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**O'Brien Probed**

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Top presidential domestic adviser John D. Ehrlichman has told the Senate select Watergate committee that he pressured the Internal Revenue Service to investigate Democratic Party chairman Lawrence F. O'Brien's taxes in 1972 because "I wanted them to turn up something and send (O'Brien) to jail before the election."

At the same time that the IRS was being pressured to investigate O'Brien, the agency was delaying interviews on tax matters with President Nixon's friend, Charles G. (Bebe) Rebozo, and the President's brother, F. Donald Nixon, because of a policy decision that no "politically sensitive interviews" should be conducted before the 1972 election, according to a staff report of the Senate Watergate committee released yesterday.

The staff report is the product of a lengthy, but incomplete, investigation by the Senate committee's staff into \$100,000 given in cash by billionaire Howard Hughes to Rebozo, purportedly as a Nixon campaign contribution.

Although the Senate Watergate committee no longer has investigative powers, the staff report—which was adopted by the full committee with minor changes last night—recommends that other appropriate congressional committees continue the inquiry into the Hughes-Rebozo matter. In addition, a spokesman for the special Watergate prosecutor said yesterday that he still is conducting an investigation into the matter.

The report asserts that the staff investigation was hampered by the refusal of Rebozo and President Nixon's brothers to comply with subpoenas and by the failure of the White House to respond fully to 16 pages of questions sent last month to President Nixon's Watergate lawyer, James D. St. Clair.

Although not directly related to the Watergate break-in or cover-up, the Hughes-Rebozo report examines an area that is potentially the most damaging of all to President Nixon. The report contains charges of financial corruption, including the documented allegation that \$4,500 in campaign funds were used to purchase platinum and diamond earrings for Pat Nixon.

The report indicates, but does not firmly conclude, that testimony and docu-

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ments it has obtained provide circumstantial evidence that Rebozo, contrary to Rebozo's sworn testimony, did not leave the \$100,000 intact and untouched in a safe deposit box for three years before returning it to Hughes.

The report also states that the IRS improperly informed Rebozo's tax lawyer that the special Watergate prosecutor was investigating the \$100,000 Hughes gave to Rebozo. One day after Rebozo's lawyer received this information from the IRS, White House chief of staff Alexander M. Haig called then-Attorney General Elliot L. Richardson to complain that the special prosecutor was going beyond his charter, especially "when there had been an investigation of the whole matter" by the IRS, according to sworn public testimony by Richardson.

Excerpts in the Senate report from sworn secret testimony by President Nixon's former lawyer, Herbert W. Kalmbach, show that Kalmbach, as has been previously reported, testified that Rebozo told him that he gave part of the \$100,000 to President Nixon's brothers, Edward and F. Donald, to the President's personal secretary, Rose Mary Woods, and to "unnamed others."

Although Rebozo has denied telling Kalmbach that he gave any part of the \$100,000 to Miss Woods, the Nixon brothers or anyone else, the report states that the committee has evidence corroborating Kalmbach's testimony.

"In a sworn affidavit," the reports says, "James O'Connor, Kalmbach's attorney, stated that following the (April 30, 1973, White House) meeting with Rebozo, Kalmbach immediately told O'Connor all of the details of this meeting including the fact that Rebozo had disbursed some of the \$100,000 Hughes campaign contribution to Rose Mary Woods and the Nixon brothers."

Kalmbach's testimony that he had a "hypothetical" discussion with another lawyer about Rebozo's problem immediately after the conversation with Rebozo also has been corroborated, according to the committee report.

The report notes that Rebozo and Richard Danner, the Hughes representative

who delivered the money to Rebozo either in 1969 or 1970, both changed their testimony about the delivery dates in a way that would support Rebozo's contention that the money was not touched.

Kenneth Gemmill, Rebozo's tax lawyer, told the committee through his own lawyer that Haig told him a Federal Reserve Bank report on the money was in preparation and "there may be a problem." Gemmill said that IRS agents had agreed to let him see the report on the money.

The staff report is replete with allegations that Rebozo was given unusually favorable treatment by the IRS at much the same time that the IRS was responding to pressure from the White House to investigate Democratic Party chairman O'Brien.

Although the IRS received testimony from Danner in May, 1972, about the \$100,000 contribution, a formal request to interview Rebozo was not made by the IRS until 10 months later according to the report. Field agents of the IRS had been asking to interview Rebozo since the summer of 1972, according to the report, but they were not authorized to do so until April, 1973.

The report states that Johnnie M. Walters, then IRS commissioner, told the committee that he and other IRS officials had concluded "that in an effort to conduct business as free of politics as possible, all matters that were politically sensitive would be postponed until after the 1972 elections." The report says that Walters personally postponed requests to interview Rebozo in keeping with this policy.

Rebozo finally was interviewed by the IRS on May 10, 1973. Ehrlichman, according to the report, already had alerted Rebozo that the IRS was looking into the \$100,000 contribution from Hughes, and Rebozo had already begun taking steps to return the money.

Although the IRS agents conducting the audit of Rebozo asked Gemmill for Rebozo's tax records for the years 1968 through 1973, they limited their request when Gemmill objected that that statute of limitations had expired for the 1968 and 1969 Rebozo tax returns and that the 1973 returns were not relevant, according to the report.

Had the IRS, in the spring of 1973, required the production by Rebozo of the 1969 records," the report

states, "the agents would have observed then that Rebozo had provided payments for the personal expenses of President Nixon." These expenses amounted to several thousands of dollars, according to the report, and Rebozo apparently has not paid gift taxes for them, if the source of the funds was his own money, or otherwise accounted for the funds if it was not his money.

When Rebozo complained in August, 1973, that the IRS audit was taking too long, "additional agents were added to the investigation," according to the report.

In October, 1973, when Gemmill asked the IRS for a copy of the May 10, 1973, IRS interview with Rebozo, the IRS gave Gemmill what he sought, according to the report.

The IRS also permitted Gemmill to contact Rose Mary Woods to have her write a letter about any discussions she had had with Rebozo concerning the \$100,000—rather than the IRS interviewing Miss Woods personally.

The IRS also informed Rebozo through his attorney that the special Watergate prosecutor was investigating Rebozo, information that the IRS normally does not communicate to the subject of a tax audit the report suggests.

Although the report notes that Haig complained to Richardson the next day about the special prosecutor's investigation of Rebozo, Haig testified in closed session before the committee that "the Rebozo matter had nothing to do with the considerations and deliberations made with respect to (then special prosecutor Archibald Cox) in that week in October." Cox was fired by President Nixon at the end of that same week.

"In addition to agreeing to provide the taxpayer (Rebozo) not only with a copy of his interview but with a copy of the results of the Federal Reserve Bank report," the staff report states, "the IRS apparently obtained access to only a limited number of cashier's checks purchased by Mr. Rebozo despite the fact that a considerable number of cashier's checks were purchased by the taxpayer under the names of Charles Gregory and Anita Rey-

nolds. The IRS further agreed not to photocopy any of the cashier's checks to which they had access and did not obtain information from the checks themselves regarding who received the proceeds of such checks or the purpose for which the checks were issued."

In contrast to the treatment the IRS accorded Rebozo, the staff report recounts how Democratic Party chairman O'Brien was investigated even after the IRS had concluded that nothing in O'Brien's tax returns was questionable.

Roger Barth, assistant to the IRS commissioner in 1972, said that either he or then Treasury Secretary George Shultz forwarded a "sensitive case report" on an IRS investigation of the Hughes Tool Company to Ehrlichman.

Ehrlichman spoke to Barth about the report, Barth testified, and pointed out that O'Brien, who had run a public relations firm, had a retainer from Hughes. Barth said he agreed to get answers for some questions Ehrlichman asked.

Walters, then IRS commissioner, told the committee that he did not know Barth was giving Ehrlichman sensitive case reports. "It would have been out of the routine and I would worry about it," Walters told the committee staff.

Ehrlichman, acting through Shultz, prodded Walters into re-opening an examination of O'Brien's tax returns even though IRS considered the matter "closed," according to Walters.

"Ehrlichman testified that there were good political reasons to go after O'Brien since O'Brien was the head of the Democratic Party," the report states. "After Ehrlichman saw O'Brien's name in the sensitive case report, he said he brought this information to President Nixon's attention. The President was quite interested in the audit of O'Brien and was especially interested in the fact that O'Brien was on retainer to the Hughes organization according to Ehrlichman. Ehrlichman did not recall if the President made any specific request for Ehrlichman to follow up on this matter."

O'Brien was interviewed by the IRS on Aug. 17, 1972. A written report was sent to Walters, who forwarded it to Shultz. When Shultz called Ehrlichman, with Walters and Barth on extensions, to tell him that the investigation was completed, Walters hung up when Ehrlichman began to upbraid him.

Ehrlichman testified that "... my concern was throughout, that the IRS down in the woodwork was delaying the audit until after the election and that seemed to be the case, that there was a stall on..." the report states.

Ehrlichman, according to the report, testified, "I wanted them to turn up something and send (O'Brien) to jail before the election and unfortunately it didn't materialize."

Ehrlichman said that the telephone conversation "... was my first crack at (Walters). George (Shultz) wouldn't let me at him. George wanted to stand between me and his commissioner and this was the first time I had a chance to tell the commissioner what a crappy job he had done..."