

I.T.T. Repayment to Aides For Political Gifts Alleged

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By MICHAEL C. JENSEN JUL 7 1973

The International Telephone and Telegraph Corporation, which is being investigated for its 1972 political activities, allegedly devised a systematic plan to extract campaign con-

tributions from its executives and then reimburse them with company funds as early as 1960, according to documents filed in United States District Court here.

Some I.T.T. executives subsequently were questioned by the Federal Bureau of Investigation about dealings with Robert G. Baker, former secretary to Senate Democrats, but the investigation was hampered by unusual restrictions, according to a former official of the corporation.

1960 Pressure Alleged

On June 8, Attorney General Elliot L. Richardson announced that he was shifting to Archibald Cox, the special Watergate prosecutor, authority to investigate the 1971 merger of I.T.T. with the Hartford Fire Insurance Company on the grounds that "the I.T.T. inquiry has begun to overlap with the Watergate investigation."

Allegations of an offer from the big conglomerate to contribute up to \$400,000 toward the Republican National Convention last year, in exchange for a favorable antitrust settlement, and of an offer to donate up to \$1-million to the Nixon Administration to influence a Presidential election in Chile, have provoked increased scrutiny of the I.T.T.'s political activities.

The information about I.T.T.'s
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political contributions in 1960 is contained in a little-publicized notarized deposition and affidavit written in 1964 by John T. Naylor, a former vice president and chief executive of the corporation's telecommunications operations.

Mr. Naylor, who divides his time between residences in the Philippines and in Florida, alleged in the documents that he had been under pressure by I.T.T. executives to contribute \$1,200 to Lyndon B. Johnson's Vice-Presidential campaign in 1960.

He was also told by I.T.T. that he could recover the money in his traveling expense account, Mr. Naylor said.

The former executive recently reaffirmed the contents of the documents in a telephone interview.

I.T.T., when asked to comment on the documents and the subsequent F.B.I. investigation, said the matter had been studied in 1965 by the Senate Committee on Rules and Administration and by the Justice Department. There was no finding of guilt, the company said.

The corporation's political influence has been the subject of almost continuous investigations and hearings in Washington in recent years.

The Naylor document, containing the account of an alleged offer by I.T.T. to reimburse political gifts, was corroborated by another former executive of the corporation, who asked not to be identified.

Donation Data Sought

The executive said in a telephone interview that a number of the corporation's officials had been questioned by the F.B.I. about their contributions after Mr. Naylor wrote his report.

In his affidavit, which was filed last February as an exhibit in a civil law suit against I.T.T., Mr. Naylor said that on Oct. 18, 1960, he handed a personal check to Mr. Baker, the former Democratic aide, in the office of the corporation's vice president and legal counsel.

Mr. Baker later served a 17-

month prison sentence after he was convicted in 1967 of fraud, theft and tax evasion.

Earlier, Mr. Naylor said, William Marx, who was then an I.T.T. senior vice president, had solicited the campaign donation in the name of the company's directors and of Harold S. Geneen, then the company's president and now its chairman.

Mr. Naylor quoted Mr. Marx as saying: "Hal [Geneen] and the board have a program that is very important to political protection and business development.

"Hal has given me a selected list of top executives to contribute to the election campaign. You are down for \$1,200. This can be financed for you by the company if necessary; Jim Lillis (comptroller) will handle it.

"You will be expected to recover the amount by covering it up in your traveling expense account. The board of directors wants us all to cooperate."

Later, Mr. Naylor said, when he balked at writing out his check for Mr. Baker, he asked for and got a further explanation of the plan from Mr. Marx.

Aid to Both Sides Cited

"Hal and the board have it set up to 'butter' both sides so we'll be in a good position whoever wins," Mr. Naylor quoted Mr. Marx as saying.

"Baker is Johnson's man, and the Washington representative of the Johnson committee. We can 'juggle' the list if you insist, but you are in town and Baker is collecting today.

"Of course, if there ever were an investigation, you would have to testify that this was all voluntary and simply a personal payment made from your home.

"We have to have your personal address on the check. The way we handle this, anybody ever checking up is very remote and the board wants it: their other companies are doing this."

Mr. Marx, who served as an executive vice president of the Celanese Corporation after leaving I.T.T., and resigned from that position about a year ago because of policy differences with management, was not available for comment.

Mr. Naylor said in the affidavit that he had decided not

to seek reimbursement from the company, and had later resigned following a personal confrontation with Mr. Geneen.

In the affidavit, Mr. Naylor said he had told Mr. Geneen: "After spending my entire business career policing dignity and propriety and being a disciplinarian in management, I find at the age of 47 my own principals and superiors insisting that I be tricky and dishonest myself, and a set-up for perjury in order to be a good fellow and maintain my position.

I refuse to lie or juggle expense accounts for you or anyone, Hal. I paid off my \$1,200 extortion to your little friend Baker, and won't recover. If you don't like that, Hal, let's settle it right now and close it out."

'Everybody Does It'

Mr. Naylor said in the affidavit that Mr. Geneen had responded: "Jack, that subject should never be mentioned. Everybody does it and the board wanted it this way. It is paying off big in Washington. We tried to think of other ways to do it—through Fred Schwarz or other lawyers or third parties—but had to do it this way.

"You can't afford that kind of money personally, and I think the board and I were fair in making it good. You didn't have to."

One former executive, who discussed the Naylor charges in an interview, said that in 1965 after he had left I.T.T. he received a telephone call from an attorney for the corporation advising him that the F.B.I. would be arriving to interview him.

He was told by the corporation that the questions would be restricted to a two-month period in 1960, he said, and that the F.B.I. would warn him that he need answer only in regard to that period.

The interview took place as predicted, he said, with no apparent result. "The F.B.I. would have gotten some different answers if they had broadened that [two-month] period," he said.

Another former executive who worked for the conglomerate during the mid-1960's said it was expected that key officials would make political contributions.

"I think there was a general idea given of how much to give," he said. "If an executive was making \$150,000, he ought to be willing to contribute \$4,000 or \$5,000."

He added that such contributions were standard practice at many large corporations.

The Naylor deposition and affidavit were contained as an exhibit in a civil law suit filed by Anne C. Martindell, an I.T.T. stockholder.

The suit disputes the extent to which the corporation's management may engage in political activities in the United States and abroad at shareholders' expense.

It alleges that the contributions the corporation has made to political parties and candidates were illegal; challenges the donation of goods, services and cash to governmental officials by I.T.T., and challenges the expenditure of corporate funds to engage in political activity abroad.