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# How a Dairy Co-op Duped Some Demos

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A string of prominent Democrats was used by the nation's biggest dairy co-op in an elaborate scheme to cover up a \$100,000 cash contribution for President Nixon, it was learned yesterday.

The cover-up was apparently conceived after dairy executives were reminded of the federal limitation of \$5000 on individual contributions.

According to a report on the dairy co-op's political dealings, the scheme generally involved dummy payments to Democratic lawyers and public relations consultants who, in turn, gave the money back to the co-op—apparently with no questions asked.

The co-op, the Associated Milk Producers Inc., then used the money to pay off various obligations, including a \$100,000 bank loan that AMPI officials had obtained

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to pay for the secret Nixon contribution.

Details on the "payback plan" are contained in a report by Arkansas lawyer Edward L. Wright, a former president of the American Bar Association. The study was commissioned by AMPI's board of directors to follow up reports of illicit campaign contributions by co-op officials.

"I thought I was sophisticated and they were naive," one of the Democrats, Ted Van Dyk, protested yesterday of his dealings with the milk producers. "It's beginning to turn out the other way . . . I didn't know they were playing footsie with Nixon."

Among those used in the payback plan for the 1969 Nixon money, the report said, were:

- Richard Maguire, former treasurer of the Democratic National Committee and subsequently a Washington lawyer for the dairy group.

- Van Dyk and Kerby Jones, Washington public relations consultants who subsequently became high-ranking aids in Senator George S. McGovern's 1972 Democratic presidential campaign.

- W. Devier Pierson, former associate special counsel at the White House under President Johnson, where he was an adviser on agricultural policy, and later a Washington, D.C., lawyer retained by AMPI.

- The late Clifton C. Carter, once executive director of the Democratic National Committee and another Washington lawyer for the dairymen.

- U.S. Representative James R. Jones (Dem-Okla.) a former appointments secretary to President Johnson and later a Tulsa-based lawyer for AMPI as well as editor of the co-op's "Dairymen's Digest." He was elected to Congress in 1972.

The Texas-based co-op had been active in supporting Hubert Humphrey's 1968 Democratic presidential candidacy but, following Mr. Nixon's election, the report said, its officials decided that it was time to "make peace" with the Republicans.

↓ DETAILS

Accordingly, as one attorney involved in the transaction has described it, a cash contribution of \$100,000 was handed to President Nixon's personal lawyer, Herbert W. Kalmbach, in August, 1969. The money was reportedly withdrawn from the Austin, Tex., bank account of AMPI's political arm, the Trust for Agricultural and Political Education (TAPE).

After the contribution was made, the Wright report quoted TAPE treasurer Robert O. Isham as stating that he "learned of the limitation of \$5000 on individual contributions" prescribed by federal law.

As a result, the report said, the co-op's general

manager at the time, Harold S. Nelson, arranged a meeting in December, 1969, in San Antonio with Isham and Pierson, whose firm was then on a \$2000-a-month retainer with the co-op.

At the meeting, the Wright report said, Isham "told us that there was a general plan formulated" to have TAPE secretary Robert Lilly borrow \$100,000 to replace the money that had been withdrawn from the TAPE account and given to Kalmbach.

"This loan," the report said, "would then be repaid through money solicited and obtained by Mr. Lilly from lawyers and public relations consultants employed by AMPI." Mr. Isham said that this general plan had the full approval of Mr. Nelson.

According to the study, Lilly generated a total of \$142,500 during 1970 and 1971 in this fashion in order to pay off the \$100,000 loan and various other loans at the Citizens National Bank of Austin.

Van Dyk, acknowledged yesterday that he helped AMPI generate \$20,000 of the total. In one case, he said dairy officials called him in December, 1969, and told him they wanted to give Lilly a \$10,000 "bonus . . . outside of the regular AMPI channels."

"I assumed they wanted to do it that way so that other guys at AMPI wouldn't find out about it and get upset, Van Dyk maintained.

As a result, he said, he paid Lilly \$10,000 and was reimbursed for it by billing AMPI.

Van Dyk said he also reported the \$10,000 payment to Lilly to the Internal Revenue Service, a step that apparently rankled AMPI officials because Lilly was then forced to pay \$4000 in income taxes.

"Mr. Lilly was subsequently reimbursed by AMPI for the amount of this tax payment," the Wright report stated.

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