

I.T.T. and Others Agree To Settle S.E.C. Lawsuit

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By EILEEN SHANAHAN

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WASHINGTON, June 20 — The International Telephone and Telegraph Corporation, the investment banking concern of Lazard Frères & Co., and all other defendants agreed today to settle a suit brought by the Government on Friday charging that illegal sales of I.T.T. stock had been made.

The settlement of the case, which involves no penalties except injunctions forbidding similar actions in the future, was entered in United States District Court for the Southern District of New York and was announced here by the Securities and Exchange Commission, which brought the suit.

Ten separate private suits

for damages against the company, based on essentially the same allegations as those made by the S.E.C., are still pending.

The company, in a statement, said that it believed that the suit and its settlement would have "no material adverse impact on the company or its earnings."

The lawsuit arose out of I.T.T.'s acquisition, beginning in 1969, of a number of large corporations, including the Hartford Fire Insurance Company. The mergers were challenged by the Justice Department as violations of the anti-trust laws but settled, last

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year, on terms that permitted I.T.T. to retain control of Hartford, while divesting itself of all or part of some other companies. The settlement occurred only after company officials went directly to Attorney General Richard G. Klienendienst about the case.

Statement by Company

The S.E.C.'s suit charged that the company registered some of its stock for sale without disclosing anything about the settlement negotiations and that two company officials also sold substantial amounts of stock without similar disclosures.

The price of the stock declined \$7 on the day when the settlement was actually announced, presumably because the company was required to give up more than \$1-billion in assets, whereas it had publicly contended that it would fight every aspect of the antitrust suits and win.

I.T.T., in a statement, said that both the company and the two individuals charged believed that they had done nothing unlawful, but that they had agreed to accept the injunctions against future securities act violations because they always did have every intention of complying fully with the securities laws.

The two individuals were Howard J. Aibel, senior vice president and general counsel of I.T.T., and John J. Navin, secretary and counsel for corporate affairs.

In a number of previous cases, the S.E.C. has required individuals who profited from having inside information to return their profits to those who lost money because of the transactions based on inside information.

Several Reasons Cited

S.E.C. officials said that there were several reasons why this was not done in the I.T.T. case. One reason given was that private damage suits in cases of this kind are more prevalent today than they used to be and thus the S.E.C. can bow out of the task of being "a collection agency."

Officials would not go so far, however, as to state that they were retreating from the principle that the S.E.C. should attempt to force restitution that was laid down in the Texas Gulf Sulphur case.

Commission officials also said that they thought that it was important for them to have established the principle that negotiations of lawsuits were

"material" facts that have to be disclosed before insiders may legally trade in their company's stock. This was more important than recovery of the money lost by the persons who bought I.T.T. stock without knowing of the impending settlement of the antitrust suits, they said.

As for the portion of the S.E.C.'s suit that charged illegal activities on the part of Lazard Frères and an Italian bank, Mediobanca Bank di Credito Finanziario-Societa per Azioni, this was also settled with an agreement by the two concerns that they would accept an injunction against repetition of their allegedly illegal behavior.

The allegations in this instance involved the sale of some Hartford stock that was already owned by the I.T.T. complex before the actual merger of the two companies. The sale was said to be necessary to make the acquisition tax-free under Internal Revenue service regulation. The S.E.C. charged that the sale amounted to an illegal offering of the stock.

Rule Temporarily Waived

An S.E.C. official said that the agency had not turned over any information about this part of the case to Internal Revenue because it was not the S.E.C.'s responsibility to call to the attention of another Government agency an action that might or might not be a violation of laws enforced by the other agency. The I.R.S. will not state whether it has a specific case under investigation.

As part of its announcement of the settlement, the S.E.C. disclosed that it was temporarily waiving one of its rules that forbids an organization that has been enjoined from violations of the securities laws to manage an investment company. There are two investment companies in the I.T.T. complex, the Hamilton Management Corporation, which manages mutual funds, and the I.T.T. Variable Annuity Insurance Company.

The S.E.C. will determine later whether to grant a permanent waiver. It invited comments on the desirability of such a permanent waiver by July 28.

Suit on Political Aid

A suit was filed in Federal District Court here yesterday seeking to force Harold S. Geneen, president of I.T.T. and other executives of the giant

conglomerate to reimburse the company for money spent on political activities, including an alleged campaign to prevent the election of Chilean President Salvador Allende Gossens.

The "stockholders' derivative action" was filed by attorney Peter A. A. Berle on behalf of Mrs. Anne C. Martindell, vice chairman of the New Jersey Democratic party and sister of Blair Clark, an influential Democrat. She owns 2,000 shares of I.T.T. stock.

The suit cites several alleged political activities by I.T.T. that have been made public in recent months, including a \$100,000 contribution made to the San Diego Convention Bureau when the Republican National Convention was to be held there and the use of corporate airplanes by various political figures.

In regard to Chile, Mr. Berle presented the court with copies of alleged I.T.T. memoranda that show involvement by the corporation in numerous levels in the election that brought the leftist Mr. Allende to power.

The suit alleges that Mr. Geneen and "I.T.T. management" decided in September, 1970, to attempt to prevent Dr. Allende's election and states, "On instructions from Mr. Geneen, J. D. Neal, an I.T.T. executive, met with the United States State Department's Latin American adviser to United States presidential assistant Henry Kissinger."

The brief continued: "Mr. Neal stated that I.T.T. was prepared to 'assist financially' in attempting to defeat Dr. Allende through the expenditures of 'sums up to seven figures' and requested that the United States Government not interfere with I.T.T.'s Chilean activities."