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Agnew Associate Denies Payoff Role

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J. Walter Jones, a wealthy Annapolis banker and long-time fund-raiser for former Vice President Spiro T. Agnew, is the unidentified "close associate" or "middleman" who is accused by the Justice Department of funneling cash kickbacks from a Maryland engineer to Agnew almost from the beginning of Agnew's public career, informed sources said yesterday.

The description of the activities of "the close associate" are contained in the Justice Department's 40-page exposition of evidence against Agnew that was made public Wednesday when he pleaded no contest to a single charge of income tax evasion.

Jones, who has been notified that he is the target of the federal grand jury investigation of political corruption in Maryland, has consistently denied any wrongdoing. His attorney, Plato Cacheris, said yesterday that he would have no comment on the identification of Jones as the "close associate."

The activities of "the close associate" are described in the statement along with the roles of four other men who are named in the statement and accused by the government of being key figures in an often complex, 10-year-old scheme devised by Agnew to extort thousands of dollars from engineering firms in re-

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turn for granting them lucrative public contracts.

The assertions made in the government document offer a startling view of the system under which public contracts are awarded, not only in Baltimore County and Maryland, but in other sections of the country. Although the document concerns allegations against only one political figure, Agnew, and a handful of his friends, those allegations reveal certain patterns that appear to be applicable on a much wider scale.

Among the patterns emerging from the charges against Agnew are:

The system in which engineers and other consultants pay political figures or their agents in return for obtaining government contracts is widespread, clearly understood by those who participate in it and, in many cases, considered a normal part of doing business with a government agency.

In a public career that spanned less than 15 years, Agnew rose rapidly through the three main levels of American government: local, state and federal. Yet, according to the Justice Department document, at no time did Agnew consider halting the process of extorting money from engineers that he had initiated shortly after becoming county executive of Baltimore County in 1962.

In one section, the government document describes the attitude of businessmen on the local level, in Baltimore County. At this time, Jerome B. Wolff, one of the four men whose activities are described in the statement, had left the county government to begin his own engineering firm.

"Friends in the consulting business asked Wolff, while Mr. Agnew was county executive, how much Wolff was paying for the engineering work that he was receiving from Baltimore County," the document says. "They seemed to assume that he was paying, as it was well known in the business community that engineers generally, and the smaller engineers in particular, had to pay in order to obtain contracts from the county in those days."

Wolff was later to be named by Agnew, when Agnew was governor, to be chairman of the powerful Maryland State Roads Commission, to become a science adviser on the vice presidential staff and, in 1970, to leave Agnew's staff to become president of Greiner Environmental Systems, Inc., a Maryland engineering firm.

According to the government document, this attitude expressed in Baltimore County did not change when Agnew reached the state capital of Annapolis in 1967. The statement describes a meeting in the State House early that year with Agnew, Wolff and I. H. Hammerman II, a wealthy Baltimore investment banker and another key figure in the exposition of evidence.

"Gov. Agnew advised Hammerman that there was in Maryland a long-standing 'system,' as he called it, under which engineers made substantial 'cash contributions' in return for state contracts awarded through the State Roads Commission. Gov. Agnew referred to the substantial political financial demands that would be made on both himself and Hammerman, and said, in effect, that those who were benefitting (the engineers) should do their share.

"Gov. Agnew said that Hammerman could help him by collecting cash payments from the engineers, and he told him to meet with Wolff to set things up."

In comments yesterday, this assertion about "A long-standing system" in Maryland was denied by Gov. Marvin Mandel and J. Millard Tawes, who was the state's governor during the eight years before Agnew took office and is now the state treasurer.

"They (the Agnew administration) brought a new brand of government to the state," Tawes said in a telephone interview. "I never heard the word 'kickback.' I'd be willing to bet my life that there were no kickbacks such as those described in that document."

In one section, the document asserts that "a small group of engineering firms that were closely associated with the Tawes administration" received the bulk of the state work under Tawes.

"There was no small group," the former governor said yesterday. "I don't know who would comprise such a group."

One of the key elements in the functioning of the kickback system is the vulnerability to political pressure of architects and engineers seeking government work.

Consulting contracts for architectural and engineering work, unlike construction contracts, are negotiated by government officials and not awarded on the basis of competitive bids. The consultants, therefore, are open to intense pressure from the men who have power to award government contracts.

"There are many engineering companies which seek contracts, but price competition was not allowed under the ethical standards of this profession until October, 1971," the Justice Department statement says. "Therefore, engineers are very vulnerable to pressure from public officials for both legal and illegal payments.

"An engineer who refuses to pay can be deprived of substantial public work without recourse, and one who pays can safely expect that he will be rewarded."

At least in the allegations against Agnew, the initiatives for implementing the kickback scheme came from the politician, not the engineers, a factor that makes the alleged activities appear to be extortion rather than bribery.

The government document clearly charges that Agnew himself instigated the kickback scheme and insisted that it continue throughout his rise in political prominence. For example, the document describes a reported meeting between Agnew, then governor of Maryland, and Allen Green, head of an engineering firm and the third key figure named in the statement.

"Gov. Agnew expressed his concern about the substantial financial obligations and requirements imposed upon him by his new position," the statement said. "... Green inferred from what Mr. Agnew said, the manner in which he said it, and their respective positions that he was being invited in a subtle but clear way to make payments.

"He, therefore, replied that he recognized Mr. Agnew's financial problems and realized he was not a wealthy man."

Eventually, according to the document, the understanding between Agnew and Green was put into effect at a series of meetings at which the substance of that understandnig was seldom discussed.

"At the first such meeting," the government document says, "he (Green) handed an envelope to Gov. Agnew that contained between $2,000 and $3,000 cash. Green told the governor that he was aware of his financial problems and wished to be of assistance to him.

"Gov. Agnew accepted the envelope, placed it in either his desk drawer or his coat pocket and expressed his gratitude. Over the next two years, they gradually said less and less to each other about each payment; Green would merely hand him an envelope and Gov. Agnew would place it in either his desk drawer or his coat pocket with little or no discussion about it."

The engineers are said to have paid Agnew willingly.

At one point, the government described the attitude of Lester Matz, another Maryland engineer and the fourth key figure named in the charges. After agreeing to pay Agnew, then county executive, up to 5 per cent of the fees his company received from the county, Matz discussed this arrangement with his partner in the firm, John C. Childs.

"They agreed that this would be a satisfactory arrangement," according to the Justice statement. "In fact, they were delighted that they would be among the small group of engineers who would be close to the Agnew administration and that they would, therefore, receive their share of the substantial county engineering consulting work."

The activities of "the close associate"—identified by informed sources as Jones—are described in the document largely in relation to Matz. It was through "the close associate," the government charged, that Matz first began making payments to Agnew in Baltimore County. Eventually, this arrangment was broken off, with Matz making his payments directly to Agnew, in part because Matz suspected that the "close associate" was keeping some of the kickback money for himself, the statement charged.

The federal prosecutor's document also contained reference to a cash payment made by Lester Matz to Agnew in 1971 when Agnew was Vice President.

According to the document, Matz paid Agnew $2.500 "for the awarding by the General Services Administration of a contract to a small engineering firm in which Matz had a financial ownership interest."

According to documents filed with the Securities and Exchange Commission, Matz's firm in April, 1968, helped form and invested in Planners, Inc., of Washington. Matz bought a third of Planners' common stock for $15,000. Matz's partners in Planners were the architectural firm of Gruzen and Partners, and Edward Echeverria, an urban designer.

Echeverria told The Washington Post recently that Matz made three phone calls to him in late April and early May of 1971. During those calls, according to Echeverria, Matz said he wanted $2,500 to cover a payment of that amount he planned to make to Agnew for GSA work the Vice President had helped arrange for Planners, Inc.

Echeverria said Matz told him the money was to be used to pay the Vice President for his help in securing for Planners Inc., a $98,400 GSA contract to draw up a site plan for a government office in Suitland, Md.

Echeverria said he told Matz he did not have the money and was told in return that "the man needed the money." Matz finally told Echeverria he would pay off "the man" himself and call again later.

During a second phone call several days later, Echeverria said, Matz again asked for $2,500. At this time, Matz, Echeverria said, told him "this is the usual thing. I've taken care of the Vice President regularly."

Matz, Echeverria said, did not say for whom else he had paid Agnew or what the pay-off money was used for.

In a third phone call three weeks later, Echeverria said, Matz told him that he had paid the $2,500 and that he wanted to be repaid. Echeverria said he told Matz he would not pay the money and heard no more about the transaction.

J. WALTER JONES
. . . denies wrongdoing

The federal prosecutors' story relating to the payment is similar to Echeverria's except that the prosecutors say in their document that Echeverria finally gave Matz $1,000 "as his contribution to this payment."

Echeverria was unavailable for further comment yesterday. A man who answered the phone at Planners Inc. said "he's out of the country. We are not cooperating with the press."

The federal prosecutors also said in their statement that Hammerman, working under orders from Agnew while Agnew was governor, successfully solicited "a substantial cash payment from a financial institution in return for that institution's being awarded a major role in the financing of a large issue of state bonds."

The document did not name the institution but the only large state bond issue awarded during the period that Agnew was govenor involved the $220 million used for the construction of the parallel Chesapeake Bay Bridge and the Outer Harbor Bridge in Baltimore.

The Baltimore bond house of Alex Brown and Sons acted as chief bond underwriter on the issue. Under the terms of an agreement authorized by Agnew without competition, the firm bought the bonds from the state and resold them at a profit.

Spokesmen for the Alex Brown bond house have refused to say what profit the firm made on the issue, but bond experts in New York and Washington estimate that Alex Brown could have realized a profit of between $1.1 and $1.5 million.

In their document, the federal prosecutors said no mention of the name of the financial institution was being made "in order to avoid possible prejudice to several presently anticipated prosecutions."

The document notes that Hammerman recalled discussing with Agnew the prospects for the firm obtaining the state's lucrative bond business after Agnew became governor in 1967. "During that discussion," the document states, "Mr. Agnew commented that the principals at the particular financial institution in question were 'a cheap bunch' who 'don't give you any money.'

"Mr. Agnew informed Hammerman that he did not intend to award that institution the bond business in question unless a substantial 'contribution' were made. Hammerman carried the message to the appropriate person, a substantial cash 'contribution' was made; the institution got the bond business."

Contributing to this account were Washington Post Staff Writers Bill Richards and Judy Nicol.