

Kleindienst Says U.S. Aide Mised Him in Texas Case

By MARTIN WALDRON

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DALLAS, Oct. 2 — Former Attorney General Richard G. Gray an Assistant Attorney General.

Kleindienst testified in a hearing here today that the United States Attorney for South Texas, Anthony J. P. Farris, did not follow instructions in granting immunity to the central figure in a Texas stock scandal that rocked the state government in 1971.

In the scandal, Frank W. Sharp, a Houston speculator, was accused of manipulating insurance company stocks and causing the \$50-million failure of a Houston bank. The Government said at the time that some of his dealings with Texas politicians "smacked" of bribery.

Mr. Kleindienst said he had authorized immunity for Sharp only after being assured by Mr. Farris that he had nailed down exactly what testimony Sharp would give against the Texas politicians involved in one or more of Sharp's fields.

"I was very upset," said Mr. Kleindienst, to learn that Mr. Farris had not done so and that he proposed removing Mr. Farris from the investigation.

Denies Political Angle

The former Attorney General denied that one goal of the investigation was to destroy the Texas Democratic party to make it easier for President Nixon to carry Texas in the 1972 Presidential election. Politics played no part in the investigation, he said.

The former Texas attorney general, Waggoner Carr, and five other lawyers, are asking Federal District Judge William M. Taylor Jr. to dismiss criminal charges against them, saying that they had been "selectively" investigated for political reasons.

Mr. Carr and the other defendants have asked for White House tape recordings of a meeting in July, 1971, between President Nixon, former Attorney General John N. Mitchell and Senator John G. Tower, Texas Republicans.

Mitchell Subpoenaed

Judge Taylor did not rule on the request for the tapes today. Government lawyers said that the defendants had not proved that the tape recordings were relevant or that they even existed.

Other witnesses that the defendants have subpoenaed to testify at the hearings are Mr. Mitchell and L. Patrick Gray 3d, former director of the Federal Bureau of Investigation.

In 1970, when the investigation into Sharp's tangled financial empire of banks, insurance companies and housing projects began, Mr. Mitchell was Attorney General and Mr.

Mr. Kleindienst, who was Deputy Attorney General, said that he met with Mr. Farris in Washington to discuss the testimony that Sharp might give if allowed to plead guilty to two charges and be granted immunity from further prosecution.

Mr. Kleindienst said that the names of the then Texas Gov. Preston Smith and the then chairman of the Texas Democratic party, Dr. Elmer Baum, may have been discussed at the meeting, but that he did not recall any other names.

Made \$120,000 Profit

Mr. Smith and Dr. Baum made a profit together of about \$120,000 in an insurance company stock deal set up for them by Sharp.

Mr. Kleindienst said that he had told Mr. Farris that he wanted in writing exactly what Sharp proposed to testify. A few days later, he said, Mr. Farris telephoned to say that the requirements had been met, and the immunity was approved.

Sharp then went before a Federal judge and pleaded guilty to two counts of fraud and was placed on probation.

Mr. Kleindienst said he found out some weeks later that Mr. Farris had not carried out his instructions and that he began a discussion aimed at removing him from the case. Mr. Farris then voluntarily withdrew.

Mr. Farris has been ordered by Judge Taylor not to discuss the case before he testifies in the current hearing, and thus was not available today for comment.

Opposed Immunity

Assistant Attorney General Henry E. Petersen, who was a deputy in the Criminal Division of the Justice Department in 1971, testified this afternoon that he had recommended that immunity for Sharp not be granted.

"I simply didn't trust the witness," said Mr. Petersen.

Mr. Petersen also testified that he recommended that the Justice Department investigate Will Wilson Jr., who at the time as head of the Criminal Division of the Justice Department was Mr. Petersen's boss. He said that Mr. Wilson had been Sharp's lawyer before joining the Justice Department in 1969. He said there were allegations that Mr. Wilson had paid electronic experts who placed listening devices inside one of Sharp's banks and had arranged for an inspector of the Federal Deposit Insurance Corporation to buy some stock through the Wilson brokerage account in Austin.

No charges have been brought against Mr. Wilson, who is a former Texas State Supreme Court judge.