

S.E.C. Lays Fraud To Hughes on Deal

Billionaire and Nine Others Are Sued on Take-Over of Air West—Return of \$48-Million in Profits Demanded

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WASHINGTON, March 27 — The Securities and Exchange Commission accused Howard R. Hughes today of fraud and manipulation in connection with the billionaire's acquisition in 1969 of Air West, which serves 69 cities in the Western United States, Canada and Mexico.

In a complaint filed with the Federal District Court for Northern California, the commission asked that Hughes and Mr. Hughes' nine other defendants be enjoined from further violation of Federal securities laws and required to surrender an estimated \$48-million of alleged illicit profits resulting from the acquisition.

Suit Names Maker

In addition to the Summa Corporation, wholly owned by Mr. Hughes and Hughes Air West, the complaint named Herman Greenspun, owner and publisher of The Las Vegas Sun, and James (Jimmy the Greek) Snyder, Las Vegas odds-maker who is also a public relations consultant.

Also cited in the suit were Robert A. Maheu, former head of the Hughes hotel and gambling interests in Las Vegas but now a bitter opponent in suit and countersuit following

a break in their relations; Chester C. Davis, chief counsel for the Summa Corporation, and David Charnay, president of Four-Star International, a television and motion picture company in Los Angeles.

The other individuals named in the complaint were George Crockett, a long-time friend of Mr. Hughes, and Patrick J. Hillings, a former Republican Congressman and friend of former President Nixon. Mr. Hillings figured in the Watergate investigation as pay-off-man for the milk lobby who offered the former President a \$2-million political contribution from the dairy industry in December 1970.

Material Held Misleading

The complaint alleged that Mr. Hughes, Mr. Davis, Mr. Maheu, Mr. Snyder and the Summa Corporation mounted an illicit publicity campaign in 1968 intended to influence the directors and shareholders of Air West to approve a cash purchase contract by which Mr. Hughes would acquire their holdings at \$22 a share.

The S.E.C. said the publicity material circulated by Mr. Snyder and his agent was false

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and misleading because it failed to disclose that the \$22 offer was predicated on a condition of Air West's net worth amounting to at least \$21 million. The defendants knew or should have known Air West's inability to comply with the condition, the complaint said.

It was further alleged that the five defendants "caused certain well known and influential persons, including certain prominent political figures, to issue public statements which were critical of the management and operations of Air West and stated a position in favor of Air West by defendants Hughes and Summa."

The complaint went on to say that "certain of the prominent political figures who made such statements received contributions from defendant Hughes and his agents." It said that throughout the publicity campaign it was made to appear that the persons making the statement were acting independently and without any connection to the five defendants.

Misrepresentation Charged

Another allegation of the complaint was that Mr. Davis in October, 1968, falsely represented to Air West on behalf of Mr. Hughes and Summa that "it need not concern itself with the net worth condition inasmuch as Hughes and Summa would be pliable with regard to the net worth condition and that Air West directors relied

on these representations in their subsequent actions regarding Air West."

In December, 1968, after the five defendants solicited proxy statements on the offer of \$22 a share, Air West approved the offer by a margin of just over 2 per cent more votes than the maximum required it was alleged. But the directors of the carrier refused to execute the purchase contract in order to allow time to consider other offers, the complaint added.

Because the purchase offer was to expire on Dec. 31, the Hughes group stepped up their pressure on the directors, filing lawsuits supposedly by independent shareholders in order to sway the dissident Air West directors, the suit charged.

Pressure Tactic

Thereafter and as part of the pressure tactic, the complaint alleged, defendants Greenspun, Crockett and Charnay on Dec. 31 manipulated Air West stock on the American Stock Exchange, dumping 47,000 shares at the behest of the five Hughes defendants.

The sale allegedly caused Air West stock to drop from 18¾ to 15¾. On the same afternoon, certain Air West directors were said to have changed their votes and approved acceptance of the Hughes offer. But instead of \$22 a share as provided in the original purchase offer, Air West shareholders realized only 18¾ a share, or 415-million less than they would

have received under the contract, the complaint stated.

This \$15-million was included by S.E.C. officials in their estimate of the amount that would be recovered from Mr. Hughes and Summa if their suit prevails.

Air West Director

Mr. Hillings was cited in the complaint for having been employed by Mr. Hughes and the Summa Corporation and having accepted payments from them in excess of \$50,000 while still serving as a director of Air West when the acquisition was completed. He also failed to disclose this dual capacity in proxy solicitation statements to Air West stockholders, it was stated.

Most of the charges made in the commission's civil action today were the basis of separate criminal indictments for conspiracy returned against most of the defendants named today.