

LBJ Firm Rents \$767,000 Plane To Dairy Co-Op

Humphrey Aid \$94,000 a Year

Associated Press

An internal audit shows that Associated Milk Producers, Inc., paid at least \$91,691 in corporate money to support Hubert H. Humphrey's 1968 presidential campaign and \$34,500 to his 1970 senatorial campaign.

The audit and a lawyers' report, obtained from court records, show that the giant dairy cooperative retained its ties to Democrats as it switched its main support to President Nixon after his 1968 victory.

The 1968 Humphrey money went to pay the \$15,000 nine-month salary of a campaign worker, to reimburse him for \$11,641 in campaign travel expenses, to reimburse at least \$54,000 in campaign donations by a number of individuals, and to pay miscellaneous expenses of a campaign rally, a dinner and a parade, the audit shows.

Federal law prohibits corporate contributions to political campaigns. Two former officials of the milk producers pleaded guilty in January to conspiring to donate \$22,000 to the Humphrey campaign, and former general manager Harold S. Nelson was indicted earlier this month for perjury because he denied knowledge of that donation. The \$22,000 is included in the total \$91,691.

Through a spokesman, Humphrey said, "I have no knowledge of these transactions . . . an organization as large as AMPI should have had the kind of legal counsel that would have prevented these types of transactions."

The auditing firm, Haskins & Sells of San Antonio, said its accounting may not be complete because some cancelled checks from 1967 and 1968 cannot be found.

The audit is attached to a report for the cooperative's board of directors by attorney Edward L. Wright, a former president of the American Bar Association. The board commissioned Wright to investigate illegal political contributions and other payments by past officials of the dairy group.

After Humphrey's defeat, general manager Nelson decided to "make peace" with the Republicans, according to two officials quoted in the report. In August, 1969, the co-op shipped \$100,000 in cash to Nixon's lawyer-fundraiser Herbert L. Kalmbach.

The milk producers re-

By George Lardner Jr.

Washington Post Staff Writer

The nation's biggest dairy co-op is paying the late President, Johnson's holding company a minimum of \$94,000 a year for use of an airplane based at the LBJ ranch.

An Austin attorney for the Johnson interests yesterday called the arrangement a "bargain" for the co-op, the Associated Milk Producers, Inc., and said that its officials use the plane regularly.

According to a report on AMPI's political dealing, however, the co-op's board of directors has tried unsuccessfully to terminate the lease agreement, which has two more years to run.

AMPI has been under investigation by Watergate prosecutors in connection with hundreds of thousands of dollars in campaign contributions for President Nixon, who ordered a controversial increase in milk price supports in 1971. However, the Texas-based co-op also maintained close ties to Democrats, including Sen. Hubert H. Humphrey (D-Minn.) and Rep. Wilbur D. Mills (D-Ark.)

Donald S. Thomas, a lawyer for the Johnson enterprises, said they have no intention of letting AMPI out of the contract.

"As far as we're concerned, it was absolutely an arms-length transaction, at a reasonable rental," he said in a telephone interview.

The \$767,000 plane is a 13-seat Beechcraft King Air turboprop. It is used occasionally by Lady Bird Johnson and is also used by the Johnson corporations — the LBJ Co. (formerly Texas Broadcasting), the Karnack Corp. (a cable TV company) and Western Wildflower Corp. (a holding company).

But AMPI, Thomas said, has "first call" on the plane and uses it far more often. "It's really more their plane than ours," he declared.

The agreement with the late President was made by AMPI general manager Harold S. Nelson shortly before he was ousted from the co-op in a power struggle.

However, his successor, George L. Mehren, subsequently added his own signature to the arrangement.

Mehren, who became AMPI general manager in January of 1972, was an assistant secretary of agricul-

HUMPHREY, From A1

cently said the \$100,000 was an illegal corporate donation. The cooperative asked Nixon campaign officials for return of the money, but have received no reply.

In 1970, about the time that milk producers were promising to raise \$2 million

for President Nixon's 1972 campaign, they also were giving support out of corporate funds for Humphrey's Minnesota senatorial campaign, the Wright report showed.

It quoted former co-op lobbyist Bob A. Lilly as saying he was reimbursed from company funds for two con-

tributions to Humphrey totalling \$22,500. Lilly also said that a \$12,000 advertising payment to the New York firm of Lennen & Newell, Inc., actually was payment for Humphrey's printing costs. The invoice for that payment listed it as "consulting fee for Minnesota."

MILK, From A1

ture in the Kennedy and Johnson administrations. He was in charge of the Agriculture Department's consumer and marketing services, which include the government's milk price-support program.

Mehren first signed up with the co-op as a consultant in 1968 the day after he left the Agriculture Department.

The payments for the LBJ plane were disclosed in an independent study of the co-op's political dealings by former American Bar Association president Edward L. Wright. It was commissioned by the co-op's board of directors to follow up reports of illicit campaign contributions and other questionable expenditures by AMPI officials.

As general manager of AMPI, Nelson initially agreed to pay \$73,500 a year for the use of a smaller, slower Beechcraft King Air that was owned by Texas Broadcasting. That lease was dated July 1, 1970, a year and a half after Mr. Johnson left office and it, too, called for the plane to be hangared at the LBJ Ranch.

The original lease was scheduled to run out in mid-1972. On Jan. 6, 1972, however, a few days before Nelson left AMPI, he signed a new agreement with "L. B. Johnson" covering the newer, plusher two-engine turboprop.

Thomas said the contract enabled the Johnson interests to buy "a little better airplane," which was delivered in April of 1972. Ownership was assigned by Johnson to Western Wild-

flower Corp. Western Wildflower also pays the pilot, who lives near the LBJ Ranch.

"We named these things (the corporations) with names that kind of pleased Bird," Thomas said. "We would never have bought the aircraft without having substantial use outside. So it was leased to AMPI on first call with a minimum call of 40 hours a month."

Under the agreement, AMPI pays \$10,000 a year for insurance and intangible costs, and \$7,000 a month for the minimum flight time of 40 hours at \$175 an hour. The milk producers also pay \$175 an hour for any flight time above 40 hours a month.

"We think it's a bargain price," Thomas declared. He said the manufacturer of the plane, Beechcraft, recommends a rental price of \$250 to \$275 an hour.

According to the Wright report, the AMPI board decided not to renew the old lease after its mid-1972 expiration date. The new co-op management under Mehren, the report said, did not learn of the agreement for the new plane until sometime that April.

AMPI comptroller Robert O. Isham wrote Western Wildflower on May 23, 1972, that "we were surprised to learn that our lease had been extended until April, 1974."

In fact, Nelson had agreed by letter to make the lease effective until April of 1976.

According to the Wright report, negotiations by AMPI to "obtain relief from the burdens" of the lease with Western Wildflower "have been unsuccessful."

However attorney Thomas maintained that AMPI officials, including Mehren, had been quite satisfied with the contract.

"We went down (to San Antonio) to explain it to him," Thomas recalled of a July, 1972, meeting with Mehren. "He seemed perfectly happy with it."

Thomas said the basing of the plane at the LBJ Ranch saves the cost of renting hangar space for it in San Antonio, some 50 air miles away.

"It only takes 10 to 15 minutes to fly it to the airport in San Antonio," he said. He said AMPI officials used it an average of 43 hours a month last year and have used it 57 hours so far this month.

The figures supplied by Thomas indicated that the co-op paid nearly \$104,000 for the plane last year, using it more than 500 hours.

By contrast, he said, the Johnson enterprises used it for only 218.2 hours last year, or less than 30 per cent of the total flight time.

"The corporation [Western Wildflower] has lost substantial money on the plane," Thomas maintained.

Thomas acknowledged that AMPI did attempt to get the Johnson interests to let it charter the plane to other parties, but he said the proposal was rejected because it would have doubled or tripled the insurance costs.

"Certainly no one expected any public concern about this," Thomas said. "It was simply a way for us to play second fiddle and ride in a little better airplane. . . . The only indications we got that they [AMPI] want-

ed to get out of this was after they came into the public eye."

Mehren could not be reached for comment. An AMPI spokesman maintained that he approved the lease through April of 1976 only because he was faced with "a commitment already made" by Nelson.

Although Mehren did not become AMPI general manager until January of 1972, the Wright report showed that he had been a consultant for the co-op since mid-1968, on a five-year contract at \$15,000 a year plus expenses. The contract also called for the co-op, then known simply as Milk Producers, Inc., to lease him an apartment in New York City at a bargain rate.

Mehren submitted his resignation as assistant secretary of agriculture on May 28, 1968. President Johnson accepted it on May 31. He became a consultant for the milk producers the next day, under a contract dated June 1, 1968.

Outlining other ties between the giant co-op and the late President, the Wright report also showed that the milk producers piked up the bills in 1968 for a slick, 241-page tribute to the President, entitled "No Retreat for Tomorrow."

It consisted of color photographs of Mr. Johnson along with 23 of his messages to Congress, and was apparently commissioned before he decided not to run for another term.

According to the Wright report, the co-op paid \$104,521 to print and distribute the book, which seems to have been designed as a memento for campaign contributors. The first \$90,711 in bills for the publication

were sent for payment to John Crisswell [sic], Democratic National Committee. John Crisswell (not Crisswell) was Democratic National Committee treasurer at the time.

AMPI claimed the payments as a deductible business expense, but the Wright report said this was disallowed by the Internal Revenue Service.

Still other ties between Mehren and President Johnson have been brought out

by a civil antitrust suit that the Justice Department brought against the co-op after the January, 1972 change in leadership.

In testimony for that lawsuit, Mehren said that he sought Johnson's advice when confronted with a last-minute 1972 campaign request for a heavy contribution to the Nixon campaign.

AMPI had already contributed \$527,500 to Mr. Nixon under Nelson's management. Mehren said Nixon fund-raiser Lee Nunn asked for some \$650,000 more in October of 1972 and claimed that the Republicans were "\$3.5 million in the red."

Mehren said he went to the LBJ ranch the next day and told this to Johnson. He said the former President flicked his cigarette a bit and said, "You Believe that, George?"

Mehren said he told Johnson AMPI would give money only for congressional campaigns, a decision that he said met with Johnson's approval. AMPI's political arm made October, 1972, contributions of \$352,500 to Republican congressional fund-raising committees and \$109,500 to a similar Democratic committee.

According to former AMPI official Robert Lilly, Mehren told him that \$300,000 of the Republican money "would go for Nixon" anyway, but Mehren has denied any plans for the congressional campaign committees to divert the funds to the President's campaign. There have been reports that \$200,000 in the October, 1972, diary contributions were secretly "drawn off" for the Nixon campaign.