The

Los Angeles Times, said he was supplied with a gun by LaRue, who told him not to worry about not having a license.

At the time of the Water-

gate arrests on June 17, Mitchell, Magruder, LaRue and Robert C. Mardian, former Assistant Attorney General, were all together on the West Coast, according to investigative and Nixon committee

sources. Mitchell reportedly ordered Magruder to fly directly back to Washington on Sunday, June 18, to investigate the situation.

Then Mitchell returned to Washington with LaRue and Mardian on Monday or Tues-

day, and designated them as coordinators of the Nixon committee's response to the bugging, including responsibility for dealing with federal investigators.

Part of that response, according to investigators, was a massive "housecleaning" ordered by LaRue and Mardian, in which numerous records were destroyed. Mardian also sat in on almost all FBI interviews with Nixon committee employees and, with LaRue,

reportedly advised some persons to "stay away from certain areas" in their discussions with investigators.