

Court Is Told Laird Sought Information On S.E.C. Inquiry

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WASHINGTON, June 20—Melvin R. Laird, the former Secretary of Defense who has become President Nixon's chief domestic adviser, asked aides to seek information about a Securities and Exchange Commission investigation of the Florida East Coast Railway at the behest of the railroad's chairman, according to testimony at a closed hearing in Federal district court here last Friday.

In January of this year, as a result of the investigation, the S.E.C. charged the railroad; Edward Ball, its chairman; and others with fraud and other violations of securities laws.

In last Friday's hearing, the commission sought a court order to compel Mr. Ball to answer questions about his purpose in "utilizing officials of the Department of Defense" to obtain information about the investigation. The transcript of

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the hearing has just been made public.

Phone Calls Made

Theodore Levine, an attorney in the commission's enforcement division, told the court about two telephone calls to the commission staff from Pentagon aides for Mr. Laird last fall.

Mr. Levine said that he had been told by Carl Wallace—a special assistant to Mr. Laird at the time, and an Assistant Secretary of the Army now—that Mr. Ball had met with Mr. Laird, and that Mr. Laird had told Mr. Wallace to make the communication, or "to have it done."

According to Mr. Levine, Mr. Wallace said that he had instructed John Dressendorfer to call Mr. Dressendorfer, a special assistant to the Secretary of the Navy now, was working for Mr. Wallace at the time.

Laird Calls It 'Routine'

Mr. Laird said today that the inquiries were "a routine thing" that followed a complaint to him by Mr. Ball about the investigation.

Mr. Ball had been a guest at one of a series of luncheons that Mr. Laird — as Secretary of Defense — had had with leaders of business, labor and other private organizations, Mr. Laird said. Mr. Laird asked his guests for suggestions, he said, "and he [Mr. Ball] did complain about the S.E.C."

Mr. Laird said that his aides had never reported back to him about their inquiries to the commission, and "nothing else ever happened."

The S.E.C. case against Florida East Coast and Mr. Ball and others alleges fraud and misrepresentation by the defendants in the railroad's plan to issue common stock in a swap for outstanding bonds which allegedly had been quietly bought up by the officers and

trustees of the road on the basis of inside information.

Mr. Levine said that the first telephone inquiry to the S.E.C. was made in September or October, and the second about the time of the Presidential election in November.

Judge William B. Jones who was presiding at the Friday hearings, wanting to be sure the calls were made at the request or direction of Mr. Wallace, asked Mr. Levine who replied:

"He was aware of the fact that it emanated from Mr. Laird and we discussed the nature of the communication."

Mr. Levine said there was an inconsistency between what he had been told by S.E.C. staff members who received the calls and what Mr. Dressendorfer maintains he said and what other Pentagon officials said he had been requested to say.

Reasons For Calls

According to Mr. Levine, the S.E.C. staff said that the first call was made to ask the investigators to stop harassing Mr. Ball because he was an old man and the second to find out the status of the investigation.

"On the second call six or eight weeks later, there was a question raised about the status of the investigation and where it was going and at that time I believe the communication back was that 'it's none of your business,' or 'you had better stay away from it'—something like that," Mr. Levine said.

The S.E.C. attorney went on to tell the court that the commission wanted to establish from the various people involved, including S.E.C. staff personnel, what was communicated.

During the course of the hearing, Judge Jones denied a motion of counsel for Mr. Ball that a "protective order" be issued and the information in the pleading be placed under

seal in the custody of the court until the complaint actually was brought to trial.

When the hearing transcript was placed in the docket and become public, Mr. Dressendorfer confirmed to reporters that he had made two calls to the S.E.C.

But he denied that there was any effort to influence the agency or any discussion of harassment. He said he simply inquired whether there was a case pending against the railroad.

When he called the second time, said Mr. Dressendorfer, he was informed that there was, indeed, a case. He said he asked what it was all about and was told, "don't get involved." He said this response discouraged him from further inquiry and he had not pursued the matter.

Mr. Laird, in his statement today, said that following his lunches with businessmen and others he would routinely "give a list to my administrative assistant to find out what it is about." He said Mr. Dressendorfer "handled this just like a routine Congressional inquiry as he had done for many years in my Congressional office. I don't think you'll find that Dressendorfer acted improperly."

Political Tie Denied

The former Defense Secretary said he had known the 85-year-old Mr. Ball for 10 to 12 years but that "I've never been tied up with him politically."

S.E.C. attorneys not assigned to the Florida East Coast case suggested that Mr. Laird might never have identified as the source of the inquiries to the commission but for Mr. Ball's refusal on advice of counsel to respond to questions put to him during a deposition taken May 12.

Mr. Ball's attorney, Sidney Dickstein, maintained at the time that the questions were

irrelevant to the S.E.C. investigation.

That refusal triggered the S.E.C. motion for a court order compelling Mr. Ball to answer.

At one point during the Friday hearing, Judge Jones wanted to know whether Mr. Levine had talked to Mr. Laird about the S.E.C. inquiries.

Deposition 'Possible'

"I have not communicated with Mr. Laird," said Mr. Levine. "However, it is a very good possibility that the staff of the commission will have to take his deposition at this point."

This possibility appeared diminished today when Mr. Dickstein said in a telephone interview that his client Mr. Ball had decided to answer the S.E.C. questions. He added that "I am convinced that Mr. Ball has done nothing illegal."

Question of Legality

In pressing his motion for a protective order at the Friday hearing Mr. Dickstein was not addressing the question of legality when he told the court:

"I think in Washington, in the highly charged atmosphere in which we live today, these questions and this matter if made public on the record might very well cause unnecessary prejudice to innocent persons."

In arguing for an order from the court compelling Mr. Ball to answer all S.E.C. questions, Mr. Levine said the information sought "may reflect on the culpability" of the defendant with respect to the agency's allegations.

"It can be inferred," said Mr. Levine, "that defendant Ball would not have contacted the commission through the Department of Defense unless he had violated the Federal securities laws and feared an adverse judgment in subsequent litigation."