

Illegal Gifts Laid To Firm

\$30 Million Northrop Fund Cited by SEC

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The Securities and Exchange Commission charged yesterday that the giant aerospace Northrop Corp. of California created a \$30 million slush fund for the purpose of illegal political contributions and other secret payments since 1961.

The SEC said Northrop chairman Thomas V. Jones and vice president James Allen, who left the company Dec. 31, were in charge of the fund from which some \$476,000 was channeled to various political candidates and for other purposes.

The SEC said the company and the officials, beginning in 1971, increased the size of the slush fund through payments and proposed disbursement to \$30 million.

The SEC, a government agency that regulates public corporations, filed the charges in the U.S. District Court here.

The corporation announced minutes later that it had agreed to settle the action with a consent decree which does not admit guilt but promises not to repeat the disputed action.

"Without admitting or denying the allegations made by the SEC, the company and Mr. Jones will consent to a final judgment and permanent in-

junction against future violations of applicable laws and SEC regulations," a statement said.

The Northrop suit was the third slush fund allegation made by the SEC in the past six weeks. The SEC earlier charged Gulf Oil Corp. and Phillips Petroleum, Inc., with establishing slush funds with some \$13 million allegedly illegally diverted from corporate funds.

The SEC asked the court to enjoin Northrop, Jones and Allen from continuing the alleged diversions. The suit also asked the court to require Jones and Allen to repay the corporation for any funds illegally diverted.

Jones has been president of Northrop since 1959 and is currently also holding the title of chairman. Allen became a vice president and board member in 1951. Both men live in the Los Angeles area, where Northrop is based.

The SEC alleged that beginning in 1961 Jones, Allen and unnamed others "disbursed in excess of \$1.1 million in Northrop corporate funds to a foreign consultant, William Savy, and two of his corporations purportedly as bonafide consultants' fees. In excess of \$476,000 of these disbursements were converted into cash and returned to Stanley Simon, an agent of Savy stationed in New York City.

"Periodocally during these years, Allen would pick up cash from Simon and then expend it for political contributions and related expenses, a substantial proportion of which was unlawful," the SEC alleged.

The SEC said Northrop's financial reports did not reflect these alleged disbursements.

The SEC alleged the diversions of corporate cash intensified in 1971, 1972 and 1973 when "approximately \$30 million of Northrop corporate monies was or would be disbursed.

The SEC did not identify the recipients of the alleged \$30 million to be spent nor did it specify how the money was to be used.