S.E.C. Charges I.T.T. With Stock Deals

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WASHINGTON, June 16—The International Telephone and Telegraph Corporation and two of its top officials were accused by the Securities and Exchange Commission today of illegal dealings in the company's stock at a time when they knew—but the public did not—that an antitrust suit against the company was about to be settled.

The S.E.C. also filed suit against Lazard Frères & Co., the investment banking house, and an Italian bank, charging them with a separate set of violations of the securities laws, the aim of which was to save taxes for I.T.T.

The S.E.C. made its charges in a suit filed in United States District Court for the Southern District of New York. The documents in the case were also made public here by the commission.

The suit is the latest development in a long controversy involving the actions of I.T.T. in connection with its acquisition of the Hartford Fire Insurance Company and some other corporations.

The Justice Department's antitrust division brought suit against three of the mergers and subsequently settled all three suits, on terms that permitted I.T.T. to retain ownership of Hartford Fire but required divestiture of all or part of some other companies.

The settlement occurred only after company officials went directly to Attorney General Richard G. Kleindienst about it and after a key White House staff assistant interested himself in the case, according to testimony given to the Senate Judiciary Committee.

According to the suit filed by the S.E.C. today, and also according to testimony given at the hearing, the Justice Department first indicated its willingness to permit I.T.T. to go ahead with the acquisition of Hartford on June 17, 1971.

On the next day, according to the suit, Howard J. Aibel, senior vice president and general counsel of I.T.T., sold 2,664

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shares of I.T.T. stock, for approximately $163,000 without disclosing what he knew of the suddenly improved prospects for settlement of the antitrust suits.

Presumably, because the settlements did require I.T.T. to divest itself of other major recent acquisitions, the price of the stock declined by $7 a share on the day that news of the settlement became known to the public.

On July 16, according to the suit, John J. Navin, secretary and counsel for corporate affairs of I.T.T., sold 1,500 shares of I.T.T. stock for approximately $100,000. This was also before the public knew of the settlement, which was announced on July 31. Mr. Navin was also alleged to have known of the good prospects for settlement of the case, but not to have disclosed them.

No Restitution Provision

Both Mr. Navin and Mr. Aibel were, therefore, accused of violating the S.E.C.'s rules against corporate insiders' failing to disclose material information in connection with the purchase or sale of stock.

The suit asked the court to enjoin the two men from repeating such acts, but makes no provision for restitution of profits they made through the allegedly illegal dealings.

A request for this type of restitution has been made by the S.E.C. In other recent similar cases, a spokesman for the commission refused to explain why no such request was made this time.

The company itself was accused of similar failure to disclose material facts in connection with a registration for the sale of some I.T.T. stock. This was alleged to have occurred between the time I.T.T. first learned that the Justice Department was willing to settle the antitrust suits on terms the company found acceptable and the time announcement of the settlement was made.

Separate Transaction

It was a wholly separate transaction that gave rise to the charges of illegality against Lazard Frères and Mediobanca Banca di Credito Finanziaro-Societa per Azioni.

The alleged purpose of the deal was to render nontaxable the exchange of stock involved in the acquisition of Hartford Fire by I.T.T. to fulfill the requirements of the Internal Revenue Service or a nontaxable transaction.

I.T.T. had to dispose of some shares in Hartford that it owned before the merger, according to the suit.

Lazard Frères was instrumental in working out the deal for I.T.T. to get rid of its Hartford shares, to Mediobanca, under terms that guaranteed a profit to Mediobanca, half of which would go to Lazard Frères according to the suit.

The S.E.C. said that the transaction should have been registered with it, and was not.

The court was asked to enjoin I.T.T., Lazard Frères and Mediobanco from similar acts in the future.

I.T.T. Trading Halted

By MICHAEL C. JENSEN

The New York Stock Exchange halted all trading in International Telephone and Telegraph Corporation stock yesterday pending the filing of Securities and Exchange Commission charges against the company. An exchange spokesman said he presumed the stock would be traded Monday, although there could be a slight delay in the opening.

A decision not to open the stock for trading was made when S.E.C. officials notifed the exchange yesterday morning that there would be an announcement about I.T.T. later in the day. The company's common stock closed Thursday at \$56 ⅛, off ¼ from Wednesday's close.

An I.T.T. spokesman said late yesterday afternoon that the concern would have no comment on the charges until it had studied the S.E.C. complaint.

I.T.T. made headlines recently during a protracted and often stormy hearing by the Senate Judiciary Committee over an alleged link between an I.T.T. antitrust settlement and a large contribution toward the Republican National Convention.

Soon after the hearings, a Federal judge in Philadelphia ruled that three I.T.T. directors could not stand for re-election to the company's board.

The ruling came in response to a suit filed by a Temple University law student who charged that I.T.T. had failed to disclose in its proxy statement that three suits were pending against three directors, Harry V. Williams, R. Newton Laughlin and Hart Perry.

The judge said the three executives had been charged in civil suits with trading stock in their personal accounts on the basis of inside information.