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Steinbrenner Urged To Reimburse Firm

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A special review committee has recommended that the chairman of the American Shipbuilding Co. should reimburse the company for \$42,325.17 of employee bonuses that ended up as contributions to the Nixon reelection campaign.

But the committee said it was convinced that chairman George M. Steinbrenner III developed a program in which employees turned bonuses into political contributions "in the belief and upon the oral advice of an attorney" that it was a legitimate "corporate expenditure."

Corporations, under law, are not permitted to make contributions to political campaigns.

Steinbrenner, a majority stockholder of the New York Yankees baseball team, pleaded guilty last fall to conspiring to have illegal contributions to former President Nixon's campaign as well as to various Congressional campaigns.

He also pleaded guilty to charges that he induced company employees to give false statements about the donations in grand jury testimony and during investigations by the FBI.

Steinbrenner was fined \$15,000 and the company was fined \$20,000.

The Securities and Exchange Commission entered the case—as it has subse-

quently in cases involving much larger sums of allegedly illegal corporate giving—charging that between 1970 and 1973 Steinbrenner covered up more than \$120,000 in illegal corporation political contributions.

As part of a settlement with the SEC in October, Steinbrenner agreed to permit a special committee to examine the books of the corporation and make recommendations.

The three-member panel was made up of a retired Cleveland banker, Allan K. Shaw, who had no relationship with American Shipbuilding and two independent directors of the company, James M. Nederlander, president of Nederlander theaters, and Arnold I. Sobel, executive vice-president of Material Service Corp., a subsidiary of General Dynamics Corp.

The members were approved by the SEC.

Their report was filed yesterday with the SEC and with U.S. District Court here where the consent decree was signed. The SEC, which had no official comment on the report, can either accept its recommendations or, if it feels the recommendations are wrong, urge the panel to revise the findings.

Failing that, the agency could go back into court.

The report filed yesterday may serve as a model for similar reports which will have to be completed by such companies as Gulf Oil Corp., Northrop Corp. and Phillips Petroleum Co.

The committee examined all expenditures of \$1,000 or more in many of the company's accounts — such as advertising, consulting, travel and public relations — as well as all bonuses paid by

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the company between 1970 and 1973.

American Shipbuilding paid bonuses of \$97,325.17 to 10 employees in those years who in turn made political contributions to figures designated by a "company official." Because of income taxes withheld on the bonuses, the actual contributions totaled \$61,280, according to the special panel.

The \$55,000 in 1970 and 1971 bonuses—which resulted in contributions of \$36,280—were judged to be legitimate corporate expenditures by the panel because even though the employees were told where to make the donation, there was a several-month lapse between the receipt of the bonuses and the contributions.

The group judged the 1972 contributions to be "questionable" because the employees received the \$42,325.17 of bonuses and made the \$25,000 in contributions on the same day, April 6. It was this \$42,325.17 that the

committee said Steinbrenner should repay.

It did not explain why the delay in making the contribution changed the status of the bonus from a legitimate expenditure to a "questionable" one.

The panel noted that the company's outside counsel John H. Melcher—then of Thompson, Hine & Flory, but later to join American Shipbuilding—advised the company's auditors in March 1971 that the bonuses were proper.

Last year Melcher pleaded guilty to a misdemeanor charge of aiding and abetting Steinbrenner in the scheme. The report also said that in 1969 another attorney, Lee Hinslea, now dead, advised Steinbrenner and a then vice-president of the company, Erhard Eckert, that contributions through bonus plans were "proper as long as the participants voluntarily joined the program."

In his statement yesterday Steinbrenner said he made all his actions "in the belief that they were legal."