

8 Texans Indicted

In Stock Fraud

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HOUSTON, Sept. 29 (UPI)—A federal grand jury today indicted eight men, including four former bank examiners, for allegedly scheming with Houston financier Frank W. Sharp to defraud the government in the Texas stock fraud scandal.

The indictments charged that the conspiracy was based on a series of loans made to the bank examiners by corporations controlled by Sharp, president of Sharpstown State Bank and central figure in the stock scandal.

The loans defrauded the "United States by depriving the Federal Deposit Insurance Corporation of its right to have the bank examined honestly, fairly and free from corruption," the indictments charged. The grand jury charged that Sharp and those indicated schemed to protect the bank from a surprise examination of its records.

"The indictments represented only the first batch and deal with banking law violations," said U.S. Attorney Anthony J. P. Farris. The grand jury is scheduled to reconvene Oct. 12.

The grand jury charged that the men—two former FDIC examiners, two former state bank examiners, a real estate investor and three former officers of the Sharpstown State Bank—misapplied funds of the bank, falsified records and accepted or made about \$105,000 in illegal loans to the examiners.

Sharp was granted immunity from criminal prosecution in exchange for his testimony before state and federal grand juries. Some politicians charged that the immunity was an effort by the Justice Department to protect Sharp's former legal counsel, Will Wilson, former Texas attorney general and now head of the Justice Department's Criminal Division. Wilson has denied that any of his actions were illegal.

The Securities and Exchange Commission first uncovered the stock scandal last January by filing a civil suit in Dallas charging that Sharp and 27 other persons and corporations illegally manipulated the price

of unregistered stock. Then, the SEC said, profits from the stock were made available to high public officials in Texas in exchange for favorable action on two banking bills that would have eliminated federal supervision of Sharp's bank.

A county grand jury in Austin, Tex., last Thursday indicted Texas House Speaker Gus F. Mutscher, Rep. Tommy Shannon (D-Fort Worth) and a Mutscher aide on charges of conspiracy to accept a bribe from Sharp. John Osorio, former state insurance commissioner, was indicted for making a false statement to the banking board while he was president of National Bankers Life Insurance Corp., the firm whose stock was illegally sold and manipulated.

Indicted today in Houston were Ted Bristol and John T. Knight, former FDIC examiners; John B. Hooper and Welton Adler, former state examiners; Douglas N. Lane, Herman Nelms and Carl Lundquist, all former vice presidents of the Sharpstown bank, and Charles L. Henke, a Houston real estate investor.

Assistant U.S. Attorney General Wilson has acknowledged purchasing stock for Bristol through Wilson's personal brokerage account at Sharp's request.

U.S. District Judge Woodrow Seals issued bench warrants for the eight men and set \$5,000 bonds for each.

Each of the four indictments said the loans were made with inadequate collateral, with false signatures and false bank ledger entries, reports and records.

"In return for these loans and other gratuities, Lane and Nelms would be notified in advance when the bank was to be examined," one indictment said. Knight and Adler were accused of giving the bank advance notice of an impending examination.

The maximum penalty upon conviction for conspiracy is five years in prison and a \$10,000 fine. Misapplication of funds, false entry of bank statements and making an illegal loan to a bank examiner each carry five-year prison sentences and \$5,000 fines upon conviction.