

United Brands Accused by SEC Of Second Payoff

Agency's Civil Suit Alleges Firm Also Paid \$750,000 To Officials in Europe

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United Brands Co., formally charged by the government with concealing a \$1,250,000 payoff to Honduran officials, also paid \$750,000 to officials of the Italian government.

The company was accused yesterday, in a civil suit filed by the Securities and Exchange Commission, of issuing false reports to hide \$2 million in payoffs, which were intended to win favorable business treatment by two governments.

The company disclosed Tuesday, after inquiries from The Wall Street Journal, that it paid a \$1,250,000 bribe to an official of Honduras last year to win a reduction in that country's export tax on bananas. The amount was half what the company agreed to pay, but the second installment, due this year, wasn't made. It's understood that last year's payment went to Honduran President Oswaldo Lopez.

A spokesman for President Lopez said last night in a telephone interview that the president denies categorically the story in The Wall Street Journal yesterday.

After a meeting of his cabinet, President Lopez announced the appointment of a blue-ribbon commission to investigate the allegations in the story. The commission will include the Archbishop of Tegucigalpa, the president of the Supreme Court, the army chief of staff, the rector of the national university and representatives of industry and labor.

The commission has received \$100,000 to conduct its investigation inside and outside the country, the spokesman said.

"The commission is to discover the origin of this information, and if any Honduran official is found to be involved, he will be punished to the fullest extent of the law," the spokesman said.

He also said that multinational corporations were operating normally within the country.

In April 1974, Honduras announced a 50-cent-a-40-pound-box tax on bananas but four months later lowered the levy to 25 cents. In 1974, United Brands exported more than 30 million boxes of bananas from Honduras, thus the government's decision to lower the tax resulted in a savings to the company of about \$7.5 million.

European Payments

In its suit, filed in federal district court in Washington, the SEC charged that the company issued reports that were false because they covered up the Honduran payments as well as "cash payments approximating \$750,000 to officials of a foreign government in Europe in connection with the securing of favorable business opportunities."

The complaint charged that the European payments were made between January 1970 and the present. It didn't identify the country involved, but it's known to be Italy. United Brands sells bananas under its Chiquita label in Italy. In its 1973 annual report, the company said that Chiquita bananas remained the most popular brand in Italy, despite an Italian import quota.

Asked about the allegation, an official in the Italian embassy in Washington said "I'm sure that that's a factual inaccuracy and it must be wrong." The official added that if the "very serious allegation" is true, "it would be a matter for state prosecution" in Italy.

In addition to filing the complaint, which seeks a court order barring the company from violating the SEC's antifraud and reporting requirements, the agency also suspended trading in United Brands shares through next Monday. The suspension is intended to allow dissemination of news of the complaint.

Because of the trading suspension, United Brands' shares weren't traded yesterday. The company's common closed at \$6 Tuesday on the New York Stock Exchange.

The SEC also asked the court to appoint a special master to examine the company's records and to give the commission and United Brands' shareholders a report "detailing all corporate funds which may have been used for improper payment to government officials, foreign or domestic, or for other improper purposes," and stating the company's financial condition.

Additional Details

The SEC's complaint added several details to earlier disclosures about United Brands' payoff in Honduras. According to the charges, the company agreed to pay \$2.5 million "to high government officials of the Republic of Honduras in exchange for favorable governmental action with respect to the export-tax problem."

Following the agreement, the SEC charged, "United Brands deposited \$1.25 million in accounts of the designated government officials in Swiss banks and agreed to pay an additional \$1.25 million in the spring of 1975. The \$1.25 million in corporate funds was obtained from certain foreign subsidiaries" of United Brands, which falsified its books and records to disguise the payment, the SEC said.

While Honduras originally proposed the 50-cent export-tax level in April, it deferred collections until June. Then, in September, United Brands filed with the SEC the so-called 8-K report, which companies must file to disclose events of material importance. The statement reported on negotiations over the tax between United Brands and the governments of Honduras, Costa Rica and Panama. "Such negotiations resulted in an understanding with the government of Honduras under which the tax situation in that country was settled, the company paying a tax of 25 cents per box." (This year the tax rose to 30 cents.)

The SEC charged that the report was

misleading because it failed to mention the \$1,250,000 payment.

SEC and State Department officials said yesterday that the SEC learned of the payments during an investigation into the circumstances behind the Feb. 3 suicide of Eli M. Black, who was chairman of United Brands.

Yesterday, the Journal reported that the initial word of the payoff came from the U.S. embassy in Honduras. In fact, State Department officials said, the embassy learned of the payment from State Department officials in Washington only three weeks ago, apparently well after the SEC turned up evidence of the payments.

A State Department spokesman said yesterday that lawyers representing United Brands informed the department of the \$1,250,000 payment in February after the suicide of Mr. Black. Apparently, United Brands officials feared that disclosure could jeopardize its dealings in Honduras, which supplies about 25% of the company's total banana production, and perhaps cause diplomatic problems as well.

For this reason United Brands asked the SEC not to disclose the details of the payoff and applied for confidential treatment under an SEC rule that allows a company to request that sensitive information remain private. A State Department spokesman said that the company asked that agency to testify in support of the company at an SEC hearing on the request, but that the department refused.