

Hughes, 4 Aides Indicted In Air West's Stock Case

By ROBERT A. WRIGHT

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LAS VEGAS, Nev., Dec. 27 — Howard R. Hughes, the reclusive billionaire, two of his top aides and two other associates were named today in a nine-count criminal indictment by a Federal grand jury here.

The defendants were accused of stock manipulation and conspiracy in connection with the acquisition by Mr. Hughes of Air West, an airline, in 1968-70. Four of the five were also accused of wire fraud.

Named with Mr. Hughes in the indictment were Robert A. Maheu, former head of the Hughes hotel and gambling interests here; Chester C. Davis, legal counsel of Mr. Hughes's wholly owned Summa Corporation; David B. Charnay, president of Four Star International, a television and motion-picture production company in Los Angeles; and James H. Nall, who is in charge of land acquisition for Mr. Hughes's Nevada operations.

Also named as co-conspirators, but not indicted, were Herman (Hank) Greenspun, owner and editor of The Las Vegas Sun, and George Crockett, a long-time friend of Mr. Hughes.

A spokesman for Mr. Hughes in Los Angeles said that he, the

spokesman, was preparing a statement about the indictment. In Las Vegas, Mr. Maheu said, "I have never owned any Air West or Hughes Air Corporation stock, nor has any member of my family. The only person who could possibly benefit from the allegations in the indictment is Howard Hughes."

Mr. Maheu was chief executive for Mr. Hughes's \$250-million in investments in Nevada until he was dismissed in December, 1970.

Conviction for conspiracy carries a maximum penalty of five years in prison and a \$10,000 fine. Conviction for stock manipulation could bring two years in prison and a \$10,000 fine.

Judge Roger D. Foley of the Federal District Court set Jan. 11 for arraignment of the defendants, but it is considered unlikely that Mr. Hughes will appear. Mr. Hughes has not appeared in public in more than two decades, despite being a principal in many lawsuits.

Mr. Hughes moved suddenly last week from London to Freeport, the Bahamas. Earlier this month, a Bahamian magistrate refused to extradite to the

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Finally, in December, 1968 stockholders in a special meeting voted to accept the Hughes offer, but the board rejected it the same day by a vote of 13 to 11. Then, after a hurried lawsuit filed by six Air West directors and several other stockholders, seven dissenting board members reversed themselves in a telephone poll on Dec. 31, 1968, and the Hughes offer was officially accepted.

It was not until April, 1970, however, that the deal was consummated, after approval by the Civil Aeronautics Board and President Nixon. Presidential approval is required for changes in ownership of airlines when international routes are involved. In addition to regional service in eight Western states, Air West flies to Canada and Mexico.

The continuing decline in the price of Air West stock on the American Stock Exchange and the drop to a negative position of the company's net worth resulted eventually in stockholders receiving \$8 a share instead of the originally proposed \$22. The Hughes offer

specified that the price was contingent on the net worth of the airline holding above \$16-million.

Several lawsuits are still pending by stockholders who contend that they were not adequately compensated in the sale.

Counts 2 and 3 of the indictment charge Mr. Hughes, Mr. Maheu, Mr. Davis and Mr. Charnay with illegally using the facilities of the American Stock Exchange to manipulate the price of Air West stock.

Count 4 charges the same four persons with the use of interstate wire facilities—in this case, telephone lines—to carry out their alleged scheme to depress the price of the stock. This charge of wire fraud carries a maximum penalty of five years in prison and a \$1,000 fine.

Counts 5, 6 and 7 charge the same four individuals with violating the wire fraud statute in their take-over plan by sending telegrams to opposing Air West directors urging them to change their vote.

These counts also allege that

the four defendants telegraphed instructions to a brokerage firm to sell a large block of Air West stock owned by Mr. Crockett.

These four principal defendants were also said to have caused a Nevada brokerage company to direct an American Stock Exchange representative to sell a large block of Air West stock owned by Mr. Greenspun.

Mr. Nall was charged in Count 8 with being an accessory in the unlawful manipulation of the Air West stock and in Count 9 with failure to disclose his knowledge in an alleged felony. The maximum penalty for being accessory to a felony is half the total prison terms and the fines of the other defendants; and for the failure to disclose knowledge of a felony, three years in prison and a \$500 fine.

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United States Robert L. Vesco, the financier who is accused in a New York indictment of wire fraud and conspiracy to obstruct justice.

The first count of the indictment accuses the defendants and co-conspirators of conspiring between June, 1968, and April, 1970, to depress the market price of Air West stock. This was done, the indictment said, through sales by Mr. Charnay, Mr. Greenspun and Mr. Crockett of 46,000 shares of Air West stock in two days in December, 1968.

Mr. Hughes, Mr. Maheu and Mr. Davis were charged with bringing pressure through lawsuits against Air West directors who had voted against selling the airline to Mr. Hughes. The pressure was allegedly designed

to cause them to change their votes.

Mr. Hughes was accused of directing Mr. Maheu and Mr. Davis, by handwritten memorandums and oral communications, to bring the suits and to unlawfully manipulate the market price of Air West stock to make the acquisition offer appear more attractive to stockholders.

Mr. Hughes first offered to purchase Air West in August, 1968, with a bid of some \$81-million, or \$22 a share, for the outstanding stock. The offer was strongly opposed by some directors of the financially struggling airline, which had been formed the previous spring by a merger of three airlines—Bonanza, West Coast and Pacific.

A proxy fight for control appeared to be in the making when 11 directors voted against the sale. The dissension delayed action on the Hughes offer, and meanwhile, Air West received two other take-over offers, from the Hallory Randall Corporation and from Northwest Airlines.