

CONNALLY TO TAKE LEAVE FROM FIRM

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New Adviser to President
Will Also Resign From
All Corporate Boards

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WASHINGTON, May 11—

John B. Connally announced today that he would take a leave of absence from his law firm and resign from all corporate boards during the time he will serve as special adviser to President Nixon.

Mr. Connally's announcement, issued by his office in Houston, came after disclosure that the firm in which he is a senior partner is representing the Gulf Resources and Chemical Corporation, now under investigation by a Federal grand jury in connection with campaign contributions sent to the Committee for the Re-election of the President. The disclosure was made today in Newsday and other newspapers.

"I am today taking a leave of absence from my law firm for the period during which I will serve as a special adviser to the President," said the former Secretary of the Treasury and former Texas Governor.

"I am also resigning from all corporate boards on which I serve," he continued. "Notwithstanding that my service will be on an intermittent and voluntary basis and without any operational role, I will not engage in any legal practice nor participate in any dividends or revenues or as a partner of the firm during this advisory period."

Mr. Connally made no refer-

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ence to his personal financial holdings, but there was no controversy about this when he was Secretary of the Treasury.

President Nixon announced at a Cabinet meeting yesterday that Mr. Connally would serve as a special adviser to the President, working perhaps three days a week out of an office in the Executive Office Building. He is expected to advise the President on reshaping of the Government and on other matters, foreign and domestic.

Conflict-of-Interest Issue

Ronald L. Ziegler, White House press secretary, said after the Cabinet meeting that Mr. Connally would continue in his law firm and on corporate boards while he served the President. Asked if this constituted a conflict of interest, Mr. Ziegler said he was sure the President and Mr. Con-

nally would not let that happen.

This morning, Gerald L. Warren, deputy press secretary, said he was sure the President and Mr. Connally would take "great care to avoid any conflict of interest." He said this in response to questions about the disclosure that the Connally law firm—Vinson, Elkins, Searls, Connally and Smith—represented Gulf Resources.

Gulf Resources and its president, Robert H. Allen, are under investigation by a grand jury in Houston that is looking into a \$100,000 contribution to last year's Republican Presidential campaign.

Most of the money, routed through Mexico City, wound up in the secret cash fund held by Maurice H. Stans, finance chairman for the Nixon campaign, and at least part of it was used to pay for the burglary of Democratic headquarters in the Watergate building. Mr. Allen and Gulf Resources

have denied that the funds were intended as a political gift.

The Connally firm represents a wide range of corporate interests. It has more than 150 lawyers and is one of the largest firms in Houston.

Member of Corporate Boards

Since resigning as Secretary of the Treasury in June of last year, Mr. Connally became a member of a number of corporate boards. One was Pan American World Airways. In response to questions, Mr. Warren said he was sure the President and Mr. Connally would not discuss Pan Am's requests for overseas airline routes.

Mr. Connally's action today in temporarily removing himself without pay from commercial interests was taken as an indication that he will be at the White House only a short time. The President was said to be looking to him primarily for advice in restructuring the White

House staff and other agencies in wake of the Watergate scandals.

The conservative Texas is widely regarded as a contender for the Republican Presidential nomination in 1976. A long-time Democrat, he switched to the Republican party a few days ago.

As expected, his new association with President Nixon was less than favorably received with Republicans who are supporting Vice President Agnew for President in 1976.

Victor Gold, former press secretary to Mr. Agnew, said today that Mr. Connally was placing his hopes for 1976 "on the coattails of the man in the Oval Office."

"The gentleman from Texas is an astute political observer," he said, "but the taint of the Watergate is more likely to yield to strong detergent than smooth oil," a reference to Mr. Connally's connection with Texas oil interests.

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