

Jacobsen Ready to Testify On Connally Milk Fund Gift

By Brooks Jackson
Associated Press

Texas lawyer Jake Jacobsen has sent word to Watergate prosecutors that he is prepared to testify that former Treasury Secretary John B. Connally took \$10,000 for helping a giant dairy cooperative, according to an informed source.

Connally, who has consistently denied receiving the money from Jacobsen, could not be reached for comment.

The sources said Jacobsen is prepared to testify against Connally if the government will reduce two felony indictments against him to misdemeanor counts, allowing him to plead guilty to the charges without automatically losing his license to practice law.

Jacobsen's lawyer, Charles McNelis, would neither confirm nor deny the report when pressed for comment Friday. Previously, he denied that Jacobsen has switched his ear-

lier testimony that Connally refused to take the \$10,000.

Jacobsen, once a close associate of Connally, faces a Watergate perjury charge and an unrelated seven-count indictment in a Texas savings and loan scandal. Conviction on all counts in both indictments would carry a maximum penalty of 40 years in jail and \$80,000 in fines. Conviction on any one felony count also would almost

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surely lead to Jacobsen's disbarment.

The source said Jacobsen now has signaled the Watergate special prosecution force that if misdemeanor pleas can be arranged, he is prepared to admit that his previous testimony clearing Connally was incorrect, and to swear that Connally took the \$10,000 in two installments.

The story that Jacobsen is prepared to tell, according to the source, is this:

In May 1971, shortly after Connally had assisted dairy men in getting President Nixon to raise federal milk price supports, Jacobsen delivered \$5,000 to Connally in the Treasury Secretary's office. The money came from Jacobsen's client, Associated Milk Producers, Inc., the nation's largest dairy cooperative.

Later, in March 1972, Jacobsen delivered a second \$5,000 to Connally after Connally called Attorney General John N. Mitchell to ask for help in clearing up an antitrust lawsuit against the milk producers. The lawsuit is still pending, although there have been repeated allegations of attempted high-level interference.

Last year Watergate investigators received a second-hand account of the money. Bob A. Lilly, former lobbyist for the milk producers, who was given immunity from prosecution, testified that Jacobsen, after the milk-price supports were raised in 1971, asked for \$10,000 to give to Connally. Lilly also testified that he gave Jacobsen the money.

According to the source, Jacobsen is now ready to testify that he then arranged a cover story with Connally. By this account, Connally gave Jacob-

sen back \$10,000 in cash, which Jacobsen placed in a safe-deposit box.

When questioned by the Senate Watergate committee and a Watergate grand jury, Jacobsen swore that he had offered the money to Connally but that Connally had refused to take it. Jacobsen swore he offered it not as a bribe, but as a fund from which Connally could make political donations to candidates of his choosing.

Connally told the same story, both publicly and in private testimony. He said he didn't want to make political donations from the \$10,000 fund because he was a Democrat in a Republican administration, and didn't want to give to either party.

Jacobsen was indicted for perjury last Feb. 21. The grand jury charged that he lied when he swore that the \$10,000 went into a safe-deposit box in 1971 and stayed there for 2½ years, until an FBI agent took it out last Nov. 27.

Last week the evidence on which the perjury charge is based leaked out. Two sources told The Associated Press that serial numbers on the bills in the safe-deposit box show that they could not have been in circulation at the time Jacobsen says he put them into the box.

Jacobsen then reportedly sent word that he was ready to change his story in return for favorable treatment by the government. The outlook for such a deal is unclear because it would require agreement both by the Watergate special prosecution force and by Atty. Gen. William Saxbe. The Watergate prosecutors have jurisdiction over Jacobsen's perjury case, while the Texas

savings-and-loan affair is being handled through regular Justice Department channels.

A spokesman for the Watergate Special Prosecution Force declined comment Friday. In Fort Worth, Tex., Asst. U.S. Attorney John Sweeney, who is handling the savings-and-loan case, said he had heard nothing about a possible deal with Jacobsen.

Trial in the Texas case, in which Jacobsen faces charges of perjury, misapplication of funds and conspiracy, is set to begin May 6. In the Watergate perjury case, Jacobsen has moved to have the indictment thrown out on technical grounds.

According to the story Jacobsen is reportedly offering to tell, Connally made two separate attempts to cover up the \$10,000 payments. According to the account, Connally first gave Jacobsen \$10,000 in cash, but became concerned that the bills might be too new. Then he reportedly gave Jacobsen a second bundle of bills, all of them printed before Connally became secretary of the treasury. However, sources said that federal bank records showed that at least some of the bills had not been circulated at the time Jacobsen says he placed them in a safe-deposit box.