

Justice Official Linked To Texas Bank Fraud

By Tony Castro

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DALLAS—A document filed in U.S. District Court here indicates that a high Justice Department official was involved in the "genesis" of a multimillion-dollar bank and stock fraud case that has rocked Texas politics.

The Securities and Exchange Commission document shows that Will R. Wilson, now assistant attorney general in charge of the Justice Department's criminal division, helped arrange for the purchase of a controlling interest in the Olympic Insurance Co. of Fort Worth in June, 1968, six months before he joined the Justice Department.

Wilson represented W. D. Haden II, son-in-law of Texas real estate operator-banker Frank W. Sharp, who last month pleaded guilty to federal charges of making false entries in bank ledgers of his now-defunct Sharpstown State Bank of Houston and of selling unregistered stock in National Bankers Life Insurance Co. of Dallas.

The SEC alleges that Wilson's client bought 54 per cent of Olympic's stock and that the purchase was financed by Sharp "... at the defendant Sharpstown State Bank."

Scheme's Genesis

Drawing Wilson into the case directly for the first time, the SEC contended that the "scheme to manipulate the market ... and to distribute unregistered shares" of Olympic, National Bankers Life Insurance Co. and other firms, "had its genesis in the acquisition" of Olympic by Sharp through Haden in June, 1968.

In a telephone interview, Wilson, who is vacationing in Texas, said that if there was a scheme he was not aware of it when he handled Haden's purchase of the Olympic stock.

He said he did not know

Haden obtained the funds for the stock purchase from his father-in-law's bank. Wilson acknowledged that he became general counsel for Sharp's bank and other enterprises, but he said it was after the Olympic transaction.

"It's simply not true," said Wilson. "I don't believe there was a fraud scheme then, at least I had no knowledge of any such plan."

Since last January, when the SEC named 28 defendants, including Sharp, in the huge stock and bank fraud scandal, Wilson has contended the allegations arose out of actions that took place after he became an assistant attorney general.

Removes Self

Three days after the SEC suit was filed here, Wilson announced he was removing himself from the case because of his past association with Sharp. At the same time, Olympic and National Bankers Life were placed in receivership. The SEC civil suit will be heard Aug. 30.

Wilson also arranged for the acquisition by Sharp of 513,000 shares of National Bankers Life. Wilson personally purchased 7,000 shares of NBL stock early in 1968 when the company was owned by former Gov. Allan Shivers.

But Wilson contends that he sold the stock, and incurred a \$1,700 loss, when he went to work for the Justice Department.

Five months after Wilson sold his last block of NBL stock, the price of the stock tripled. In its suit, the SEC contends the stock was manipulated through a number of complex dealings and a banking bill passed by the Texas legislature in a special session during the summer of 1969.

The SEC alleges that Sharp

made huge loans to politicians to influence the banking legislation. Gov. Preston Smith and a number of state politicians were directly linked to the investigation through profits in stock deals using money lent them by Sharp's bank.

Officials Share

The SEC contends that Gov. Smith, House Speaker Gus Mutscher Jr. and State Democratic Chairman Elmer Baum were among officials, families and aides who shared personal profits of \$359,150.50 stemming from passage of the banking bill that freed his banks from federal supervision.

According to the SEC, Sharp sought the legislation because he repeatedly dipped into his banks and insurance companies for his own profit and sought to avoid federal examiners. Sharp's plan collapsed, the SEC contends, when former Gov. Shivers persuaded Gov. Smith to veto the bank bill. Shivers swore to the SEC that he paid Smith nothing in return for the veto.

Coming under increasingly severe attack by Texas Democrats has been the leadership of the Justice Department, including Wilson.

At the same time, a federal grand jury in Houston is investigating possible criminal charges against those persons uncovered by the SEC as participating or benefiting from the alleged fraud.

The key witness before the grand jury is none other than Sharp himself. The way the government handled Sharp is the source of more criticism than Sharp's own fraud.

Rep. Henry B. Gonzalez (D-Tex.) each day, for the last month, has made speeches in the House which he has labeled the "Sharpstown Follies." In the speeches, Gonzalez has called for the resignations of Deputy Attorney General Richard G. Kleindienst, Wilson, U.S. Attorney J. P. Farris of Houston and sundry other federal officials.

Plea Negotiated

Kleindienst, through Farris, negotiated with Sharp to plead guilty to selling unregistered stock and making false

entries in the records of the Sharpstown State Bank. The government also granted Sharp immunity from further prosecution. This, according to critics in Texas, may well destroy possible state prosecution and even damage the SEC civil case now pending.

Gonzalez contends Kleindienst took the action to protect his subordinate, Wilson, from being drawn into the case.

A high Justice Department official said that Kleindienst acted "straight as an arrow" in dealing with Sharp and that the government "wouldn't stand a prayer" of criminal prosecution without Sharp as a cooperative witness.

Wilson himself pointed out in an interview that the two crimes to which Sharp pleaded are felonies and that he could have received a 10-year prison sentence.

What Sharp did receive from Federal District Judge John V. Singleton, after pleading guilty last month, was described by Gonzalez and other critics as even short of a slap on the wrist.

Sharp was fined \$5,000 and given three years probation.

There was even a falling out between Justice and the SEC when Kleindienst and Farris made their deal of immunity in exchange for Sharp's guilty pleas.

SEC 'Excluded'

James Sims, attorney in charge of the SEC's Houston office, told The Washington Post the SEC was not a party to the negotiations and was "excluded" by the Justice Department. He added that the negotiations "went on behind our backs."

Later, both Justice and SEC said that top SEC officials were at least apprised, if not directly included, in the plea negotiations.

Although Wilson said yesterday he has not been involved in the case in anyway, speculation in Texas is that he still has some role in the investigation.

Recently, Lt. Gov. Ben Barnes accused federal officials of trying to damage him politically by attempting to link him with the case. Barnes mentioned no names, but a source close to him said the 33-year-old lieutenant gover-

nor "feels certain" Wilson is behind it.

Wilson denied the charge, saying he has "absolutely no information" Barnes is involved in the stock scheme.

Other Democratic officials also contend the federal investigation has "overtones of vengeance" stemming from Wilson's defeat in the 1962 Democratic gubernatorial primary, which left him bitterly disenchanted with the party and resulted in his joining Re-

publican ranks.

Successful Candidate

For almost two decades Wilson ran successfully as a Democrat, becoming Texas Attorney General and a justice of the Texas Supreme Court.

Wilson held other state offices, too. In 1960, when he was a member of the Texas State Banking Commission, he voted to charter Sharp's Sharpstown State Bank, of which he became general counsel eight years later.

Wilson said after the scandal surfaced that he voted for the charter "because it was a good application on its merits."

But Wilson's political career took a dip in the early 1960s.

He lost a bid to fill Lyndon Johnson's Senate seat in 1961 to John G. Tower. The next year, he finished fourth in a six-way gubernatorial primary that was eventually won by the current Treasury Secretary, John Connally.

Wilson switched political parties in 1966 when he campaigned for Tower.

Since President Nixon appointed him to the Justice Department in 1969, Wilson has been blamed for an increase in investigations of Texas Democrats and alleged foot-dragging on probes involving Republicans.

Friends of Rep. John Dowdy (D-Tex.) blame Wilson for indictments on charges of perjury, conspiracy and accepting a \$25,000 bribe. Dowdy earlier this year was found not medically fit to stand trial.

Wilson said yesterday that he didn't have anything to do with the Dowdy case. Because of his long association with Dowdy in Texas, he said, he disqualified himself from the case as he had done previously with Sharp.

Wilson also has been criticized in the state for slowness in dealing with alleged payroll kickbacks by employes in the office of GOP Rep. Jim Collins of Dallas. News reports have alleged the Justice Department hasn't moved against Collins because Wilson once received political contributions from Collins' father, Carr Collins.

In an interview, Wilson said an FBI investigation had been "up and down the line" several times, but that he currently doesn't know where the investigation stands.