# Justice Department, in 1961, Studied Hughes Loan

By WALLACE TURNER

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SAN FRANCISCO, Jan. 23—In the spring of 1961, thhe Kenedy Administration studied and discarded the possibility of prosecuting members of the Nixon family or Howard R. Hughes for criminal law violations that might have occurred in the loan of $205,000 from the industrialist to the present President's relatives in late 1956.

Files that have come into possession of The New York Times show that a member of the White House staff received a letter in April, 1961, from a California publisher whose newspaper had opposed Richard M. Nixon in the 1960 Presidential election. The publisher's inquiry was forwarded to the Department of Justice.

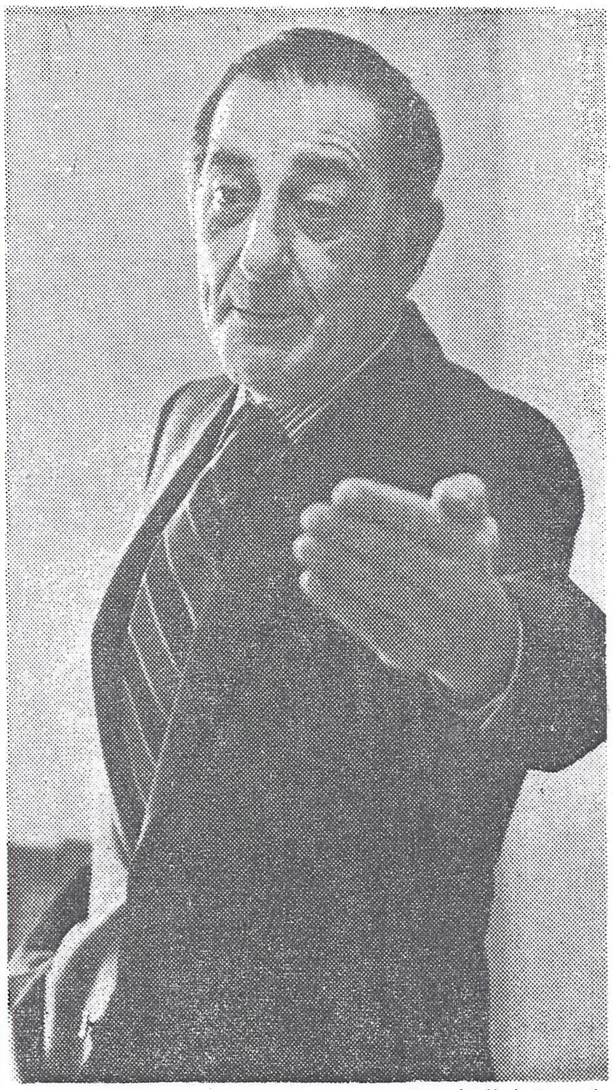
The publisher urged that the Kennedy Administration investigate the Hughes loan. The loan was secured by a vacant lot that was owned by Mrs. Hannah M. Nixon, the President's mother, and had been leased by her to F:. Donald Nixon, the President's brother. He later, in 1957, subleased it to the Union Oil Company, which then built a service station on it. The address is 15806 East Whittier Boulevard, Whittier, Calif.

### Lan Followed Election

The loan was made after Richard Nixon had been reelected Vice President. It has been brought to public attention recently by discussion of remarks made about it in a book hat the McGraw Hill Book Company has announced it will release.

Clifford Irving, author of the book, has said that Mr. Hughes told him that the loan was made to the Nixon family at the request of Clark Clifford, a Washington lawyer who later became Secretary of Defense in the Johnson Administration. Mr. Clifford has said that he had nothing to do with the loan and did not ask Mr. Hughes to make it.

The book is titled "The autobiography of Howard Hughes," but Mr. Hughes's spokesmen and lawyers have denied that he had any role in producing it. They have tried to block publication.



Bernard Gotfryd—Newsweek

**Phillip Reiner, who according to suit, was intermediary in loan plan between Hughes interests and Nixon family.**

The Government files show that during the spring and early summer of 1961, a study was made within the Department of Justice, then headed by the late Robert F. Kennedy. A memorandum dated July 21, 1961, set out the background and conclusions.

From these files and other sources it is clear that in December, 1956, a loan of $165,000 was made to F. Donald Nixon who operated Nixon's, Inc., a company that ran about half a dozen small restaurants in Southern California. The money came from Frank J. Waters, then a lawyer for the Hughes Tool Company. A few months later the loan was increased by $40,000, to a total of $205,000.

Security for it was a mortgage on the vacant lot from the President's mother to Mr. Waters. According to court records in Los Angeles County, the value of the lot for tax purposes at that time was set at $13,000. This would have given it an estimated market value of $52,000.

Fourteen years later, in 1970, the assessed value after the service station had been built on the property was $40,920, for an estimated market value of $163,680. Los Angeles property values were then, and still are, assessed at 25 per cent of the estimated market value.

The Justice Department study stated that the original $165,000 loan showed on Hughes Tool Company books as being owed to the Hughes company by Mr. Waters. The study said that the books of Nixon's, Inc., showed the loan as owed to Mrs. Hannah Nixon by the Nixon company.

### A Gloomy Prediction

In the same period, the file shows, Phillips Reiner, an accountant associated with James J. Arditto, a law partner of Mr. Waters, studied the operation of the Nixon restaurants and predicted that unless management changes were made, the restaurants would continue to lose $5,600 a week and the cash balances would be gone in 60 to 100 days.

Under the leadership of Noah Dietrich, then the chief executive officer of Hughes Tool, several management experts met to try to devise procedures that would keep the restaurants solvent.

None of these things worked. Nivon's, Inc., closed.

The Justice Department studied whether statutes governing political contributions had been violated by the loan, and decided they had not. Bribery statutes were also measured against the evidence, and discarded as any basis for prosecution. Income tax consequences were examined for the Nixon family and none were found worth considering.

It was suggested in the report that "the most satisfactory initialroute for the Government" was to go after the Hughes Tool Company if it tried to write off the loan as a business loss.

Nothing ever came of this.

### Rights Relinquished

In December, 1958, Mrs. Hannah Nixon signed a quit claim deed relinquishing all her rights to the property. She said she did not intend to pay off the loan and wanted to save the mortgage holder from the trouble of foreclosure.

The mortgage had been assigned to Phillip Reiner, the accountant who had given advice on how Donald Nixon could keep his business afloat. Mr. Reiner has said that the mortgage was assigned to him to hold as a trustee although he had not put up the money for the loan.

## to Nixon Kin

In January, 1962, Mr. Reiner filed a damage action in Los Angeles against Howard Hughes and the Hughes Tool Company. According to the suit, Mr. Reiner had been made to appear as the lender of the money so that any inquiry would lead to him and stop, shielding Mr. Hughes and the tool company.

When Hannah Nixon surrendered her property rather than pay off the mortgage, title came to Mr. Reiner. He held it, he said in a telephone interview last week, until surrendering it to Hughes Tool when his damage action was settled in June, 1962.

**Deception Alleged**

Mr. Reiner's suit, in which he was represented by Melvin Belli, alleged that he had been deceived in the role he played. He said that Howard Hughes and the Hughes Tool Company had "intentionally and fraudulently concealed" from him the true nature of their dealing with the Nixon family.

In an interview in Washington last week, Mr. Belli said that the settlement to Mr. Reiner was made out of court. He said that it called for payment over five years of about $150,000, of which Mr. Belli took one-third as his fee under a contingency agreement.

As a part of the settlement, Mr. Reiner and the lawyers were required to agree not to discuss what hap happened. Mr. Reiner also agreed to turn the deed to the Nixon property over to the Hughes Tool Company.

Records in Los Angeles County show that the Hughes company recorded the title to itself on Jan. 15, 1966. Tax bills since then have been sent to the tool company.

The President's mother died in 1967.

In 1969, the year his brother was sworn as President, Donald Nixon was named a vice president of the Marriott Corporation, which is controlled by J. Willard Marriott, a major contributor to Republican campaigns.

Donald Nixon's role in the company is said to be in the field of catering, and he is credited with helping the Marriott company to achieve rapid growth in the sale to airlines of prepared meals for passengers.