

Charge Naming the I.T.T. Is Reported Cut in S.E.C.

Casey Took Lead in Advocating Deletion Although Decision Was Unanimous, Sources on Capitol Hill Say

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WASHINGTON, May 20—A proposed charge of fraud against the International Telephone and Telegraph Corporation was deleted from a Securities and Exchange Commission draft complaint last year, even though it had been recommended by the agency's top staff officials, according to Government sources.

William J. Casey, then chairman of the S.E.C. and now an Under Secretary of State, took the lead in advocating the deletion, but the decision was a unanimous one by the whole commission, according to sources on Capitol Hill and in regulatory agencies.

The charge revolved around the failure of I.T.T. to make known to the S.E.C. and to the investing public details of a controversial sale of stock to an Italian bank. The complex transaction made possible I.T.T.'s \$1.5-billion merger with the Hartford Fire Insurance Company.

Mr. Casey's role at the S.E.C. has recently been called into question in another matter, where references to a secret \$200,000 contribution to the Nixon re-election campaign by

Robert L. Vesco, a New Jersey financier, were deleted from an S.E.C. complaint against Mr. Vesco. Mr. Casey has denied that he had knowledge of any wrongdoing in this case.

G. Bradford Cook, who succeeded Mr. Casey as chairman of the S.E.C. resigned in the wake of that disclosure, although Mr. Casey was his boss at the time of the controversial deletion.

Government sources said the deletion of the fraud charge against I.T.T. was made even though the charge was supported by the agency's two top enforcement officials, Stanley Sporkin and Irving Pollack, and by Mr. Cook, who was then serving as the commission's general counsel.

Congressional investigators say they are looking into the complex deal, in which I.T.T. sold a large bloc of Hartford Fire stock to Mediobanca, an Italian bank, in order to qualify for a tax-free merger. In effect, I.T.T. had to dispose of the Hartford stock it already owned before it was allowed to make a tender offer to Hart-

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ford shareholders to buy their stock and take control of the company.

Although the disposition of stock by I.T.T. was supposed to be an "arms-length" transaction, investigators say I.T.T. retained not only the risk of a future downturn in the Hartford shares but also an "irrevocable proxy" that gave it the right to vote the shares.

I.R.S. Scores Transaction

The same transaction has come under fire by the Internal Revenue Service office in New York, which recently questioned the tax-free ruling given I.T.T. and recommended that it be reconsidered.

The entire matter is scheduled for review this week by the Investigations subcommittee of the House Commerce Committee. Mr. Cook has been called to testify tomorrow, and it is expected that Mr. Casey also will be called to testify. John Dean, who was dismissed as counsel to President Nixon in the wake of the Watergate disclosures also is scheduled to testify before the subcommittee this week.

Government sources said the S.E.C. staff completed its lengthy investigation into I.T.T. in mid-May, 1972, and forwarded its draft recommendations to Mr. Casey and the rest of the commissioners about May 24. When the complaint was filed in United States District Court three weeks later, the fraud charge was missing.

The final formal complaint alleged that two I.T.T. officials sold some of their I.T.T. stock at a time when they knew but the public did not that an anti-trust suit against the company was about to be settled. The officials were Howard J. Aibel, general counsel, and John J. Navin, corporate secretary.

Lazard Freres Charged

The complaint also charged Lazard Freres & Co., I.T.T.'s investment banking firm, with a separate set of violations of the securities laws. It said the firm failed to register with the S.E.C. The transaction between Mediobanca and I.T.T. in which it participated.

All the defendants agreed to settle the suit by consent decree, which imposed no penal-

ties but forbade similar actions in the future.

Attempts to reach Mr. Casey today in South America, where he is accompanying Secretary of State William P. Rogers on a tour, were unsuccessful.

However, an S.E.C. commissioner, Hugh F. Owens, said in a telephone interview that he recalled that all five commissioners had voted to delete the fraud charges because there were insufficient facts to sustain it.

He said he recalled that Mr. Casey had led the consideration and debate of the charges, but added: "I'm inclined to think that he didn't ram this down our throats."

Mr. Cook said in response to a query that he did not recall any split vote on the matter by the commissioners. He added that his posture on the I.T.T. matter was that of "a hawk" and that he was "strongly aligned with the staff."

Deal Termed Brilliant

Mr. Cook characterized the financial arrangement in which I.T.T. sold its shares of Hartford Fire to Mediobanca as "the most brilliant financing scheme ever conceived."

He added that the Hartford acquisition was a highly favorable one for I.T.T.

"Hartford — she's a blue-blood lady," he said. "I.T.T. — she's a lady of the night."

Regarding Mr. Casey's activities in the Vesco case, a Federal grand jury indictment alleged that Mr. Casey, at the bidding of Former Attorney General John N. Mitchell, had met with a lawyer for Mr. Vesco only hours after the financier's secret cash donation was delivered to the Nixon campaign.

Mr. Mitchell and Former Secretary of Commerce Maurice H. Stans have been indicted in that case, and other indictments are expected.

The Washington Star-News said today that earlier testimony, as well as Mr. Casey's comments, had left the impression that the meeting took place one month after the donation.

The newspaper quotes Mr. Casey as saying "that was a mistake" and says he confirmed that he met with the vesco lawyer the same day.