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Kleindienst Revealed as Middleman In Placement of Teamsters' Funds

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Richard G. Kleindienst, a former U. S. Attorney General, was revealed yesterday as the middleman in a deal that placed millions of dollars of Teamsters union welfare funds with an Arizona life insurance company.

Kleindienst said in a deposition on file with the Securities and Exchange Commission that his Washington law firm received half of a \$250,000 fee for getting the Teamster life and health business.

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The SEC, in a suit filed Friday, charged that Kleindienst's clients diverted at least \$3 million of the premiums paid by the Teamsters and other union welfare funds.

Kleindienst said he received the \$125,000 payment after "five to seven hours" of work in late April and early May.

"I contacted, primarily, Mr. Frank Fitzsimmons, the president of the International Brotherhood of Teamsters," Kleindienst told SEC Attorneys.

In his deposition, Kleindienst, who said he first met Fitzsimmons in the late 1960s at the Burning Tree Club in Montgomery County, described his relationship with the labor leader as "very warm, friendly . . . It's been social and — well, it's been social really."

According to Jack Taylor, a Washington Post special correspondent, the Teamsters union, which claims it was defrauded on its insurance coverage, has demanded the return of the \$250,000 fee shared by Kleindienst.

Reached by telephone yesterday, Kleindienst said he had not been notified of the demand but does not plan to return the money.

Kleindienst confirmed a report that Thursday is his last day at the Washington law firm of Welch, Morgan, and Kleindienst, which he helped to form in January.

He said his departure had nothing to do with the present controversy. He said he is "setting up office in Northern Virginia and spending all my time on behalf of a private company organized outside the U. S. and interested in investing here."

According to Kleindienst's deposition, the Teamster transaction was brought to him by another Burning Tree friend, Thomas Webb Jr., a Washington attorney. Joining the ne-

gotiations was Washington public relations man Irving Davidson.

Webb said that an Arizona firm, Old Security Life Insurance Co., had bid for health and welfare insurance business from the Teamsters' Central states, Southeast and Southwest Areas Health and Welfare Fund. Webb offered to split a \$250,000 fee if the former Attorney General would get the Teamsters' business, Kleindienst testified.

According to government filings, the premium on this business alone was \$23 million a year. Documents in the SEC suit show that Old Security had nine such policies.

Kleindienst testified that he passed along to Fitzsimmons Webb's assertion that Old Security was qualified and had submitted the lowest bid of a number of insurance companies seeking to get the business.