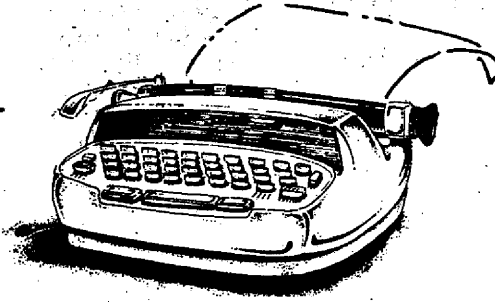


Morning News Reporter Given The Boot After Bank Story



Reporter believes Dallas paper panicked in face of lawsuit.

By Tom Johnson

Dallas

ONE OF THE MORE bizarre episodes in recent Texas newspaper annals began inauspiciously on Friday, July 9, when the *Dallas Morning News* published a one-column, front-page copyrighted story by veteran investigative reporter Earl Golz.

The piece, which told of an FBI probe into loans practices at the Abilene National Bank and implied that the bank might be top-heavy with questionable energy-related loans, was probably skipped by most *News* readers. Just another dry financial account by Golz, whose style can lean toward the labyrinthine.

Careful readers of *The News* might have seen a follow-up story in the business section of Wednesday, July 14, which was essentially a contentious statement by Don Earney, chairman of the bank, strongly refuting the main thrust of the Golz story. There the matter lay for three weeks.

But those same readers must have been a bit puzzled when Abilene National next surfaced in *The News* on August 7 in a front-page story relating the bank's essential collapse and its takeover in emergency action by Mercantile Texas Corp. of Dallas. No mention was made of the July 9 Golz story, which had hinted at just such a possibility. Had readers of *The News*, careful or otherwise, missed something? Well, yes and no.

They had gotten their money's worth (still only 25 cents for "Texas' Leading Newspaper") if they had read the original Golz story a month earlier which was a paragon of solid, old-school newspapering: meaty but not trendy, and all alone. But if they had continued to

depend on *The News* for all the news that was fit to print, it might seem charitable to say that they were somewhat shortchanged.

For then they wouldn't have learned that *The News* fired Golz after the bank threatened a \$190 million lawsuit and took out full-page ads in other papers, including the *Wall Street Journal*, denouncing *The News* and Golz individually in the most vehement terms. Nor would they have known that the affair had been picked up by papers such as the *New York Times*, or that *Newsweek* magazine had said *The News* was in error with the Golz piece.

Here is a rough chronology of what happened:

Friday July 9 — Story runs in *The News* under Golz byline, telling of FBI investigation of loans by Abilene National to energy and oil-drilling firms, some of which had filed for bankruptcy. Some \$50 million withdrawn from bank, mainly by credit unions and institutional investors outside of Texas, according to Earney, also chief executive officer of the bank.

Monday July 12 — Morning meeting of attorneys for Abilene National Bank and *The News*, whose parent company, A. H. Belo Corp., is traditionally represented in damage suits by Dallas law firm of Locke Purnell Boren Laney & Neely; lawsuit of up to \$190 million threatened. Afternoon meetings attended by Golz and his superior, state editor Wayne Epperson, and by *News* managing editor Ralph Langer, business editor Cheryl Hall and attorney John McElhane of Locke Purnell. Evening meeting of attorneys. Additional bank withdrawals of \$10.5 million.

Tuesday July 13 — Meeting of lawyers for both sides with top *News* executives on fourth (executive) floor of newspaper.

More bank withdrawals of \$3.5 million. (The Abilene bank borrowed \$86 million from the Federal Reserve Bank in Dallas during the week.)

Wednesday July 14 — *The News* runs what Langer calls "clarifying" story in business section which amounts to vituperative statement by Earney tearing down the Golz story. Another \$1.5 million withdrawn from bank. (Some new deposits were acquired during the week but the net deposit loss, according to Earney, was about \$50 million out of total deposits of \$428 million.)

Thursday July 15 — Full-page ad signed by Earney and attacking Golz personally on nine aspects of the original July 9 story appears in Southwest edition of the *Wall Street Journal*; characterizations of Golz's reporting range from "blatant lie" to "ridiculous and totally false implication." Earney writes that "you can't totally escape slander if you're in the public eye." Ad also says Golz "conveniently refers" to collapse of Penn Square Bank in Oklahoma City, which has failed four days before the Golz story; says *News* has "chosen to be small as a newspaper."

Friday July 16 — Same ads appear in *Dallas Times Herald*, *Fort Worth Star-Telegram* and *Abilene Reporter-News*. *Times Herald* runs front-page story on the whole affair. The *New York Times* runs story with Dallas dateline stating that substantial amounts have been withdrawn from the Abilene bank "in the wake of a newspaper report that the bank suffered heavy losses on loans to oil-and-gas ventures"; *Times* also says, Langer "declined to comment when asked if the Golz article (was) accurate." (Word was passed at *The News* to Epperson and Golz about midweek to drop the Abilene bank story completely.)

Monday July 26 — *Newsweek*, in a

story about the July 5 collapse of Penn Square Bank, states: "A Dallas Morning News report incorrectly linking the Abilene National Bank to loans packaged by Penn Square set off a two-day bank run."

Wednesday July 28 — Langer requests that Epperson and Golz resign; Epperson resigns.

Thursday July 29 — Golz dismissed.

Friday August 6 — Abilene National Bank, deemed by federal bank regulators to be in "imminent danger of failure," taken over by Mercantile Texas, acting under emergency federal authority. Earney and other top officers of bank forced to resign. Extensive coverage in August 7 edition of *The News* still makes no mention of the July 9 Golz story— had he become a non-person?— but uses quote by mercantile officer citing "adverse publicity due to problems related to asset quality, rapid growth and liquidity."

Saturday August 7 — Both *New York Times* and *Washington Post* report that federal banking officials say the bank went under because of bad loans. *Times* says "loan losses were too great for the bank to continue operations." *Post* says the bank, "whose loan portfolio was riddled with bad energy credits . . . would have failed whether or not there had been a run on deposits."

Saturday August 14 — *The News* runs Associated Press story under Abilene dateline which reveals that Abilene National had a \$5 million deficit in its capi-

tal equity fund and thus was insolvent on June 30, more than a week before the Golz story ran.

GOLZ, a 48-YEAR-OLD graduate of Northwestern University and a prize-winning reporter at *The News* for 13 years, has a penchant for tenacious digging into intricately contrived financial structures which may conceal a house of cards. He is now digging into his own case.

"I think *The News* just panicked when they got threatened with a \$190 million lawsuit and when they saw the Earney ads all over the place," Golz said. "Earney and his lawyers were screaming to high heaven that we were ruining their bank because we caused a run with an inaccurate story. Top management at *The News* caved in to Earney instead of standing by our own story. "Now the whole world knows that they ruined their own bank and we had an accurate story," he said.

Golz also said *The News* would probably have been advised to fight the threatened lawsuit had not Stephen Philbin, Locke Purnell's recognized authority on libel and the media, entered Baylor Hospital with terminal leukemia on July 9, the day Golz's story ran. Philbin died July 31.

Golz said he is preparing to file his own lawsuit against the Abilene bank and *The News* for "damaging my credi-

bility and reputation as a newspaper reporter, which is my livelihood."

Earney could not be reached for comment and attorney McElhane said he had to "respectfully decline to comment in this matter." Langer said it is policy at *The News* "never to discuss personnel matters in public." *The Wall Street Journal*, however quoted Langer on August 16 as saying that Golz's situation; "was not in any way affected by the bank going under or not going under."

There were some minor technical errors in the July 9 story, Golz acknowledges, but he feels they in no way detract from the main thrust of the piece.

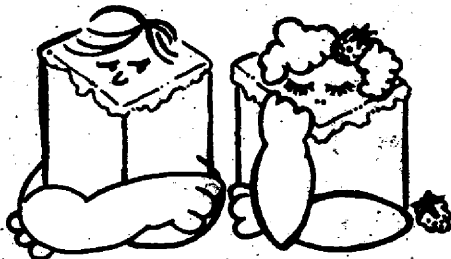
"Events have proven me and Epperson right and Earney, Langer and *The News* wrong," Golz said. "We're still unemployed, however."

One *News* insider said the *Newsweek* comment was "the straw that broke the camel's back" in that Langer and Executive Editor Burl Osborne felt the newspaper's perceived credibility was at stake and that therefore Epperson and Golz had to go. "Osborne would like to see *The News* be *The New York Times* of the Southwest," the insider continued, "and so he can't have *Newsweek* and the *Times* impugning the paper's credibility. So heads rolled."

Golz described Osborne as "a Ben Bradlee clone." Bradlee is top news executive at the *Washington Post*.

The Wall Street Journal ran a brief piece about the imbroglio August 16. The headline read: "How Dallas Reporter's Hot Story Won a Pink Slip Instead of a Prize." □


Tom Johnson is a former reporter with the Dallas Morning News and the Associated Press.



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