

MAR 22 1974

MILK CO-OP'S GIFTS IN TEXAS DETAILED

Report Says State Official
Was Used as a Conduit
for Aid in Campaigns
NYTimes

SAN ANTONIO, Tex. March 21 AP) — A milk cooperative official says he used the Texas Deputy Agriculture Commissioner, Bill Pieratt, as "a conduit for political funds" to state legislators in an off-election year, according to a special investigative report.

Bob Lilly, a legislative director of Associated Milk Producers Inc., was quoted in a report prepared for the milk cooperative by a Little Rock, Ark., law firm, Wright, Lindsey & Jennings.

The co-op voluntarily gave the report to a Federal court at Kansas City, Mo., which is hearing antitrust suits filed against the co-op by the Justice Department and others. It was also turned over to prosecutors working with a Watergate grand jury.

At least two of the five Democratic legislators that Mr. Lilly said were designated recipients of the money in 1969 said they did not get any of the \$9,500 allegedly disbursed. A third said he could not recall receiving such money.

The report, which documents five years of political activity by the Associated Milk Producers, the nation's largest dairy cooperative, does not say why Mr. Lilly had the "conduit" arrangement with Mr. Pieratt.

Political Arm Used

Mr. Lilly said the money's source was the Trust for Agricultural Political Education, the political arm of the co-op. The political organization is legally constituted to give political contributions and could have done so directly. But Federal law prohibits political donations from corporations.

The Wright report lists the following lawmakers as designated recipients of the funds that Mr. Lilly said he gave Mr. Pieratt to deliver:

- May 7, 1969, Senator Bill Moore, \$2,000.
- May 7, 1969, Senator J. P. Word, \$1,000.
- May 7, 1969, Representative Rayford Price, \$1,000.
- May 13, 1969, Representative Gus Mutscher, \$4,000.
- May 13, 1969, Representative Bill Heatly, \$500.

There was also a receipt dated Aug. 17 that said, "Received from Bob Lilly, \$1,000" and was signed by Bill Pieratt. But no legislator was designated as recipient.

The Wright report says: "Mr. Lilly stated that Mr. Pieratt functioned as a conduit for political funds. Mr. Lilly stated that Mr. Pieratt was a good friend, and that a receipt from Mr. Pieratt was 'good enough for me' and added that if Mr. Pieratt signed for the money, it would be delivered to the designated recipient."

Mr. Pieratt, reached by telephone, said he remembered one occasion in which Mr. Lilly "asked for some money to be brought to me so that his people would know where it went." But he said he could not remember if it was in cash or checks.

"Who it went to, I don't know," he added.

Mr. Pieratt said he had never given money to Mr. Price and did not recall sending any money to the others.

Replies From Others

Mr. Price, a Dallas lawyer since his 1972 defeat for reelection, said that Mr. Pieratt "did give me a contribution" in 1969. Mr. Price said he was a candidate for Texas House Speaker at the time but did not have to file a campaign contribution report.

Senator Moore and former Senator Work both said they did not receive such money in 1969. Mr. Moore said he received \$500 from milk interests in 1970.

"There would have been no reason for them to give me \$2,000," said Mr. Moore, who did not run in 1969.

Mr. Word said, "I can tell you categorically I did not receive any from Lilly or Pieratt. I wouldn't have trouble recalling \$1,000 in an off-election year."

Representative Heatly said he did not recall any 1969 contributions from Mr. Pieratt or the dairymen.

Mr. Mutscher could not be reached for comment.

The Wright report also lists another series of contributions that Mr. Lilly said he made in 1968. Mr. Lilly said these contributions were made by him personally and he was reimbursed by corporate funds from the milk co-op.

Among the recipients listed for the 1968 donations were the Texas Agriculture Commissioner, John White, \$500; the Gus Mutscher House speaker campaign, \$800; the Mutscher campaign fund, \$500; the late Crawford Martin, who was then Texas Attorney General, \$1,000; former United States Representative Graham Purcell, Texas Democrat, \$2,000, and a Mutscher appreciation dinner, \$100.

Mr. White and Mr. Purcell say they were not aware the contribution's source was corporate funds.

Mr. Lilly has been granted immunity in testifying for a Washington grand jury investigating dairy money and alleged political influence in the Nixon Administration. A lawyer for Associated Milk Producers has said the cooperative made an illegal \$100,000 contribution to Mr. Nixon in 1969.