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Airline Chairman Admits Illicit Gift To Nixon Drive

Donation Sought by Kalmbach

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The chairman of American Airlines acknowledged yesterday that he arranged an illegal corporate contribution of \$55,000 to President Nixon's re-election campaign last year at the behest of Herbert W. Kalmbach, then the President's personal lawyer.

The airline's board chairman, George W. Spater, said he also had company officials deliver another \$20,000 in cash for the Nixon campaign from "non-corporate sources."

Some of the corporate money was said to have been "laundered" through a broker in Lebanon to conceal its origins. Informed sources said the \$55,000 was raised through the use of phony invoices for which payments were reflected on the airline's books.

Special Watergate prosecutor Archibald Cox said American Airlines made the disclosure voluntarily. He said he hoped "other responsible corporate executives" would come forward "in an effort to put an end to such practices."

"Whether they come forward or not," Cox warned, "we intend to get to the bottom of illegal funding practices."

Federal law prohibits corporate contributions to presidential and congressional political campaigns.

A spot check of other airlines produced no acknowledgment of donations similar to American's. Eastern Airlines said, however, that it had been asked for a corporate contribution to Mr. Nixon's campaign



HERBERT W. KALMBACH
... rival airline's lawyer



GEORGE W. SPATER
... takes responsibility

and that it rejected the solicitation.

Following up on Cox's announcement with an unusual press release, Spater said that he "took full corporate responsibility for the decision" to make the American Airlines contributions.

"I was solicited by Mr. Herbert Kalmbach, who said that we were among those from whom \$100,000 was expected," Spater said.

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

As a result, Spater said, American Airlines officials, acting "at my direction," delivered \$75,000 in cash for the Nixon campaign in five installments, starting in November of 1971. He said "the first four, totaling \$20,000, came from non-corporate sources and the last \$55,000, paid in March, 1972, came from corporate sources."

American Airlines spokesmen refused to go beyond the

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carefully couched statement. But it was understood that the \$20,000 came from a single individual, perhaps a stockholder close to Spater, and apparently did not constitute an illegal contribution. All of the contributions were made before April 7, 1972, the effective date of a stiff new federal campaign financing disclosure law, and went unreported by the Nixon campaign.

According to informed sources, Spater was approached by Kalmbach for the money at a face-to-face meeting in late 1971 in New York where American Airlines has its corporate headquarters. At the time, American was seeking to merge with Western Airlines, a step involving international routes that would have required both Civil Aeronautics Board and White House approval. Kalmbach's clients include United Air Lines, the main competitor of American Airlines. United opposed the merger on the ground that it would decrease its revenues.

In his statement, Spater made no mention of the merger—which was rejected by the CAB last July in a 4-to-

1 vote—but he did protest the pressures on business firms for political contributions.

"Under the existing laws," he said, "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."

Pleading for "honest and sensible new laws" that would reduce those pressures, the American Airlines chairman frankly acknowledged that the company's purpose in making the disclosure "has been to mitigate any resulting charges or penalties against the officials involved" as well as to focus attention on the hypocrisy of the present system.

It is a criminal offense under federal law for corporations and their officers or directors to make political contributions out of company funds and for political fundraisers to accept or receive such contributions.

Prosecutions under the statute have been rare, but convictions carry a penalty of one year in prison and a \$1,000 fine. "Willful" violations carry a stiffer penalty, two years and a \$10,000 fine.

Special prosecutor Cox's statement seemed to raise the possibility that company officials who come forward as Americans did might not be prosecuted as individuals.

Cox said he was adopting no blanket policy, but, he added, "It is fair to say 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."

Cox's special assistant, James S. Doyle, said later, however, that "there was absolutely no *quid pro quo* involved in the discussions with American Airlines' attorneys.

Spater's statement did not say to whom the payments of \$75,000 were made, and a spokesman for Kalmbach did not reply to a reporter's inquiries on this point.

The Finance Committee to Re-elect the President, headed by former Commerce Secretary Maurice H. Stans, issued a statement denying that it authorized anyone "to solicit or knowingly accept contributions from corporations," but it did not deal specifically with either the American or the Eastern airlines episodes.

The committee said: "The absurd charge has been made that this committee used extortion methods to secure contributions in the 1972 campaign. It has even been alleged that the committee obtained lists of corpora-

tions having matters pending before government agencies and used them improperly to make threats or promises in soliciting contributions.

"Such charges are nonsensical and the committee denies them emphatically. At no time were such tactics used. At no time did the committee authorize anyone to solicit or knowingly accept contributions from corporations."

One of those instrumental in American Airlines' disclosure to Cox and his prosecutors was Lloyd N. Cutler, American's Washington attorney. He said that the company's lawyers and management "agreed that it should be done as soon as any of us looked into the matter."

Howard Willens, a former Justice Department lawyer and now a partner in Cutler's firm, and Herbert J. Miller, a former assistant attorney general in charge of the Criminal Division who was specially retained to help handle the problem, notified Cox' office of the episode in a series of meetings that started last month.

Subsequently, Common Cause, a citizen's lobby which is pressing a court suit for disclosure of all 1972 Nixon campaign funds, was also notified. Its chairman, John Gardner, joined Cox yesterday in urging officials of other companies to speak up. Gardner said he was "particularly concerned" about the American Airlines episode since he was a member of its board of directors until he resigned Aug. 9, 1971, effective Dec. 31 of that year.

"A lot of them are going to get caught anyway," Gardner said of company officials who made illicit contributions. "It's just a matter of time."

But Washington lawyer Mitchell Rogovin, who is pressing the Common Cause lawsuit, said it was far from certain that American Airlines' contributions would have come to light without the voluntary disclosure.

"I don't really think they were one step ahead of the sheriff at all," Rogovin said. "The sheriff may never have caught up with them."

Eastern Airlines senior vice president Jonathan Rinehart said that his company resisted a similar solicitation—by an unidentified person other than Kalmbach—which was made of Floyd D. Hall, Eastern chairman and chief executive officer.

Rinehart said that no specific sum was suggested. He also said he did not know just when the approach was made, but he said he was certain the appeal was for corporate funds.

United Air Lines said early in the day that it "is unaware of any corporate contributions to any federal political organization or campaign fund," but it refused to give out any information on personal contributions of United officers, which the law permits.

After a reporter pointed out that neither Kalmbach nor any other individual who might have received contributions was either an "organization" or a "fund," United's executive vice president and chief operating officer Charles F. McErelean said that to the best of his "knowledge and belief, no corporate contributions or corporate funds were given to the candidates or committees to re-elect President Nixon or to elect Senator McGovern for the federal elections."

The statement did not indicate whether the phrase, "federal elections," was intended to include primaries, which were exempted from provisions of the old, loophole-ridden Corrupt Practices Act. The Nixon organization has contended that the old law did not cover campaign financing before April 7, 1972, because the President had not yet been nominated for another term.

Several other airlines contacted by The Washington Post said they had neither been dunned for corporate funds nor contributed any. These airlines include Continental, Delta, National, Northwest, Pan American, TWA and Western, the company that sought unsuccessfully to merge with American.