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Nader Aide Says Banking Firm Sold Much I.T.T. Stock Before Trust Report

By MICHAEL C. JENSEN

An associate of Ralph Nader charged yesterday that Lazard Freres & Company, an investment banking firm intimately involved with the International Telephone and Telegraph Corporation sold hundreds of thousands of shares of I.T.T. stock to the public, and to trust pension funds, shortly before the announcement last July of an antitrust settlement by the corporation that resulted in depressing the price of the stock.

Reuben B. Robertson 3d, who works with Mr. Nader, the consumer advocate, made the charges in a letter to Senator James O. Eastland, the Mississippi Democrat who is chairman of the Senate Judiciary Committee. The committee is investigating I.T.T.'s relationship with the Republican party.

Lazard Freres denied that any of the stock sales had been made on its own behalf, but said some sales had been made for customers.

The banking firm, which has acted on behalf of I.T.T. in a large numbers of mergers, was instrumental last year in obtaining a favorable antitrust ruling from the Justice Department that allowed I.T.T. to retain its most important recent acquisition, the Hartford Fire Insurance Company.

Reports Secret Meetings

Mr. Robertson said in his letter that Felix Rohatyn, a partner in Lazard Freres and a director of I.T.T., held several secret meetings with Deputy Attorney General Richard G. Kleindienst in 1971 before the Justice Department privately communicated to him its settlement offer on June 17.

Mr. Kleindienst has been nominated by President Nixon for Attorney General. However, his confirmation by the Senate is being held up pending its investigation into charges that I.T.T. influenced a Justice Department decision on several antitrust cases by offering to contribute, thtrough a subsidiary, up to $400,000 to the Republican National Convention next summer.

In his letter to Senator Eastland, Mr. Robertson discussed stock sales by I.T.T. and Hartford officers, but singled out Lazard Freres for special attention.

"During the weeks immediately preceding the announcement of the [antitrust] settlement, for example, Lazard was perhaps the most active seller in the world of I.T.T. series N preferred stock (the stock which had been issued in exchange for Hartford Fire stock)," Mr. Robertson wrote.

Sale to Pension Fund

One specific example he cited was the sale of I.T.T. stock to the State Teachers Retirement System of Ohio, a pension fund.

"On or about the first day of July, 1971, immediately following a private meeting between Mr. Rohatyn and Mr. Kleindienst concerning the progress of the negotiations, Lazard sold off 30,000 shares in a single block to this fund," Mr. Robertson said.

He observed that about July 7 another 40,000 shares were sold to the pension system, and during month of July about 120,000 shares of the stock were sold to the same fund at prices ranging from $78 to almost $83.

"On the first trading day after the announcement of the settlement, the preferred stock dropped to about $69 a share," he noted.

Mr. Robertson pointed out that, according to Mr. Rohatyn's testimony, the net drop in the market value of I.T.T. stock immediately following the antitrust settlement announcement on July 31 was $1.25-billion.

Ohio Is Investigating

In Columbus, Ohio, the State Attorney General, William J. Brown, said his office was investigating the sale of I.T.T. stock to the State Teachers Retirement System to determine if any securities violations had occurred.

Mr. Brown saidthe Justice Department and the Securities and Exchange Commission were also involved in the investigation.

It had been disclosed previously that officers of I.T.T. and Hartford Fire also sold large blocks of stock just before the announcement.

"The significance of the trading pattern of Lazard, Hartford and I.T.T. officers and directors, of course," said Mr. Robertson, "is the fact that they were privy to the vital information concerning the company's antitrust problems that the pubiic was not made aware of."

Regulations of the S.E.C. and the New York Stock Exchange prohibit a company's officers from trading stock on the basis of information not possessed by the public.

Partner' Denial

Raymond S. Troubh, a general partner of Lazard, said the charges:

"During the period June through August, 1971, no shares of I.T.T. securities were sold for the amount Lazard Freres, any of its partners, or their families, directly or indirectly.

"During the same period, Lazard Freres executed as a broker in the normal course of business, both purchases and sales of I.T.T. securities on behalf of it clients. Neither Lazard nor any of its partners had any direct or indirect interest in such purchases and sales other than executing these transaction as a broker member of the New York Stock Exchange.

"All of the sales of I.T.T. securities executed during that period were as a result of unsolicited orders received by the firm from its clients."

Mr. Robertson said in a telephone interview: "There is cluearly a direct interest in fortuitous sales of stock by a broker for a customer, both in commissions earned and in the customers' goodwill.

Lazard Freres in 1970 earned from I.T.T. $1,660,228 in fees and commissions.

Mr. Robertsoon, in his letter, said that some of the banks to whose rust departments I.T.T. stock was sold just before the antitrust settlement were: the Central National Bak of Cleveland, Morgan Guaranty, Hartford National Bank, Fiduciary Trust Company of New York, Mercantile Trust Company of St. Louis, Safe Deposit and Trust Company of Springfield, Mass., Chase Manhatan Bank and Chemical Bank.

The Nader associate also qustioned the performance of the S.E.C. and Mr. Kleindienst.

"Another related issue is whether any pressures have been asserted at the S.E.C. to thwart that agency's extensive investigation into insider trading and other circumstances surrounding the I.T.T. Hartford affiliation," Mr. Robertson said.

Points To Losses

"Further, the possible complicity through privity of Mr. Kleindienst in massive contravention of Federal securities laws, and his possible responsibility for losses suffered by the thousands of victimized investors, pensionoers and trust beneficiaries does bear directly upon the matter presently before the [Judiciary] committee."

Meanwhile, at an impromptu news conference in Madison, Wis., Senator George McGovern repeated yesterday his assertion, first made Sunday, that the I.T.T. parent corporation was in a position of tax credit, not tax payment, in 1968, 1969 and 1970. The company has denied the allegation.

Asked if he were alleging a violation of the tax laws or deception, the South Dakota Democrat said: "The charge is that a corporation—a conglomerate operation of this kind—that made $300-million in profits last year, paid no taxes at all, and admits they're going to write off against their tax obligation an enormous political contribution; [it] is, in fact, violating the Corrupt Practices Act."