

# Connally admits knowledge of money

## \$10,000 removed from deposit box

WASHINGTON (AP) — Watergate investigators have evidence that somebody removed \$10,000 from a bank safe-deposit box where a dairy cooperative's lawyer says he placed the money, offering it for use by former Treasury Secretary John B. Connally, informed sources say.

The money was replaced later by new bills bearing serial numbers that show they were not in circulation at the time the ori-

ginal bills were stashed away, according to two sources familiar with the case.

CONNALLY HAS SAID he was told the money was put away for his political use, but he has denied that he actually used it.

Meanwhile, columnist Jack Anderson reported Wednesday that FBI agents working for the Watergate special prosecutor have evidence that Connally pocketed the \$10,000 then hastily returned

it after the dairy group came under investigation.

Texas attorney Jake Jacobsen, one-time lawyer for Associated Milk Producers Inc., has testified that he put the money in the box for Connally and that Connally refused it.

A Watergate grand jury indicted Jacobsen for perjury, saying he lied when he swore that the money remained in the safe-deposit box for nearly 2½ years until removed in the presence of an FBI agent last Nov. 27.

JACOBSEN HAS PLEADED innocent, but the banknote serial numbers make his testimony logically impossible, sources say.

Anderson reported that according to FBI sources, Connally first accepted the money, then gave back the sum in \$100 bills. Later, worried that the bills could be traced, he substituted smaller bills, Anderson reported. But though the year on the bills showed they had been printed before the original payment was made, they had not been circu-

lated until after Jacobsen said the money went into the safe-deposit box, the columnist reported.

Connally said Wednesday: "I have categorically denied I received the money, and I do so today."

Jacobsen had no comment on the Anderson column.

JACOBSEN'S LAWYER is expected to ask chief U.S. District Judge George L. Hart Jr. to throw out the indictment on the technical grounds that the Watergate special prosecution force, through a slipup in wording, failed to charge Jacobsen with an offense.

The matter of the \$10,000 has been of special interest to Watergate investigators, who suspect it may have been for Connally in return for his help in getting an increase in milk price supports in 1971.

Although both Jacobsen and Connally say the money was offered for use by Connally as a campaign contribution, it was disclosed recently that the cash came from the corporate account of the milk producers co-op, and

not from its political trust. Federal law prohibits use of corporate money in campaigns.

JACOBSEN HAS TESTIFIED that he met twice with Connally to ask his aid in getting milk price supports increased. "He said he would do all he could to help us," Jacobsen said.

On March 23, 1971, Connally made a strong personal appeal to Nixon to overrule the Agriculture Department and some other presidential advisers who opposed an increase.

According to a White House statement, Connally told the President of "the political power of the dairy industry lobby;" said failing to raise prices would cost farm votes in the presidential race, and "noted that the industry had political funds" for congressional candidates. Nixon ordered prices increased, and the announcement was made two days later.

JACOBSEN THEN CONTACTED the milk producers' chief political treasurer, Bob A. Lilly, and asked for \$10,000 for Connally. On May 4, 1971, Lilly took out a \$10,000 loan from the Citizen's National Bank of Austin, Texas, a bank in which Jacobsen had controlling influence. Lilly later repaid this and other loans with corporate money that was funnelled to him through various conduit arrangements.

Jacobsen has been quoted as saying he offered the money to Connally on two different occasions, for use by him in making political donations. Connally has said he refused it because at that time, before he switched parties, he was a Democrat in a Republican administration and didn't want to give money to either party.

## Senate approves insurance policy

A student health insurance policy was approved Wednesday night in a 15-minute meeting by the Student Senate.

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all the material requested from the White House.

—Those who are ready to vote to subpoena the most specific items in the committee's request.

—Those who are willing to wait to see what the White House gives the committee on April 22.

Hutchinson said he has not made up his mind.

Hutchinson indicated that he and the other Republicans would support a compromise under which committee counsel and Rodino and Hutchinson would review the requested material with St. Clair to determine if it is needed for the impeachment inquiry.

Chairman Peter W. Rodino Jr., D-N.J., scheduled a meeting of the full committee for Thursday with the question of a subpoena the only item on the agenda.

But it was the Republicans who voiced the strongest reaction to the letter received late Tuesday from James D. St. Clair, the President's Watergate lawyer.

St. Clair wrote to committee counsel John Doar that he was pleased that the committee has made its original request for tapes of 42 presidential conversations more specific in subsequent correspondence.

"Although further specifications might be desirable to assist the President in determining what he should provide the committee, he has directed me to advise you that a review of the materials in question is under way," St. Clair wrote.

The White House lawyer said he hoped the review would be completed by the end of the upcoming Easter congressional recess on April 22.

Rep. Edward Hutchinson of Michigan, senior Republican on the committee, said, "I am not satisfied with the response."

He added, "I think it was offensive to the House, I'm sorry to say." Hutchinson said the 17 Republicans on the 38-member committee were divided among three positions. He described them as follows:

—Those who are ready to vote "very reluctantly" to subpoena

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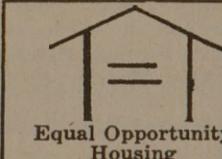
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