

Hughes' Financial Umbrella

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LOS ANGELES—The building is an unimpressive three-story structure painted a California pastel green, much like hundreds of anonymous office buildings alternating with shops and gas stations along Ventura Boulevard in the San Fernando Valley.

There are no markings to betray the identity of its occupants.

Yet this is the headquarters, the nerve center, of one of the world's largest, and most secretive, private corporations—Summa, the corporate arm representing

the vast wealth and power of its sole owner: Howard Hughes.

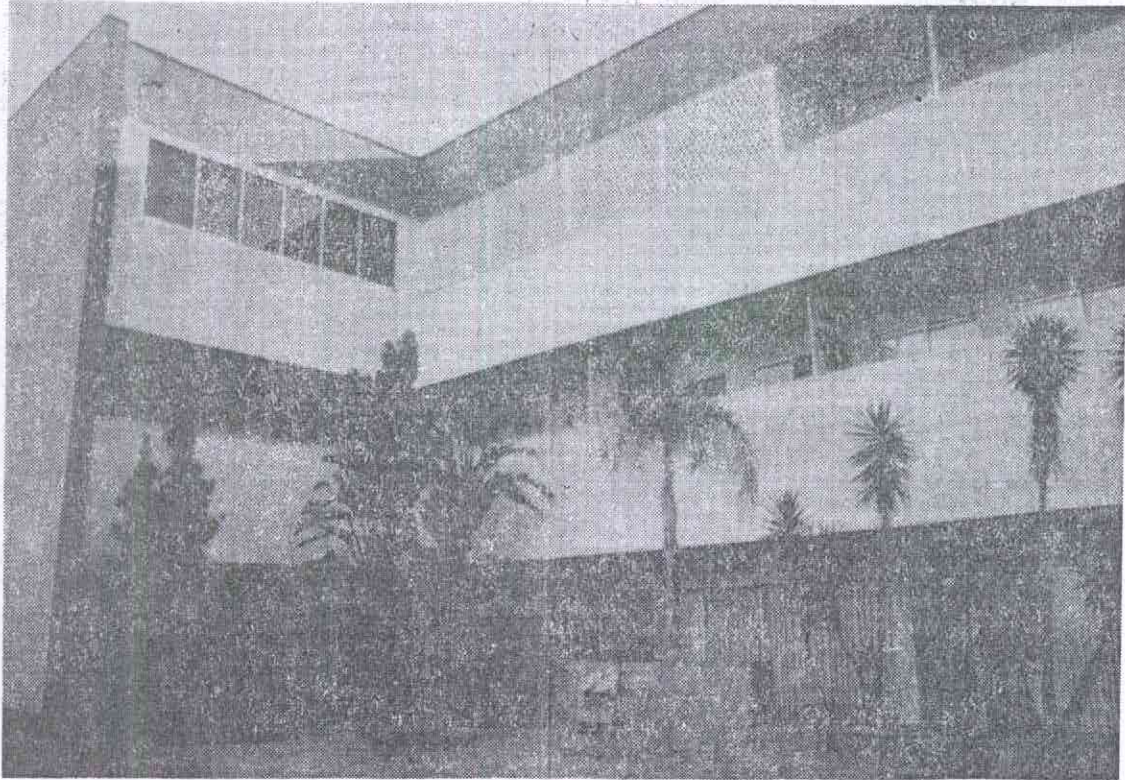
Summa Corp. is the financial umbrella under which most of Hughes' worth is contained. With the other distinct Hughes entity—Hughes Aircraft—the two corporations control an international empire valued at from \$1 billion to more than \$2 billion.

Hughes' interests encompass hotels and real estate in Nevada and California; hundreds of millions of dollars in government aerospace, missile and ordinance contracts; an airline; a television station and television

production network; plus \$200 million in cash or cash equivalents.

Like its reclusive billionaire owner, Summa takes no chances that unwanted visitors might penetrate its secret executive offices. A closed circuit television system guards the elevators and corridors of the building at 17000 Ventura Boulevard. In the third floor anteroom, where locked glass doors seal the Summa inner sanctum from the public, a receptionist sits before a grid map of the entire building. Overlaying the map are

See HUGHES, A8, Col. 1



By Associated Press for The Washington Post

This unmarked office building in the San Fernando Valley is the headquarters of Howard Hughes' Summa Corp.

HUGHES, From A1

red buttons that light up presumably when someone suspicious is violating Summa's spaces. A building-wide alarm system, when operative, can be triggered by mere changes in air patterns.

Most recently, another Summa "asset" hit the news: the \$350 million Hughes Glomar Explorer vessel that Hughes built at the behest (and the expense of) the Central Intelligence Agency to attempt to fish a sunken Soviet submarine out of the Pacific. The cloak-and-dagger nature of the operation, when it was revealed, fit perfectly Hughes' preoccupation with secrecy and anonymity. It also raised speculation that perhaps other Hughes enterprises here and overseas are being used as CIA fronts.

Much of it remained just that—speculation. Though several of his enterprises maintain overseas outlets, Hughes has been able to shroud his activities in secrecy.

His power lies in money and his use of it to affect companies, politicians and even Presidents. Yet Hughes has rarely operated within traditional business and finance patterns that would have exposed his operations to public scrutiny. Almost everything he is involved in is wholly owned by him, with no stockholders, no annual reports, no public accountability.

The surfacing of enterprises like the Glomar Explorer and, in the past, various political campaign contributions have cast an increasing glare of press and official attention on Hughes.

He has been estimated to be worth variously from \$1.2 billion to \$2.5 billion. Unlike many multimillionaires, Hughes has a huge chunk of liquid capital—roughly \$200 million—administered by a Summa executive and invested in securities. (Hughes for a while was negotiating to lend \$100 million of that to bail out Lockheed Aircraft Corp.).

Nearly all of Hughes' holdings are under the Summa Corp. umbrella. Hughes Aircraft, the huge missile and communications

satellite firm that does \$800 million worth of business yearly with the government, is wholly owned by a foundation, the Howard Hughes Medical Institute. Hughes is president of Hughes Aircraft, and the foundation's sole trustee, but is not authorized to use the firm's or foundation's assets for himself.

Until two years ago the bulk of Hughes' empire was embraced by the Hughes Tool Co. Toolco, as it was called, was the fountainhead of the Hughes family fortune. Founded by Howard Hughes Sr., who invented the first commercial rotary rock-drilling bit for oil well drilling, Hughes Tool had provided the younger Hughes with more than \$700 million in before-tax profits since he took over the Houston based firm in 1924.

But in 1972 Hughes needed cash, apparently in anticipation of a huge judgment against him in a court struggle with Trans World

Airlines, which Hughes had sold in 1966 for \$529 million. The judgment never materialized, but Hughes sold off the drilling-tool division of Toolco in a public stock sale that brought him, the sole stockholder, \$150 million in December, 1972.

Hughes retained the rest of his empire, and gave the holding company the name of Summa Corp., with Hughes again as sole stockholder.

Summa set up shop in its San Fernando Valley headquarters roughly 18 months ago. Its board of directors (Hughes is not a member) consists of Frank W. (Bill) Gay, a longtime Hughes aid who had been a senior vice president of Hughes Tool; Chester Davis, Hughes chief general counsel, who lives in New York; Nadine Henley, once a Hughes secretary who has been with Hughes for more than 20 years; and John Holmes and Lester Mylar, two of Hughes' personal assistants who remain with him and who are among the few individuals who see him face to face.

Holmes and Mylar apparently often transmit Hughes' desires to other officers of Summa.

Gay and Henley, both in

the valley office, and Chester Davis constitute Summa's executive committee, which in essence, runs the day-to-day operations of the corporation. But, says a source, "Hughes has a lot to say about what the company has to do. He's aware of everything that goes on."

Summa has reasons for a desire for anonymity even beyond the bosses idiosyncrasies. Nine months ago, Summa's records center in Hollywood (some 16 miles from the valley site) was burglarized. Taken, in addition to a reported \$60,000 in cash, were apparently sensitive documents including some dealing with Summa's Glomar adventure.

Summa has roughly seven divisions, or groups:

Recreation: This constitutes Hughes' Nevada hotel and casino properties, employing 5,000 people. In Las Vegas, Hughes owns four hotels—the Sands, the Desert Inn (where he lived for five years), the Frontier and the Landmark, and two casinos—the Castaways and the Silver Slipper.

In Reno, Hughes has an additional casino, and he also owns a golf course in Las Vegas.

Until 1970, the Nevada properties were managed by Robert A. Maheu, a former FBI man who came to wield great influence as Hughes' representative in Nevada. Maheu was fired in 1970, and Hughes left Las Vegas in a shakeup of the Nevada operation. Since then the Nevada hotels and casinos have each been assigned to individual managers, apparently in an effort to avoid the conflict that had resulted in the Maheu situation.

Sources report that Hughes' holdings are currently profitable despite reports of losses in 1970 and 1971.

Hughes Helicopter Division: This division, in Culver City, bordering Los Angeles, builds military and civilian helicopters and military weapons systems. The division, which employs 2,000, is booming, according to reliable estimates, especially in the civilian helicopter field where sales rose 25 per cent in each of the last

two years. Total Hughes helicopter volume in 1974 amounted to about \$80 million.

The firm has unaffiliated sales and service representatives in 37 countries, but does not maintain its own offices overseas.

Air Holdings Corporation: This separate corporation within the Summa umbrella runs Hughes Airwest, a commercial airline that operates in California and seven other western states as well as Mexico and Canada. More than three-quarters of Airwest is owned by Summa; the rest belongs directly to Hughes.

Hughes has been indicted twice and charged with conspiracy and stock manipulation in connection with the acquisition of Air West, Inc., in 1968. Both times the indictments were thrown out, but recently the SEC brought a civil suit against Hughes and several others charging many of the same violations.

Despite its controversy, Hughes' stewardship of Airwest, under the management of Irving P. Tague, has turned the airline around from a \$20 million deficit in 1969 to a profit after taxes of \$8 million in 1974.

The line employs 3,800 people. They include a small

number who help train commercial pilots in several foreign countries, including Burma, Nepal, Liberia, Mauritania and Saudi Arabia. Airwest also maintains sales offices in Sydney, Tokyo, Athens, Mexico City and Honolulu.

Miscellaneous Properties: This heading includes an unknown number of hotels in Las Vegas, as well as undeveloped real estate along the Strip; 30,000 acres of desert land 25 miles from Las Vegas; some 800 acres in Culver City, California valued at about \$80 million, and several thousand undeveloped acres near the Hughes Aircraft plant in Tucson, Ariz.

Communication: Includes KLAS-TV in Las Vegas, an NBC affiliate. Also, the Hughes Television Network, which operates out of New York, packaging and producing sports programs, dramas and specials for independent stations.

Aviation Services Group: Consists of the Hughes Executive Terminal in Las Vegas, and North Las Vegas Airport, both devoted to servicing private aircraft.

Mining Groups: This contains 1,200 gold and silver mining claims, primarily in Nevada and mostly inactive, plus other minor stockholdings.

Hughes Aircraft: Howard Hughes founded Hughes Aircraft in 1932 to cultivate his passion for flying. He used profits from Hughes Tool to finance such projects as the highly advanced H-1, in which Hughes set transcontinental speed records, and the famous mammoth Hughes flying boat, which never flew more than 70 feet off the water.

In the late 1940s, Hughes Aircraft scientists anticipated the revolution in aerospace electronics. They developed a fire control system for Air Force interceptors that catapulted Hughes Aircraft to the forefront of contemporary design and engineering for advanced military systems.

Under the leadership of Lawrence A. Hyland, vice president and general manager since the mid-50s, Hughes Aircraft has stayed out front. It pioneered the communications satellite; its Surveyor spacecraft made the first unmanned soft landing on the moon; its three-dimensional radar systems can track hundreds of aircraft at once. It produces the Tow antitank missile, the Phoenix missile used by the Navy; and the maverick air-to-ground missile used by the Air Force.

Hughes Aircraft employs 37,000 people in 11 plant sites and locations in California and Arizona. In 1974 the firm had sales in excess of \$1 billion, nearly 90 per cent with the Department of Defense or other government agencies.

Hughes Aircraft is totally

owned by the Howard Hughes Medical Institute, a non-profit organization that has staff researchers working at a number of medical schools. Hughes created it in 1953. How much money flows from Hughes Aircraft to the institute is determined by the sole trustee, Hughes himself.

Because it deals with sensitive electronic warfare and intelligence systems, Hughes Aircraft has been mentioned as a potential hotbed of interrelationships with the CIA. The New York Times, citing high government officials, said recently at Hughes Aircraft has long been involved in building space satellites for intelligence purposes and "employs a number of former high-ranking CIA and military men."

Spokesmen for the company would not comment when asked about intelligence-related projects, but they insisted there was no extra-legal tie-in with the CIA.

The firm acknowledged it has one executive who used to be a leading researcher for the CIA. He is Dr. Albert D. Wheelon, vice president for the space and communication group. Wheelon, who was not available for an interview, joined Hughes Aircraft in October, 1966.

The firm has two retired generals and one former admiral in key positions. An ex-Army general is in charge of liaison with the Congress in Washington; a former Air Force general heads Hughes Aircraft's Tokyo office; and a former admiral is in charge of the firm's international headquarters office in Brussels.

Hughes Aircraft maintains offices in 11 foreign countries. They are staffed by a total of some 35 people. Their roles, according to Ronald Murray, an executive with the international group, are to maintain the company's competitive position in the sale of military and civilian products overseas.

Comment Murray: "We're working at the level of technical requirements, prices, financial terms—all business factors. We've sent a lot of people overseas, and to my knowledge there has been no mention of intercourse with the CIA at all."