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CIA Subsidizes Foundation as 'Secret Conduit'

By DANIEL RAPOPORT

WASHINGTON, Aug. 31 (UPI). — Rep Wright Patman disclosed Monday that the Central Intelligence Agency had given money to a private foundation which he said served as a "secret conduit" for the agency.

The Texas Democrat quoted an unidentified CIA official as saying the intelligence agency had an "arrangement" with the J. M. Kaplan Fund of New York City from 1959 until some time this year.

AID CONFIRMED

The Internal Revenue Service, which is investigating the foundation's tax-exempt status, confirmed that the CIA had given financial support to the Kaplan Fund. But an IRS spokesman said he knew of no working arrangement between the two groups.

Patman did not elaborate on his statement that the CIA had used the fund as a "secret conduit." It is known, however, that the agency uses existing foundations, or occasionally creates its own, as vehicles for intelligence-gathering operations.

The congressman said he was disclosing the CIA payments to the fund because he felt he had been "trifled with" in connection with the case. The CIA, following its tradition of secrecy, had no comment.

TAX AIDS JOLTED

Patman's disclosure at a public hearing of his House Small Business subcommittee was the source of some concern and embarrassment to Internal Revenue officials attending as witnesses.

Apparently, CIA's involvement with the Kaplan Fund was a secret shared by only

a few persons in official Washington.

A fund spokesman in New York would make no comment and indicated that none would be forthcoming. He would say only that the fund's "philanthropic activities are quite well known."

Mitchell Rogovin, assistant to the Commissioner of Internal Revenue, said that until Aug. 10, the date of the last Patman subcommittee hearing on the subject, he was the only present IRS employe who knew of the CIA-Kaplan relationship.

Even the New York district office of the IRS, which is conducting the Kaplan investigation, was not aware of CIA's tie-in, Rogovin said.

LONG UNDR SCRUTINY

The Revenue Service has been examining the Kaplan Fund for several years to determine whether it should be permitted to retain its tax-exempt status. The fund has

contributed money to charitable organizations particularly in the New York City area.

Patman's subcommittee has been reviewing the tax-exempt status of certain foundations to see whether some of them are taking advantage of it.

Rogovin told Patman on Monday he had informed the CIA of the Revenue Service's interest in the Kaplan Fund. But he denied there was any "arrangement" among the CIA, the IRS and the fund.

If the CIA official told Patman otherwise, said Rogovin, "it was a poor choice of words."

What seemed to bother Patman, apparently, was whether the CIA knew the Kaplan Fund was under the scrutiny of the IRS.

PROBER THWARTED

He explained Monday that he had not planned to make public a matter touching on "foreign affairs" but indicated he was irked by his difficulty in getting all the information he wanted about the case.

He said he had asked his specific months the agency had given money to the foundation, and which CIA individuals had selected the fund.

The agency did not provide the answers, Patman said. He then decided that breaking a confidence and making the issue public was the only way he could get meaningful information, he added.

"I feel I have been trifled with," he said.

But Rogovin said he was "a little concerned" about doing so without the CIA's approval or without CIA representatives present.

'INTEREST' DISCLAIMED

Later in the day, Rogovin and Acting IRS Commissioner Bertrand M. Harding met privately with Patman and CIA representatives. Afterwards, Patman said he was convinced that "no matter of interest to the subcommittee relating to the CIA existed."

Patman charged last Aug. 10 that Kaplan had used the foundation to further his business empire. He identified the financier as former president of the Welch Grape Juice Co. and of Southwestern Sugar and Molasses Co.

The IRS does not discuss publicly any tax case it is investigating. But Patman asked the service to supply the addresses and tax-exempt history of eight foundations he said had contributed a total of \$923,950 to the Kaplan Fund between 1961 and 1963.

"The addresses of these donors are not shown on the fund's tax returns, despite the fact that such information is required by Treasury Regulations," he said.

The donors were listed as the Gotham Foundation, the Michigan Fund, the Andrew Hamilton Fund, the Borden Trust, the Price Fund, the Edsel Fund, the Beacon Fund and the Kentfield Fund.

Harding said he would try to produce the information for the subcommittee.