

Controversial FBI Agent to Retire

N.Y. Times Service

Washington

The agent in charge of the Los Angeles office of the FBI, who has been under fire since May, has been allowed to retire effective next week, it was announced yesterday.

As a part of the agree-

ment that brought the retirement of Wesley G. Grapp, a demotion, suspension and transfer order was rescinded by L. Patrick Gray III, acting FBI director.

The order last Friday was based on the discovery that Grapp had secretly used a tape machine to record telephone calls and conversations in his office.

Grapp, 54, will be permitted to retire at \$18,000 annually, based on his highest three years of income.

The announcement of the retirement came in a five-page press release. The text insisted repeatedly that the disciplinary action taken against Grapp had nothing to do with an investigation of his personal financial affairs.

The investigation centered

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on allegations in May that Grapp owed more than a quarter-million dollars to several Los Angeles banks and had no known sources of outside income.

Competent sources said that he seemed to be the loser in stock market trading or that his stocks were worth much less than the money he owed.

Gray sent an investigation team to Los Angeles and subsequently cleared Grapp.

HAIR

But the case would not go away, and in late July a second investigation was held of Grapp's stewardship of the Los Angeles office. It was found that he had re-

fused to let agents grow long hair and wear mustaches — privileges given them in an order from Gray.

At that time, Gray decided that Grapp had to be disciplined and put him on probation, censured him and suspended him without pay for 25 days. However, the press release issued yesterday said that because of 25 years of service and "certain personal, family and human considerations," Grapp was given "an opportunity to again head a field office of the FBI."

On Aug. 25 he was ordered transferred to El Paso, Tex., but he never got there.

RECORDER

Gray said that on August 29 he was told that Grapp had installed a recording device in his office desk in Los Angeles and had recorded both telephone and room conversations. This, Gray said, violates bureau regulations.

The inspectors went out again, and Gray found that "Mr. Grapp was not forthright in his answers to questions of the inspectors" about the recording device.

So last Friday, Gray wrote a new letter telling Grapp that he was to be demoted five grades — that he would be an ordinary agent on duty in Minneapolis.

"Neither one of these successive disciplinary actions was taken on the basis of Mr. Grapp's conduct of his personal financial affairs, yesterday's press release emphasized.

TRANSACTIONS

There was no public records about Grapp's transactions with Los Angeles area banks.

The Los Angeles Times reported in today's editions that Grapp has borrowed extensively from at least five local banks and his loans totaled more than \$250,000.

One of the loans came from the troubled Fidelity Bank in Beverly Hills headed by Stanley M. Stalford.

Stalford's young son was kidnaped and recovered by FBI agents led by Grapp in a sensational \$250,000 ransom case in 1968.

Grapp also owns 20,000 shares of stock in First Fidelity Co., the bank's parent company, also headed by Stalford.

RESCUE

The bank was rescued last April by San Diego financier C. Arnholt Smith after charging off about \$5 million in worthless loans.

Grapp's financial dealings included the Los Angeles Times said:

Two loans totaling more than \$135,000 from City National Bank of Beverly Hills.

A \$7000 loan from Security Pacific National Bank secured by Grapp's 1970 and 1972 Cadillacs.

A \$23,000 loan from Transworld Bank.

A \$55,000 mortgage on his Woodland Hills, home carried by City National Bank of Beverly Hills.

A \$37,500 loan from Fidelity Bank, headed by Stalford.

WORTH

Grapp has a net worth of around \$350,000, including almost \$200,000 in stocks, an informed source said.

Grapp borrowed money to buy stock, and pledged it as collateral on new loans to buy additional stock, the Los Angeles Times said it learned.

His holdings also included \$125,000 in real estate.

Grapp's loans were at least partially secured by his assets and stock holdings. But all but three of them were backed also by the personal guarantee of Frederick Levy Jr., a wealthy investor and vice chairman and director of First Fidelity Co.

Grapp could not be reached for comment.

Gray declined to reveal the details of Grapp's financial dealings.

As for FBI rules on financial dealings by agents, Gray said:

"We do have rules on personal finances, but we are not going to disclose what they are."



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WESLEY G. GRAPP
He avoided demotion