

New Man on I.T.T. Case Faces Complicated Issues

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By E.W. KENWORTHY JUN 4 1974

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Richard J. Davis has his work cut out for him if he is to live up to the advance billing and pledge of the special Watergate prosecutor, Leon Jaworski. Last week Mr. Jaworski named Mr. Davis the new head of the force investigating the International Telephone and Telegraph Corporation case.

Last Nov. 27, Mr. Jaworski assured Representative J. J. Pickle of Texas, ranking Democrat on the House Commerce Subcommittee on Investigations, that "this office is vigorously pursuing the investigation" of "the I.T.T. matter."

However, it has been known that the investigation was proceeding slowly. The only prosecutorial results so far have been the indictment of Lieut. Gov. Ed Reinecke of California for perjury during the Senate Judiciary committee hearings March and April, 1972, on the nomination of Richard G. Kleindienst for Attorney General, and the acceptance of a misdemeanor plea by Mr. Kleindienst for refusing to answer questions "accurately and fully" at the same hearings.

Last week Mr. Jaworski announced the resignation of Joseph G. J. Connolly, former head of the I.T.T. task force and two of his colleagues. There were reports that the resignations stemmed from unhappiness over allowing Mr. Kleindienst to plead to a misdemeanor rather than prosecuting him for perjury.

However, there were also reports that Mr. Jaworski was unhappy over the slow progress of his task force.

In any event, Mr. Jaworski wrote Mr. Pickle again last week. He began by saying that the investigation had turned up no "Federal criminal offenses by I.T.T. executives" in connection with the settlement of three antitrust suits in July, 1971.

Although Mr. Jaworski said nothing about possible offenses by Federal officials in connection with the settlement, his statement was understood to have disposed of allegations that the settlement was related to an I.T.T. pledge of \$400,000 for the 1972 Republican convention if held in San Diego. These allegations stemmed from the memo of Dita Beard, an I.T.T. lobbyist, in June, 1972, to the head of the conglomerate's Washington office.

Mr. Jaworski went on in his letter to assure Mr. Pickle that "under new leadership" of Mr. Davis, "an able prosecutor and experienced investigator," other questions raised by Mr. Pickle last November "will be vigorously pursued." Further, Mr. Jaworski said, an investigation of possible perjury during the Kleindienst hearings "will be actively pursued." The Senate Judiciary Committee asked the Department of Justice to make this investigation on June 30, 1972.

Two of the matters that Mr. Pickle requested Mr. Jaworski to look into — and that the prosecutor promised to investigate—were whether Mr. Kleindienst had obstructed justice and whether there had been White House influence behind a highly favorable tax ruling for I.T.T. by the Internal Revenue Service in 1969.

The question of Mr. Kleindienst's possible obstruction of justice—according to testimony before the Commerce subcommittee and the Securities and Exchange Commission — involved a packet of 13 "politically sensitive" I.T.T. letters and memos dealing with meetings of high company and Administration officials in 1970-71 when the conglomerate was fighting the antitrust suits.

Hartford Insurance Case

A few days after publication of the Dita Beard memo on Feb. 29, 1972, Stanley Sporin, an S.E.C. official, asked an I.T.T. attorney why the Beard memo had not been included among the corporation's documents supplied in response to a commission subpoena. Mr. Sporin also asked whether any similar documents had been withheld. Mr. Sporin was heading an inquiry into possible violations of the securities laws in connection with the merger of I.T.T. and the Hartford Fire Insurance Company.

On March 21, 1972, an I.T.T. attorney took the 13 documents to Mr. Sporin, who put them in his safe.

On Aug. 15, 1972, Senator Edward M. Kennedy, a member of the Judiciary Committee, apparently having heard about the documents, wrote William J. Casey, then the S.E.C. chairman, asking for all memos and letters related to the antitrust suits.

Informed of this request, Attorney General Kleindienst asked Mr. Casey to see him about it. According to Mr.

Casey's testimony before the House Commerce subcommittee, he told Mr. Kleindienst that I.T.T.'s withholding of the 13 documents until pressed by Mr. Sporin "might be considered an obstruction of justice." Further, Mr. Casey told Mr. Kleindienst that "these papers might raise a question of whether there had been any perjury in the Kleindienst hearing." Mr. Casey said it had been decided not to comply with Senator Kennedy's request.

Mr. Casey testified that Mr. Kleindienst asked him for a set of the documents and that they were immediately sent over to him. Mr. Kleindienst did not send the I.T.T. memos and letters to the criminal division of the Justice Department, which, in response to the Judiciary Committee's request, was looking into the question of perjury during the Kleindienst hearings.

The tax ruling, which the prosecutor's office is looking into, permitted Hartford shareholders to exchange their shares for I.T.T. shares without an immediate capital gains tax. The conglomerate had sought the ruling in order to get the votes of Hartford shareholders for the merger.

The revenue service gave the ruling on the assurance by I.T.T. that before the vote it would "unconditionally" sell the 1.7 million shares of Hartford it had bought to get Hartford directors to agree to the merger.

I.R.S. Ruling revoked

Last March 6, the revenue service revoked the ruling, holding that I.T.T.'s sale of its Hartford shares to Mediobanca, an Italian bank, was not "unconditional," as represented by the corporation in its application.

The revenue service said that Mediobanca had not really bought the shares, but had acted as I.T.T.'s agent in "re-selling" them at times effectively controlled by the corporation when the price had risen. I.R.S. concluded that it had "erred as a matter of law" in giving the ruling.

Since the ruling had been given in seven days and since even I.T.T. lawyers regarded it as "unprecedented," Mr. Pickle has raised the question of political pressure. Last week a well-placed source said that Mr. Jaworski's task force was looking into the ruling "in depth."