

Texas Official Accused of Taking Bribe

By Tony Castro

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HOUSTON, Aug. 13 — Lt. Gov. Ben Barnes, the rising star of Texas politics, was accused in two Texas newspaper articles today of having accepted bribes in return for political favors.

Houston financier Frank W. Sharp, chief figure in a complex stock fraud scandal, was quoted in both The Dallas Morning News and The Houston Post as having told Securities and Exchange Commission investigators that Barnes took bribes in exchange for his help in passing two state banking bills in 1969.

Barnes, who has been touted as a future national leader by such admirers as former President Lyndon Johnson—and who has enjoyed an unusual financial rise in the past decade—emphatically denied the charges.

"Anyone who says that I ever received any money or anything of value for passing the Sharpstown banking bill is a deliberate and unmitigated liar. This is only the latest in a series of efforts to destroy my political career by trying to link me with the Sharpstown scandal," Barnes said.

Barnes already has announced his candidacy for governor.

See BARNES, A4, Col. 1

BARNES, From A1

Both Texas newspapers, quoting unidentified sources, published several statements attributed to Sharp about the alleged bribe.

According to these sources, they reported Sharp was asked about a 1969 conversation with John Osorio, a close Sharp business associate. In that talk, Sharp allegedly asked Osorio if he was "financially obligated to Ben Barnes for passing the bill."

Osorio reportedly replied, "No, no. I have already taken care of it. Ben is smarter than those other politicians. Ben takes only cash."

Although the amount of the alleged bribe, was unspecified, the newspapers reported that Sharp said Osorio told him it took \$20,000 to \$25,000 a month for Barnes "to keep his boat afloat."

Sharp could not be reached yesterday, and his attorney, Morton Susman, declined to comment.

Osorio, reached at his New York law office, said the stories were "90 per cent fabrication."

SEC attorney James Sims, chief investigator in the stock case, declined to comment.

Sharp, of Houston, was accused by the SEC of generating more than \$350,000 in quick profits for Texas Gov.



LT. GOV. BEN BARNES
... denies charges

Preston Smith and other key state officials to secure passage of a banking bill freeing Sharp's bank from federal supervision.

In June, however, the Justice Department allowed Sharp to plead guilty to the lesser charges of making a false entry in one of his bank's books and selling unregistered stock. He was sentenced to pay a \$5,000 fine, although he could have received five years in prison and a \$5,000 fine on each count.

Financial Disclosure

Barnes' name had cropped up in the course of the SEC

investigation, but no charges were made against him. In the wake of speculation about his possible involvement, however, Barnes announced last January that he would voluntarily file a statement disclosing his finances.

The statement came four months later, in May, and lacked both his notarized signature and many of the details of his financial affairs.

It put his net worth at the time, for example, at \$83,621. But this tells little about the remarkable financial climb of Ben Barnes.

Barnes, who is said to have owned only one suit when he first arrived in Austin as a legislator in 1961, has not earned more than \$4,800 annually from his public salary since then. Yet he has managed to accumulate a mini-empire that includes:

- A \$250,000 share of a company based in Brownwood, Tex., that owns a construction business, three Holiday Inn motels and an apartment complex.
- A 20 per cent share in an Abilene radio station and 15 per cent of another station in Grand Prairie.
- A securities portfolio estimated in the Barnes statement to be valued at \$74,600.
- Part ownership of several tracts of Texas land; he recently sold one 2,800-acre spread, in Hays and Comal

counties, for \$89,826, which his financial aide says resulted in a profit of about \$60,000 to Barnes.

- Part ownership of HABCO, Inc., which as a \$2.5 million shopping center in Brownwood and others under way in San Angelo and McKinney, Tex.

- A \$16,000 interest in a Bolivian tin mine.

So, steep a rise from so humble beginning is notable in itself. But even more notable is the way in which Barnes has prospered: by putting up relatively little money, taking little risk, and doing little work for his enterprises.

The secret of his financial success as Barnes tells it, is that he has been on the receiving end of an unusual amount of generosity—in return for which, he maintains, he has done no political favors.

His interest in the diversified Brownwood business for example, stems largely from the generosity of Herman Bennett, who is Barnes' chief benefactor.

In 1964, when Barnes was on his way to a third term in the Texas legislature, Bennett offered him 11½ per cent of the Herman Bennett Construction Co.—with options to buy up to a third of the business.

The terms under which Barnes acquired this interest? He signed a \$100,000 note. It bears no interest, and it is paid off from Barnes' share of the business' profits.

Describe Role

Barnes, 33, does little work for the company. He has said his role includes attending board meetings and occasionally offering advice.

Robert Spellings, an aide who handles Barnes' finances, said in an interview that Barnes draws \$4,800 a year in salary from the company and also receives "considerably more" from Bennett separately. Spelling would not elaborate, citing a Barnes-Bennett agreement not to disclose details of their financial arrangements.

Barnes himself conceded his considerable debt to Bennett. "If it weren't for Herman Bennett," he said in an interview, "I couldn't afford to stay in politics. This has not been beneficial to Herman. I've been more of a liability than anything else to him."