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FUND CALLED CIA 'CONDUIT'

Patman Says House Unit Studies Kaplan Foundation

Washington, Aug. 31 (AP)—A channel through which the Central Intelligence Agency dispensed secret funds—a private New York-based foundation—was disclosed at a congressional hearing today.

Representative Wright Patman (D., Texas), chairman of a House small business subcommittee, said the CIA told him it made such use of the J. M. Kaplan Fund.

Officials of the Internal Revenue Service, which is auditing the fund to determine whether it should keep its tax exemption, reluctantly confirmed the CIA connection. CIA declined comment.

Asks Of Other Contributors

Patman told the revenue officials to provide information about the addresses, officers and organization of eight other foundations which, he said, together contributed almost $1,000,000 to the Kaplan Fund in 1961-1963.

When Acting Commissioner Bertrand M. Harding said IRS might not have the information in its files, another subcommittee member sharply disagreed.

"If these are dummy corporations or corporations we don't want to talk about, come in and say so—but don't say you don't know anything about it," Representative James Roosevelt (D., Cal.), told Harding.

Several hours after the hearing, the subcommittee members met with CIA and IRS officials behind closed doors and then told newsmen the subcommittee would not pursue the CIA aspects of the Kaplan Fund matter.

Patman said in a statement, "The discussion convinced the committee that no matter of interest to the subcommittee relating to the CIA existed."

He also said Harding assured the subcommittee the investigation of the fund "is being vigorously pursued and a full report will be made to the committee."

"Does Not Belong In"

Expanding on his statement, Patman said nothing had been brought out that contradicted the testimony at the hearing, but that the subcommittee was convinced "the CIA does not belong in this foundation investigation."

There was no more specific testimony about the amount of CIA money, nor about its destination.

The subcommittee has been investigating the tax-exempt status enjoyed by some 15,000 charitable foundations.

Came Into Study August 10

The Kaplan foundation, set up by a former president of grape juice and sugar companies, came in for study August 10.

Patman said Kaplan had "waged a number of battles" to take over companies, and "in some of these contests, he has made use of charitable funds set up and dominated by him."

In New York, the Kaplan Fund declined to give any information on its background and also declined comment on the testimony.

The subcommittee is looking into reports of borrowings and other business transactions between foundations and the individuals who establish them.

The New York district tax office twice in the past recommended that the Kaplan foundation's tax exemption be revoked, but the national office of IRS overruled this recommendation. Another audit by the district office now is in progress.

Patman indicated today that on August 10 Mitchell Rogovin, assistantto the commissioner and the IRS contact man with CIA, told him privately of CIA's connection with the Kaplan Fund.

"Used As Conduit"

Subsequently, Patman, said a CIA official called on him and told him "the J. M. Kaplan Fund has been used as a conduit," but he said he did not know the details.

Patman complained the CIA had not complied fully with his request to provide privately additional information—"I feel like this committee has been trifled with . . . it looked to me as though this information was put out with the purpose of stopping the committee investigation."

CIA Learns Of Audit

In reply to questions, Harding and Rogovin said IRS had not been consulted when the CIA made its arrangements with the Kaplan Fund, was not a party to any such arrangements, and would not be influenced by them in deciding whether the Kaplan tax exemption should be continued.

Rogovin said a CIA representative came to him in late 1961, after the secret agency had learned of the IRS audit, and told him "they had been using the fund and they just wanted to alert the Washington office . . . they were concerned whether their interest would be made public and whether the fund would be jeopardized by the audit."

He said the district office conducting the audit has never been told of the CIA connection.

As Patman attempted to dig deeper into the reported CIA-Kaplan Fund arrangement, Harding and Rogovin repeatedly advised him to question the CIA. The chairman finally agreed to a closed-door meeting later with revenue and CIA officials.

CIA Appropriations Hidden

The CIA operates so secretly that its appropriations are hidden in the budgets for other agencies and are known only to a handful of members of Congress.

The other foundations Patman inquired about, and the amounts he said they had contributed to the Kaplan Fund, are:

Gotham Foundation, $83,000; Michigan Fund, $63,000; Andrew Hamilton Fund, $62,950; Borden Trust, $140,000; the Price Fund, $185,000; the Edsel Fund, $130,000; the Beacon Fund, $130,000; the Kentfield Fund, $130,000.

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