

Gift Allegedly a Try for FHA Favor

148-73
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By Lawrence Meyer
Washington Post Staff Writer

A Florida building contractor testified yesterday that he gave a \$25,000 political contribution to Nixon campaign finance chairman Maurice H. Stans in March, 1972, with the understanding that Stans would help him resolve a problem with the Federal Housing Administration.

The contractor, John Priestes, told the Senate select Watergate committee that former Commerce Sec-

retary Stans took his check and "said he would make a call and see what he could do."

Priestes testified that Stans said "If it looks like we can't do anything for you, we'll return your check." The check was returned about two weeks later, Priestes said.

But Stans, in a written version of the same incident, said he had been asked by another committee official to meet with Priestes and that he understood from

Priestes that the contractor's problems were primarily with the press. Stans wrote that he told Priestes that he, Stans, "could not evaluate the situation without knowing FHA's attitude toward him and his transactions."

After being advised by White House and Housing and Urban Development (HUD) officials not to accept contributions from Priestes, Stans wrote that he ordered the matter dropped and never spoke to Priestes

again. This account is contained in Stans' written statement, which was not made under oath and submitted by Stans to the Senate committee.

After hearing the statement read at the Watergate hearings yesterday, Priestes told the committee: "As I heard the statement, I thought it was basically true."

Priestes' testimony marked the second time in a week that allegations have

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JOHN PRIESTES
... \$25,000 returned

HEARING, From A1

been made public that Stans was involved in potentially illegal attempts to get contributions for the Nixon campaign.

Federal prosecutors in New York are investigating an alleged attempt by Stans to get a contribution from partners of one of the nation's largest firms of certified public accountants, Peat Marwick Mitchell & Co. The firm reportedly rejected the solicitation on the ground that any effort to influence partners to give to a particular party or candidate would violate a federal law prohibiting contributions by government contractors.

Priestes, 36, has pleaded guilty in Florida to two federal felony counts involving homes financed by the FHA and has received a one-year sentence. Priestes has told a federal grand jury in Miami that he gave an aide to Sen. Edward J. Gurney (R-Fla.) \$500 per house for each FHA-subsidized contract he received, according to the Miami Herald.

Gurney, who is a member of the Senate Water committee, has acknowledged that the Justice Department is investigating charges that Florida builders gave him secret contributions in return for expected preferential treatment by the FHA. Gurney was not present in the hearing yesterday during the questioning of Priestes.

According to Priestes, in February, 1972, he was aware that FHA was about to suspend him as a builder eligible for receiving the agency's contracts because he had done business using a fictitious corporation.

Priestes said he was called on Feb. 26, 1972 by

Ben Fernandez, who was the chairman of the Hispanic Finance Committee for the Committee for the Re-election of the President. Fernandez, Priestes said, told him he had learned of Priestes' troubles from other builders and that "he possibly could help me with my troubles."

At a meeting the following day in Miami, Priestes said, Fernandez said he could get the FHA suspension stopped or lifted in the event it was issued. "He said it would require a contribution," Priestes testified. "He said it would require a \$100,000 contribution."

According to Priestes, for an initial contribution of \$25,000 Fernandez said he would introduce him to Stans, who in turn would call the then Secretary of HUD about Priestes' problems. "I was then to make another \$25,000 payment," Priestes said. The final payment would be made after the suspension was lifted, Priestes said.

Priestes said he agreed to that arrangement. He said he also contacted the local FHA director, William Pelski, to verify "if this was a way I could obtain this favor." After giving Pelski the full details of the agreement, Priestes said, Pelski called back the next day and "said it would be OK, this would be a way I could have my impending suspension lifted."

Priestes said he met again a week later with Fernandez and arranged to meet him in Washington. On March 12, Priestes testified he came to Washington and noticed in newspapers stories about a \$200,000 contribution being made by ITT to the Republican Party allegedly as part

of a deal to kill federal anti-trust action against ITT.

When he met with Fernandez, Priestes said, he complained that requiring a \$100,000 contribution from him was "heavy" since ITT was giving only \$200,00. Priestes said Fernandez told him ITT was really giving \$400,000 but agreed to cut Priestes' contribution to \$50,000.

Priestes said that Fernandez' attitude "was not quite as confident as it had been in Miami." The next morning, March 13, Priestes said he met with Stans and Fernandez, who opened the meeting by saying that Priestes would make a contribution to the campaign.

At that point, Priestes said, he showed Stans a scrapbook of newspaper clippings that concerned Priestes' problems with

FHA. "I tried to explain the trouble I was in," Priestes said.

When he gave Stans the check for \$25,000, which Priestes said he has borrowed from a business associate, Priestes said Stans remarked that the form of the check—made out to the Republican Party or the Republican National Committee and signed by Priestes' associate—was unsuitable. Priestes said Fernandez told Stans that the check could be converted to cash or smaller checks.

Priestes said that when Stans did not appear to be about to call HUD Secretary George Romney, he asked Stans, "Are you going to make a call to Romney? I was promised that."

Stans, Priestes said, told him, "I'll make a call and

see what we can do. If we can't do anything, we'll return the check to you."

About two weeks later, Priestes testified, a "man" came to his house, identified himself as a re-election committee official and returned the \$25,000 check. "He told me it was a serious situation, more so than they had expected," Priestes said, and that the contribution had to be made in cash. Priestes said he refused without having any assurance that Stans would see the money changing hands, a condition the man refused.

Priestes said he talked with Fernandez, who told him, "We can't do anything for you. You can if you want made a contribution for \$5,000." Realizing he would get no help from the re-election committee or Stans, Priestes

said, he dropped the matter.

Stans' written statement, given Tuesday, was read into the record by committee vice chairman Sen. Howard H. Baker Jr. (R-Tenn.).

According to Stans, the meeting with Priestes had been arranged by Fernandez on March 8. "I did not know the name of the individual with whom I was to meet or the circumstances of the proposed contribution, only that Mr. Fernandez felt that it would assist in finalizing the proposed contribution if I were to meet with him and the contributor," Stans said.

Stans said Priestes showed him newspaper clippings "The gist of the articles was that Priestes had realized a large windfall profit on a FHA low cost housing program, primarily because of favors allegedly

granted to him by a suspended FHA director in Miami named Pelski.

"Mr. Priestes," Stans said in his statement, "stated that he was an unfair victim of the Miami Herald and that he was fearful that action might be taken against him by HUD or FHA on the basis of the unfavorable publicity without his having an opportunity to defend himself."

Stans said he told Priestes "I could not evaluate the situation" without knowing FHA's attitude toward him and his transactions. Stans said he gave the check back to either Fernandez or Priestes until Stans could make inquiries.

The same day, Stans said, he met with G. Richard Dunnells, deputy assistant secretary of HUD. Stans said he also talked with

THE WASHINGTON POST

Thursday, Nov. 8, 1973

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White House aide Bill Gifford about the matter.

On March 14, Stans said, Dunnells wrote him that HUD had suspended Priestes on March 13, and "any contact with Priestes at this time would, in our opinion, be highly inappropriate." Stans said he could recall no mention of the suspension when he met with Priestes. Stans said he wrote on Dunnells' letter, "drop contact."

On March 17, Stans said in his statement, that Gifford called to tell him, "Priestes is not clean; he uses dummy corporations, is unreliable and undesirable." Stans said he told Fernandez what he learned on March 18 and that Fernandez said he would accept no contribution from Priestes.

The hearings will resume at 10 a.m. today with Fernandez testifying.