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More Gulf Payoffs Cited

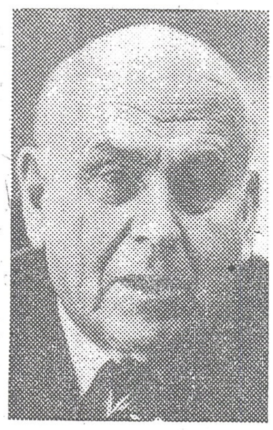
By William H. Jones
Washington Post Staff Writer

Gulf Oil Corp. chairman and chief executive B. R. (Bob) Dorsey and former president E. D. Brockett —currently a Gulf director—should be excluded from helping to reform the company management because they were "involved" so deeply in illegal political payments.

That recommendation was issued yesterday by a company-appointed fact-finding committee headed by New York lawyer John J. McCloy, established to probe more than $10 million of political contributions in this country and abroad over 14 years that ended in mid-1973.

The McCloy committee concluded that at least $12.3 million of such payments were involved, including $5.4 million channeled to a Bahamas subsidiary and later disbursed in the U.S. as cash contributions to candidates for federal, state and local office.

Previously, the Securities and Exchange Commission had alleged payments of $10.3 million but the McCloy committee added $2,024,000 of legal political contributions in Canada, Italy and Sweden to



JOHN J. McCLOY
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the total. Earlier, questionable payments in Korea, Bolivia, Italy and other nations had been detailed.

At the same time, the committee reported yesterday that "it has not been possible—and perhaps never will be—to trace all the funds" which have been paid to particular U.S. political candidates and parties by Gulf, in violation of U.S. law.

Relying on court testimony by Gulf employees, however, the McCloy committee concluded that Gulf's political fund was developed 15 years ago and that only a few individuals alive today have knowledge of the original concept—designed to give Gulf "political muscle."

Gulf is one of the so-called "seven sisters" of international oil, the nation's fourth largest petroleum firm and its seventh largest industrial corporation. Over the years, Gulf has had a reputation for maintaining a low profile and going its own way—but 1975 has turned out to be a year of extraordinary turmoil for the Pittsburgh-based firm (see corporate profile, page C4).

Yesterday's report on Gulf's domestic and overseas political payments was made public about 5 p.m., as copies were filed with the Securities and Exchange Commission, U.S. District Court here and Gulf's board of directors in Pittsburgh.

Although the McCloy committee said that Dorsey "perhaps chose to shut his eyes to what was going on" with massive distributions of corporate funds here and abroad, Dorsey issued a statement last night commending the report.

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"Speaking for the employees, we welcome what we hope will be an early conclusion of a tragic chapter in the otherwise proud history of Gulf Oil," said Dorsey. He said the board of directors would begin formal consideration of the report on Jan. 12 but did not state whether he would bow out of the deliberations, as recommended by the McCloy group.

Overall, the McCloy committee report casts doubts about previous statements by Gulf that its top officers were not aware of the political payments being distributed by its Washington office.

For instance, the McCloy report challenges SEC testimony by an officer of the Bahamas subsidiary that no annual budget requests ever went to company headquarters.

Budget department workers told the McCloy investigators that the opposite was true and that annual requests for a $400,000 budget were sent in. But "at no time in the 13 years from 1960 through 1972 was any question raised" in Pittsburgh concerning the Bahamas budget.

The accounting firm of Price Waterhouse & Co., however, was exonerated by the McCloy group for its performance as Gulf's auditing firm. "In view of the elaborate measures taken by Gulf officials to conceal the facts, it is doubtful that any outside auditors, performing normal audit procedures, would have detected the facts," the committee said, although evidence was uncovered that Price Waterhouse workers had some knowledge of "unusual transactions."

In discussing the role of top management individuals, the McCloy group stated that Dorsey and other officers were not motivated by personal profit. The committee said it is "convinced" that Dorsey was motivated "solely by what he and his responsible advisers regarded as the best interests of Gulf" in approving payoffs of $4 million in South Korea during 1966 and 1970.

At the same time, the committee warned that since only a small portion of the U.S. payments can be traced, "the possibilities for personal misuse of large amounts of corporate funds made available to company officers and employees in cash, with no suitable recordkeeping...are apparent."

The issue, said the McCloy committee, is not the motivation "as much as the propriety of these and other payments..." On this score, half a dozen corporate officials were found to have had knowledge of the Bahamas slush fund, set up because some Gulf officials thought they had been "kicked around, knocked around by government" for a long time and that something had to be done.

On the highly publicized testimony by a former Gulf official that Senate GOP leader Hugh Scott of Pennsylvania received $10,000 a year from Gulf—in spring and fall installments of $5,000 each—the McCloy committee said Scott had written on Nov. 28 to neither deny nor confirm the allegation, but to state that he never "knowingly" received corporate donations.

The committee said yesterday it was able to determine that only two members of the Senate Watergate committee—Howard Baker (R-Tenn.) and Lowell Weicker (R-Conn.)—received legal Gulf donations from its political fund.

According to SEC investigators, the revelations about Gulf Oil's political payments show the extent to which corporate money has gone into congressional campaign chests.

Stockholders have filed suits against Gulf and other firms seeking recovery of damages related to illegal political activities—such as fines, costs and expenditures associated with the contributions—as well as the total contributions involved.

But SEC officials noted that there has been virtually no critical response from members of Congress to what Gulf has disclosed, other than sweeping denials that senators or members of the House knowingly accepted illegal corporate money.

According to Gulf, its secret campaign fund was established in 1960 and hidden in a subsidiary, Bahamas Exploration Co. Claude C. Wild Jr., who headed Gulf's offices in Washington until his resignation in March, 1974, maintained at one time he was the only Gulf official who knew of the fund and that he was the one who drew money for contributions.

When Wild needed money, he contacted William Viglia, the comptroller of the Bahamas firm, who subsequently listed the money as a "miscellaneous expense account" on Bahamas Exploration records and delivered the cash to Wild. Money then was dispatched in envelopes around the nation, often carried by other Gulf employees, according to sworn court statements.