NYTimes MAY 13 1974 THE NEW YORK TIMES,

Senate Investigators Focus on Connally

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Special to The New York Times

WASHINGTON, May 12—The name of former Secretary of the Treasury John B. Connally was reportedly invoked in a hurried effort by dairy-cooperative leaders to raise $200,000 or more overnight for President Nixon's re-election campaign after a White House meeting in 1971 on milk price supports.

D. Paul Alagia, former executive director of Dairymen, Inc., has told Senate Watergate investigators that Mr. Connally's name was used by other leaders of dairy farm cooperatives when they flew to Louisville, Ky., for a 4 A.M. airport meeting in March, 1971, at which they asked Mr. Alagia to put up $200,000 to $300,000, a source close to him said today.

The other leaders were said to have linked their trip in search of the money to meetings they were having with then-Secretary Connally.

Focusing on Connally

Although Mr. Alagia's report of references to Mr. Connally is hearsay, it is part of a framework that is focusing Senate investigators' attention on the former Treasury Secretary's role in dealings between the Nixon Administration and three large dairy farm cooperatives as the investigators draft a report on campaign activities. The report is due by May 28.

Another element that has drawn the investigators' attention is relations between Mr. Connally and a long-time friend, Jake Jacobsen, who, facing a felony trial in Texas, has reportedly told friends that he is now prepared to testify—if new testimony will ease his legal problems—that he swore falsely when he told a grand jury that the former Secretary twice refused milk money offered as campaign contributions.

Sources close to the case say that data in the possession of both the Senate Watergate committee and the special Watergate prosecutor's office support part of the new testimony that Mr. Jacobsen is said to be prepared to give. Mr. Jacobsen, who is from Austin, Tex., is a former attorney for a large dairy farm cooperative.

The evidence is said to consist chiefly of relationships between dates when Mr. Jacobsen went to his safety-deposit box in a Texas bank and data on trips to Washington, registrations at the Madison Hotel here and visits to Mr. Connally's office.

It is uncertain, however, whether such reported data would be useful in the committee's report because of problems that appearto block any chance of obtaining new testimoney from Mr. Jacobsen.

A perjury charge against the Texas lawyer, based on statements to a grand jury that $10,000 drawn from the co-op for offers to Mr. Connally had laid untouched in a bank deposit box for two and a half years, was dismissed recently on what was regarded as a technicality.

Experts say the case could be renewed. In addition, Mr. Jacobsen faces trial on charges of misapplication of funds in a savings and loan case in San Angelo, Tex.

Mr. Jacobsen is said to be seeking to have the charges reduced to a misdemeanor in the hope of avoiding a long prison sentence as well as disbarment. He is said to be especially fearful of a long sentence because of his wife's illness.

Only the Justice Department and the special prosecutor's office could meet Mr. Jacobsen's reported requirements of leniency in return for his testimony.

A spokesman for the special prosecutor's office declined to comment on the case.

Nevertheless, the Jacobsen case and the reported Alagia account of the airport meeting in Louisville have been marks along a trail that the Senate investigators have reportedly followed, as reconstructed from conversations with committee sources, official documents from other informers and published reports.

The trail began beyond the Senate committee's mandate, which is to investigate activities related to the 1972 Presidential campaign, in a long record of political contributions to candidates of both parties—although largely to Democrats.

Many details have emerged from a report by a law firm—Wright, Lindsey & Jennings—commissioned by the board of directors of the largest of the three cooperatives involved in the case, Associated Milk Producers, Inc.

That report includes figures on unreported aid for a number of candidates, funneled throukh several law firms, public relations agencies and consultants employed by the cooperative, which is known as AMPI.

The report also includes data on AMPI employes who worked full time for candidates while their salaries were paid by the cooperative.

The funneling of political payments through consultants was reported to be especially extravagant use of the co-op members' money because the consultants had to report such payments as income and therefore had to be paid enough to meet extra income-tax liability.

One attorney was reportedly paid more than $258,000 to meet obligations created when $143,000 in political contributions was directed through his office.

Among many politicians who have reportedly benefited from AMPI's aid in various forms were former President Lyndon B. Johnson, Hubert H. Humphery, Democrat of Minnesota, and Representative Wilbur D. Mills, Democrat of Arkansas.

The earliest reports that led to disclosures connected with the campaign were in newspaper accounts that coupled large campaign contributions and a meeting in the White House of dairy farm leaders with a decision to increase milk-price supports.

The announcement of that decision, on March 25, 1971, followed by only 13 days a ruling by Clifford M. Hardin, then Secretary of Agriculture, that no increase could be justified under economic conditions existing at the time.

The newspaper accounts led to a suit by Ralph Nader, the consumer advocate, which has been pressed since January, 1972, by William Dobrovir, his lawyer. Discoveries in that suit directed the attention of the Senate investigators to the case.

Witnesses Discovered

The first big letd in the case, according to committee sources, came as a result of a tip from Joseph A. Rose, a disaffected former attorney for AMPI. His testimony was largely hearsay, but it led to the discovery of other witnesses.

One of those witnesses was Bob A. Lilly, an assistant to Harold S. Nelson, the cooperative's general manager.

Mr. Lilly's account depicted the cooperative's leaders as disturbed after the election of President Nixon in 1968 over the possible effects of past aid to Mr. Humphrey's Presidential campaign and eager to make friends with the new Administration.

One way that was tried, according to Mr. Lilly's testimony, was the delivery of a secret $100,000 contribution in August, 1969, to Herbert W. Kalmbach, who was then Mr. Nixon's personal attorney and a major fund-raiser for the President. Mr. Lilly's account was subsequently confirmed by Mr. Kalmbach.

The next significant discovery was a letter from Patrick J. Hillings, another lawyer in a firm retained by AMPI, who wrote a letter to President Nixon on Dec. 16, 1970, citing efforts to set up "appropriate channels for AMPI to contribute $2-million for your re-election."

But the apparent core of the investigators' milk case was a series of events that occurred during a 13-day period, from March 12 to 25, 1971.

The outline of those events was detailed in a document prepared by the staff of the House Judiciary Committee in justification of its demand for more evidence from the White House. The committee is considering a move to impeach the President.

David Dorsen, assistant chief counsel for the Senate Watergate committee, said in a briefing of the Senate Committee last Thursday that the House document was apparently based on evidence provided by Senate investigators. He described the evidence as "conservative" and "restrained," according to sources who were present at the briefing.

Mr. Dorsen reportedly told the committee that the evidence that the milk price-support increase was the result of a deal was stronger than the House document indicated.

in 1971 Dairy Campaign Gift

The events it cited began March 12, 1971, when Secretary Hardin ruled that no increase in price supports could be justified.

Between that date and March 25, 1971, according to the document, representatives of the dairy farm-cooperatives, including Murray M. Chotiner, a former White House aide who is now deceased, were urging White House and Administration officials, including Secretary Connally, to persuade the President to overrule Mr. Hardin.

The document said there was evidence that on March 19, 1971, Mr. Connally held out hope for an increase.

Events that investigators regard as critical occurred in the final three days of this period, March 23 to 25, 1971.

During a telephone call from Mr. Connally on the morning of March 23, Mr. Connally was said to have "stressed the dairy industry's potential for making political contributions and its political influence."

Presidential 'Gratitude'

That same morning the President, "who had previously been informed of the dairy industry's $2-million campaign commitment," met with dairy farm leaders and "stated his gratitude for the dairy organizations' support," the document said.

That afternoon, the document continued, Mr. Nixon met with his aides, including John D. Ehrlichman, who was then the President's domestic affairs adviser, and decided to increase price supports. The document also said that political and financial support, as well as pressures that were coming from Congress for an increase in milk-price suppots, were discussed at the meeting.

Mr. Ehrlichman was said to have relayed word of the decision to another aide, Charles W. Colson, then a special counsel to the President, and Mr. Colson "contacted Mr. Chotiner," according to the document.

On that same date, the document said, the dairy representatives held all-night meetings, and the Louisville meeting took place the next morning.

Pledge Not Mentioned

Mr. Alagia, the dairy leader who testified to the request for $200,000 or more, has said there was no mention at the Louisville meeting of either a $2-million pledge or a promise of an increase in the price support.

That same night, according to the document, which is supported by testimony of Mr. Kalmbach to Senate investigators, Mr. Chotiner told several dairy leaders that Mr. Ehrlichman exepected them to reaffirm their $2-million commitment.

"The dairy leaders did so," the committee's staff paper said.

Hundreds of thousands of dollars were subsequently contributed, as many reports have shown, but they did not come close to the $2-million commitment.

Mr. Connally was again mentioned, this time by Mr. Lilly, in connection with an event of May 4, 1971, when Mr. Jacobsen was said to have sought and received $10,000 to be used by the former Secretary.

Mr. Jacobsen has testified that on two occasions he offered the money to Mr. Connally for use as campaign contributions, but that on both occasions the offer was rejected.

Mr. Connally has repeatedly denied wanting or receiving the money.

In return for leniency on counts of perjury and fraud in the Texas savings and loan case, Mr. Jacobsen is said to be prepared now to testify that he gave money to Mr. Connally on two occasions, first in May, 1971, and again in March, 1972, at a time when the co-op was being sued on atitrust grounds by the Justice Department.

George L. Mehren, who succeeded Mr. Nelson as general manager in January, 1972, has testified in a deposition taken by Alan Weitz, a Senate investigator, that he attended a meeting in Mr. Connally's office along with Mr. Nelson and Mr. Jacobsen on March 16, 1972.

At that meeting, Mr. Mehren said, the antitrust suit was discussed with Mr. Connally, who then picked up a telephone and spoke "rather harshly," apparently to former Attorney General John N. Mitchell, then director of the Committee for the Re-election of the President.

Mr. Mehren said Mr. Jacobsen and "stayed back" with Mr. Connally and said later that they had "talked about clothes."

'A Natural Death'

A statement in the report prepared for the co-op's directors by the Wright law firm gives a hearsay account by a company official of a subsequent agreement with Mr. Kalmbach "hereby $300,000 would be contributed to the Republican party, with the result that the Government's antitrust case would 'die a natural death,'"