

3M Admits Giving Corporate Funds

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The Minnesota Mining and Manufacturing Co., one of the nation's industrial giants, admitted yesterday that it secretly funneled nearly \$500,000 in corporate funds to political candidates in apparent violation of state and federal law.

In a registration statement filed with the Securities and Exchange Commission here, 3M said it generated \$634,000 over the last decade by falsifying records to list political expenses as fictitious insurance premiums or legal charges. The fund was dissolved in 1973 with a balance of \$167,000.

The registration statement, which the company was required to file along with its intention to sell additional corporate shares, listed the legal problems that have befallen it since it and its board chairman, Harry Heltzer, pleaded guilty in 1973 to illegally contributing \$30,000 in corporate

funds to President Nixon's 1972 re-election campaign.

Among other things, the company said it had been advised that the Internal Revenue Service had asked the Justice Department to prosecute it for possible criminal tax fraud. It said that witnesses had been subpoenaed to appear before a grand jury in St. Paul, later this month.

In addition, 3M said it was also under investigation by the SEC and the state of Minnesota. The state, like the federal government, forbids corporations to contribute to political campaigns. The federal statute applies only to federal elections, presidential and congressional.

The company announced also that 3M and five of its present and former officers were willing to settle a stockholder's suit brought by a Washington lawyer, Judith Bonderman, who charged 3M

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had illegally diverted funds for political activity. The five, the company said, were willing to reimburse the company \$475,000 out of their own pockets.

Of that, \$300,000 would come from William E. McKnight, a former board chairman and major stockholder.

In the registration statement, the company said that 1969 was the last year in which corporate money was transferred into the secret fund, which was dissolved in 1973 with a balance of \$167,000. The company did not specify which candidates or political committees received 3M funds, but earlier disclosures to the Senate Watergate committee showed that 3M played both sides of the political street, occasionally donating to Republicans and Democrats alike.

Neither the Justice Department nor the IRS would comment on what, if any, criminal action would be brought against 3M or its officers. However, an IRS spokesman said an attempt by any company to disguise a political contribution as a deductible expense such as insurance premiums might constitute fraud. In that event, the spokesman said, the company might be subject to both criminal and civil prosecution.

The company itself acknowledged in its registration statement that it had been advised that it might be subject to additional taxes, penalties and interest totalling as much as \$11 million. The company said it would contest any such claims.

The 3M company was one of 15 to plead guilty to making corporate contributions in federal campaigns. It was the second company in as many days to admit that its political activity was widespread and not

confined to presidential elections.

On Monday, the Ashland Oil Corp. pleaded guilty to making more than \$150,000 in illegal corporate contributions to Republican and Democratic candidates and to the Democratic National Committee.

From the available evidence, 3M's political activities were much more widespread. A breakdown of contributions from 1969 to 1972 showed the company occasionally contributed to opposing candidates. For instance, in 1970 it contributed to both Clark MacGregor and Hubert H. Humphrey who were seeking a senatorial seat in Minnesota. MacGregor, who received \$17,500, was the clear company favorite. Humphrey, the eventual victor, received only \$1,500—and the proceeds of another \$800 he had to split with Gov. Wendell R. Anderson.

For the years 1969, 1970, 1971 and 1972, 3M heavily favored Republican candidates or political committees, according to information supplied to Senate investigators.

The company said the fund was created in 1963, although, it added, another fund existed prior to that which may also have been the recipient of corporate money. The political fund, the company said, was under the direction of its chief executive officers, Heltzer and his predecessor, Bert S. Cross. They generally approved all contributions, the company said.

Cross and Heltzer have both agreed to pay back \$70,000 each to the company. Irwin R. Hansen, a former vice president and custodian of the fund, has agreed to reimburse \$34,000, and Wilbur M. Bennett, the company's director of civil affairs, has agreed to pay \$1,000. The \$475,000 settlement has yet to be approved by the court, although it has the agreement of Mrs. Bonderman and her lawyer, Alan Morrison of the Public Citizen Litigation Group.

Mrs. Bonderman received 150 shares from her grandmother.