

# \$30-Million Slush Fund Charge

Washington

The Securities and Exchange Commission filed suit yesterday accusing the Northrop Corp. of maintaining a secret slush fund of \$30 million for political and other purposes, at least some of them illegal.

The SEC a government agency that regulates public corporations, filed the charges in U.S. District Court

The corporation announced minutes later that it had agreed to settle the action with a consent decree, which does not admit guilt but promise not to repeat the disputed action.

The amount of money involved in the alleged fund was the largest that any company has so far been accused of maintaining for such purposes and was many times larger than the \$1.2 million that the compa-

ny had previously admitted maintaining as an illegal fund from which political contributions were made.

The suit, similar to ones filed recently by the SEC against such companies as Gulf Oil Corp., United Brands Co. and Phillips Petroleum Co., accused Northrop only of statutory violations over which the SEC has jurisdiction. These were

confined" to charges that the companies failed to make proper disclosure in their reports to stockholders and to the government of what they were doing with significant sums of money.

Northrop Corp. itself and Thomas V. Jones, its board chairman, and James Allen, former vice president and board member who retired in December, were

all named as defendants in the suit, filed in the U.S. District Court here.

Northrop, a relatively small company in the aerospace industry, has specialized in making jet fighters. Its F-5 has been used in as many as 17 air forces. In 1972 its total assets were some \$49.9 million. The industry's leader, Boeing

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Co., has assets of more than \$2 billion.

The SEC's complaint alleged that the \$30 million fund was in existence from 1971 through 1973.

The suit also alleged, as have earlier private actions against the company, that Northrop "maintained a secret fund of corporate monies which was used for unlawful political contributions and other purposes" as early as 1961.

Much of what the SEC alleged in its suit, concerning the maintenance of the funds and the use of at least one foreign "consultant" to channel the money to its ultimate illegal uses, has been admitted by company officials in affidavits filed in Los Angeles in connection with a stockholder suit against the company.

Jones and Allen and the company all pleaded guilty last year to making illegal contributions to the Nixon

re election campaign in 1972.

Documents on file in the California lawsuit also name as beneficiaries of the company's illegal contributions the 1968 Presidential campaign of Senator Hubert H. Humphrey of Minnesota, and candidates of both major political parties for senator and governor in California.

None of the earlier disclosures came close to naming the \$30 million figure contained in yesterday's action.

The SEC suit did not directly suggest that any illegal use was made of the money, other than illegal political contributions in the United States.

The company's announcement of the settlement, on the other hand, said that it was making a study of "approximately \$30 million paid or to be paid in sales commissions or fees" to certain consultants or sales agents in regard to the company's foreign sales."

The language of the company's statement appeared to raise the possibility that Northrop, like United Brands, against which the SEC filed a suit last week, might be accused of illegal or unethical actions in foreign countries.

United Brands, formerly United Fruit, was accused of paying a \$1.25 million bribe to officials of the government of Honduras in order to obtain favorable tax treatment.

New York Times