



Exploding The Phone

db882

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Bibliographic Cover Sheet

Title **FBI Files 56-HQ-5059, 56-DL-198, 56-SA-185: Election Law (Gravitt and Ashley matter)**

Date 1953-02-00

Abstract Collection of FBI files regarding Thurl Gravitt and James Ashley.

Keywords Thurl Gravitt; T.O. Gravitt; James Ashley; suicide; FBI; Dallas, TX; San Antonio, TX

Notes Includes numerous newspaper clippings

Source FBI via FOIA

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Federal Bureau of Investigation

Washington, D.C. 20535

August 21, 2007

Subject: GRAVITT, THURL

FOIPA No. 1070385- 000

The enclosed documents were reviewed under the Freedom of Information/Privacy Acts (FOIPA), Title 5, United States Code, Section 552/552a. Deletions have been made to protect information which is exempt from disclosure, with the appropriate exemptions noted on the page next to the excision. In addition, a deleted page information sheet was inserted in the file to indicate where pages were withheld entirely. The exemptions used to withhold information are marked below and explained on the enclosed Form OPCA-16a:

Section 552		Section 552a
<input type="checkbox"/> (b)(1)		<input type="checkbox"/> (d)(5)
<input checked="" type="checkbox"/> (b)(2)		<input type="checkbox"/> (j)(2)
<input type="checkbox"/> (b)(3) _____	<input checked="" type="checkbox"/> (b)(7)(C)	<input type="checkbox"/> (k)(1)
_____	<input checked="" type="checkbox"/> (b)(7)(D)	<input type="checkbox"/> (k)(2)
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185 page(s) were reviewed and 139 page(s) are being released.

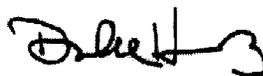
- Document(s) were located which originated with, or contained information concerning other Government agency(ies) [OGA]. This information has been:
 - referred to the OGA for review and direct response to you.
 - referred to the OGA for consultation. The FBI will correspond with you regarding this information when the consultation is finished.

You have the right to appeal any denials in this release. Appeals should be directed in writing to the Director, Office of Information and Privacy, U.S. Department of Justice, 1425 New York Ave., NW, Suite 11050, Washington, D.C. 20530-0001 within sixty days from the date of this letter. The envelope and the letter should be clearly marked "Freedom of Information Appeal" or "Information Appeal." Please cite the FOIPA number assigned to your request so that it may be easily identified.

The enclosed material is from the main investigative file(s) in which the subject(s) of your request was the focus of the investigation. Our search located additional references, in files relating to other individuals, or matters, which may or may not be about your subject(s). Our experience has shown, when ident, references usually contain information similar to the information processed in the main file(s). Because of our significant backlog, we have given priority to processing only the main investigative file(s). If you want the references, you must submit a separate request for them in writing, and they will be reviewed at a later date, as time and resources permit.

See additional information which follows.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. Hardy", with a stylized flourish at the end.

David M. Hardy
Section Chief
Record/Information
Dissemination Section
Records Management Division

Enclosure(s)

Enclosed is a copy of the following files: DL 56-198, HQ 56-5059, and SA 56-185, which is responsive to your request.

EXPLANATION OF EXEMPTIONS

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552

- (b)(1) (A) specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and (B) are in fact properly classified to such Executive order;
- (b)(2) related solely to the internal personnel rules and practices of an agency;
- (b)(3) specifically exempted from disclosure by statute (other than section 552b of this title), provided that such statute(A) requires that the matters be withheld from the public in such a manner as to leave no discretion on issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;
- (b)(4) trade secrets and commercial or financial information obtained from a person and privileged or confidential;
- (b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;
- (b)(7) records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could be reasonably be expected to interfere with enforcement proceedings, (B) would deprive a person of a right to a fair trial or an impartial adjudication, (C) could be reasonably expected to constitute an unwarranted invasion of personal privacy, (D) could reasonably be expected to disclose the identity of confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, (E) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or (F) could reasonably be expected to endanger the life or physical safety of any individual;
- (b)(8) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; or
- (b)(9) geological and geophysical information and data, including maps, concerning wells.

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552a

- (d)(5) information compiled in reasonable anticipation of a civil action proceeding;
- (j)(2) material reporting investigative efforts pertaining to the enforcement of criminal law including efforts to prevent, control, or reduce crime or apprehend criminals;
- (k)(1) information which is currently and properly classified pursuant to an Executive order in the interest of the national defense or foreign policy, for example, information involving intelligence sources or methods;
- (k)(2) investigatory material compiled for law enforcement purposes, other than criminal, which did not result in loss of a right, benefit or privilege under Federal programs, or which would identify a source who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(3) material maintained in connection with providing protective services to the President of the United States or any other individual pursuant to the authority of Title 18, United States Code, Section 3056;
- (k)(4) required by statute to be maintained and used solely as statistical records;
- (k)(5) investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment or for access to classified information, the disclosure of which would reveal the identity of the person who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(6) testing or examination material used to determine individual qualifications for appointment or promotion in Federal Government service the release of which would compromise the testing or examination process;
- (k)(7) material used to determine potential for promotion in the armed services, the disclosure of which would reveal the identity of the person who furnished the material pursuant to a promise that his/her identity would be held in confidence.

FEDERAL BUREAU OF INVESTIGATION
FOIPA
DELETED PAGE INFORMATION SHEET

Serial Description ~ COVER SHEET

Total Deleted Page(s) ~ 17

Page 1 ~ Duplicate
Page 2 ~ Duplicate
Page 3 ~ Duplicate
Page 4 ~ Duplicate
Page 5 ~ Duplicate
Page 6 ~ Duplicate
Page 7 ~ Duplicate
Page 8 ~ Duplicate
Page 9 ~ Duplicate
Page 10 ~ Duplicate
Page 11 ~ Duplicate
Page 12 ~ Duplicate
Page 14 ~ b6, b7C
Page 15 ~ b6, b7C
Page 16 ~ Duplicate
Page 17 ~ Duplicate
Page 18 ~ Duplicate

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FEDERAL BUREAU OF INVESTIGATION
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Serial Description ~ COVER SHEET

Total Deleted Page(s) ~ 12

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- Page 8 ~ Duplicate
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- Page 11 ~ Duplicate
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- Page 18 ~ Duplicate

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FEDERAL BUREAU OF INVESTIGATION
FOIPA
DELETED PAGE INFORMATION SHEET

Serial Description ~ COVER SHEET

Total Deleted Page(s) ~ 17
Page 66 ~ b6, b7C, b7D
Page 67 ~ b6, b7C, b7D
Page 68 ~ b6, b7C, b7D
Page 69 ~ Duplicate
Page 70 ~ Duplicate
Page 71 ~ Duplicate
Page 72 ~ Duplicate
Page 73 ~ Duplicate
Page 74 ~ Duplicate
Page 75 ~ b6, b7C
Page 76 ~ b6, b7C
Page 131 ~ b6, b7C, b7D
Page 132 ~ b6, b7C, b7D
Page 133 ~ b6, b7C
Page 134 ~ b6, b7C
Page 140 ~ Duplicate
Page 141 ~ Duplicate

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Airtel

12/12/74

To: SAC, San Antonio (56-NEW)

From: Director, FBI

UNSUBS;
SOUTHWESTERN BELL TELEPHONE COMPANY;
T. O. GRAVITT, FORMER
VICE PRESIDENT (DECEASED);

b6
b7C

[REDACTED]
SOUTHWESTERN BELL TELEPHONE COMPANY,
SAN ANTONIO, TEXAS
ELECTION LAWS

ReSAairtel 12/4/74.

This matter discussed with Criminal Section of
the Department of Justice, and Department advised no inves-
tigation should be instituted at this time.

① - Dallas

56-198-7

SEARCHED	INDEXED
SERIALIZED 8	FILED 8
DEC 13 1974	
FBI - DALLAS	

[Signature]

UNITED STATES GOVERNMENT

Memorandum

TO : DIRECTOR, FBI

DATE: 12/16/74

FROM : SAC, DALLAS

SUBJECT: AMERICAN TELEPHONE AND TELEGRAPH
ANTITRUST

b6
b7c

Handwritten initials and scribbles

ST

On 12/10/74, [redacted] Attorney Antitrust Division, Washington, D. C., 20530, telephone [redacted] visited the Dallas Office to make inquiry as to whether investigation is being conducted by this Bureau into the matter involving the civil suit against Southwestern Bell Telephone Company (SW Bell) by family of T. O. GRAVITT (deceased) and [redacted] former officers of SW Bell. [redacted] explained the U. S. Department of Justice is in the process of prosecuting an antitrust case against American Telephone and Telegraph (AT&T) and any irregular or improper activities on the part of SW Bell might be pertinent to the AT&T antitrust matter as it might involve the parent company. He said he came to Texas to determine if there are any aspects of the alleged SW Bell activities that are now known or can be developed that can contribute to the AT&T antitrust matter. [redacted] said he had information that a Texas State Senate Committee is conducting hearings into aspects of SW Bell activities and he wanted to make contact with that body.

[redacted] was told no investigation is being conducted by the Dallas Office of the FBI, the civil suit in question was reportedly filed in San Antonio, Texas, and the San Antonio Office of the FBI had submitted a communication in the matter "UNKNOWN PERSONS; SOUTHWESTERN BELL TELEPHONE COMPANY; T. O. GRAVITT, Former Vice President (deceased); [redacted] Southwestern Bell Telephone Company, San Antonio, Texas, ELECTION LAW."

- ③ - Bureau (2 60-American Telephone & Telegraph
(1 56-New-Southwestern Bell Telephone Co., Et A1)
- 1 - San Antonio (56-New-Southwestern Bell Telephone Co., Et A1)
- 2 - Dallas (1 60-AT&T
(1 56-198)

EEH:hm
(6)

EX-100
REC-23
MCT-30
N

56-5059
~~NOT RECORDED~~
78 DEC 26 1974

ORIGINAL FILED IN 60-5979-2



51 JAN 5 1975

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

DL 56-198

It is noted the San Antonio communication referred to is San Antonio airtel to the Bureau with LHM dated 12/4/74.

[redacted] made a telephone call to the office of Texas Lt. Governor BILL HOBBY, Austin, Texas, and was furnished the identity of and assured of contact with the Investigator handling the matter before the Texas Senate Subcommittee. [redacted] said he would travel to Austin, Texas, on 12/11/74, to make contact with the representative of the subcommittee and then if advisable proceed on to San Antonio, Texas, to review the filings in the above referred to civil suit. In this regard, it is noted [redacted] the family of GRAVITT filed a 29.2 million dollar damage suit against SW Bell in November 1974. Various charges and countercharges have been made by both sides and this matter has gained widespread news media attention.

The above is to advise the Bureau and San Antonio of the interest in and activities of the Antitrust Division as it pertains to the AT&T antitrust investigation and the SW Bell matter.

Airtel

12/12/74

To: SAC, San Antonio (56-NEW)

1 - [redacted]

From: Director, FBI ~~56-0-3171~~
56-5059-2

UNSUBS;
SOUTHWESTERN BELL TELEPHONE COMPANY;
T. O. GRAVITT, FORMER
VICE PRESIDENT (DECEASED);

b6
b7C

[redacted]
SOUTHWESTERN BELL TELEPHONE COMPANY,
SAN ANTONIO, TEXAS
ELECTION LAWS

AA+
ReSAairtel 12/4/74.

This matter discussed with Criminal Section of the Department of Justice, and Department advised no investigation should be instituted at this time.

1 - Dallas

NOTE: By airtel dated 12/4/74, with copy to Dallas, SA submitted LHM reflecting that Gravitt was former Vice President of Southwestern Bell Telephone Company, committed suicide on 10/17/74 and left a note alleging irregularities in connection with company's operations, including alleged irregular campaign contributions. A short time later [redacted] a Bell Telephone Company official, was terminated by his company. He also alleges Bell Telephone Company employees required to make political contributions.

On 12/11/74 Departmental Attorney [redacted] advised that he previously was contacted by the appropriate Texas U. S. Attorney's Office regarding this matter and no determination had yet been made as to whether any investigation would be requested. He stated no investigation should be conducted unless specifically requested by the Department, which has been confirmed by 0-70.

HNH:kfk
(5)

57 JAN 8 1975
MAIL ROOM TELETYPE UNIT

MAILED 5
DEC 12 1974
FBI

- Assoc. Dir. _____
- Dep. AD Adm. _____
- Dep. AD Inv. _____
- Asst. Dir.:
- Admin. _____
- Comp. Syst. _____
- Ext. Affairs _____
- Files & Com. _____
- Gen. Inv. _____
- Ident. _____
- Inspection _____
- Intell. _____
- Laboratory _____
- Legal Coun. _____
- Plan. & Eval. _____
- Spec. Inv. _____
- Training _____
- Telephone Rm. _____
- Director Sec'y _____

UNITED STATES GOVERNMENT

MemorandumTO : Assistant Attorney General
Criminal Division

DATE: December 12, 1974

FROM : Director, FBI

FILE COPYSUBJECT: UNKNOWN SUBJECTS;
SOUTHWESTERN BELL TELEPHONE COMPANY;
T. O. GRAVITT,
FORMER VICE PRESIDENT (DECEASED);b6
b7C[REDACTED]
SOUTHWESTERN BELL TELEPHONE COMPANY,
SAN ANTONIO, TEXASEL Reference is made to _____ memorandum dated _____
(your file _____).There is enclosed one copy of the report of Special Agent ON LEW
dated 12/4/74 at San Antonio.A. This covers the preliminary investigation and no further action concerning a full investigation will be taken by this Bureau unless the Department so directs.B. The investigation is continuing and you will be furnished copies of reports as they are received.C. The investigation requested by you has now been completed. Unless advised to the contrary no further inquiries will be made by this Bureau.D. Pursuant to instructions issued by the Department, no investigation will be conducted in this matter unless specifically directed by the Department.E. Please advise whether you desire any further investigation.F. This is submitted for your information and you will be advised of further developments.G. This is submitted for your information and no further investigation will be conducted unless specifically requested by the Department.H. This covers the receipt of a complaint and no further action will be taken by this Bureau unless the Department so directs.

Enc. 1

NOTE: This confirms a conversation with Departmental Attorney [REDACTED] on 12/11/74 wherein he stated no investigation should be conducted in this matter at this time until specifically requested by the Department.**FILE COPY***[Signature]*

56-5059-3
CHANGED TO
72-2473-1

SEP 16 1977

cmk/BR

C



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

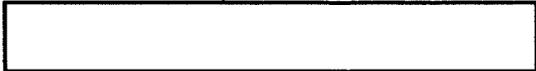
San Antonio, Texas

December 4, 1974

In Reply, Please Refer to
File No.

b6
b7C

UNKNOWN SUBJECTS;
SOUTHWESTERN BELL
TELEPHONE COMPANY;
T. O. GRAVITT,
FORMER VICE PRESIDENT
(DECEASED);



SOUTHWESTERN BELL
TELEPHONE COMPANY,
SAN ANTONIO, TEXAS
ELECTION LAW

Mr. T. O. Gravitt, Former Vice President, Southwestern Bell Telephone Company, Dallas, Texas, was General Manager of the San Antonio Operation of the telephone company until early 1973. On October 17, 1974, he took his own life in Dallas and left behind a note in which he alleged gross irregularities in the company's operation. In part, he charged that telephone company executives were under orders to contribute to the company's favorite politicians. Mr. Gravitt's personal records show he wrote five checks to politicians on April 30, 1974, and all five documents were subsequently cashed.

These checks were written on Mr. Gravitt's account at the First National Bank in Dallas, Texas, and were in the amount of \$20 to the Cris Simos Campaign Fund; \$50 each to the Ben Atwell and Richard Geiger Campaign Funds; and \$100 each to the Dale Milford and the J. J. "Jake" Pickle Campaign Funds. Mr. Milford and Mr. Pickle are U.S. Congressmen for the State of Texas.



whose employment was terminated in November, 1974, stated he has paid money to politicians as a condition of employment

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

PAG/kmb
(7)



56-185-1
Searched.....
Serialized.....
Indexed.....
Filed.....

UNKNOWN SUBJECTS;
SOUTHWESTERN BELL TELEPHONE COMPANY;
T. O. GRAVITT, FORMER
VICE PRESIDENT (DECEASED).

[REDACTED]
SOUTHWESTERN BELL TELEPHONE
COMPANY, SAN ANTONIO, TEXAS
ELECTION LAW

b6
b7C

with Southwestern Bell Telephone Company. He further stated the top men of the firm were given raises of \$1,000 in 1966 with the proviso that most or all of it go back to the company in special political assessments. [REDACTED] said when the law barring corporations from making political contributions was passed, the officials of the company wrote personal checks to various politicians according to instructions received from other company officials.

F B I

Date: 12/4/74

Transmit the following in _____
(Type in plaintext or code)

Via AIRTEL _____
(Priority)

TO: DIRECTOR, FBI

FROM: SAC, SAN ANTONIO (56-new) (P)

RE: UNSUBS;
SOUTHWESTERN BELL TELEPHONE COMPANY;
T. O. GRAVITT, Former
Vice President (DECEASED);
[Redacted]
SOUTHWESTERN BELL TELEPHONE COMPANY,
SAN ANTONIO, TEXAS
ELECTION LAW

b6
b7C

Enclosed for the Bureau are four (4) copies and for Dallas, one (1) copy of a LHM concerning the captioned matter. Also enclosed for each recipient is one copy each of three (3) newspaper articles which appeared in the SAN ANTONIO EXPRESS NEWS on 12/1 and 4/74.

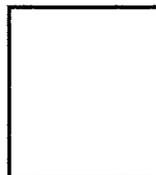
For information of the Bureau, GRAVITT was formerly General Manager of the San Antonio Office of SWBTCO and became Vice President of the Texas Operation at Dallas in early 1973. On 10/17/74, he committed suicide at Dallas and alleged in a note to gross irregularities in the company's operation, including alleged illegal campaign contributions. A short time later, [Redacted] was terminated by the company for falsified expense vouchers and his alleged wrong doing within the scope of his employment.

- 2 - Bureau (Encs. 7)
 - 1 - Dallas (Encs. 4)
 - ② - San Antonio
- PAG/smb
(5)

56-185-2

*1cc made
6/30/77, sent NY
SA file 166-601.*

① + A -



Searched.....
Serialized.....
Indexed.....
Filed.....

Approved: _____ Sent _____ M Per _____

Special Agent in Charge

SA 56-NEW

the family of GRAVITT filed a \$29.2 million damage suit against SWBTCO in November, 1974. Charges and counter-charges have been made by both sides and this matter has gained widespread newspaper publicity. Depositions on this and related matters concerning the telephone company rate structure are being taken in State Court at this time.

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In view of the above, it is recommended that this matter be referred to the Department for an opinion as to a possible Federal violation. No further action will be taken by the San Antonio Division pending Departmental or Bureau instructions.

(Mount Clipping in Space Below)

Secret

notes

reveal

Bell

slush

fund

(Indicate page, name of newspaper, city and state.)

PAGE 1.

EXPRESS-NEWS
SAN ANTONIO, TEXAS

b6
b7c

Date: 12-1-74
Edition: FINAL HOME
Author:
Editor:
Title:

Character:
or
Classification: 56-185-3
Submitting Office: SAN ANTONIO

Being Investigated

*1cc. mcdell, 6/20/77,
sent 7/4, 5/4/77
W.C. b.d. 5/7*

SEARCHED *h* INDEXED *h*
SERIALIZED *h* FILED *h*
DEC 1 1974
FBI - SAN ANTONIO

[Redacted Box]

1 pag

By **PAUL THOMPSON**

The late T. O. Grawitt reaches from the grave again to flick Southwestern Bell Telephone Co.

No sooner does the company deny existence of any kind of political slush fund than items from Grawitt's personal papers rise to deny the statement.

Grawitt was Texas chief of operations for Bell when he took his own life Oct. 17.

He left behind a suicide note that amounted to a litany of what he branded as "gross irregularities" or worse—in the company operations.

And now, with Bell's top officials disclaiming Grawitt's charge that some 440 Southwestern Bell executives were under orders to contribute to Mr. Bell's favorite political cause, there is no smoking gun.

Grawitt's personal records show that he wrote the checks to, as many Texas politicians as April 30 of this year.

They show that all five checks were subsequently cashed.

The records also show a handwritten note to Grawitt on the letterhead of Ward K. Wilkinson, Bell's \$50,000-a-year lobbyist in Austin.

The notes state \$1,100 each to the Milford Campaign Fund, \$300 to Jake Pickle and \$80 to Ben Atwell Campaign Fund, and Richard Geiger Campaign Fund \$20 to Chris Semos Campaign Fund.

Grawitt's canceled checks show that he followed these instructions to the letter.

The Grawitt records produce another note on the back of a check to Ben Atwell which states:

Need \$100 check to Ken Hance (of Lubbock & Democrat, Beat Doc Blanchard, the demt incumbent in primary Faces, Repub. Bob Garner of Lubbock in Nov. 3 Gen. Election Expected to win but, because the Repub. candidate for Gov. is from Lubbock too—It could be tough.

FIRST T. O. OR OLETA GRAWITT
P.O. BOX 521
DALLAS, TEXAS 75201

PAY TO THE ORDER OF **J. J. "JAKE" PICKLE** CAMPAIGN FUND DALLAS

One hundred and no/100 ———— \$100.00

FOR **First National Bank in Dallas, Texas**

⑆1110⑆0001⑆ ⑆ 31 0361 5⑆

⑆0000010000⑆

657

There is no evidence for the moment to show whether Grawitt did or did not kick in \$100 to Hance.

But the Pat Maloney law firm representing the Grawitt family and a Red Bell commercial manager, James H. Ashley in a \$29.2 million damage suit against Bell, is checking.

All five of the Grawitt canceled checks were written on the First National Bank of Dallas.

Jake Pickle is an Austin congressman and Dale Milford is the one-time TV weatherman who just won a second term in Congress.

Richard Geiger and Chris Semos are state representatives from Dallas County, both re-elected this year.

Longtime State Rep. Ben See Bell, Page 12A

Ward K. Wilkinson

Need \$100 check to

Ken Hance (of

suburb, a Democrat

lost the blanket in

the Demor incumbent in

primary. Faces

Republican Ben Atwell of

beat in Nov 3 Gen

Election. Expected to

win but because the

Repub candidate for Gov

is from suburb too —

it could be tough.

More Gravitt checks

BELL

Continued from Page 1A (Jumbo) Atwell, who lost this year, was a long-time power in the legislature as chairman of the Taxes and Revenue Committee in the house.

Gravitt's total political checks written April 30 came to \$320. If all upper-echelon officials in Southwestern Bell contributed at or near that level on any one day, the grand total would be many thousands of dollars.

Says former local commercial manager Ashley, "I simply don't see how they can deny any of this. I myself anted up money for politicians as a condition of employment with Bell. Until 1966, the Bell execs gave \$50 to \$100 a month each in cash, depending on their grade. Mostly they wrote falsified vouchers to get their money back.

"In 1966, the top men were given \$1,000 raises with the proviso most of all of it go back to the company in special political assessments.

"Finally, when the law barring corporations from making political contributions went through, the present method was adopted. Ma Bell suggests, and we write our personal checks accordingly. If challenged, we were simply to say, 'As private citizens, these are the candidates of our choice. But we had no choice.' Ashley then added, "No doubt bank records of most or all of these top drawer Bell executives will be subpoenaed for the upcoming court showdown.

first IN DALLAS	T. O. OR OLETA GRAVITT P.O. BOX 5521 DALLAS, TEXAS 75221	656	
		4-30 1974	321 1110
PAY TO THE ORDER OF		PAID	
Dale Milford Campaign Fund		\$ 100.00	
One hundred and no/100		DOLLARS	
FOR	321 MAY 6 1974		
First National Bank in Dallas Texas		<i>[Signature]</i>	
⑆1110⑉0001⑆		⑈ 31 0364 5⑈	⑈00000010000⑈

first IN DALLAS	T. O. OR OLETA GRAVITT P.O. BOX 5521 DALLAS, TEXAS 75221	658	
		4-30 1974	321 1110
PAY TO THE ORDER OF		PAID	
Ben Atwell Campaign Fund		\$ 50.00	
Fifty and no/100		DOLLARS	
FOR	321 MAY 14 1974		
First National Bank in Dallas Texas		<i>[Signature]</i>	
⑆1110⑉0001⑆		⑈ 31 0364 5⑈	⑈0000005000⑈

first IN DALLAS	T. O. OR OLETA GRAVITT P.O. BOX 5521 DALLAS, TEXAS 75221	659	
		4-30 1974	321 1110
PAY TO THE ORDER OF		PAID	
Richard G. [unclear] Campaign Fund		\$ 50.00	
Fifty and no/100		DOLLARS	
FOR	321 MAY 07 1974		
First National Bank in Dallas Texas		<i>[Signature]</i>	
⑆1110⑉0001⑆		⑈ 31 0364 5⑈	⑈0000005000⑈

(Mount Clipping in Space Below)

Texas rates are different

Southwestern Bell's rate procedures in Texas would be "extremely difficult to defend in court" because they have not been in line with other states, the late T. O. Gravitt was told.

This warning of March 27, 1973, came to Gravitt shortly after he left San Antonio to become vice president of Bell's Texas operations.

"There is no question but what the Southwestern approach in Texas rate cases is out of step with its approach in Missouri and Kansas and with that used by other Bell System companies," said a work paper prepared over the name of J. M. Good.

The work paper by Good, then assistant vice president and rate expert for Bell out of St. Louis headquarters, accompanied a memorandum to Gravitt from E. C. Smith, then vice president of revenue requirements (rate making).

The paper said if independent rate consultants made many appearances in Texas, it was quite possible the utility's present approach may become untenable.

"Serious consideration should be given to lowering the rate base and expense claims and increasing the rate of return request to a reasonable figure," it said.

The paper detailed various inconsistencies in the Texas rate procedures. Smith, who like Good has since retired, acknowledged sending Gravitt the information when

Gravitt was warned

asked about it by the Dallas Morning News.

He said the reason for sending the message was because it was necessary for someone in authority to know the history and problems of rate making.

Gravitt on Oct. 17 committed suicide at his Dallas home. He was found dead of carbon monoxide poisoning.

His widow, two sons and James Ashley, a former San Antonio Bell official, are suing Bell for more than \$29 million, claiming Gravitt's and Ashley's opposition to company rate practices resulted in an internal probe which hounded Gravitt to his death and led to the firing of Ashley.

In the memorandum to Gravitt, Smith said he wanted Gravitt to become involved "in solving certain problems that I believe are inherent in our present approach to rate case proof in Texas."

(Indicate page, name of newspaper, city and state.)

PAGE 1

EXPRESS-NEWS
SAN ANTONIO, TEXAS

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Date: 12-1-74
Edition: FINAL HOME
Author:
Editor:
Title:

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Classification: 56-185-4
Submitting Office: SAN ANTONIO

Being Investigated

*See memo, 12/1/74
Sent 1/4/75: 1/4/75*

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SERIALIZED FILED
DEC 1 1974
FBI - SAN ANTONIO
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More checks to politicos tied to Bell

*1cc made, 6/20/74
sent 7/1, 3/3 for me
BT*

(Indicate page, name of newspaper, city and state.)

PAGE 1

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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Date: 12-4-74
Edition: SPORTS FINAL
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Classification: 56-185-5
Submitting Office: SAN ANTONIO

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FBI - SAN ANTONIO



1 pag

By JOHN LIMPKIN

ASSOCIATED PRESS

More canceled checks from an alleged political slush fund by Southwestern Bell Telephone Co have surfaced

The checks roughly follow a \$50-a-month scheme for political contributions by top Bell executives which the late F. O. Gravitt sketched out in his suicide note.

The Associated Press obtained copies of the checks, which were written by James H. Ashley, Southwestern Bell's commercial manager in San Antonio, who was dismissed in an internal investigation.

Asked about the checks, Ashley said he was told to contribute the money. Of the five politicians whose 1974 campaigns were recipients of the checks, Ashley said he had no personal interest in the races and did not know two of the candidates personally.

One of the candidates to which Ashley contributed was in Austin, away from Ashley's home district here.

Notations

Gravitt, who was chief of Bell's Texas operations until his death Oct. 17 in Dallas, had a notation in his suicide note about \$50 monthly to politicians, based on \$1,000 annual raises given to the top echelons of executives in Texas.

Ashley's canceled checks were:

- \$50 to Wilson Foreman, campaign manager March 22. Foreman was a state representative from Austin. For years until he was defeated in the 1974 spring Democratic primary by Gonzalo Barrington.

- \$50 to Nelson Wolf, campaign manager May 16. Wolf, a San Antonio state senator, ran unsuccessfully this spring for the Democratic nomination for the Dist. 21 U.S. House post.

- \$100 to John Traeger, campaign manager Feb. 19. Traeger of Seguin retained this State Senate seat in this year's elections.

- \$50 to Leo Mendoza, campaign manager April 23. Mendoza ran successfully for a peace justice post in San Antonio while retaining his city council seat. Bell has a pending request before the city council here for a rate increase.

- \$100 to Robert Krueger, campaign manager Aug. 5. Krueger defeated Wolf in the Democratic congressional primary and then beat a Republican opponent this fall to succeed retiring Rep. O. C. Fisher. D-Tex.

The checks total \$350 over a seven-month period.

Ashley said he met Foreman only once but did not know him. "Why would I be interested in a race in Austin, Tex., of a guy I didn't know?"

Ashley said he had never met Krueger.

Ward K. Wilkinson of Dallas, Southwestern Bell vice president for public affairs has said Bell executives are encouraged to contribute to candidates of their choice. He declined comment when asked whether the executives were coerced.

Ashley said Wilkinson would send a note to Porter Mitchell, general staff manager in San Antonio, and he (Mitchell) would either send Ward's note or call me or send a note of his own.

No comment

Mitchell, contacted by The Associated Press, would not confirm or deny his part in such a procedure. "I don't think that I have any comment at all due to all the litigation," Mitchell said.

Ashley, dismissed for misconduct, after Gravitt's death, has joined the Gravitt family in a \$29.2 million delamination and libel suit against Southwestern Bell.

Ashley has said the Bell

See BELL, Page 2A

BELL

Continued from Page 1A

executives were given \$1,000 raises, when the political reporting laws came into effect.

When he was promoted to the level of executives whose salaries included the raises, Ashley said, "I was told specifically that I was being given company money in trust. This was included in my salary to be used for political money."

Bell has denied such political slush funds have been operated. Campaign contributions from corporate funds are illegal.

Ashley said the bellies now that the additional \$300 annually above the \$600 which he said was supposed to go to candidates "was to cover income tax liabilities for the executives with the additional \$1,000 in salary. It just about would be enough to net out \$600 after taxes," Ashley said.

Instructions

He said a Bell vice president, whom he declined to name, gave him the political instructions when he was promoted.

On the heels of the Bell details of a slush fund, five bank checks from Gravitt's personal files became public in last Sunday's Express-News, along with two notes on the stationery of Wilkinson. One note specified the names of the politicians and the amounts to be given. The other note said "Need \$100 check to Ken Hance" subsequently elected state senator from Lubbock.

Ashley said he did not retain notes that gave him specific instructions on who to give the money.

Hance told The AP he could find no records of a contribution by Gravitt to him, but he said two other Bell executives in Dallas contributed to his campaign. Hance said he did not know those two executives.

Delivery

The checks he said were delivered by Clint Smith and another person, both described by Hance as Bell legislative representatives. Smith is a registered 1974 lobbyist for Bell, according to Texas Secretary of State records.

Ashley said Smith and the other three registered 1974 lobbyists for Bell answer directly to Wilkinson. Wilkinson himself was a registered lobbyist for Bell in 1973.

Hance said he saw nothing wrong with the contributions totaling \$150.

(Mount Clipping in Space Below)

Hobby okays probe of Bell

AUSTIN (AP).—Lt. Gov. Bill Hobby announced Thursday he has authorized an expanded investigation by the Senate Consumer Affairs Subcommittee into allegations against Southwestern Bell Telephone Co.

"Information that may indicate widespread and illegal invasions of privacy by Southwestern Bell and law enforcement agencies is deeply disturbing," Hobby said.

"I have authorized Sen. (Ron) Clower (D-Garland) to dig as deeply into these matters as time allows, and to hire the necessary staff," Hobby said.

Clower is chairman of the subcommittee.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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Date: 12-6-74
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Submitting Office: SAN ANTONIO

Being Investigated

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Bell funds funneled into Tarrant races

ASSOCIATED PRESS

FORT WORTH — Southwestern Bell Telephone Co. executives funneled contributions to Tarrant County political races through a city councilman, a company official says.

Bill Serrault, Bell division manager for Fort Worth, revealed Wednesday that the money he solicited from company executives in 1973 went to then-councilman Taylor Gandy as a trustee "to be distributed the way he felt it could be used best."

Serrault said he collected between \$800 and \$1,000 from 10 to 20 Bell employees including personal money from Dallas executives.

He said the Dallas employees probably got recommendations for their contributions to Tarrant County races from the firm's legislative contact staff.

City records show Gandy contributed \$1,000 to the re-election of Mayor R. M. Stovall.

Serrault's statements came after Jada Davis, chief public relations officer for the company in San Antonio, said executives often made contributions to political races outside their home areas.

Such contributions go through Bell's public affairs people for guidance and distribution to the campaigns, he added.

Bell has denied that it maintains a political slush fund in Texas.

The disclosures came at the heels of filing of a \$29 million libel and defamation suit by dismissed San Antonio Bell executive James Ashley and the family of the late T. O. Gravitt.

Gravitt was Bell's manager for Texas but committed suicide Oct. 17 at his Dallas home. His family and their lawyers said Gravitt left several notes in which he referred to alleged political funds set up by Bell and unlawful rate-setting practices.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

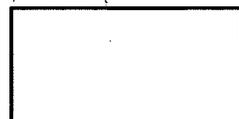
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Being Investigated

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'Tap' Expert In Probe

AUSTIN (AP). — Lt. Gov. Bill Hobby says a Senate probe of Southwestern Bell Telephone Co. will make use of an electronics expert who found a wiretap on the phone of the Houston police chief.

Hobby and Sen. Ron Clower, D-Garland, chairman of the Senate Subcommittee on Consumer Affairs, conferred Tuesday with J. L. Patterson.

Patterson, the electronics expert, "will certainly play a part in the investigation" by Clower's subcommittee, Hobby said. Clower called Patterson a "very technically competent person" and said he might be hired as a part-

time consultant to the subcommittee.

Hobby also said he had the Department of Public Safety examine his telephones for wiretaps twice since he took office in January 1973, but no taps were found.

He said that as a public official he conducted his telephone conversations with the assumption that his lines just might be tapped.

"I've never had any specific reason to think so—I've always kind of assumed it," Hobby said in an interview.

Patterson was hired to check the telephones of Houston Police Chief Carrol M. Lynn. He found a tap, and

also discovered the private line of Houston Dist. Atty. Carol Vance was tapped, as well as the phones of two of his assistants.

Lynn had said previously he was convinced that some Houston policemen engaged in illegal wiretapping last year.

He said he was talking about sophisticated taps that would require the help of Southwestern Bell employees.

Neither Hobby nor Clower would say exactly what Patterson told them.

"He just came by to give me the picture of what he believes is going on—actually all over the country, not just in Texas," Hobby said. Details of

what Patterson said will come out in the course of the subcommittee investigation.

"There are allegations that certainly give one cause for great concern," Hobby said.

Clower said the subcommittee, which received Hobby's authorization last week for an investigation of Bell, was about to enter a period of background work leading up to public hearings after Jan. 1. He and Hobby met, he said, to develop plans and make decisions on what kind of staff might be needed.

While Patterson was here, Clower said, he checked out my phones, and they are free and clear.

(Indicate page, name of newspaper, city and state.)

PAGE 19A

SAN ANTONIO LIGHT
SAN ANTONIO, TEXAS

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Submitting Office: SAN ANTONIO

Being Investigated

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Bell Agents Testify In Houston

HOUSTON (AP) — A federal grand jury is expected to hear from several Southwestern Bell Telephone Co. security agents today in a continuing probe into alleged

illegal wiretapping by law enforcement officers in Houston.

The security agents and a former police officer have been subpoenaed to appear before a grand jury which has already heard testimony from others in connection with wiretapping.

Houston Police Chief Carroll M. Lynn said earlier this year that the grand jury was investigating wiretapping by a small number of Houston police officers.

Sources said last week that Lynn taped conversations between himself and some police officials and that this information has been presented to the grand jury.

Lynn has charged that the illegal wiretapping occurred with the help of telephone company employees.

Bell Telephone Co. officials have denied that any employes have engaged in illegal wiretaps.

On Tuesday, one of the Bell security agents admitted that Bell has a room equipped to monitor any telephone conversation within the Houston phone district.

Jim Russell, the agent, gave newsmen a tour of the small room and showed the equipment which he said security agents use to investigate telephone fraud or abuse.

Some Bell officials earlier had denied that such a room existed. But Russell said it has been in use for several years.

"There's nothing secret about the room at all," he said.

Bell is empowered by law to monitor, or wiretap, telephone conversations when there is reason to suspect the telephone company is being defrauded.

Equipment in the room, said Russell, can be plugged into a selected line anywhere in the city by making a connection at an outlying switching station.

Once the connection is made, he said, the machine records on paper tape the numbers called, the duration of each call, the date and the time.

(Indicate page, name of newspaper, city and state.)

PAGE 19A

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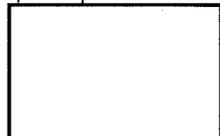
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File—Serial Charge Out
FD-5 (Rev. 6-17-70)

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7/20/77

File _____ **Date** _____

Class. _____ **Case No.** _____ **Last Serial** _____

Pending Closed

Serial No. _____ **Description of Serial** _____ **Date Charged** _____

10 SERIAL SKIPPED IN SERIALIZATION

DO NOT REMOVE

Employee _____

RECHARGE

Date _____

To _____ **From** _____

Initials of Clerk

Date

Date Charged

Employee _____

Location _____

FBI

Transmit in _____ Via Airtel
(Type in plaintext or code)

(Precedence)

12/12/74
(Date)

To: SAC, San Antonio (56-NEW)

✓ From: Director, FBI

UNSUBS;
SOUTHWESTERN BELL TELEPHONE COMPANY; 56-185
T. O. GRAVITT, FORMER
VICE PRESIDENT (DECEASED);



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SOUTHWESTERN BELL TELEPHONE COMPANY,
SAN ANTONIO, TEXAS
ELECTION LAWS

ReSAairtel 12/4/74.

This matter discussed with Criminal Section of
the Department of Justice, and Department advised no inves-
tigation should be instituted at this time.

1 - Dallas

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56-185-11

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Kiwanis to hear Bell's Barnes

The President of Southwestern Bell Telephone will discuss charges and allegations against the company Thursday here.

Zane E. Barnes, Southwestern Bell's chief executive, will talk at a noon luncheon of the San Antonio Kiwanis Club in the Anacacho Room of the St. Anthony Hotel.

Barnes, St. Louis, Mo., has been president of the communications company for more than a year.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

EXPRESS-NEWS
SAN ANTONIO, TEXAS

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Paul

Thompson

Southwestern Bell opens a dreadful can of worms when it accuses James H. Ashley and the late T. O. Gravitt of "sexual promiscuity" with female employees of the company.

That seems to be the thrust of the deposition of local telephone kingpin C. T. (Chee) Todd in the \$29.2 million libel and slander suit against Bell.

Todd gave his sworn statement last Thursday with plaintiff attorney Pat Maloney laying on the questions.

Maloney since October knew that "womanizing" was going to be the reason Bell advanced for turning loose a platoon of security dicks last fall to investigate Ashley and Gravitt.

As revealed exclusively in this column, dozens of Bell rank-and-file women were enticed to a turn by company sleuths, mostly former FBI men.

Behind closed doors, and with no attorney present to guide them, these girls were asked to put the finger on Ashley and Gravitt in such matters as, "Did you party with them... have sex with them... arrange a promotion out of either of them for such favors? Or, if not, were you pressured to do any of these things?"

Other women employees themselves not suspect, were asked if they had knowledge of such goings-on.

It is known that the sweeping Bell probe drew statements from at least six of the women that were damaging to Ashley and Gravitt.

Meanwhile Gravitt, Bell's chief of Texas operations, was neither confronted with an accusation, nor told that he was suspected of wrongdoing. He committed suicide Oct. 17 in what turned out to be a bit of a bombshell for Southwestern Bell.

Attorney Maloney has taken the line that Ashley and Gravitt by speaking out against Bell rate manipulations and other duplicities were marked for a company purge.

Richard Long, Maloney's lawyer, tagged the charges of sexual promiscuity, adultery and lechery.

Today, as the huge damage suit heads for a courtroom showdown, the questions arise:

How can Southwestern Bell mount a successful "womanizing" attack on Ashley and Gravitt without destroying the good name of several of its own women employees, wrecking their marriages and homes — or worse?

And then, too, should Bell be willing to take that risk here as the next inevitable question: Will Big Mama's female employees allow themselves to be delamed? Or when testifying in court, will they go back on their earlier statements to the Bell sleuths?

All in all, a couple of real sticky ones for the phone company lawyers to cudgel their brains over.

(Indicate page, name of newspaper, city and state.)

PAGE 1

EXPRESS-NEWS
SAN ANTONIO, TEXAS

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Date: 12-25-74
Edition: HOME

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Submitting Office: SAN ANTONIO
 Being Investigated

56-185-13
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DEC 26 1974
SAN ANTONIO

UNITED STATES GOVERNMENT

Memorandum

TO : SAC, NEW ORLEANS (92-36)

FROM : SAC, SAN ANTONIO (92-94) (RUC)

SUBJECT: CARLOS MARCELLO
AR

DATE: 1/3/75

OO: NEW ORLEANS

b6
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Re Kansas City letter to New Orleans, 12/13/74.

Enclosed herewith for Houston is one copy of Kansas City letter to New Orleans, referenced above.

For the information of New Orleans and receiving offices, information was received on or about 10/17/74 that a Mr. T. O. GRAVITT, Vice-President, Southwestern Bell Telephone Company, Dallas, and former general manager of the San Antonio operation of Southwestern Bell Telephone Company, committed suicide at Dallas. Shortly thereafter information was received through public news media that [redacted]

[redacted] Southwestern Bell Telephone Company, San Antonio, was discharged by Southwestern Bell for falsification of expense vouchers. As this information has maintained "front page billing" in the news media for several months, San Antonio has directed appropriate communication to the Bureau under the caption of "UNSUBS, Southwestern Bell Telephone Company: T. O. GRAVITT, former Vice-President (Deceased); [redacted]

[redacted] Southwestern Bell Telephone Company, San Antonio, Texas, EL." On 12/12/74, the Bureau advised this matter was discussed with the Criminal Section of the U. S. Department of Justice and the Department advised no investigation should be instituted at this time. Additionally, it should be noted

- 2-New Orleans
- 1-Dallas (Info)
- 1-Houston (Enc. 1) (Info)
- 1-Kansas City (92-1751) (Info)
- 4-San Antonio
 - (1-92-94)
 - (1-165-575)
 - (1-56-185)
 - (1-183-11)

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56-185-14

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SA 92-94

that [redacted] the family of GRAVITT have filed a \$29.2 million damage suit against Southwestern Bell Telephone Company in November, 1974. Charges and counter-charges have been made by both sides and as noted, this matter has gathered widespread newspaper publicity.

Through contacts with [redacted] [redacted] general information has been received concerning alleged irregularities conducted by [redacted] and through an analysis of this material, it appears Southwestern Bell Telephone Company at the present time may be, either officially, or unofficially, trying to bring about an investigation of [redacted] by law enforcement authorities so as to "take the heat off their back."

Based upon information received from a security representative at Southwestern Bell in San Antonio, a case entitled, [redacted] was opened in an effort to determine if his alleged bookmaking activity was violating Federal statute under the investigative jurisdiction of this agency. Subsequently, information was received that [redacted] residing in the Austin, Texas, area, was bookmaking out of the Blue or Gold Gardenia Lounge in that city. This information was again received through [redacted]

In summation, it appears information furnished to Kansas City in referenced letter may have been "leaked" out of Southwestern Bell Telephone Company in an effort to bring about a relaxation in pressure being placed on that company by [redacted] and his \$29.2 million suit. San Antonio, however, is disseminating the information in referenced communication to appropriate case files, including the file containing active investigation on [redacted] OO: SAN ANTONIO, San Antonio file: 165-575. Additionally, information is being disseminated to San Antonio file entitled, [redacted]

Texas, RICO, San Antonio file: 183-11, as this information may be pertinent concerning any possible land fraud schemes underway in that area.

SA 92-94

As information in enclosed letter makes reference to alleged land fraud schemes in the Corpus Christi, Texas, area, a copy of this letter and enclosure is being furnished to Houston Division for whatever assistance it may provide.

SAC, NEW ORLEANS (92-36)

12/13/74

SAC, KANSAS CITY (92-1751) RUC

CARLOS MARCELLO
AR
OO: New Orleans

92-94* (1/61) -
84-81* (12/66)
166-321* (4/68)
92-646-3 (4/74) ←
82-2998-sub-48 (5/74) ←
183-11-92 (11/74) ←

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Re Kansas City telephone call to New Orleans,
9/18/74.

The following is being furnished to Receiving
Offices for information purposes:

A confidential source of the Kansas City Division
furnished information during September, 1974 that [redacted]
[redacted] who at that time was [redacted] of
Southwestern Bell Telephone Company (SWBTC), San Antonio,
Texas, was a reported [redacted]
This source learned that [redacted] was originally from [redacted]

[redacted] Information
was developed, although not confirmed, that [redacted] and officers
of Frost National Bank, San Antonio, Texas, and CARLOS MARCELLO
were possibly involved in a land fraud scheme in Corpus Christi,
Texas, within the past three years. Source could furnish no
further information concerning this. Source was also of the
opinion that [redacted] either knows or is friendly with MARCELLO
and/or members of the New Orleans "Outfit" probably through
[redacted] career.

Source stated that [redacted]

[redacted]

He further stated that [redacted] is a close friend
of the Vice President and General Manager of SWBTC in Dallas,
Texas, T. O. GRAVITT. GRAVITT [redacted]

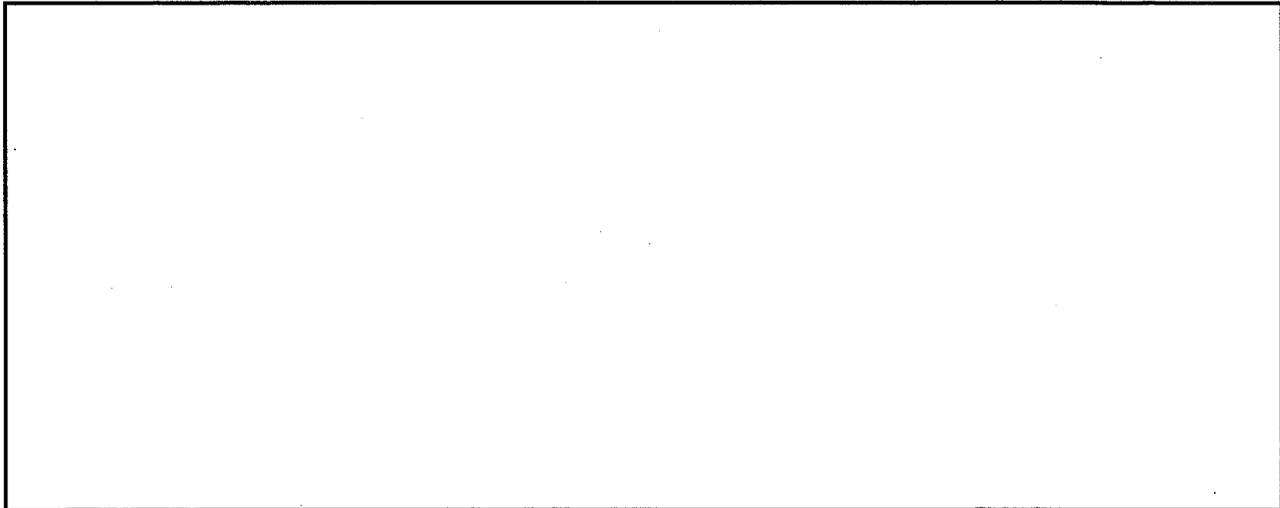
- 2 - New Orleans
 - 1 - Dallas (Info)
 - ① - San Antonio (Info)
 - 1 - Kansas City
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KC 92-1751

by SWBTC in Kansas at one time and after GRAVITT was promoted and transferred to Dallas, Texas, GRAVITT was instrumental in getting [redacted] transferred and promoted to his present position [redacted]



The Strike Force, Kansas City, Missouri, issued a subpoena to Quick Print of Wichita, Kansas, requesting all original checks or other records of payments to T. O. GRAVITTS, [redacted] or CARLOS MARCELLO to determine if in fact MARCELLO could possibly have an interest in Quick Print.

[redacted]
[redacted] Wichita, Kansas, directed a letter to U. S. Attorney ROBERT J. ROTH, Wichita, Kansas, stating that after going through all company records he did not find any record indicating payments to GRAVITTS, [redacted] or MARCELLO.

Source stated he later learned that there was an investigation being conducted by SWBTC in Dallas, Texas, and San Antonio, Texas, regarding irregularities which were possibly occurring at SWBTC. Source said there were indications that T. O. GRAVITTS and [redacted] were possibly involved.

For information of San Antonio, source subsequently stated he had learned that [redacted]



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KC 92-1751

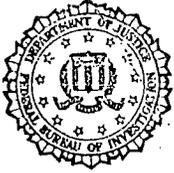
Source said that [redacted]

[redacted]

The above information regarding [redacted] is being furnished the San Antonio Division for whatever action San Antonio desires to take. If investigation is conducted by San Antonio regarding this they should be very circumspect so as not to disclose the identity of the source who furnished the information as it

[redacted]

Inasmuch as no further investigation is to be conducted by the Kansas City Division, this case is considered RUC.



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Charlotte, North Carolina
January 15, 1975

In Reply, Please Refer to
File No.

JOHN J. RYAN;
UNKNOWN SUBJECTS
ELECTION LAWS

The following articles appeared in the January 15, 1975, edition of the Charlotte Observer, a daily morning newspaper.

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JAN 20 1975	
FBI - SAN ANTONIO	
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	5-13

Ex-Southern Bell Exec Says He Ran Slush Fund To Back N.C. Candidates

By MARION A. ELLIS
and

HOWARD COVINGTON

Observer Staff Writers

Copyright 1975, The Charlotte Observer

The man who directed Southern Bell Telephone Co.'s North Carolina operation for nearly nine years says he administered what he calls an illegal political slush fund to channel company donations secretly to candidates in both political parties.

The former executive, John J. Ryan, 55, was one of Charlotte's most prestigious business and civic leaders until his sudden fall from his \$64,000-a-year job in July 1973. He was president of the Charlotte Chamber of Commerce in 1972.

IN A SERIES of interviews with The Observer during the past three weeks, Ryan contended that he was fired from Southern Bell, at least partly for his strenuous political activities on behalf of the company.

But Ryan insisted that his political fund raising was clearly part of his company duties as defined by his Southern Bell superiors in Atlanta.

There was never any question in his mind from "the first day we ever did it," Ryan asserted, that he and Southern Bell were violating the law. Both state and federal laws forbid corporate political contributions.

"It's sort of like jaywalking," Ryan explained. "I mean, you know it's

"When you're in a big company . . . the stream of campaign managers and candidates who come by for help is endless. See, everybody thinks, 'Bell's big. They have plenty of money. Go down and ask them for some.'"

— John J. Ryan

wrong, but it became a way of life. The campaigns came and went, and you gotta pay 'em something, and if I had a better way of doing it, I would have suggested it to them. I didn't like it."

Ryan said the political fund was fueled by payments from himself and eight of his top executives. They were given pay raises, he said, with the clear understanding that part of the money was to be kicked back to the political fund. Maximum individual payments to the fund by his subordinates were \$100 a month, Ryan added.

IN A BRIEF prepared statement issued Tuesday through B. Franklin Skinner, Ryan's successor in Charlotte, Southern Bell declined comment on all of Ryan's allegations.

The statement said, that, because Ryan has told the company he intends to sue Southern Bell, the company on advice of counsel "simply

cannot comment on allegations by Mr. Ryan concerning any of his activities while in the company's employ, or the circumstances surrounding his department."

Unofficial sources inside the company's North Carolina headquarters on the 21st floor of the Jefferson-First Union Tower in downtown Charlotte suggest that Ryan was fired after his superiors in Atlanta were taken aback when they discovered the far-reaching dimensions of his political fund-raising activity.

It was corporate concern about some of his political work, these sources say, that led to his ouster as vice president and general manager for Southern Bell's 12,000-employee North Carolina system.

Ryan said about \$10,000 was paid into the political fund annually. However, unofficial sources inside Southern Bell's Charlotte headquarters said the fund contained as much as \$85,000 a year. Ryan denies this.

Ryan, who worked for Bell for 27 years after beginning as a commercial sales representative in Miami, says he was abruptly fired from his \$64,000-a-year job in 1973 after top company officials conducted what he called an "un-American" investigation of him.

At the time — July 16, 1973 — the company said publicly that Ryan had voluntarily elected to retire after the company said it wanted to,

transfer him to Atlanta. Ryan explained at the time that he and his family, from whom he is now separated, did not want to leave Charlotte.

In its Tuesday statement, however, the company said Ryan "was relieved of his duties ... because the top management of Southern Bell felt that the time had come to change the general management of Southern Bell's operation in North Carolina."

The statement said Ryan was transferred to the company's Atlanta headquarters for his final month with the company with the understanding that he would retire. That decision, the company said, was "also by mutual agreement and for Mr. Ryan's personal benefit." The company would not elaborate.

RYAN EMPHASIZED that other corporate executives in Charlotte, whom he did not name, have served the same illegal political fund-raising functions for their companies that he says he did for Southern Bell.

He described them as "well-intentioned, moral men who were victimized, as I was, by a system that is essentially corrupt."

Asked Tuesday what reaction he expected when his former business and political associates in Charlotte read his story, Ryan replied:

"Tomorrow morning at 10 o'clock, they're going to stop what they're doing. A lot of bankers are going to be gulping aspirin."

Ryan said he decided to go public with his case because of "an overwhelming, deep obligation to clear my name. I sincerely hope all people will understand the importance of my telling my story, which has never been heard."

RYAN SAID the amounts of money each Charlotte executive would receive in raises and how much he would kick back to the political fund were decided in Atlanta by N. R. Johnson, who is Southern Bell's vice president for personnel.

Ryan said Johnson would tell him whenever he would give a kickback raise, which was given separately from a normal raise.

"He'd just say, 'John, we're going to give Larry an 8 per cent (raise) with a 2 per cent increment (kick-back) and he will be a \$50-a-month man,'" Ryan said.

Contacted Tuesday night, Johnson said, "He makes a lot of allegations, but irrespective of this, I'm confined to the company comment just as Mr. Skinner is."

IN HIS INTERVIEWS with The Observer, Ryan said he directed contributions totaling \$38,000 to North Carolina political candidates for governor — all four major candidates — plus senator and congressman during 1972.

Ryan contends the contributions, all made in cash, came from \$28,000 in personal loans Ryan had at Charlotte banks — he expected to get his money back later from the political fund — and \$10,000 from the political fund itself.

The breakdown he says, was: \$8,500 to now-Gov. Jim Holshouser, \$10,000 to H. Pat Taylor, \$10,000 to Hargrove "Skipper" Bowles, at least \$2,000 to now-U. S. Sen. Jesse Helms and the remaining \$7,500 divided among now-Lt. Gov. Jim Hunt, now 9th District Rep. Jim Martin, unsuccessful Democratic senatorial candidate Nick Galifianakis of Durham and other candidates.

Holshouser aide Gene Anderson Tuesday denied receiving any contribution from Southern Bell. Taylor said he did not personally handle contributions but said he was unsure whether he received a donation from Ryan. Martin confirmed that his 1972 campaign received a contribution from Ryan. Galifianakis and his campaign manager said they could not recall a contribution.

BOWLES SAID Tuesday neither he nor his two key fund raisers knew of any contribution from Ryan. Hunt said, "To my knowledge, John Ryan never gave us a penny."

Taylor said he was not involved in fund raising for his campaign but doubted "a contribution of that size" was made. A source deeply involved in Taylor's campaign confirmed, however, that Ryan contributed at least \$5,000 to the Taylor campaign.

Ninth District Rep. Jim Martin's 1972 campaign treasurer, Charlotte lawyer Zach Smith, said he remembered receiving Ryan's \$400 cash contribution in an envelope.

"We got money from John Ryan and we reported it from John Ryan because that's where it came from. Where John Ryan got it from, only John Ryan knows. Why it was in cash, I don't know," Smith said.

Sen. Jesse Helms's 1972 campaign manager, Tom Ellis of Raleigh, said he did not recall any specific contributions from Ryan but a \$1,000 contribution was listed on Helms's campaign finance reports.

Galifianakis and his campaign manager, businessman Russell Walker of Ashboro, said they did not recall receiving contributions from Southern Bell officials.

Ryan said the political fund still owed him the \$18,000 when he was fired. He said he never got it back.

In his interviews with The Observer, Ryan maintained that Southern Bell's practice of political donations goes back at least 1962. He says it was operated here with the full knowledge of Southern Bell's top executives at the Atlanta headquarters, who, he says, determined how much each of the Bell executives involved had to contribute to the fund.

RYAN ALSO contends that the company tapped his telephones to gather personal information that was used in making the decision that he should be fired.

Ryan says he plans to sue Southern Bell for \$12 million because they never allowed him to defend himself during the company investigation that led to his firing. He says the suit also is an attempt to clear his reputation, which he says has been damaged because of the unusual circumstances surrounding his departure from Southern Bell.

He says he has documentary support for his charges, which he says he will make public when his lawsuit is heard in court.

ASKED BY The Observer for documentary evidence to support his contentions, Ryan offered a stack of thank-you letters from political candidates, statements involving loan agreements with local banks and copies of letters to Ryan from well-known political fund raisers.

While the material clearly suggests that Ryan was deeply involved in political campaigns in 1972, none of what Ryan provided The Observer proves in any clear-cut way the existence of corporate political contributions by Southern Bell.

Last Sept. 25, Ryan filed a complaint

against Southern Bell with the U. S. Equal Employment Commission, charging that the company fired him for his attempts to eliminate discriminatory hiring and promoting practices involving women within the company.

Several of Ryan's charges have been confirmed by other sources. However, segments of his story are so far unsubstantiated.

The existence of the political slush fund was confirmed Tuesday by retired Southern Bell assistant vice president John Cooper and an anonymous source within the company. Ryan's ouster from his Charlotte job is confirmed by Southern Bell.

UNSUBSTANTIATED, however, is his explanation for how the political slush fund was fed.

Ryan, a ruddy native New Yorker who is 6 feet 2½ inches tall and weighs 175 pounds, was one of Charlotte's most prominent and powerful civic leaders when his sudden retirement came.

He was the 1972 president of the Charlotte Chamber of Commerce, chairman of the United Way in 1968 and was president of Carolinas International Tennis Foundation at the time of his forced retirement. He also was a member of the board of directors of First Union National Bank.

He now lives on his Southern Bell retirement and other income, which he says totals \$26,000 a year. Since last September, he has been working part-time as a consultant for Management Analysts, Inc., a Charlotte firm that contracts to analyze a company's operations and suggests ways to cut costs and improve efficiency.

An orphan at the age of 9, Ryan graduated from Manhattan College in 1942, served in the U. S. Navy during World War II as a lieutenant commander and joined Southern Bell in 1947.

HIS DETAILED allegations represent a bombshell in Charlotte and North Carolina politics.

For years, big corporations in North Carolina, as elsewhere, have been rumored to routinely funnel large amounts of unreported cash into political candidates' campaign chests. Corporate political contributions violate both federal and state laws.

But those rumors have never been verified and there is no precedent in North Carolina of a major corporate executive participating in such activity and then publicly disclosing the details.

Ryan says he remained silent for the past 17 months because he was afraid he could not win a lawsuit against the nation's largest corporation — AT&T, which is Southern Bell's parent company.

Then, last Oct. 17, the vice president and general manager of Texas operations for Southwestern Bell in Dallas committed suicide and left memoranda and letters charging the company with hounding him to his death as the result of a secret internal investigation.

UPON READING about the Texas case in the Charlotte newspapers, Ryan said he became convinced his case was similar to the one involving the dead Texas executive and one of his associates, who was fired. The dead man's widow and two sons and the fired executive have filed a \$29.2-million lawsuit against Southwestern Bell, charging character assassination.

Ryan said John Cooper, a retired Southern Bell assistant vice president for public relations and public affairs, kept the fund for a time in cash in his desk drawer. After Cooper retired in 1971, Ryan said, he kept the fund himself.

Although the money was kept in an envelope, Ryan said, it was usually referred to as "the box."

Cooper, who now lives in Ormond Beach, Fla., said Tuesday night in a telephone interview that he knew of the existence of a political fund "that some of the (department heads) contributed to" but said he did not know if Southern Bell money was involved.

HE DENIED that he was involved in the fund in any way although he said he knew four or five other executives who contributed to it.

The Southern Bell executives who were contributing to the fund did not know which candidates would receive contributions, Ryan maintained.

Asked who made the decisions on how to use the funds, Ryan replied, "I are personal. They're not company would. Well, no, I would make most of them, but the political advisers (John Cooper, (Charles) McCuiston and now Bryan Houck also had a voice in the decisions."

Ryan said that for years Cooper, a Southern Bell executive who has now retired, kept the cash in an envelope in his desk drawer. Then Ryan himself kept it for awhile, he said, in his office on the 21st floor of the Jefferson-First Union Tower in downtown Charlotte.

BOTH McCUISTON and Houck deny knowledge of any company political fund.

Ryan said his personal knowledge of the political fund system goes back to 1962 when he was stationed in Atlanta with the Georgia operation of Southern Bell.

He said: "The way they did the thing is they make adjustments to pay (raises) — for the taxes or tax bracket the person is in — and they're all in the same bracket practically, you know, and they adjust the pay, with the idea that the person will put this money back into the political pool to be used for candidates on a need basis, to stay hitched to the political thing."

"It was a systemwide thing. It was completely controlled in the corporate headquarters . . ."

ASKED IF HE thought that any of these political contributions were illegal, Ryan replied, "It was a deliberate attempt by a large corporation to circumvent the election laws."

He claimed that he "pleaded over the years that it was illegal and unethical — only because it disturbed the hell out of me that certain participants got big adjustments in pay and contributed nothing."

"I never wanted anything to do with being the bag man on the thing," he insisted. "It's an ugly, nasty, hopeless task, because somebody's upset all the time. Some candidate or some campaign manager or somebody with a referendum or something. They've got more demands for money than you can even think of. It's an ugly system."

Asked if he felt he personally was acting illegally by administering the fund, Ryan replied, "It got to be a way of life, you know."

"Of course, I was borrowing the money all the time, which made me very uncomfortable, because, in all the time I lived in North Carolina, I averaged between \$500 and \$600 (a month) of my personal money ended up in a political game. Of course, the (bank) notes are personal. They're not company notes. And it would be just an endless treadmill — even the off-year, it's a problem. When you don't have a governor's race, some senator's running for something."

ALTHOUGH RYAN said the fund was being used at least from 1964 on, he believes the 1972 gubernatorial campaign — with a large number of candidates — was the key year when the fund apparently got Ryan in trouble with his supe-

riors and eventually helped lead to his firing.

The 1972 campaign was important because Ryan said he had been told by his superiors he had to improve Southern Bell's position on telephone rate-increase requests before the N.C. Utilities Commission. Whoever became the new governor would be choosing two members of the five-member commission for eight-year terms.

Ryan said, "In the early part of '72 in Greensboro, it was probably in March or April, my president, (L. E.) Rast (president of Southern Bell, and my boss, (J. W.) Travis (vice president in charge of operations for Southern Bell), got in a hotel room in Greensboro, and they really put it to me for the commission and the importance of a good, successful rate case and the importance of improving relations with the commissioners and getting more effective in the rate-making area. (They said) that big things were coming and they were unhappy with my getting only 50 or 60 per cent of what I was asking for and they thought I ought to have a better batting average than that."

Ryan said that following the three-hour meeting he knew he was supposed to step up his political activities with the gubernatorial candidates to make sure he was friendly with whoever became the new governor.

Ryan said the pressure on him was to pick the winner in the governor's race so Southern Bell's North Carolina rate requests would receive more favorable attention.

He said, "I had almost a burning dedication to be close to the next governor — as close as I could get to him, so that I might have some access to the commission that would more ably get them to hear our story. To be more effective is what I wanted."

Ryan said he made cash contributions, some out of his own bank account, to all four gubernatorial candidates during the 1972 campaign, trying to recover as much as he could from the company political fund.

"I WOULD USUALLY be paying a personal bank note off with it (the fund) because, see, even though the money is collected over a long period of time, in a political campaign things intensified prior to the primary and the runoff. Then there's a slump, and then they intensify in September again."

Ryan claimed the political slush fund was not too successful in raising the huge amounts of money needed to feed the campaigns of political candidates.

"The most I could say is that from the day I got to North Carolina until the day I left the company, the fund was in debt — always," Ryan said. "We never had a cash flow. They never did anything right. It was always in debt."

The Observer first approached Ryan three weeks ago after hearing reports of the existence of the political fund and of Ryan's rumored firing. Ryan confirmed the reports and began telling his story in detail.

Southern Bell was first contacted last Thursday for an interview. Skinner met with Observer reporters Friday morning and pointed out he was not here, during Ryan's tenure and thus was unable to answer any questions about that period.

LATE FRIDAY, after conferring with top Southern Bell officials in Atlanta by telephone, Skinner issued a brief statement similar to the one issued Tuesday. The statement declined comment on the allegation that a political fund was operated while Ryan was with the company.

In answer to questions Skinner said he was certain that no political fund had been in operation in Southern Bell's North Carolina operation since he arrived, which was within days after Ryan left in the summer of 1973.

The Observer pointed out the seriousness of Ryan's charges and urged Skinner to contact Southern Bell officials in Atlanta for a more responsive comment on the charges.

Skinner agreed and flew to Atlanta Monday to meet with the top company officials. Observer reporters met again with Skinner Tuesday morning and were given Southern Bell's prepared statement, which said the company was following its lawyers' advice not to answer the questions because of anticipated litigation by Ryan.

Ryan conceded it is possible that Skinner did not know about the political fund because Skinner was brought in to North Carolina from the Chesapeake and Potomac Telephone Co., headquartered in Washington, D.C.

"HE JUST may be — with his background and all and being a staff man and all — it's very possible that he doesn't know anything about this," Ryan said. "It's also possible that, due to the circumstances surrounding my departure from the company, that this thing may have been shut down. I told them to shut it down."

Ryan said he was unaware that he was in trouble with the company until 8:30 a.m. June 19, 1973, when three of his superiors from Atlanta called from the Charlotte airport.

According to Ryan, the men told him they were in Charlotte to conduct an investigation. He said they asked him to "excuse" himself from his office area while they questioned his subordinates.

"I had a 3 o'clock appointment with the attorney general, Robert Morgan — the next morning a 10 o'clock appointment with Gov. Jim Holshouser — to acquaint them with Bell's latest filing for a rate increase of \$34 million," Ryan recalled of the conversation with the three top officials — Rast, Travis and N. R. Johnson, vice president of personnel.

"And Rast quickly said, 'Well, why don't you go ahead and just do that? Go on and do that.' And I said, 'No, you're up here to talk to my people and you want me to be excused. I'm just going to leave right now. I'm disgusted. I'll just leave it to you.' I said: 'What's it all about?' And he (Travis) said: 'We'll be in touch with you Friday.' Then I (hung up and) walked out."

RYAN WAS CALLED to Atlanta five days later, he said, and told he was fired.

He said: "When I say that Southern Bell used un-American tactics in disposing of me, I'm referring to an insidious method of (my superiors) coming from the corporate headquarters in Atlanta into Charlotte and excusing me while (they) cross-examined and interrogated my subordinates and got into my personal life and did not afford me an opportunity to be present for the questioning or to question their findings."

"They simply carried out a secret investigation with a bunch of people (employees) who are frightened (for their jobs). They reached a foregone conclusion and they removed me from the picture (and) did irreparable damage to me without me ever having any semblance of a fair hearing — that's un-American."

Ryan claims that a difference of political opinion between two prominent Charlotte businessmen on the Southern Bell board of directors — C. C. Cameron, president of Cameron Financial Corp., and Ed O'Herron, president of Eckerd Drugs Co. — helped undermine the confidence of his superiors in him.

"Mr. Cameron, who is a director of Southern Bell, was a very strong proponent for Skipper Bowles, and Mr. O'Her-

ron, who's also a director of Southern Bell, was a very strong proponent for Lt. Gov. Pat Taylor to be governor, and I must admit that I was going all-out to attempt to maintain the best relations with both of them."

Ryan was never a member of Southern Bell's board of directors although he did serve on the board of First Union National Bank, a subsidiary of the Cameron Financial Corp. He claimed that Cameron and O'Herron were both going to Southern Bell board meetings and declaring that they "had locks on the next governor of North Carolina."

"BEING IN the utility business and in a state where the governor appoints the commissioners to the utility commission, my interest in who wins is obvious," Ryan said.

Ryan said the pressure became so intense that he continued to pour money into the gubernatorial campaigns, \$28,000 of his own personal funds, which he expected to recover later from the company's political fund or be rewarded for his efforts with further pay raises.

"... I was faced with the possibility of a Republican winning and two directors — each heavy on different candidates — and to me that's triple pressure on which way do you go."

After the Republican primary runoff in which Holshouser knocked out Gardner and the Democratic runoff in which Bowles knocked out Taylor, Ryan said he told his bosses in Atlanta that Bowles was going to be the next governor.

But he continued to contribute to Holshouser, he says, because of a fear of losing his job for failing to "get in tight with the next governor."

"SEE, UH, THE RISK of getting unhitched in political terms — you would lose whatever you had in it if you failed to back the candidate in the runoff, and then he gets the nomination. You've been disconnected. When he needed you most, you weren't there. That's the dilemma of the contributor."

Following Holshouser's stunning victory over Bowles, Ryan said he made a \$5,000 cash contribution to the new Republican governor-elect.

Ryan claims he handed the cash to Southern Bell's Raleigh lobbyist, Bryan Houck, who delivered it to Holshouser's campaign aide, Gene Anderson.

Houck denies ever handling any such money and Anderson said he would "personally swear" under oath that he never received any cash contributions from Southern Bell.

"You're going to end up taking one man's word against another," Anderson said.

NO SUCH contribution was declared in Ryan's name by Holshouser. Because the contribution took place after the deadline of 10 days following the 1972 election, Holshouser was not required to list the alleged contribution under the campaign law in effect at that time. However, Holshouser voluntarily did issue a list of post-election contributors, including \$500 each from such prominent Democrats as Cameron and Luther Hodges Jr., president of North Carolina National Bank.

Following the election and in early 1973, Ryan says his superiors at Southern Bell headquarters seemed to change direction.

"They said that I got too involved in the governor's race and they were de-emphasizing politics..." Ryan said.

"It was conflicting. Also, when they were de-emphasizing politics for reasons that were not known to me, in the spring of '74 — after I'd left them six months, seven months — the boss (John DeButts, president of American Telephone and Telegraph Co.) made a speech to the Bell presidents urging them to get involved in politics..."

Ryan said he thought about the possibility of suing Southern Bell for several months, particularly after the company threw a cocktail party for Skinner, his successor, and Ryan received a telephone call from Atlanta asking him not to attend.

"That removed any doubt as to what took place," Ryan said. "And I have lived under the shadow of this ever since."

"I think the time has come for a civil suit which will bring out the truth. And for the sake of my family and for my sons, I have every expectation that, insofar as possible, this wrong will be righted by a court of law."

AFTER LEAVING Southern Bell in September 1973, Ryan temporarily entered the insurance business in Charlotte. After six months, he quit the business. He has been unemployed since last summer.

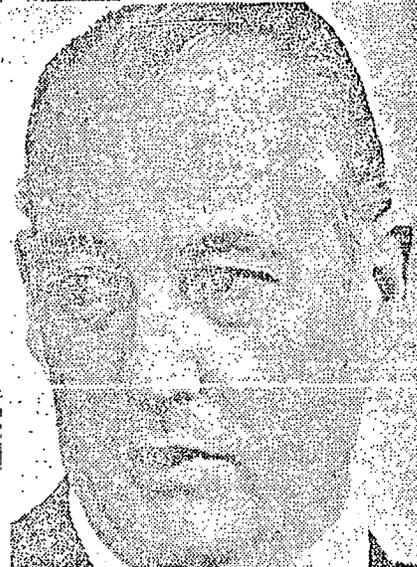
Ryan charges in his EEOC complaint that he has been unable to find another executive position because of the company's failure to clear his reputation.

He said he had "several negotiations with banks that were progressing very satisfactorily... And then, as we moved along and got closer to making an agreement, I would suddenly be told that they'd lost interest. And, I know that, informally, people from the bank talked to the Bell people in North Caro-

lina who were (previously) subordinates of mine, who transferred their loyalties to somebody else and who were able to just put a cloud over me like: 'We can't tell you why he left the company. We were told not to talk about it.' And that's all you need..."

"Because with a backdrop of what took place, you can see how clear it is to everybody that this fellow (himself) didn't resign and take early retirement, that something else happened, you see. So that has all added up to a very difficult situation for me," he said.

Ryan says the EEOC investigation, which is secret by Federal law, is continuing.



John J. Ryan

Text Of Ryan's Claims About Political Fund

Following is an edited transcript of an interview with John Ryan concerning his involvement in North Carolina politics.

Q: Did the (Southern Bell) investigation (of you) revolve around a political contribution; to your knowledge?

RYAN: Yes. Part of it did. Yes sir.

Q: Did you contribute to all four of the 1972 gubernatorial candidates?

RYAN: Yes.

Q: And, after the Democratic primary, in the runoff, did you contribute to both (remaining) candidates?

RYAN: Yes. See, uh, the risk of getting unhitched in political terms — you would lose whatever you had in it if you failed to back the candidate in the runoff, and then he gets the nomination. You've been disconnected. When he needed you most you weren't there. That's the dilemma of the contributor. I was just buying insurance. The demand was always greater than you could do. And I used to borrow money — you know, go to the bank and borrow some money — I did that all the time.

Because, see like in an election like that, you have a whole string of candidates going and you — it's like a racetrack and you're trying to pick the winning horse, because in North Carolina — with the governor making appointments for eight years in the utility commission — you just can't afford to get — end up totally alienated from the governor's office.

Q: You were doing this as

a result of a meeting that you had with certain Southern Bell officials?

RYAN: Well, yeah. In the early part of '72 in Greensboro — it was probably in March or April — my president, Rast, and my boss, Travis, got in a hotel room in Greensboro, and they really, uh, put it to me for the commission and the importance of a good successful rate case and the importance of improving relations with the commissioners and getting more effective in the rate-making area. (They said) that big things were coming and they were unhappy with my getting only 50 or 60 per cent of what I was asking for, and they thought I ought to have a better batting average than that.

They thought (one of my people was) incompetent. And I defended him. I always do that. I think that it was a bad mistake. They wanted to roll heads then. And I should have let them move him off the job.

That meeting lasted all afternoon. It was like three hours. An inordinate amount of pressure was placed on me to be sure to be overwhelmingly successful with the numbers of (the) rate case. It is hard to explain to a stranger that the Bell system is a numbers game.

I don't know what commitments they made to AT&T, but they're translated then into four states (where Southern Bell operates), and the pie has to be all there, or (there's) trouble.

They're both kind of technical men and they thought that I ought to become more technical. Well, I'd been vice-president almost eight years then, you know. But I never got any credit for knowing

anything, you know? They just acted like they knew it all.

There was so much pressure in that meeting that I realized that next month the primaries were starting (and) I'd better get hitched in this political thing. I used bad judgment. I should have played the Bell system game: Sit on my thumbs. Stay out of trouble. And don't do anything.

Q: Was one of the sources of these funds what might be construed as a political slush fund — the rake-off when an executive was given a pay raise with the understanding that some portion of this money would be used for political contributions?

RYAN: Yes. The answer is yes.

Q: How did that work?

RYAN: (It depends on) how prominent the candidate is, you know, if he's running for the U.S. Senate, six years, you just can't afford to be left out.

The way they did the thing is they make adjustment to pay with the idea that the person will put this money back into the political pool to be used for candidates on a need basis to stay hitched to the political thing.

Q: Did you initiate this kind of arrangement in North Carolina?

RYAN: Oh, no.

Q: Was it going on in other Bell systems?

RYAN: Oh, I'm positive it was. Yeah. It was a system. Well, I'd been vice-president almost eight years in the corporate headquarters, except for one bad feature about it. If the partici-

pant didn't feel right, he might get the adjustment (pay raise) and then not participate in the thing. We had a lot of that.

Q: But later on, if this individual came up for another promotion, that might not be?

RYAN: Oh, that didn't bother them (the top executives) at all. They'd just go on their merry way. There was nothing said about it. And it was very loose, except when the guy got the adjustment, he was told that "X" amount of this is to help with the political things. Reading about the Texas case, I recognize all the landmarks.

Q: Some format?

RYAN: The secret interviews, electronic surveillance, monitoring, the slush money.

Q: You said that in the early part of '72 the pressure was on you to back the right horse...

RYAN: To get the rates right... The only way to get the rates right is to get the commissioners right. I knew, too, that (two commissioners') terms were expiring. That by the time our case got heard, we'd have two commissioners we'd never heard of. That's two big votes.

Q: Now, if they (company officials) were looking for someone to get right with the governor, it seemed like you had picked the right horse (Holshouser).

RYAN: Right.

Q: You never got any comment from them at all about that?

RYAN: Yeah. They said that I got too involved in the governor's race and they were de-emphasizing politics.

Q: But it seems like that (having supported the winner) would be to their benefit . . .

RYAN: Yeah. If they had political sense, (but) they (said they) were de-emphasizing politics.

Q: But it seems like that would be to their benefit . . . to have you here.

RYAN: Right. Holding hands with the governor. Right.

Q: But how did that stick in your own mind in '73, compared with what they'd told you in '72?

RYAN: It was conflicting. Also, when they were de-emphasizing politics for reasons that were not known to me, in the spring of '74 — after I'd left them six months, seven months — the boss made a speech to the Bell presidents urging them to get involved in politics, get in there and find out who these (political) people are.

He made that publicly — or at least the news media got ahold of it. See? So there was some kind of reversal there in directions. Southern Bell seemed to be phasing away from political involvement. They were going to turn internally as an efficient, quiet, operating thing with accountants and engineers getting all the responsible jobs. And don't worry about image and all. (Now) that's all reverted to back where they were in the beginning. They're frantically trying to create public image now.

Q: These people who were contributing to political funds — or funds to the political slush fund — first of all, how many people were there?

RYAN: I think there were about seven or eight of them.

Q: Who'd they contribute the money to?

RYAN: Me.

Q: And what would you do with the money?

RYAN: I would save it and give it away. I would usually be paying a (personal) bank note off with it. Because, see, even though the money is collected over a long period of

time, in a political campaign things intensified, prior to the primary and the runoff. Then there's a slump and then they intensify in September again.

So it's feast or famine — and very few feasts. The most I could say is that from the day I got to North Carolina until the day I left the company, the fund was in debt — always.

We never had a cash flow. It was always in debt. Of course (laughing), when I came in it was broke, you know, and, of course, I did get involved in helping four administrations settle some debts.

Q: These executives who were contributing to this fund, did they make the decisions on who got the money?

RYAN: No.

Q: Who made the decisions?

RYAN: I would. Well, no. I would make most of them, but the (Bell state) political advisers, John Cooper, (Charles) McCuiston and now Bryan Houck, they'd come up and say, like in their '72 thing when they were over there with . . . , they'd say: "Well, we gotta give some money." And we gave him a couple hundred dollars, you know.

Q: Do you know whether that was reported?

RYAN: No. I don't know.

Q: These political contributions — in your mind — was any of this illegal?

RYAN: It was a deliberate attempt by a large corporation to circumvent the election laws. I pleaded over the years that it was illegal and unethical, only because it disturbed the hell out of me that certain participants (executives under Ryan) got big adjustments in pay and contributed nothing.

I never wanted anything to do with being the bag man on the thing. It's an ugly, nasty, hopeless task because somebody's upset all the time. Some candidate or some campaign manager or somebody with a referendum or something. They got more demands for money than you can even think of.

Q: In the political contributions, is it your understanding

that you were backing four candidates at once (in the 1972 gubernatorial race), that was more than just your personal preference. If you were just an individual citizen, you wouldn't have backed four candidates, for Governor. Is this some kind of professional corporate connection?

RYAN: Well, that's right. You can't separate the two. Really. Even though in my capacity as the chief executive officer for Bell in North Carolina, you really know that those four are going to end up as one — that one of those four is going to be governor due to the circumstances surrounding my departure from your identity as an individual, so that they're looking at you as the head of Bell Telephone for North Carolina, and you, as a private citizen.

If you weren't a big utility or a big company, you'd just pick a candidate and hope that he wins, you know, and you give him a contribution or you pay for the billboard or something or some advertisement.

But, when you're in a big company, I guess it's only fair to say that the stream of campaign managers and candidates who come by for help is endless. See, everybody thinks, "Bell's big. They have plenty of money. Go down and ask them for some."

You're just watching all four of them (gubernatorial candidates), and you're not going to turn somebody down and say: "We just can't give you anything." That's not interpreted as (meaning) you don't have money. That's interpreted as (meaning) you're an opponent. You're against him.

Q: Did you ever feel that you personally were doing anything illegal?

RYAN: It got to be a way of life, you know. Of course, I was borrowing money all the time, which made me uncomfortable, because, in all the time I lived in North Carolina, I've averaged between \$500 and \$600 (a month) of my personal money ended up in the political game.

Q: Was this a practice you found when you came to North Carolina (in 1964)?

RYAN: The political plan? Oh, sure. It was a going concern when I got here.

Q: Mr. Skinner said, in replying for the company, that if any such (political) fund had operated, it was without company knowledge.

RYAN: Poor Mr. Skinner. He's just totally uninformed. And he's probably telling the truth. He just may be — with his background and all — being a staff man and all — it's very possible that he doesn't know anything about this. It's also possible that the circumstances surrounding my departure from the company, that this thing may have been shut down. I told them to shut it down.

Text Of Ryan's Charges That He Was Forced To Retire From Bell

Following is an edited transcript of an interview with John Ryan concerning his experiences as a top Southern Bell executive and circumstances surrounding his departure from the company.

Q: Southern Bell says you were relieved of your duties as vice president and general manager of Southern Bell on Aug. 1, 1973, because the top management felt that it was time for a change. They say this was by mutual agreement. Do you agree?

RYAN: No. That was a forced retirement that was a very shocking experience — to have people from Atlanta to come up to North Carolina and for people that I knew and trusted over a long span of years to then commence secret interrogations with so many of my people and to probe into political affairs and into my personal life and to really frighten so many of my people into more or less falling in line to a foregone conclusion that the Atlanta people had reached, which was to eliminate me.

I've been deeply hurt by some of my top assistants, who immediately transferred

their loyalty to Atlanta. I also knew all along that my telephone lines were being monitored because of certain leaks that could only have come from the telephone. I found that to be a very depressing thing.

Also, the meeting that was held — the departure meeting where I allegedly mutually reached an agreement — my son had been injured a few days before — very severely — and was still in critical condition in the hospital.

I had not slept for many days, and his mother and I were with him constantly. I received a telephone call to meet with the Bell officials in response to a letter that I had sent to them that I was definitely going to take them into court no matter what it took. I was not provided any counsel to explain my rights.

I was real upset emotionally, and I was tremendously concerned with my son. To find myself literally fired from a prestigious company by their use of tactics that were so un-American and so contrary to the image that the Bell system likes to have — I was just crushed and I have been deeply hurt ever since.

I've been victimized for this long period of time by the fact that Bell owns the network and the amount of gossip that was spread all over North Carolina and even into Florida. I have a brother who's with Southern Bell in Florida, and he heard weird stories about me.

And, then the fact if I was honorably retired like the record shows, my name or photograph or retirement career story never appeared in the company magazine at all, and the company never held any kind of farewell for me after 27 years.

This was interpreted by the rank and file within the company as an outright dismissal. The company also planned a cocktail party in Charlotte in early August to welcome my successor, (B. Frank) Skinner, to the community. I was not invited to that party.

I was immediate past president of the Chamber of Commerce and had worked very hard to make Charlotte a better place. I served as general chairman of the United Appeal campaign, and I served as president of the Carolinas International Tennis Foundation, which built the finest

tennis stadium in the country right here. We hosted the U.S. Davis Cup matches for the world's championship, and we did a lot of real good things.

Skinner was brought to Charlotte to meet the department heads. And I received a telephone call from Atlanta to expressly not be present. That removed any doubt as to what took place. And I have lived under the shadow of this ever since.

I think the time has come for a civil suit which will bring out the truth. And for the sake of my family and for my sons, I have every expectation that, insofar as possible, this wrong will be righted by a court of law.

Q: Mr. Ryan, you mentioned the company used "un-American tactics" to probe into your political affairs. Would you elaborate on that?

RYAN: Yes. When I say that Southern Bell used un-American tactics in disposing of me, I'm referring to an insidious method of (my superiors) coming from the corporate headquarters in Atlanta into Charlotte and excusing me while they cross-examined and interrogated my

subordinates and got into my hours — like 10 o'clock until loyalties to somebody else and personal life and did not af- about 3. The conclusion of the who were able to just put a ford me an opportunity to, be- meeting at 3 was that I was cloud over me like: "We can't present for the questioning or through — washed up, I tell you why he left the com- to question their findings. that's it. And that's what pany. We were told not to They simply carried out a we're going to get into how talk about it." And that's all, secret investigation with A (in the court suit) at last. you need. bunch of people (employees) I am convinced that a con- Before I left the company, I who are frightened. They spiracy existed in Southern made a tour of all major cit- reached a foregone conclusion Bell with respect to my offices and outlined the equal opp- and they removed me from orts to employ more women portunity, that the the picture (and) did irrepar- and to see that they were ad- women were going to get the able damage to me without- vanced in management. In promotions, that we're going me ever having any semi- conformity with the affirma- to hire a certain percentage- blance of a fair hearing, tive action agreement that of the minority. My hate. mail That's un-American. he was accountable for in North started immediately not to be Carolina. anonymous stuff.

Q: What was your first knowledge about the internal investigation?

RYAN: Oh, I just got a call — my secretary did — from the airport that (L.E.) Rast (president of Southern Bell) (J.W.) Travis (vice president of operations for Southern Bell and Ryan's immediate superior) and (N.R.) Johnson (vice president of personnel for Southern Bell) were on the ground in Charlotte, and they're coming right over. This is a Monday morning, 8:30 — unannounced.

Q: What date was that?
RYAN: June 19, 1973.

RYAN: Travis and Johnson said they wanted to come and look into some things, and, uh, that, uh, I said well, I was on my way that afternoon. I had a 3 o'clock ap- pointment with the attorney,

general, Robert Morgan — the next morning a 10 o'clock ap- pointment with Gov. Jim Holshouser — to acquaint them with Bell's latest filing for a rate increase of \$34 million. And, Rast quickly said, "Well, why don't you go ahead and just do that? Go and do that."

And, I said: "No. You're up here to talk to my people and you want me to be excused. I'm just going to leave, right now. I'm disgusted. I'll just leave it to you."

I said: "What's it all about?" And he (Travis) said: "We'll be in touch with you Friday." Then I hung up and) walked out.

One or more of them stayed the entire week and shook up the troops real good. They in- terrogated all of my depart- ment heads. Then I got a call and went down (to Atlanta) and went down (to Atlanta) Friday. We met for about five

Q: You say that the compa- ny had refused to reinstate you in this (EEOC) com- plaint? (Ryan has filed a complaint with the U.S. Equal Employment Opportunity Commission.) Did you make the formal application?

RYAN: Yes, I did. I wrote a letter to the president of Southern Bell. And I said: "In the press release of July 17 (1973), you announced that I had been transferred as a vice president, effective Aug- 1, to the company headquar- ters in Atlanta, and that I would be on the staff there. I now request to occupy that job."

And he wrote back and said: "We regret to inform you that we cannot assign you to that job." I have it with his signature.

Q: And you also say (in your EEOC complaint) that since that time, the company has refused to reinstate you — that's one part of it — and the company has harassed and intimidated you. How's the company harassed and in- timidated you?

RYAN: Well, the harass- ment comes principally from telephone calls. I had several (job) negotiations with banks that were progressing, very satisfactorily — for me to have a job opportunity in an area that I probably could have accelerated in.

And then, as we moved along and got closer to mak- ing an agreement, I would suddenly be told that they'd lost interest. And, I know that, informally, people from the bank talked to the Bell people in North Carolina, who were (previously) subordinates of mine, who transferred their



Observer Photo: by JOHN DAUGHTRY

John J. Ryan During Interview At His Home
headed Southern Bell's North Carolina office for nine years

Southern Bell Won't Comment On Retired Officer's Charges

Here is the complete text of the statement issued Tuesday on behalf of Southern Bell by B. Franklin Skinner, vice president and general manager of Bell's North Carolina operations:

Separations of employees at all levels of the business are normally a private matter between the employee and the company. However, since Mr. Ryan has chosen to advise you that he was involuntarily separated, we, therefore, feel that the following statement by the company is appropriate.

Mr. John J. Ryan was relieved of his duties as vice president and general manager of Southern Bell in North Carolina on Aug. 1, 1973, because the top management of Southern Bell felt that the time had come to change the general management of Southern Bell's operation in North Carolina. By mutual agreement, Mr. Ryan retired from the company effective Sept. 1, 1973.

Also by mutual agreement and for Mr. Ryan's personal benefit, he was transferred from the North Carolina organization to the company's headquarters staff in Atlanta as of Aug. 1, 1973, with the understanding that he would retire from the company effective Sept. 1, 1973.

We have received notice from the Equal Employment Opportunity Commission that Mr. Ryan has made a formal charge against the company. We do not feel there is any merit in it but we do not feel free to comment in any detail because this matter is now in litigation and being processed through normal channels.

Further, Mr. Ryan has informed the company that he is initiating a damage suit against the company. Therefore, on advice of counsel we simply cannot comment on allegations by Mr. Ryan concerning any of his activities while in the company's employ, or the circumstances surrounding his departure.

Suit Claims Southwestern Bell Is 'Grossly Unfair To Public'

By NICHOLAS C. CHRISS

Washington Post-L. A. Times Service

SAN ANTONIO — "Watergate is a gnat compared to the Bell system."

On the morning of Oct. 17 last year, T.O. Gravitt, the head of Texas operations for Southwestern Bell Telephone Co., scrawled those words at the end of a long, agonized note to his son, Mike, to which he attached eight pages of allegations against his employer.

Then he left the study of his \$120,000 Dallas home, went to the garage, closed the door, climbed into his car, started the motor and sat until the carbon monoxide exhaust fumes filled the garage and killed him. The coroner ruled suicide.

Sixteen days later one of Gravitt's closest friends, James H. Ashley, another high-ranking Southwestern Bell executive, was fired from his job in San Antonio.

BOTH MEN had been under extensive investigation by company auditors and security personnel. Both have said the investigations coincided with their growing opposition to the company's rate-increase policies in Texas.

Gravitt, 51, was being paid \$90,000 a year as vice president in charge of Southwestern Bell's Texas operation. He had spent 26 years with the company. Ashley, 45, was general commercial manager in San Antonio, earning about \$60,000. He had spent 23 years with the company. Both were "blue-chippers" in the Bell empire, marked for promotion.

On Nov. 15, the Gravitt family and Ashley filed a \$29-million civil suit against Southwestern Bell charging that the company had harassed them and the company's business policies were "inequitable, incorrect, duplicitous, deceitful and grossly unfair to the public."

It was the opening gun of what apparently will be a long and arduous bout between the telephone company and the Gravitt family and Ashley. Allegations from both sides range from sexual impropriety to kickbacks, dubious rate-setting patterns, political slush funds and wiretapping abuses through a sophisticated gadget called the "miniframe."

The two men had been partly responsible for making the company the third-biggest money-earner of 23 telephone systems in the Bell empire. Ashley had been a chief rate negotiator for the company, which covers Texas, Oklahoma, Missouri, Arkansas and Kansas.

NOW A FEDERAL agency has extensively questioned one principal in the matter and is expected to investigate Southwestern Bell.

The company's reasons for firing Ashley, listed by Lou Bailey, vice president of operations in St. Louis, company headquarters, included:

Irregular reporting of work time; probable misuse of company funds, including those for Christmas parties; inducing sexual favors from female employees for their promotion, and probable irregular voucher preparation.

A picture of the controversy has come from the pleadings in the suit, along with other court documents and interviews and material from other sources.

The company's response to the allegations has been that it does not engage in illegal wiretapping, although some employees could without company knowledge. The company has also denied it set up political slush funds, but it said employees were encouraged to donate to the political candidates they preferred.

So far as rate increases are concerned, one officer said, "We have been charged with maintaining two sets of books in Texas — one for our inter-

nal auditors and one for our regulators — to inflate revenue requirements and to obtain rate increases unfairly. Our books are kept in strict accordance with standard accounting practices and the regulations prescribed by the Federal Communications Commission."

Gravitt and Ashley were products of poor families in Oklahoma and Louisiana, young men looking for security. They found it with the Bell system.

THEY OCCASIONALLY lived high as they ascended the corporate ladder to higher salaries and more responsibility. Ashley said in an interview that he had indulged in occasional sexual dalliances with female employees.

"It's hard to avoid it in the telephone company," he added. "There are so many more women than men in the offices. Some practically throw it (sex) at you. I think promiscuity runs rampant in the Bell system."

A Bell company officer vehemently denied this.

As for Gravitt's death, Ashley said, "He was a great family man but I think he began to panic. They (security agents) were getting close to the females and he was close to his family."

One of the most revealing aspects of the suit has been allegations concerning the "miniframe" wiretapping device. A number of sources say it can be activated at company headquarters.

The device reportedly is activated by placing a wire into a grid that corresponds to the exchange of a person's telephone. The number is dialed and any subsequent conversations can be monitored by voice-activated recorders. The person being tapped does not even hear a click.

Federal law allows telephone companies to wiretap while investigating the possibility of fraud against the company by phone users. No

court order is necessary in such cases. But Ashley suggests that the wiretap capability has been abused by Southwestern Bell.

Many of the Ashley-Gravitt allegations have been backed by a third high-ranking former Bell executive who resigned after 26 years. The man, who asked to remain anonymous, said in an interview, "There's plenty of dirty linen to be brought out into the public, but mainly it's the wiretapping and the slush funds."

ASHLEY ALLEGED that 142 top Southwestern Bell executives had been required to make political contributions in the 1960s and that for a long period they each had given \$50 a month. Later, officers simply were given \$1,000 raises and were specifically instructed to donate it to who could help the company most, he said.

"We had no choice," he said. "We were required to make the 'voluntary' contributions."

Ashley said Texas had become the biggest earner in Southwestern's five states, in part, because the state had no public utility commission and, consequently, little regulation.

The company deals with individual communities, few of which have the knowledge to deal with complicated rate-increase cases. (In North Carolina telephone rates are set by the N.C. Utilities Commission.)

"I was responsible for billing over \$30 million a month, from only one-third of the state," Ashley said. "Imagine the economic weight. It's not the illegitimate contracts. It's the use of legitimate monies. You learn how to do business with a city councilman who has a printing company or a

hauling and storage company or an architect or contractor.

"From the very beginning you learn to get along with key community leaders, to win their confidence, their loyalty and their commitment to win higher telephone rates."

Ashley's allegations are bolstered at least in part by a March 1974 memorandum written by J.M. Good, then a Southwestern vice president, who advised Gravitt when he took over the Texas operations:

"**THERE IS** no question to what the Southwestern approach in Texas rate cases is out of step with its approach in Missouri and Kansas and with that used by other Bell system companies." Good said "it is quite possible the present approach may become untenable" and that Southwestern Bell's approach "is also out of step with that of other utilities in Texas."

Before he was fired, Ashley tape-recorded statements from company officers, apparently in an effort to gain information to use against them. He did not disclose how many conversations he recorded but he has turned several over to his attorney, Pat Maloney of San Antonio. The tapes were made without the knowledge of the persons to whom Ashley was speaking.

Texas Bell has lost about \$5 million a month in new revenues as the controversy simmers, Ashley said, because many rate increases have been held up by Texas cities since the allegations of the Ashley-Gravitt suit became public.

"What we are doing is important," he said. "No one else has done it before, but things need to be made right."

F B I

Date: 1/19/75

Transmit the following in _____
(Type in plaintext or code)

Via AIRTEL _____
(Precedence)

To: Director, FBI

ATTENTION:

From: SAC, ~~ATLANTA (Enc. 4)~~

- GENERAL INVESTIGATIVE DIVISION
- CIVIL RIGHTS-SECTION
- CRIMINAL SECTION
- INTELLIGENCE DIVISION

Subject: JOHN J. RYAN, - O
ISSUES

b6
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- CR EL DIH CRA-64
- DAMV DAMV-FR CAA
- EID Bomb Threats Extremist Matters
- PA PE PF E
- AP IWFC CWAA FI
- White Hate Black

Summary of Complaint:

Former Southern Bell Telephone and Telegraph Co. official fired from his \$64,000 year job in July, 1973, alleged in newspaper interview in 1/15/75 edition of Charlotte Observer, a morning daily Charlotte, N. C., newspaper, that he handled the Southern Bell slush fund paying out \$38,000 in 1972 election campaign; that company gave executive's involved raises and then instructed as to what part of raise was to be used in political fund.

Company officials won't comment. Also, in same edition an article under by-line Washington Post, LA Times Service,

INDICES: Negative See Summary

ACTION: UACB:

- No further action being taken and
- LHM enclosed
- FD-376 (Enc. to LHM)
- LHM being submitted
- Report being submitted
- Preliminary investigation instituted
- Limited investigation instituted
- Investigation continuing

Copy to: USA Asheville, N.C.
 Secret Service
 ATF

- 3 - Bureau (Enc. 4)
 - 2 - Atlanta (Enc. 2)
 - 2 - San Antonio (Enc. 2)
 - 2 - Charlotte
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Approved: _____
Special Agent in Charge

Sent _____

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similar allegation relating to Southwestern Bell Telephone Company, San Antonio, Texas.

(Mount Clipping in Space Below)

Council To Hear Bell Request

Allegations May Delay Rate Increase Decision

By MIKE MORRISON
Texan Staff Writer

City Council will hear Thursday "Ma" Bell's request for a 24.2 percent rate increase but a barrage of damaging allegations has placed the company's request in jeopardy.

Bill Holman, former Southwestern Bell Austin division manager, said Tuesday that Bell had given printing work to an Austin City Council candidate and promoted the candidate's daughter who was working for Bell to gain support for a recent Austin telephone rate hike.

"Well, certainly, it was payola," Holman said.

This latest charge "will have an effect on the council's decision," Councilman Bud Dryden said Wednesday. "All this news makes the water kinda muddy."

City Councilman Dan Love said he would support an investigation of Bell by the city if "City Atty. Don Butler recommends that it would be in the best interests of Austin."

"Today's allegations have been very harmful and will only promote delay," Councilman Lowell Lebermann said.

Holman claimed nearly all the company's district and division managers in Texas were involved in distributing gifts and illegal campaign contributions.

His revelations were included in a transcript filed by former Bell manager James Ashley into court records in connection with an antitrust suit filed against Bell by San Antonio Telephone Co.

A \$29 million suit also has been filed against Bell by Ashley and the family of T.O. Gravitt, head of Bell's Texas operations until his October suicide in Dallas.

The transcript involves a conversation in October between Ashley and Holman. Ashley has since been fired and Holman is currently on "special assignment" for Bell.

(Indicate page, name of newspaper, city and state.)

PAGE 1

THE DAILY TEXAN
AUSTIN, TEXAS

Date: 1-16-75

Edition:

Author:

Editor:

Title:

Character: b6
b7C

or

Classification:

Submitting Office: SAN ANTONIO

Being Investigated

56-185-17

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FBI - SAN ANTONIO	
	Page

Holman also revealed that he gave a case of Scotch whisky to an Austin man who testified in a rate case. This expense was later written off by the company as a business expense, Holman said.

These two allegations bring home to Austin the unravelling of alleged illegal activities by Bell. In the past month, the company has been accused of improper rate-making procedures, illegal wiretaps, unethical practices and illegal campaign contributions.

In the transcripts, Holman tells Ashley that he falsified Bell financial reports to reflect illegitimate expenses as proper company expenses.

This procedure could affect telephone rates since Bell's operating expenses are taken into consideration by city councils, such as Austin's, when considering a rate request.

In spite of the accusations, Lebermann said the public hearing is still set for 4 p.m. at the Municipal Annex, 301 W. Second St. "Under the law, we have to hear the case," he said.

Bell is asking the city for an additional \$6.4 million in gross revenues. Bell officials cite double-digit inflation rising labor costs and recent substantial local investment as the reason for such a request.

If the Bell proposal is approved in fact, it might be translated into a \$150-a-month increase for residential homes. Gray Bryant, Bell's division manager, said:

In a prepared statement Wednesday, Bryant said these are serious and far-reaching charges that warrant close scrutiny and investigation. Any speculation or even comment at this time could hinder the investigation.

Joe Jordan, Bell's public relations director, said Wednesday that the Austin Bell division is not pursuing any special in-house investigation of the charges.

"We audit the books at a high level at all times," Jordan explained.

Councilmen will receive recommendations from City Atty. Butler and a report from a consulting firm. Hess and Lim, on the rate request. Councilmen Jeff Fried and Dryden said they expect the report to call for some increase in the rates, but lower than Bell's request.

The councilmen were divided on whether to make a decision on the request at the Thursday public hearing, give the company only an interim increase awaiting an investigation or delay the action completely.

Asked who the candidate was, Holman said he accepted the payola. Love had no idea of who it might have been, but it seems that it must have been a losing candidate.

All of the councilmen contacted said they had never been approached by a Bell representative in a seemingly illegal manner. "I have never experienced undue influence of this type—such as trips or money," never Love said.

In the court transcript, Holman told Ashley how he allegedly channeled corporate monies to the late State Sen. Bruce Reagan, D-Comus Christi, U. S. Rep. John Young, D-Tex. and politicians in Austin and Tyler.

Holman asserted that Bell hired former State Atty. Gen. Waggoner Carr for legal work to pay back a \$20,000 campaign telephone bill.

Holman also claimed the company paid for hunting trips made by former Gov. Preston Smith and R.A. Goodson, former head of Southwestern Bell.

Goodson, now an executive with Dallas Federal Savings and Loan, said Wednesday, "This whole damn set of things is a witchhunt. There's no telling what Holman will say next."

(Mount Clipping in Space Below)

Councilmen Answer Gift Charges

Bell Rate Decision Delayed Until Inquiry Completed

City Council unanimously delayed a decision on Southwestern Bell's 24.2 percent rate increase, request Thursday while some of the councilmen responded to accusations that they received illegal campaign contributions from Bell.

The council, meanwhile, will begin its own investigation into the charges. Councilman Jeff Friedman said he felt that action on the increase would be delayed until the investigation, which was authorized in council executive session, is completed.

The damaging allegations aimed at the councilmen came from Bill Holman, former Austin Bell division manager. Holman stated in court transcripts that Mayor Roy Butler, Mayor Pro Tem Dan Love, former Councilmen Berl Handcox and Dick Nichols, received illegal Bell contributions in their council campaigns.

HIS REVELATIONS were included in a transcript filed by former Bell manager James Ashley into court records in San Antonio in connection with an antitrust suit filed against Bell by the now-defunct San Antonio Telephone Co.

At a press conference earlier in the day, Butler admitted receiving a contribution from Holman in his 1971 mayoral campaign. "I have never at any time received campaign contributions from Bell. I did accept \$200 from Holman, as an individual," Butler said.

State statute prohibits corporate political contributions.

HOLMAN ALSO said in the transcripts he gave Love a Bell printing contract. At the press conference, Love said "I have never denied to anyone that Holman contacted me at my ad agency in 1972, and the end product was a brochure contract" for the Bell Waco division.

Love said he had not found in any of his campaign political reports any contributions from Bell or its employees.

"WE DID A job, yes, for Bell at a net profit to the company of \$150," Love said.

Handcox, also present at the press conference, said he had found no contributions from Bell or its employees in his campaign financial records. "If a contribution of this sort was made, it wasn't a check or made to me personally."

In the court transcripts, Holman said he contributed to Nichols' unsuccessful 1973 council race and gave him some local real estate business.

Nichols, a candidate in this spring's council elections in Place 1, was unavailable for comment Thursday.

HOLMAN EXPLAINED that the cam-

(Indicate page, name of newspaper, city and state.)

PAGE 1

THE DAILY TEXAN
AUSTIN, TEXAS

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Date: 1-17-75

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Being Investigated

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campaign contributions and business deals were necessary "because we needed him to get our rate case."

At that time, Bell was asking the city for a 24 percent rate increase. The council eventually approved a 9.5 percent increase recommended by a citizen's study group and City Atty. Don Butler.

Ashley asserted that Butler was given between \$2,000 and \$3,000, but campaign finance statements in the city clerk's office substantiates Butler's contention, revealing only a \$200 contribution from Holman on April 4, 1971.

However, Butler, Love and Handcox said it was possible they might have unknowingly received contributions from individuals that was actually Bell money.

HOLMAN EXPLAINED that he obtained money for campaign contributions from Bell executives and, at times, through company vouchers.

Love, appearing distraught, said he considered Holman a longtime friend, and "at no time was he attempting to buy me."

(Related story page 3.)

At the council meeting, Love said if his company's \$150 profit was "supposed to influence my decision on rate-making, then Mr. Holman is sick."

Asked if he thought it was a conflict of interest for a councilman to accept contributions from Bell executives Handcox said, "It would be very difficult to figure out whose contribution was a conflict — whether it be a \$3 or a \$300 contribution."

BUTLER SAID he did not receive any contributions from Holman in 1973, but "there was no reason why I would not have accepted such a contribution."

"If someone brought you \$2,500, then you would question it," Butler said.

Butler and Love announced earlier this month they intended not to run for reelection this spring. Handcox resigned last week to head the state equal opportunity employment office.

At the public hearing, Austin division manager Gray Bryant discussed allegations that Nichols' daughter, who is employed by Bell, was promoted to influence Nichols' vote on the 1973 rate request. She started with Bell as a switch-board operator three or four years before Nichols entered politics, Bryant said.

BECAUSE OF HER "outstanding ability," she was promoted to a management position and given a 10 percent raise. The promotion took place in July, 1971, "when no one knew what the City Council might do" with a rate increase

proposal, Bryant said.

At the Thursday meeting, councilmen expressed shock and dismay at the most recent accusations. Councilman Bob Binder said that "regardless of the amount, illegal contributions are immoral and unjustified."

Councilman Lowell Lebermann said the allegations "make it impossible for me to take any kind of action on Bell's request." However, he said Holman is the only person who has been quoted, and it "is only one man's version."

SPEAKING TO the council, Bryant said it is "ridiculous to talk of a political slush fund when the largest figures mentioned are \$200."

Butler commented "It might be more appropriate to delay a decision on the rate increase until" ongoing investigations are completed.

The council's unanimous decision to delay the request displeased Bell representatives. "Austin rates are one of the lowest in the nation, and that's what causes us to be here today asking for justice," Bryant said.

Bryant accused the council of "stalling and stopping the mills of justice" because of the current allegations.

In a prepared statement released Thursday, Bell denied Holman's allegations, terming them "half-truths, hearsay and innuendoes."

THE STRONGLY worded statement contradicted Holman's allegations on several counts. Bell's statement discounted his testimony that Bell waived a \$20,000 telephone bill run up by former State Atty. Gen. Waggoner Carr by paying for legal work that he never performed.

Bell termed as distortions Holman's accounts of corporate funds being used to buy football tickets and Scotch whisky, to build a fence and to babysit a former company president's grandchildren.

The Bell statement admitted the telephone company gave \$2,400 to help expand the University of Texas football stadium.

The \$2,400 expense was charged to a miscellaneous account which is not part of the operating expense for Austin of any other city's exchange rate base.

Bell said.

ASHLEY SAID Wednesday that Bell also compiled dossiers on Austin and San Antonio councilmen and used the dossiers to pressure city officials into granting the utility company rate increases.

Ashley's statements were filed Wednesday in a deposition given in connection with the San Antonio Telephone Co. antitrust suit.

Ashley said he once asked for and received from the Bell security division dossiers on city councilmen in Austin and San Antonio.

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S.A. may join Bell probe

By DEBORAH WESER

San Antonio may become one of 30 Texas cities prepared to probe Southwestern Bell Telephone Company's revenue data.

San Antonio's official participation in this study will have to be backed up by money, probably about \$10,000, according to City Finance Dir. Carl White.

The study is being sponsored by the Utility Advisory Council of the Texas Municipal League.

Final determination on a consultant firm to handle the probe will be made

Friday in San Antonio when the TME board of directors meets, White said.

City staff has already indicated tentative willingness to participate in the study. City Council will have to give final approval to any funding for the probe.

The study comes in wake of recent revelations of alleged disparities in how Bell determines revenue tabulations used in requesting rate increases and those presented in the company's property valuations submitted to local and county taxing authorities.

Houston City Council last week authorized \$20,115 to help finance this state-wide study.

White, however, said the move was probably premature because actual details of the cost of the study will not be available until Friday.

The cities of Austin, Dallas and Fort Worth have also earmarked funds for the study under an earlier proposal in which only the major state cities would participate, White explained. Now the participants number about 30 and the cost will therefore be less for each city taking part, he added.

The study will focus on methods used by Bell and other telephone companies in figuring allocations of expenses of and revenues from long distance and local calls.

The distinction is important because the figures are used by the company for both establishing expense and revenue statements used in rate setting and in preparing Bell equipment and property values offered for tax purposes.

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Date: 1-27-75

Edition: HOME

Author:

Editor:

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Classification:

Submitting Office: SAN ANTONIO

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Love Resignation May Be Forced

By MIKE MORRISON
and
MARY WALSH

Texan Staff Writers

Mayor Pro Tem Dan Love may be forced off City Council if allegations are confirmed that his advertising firm did business with Southwestern



—Texan Staff Photo

Dan Love

Bell during his second council term.

The media director of the now-defunct Dan Love and Associates, Roy Butler Jr., said Tuesday that the firm held at least two contracts with Bell through mid-1973.

Butler is no relation to Austin Mayor Roy Butler.

The Austin City Charter specifically prohibits a councilman from engaging in business with a franchise holder of the city.

The charter states this violation "shall ipso facto render vacant the office held by the person so violating

it."

Love will be forced to resign if City Atty. Don Butler recommends it. He has scheduled a press conference for 10 a.m. Wednesday.

Love denied any knowledge of the alleged contracts but said he would "take full responsibility" for the actions of his associates.

Tuesday, Love said he requested from Bell "a full spectrum audit reflecting all the work my company has done for them from 1971 to the present."

Earlier in the week, Love admitted a previous charter violation when his company did a printing job for the Bell Waco division during his first council term.

His subsequent re-election in 1973 removed the necessity of resignation, City Atty. Butler said.

Love's resignation would leave two vacancies on the present council, and according to the City Charter, a special election would be required to fill the second vacancy.

The charter further stipulates that the special election must be called within 60 days, thus raising the possibility of two City Council elections this spring.

The regular council election is scheduled for April 5.

"If Love vacates his seat, it appears to me there would be two elections for this seat," Councilman Bob Binder said Tuesday night.

Joe Riordan, Bell public relations director, said Bell was working on Love's audit request, but it would not be completed until sometime Wednesday.

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Date: 1-22-75

Edition:

Author:

Editor:

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Character:

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Classification:

Submitting Office SAN ANTONIO

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56-185-20

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City Investigation Under Way

Love Resignation Possible for Charter Violation

By MIKE MORRISON and MARY WALSH
Texan Staff Writers

City Atty. Don Butler said Sunday he is investigating whether Mayor Pro Tem Dan Love should resign after Love's admitted violation of the City Charter.

The violation occurred in 1972 when Love said he accepted a printing job from Southwestern Bell without knowing the City Charter prohibits such an action.

"I did violate the charter by doing business for Southwestern Bell. But there's no question in my mind it was an unwillful violation of the charter," Love told The Texan Sunday.

Section three, Article XII of the charter states:

"NEITHER THE mayor, nor any other member of the council nor any elective or appointive officer of the city shall be directly or indirectly in the employ of any person, company or corporation holding or seeking to hold any franchise in the city of Austin, or shall receive directly or indirectly any wage, commission, fee, gift, favor or payment from such franchise holder, and in violation of this section shall ipso facto render vacant the office held by the person so violating it."

Butler said he needs the specific dates of Love's contract to determine whether the violation occurred during Love's first

or second council term.

If the violation occurred during the first term, Love's subsequent election to a second term in April, 1973, may have removed the necessity of resignation, Butler said.

Two or three weeks after the initial contract, Love said he refused a second Bell contract because Butler advised him against it.

BUTLER SAID that he did not realize that a charter violation had occurred because Love had already completed one job.

However, Love told The Texan he was very specific when he told Butler the first job was completed. He related their conversation verbatim in this way:

Love: "Don, I've just done a job for the telephone company, and they've asked me to do another."

Butler: "You have done one?"

Love: "Yes."

Butler: "And they've asked you to do another?"

Love: "That's right."

Butler: "Don't do it."

Asked what his actions would have been if he had known about the first contract, Butler said, "I don't know, I'm just not sure."

Love said he didn't realize his violation because "I didn't read the charter throughout. I just didn't bother to."

IF BUTLER recommends that he resign, Love said he would do so, but

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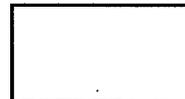
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Acknowledged that he was already considering resignation "because of matters which have nothing to do with this."

Love's resignation would leave two vacancies on the present council and according to the City Charter, a special election would be required to fill the second vacancy.

Love attributed his thoughts toward resignation to a change of careers, but said a great part of my reluctance to resign had to do with my not wanting the city to call a special election.

Regular City Council elections are scheduled to be held in April.

IN ANOTHER facet of his investigation Butler Friday demanded that Bell give him all documents pertaining to telephone rates, and threatened legal action if he did not receive them.

Butler said he wants all depositions and dossiers in connection with allegations of wrongdoing by Austin city officials, but he does not expect Bell to respond to the request before early this week.

A document submitted in a San Antonio court last week asserted that Mayor Roy Butler suggested in 1971 that Bell officials ask for a rate increase larger than needed so that the council could look good by giving them less than their request.

The unsigned 10-page document entitled "The Austin Story" was submitted by plaintiffs in an antitrust suit against Bell by now-defunct San Antonio Telephone Co.

BELL ORIGINALLY asked the city for a 24 percent rate hike but the council finally approved a 9 percent increase upon the recommendation of a citizens study group and the city attorney.

Transcripts released last week in the Bell lawsuit also included allegations to that former City Councilman Dick Nichols accepted some real estate deals from Bell while on the council.

The Austin American Statesman reported Saturday that Nichols received a \$700 commission for handling the sale of a piece of property to Bell in the Greedmoor area. Gray Bryant, Bell division manager, said the sale took place in 1972 or 1973.

NICHOLS, a candidate for the Place 1 seat in this spring's council elections, was unavailable Sunday for comment.

Bryant, in a press release, said Friday the allegations in "The Austin Story" are based on "hearsay and assumptions."

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Bell renews rate hike effort



DIR. CARL WHITE
"Not surprised"

By DEBORAH WESER
Southwestern Bell Telephone Co. this week renewed efforts to win City Council approval for its area-wide rate hike request. The move came in the form of conversations with several council members initiated by Bell officials. "I told them I wouldn't deal with it

now," Mayor Pro Tem Lila Cockrell remarked Thursday. Other council members also declined to take it up again now.

She confirmed a Bell request to discuss the rate matter had been directed at her earlier in the week.

Meeting declined

However, she declined to meet with the telephone company officials, Mrs. Cockrell said.

Other council members, among them Dr. Jose San Martin and Cliff Morton, confirmed similar contact with Bell officials. Councilman Bill O'Connell also

heard from the utility executives reports indicate.

The move came as no surprise to City Finance Dir. Carl White. White pointed out Bell officials have never indicated a wish to withdraw their rate hike package.

Anticipated

"They have not told me they are ready to withdraw. I know they're still anticipating some kind of action," White remarked Thursday.

Since Bell put its package on the council table for review last September, White has been named city utility supervisor in addition to his financial duties.

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SAN ANTONIO, TEXAS

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Date: 1-24-75

Edition: HOME

Author:

Editor:

Title:

Character:

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Classification:

Submitting Office: SAN ANTONIO

Being Investigated

56-185-22
SEARCHED.....INDEXED.....
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JAN 24 1975
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A consultant's report on the Bell package valued at an annual \$5.7 million increase in area revenue is expected in mid-February, White added.

That report, called for by council, is overdue because the consultants have proceeded with caution after recent about-Bell political and other activities, White said.

Damage Suit

The company currently is handling a \$9 million damage suit filed by former Bell executive James Ashley and the family of the late J. O. Gray III, Bell's top Texas

executive until his suicide last year, Morton, meanwhile, said Bell executive Jim Reed simply asked him about progress on the consultant's report, councils expecting.

Not contacted

Mayor Charles Becker and councilman Glenn Tacy both said they have not been contacted by telephone by company officials on the rate matter.

The Bell rate package would hike private residential rates by 16 percent and business phone tariffs by about 20 percent.

© Gray III, Bell's top Texas

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Court bars Bell taps and file burning

Southern Bell Telephone Co. is to stop any illegal wiretapping and is to keep corporate documents that might be evidence in a \$29.2 million suit against the firm.

That is a court order issued Monday by 166th Dist. Judge Peter Michael Curry who added he is not acknowledging Bell had wiretapped or destroyed documents.

However, he said he is also not denying such acts had been carried out.

The ruling came after a seven-hour hearing relating to a damage suit filed against Bell by James H. Ashley and the T. O. Gravitt family.

Ashley was fired as a Bell assistant vice president Oct. 31. Gravitt was Bell's Texas chief when he committed suicide in Dallas last October.

Ashley testified Monday Gravitt, the week before

Gravitt committed suicide, told him Bell had a tap on Ashley's home phone.

Phones checked

Ashley also testified about a 1973 incident in which he said a Bell lawyer supervised the purging of firm files of correspondence damaging to Bell's position in an antitrust suit.

J. L. "Slick" Patterson of Houston testified he had checked the phones of Ashley and Ashley's attorney, Pat Maloney.

The wiretap expert said he found they both had been tampered with, but neither had wiretaps.

Bell security chief William J. Jonas Jr. denied knowing of any incident in which Bell

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Date: 1-28-75
Edition: RED STREAK
Author:
Editor:
Title:

Character:
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Classification:
Submitting Office: SAN ANTONIO

Being Investigated

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SEARCHED.....INDEXED.....
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unlawfully wiretapped a citizen.

Bell attorney Leo D. Eckhoff, Jr., denied having ordered a purge of company records.

He said the files were gathered to let a Bell lawyer from St. Louis to investigate local competitive practices. Eckhoff said nothing was removed from the files or destroyed by the attorney.

JURY OPENS BELL PROBE

A federal grand jury was to open an investigation into activities of Southwestern Bell Telephone Co. Tuesday.

Subpoenaed to appear before the panel are T. O. Gray, executive chairman, Ashley and Bill Hoffman, former Austin district manager.

The U. S. Attorney's office declines to say what is subpoenaed in the probe and what the grand jury is investigating.

A Bell spokesman said the firm knows of the investigation but doesn't know why the investigation is being opened.

Ashley was fired last October after Bell conducted an internal investigation of its operations.

He and the T. O. Gray family are suing Bell in state court for \$8.9 million in damages. Gray was Bell's Texas chief when he committed suicide last October.

Voices

The voices of Ashley and Hoffman are on tapes in which the two allegedly talk about illegal Bell operations.

The tapes came to light in federal court here during an anti-trust suit against Bell.

Copies of the tapes have been requested by the Securities and Exchange Commission for use in an official inquiry into Bell's activities.

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End illegal taps, court orders Bell

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Date: 1-28-75
Edition: HOME
Author:
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Character:
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Classification:
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ORDER

By JOHN GONZALEZ
Southwestern Bell Telephone Co. was ordered Monday to desist in unlawful wiretapping and to preserve corporate documents that might be evidence in the \$29 million lawsuit pending against Bell.

After a seven-hour hearing in 166th District County District Judge Peter Michael Curry also ordered Bell to retain many recordings it might have of unlawful wiretapping of telephone conversations.

In making the ruling, Curry said he was not acknowledging wiretapping or document destruction had been carried out by Bell. He was equally adamant in saying he was not denying the suit even occurred.

The hearing was in relation to the damage suit filed Nov. 13 against Bell and American Telephone & Telegraph by James M. Ashley and the family of the late T. O. Graffiti.

Fired

Ashley fired as a Bell assistant vice president Oct. 31 testified Graffiti told him the week before he committed suicide that Bell had set up on Ashley a home phone.

Ashley also testified about a 1973 incident in which he said a Bell attorney supervised the purging of company files to remove correspondence that would be damaging to Bell's position in the San Antonio telephone Co. antitrust suit.

Other key testimony came from a Houston wiretapping expert who said he recently inspected the home phone of Ashley and the office phone of his attorney, Pat Maloney, and found they both had been bugged with but neither had wiretaps.

Capability

J. L. Stick, Patonson also testified Bell has the capability to listen to any conversation in this area without wiretaps detected.

Bell attorneys Hubert Green and Jack Hedpton said the ruling was not unexpected, adding it would have little effect on current Bell practices.

According to the attorneys, Bell does not plan to tap phones illegally or destroy evidence. They said Bell has not done those acts in the past either.

Ashley testified he was shocked but not surprised when Graffiti said Ashley's phone was being tapped.

'Definitely'

Mr. Graffiti told me the Saturday before he died I was definitely being wiretapped," Ashley said.

In an interview, Ashley said Graffiti told him that a top Bell official in St. Louis, Mo., was able to quote statements made by Ashley in his home.

Ashley said he suspected a tap was placed on his phone that would pick up all room conversation, whether the phone was hung up or not.

He said he and Graffiti — both suspecting wiretaps on their phones during a Bell internal investigation — developed a code system to communicate in the weeks before Graffiti's death Oct. 17.

Single wire

Patterson said Ashley's phone had a single wire leading outside his house that had been cut. He said it appeared "highly unusual" since Western Electric and Bell are usually pretty neat with wiring.

The Houston man said Maloney's phone console had two wires leading out of his

Continued from Page 1A

law offices that could go anywhere. The wires were not connected but were wrapped in black tape, Patterson said.

Patterson testified the Bell system uses a device that can record conversations in combination with a device that records numbers dialed.

Ordinarily, the devices are used by Bell to investigate persons suspected of defrauding the phone company with electronic devices that bypass billing equipment.

Court orders

Bell security chief William J. Jones Jr. said the only other use for the machines is to allow law enforcement officials — with court orders — to investigate suspected felons.

He denied knowing of any incident in which Bell unlawfully wiretapped a citizen.

Ashley testified he suspects Bell might destroy documents based on a 1973 incident in which Bell attorney Leo J. Eichhoff Jr. ordered the destruction of certain Bell files.

Ashley said Eichhoff gathered the files of several departments to seek information that might be damaging to Bell in the Santel case. He said Eichhoff told department heads a staff meeting that a federal court was liable to order Bell to open its files related to competitive activities.

'Hot list'

Ashley said one of the items scrutinized was the "competition hot list," a list of customers interested in Bell equipment of competitive companies.

John Steele, Bell's chief

rate engineer here, said after the Eichhoff meeting department heads were instructed not to allow anti-competitive attitudes to be reflected in Bell files.

Denial

Eichhoff denied ordering the destruction of documents. He said the files were gathered to allow a Bell attorney from St. Louis to investigate Bell's local competitive practices. He said nothing was removed from the files or destroyed by the attorney.

Eichhoff also denied knowledge of any illegal wiretapping by Bell. He acknowledged the company has the capability to tap phones, but he said the capability is not abused.

Patterson disagreed. He said Bell has equipment to dial into any conversation without detection.

Security personnel (at Bell) have the ability to just dial up your phone number and camp on it," Patterson said.

'Right to listen'

Patterson said a "security type" from Bell told him in 1965 that Bell owns the phone lines. It just leases them to customers. I has the right to listen in.

Patterson, who uncovered wiretaps on the phones of several Houston officials, said Bell's security forces composed mainly of former Federal Bureau of Investigation agents.

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(Mount Clipping in Space Below)

U.S. jury to study SW Bell

A federal grand jury will launch an investigation into Southwestern Bell Tuesday.

The grand jury has subpoenaed fired Bell executive James H. Ashley and Bill Holman, former head of Bell's Austin district.

Both were subpoenaed for an appearance before the grand jury starting at 9:30 a.m. Tuesday.

Refusal

The U.S. Attorney's office refused to say who is being subpoenaed in the probe and what the grand jury is investigating about Bell's operations.

A spokesman for Bell said the company was aware of the grand jury investigation, but did not know why the investigation was under way.

Except for Holman, who currently heads Bell's Victoria office, the spokesman said he did not know of any other Bell officials who received subpoenas.

Ashley's and Holman's voices are on the controversial "Ashley Tapes" in which the two men allegedly talk about illegal Bell operations.

Surfaced

The tapes surfaced in federal court here during an unrelated anti-trust suit against the Bell System.

Also, copies of the tapes have been requested by the Securities and Exchange Commission for use in an official inquiry into Bell's activities.

Ashley and the family of the late T. O. Gravitt, former head of Bell's Texas operations, are suing the phone company for \$29 million in a damage suit in state court.

The grand jury met Monday, but those appearing were mainly government agents in unrelated criminal cases.

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Date: 1-28-75
Edition: HOME
Author:
Editor:
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Classification:
Submitting Office: SAN ANTONIO
 Being Investigated

56-185-29
SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....
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4 quizzed in federal Bell probe

Two Southwestern Bell Telephone Co. employes, a former employe and an Austin reporter appeared before the federal grand jury here Tuesday as it apparently launched a probe into Bell activities.

The U.S. Attorney's office declined to say what the grand jury is investigating or who has been subpoenaed.

Bell Vice President and General Manager C. L. Todd said he does not fear a full-blown federal investigation or any information that might be revealed by it.

"We are glad to see it, in fact," Todd said. "It can't do anything but help us."

Four appear

Sources said four men appeared before the panel Tuesday. They are James H. Ashley, Bill Holman, Ward Wilkinson and reporter Mike Cox.

Ashley, fired San Antonio general commercial manager for Bell, and Holman, Victoria Area Chief for Bell, talked of political contributions made by Bell executives in a taped conversation.

Wilkinson is Bell's assistant vice president of public affairs in Dallas. His duties included being a registered lobbyist in Austin.

Articles

Cox, an Austin American-Statesman reporter, apparently appeared before the panel to discuss articles he had written on Bell's activities in Austin.

A spokesman in the U.S. Attorney's office said the panel will not meet Wednesday and a date has not been set for re-convening the jury.

March trial sought

A March 24 trial date is being sought by originators of the \$29 million damage suit against Southwestern Bell Telephone Co.

James H. Ashley and the family of the late T. O. Gravitt also seek to compel three top Bell officials to respond to questions they left unanswered in depositions.

Both issues will be discussed Feb. 7 in a 166th District Court hearing.

The motion to set the March trial date said a firm date is needed due to "complexity of issues" and the logistics required in assembling various witnesses.

A separate motion said depositions had not been signed and filed by Bell executives C. L. Todd, Porter Mitchell and Bill Holman.

Todd and Mitchell refused to answer more than 200 attorney's questions each during deposition sessions Dec. 19 and Dec. 23.

On Jan. 7, they were ordered to file written answers to the unanswered questions. Holman gave his deposition last week.

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Date: 1-29-75

Edition: HOME

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Editor:

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Submitting Office: SAN ANTONIO

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Todd denies Bell taps

Southwestern Bell Telephone Co. has been ordered to cease doing something it has not been doing, Bell Vice President C. L. Todd said Tuesday.

Todd also said allegations of wiretapping by Bell made by a dismissed executive has

Federal jury quizzes 4 in Bell probe, 3A

shaken the faith of phone company customers and the general public.

Dist. Judge Peter Michael Curry Monday ordered the phone company to desist in unlawful wiretapping and to preserve corporate documents that might be evidence in the \$29 million lawsuit against Bell.

"We're disappointed in Monday's court decision ordering us to desist from something that we're not doing," Todd, also general manager of Bell here, said.

Judge cited

The judge, himself, pointed out in the ruling that he is not acknowledging any truth of the plaintiff's allegations of wiretapping and destruction of records, Todd said.

Judge Curry, in making his ruling Monday, said he was not acknowledging wiretapping or document destruction had been carried out by Bell.

He also said he was not denying the acts had occurred. The hearing was in relation to the suit filed against Bell and American Telephone & Telegraph by James H. Ashley and the family of the late T. O. Gravitt.

Ashley testified Gravitt told him the week before he committed suicide (on Oct. 17), that Bell had a tap on Ashley's home phone.

He also told about an incident in which he said a Bell attorney supervised the purging of company files to remove correspondence that would be damaging to Bell's position in the San Antonio Telephone Co. anti-trust suit.

Response

To this, Todd responded.

"We're not shocked that Mr. Ashley claims to have found evidence of taps on his line after all the charges he has been making about wiretaps. The question really is, if taps were on his line, who put them there and when?"

"Bell has never tapped Ashley or his attorney's telephones, and we doubt seriously that anyone would be foolish enough to tap those phones," Todd said.

Todd also said it had been alleged in the taking of depositions that Ashley "knew" of wiretapping that allegedly went on in Austin during the preparation of dossiers on city officials.

"I have seen the so-called dossiers, which consisted of skimpy information that easily could have been obtained from newspaper clippings and conversations with people throughout Austin, including

See DENIAL, Page 2A

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Classification:

Submitting Office: SAN ANTONIO

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DENIAL

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the city officials themselves,"
Todd said.

"Of all the allegations
made by Mr. Ashley against
Southwestern Bell, probably
none shakes the faith of our
customers and the general
public more than his wire-
tapping charges," Todd said.

"Telecommunications ser-
vice is the only thing we sell
and Mr. Ashley is trying to
undermine it in his campaign
to avenge us for his dismissal
from the company," he said.

"Mr. Ashley threatened
when he was dismissed to
embarrass the company and
he knows he can generate
sensational headlines with his
accusations," Todd said.

Dismissals

"He doesn't have to prove
anything until he gets into
court. When he does get into
court, if he proves any wire-
tapping took place and iden-
tifies anyone who did such,
there will be dismissals,"
Todd said.

"But I don't think he is go-
ing to be able to substantiate
any of his charges," Todd
added.

Todd said with 70,000
employees and billions of con-
ductor feet of cable and tons
of switching equipment scat-
tered over five states, "no
telephone company executive
in his or her right mind would
state flatly that nobody has
ever listened in on a line."

He added Bell employees
know that wiretapping is a
serious offense for which they
could be fired and
imprisoned.

'Inevitable'

Todd also said any wiretap-
ping as widespread as Ashley
alleged would have been un-
covered long ago "simply
because of inevitable
exchange of information."

Because of employe turn-
over, if wiretapping was
"routine" someone would
have "blown the whistle"
after having retired or after
having left the company for
employment elsewhere,"
Todd said.

"Why would we ruin the
only thing we sell by destroy-
ing or undermining its
privacy? Does it make
sense?" Todd asked.

(Mount Clipping in Space Below)

Grand jury hears 4 in Bell probe

An Austin reporter, two Southwestern Bell Telephone Co. employes and a former Bell employe appeared before a federal grand jury here Tuesday.

The U.S. Attorney's office declines to say what the panel is probing, but sources say it is apparent the grand jury is looking into alleged Bell activities.

Ousted Bell executive James H. Ashley appeared before the grand jury as did Bill Holman, Ward Wilkinson and Mike Cox.

Holman, now of Victoria, has served as Bell's manager in Austin. Wilkinson is with Bell's public affairs department with duties as a registered lobbyist in Austin.

Cox is an Austin American-Statesman reporter and apparently appeared before the panel to discuss articles he has written on Bell's Austin activities.

A spokesman in the U.S. Attorney's office said a date has not been set for reconvening the grand jury.

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b7c

Date: 1-29-75

Edition:

Author:

Editor:

Title:

Character:

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Classification:

Submitting Office: SAN ANTONIO

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SERIALIZED	FILED
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Bell insists courts

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unnecessary

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Southwestern Bell Telephone Co. has been told to stop doing things it doesn't do, Bell Vice President C.T. Todd said here Tuesday.

The company is to stop interfering with Bell's tapping and destroying records, Judge Peter Michael Curry in issuing the order. Curry, in issuing the order, neither acknowledged nor denied allegations that Bell unlawfully wiretaps or has destroyed records that might be evidence in a damage suit against the firm.

The hearing before Curry Monday is part of a \$29.2 million suit against Bell by James H. Ashley and the O'Gravitt family.

We're not shocked that Mr. Ashley claims to have found evidence of laps on his line after all the charges he has been making about wiretaps, Todd said.

The question really is, if laps were on his line, who put them there and when? Todd asked.

Ashley testified Monday before committing suicide (on Oct. 17) that Bell had a tap on Ashley's phone.

Gravitt was Bell's Texas chief at the time and Ashley was an official. Ashley has since been fired.

Privacy? Does it make sense? Todd asked.

Ashley also testified a Bell attorney supervised the purging of company records that remove correspondence that would damage Bell's position in an unrelated antitrust suit. This allegation, and the wiretapping charge, was denied by Bell testimony during Monday's hearing.

"Of all the allegations made by Mr. Ashley against Southwestern Bell, probably none shakes the faith of our customers and the general public more than his wiretapping charges," Todd said.

"Why would we ruin the only thing we sell by destroying or undermining its

CHARGE RIDICULED

(Indicate page, name of newspaper, city and state.)

PAGE 14A

SAN ANTONIO NEWS
SAN ANTONIO, TEXAS

b6
b7c

Date: 1-29-75

Edition:
Author:
Editor:
Title:

Character:

Being Investigated

Classification: 56-185
Submitting Office: SAN ANTONIO

56-185-33

SEARCHED INDEXED
SERIALIZED FILED

JAN 30 1975

ANTONIO

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Holman Says Bell Paid Campaign Money

Confirms That Mayor, Councilmen Didn't Know

By MIKE COX
and LARRY BeSAW
Staff Writers
Copyright, 1975
The Austin
American-Statesman

Austin Mayor Roy Butler and three former city councilmen received corporate campaign contributions from a "slush fund" maintained by the late T.O. Gravitt, a former Austin division manager for Southwestern Bell Telephone Co. alleges in a sworn deposition.

The former manager, Bill

Holman, also said he used his position as a member of the Capital National Bank board of directors to obtain financial information about a city council candidate.

Gravitt, who committed suicide in Dallas last October, was head of Texas operations for the telephone company. His death and the firing of Bell executive James H. Ashley, has touched off a flurry of charges and countercharges of alleged illegal political contributions, influence peddling, rate case fraud and sexual promiscuity.

Corporate political contributions are prohibited by state law.

Holman, however, said the council candidates thought the money was coming from him personally, not the telephone company.

The American-Statesman has examined the 200-plus-page deposition and obtained excerpts from the document, which was given by Holman in San Antonio Jan. 16 in connection with a \$29.2 million libel and slander suit filed against Southwestern Bell by

(Indicate page, name of newspaper, city and state.)

PAGE 1

THE AUSTIN AMERICAN-
STATESMAN
AUSTIN, TEXAS

b6
b7C

Date: 1-24-75
Edition: MORNING
Author:
Editor:
Title:

Character:

or

Classification: 56-185-3

Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 30 1975	
FBI - SAN ANTONIO	

the survivors of Gravitt and by Ashley.

In the deposition, which has not yet been entered as part of the record in the suit, Holman repeats and expands upon several allegations made in the transcript of a taped conversation between himself and Ashley last October.

Following is an excerpt from pages 127 and 128 of the deposition:

Attorney Pat Maloney (who represents Ashley): "How much cash did you give in 1971 to political candidates?"

Holman: "If my memory serves me, \$300."

Maloney: "Who did you give the \$300 to in 1971?"

Holman: "The mayor (sic) race in Austin."

Maloney: "Who did you give it to?"

Holman: "You mean what specific individual?"

Maloney: "The name of the individual. The mayor's race means nothing to me."

Holman: "I believe it was Bill Youngblood."

Maloney: "Did you give it to him personally?"

Holman: "Yes."

Maloney: "Why did you give him cash and not a check?"

Holman: "I am not sure it was cash. I am using the connotation of cash and checks as the same here. I am not sure in that particular instance it was all cash."

Two lines later in the deposition, Maloney asked:

"Did you recapture the money from Bell?"

Holman: "Yes."

At one point in the deposition, Maloney asked Holman if Gravitt told him about the political slush fund:

Holman: "He told me that he had a little fund and that it had to go a long ways, you know."

Maloney: "Did he tell you how he got it?"

Holman: "Not specifically, no."

Maloney: "What did he tell you?"

Holman: "He said, 'Bill, I know that you know that I have. I think he called it a kitty."

"but I can't help you to the extent that you need help, but he did help out in the situation."

Maloney: "How did he help you out?"

Holman: "He gave me some money."

Maloney: "For whom?"

Holman: "Political candidates, councilmen candidates."

Maloney: "Who were they?"

Holman: "Good friends who are now ex-friends."

Bell attorney Jack Hebdon then asked what year those contributions were made.

Holman continued: "1973, Don (sic) Love, Mayor, Pro Tem, Berl Handcox, city councilman, Dick Nichols, city councilman, who lost his race."

In all, Holman said, he contributed about \$400 to \$500 to the candidates. The money, he said, came in some instances

(See BELL, Page A7)

TRANSCRIPT — This is one page of the deposition former Austin Southwest-Bell Division Manager Bill Holman gave to attorneys for ousted Bell executive James Ashley last week in San Antonio. In this portion of the deposition Holman tells from where he received part of the money he donated to Austin city council candidates in 1973.

WILLIAM J. MOORE & ASSOCIATES, INC.
COURT REPORTERS
NATIONAL BANK OF COMMERCIAL BUILDING
SAN ANTONIO, TEXAS

1	Q	Yes, sir. How did you recapture the cash that you gave to the city council candidates in Austin in 1973?
2		
3	A	Well, some I didn't have to recapture because, as I said, Mr. Gravit gave me some.
4	Q	How did you recapture that which you had to recapture?
5	A	Okay. By expense voucher.
6	Q	And how did you show the expense on the voucher?
7	A	I could no more tell you right now than I could fly.
8	Q	Was it mileage?
9	A	It was probably travel expense, yes.
10	Q	And how much?
11	A	But I want you to understand that Mr. Ashley knew what he was signing when he signed it. He knew about it.
12	Q	Because you told him?
13	A	Yes -- well, in some instances I even went to him.
14	Q	Are you suggesting that this knowledge was limited to Mr. Ashley?
15	A	I am not suggesting anything. I was the one asking for the money. You understand. Mr. Gravit wasn't coming to me to try to destroy \$300 upon me. I was the one that was hunting. I was the one that was having the pressure on me in Austin, Texas, for political contributions.
16	Q	Yes, sir. My question is are you telling me that it was only Ashley that knew that you were giving this cash to political candidates?
17		
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25		

Bell Contributions Alleged

(From Page One)

from Gravitt, in other instances from expense vouchers.

Asked in the deposition how he showed expense on the vouchers, he said it "was probably travel expense..."

From page 122 of the deposition:

Holman: "But I want you to understand that Mr. Ashley knew what he was signing when he signed it. He knew about it."

Maloney: "Because you told him?"

Holman: "Yes — well, in some cases I even went to him."

Maloney: "Are you suggesting that this knowledge was limited to Mr. Ashley?"

Holman: "I am not suggesting anything. I was the one asking for the money, you understand. Mr. Gravitt wasn't coming to me to try to bestow \$300 upon me. I was the one that was hurting. I was the one that was having the pressure on me in Austin, Texas, for political contributions."

Also in the deposition, Holman told of pressure on him from his superiors, including Ashley, to win Austin city council approval of a rate increase from 1971 through 1973.

Holman said dossiers were kept on city councilmen to provide information that could be useful in influencing their vote on the Austin rate case.

Asked how the information for the dossiers was collected, Holman replied: "Data from banks, from friends, from many sources."

Holman said he obtained financial information concerning one council candidate while he was serving on the board of directors of Capital National Bank. He did not name the candidate.

Maloney asked Holman why he wanted to know more about him. Holman answered:

When queried on how he got

information from Capital National Bank on the candidate's financial status, Holman said: "I happened to at that time serve on the loan committee at this bank, and I did go through some loan information to see what he owed."

Maloney asked Holman if he "used that service on the board to get information about city council people?"

Holman: "I personally did, yes."

Maloney: "Why specifically did you want to know what he owed?"

Holman: "Mr. Maloney, I was trying to get a rate in Austin, Texas."

Capital National President Dr. Joseph M. Grant had this comment about the deposition passage concerning the bank: "What Mr. Holman allegedly did represents a breach of faith, was highly unethical, completely unsanctioned and without our knowledge."

Grant said if the bank had known of the alleged action by Holman, he would have been asked "to resign immediately."

Holman did resign from the 25-member bank board last April 1, when he was removed from his position as division manager here and placed on "special assignment" with the telephone company.

According to the bank president, Holman's replacement as division manager, Gray Bryant, is now a member of the bank's board.

Thursday night, Bryant said, "The bank would never condone" what Holman alleged in the deposition.

Bryant also denied the existence of a political "slush fund."

"There is no slush fund," he said. "There has never been a slush fund. Bill Holman's contributions were rendered as personal contributions."

The division manager said the

telephone company never authorized contributions to city council candidates.

Last Friday, the day after Holman's deposition was taken in San Antonio, the telephone company issued a lengthy statement saying Holman's deposition "cleared up the question of Holman's campaign contribution to the mayor."

The statement made no mention of Holman's testimony concerning "slush funds" or his "recapture" of the campaign donations through expense account money from Bell.

The man who was the mayor's campaign finance manager in 1971, Bill Youngblood, said late Thursday night he had no further comment on the matter beyond his statement last Friday that Butler did not know of Holman's contribution.

"The money was given to me — it was never given to Roy Butler. It was used only for campaign expenses," Youngblood said in his Friday statement.

He said Thursday night that Holman had assured him the money was from his own pocket, not from the telephone company.

Holman told the American-Statesman Thursday night he resents the contents of his deposition being revealed. He had been subpoenaed to San Antonio to give a deposition in connection with his former

boss's suit against the telephone company.

"I've admitted freely and willingly what I've done," Holman said.

Regarding his actions while a bank director, he said, "I did one damn thing. I took a look to see what one damn guy owed. They didn't know I did it."

In his deposition, Holman said he would not have told Ashley the things he did during their tape-recorded conversation had he known Ashley was already under suspension by the telephone company.

"But all I am saying (is) that this tape was me and my boss talking and I said a lot of things that I guess I shouldn't have said," Holman said in the deposition.

Holman said he asked Ashley to return the tape to him after learning Ashley had been suspended. Ashley refused, Holman said.

In questioning by Maloney, Holman stood by his statements in the taped conversation with Ashley:

Maloney: "Did you consciously lie during your conversation?"

Holman: "Certainly not."

Maloney: "To the best of your knowledge you were telling the truth. Isn't that correct?"

Holman: "Are you calling me a liar?"

Maloney: "No, sir, no sir, Mr. Holman."

(Mount Clipping in Space Below)

Depositions are slated

ASSOCIATED PRESS

ST. LOUIS — James H. Ashley says his attorneys will take oral depositions from 14 Southwestern Bell executives Thursday and Friday.

Ashley is a former Bell executive who has accused the company of requiring contributions to a political slush fund.

Ashley, co-plaintiff in a \$29 million libel and damage suit against Southwestern Bell, said his attorneys had subpoenaed the 14 officers, including Zane E. Barnes, president and chief executive officer of the company.

A Bell spokesman confirmed that the executives would give their depositions, but said the individuals would not agree to allow the news media to attend the session. Ashley had said earlier he and his attorney, Pat Maloney of San Antonio, Tex., would agree to such an arrangement.

Ashley's libel suit against Southwestern Bell was filed after his dismissal late in October from his post as the firm's commercial manager in San Antonio and after the suicide of another top telephone official in Texas.

Ashley, who is a former general staff manager of the St. Louis area, said last month that when employed in St. Louis in 1970 he was one of 40 St. Louis-based Bell executives who were required to make monthly contributions for political purposes or risk losing their jobs.

Bell spokesmen have denied the allegations, as well as denying other charges by Ashley involving rate-making practices.

Ashley testified Tuesday in San Antonio before a federal grand jury looking into the situation.

He was discharged from Bell in an internal investigation.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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Date: 1-30-75

Edition: HOME

Author:

Editor:

Title:

Character:

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Classification:

Submitting Office: SAN ANTONIO

Being Investigated

56-185-35

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SEC probers subpoena 5 Bell officials

The Securities and Exchange Commission has subpoenaed five Southwestern Bell Telephone Co. executives, including three from San Antonio, to testify before its investigators.

Those subpoenaed include C. L. Todd, vice president and general manager of the San Antonio division; Porter Mitchell, general staff manager here; and Mrs. Flossie Reynolds, commercial service observing supervisor in San Antonio.

Also subpoenaed were Bert Lloyd, lobbyist in San Antonio; and Louis H. Sommers, Waco district manager.

Mitchell tentatively is scheduled to testify in Fort Worth Thursday. Todd is slated for testimony on Feb. 14.

James H. Ashley, dismissed general commercial manager in San Antonio, also will testify before the SEC investigators. Pat Maloney, his attorney said.

Damage suit

Ashley and the family of T. O. Gravitt, head of Bell's Texas operations who committed suicide last Oct. 17, last November filed a \$29 million damage suit against Southwestern Bell.

The SEC probers began investigating Bell after the firm amended its SEC registration statement and after 2 allegations were made in the damage suit.

It will be the first time Bell executives have been subpoenaed to testify before the SEC. Some former employees reportedly already have testified.

Testimony

Tuesday, Ashley testified before a federal grand jury here. Two Bell executives also appeared.

The federal grand jury was dismissed. No date was set for the jurors to resume their work.

Maloney, meanwhile, is in St. Louis, where he is taking statements from some 40 executives in connection with the Ashley-Gravitt suit.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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Date: 1-30-75

Edition: HOME

Author:

Editor:

Title:

Character:

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66-185-36

Classification:

Submitting Office: SAN ANTONIO

Being Investigated

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SERIALIZED FILED

JAN 31 1975



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Date: 1/24/75

Transmit the following in _____
(Type in plaintext or code)Via AIRTEL _____
(Priority)

TO: DIRECTOR, FBI
 FROM: SAC CHARLOTTE (56-340) (P)
 JOHN J. RYAN;
 UNSUBS;
 OFFICIALS, SOUTHERN BELL TELEPHONE
 AND TELEGRAPH COMPANY,
 ELECTION LAWS
 (OO: CHARLOTTE)

Re Charlotte teletype to Bureau, 1/23/75.

The information set forth hereinafter was obtained from news articles except where otherwise indicated.

Subject, JOHN J. RYAN, was employed by Southern Bell Telephone and Telegraph Company (SB) for 27 years and since 1964 to mid-1973 was Vice President and General Manager of Southern Bell (a subsidiary of American Telephone and Telegraph Company) operations in North Carolina based at Charlotte, N. C.

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- 2 - Bureau
- 3 - Atlanta
- 1 - Dallas (Info)
- 2 - Jacksonville
- ① - San Antonio (Info)
- 4 - Charlotte

CLW/lhh
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Beginning 1/15/75 and continually since Charlotte newspapers have carried numerous articles showing reporter interviews with RYAN and related information obtained. Also statements and information from Southern Bell representatives have been published as well as from information developed by reporters otherwise.

Subject RYAN on 1/20/75 declined interview with FBI Agents and with SBI Agents after being advised of his rights.

RYAN contends he was improperly terminated from his \$64,000 a year position with Southern Bell in mid-1973 and indicates he intends suing Southern Bell for \$12 million. This termination followed investigation by [redacted]

RYAN contends in news articles that as part of his duties he operated what he termed an illegal political slush fund for nine years which was utilized to channel funds to candidates of both political parties. These funds were obtained from Southern Bell executives. RYAN mentioned eight of his top executives, not named, and stated that the company executives were given other than normal raises in salary for the purpose of the executives kicking back a part of the raise amount to the political slush fund. RYAN also set out that he personally borrowed funds used for the slush fund and that he had not been re-paid all of such funds. RYAN, in news articles, mentioned contributions in 1972 totalled \$38,000. Unnamed company sources indicated the fund may have amounted to \$85,000. Most contributions appeared to have been made to state candidate parties, to gubernatorial candidates; it being noted the North Carolina Governor appoints Utility Commissioners that

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approve utility rate increase. Contributions alleged were made to the campaign of U. S. Senator JESSE HELMS , N. C., U. S. Congressman JAMES MARTIN, N. C. and U. S. Senatorial candidate NICK GALIFIANAKIS who was defeated.

News items set out that _____

_____ admitted knowledge of the political funds but denied he kept the funds in a box in his desk as RYAN alleged.

News articles quoted RYAN as stating that _____

_____ decided the amounts of the executive raises and how much would be kicked back to the political fund. RYAN said _____ would tell him whenever he gave a kick back raise which was separate from normal raises.

RYAN stated decisions as to candidates to receive contributions were made by RYAN and political advisors. _____

_____ RYAN stated contributions were made only following request on behalf of candidates.

Southern Bell on 1/22/75 released statement of _____ at Charlotte and Atlanta, Ga., which set out that RYAN was forced to retire June, 1973, due to poor management performance: that in January, 1972, _____

_____ discussed the matter and _____ counselled with RYAN about his managerial shortcomings but no improvements were made; that on 7/27/72 _____ met with RYAN at Winston-Salem, N. C., (not Greensboro as RYAN had stated) and made

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b7cVia _____
(Priority)

CE 56-340

recommendations for RYAN's improvements but at this time RYAN seemed to have an almost obsessive desire to be closely associated with the Governor at which time RYAN was told to spend more time on company business and less time on civic and political activities; and that at another meeting on 3/6/73 of [redacted] with RYAN, RYAN was told he was being placed on probation because of lack of performance improvements. The Southern Bell statement further set out that on 6/18/73, because of numerous incidents of poor judgment on the part of RYAN, [redacted] met with RYAN at Charlotte for an indepth re-interview and confronted RYAN with the areas of concern. After a full discussion, [redacted] remained in Charlotte for three days to interview each of RYAN's staff members and some other key management people. On Friday, 6/22/73, [redacted] met with RYAN three hours discussing the findings of mis-management and concluded that RYAN's active employment must be terminated. RYAN signed a request for Retirement on a Service Pension (reported as \$26,000 annually) effective 9/1/73. Thereafter RYAN was given \$25,000 in 10/73 and \$50,000 in 11/73 in severance pay and RYAN signed a release of the company from further liability for any claims.

The Southern Bell statement further set out that in 6/73, Southern Bell representatives discovered bogus company expense vouchers which totalled probably \$40,000, the proceeds of which may have been diverted to political contributions. This activity was stopped, and alleged an audit of this matter is still underway.

The news articles appeared to indicate that the political contributions method of procedure was changed in 1973 shortly after RYAN's termination. Prior to this change, according to the statement, it was felt the procedure was in compliance

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(Priority)

CE 56-340

with State and Federal Laws. The article sets out that the company has a plan in existence currently to encourage top managers to volunteer contributions to the political process. In simple terms as indicated as being a savings account to which the executives can authorize payroll deductions to accumulate for the employee's personal account with any disbursement made to the employee only. The custodian of the fund is not permitted to disclose to anyone the names of those participating or any information about the accounts. The disposition of the fund is the employee's business. Other news article indicates this to be non-interest accounts.

In news articles, RYAN contends that although he allegedly was terminated for management shortcomings, he was given an \$11,000 annual salary increase about the end of 1972 during period Southern Bell indicated poor performance. Southern Bell explained this act as something in the line of position of re-allocation.

RYAN in 9/74 according to news articles, filed a complaint regarding his termination with the Equal Employment Opportunity Commission claiming that his dismissal was partly from vigorous enforcement of a federal consent decree between Southern Bell and EEOC requiring Southern Bell to hire more women for higher managerial positions.

News accounts set out that RYAN had difficulty obtaining counselor and was silent for approximately the past 17 months because he was afraid he could not win a law suit against the nation's largest corporation. Also reportedly RYAN's approach is partly attributed to personal matters, RYAN having a son seriously injured in a motorcycle accident about the time of his dismissal and reportedly RYAN and [redacted] Further news stories alluded to a possible affair between RYAN and a female employee reportedly promoted unusually fast. Recent news articles show RYAN has retained Attorney [redacted]

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Special Agent in Charge

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[REDACTED]

reportedly has instructed RYAN not to discuss the matter with investigators at this time.

Recently installed North Carolina Attorney General RUFUS EDMISTEN, according to news articles, will have his office conduct an investigation concerning the matter. This investigation is to be headed by JEAN BENOY, a male Attorney on his staff, who is reportedly highly knowledgeable on utilities operations.

Another factor that reportedly influenced RYAN to open up in this matter was that an acquaintance T. O. GAVITT former Vice-President and General Manager of Texas Bell operations, Dallas, Texas, reportedly committed suicide 10/73 and left memos and letters charging the company with hounding him to death with secret and internal investigations. The

[REDACTED] of Southwestern Bell Telephone Company, San Antonio, Texas, filed a 29.2 million dollar lawsuit against Southwestern Bell Telephone Company charging character assassination. RYAN felt his position was similar to that Texas situation.

RYAN responded to a Securities and Exchange Commission subpoena and was interviewed for several hours 1/18-19/75 at Ft. Worth, Texas, by ROBERT F. WATSON and others of the SEC, Ft. Worth, Texas, Office.

USA KEITH S. SNYDER, Western District of North Carolina, Asheville, North Carolina, after having discussed this matter with THOMAS J. McTIERMAN, Chief Fraud Section, Criminal Division, United States Department of Justice, who desired investigation be conducted, advised Charlotte FBI of investigation request which has been approved by the Bureau.

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Special Agent in Charge

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Via _____
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In view of the matter of the investigation and the numerous allegations as set forth hereinbefore, individuals interviewed who may be involved should be advised of their rights as potential subjects.

Investigation should be expedited as USA SYNDER indicates that at the end of the current court term at Asheville, N. C., 2/14/75, consideration will be given to calling a Federal Grand Jury for possible inquiry and he desires Bureau investigation prior to such action.

USA SNYDER requested that in addition to the specific leads set out, the Office conducting investigation should follow all logical leads in this matter. Copies of appropriate newspaper articles contain background and any subsequently obtained relative information will be forwarded appropriate offices.

LEADS:

ATLANTA:

AT ATLANTA, GA.

Will interview [redacted] for any knowledge of the setting up and operation and maintenance of any political slush fund and if such a fund is admitted, ascertain complete details pertaining thereto and including manner and source of funds obtained, details of the handling of the funds and contributions to candidates, particularly to federal candidates.

Will determine if [redacted] attended a meeting as indicated in Southern Bell statement in the summer of 1972 with [redacted] and subject RYAN and ascertain the place and reason for the meeting and all details which may relate

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in any manner to operation of a political slush fund or similar contributions, noting information about such matter was included in Southern Bell's statement.

Will, through [redacted] obtain complete information pertaining to Southern Bell's discoveries in 6/73 of the preparation and payment of bogus vouchers prior to that time the proceeds which may have been diverted to political contributions.

Will determine the amounts (reported to be \$40,000) and information as to person and/or persons responsible and why the matter was not brought to the attention of proper authorities. It is noted that failure to report under certain circumstances might constitute a misprison felony violation of Title 18, USC, Section 4.

Will obtain copies of the audit conducted concerning the bogus expense vouchers.

Will interview [redacted] Southern Bell along the same lines as indicated for [redacted] above.

Appropriately interview [redacted] to determine the officials or executives of Southern Bell's Charlotte Office during the period of 1970 and 1973 when RYAN left the company for identifies and positions of RYAN's top aide executives from whom RYAN indicated he collected money from for the political slush fund during this period.

Will determine the pay raises given each of these top executives during this period, including amount and reason for the raise and ascertain what part of this pay raise, if any, [redacted] had indicated the recipient should contribute to a

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company political slush fund as alleged by RYAN.

Will obtain from [] any further information he may have, noting he did the investigation at Charlotte, N. C., that resulted in RYAN's termination, that may have a bearing on RYAN's alleged slush fund.

JACKSONVILLE:AT ORMOND BEACH, FLA.

Will contact and interview [] who reportedly retired in 1971 as [] who according to Press articles allegedly confirmed that he knew of such a political slush fund but claimed he did not maintain this fund in his desk as RYAN alleged, to determine any facts in details [] can provide regarding any such funds and full details regarding sources of the fund, how it was handled and candidate recipients of the fund, particularly federal candidates.

CHARLOTTE:AT RALEIGH, N. C.

Will locate and interview [] Southern Bell lobbyists, to determine any knowledge of a Southern Bell slush fund or political slush fund as alleged by RYAN obtaining complete details of any knowledge.

Will specifically interview these individuals for information as alleged by RYAN that they as political advisors had helped decide candidates to whom funds were to be contributed.

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It is noted that both have denied any knowledge according to the press.

AT CHARLOTTE, N. C.

Will again attempt to interview subject, JOHN J. RYAN, 3720-J Park Road, telephone 525-6096, for complete details of the reported slush fund operation as well as details pertaining to any other violations of the Federal Election Laws of which he may have knowledge.

It is noted that RYAN has indicated to N. C. State Bureau of Investigation Agents that he might re-consider and submit to an interview.

10

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(Mount Clipping in Space Below)

2 states acting on Bell

COMPILED FROM WIRE SERVICES

Rate increases in the Bell System were under attack in two states Thursday.

The State of Texas prepared to go to court in an attempt to keep Southwestern Bell from increasing its long-distance rates in the state.

In North Carolina, the Utilities Commission postponed hearings on a \$62.4 million rate hike requested by Southern Bell.

The North Carolina body wants a "complete and thorough independent audit" of the company.

Delay

The commission said the action, which could delay consideration of Southern Bell's rate hike several months, was necessary because recent statements by company officials have raised "serious and substantial questions" regarding the "accuracy and correctness" of Southern Bell's records on which the rate application was based.

The commission's action followed a statement by L. E. Rast of Atlanta, Southern Bell president. Rast said the company discovered "bogus vouchers" for approximately \$40,000 and the proceeds of these vouchers "may have been diverted to political contributions."

Rast's statement was prompted by statements from John J. Ryan of Charlotte, former Bell general manager in North Carolina, who claimed that when he worked for Bell he maintained a political slush fund from which contributions were made to political candidates.

Texas action

Only hours after Southwestern Bell announced its proposed rate increases, Texas Atty. Gen. John Hill said in Austin that he would go to a state district court to seek a temporary restraining order to block the increases.

Hill said he "strongly suspects" that the proposed rate hikes are "partially based on their (Bell's) financial difficulties" arising from Bell's difficulty in getting approval for rate increases in several Texas cities. The refusal to approve the rates apparently stems in part from the publicity received by Bell in connection with a \$29 million suit filed against it and allegations that the company was engaged in unfair rate-setting practices.

Texas does not have a state commission to regulate utili-

See BELL, Page 5A

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PAGE 1

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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Edition: SPORTS FINAL
Author:
Editor:
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Classification:

Submitting Office: SAN ANTONIO

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Pag

BELL RATES

Continued from Page 1A
Rate requests are approved by the cities affected. Bell does not have to seek approval by any state agency for the new long distance rates.

The fight of the state of Texas to question the reasonableness of these rates will be vigorously protected by our office. Hill said.

Bell reacted to Hill's decision by asking for an audience with him.

There is no doubt in our minds that we have a valid need, the company said in a statement issued Thursday night.

We anticipated the additional revenues from this increase when we planned to spend a record high \$705 million to expand and improve our telephone plant in Texas this year. We need to do this to meet customer demands for quality service.

March 1

The rate cases were scheduled to go into effect March 1.

The proposed increases were reported for what Southwestern Bell called a restructuring of its long distance calls within Texas including reduction of the initial period from three minutes to one minute for direct dialed calls. The company also proposed increases for the WATS (Wide Area Telephone Service) within the state.

It said the restructuring would bring an additional \$5 million a year.

Charles Marshall, vice president for Southwestern Bell in Texas, said: "One Plus (customer dialed) long distance calls within Texas are of two minutes or less duration and these customers will experience a cost reduction on these calls."

Rate increases will be reflected on all customer-dialed calls lasting longer than two minutes, as well as on all operator-handled and person-to-person calls. In addition the three-minute initial time period will remain on these types of calls.

Bell said three-minute calls will increase in costs from five cents to 50 cents depending on the distances involved.

The company said standard discounts will apply to all customer-dialed calls placed during the evening, nights and on weekends.

Marshall said the increase in pricing would probably meet with some disfavor which may be amplified by litigation in San Antonio.

We recognize this Marshall said. But we also recognize that the demand for good telephone service doesn't decrease because of unsupported allegations of a lawsuit. These things don't dilute our commitment to serve well nor the demand for dollars and plants to do so.

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Mafia link puzzles Ashley

LOS ANGELES TIMES SERVICE

KANSAS CITY — A mysterious subpoena suggesting a link between two former executives of Southwestern Bell Telephone Co. and a New Orleans Mafia figure was issued last year by the U.S. Justice Department strike force here.

One of the two former Bell executives named T.O. Gravitt, committed suicide about a month after the subpoena was issued.

His family and James H. Ashley, the second man named, have never been told why the subpoena tried to link them to Carlos (Little Man) Marcello of New Orleans, but Ashley charged it might have been prompted by Bell officers in an attempt to "embarrass or scare" them in a dispute with the Southwestern Bell management.

Marcello is reputed to have been the Dixie Mafia chieftain for a number of years.

The subpoena sought information from financial records of a Wichita, Kan., com-

pany that has done business with Southwestern Bell. Ashley and Gravitt were top Southwestern Bell officers.

Although the subpoena was issued last September, no one has ever disclosed what was behind it, and Ashley and the Gravitt family as well as the firm were left wondering why the question had been raised about a possible Marcello link.

"We've been accused in a subpoena of having some kind of strange connection with Marcello, but our accusers have never told us why and they have never revealed themselves," Ashley said in an interview.

Gravitt's family has charged that the document along with an intensive investigation into Gravitt's personal life by Southwestern Bell security personnel, had contributed to his suicide.

Telephone company officers denied any knowledge of the origin of the subpoena.

The document bears the name of Michael A. DeFeo, the head of the U.S. strike force based in Kansas City. DeFeo refused to discuss the matter, as did Justice Department officials in Washington.

Justice Department strike forces are

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PAGE 1

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Date: 2-6-75

Edition: HOME

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Classification:

Submitting Office: SAN ANTONIO

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Special units charged with investigating organized crime.

Ashley and the Gravley firm filed a \$29-million civil damages suit in San Antonio against Southwestern Bell in November that alleged the telephone company had harassed the two men.

The suit charges that the harassment and private lives investigation were results of a falling-out with the company that occurred when the two men voiced opposition to Southwestern Bell practices in seeking rate

See MAPA, Page 2A

MARIA

Continued from Page 1A

increases in Texas.

Ashley, 45, and Gravley were top-ranking telephone executives in San Antonio and Dallas. Each had spent more than 20 years with the firm and was marked for promotion.

Ashley was fired from his job in November but never received any clear-cut reason for the dismissal.

The subpoena issued by the U.S. strike force was dated Sept. 20. It was served Sept. 23 on Quik Print, Co. of Wichita, which has had business dealings with Southwestern Bell.

Quik Print President Bill E. Gravley says that his firm does about \$300,000 business annually with Southwestern Bell in Texas and that through business associations he became acquainted with Gravley and Ashley.

Gravley said the subpoena

asked that the firm notify the U.S. attorney's office in Wichita if there were any records linking Ashley and Gravley with Marcello.

Gravley said his firm had replied by letter for federal officials that no such information existed and he said he never heard anything more about the matter.

He said he permitted his firm's books to be audited extensively by Bellexaminers to check for any dubious connections involving Gravley and Ashley with Quik Print contracts. He said Bell auditors had given the firm a clean bill of health.

Gravley said that when the subpoena was served, "I didn't even know who Marcello was." He said no one had ever volunteered to him the reason for the subpoena or the reason for attempting to link the three men.

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Court blocks Bell's Texas rate increase

ASSOCIATED PRESS
AUSTIN — A temporary restraining order was issued Friday to block a proposed \$45 million rate increase by Southwestern Bell on long distance calls within Texas.

State District Court Judge Tom Blackwell set a hearing for 2 p.m. Feb. 18 in the case.
Atty. Gen. John Hill sought the restraining order minutes after Southwestern Bell officials in Dallas turned down his offer to submit to an

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PAGE 1

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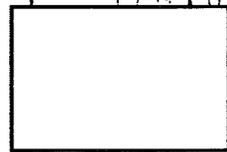
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BELL

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grant utility believes its increase in the rates is justified.

Marshall said Southwestern Bell's 1975 rate of return will be 11.5 percent, a 1.5 percent increase over the 10 percent rate of return he said the company would push the profit margin to just over 8 percent.

He insisted the rates are not inflationary. "We are the victims of inflation, not the cause," he said.

Construction

Southwestern Bell contends the rate hike is necessary to finance \$705 million in construction in Texas this year, construction which the company says is needed to continue its services properly.

Marshall said he hopes Hill would not seek a compromise over the higher rates.

So utility executives, Bell, the representatives, were in Austin Friday afternoon to lay before Hill the company's reasons for refusing to submit to a hearing on the rates.

Marshall denied that Bell needs the increase to offset losses suffered by some city councils, or to fund 10-grant higher local rates. Hill had requested Southwestern Bell to provide specific rates of return on its intrastate toll business. Marshall said the figures are simply not readily available.

Marshall said the rate of return, on toll calls, is an important part itself. The important thing, he said, is the company's overall profit, which includes toll calls.

Petition

In his petition Friday, Hill said:

"The purpose of the rate increases sought by defendant will be highly injurious to the general public, with constitute rates enforced solely at the will of the defendant and will amount to a monopoly in the area of rate-making for intrastate long distance calls."

Defendant company (Bell) by this increase has violated the public trust and the law of this state without providing adequate evidence to support the reasonableness of these proposed rate increases.

Bell said earlier it would "restructure" its rates, cutting customers' costs on calls of less than one minute. But the new rate figured on the old three-minute formula amounted to a hefty increase.

Bell attempted to justify the rate increase this week in a written memorandum to Hill, but that apparently failed to satisfy the attorney general. Marshall reiterated that the

See BELL, Page 7A

informal hearing at which they would seek to justify state increase.

Texas is the only state that has no regulation of any utilities on a state level. City telephone rates are regulated by cities, but intrastate and intrastate long distance rates are set by the telephone company alone.

In his petition, Hill said the Texas Constitution, "several state laws and English common law adopted by Texas 435 years ago, empower him to bring suit to protect any right of the public that is violated."

Hill said the rate increase is "not authorized by law" and was "excessive and unreasonable."

In Dallas, Charles Marshall, vice president of Southwestern Bell, for Texas told a news conference the rate-making powers of the state are in the legislature.

Free to act

Since the legislature has not taken steps to regulate the telephone company, Bell is free to set the rates which it considers are justified, he said.

"We think we have documented our case fairly, accurately and openly," Marshall told the newsman as he pointed to charts and graphs and numerous figures.

The telephone company announced last month it would put the new, higher intrastate long distance tolls into effect March 1.

Hill threatened on Jan. 30 to file suit against Bell to halt the rates. But he later agreed to wait a week while Bell officials consider whether to propose informal hearings.

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Bell wins delay

The \$29.2 million damage suit against Southwestern Bell Telephone Co. will go to trial sometime in May.

Dist. Judge James C. Onion made the ruling Monday, despite arguments from the plaintiffs' side for a March 24 date.

Bell attorney Hubert Green apparently convinced the judge that the March 24 date would be "premature." Green said that more time was needed to take dispositions and that the trial climate is now prejudicial against Bell because of extensive publicity.

Pat Maloney, attorney for former Bell executive James H. Ashley and the T. O. Gravitt family, said holding the trial in March would not be premature. Maloney said he would be through taking depositions and be ready for trial by the end of February.

'Broad issue'

Green said the pre-trial proceedings cannot be completed by March because "the broad issues raised in the allegations require further and complete discovery."

He also said peripheral investigations—Texas attorney general's and state legislative probes—are now under way and should be completed before the trial starts.

The suit was brought last November by Ashley and the family of Gravitt, Bell's Texas chief when he took his life in Dallas in October.

The suit alleges Southwestern Bell conspired with AT&T to ruin the reputations of Ashley and Gravitt.

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Date: 2-11-75
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Long Bell probe seen

A federal grand jury probe of Southwestern Bell Telephone Co. showed signs Tuesday of being a lengthy investigation into Bell's political activities.

The jury, which two weeks ago had its time extended to probe Bell, spent nine hours Tuesday taking testimony from four witnesses.

One of the witnesses subpoenaed to testify was Justin Hoy, retired Southwestern Bell vice president.

Hoy, of St. Louis, was Bell's vice president in charge of public affairs for the entire Southwestern Bell system.

A bell spokesman described the job of "public affairs" as being in charge of rate-making and generally meeting legislators and other political individuals.

Lobbyist

Two weeks ago, the grand jury heard from Bell's registered lobbyist in Texas, Ward Wilkinson of Dallas.

The U.S. Attorney's office has declined to say what the grand jury is investigating and who has been subpoenaed.

However based on the nature of the jobs of Bell executives being called, it would appear the grand jury is looking into Bell's political activities.

The other witnesses appearing Tuesday and those scheduled for Wednesday were not identified.

Also, according to papers on file with the U.S. District Clerk's office, the grand jury is also scheduled to meet Feb. 24 and 25 and March 11 and 12.

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**Top Justice Department
attorney in S.A.**

**Legal ace
joins Bell
probe**

**U.S. jury hears five
more witnesses, recesses**

By ALAN BAILEY

A top Justice Department attorney has been called into the grand jury investigation of Southwestern Bell's political activities.

In San Antonio Wednesday to assist local U.S. attorneys was Robert Hicky, chief of the election and lobbying section of the Justice Department's Criminal Fraud division.

The U.S. Attorney's office would not give exact reason for the attorney's visit to San Antonio.

However, the office did confirm Hicky's visit was related to a grand jury investigation, which is apparently the Southwestern Bell probe.

The federal grand jurors heard five more witnesses during its nine-hour session Wednesday and then recessed until Feb. 24.

Witnesses Wednesday declined to identify themselves, and the U.S. Attorney's office refused to name the witnesses being called.

The office also has refused to say why the grand jury is looking into Bell.

However, unofficial reports indicate the jury is probing Bell's political actions and its lobbying of political favors to obtain better telephone rates.

In an unrelated Bell development, the Associated Press reported the chairman of the Kansas rate-making body now regrets taking a trip last fall to Las Vegas, sponsored by Southwestern Bell.

But Dale Saffels, the chairman, said he has no present intention of resigning his post because he took the all-expenses-paid trip.

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Classification:
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File—Serial Charge Out
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Serial No. Description of Serial Date Charged

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Probers of Ma Bell 'Fan Out'

Investigators for the Texas Senate Consumer Affairs Subcommittee will begin fanning out across the state during the coming month as part of their "spadework" before embarking on hearings into the Southwestern Bell Telephone Co. scandal, according to Mike Thomasson, subcommittee chief of staff.

Thomasson said a special investigative team will begin "fairly soon" to question Bell executives and others in various Texas cities while attempting to obtain documents of an undisclosed nature.

"We're trying to get some kind of basic foundation prepared before we start up any hearings," he said Thursday.

In Dallas meanwhile, attorneys in a \$29-million damage suit filed against the phone company are expected to finish taking sworn statements from present and former Bell executives by late Friday.

Thousands of pages of pre-trial testimony already have been taken, and attorneys have indicated

that considerably more groundwork will have to be done before the much-publicized case goes before a jury.

A trial date of May 12 has been set, but attorneys for the phone company have said they will file a motion—probably next month—asking that the trial be moved out of San Antonio.

The lawsuit, which among other things charges the company with maintaining political slush funds and unfair rate-setting practices, was filed here Nov. 15, 1974, by ousted San Antonio Bell executive James H. Ashley and survivors of T. O. Gravitt, Bell's Texas chief who killed himself a month earlier in Dallas.

The deposition-taking in Dallas came on the heels of two days of grand jury hearings under the guidance of government attorneys in San Antonio this week.

The federal panel, whose participants include a top-ranking U.S. Justice Department attorney from Washington, went into recess Wednesday but is expected to resume work in the near future.

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Classification: 56-185-40
Submitting Office: SAN ANTONIO Being Investigated

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Bell Official Hits Media

LUBBOCK — (UPI) — An official of Southwestern Bell Telephone Co. said Thursday company executives contributed money to political campaigns, but all the contributions were legal and were not meant to influence legislation.

C.L. "Chet" Todd, vice president and general manager of Bell's San Antonio area, said the campaign contributions

were handled in accordance with the federal Election Campaign Act.

"A look at the facts will show we've done nothing that would improperly or illegally influence our regulators or legislators through monetary contributions," Todd said.

Todd said the idea Bell donated money improperly to politicians was fostered by the news media which he said has been biased in its reporting on the Bell controversy.

"No charge — however ill-founded — was deemed too ridiculous for red headline treatment.

"We've tried to respond to these attacks in an ethical, business-like manner," he said. "We've tried to be reasonable and fair in getting our side of the story across.

"But our denials, our citing of facts and our attempts to be ethical just don't make the news.

"Anyone who has been in San Antonio knows we have been the object of a sensational propaganda attack that shows little pretense of objective reporting from some of the media," Todd said.

Todd said this would seem to be a court matter, but had been sensationalized because of the positions held by James Ashley.

"Add to the suit a list of charges and allegations made by the plaintiffs in newspapers or on TV — and the sensational impact is almost atomic," he said.

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Date: 2-14-75
Edition: CITY
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Classification: 56-185-46
Submitting Office: SAN ANTONIO

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Ma Bell case rattles officials

NEW YORK TIMES SERVICE

ST. LOUIS, Mo. — State agencies in Missouri and Kansas that regulate the Southwestern Bell Telephone Company and decide what rates it may charge have been rattled by disclosures that some of their members received gratuities from the phone company.

At the same time, the company has been forced to defend itself against allegations that it coerced many of its executives into contributing to a political slush fund in Missouri. Bell has called the accusations nonsense.

William R. Clark, a 10-year member and former chairman of the Missouri Public Service Commission, resigned last month in the face of almost certain ouster.

Clark resigned after disclosing that he had been a guest of Southwestern Bell on a three-day hunting trip to Texas in 1969. His resignation came as he was preparing to participate in a hearing on a \$52.3-million rate increase request by Bell for its Missouri operations.

Compromise

About a week ago, the company agreed to a compromise settlement calling for an increase of about \$32.5-million.

The figure was considerably lower than what some people believe the company might have attained if it had insisted on a full-scale rate hearing. They wondered whether the company would have settled at that figure had it not been plagued by troubles on a variety of fronts.

Meanwhile, two members of the Kansas Corporation Commission have come under fire as a result of disclosures that they received toll-free phone credit cards from Southwestern Bell and had been the company's guests last year on an expense-paid trip that included a stopover in Las Vegas, Nev.

Free credit

The free credit cards had been provided to members of the commission for years. There appeared little likelihood that the two Kansas commissioners, Dale E. Saffels and Vernon Stroberg, would be ousted from office as a result of the Las Vegas junket.

But Gov. Robert F. Bennett of Kansas sharply criticized Southwestern Bell. He said he considered the telephone company officials' conduct "most unfortunate and reprehensible, regardless of how innocent their motives may have been."

The disclosures about favors extended by Southwestern Bell to members of the agency responsible for regulating utilities are part of a series of developments that have plagued the company since the suicide last October of T.O. Gravitt of Dallas, who headed the company's Texas operations.

Suit

His widow and two sons have joined James H. Ashley, a dismissed Bell executive, in a \$29 million libel and damage suit against Southwestern Bell. Ashley was ousted from a high-level job in San Antonio on Oct. 25 amid an internal investigation by the company into alleged irregularities.

Ashley is scheduled to testify Thursday before the Missouri Public Service Commission concerning his allegations that Bell had unlawfully channeled corporate funds to political campaigns.

He has asserted that, while assigned to St. Louis in 1970, he was one of at least 40 Bell executives based in Missouri who were required to contribute \$50 a month to political candidates designated by the company.

Pay hikes

Ashley contends that, starting in 1968, executives at the department head or vice-presidential level were given pay increases that included \$1,000 a year to cover the alleged monthly political contributions. In effect, he said, this was corporate giving under the guise of individual donations. Missouri law prohibits corporations from contributing directly or indirectly to political campaigns.

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Bell officials said recently that a survey they made showed that 51 executives contributed about \$11,900 last year to political campaigns in Missouri. All the donations were voluntary, the company said.

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Papers to Remain Secret?

Saying that if one deposition is opened, then all should be opened, Curry stated that "I'm not going to open one and make them choose which ones they want. We are not going to play it that way."

The first deposition filed (Continued, Page 8, Col. 3.)

Attorneys for Southwestern Bell Telephone Company say the numerous pages of depositions dealing with the company's operations may never be seen by the public.

District Court Judge Peter Michael Curry, however,

said Monday if attorneys for both sides involved in the \$29.2 million lawsuit against Bell would agree to open the sworn statements, he would unseal the documents.

Bell attorney Jack Heddon said his company wanted to seal the statements from the court to allow the court to rule on what evidence was admissible and what was not.

Several executives of American Telephone and Telegraph Co. and Bell have given depositions in the libel-slander suit by the family of T.O. Gravitt, former head of Bell's Texas operation and fired executive James H. Ashley. Gravitt committed suicide in Dallas last October.

Heddon said the depositions contained information which would be inadmissible at the trial. Some of the items deemed irrelevant to the trial are questions about the telephone company's financial procedures and allegedly deceitful rate making policies.

Pat Maloney, representing Gravitt and the ousted Ashley, said his clients had always wanted the depositions made public and thought the January hearing clarified the matter. Bell has always been of the posture that it should be done in secrecy," Maloney said. "We believe the public

it will seek a change of venue. Because of alleged excessive publicity, Bell said judge said. a change of venue, the depositions and now we want say, "Look, you opened those come in and complain and I don't want them to transcripts are made public.

ones to decide whether the said lawyers would be the during the Jan. 6 hearing. He missaid his intentions Monday he might have However, Curry said media, in January, be open and available to the

believe the depositions would believe the depositions would be open and available to the media, in January, However, Curry said Monday he might have missaid his intentions during the Jan. 6 hearing. He said lawyers would be the ones to decide whether the transcripts are made public.

(Continued from Page 1.)
 domain is best served by the lack of secrecy. It's customary that depositions are public property after they are filed. Curry gave the ruling, which caused many to believe the depositions would be open and available to the media, in January, However, Curry said Monday he might have missaid his intentions during the Jan. 6 hearing. He said lawyers would be the ones to decide whether the transcripts are made public.

Bell Papers

SAN ANTONIO LIGHT
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Bell data face seal until trial

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PAGE 3A

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Depositions in the \$29-million damage suit against Southwestern Bell Telephone Co. probably will remain sealed until the case goes to trial.

Dist. Judge Peter Michael Curry said Monday he would not unseal the sworn statements unless both sides in the dispute agreed.

Attorneys for Bell oppose disclosure of statements on grounds it would add to pre-trial publicity surrounding the case.

Further, some of the information in the depositions may be irrelevant to the lawsuit, according to Bell pleadings.

Plaintiffs' lawyer Pat Maloney said his clients had always wanted the depositions to be public and that he thought a Jan. 6 hearing cleared up the matter.

Ruling

At the Jan. 6 hearing, Curry ruled the depositions would be made public when filed. Curry said Monday he mis-stated that order.

"Bell has always been of the posture that it should be done in secrecy, we believe that the public domain is best served by lack of it (secrecy)," Maloney said.

He said the plaintiffs would ask the court for clarification of the earlier order.

"It's customary that depositions are public property after they are filed. We see no good reason why there should be an exception in Bell's case," he added.

40 depositions

More than 40 depositions have been taken in preparation for the scheduled May 14 trial.

The first deposition taken — that of local Bell Vice President and Gen. Mgr. C. E. Todd Dec. 19 — was filed with the district clerk Friday.

Curry said he would not unseal the depositions over the objections of Bell because it might force a relocation of the trial due to possible allegations of judicial bias.

Todd's deposition reportedly contains information about the general manager's personal political campaign contributions and about his activities as Bell's top local official.

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Edition: HOME
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UNITED STATES GOVERNMENT

Memorandum

TO : SAC, SAN ANTONIO (56-185)

DATE: 3/20/75

FROM : SA

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SUBJECT: UNSUBS;
Southwestern Bell Telephone Company,
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Election Laws
(OO:SA)

A review of this matter disclosed it was opened on 12/4/74 with an allegation that former officers of the captioned firm had made contributions to the election campaigns of certain Federal officials. An LHM was prepared which states that certain considerations be made to the lawsuit currently underway in San Antonio and that the Department be contacted to ascertain whether further investigation be undertaken.

This matter was discussed with the Criminal Section of the Department, and it was advised that no additional investigation should be instituted at this time. Newspaper clippings concerning the local action are being maintained in this file.

Recently, an Attorney from the Department was in San Antonio in connection with the Department's anti-trust suit against AT&T, and he was interested in looking at newspaper clippings concerning the local suit.

It is recommended that this matter be maintained in a pending status in order to continue the collection of newspaper clippings which may be required at a later date.

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FBI - SAN ANTONIO	



(Mount Clipping in Space Below)

Bell

secretary

triggered

sex

probe

Indicate page, name of newspaper, city and state.)

1
ANTONIO NEWS
ANTONIO, TEXAS

b6
b7C

Date: 3-21-75
Edition: RED STREAK FINAL
Author:
Editor:
Title:

Character:
or
Classification: 56-185-51
Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 24 1975	
FBI - SAN ANTONIO	

1 Bag

Southwestern Bell office worker Mrs. Toby Hughes triggered the "sex for promotion" scandal inside the telephone company that led to last year's sweeping probe of highly placed executives, the \$29.2 million libel-slander suit against Bell and other explosive developments, the News has learned.

She says she did it out of "loyalty to the company," and was in no way involved in sexual hanky-panky herself.



A NEWS EXCLUSIVE
By
PAUL THOMPSON

Comely, mid-thirtyish Mrs. Hughes is a secretary-stenographer in the Bell engineering department here. Married to a Lackland sergeant, she has been on the company payroll since Feb. 10, 1961.

Early last summer, she voluntarily furnished initial information against both T. O. Gravitt, the No. 1 Bell executive in Texas, and San Antonio general commercial manager James H. Ashley, according to sources close to the investigation.

Relays rumors

Mrs. Hughes at that time relayed to Bell security officer Jerry Wallace rumors of scandalous behavior by Gravitt and Ashley, the sources disclose.

In essence, the rumors were to the effect that Gravitt and Ashley were sexually promiscuous.

"Being friendly at parties with Mr. Gravitt and Mr. Ashley seems to be the way to get ahead," Mrs. Hughes is quoted in one Bell security report.

Her disclosures to Wallace were transmitted directly to Jim Vaughan, the Bell security manager in Dallas who advised top company officials in St. Louis of what Mrs. Hughes was saying.

Then Edwin P. McKaskel, a top Bell sleuth, was dispatched to San Antonio to check it all out.

McKaskel later headed up an exhaustive probe of Gravitt and Ashley here, using nine imported security officials to put it together.

In the midst of the ongoing inquiry, Gravitt committed suicide in Dallas and Ashley was fired as commercial manager San Antonio.

Then came the \$29.2 million

BELL

From Page 1

lion damage suit, filed by the Gravitt family in conjunction with Ashley, who claims he and the late Bell Texas chief were "first marked for destruction and then systematically framed by company higherups."

Becomes target

Southwestern Bell itself became the target of searching probes in the area of wire-tapping, political slush-funding, influence peddling, rate manipulation and other alleged violations. Secretary-stenographer Hughes was personally interviewed by McKaskel on Aug. 19 of last year. What had been started by her earlier report to security man Wallace then gained momentum.

She said Gravitt on one occasion called her and asked her to go to lunch, an invitation she accepted "because what do you say when the vice president asks you to lunch... so I said, 'Well, OK.'"

Apartment

She said the luncheon date ended with her having a drink with Gravitt in the Spanish Trace Apartments, where Gravitt escorted her to a unit rented by Bill Graveley of the Quik Print Co. to which he (Gravitt) had a key.

Nothing untoward happened there or later that day, Mrs. Hughes told McKaskel, though Gravitt did say things like "when your husband gets back in town what are you going to do" ... and "would I go out of town with him?"

She said Gravitt called her "maybe four times" after that but nothing ever happened between them.

Names women

The rest of the interview involved secretary Hughes ticking off the names of several Bell women employees who had been promoted "under questionable circumstances."

And she told McKaskel at one point that she had heard reports from time to time "that so-and-so got promoted (inside Bell) after going to parties..."

Later, Bell security officers interviewed the women named by Toby Hughes in her taped conversation with McKaskel.

Still later, according to the Bell records, she attended at Ashley's invitation a party in the downtown Travelodge motel near Bexar County Courthouse last September.

Statements

Bell security officials took signed statements from four female company employees concerning their presence in the Travelodge last Sept. 11-13.

A visiting Denison Bell executive and an important Denison political figure not employed by Bell are said to have joined Ashley in what the company describes as a sex spree.

Three Bell female employees admitted in their statements to having sexual intercourse during the party.

Sex activity

Mrs. Hughes, who says she was there for only two hours one evening took no part in sex activity and is accused by none of those present of unvirtuous conduct.

But she does say in her statement to McKaskel that Ashley made a pass at her.

And she later identified for Bell security men the other women present at the party, according to company investigative records.

Security man Wallace, in a deposition taken last week, says Toby Hughes telephoned him shortly before attending the Travelodge party stating she had an invitation from Ashley and asking if it was advisable to go.

Attends

Wallace says he told her to "use your own judgment."

She went. However, Wallace in his sworn statement insists she was in no way an undercover agent working to set up Ashley.

Mrs. Hughes today is held in high esteem by Bell executives and security top kicks who regard her as a key witness in trial of the \$29.2 million damage suit this May.

With seven other Bell female employees she has been subpoenaed to give sworn statements March 26-27 in connection with the damage suit.

The women due to testify consist mostly of those present at the Travelodge party last September.

'I had sex'

Bell already has statements from all of them, including the "I had sex" admissions.

Apparently the telephone company aims to find out if the women stand ready to accuse themselves under oath March 26-27, and can be relied on to stick with other parts of their statements to Bell security cops.

Miss Roby Hughes has indicated to company investigators that she stands by everything she's said to date and will testify in court against Ashley and Gravitt.

Most of the others subpoenaed have to date office of Chuck Ruble, former SAMP lieutenant and an attorney and private investigator, that they do not expect to testify at the trial.

Ruble was retained by plaintiff attorney Pal Maloney to interview the Bell women.

He got little or nothing out of them, Roby Hughes shut him off completely.

Ashley right along has stated that Miss Hughes, in his opinion, was a spy for Ma Bell at the Travelodge party in September.

Transfer

He has contended that she sought on many occasions to transfer to my commercial department inside the company, but that he incurred her resentment by failing to oblige.

In her statements to Bell security men she tells it the other way around, that Ashley wanted her as an employee and she said no.

In taking the deposition of Jerry Wallace, attorney Maloney grilled him for a turn on why he reported Roby Hughes' ruminations to Dallas security manager Vaughan, instead of laying them on San Antonio security officials.

Wallace replied that he knew Vaughan better than any security man here and had total confidence in him.

Attorney Maloney in prior statements has accused Vaughan of having him for Gravitt, threatening to get and saying so to Gravitt's face.

Unwittingly or no, secretary-stenographer Roby Hughes today stands as one Bell witness likely to be a prime target for Maloney in trial of the \$29.2 million lawsuit, perhaps THE prime target.

(Mount Clipping in Space Below)

House supports Hill's Bell suit

ASSOCIATED PRESS

AUSTIN — The House rushed to the Senate Tuesday a resolution supporting Atty. Gen. John Hill's suit to block Southwestern Bell Telephone's announced rate increase for intrastate long distance calls.

Hearing on the attorney general's suit for a temporary injunction is set for Feb. 18 before state District Court Judge Tom Blackwell of Austin.

House members voted 87-48 for the resolution stating that the legislature "does hereby approve, ratify and authorize the action of the attorney general" in filing the suit.

Rep. Jim Nugent, D-Kerrville, the sponsor and the chairman of the House Transportation Committee, which is considering telephone rate regulation bills, said the measure was not intended to expand Hill's authority. He said Hill already had all the authority he needed to challenge the \$45 million increase that Bell intends to put into effect March 1.

"This is an attempt to tell the attorney general to get after it and find out if he can get a fair hearing," Nugent said. He said he knew of no more rapid means to check the increase, if it can be stopped legally, than through a court case.

(Indicate page, name of newspaper, city and state.)

PAGE 1

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

b6
b7c

Date: 2-12-75
Edition: SPORTS FINAL
Author:
Editor:
Title:

Character:

or

Classification:

Submitting Office: SAN ANTONIO

Being Investigated

88-772-11

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 12 1975	
TONIO	
1 Pag	

56-185-52

(Mount Clipping in Space Below)

Long Bell probe seen

A federal grand jury probe of Southwestern Bell Telephone Co. showed signs Tuesday of being a lengthy investigation into Bell's political activities.

The jury, which two weeks ago had its time extended to probe Bell, spent nine hours Tuesday taking testimony from four witnesses.

One of the witnesses subpoenaed to testify was Justin Hoy, retired Southwestern Bell vice president.

Hoy of St. Louis, was Bell's vice president in charge of public affairs for the entire Southwestern Bell system.

A Bell spokesman described the job of "public affairs" as being in charge of rate-making and generally meeting legislators and other political individuals.

Lobbyist

Two weeks ago, the grand jury heard from Bell's registered lobbyist in Texas, Ward Wilkinson of Dallas.

The U.S. Attorney's office has declined to say what the grand jury is investigating and who has been subpoenaed.

However based on the nature of the jobs of Bell executives being called, it would appear the grand jury is looking into Bell's political activities.

The other witnesses appearing Tuesday and those scheduled for Wednesday were not identified.

Also, according to papers on file with the U.S. District Clerk's office, the grand jury is also scheduled to meet Feb. 24 and 25, and March 11 and 12.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

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b7C

Date: 2-12-75
Edition: SPORTS FINAL
Author:
Editor:
Title:

Character:
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Classification:
Submitting Office: SAN ANTONIO
 Being Investigated

44-7725-46

SEARCHED.....	INDEXED.....
SERIALIZED.....	FILED.....
FEB 12 1975	
TONIO	
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56-182-53

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Court ruling sought for Bell injunction

ASSOCIATED PRESS

AUSTIN — Atty. Gen. John Hill asked a state appeals court Friday to rule that a trial court injunction against a \$45 million rate hike by Southwestern Bell Telephone Co. be left in effect until the law suit is finally settled.

Hill asked the 3rd Court of Civil Appeals to modify its decision that threw out the injunction.

Hill also filed a motion for rehearing in the case. If the appeals court denies the rehearing, Hill has 30 days in which to file a writ of error with the Texas Supreme Court.

The telephone company instituted the new rates Wednesday night following the appeals court decision earlier that day.

The increased rates will cost Texans \$123,000 a day in increased rates, Hill said.

Regulation

Hill said if it is ultimately determined that the company can raise its rates without any governmental interference, then it can charge what it wants to make up for the money lost while the issue was decided in court.

In its decision overturning the trial court injunction, the appeals court said since the legislature had chosen not to regulate the phone rates, the courts could not act in that area.

(Indicate page, name of newspaper, city and state.)

PAGE 9A

EXPRESS-NEWS
SAN ANTONIO, TEXAS

b6
b7C

Date: 5-17-75
Edition: HOME
Author:
Editor:
Title:

Character:
or
Classification:
Submitting Office: SAN ANTONIO

Being Investigated

56-185-54

SEARCHED.....	INDEXED.....
SERIALIZED <i>h</i>	FILED <i>h</i>
MAY 19 1975	
FBI-SAN ANTONIO	



UNITED STATES GOVERNMENT

Memorandum

TO : SAC, SAN ANTONIO (56-185)

DATE: 5/27/75

FROM : SA(A)

SUBJECT: UNSUBS;
SOUTHWESTERN BELL TELEPHONE COMPANY,
ET AL

ELECTION LAWS
(OO:SA)

b6
b7c

This matter is being followed closely through the articles which appear in the daily newspapers. At this time, no investigation has been requested by the office of the USA or the Bureau.

The lawsuit of T.O. GRAVITT has been separated from that of and there is a request before the courts to have venue changed because of unfavorable publicity. In addition, an FGJ is currently looking into SWBT's political activities, and it is not known what the Dept. of Justice is going to request in their anti-trust action against the Bell System. All of these actions could precipitate additional work on the part of this office in this matter.

It is therefore recommended that this case remain in a pending status for the purpose of maintaining newspaper clippings and other information pertinent to SWBTC.

1 - SA
PAG:
(1)

56-185-53

SEARCHED	INDEXED
SERIALIZED <i>h</i>	FILED <i>h</i>
MAY 28 1975	
FBI - SAN ANTONIO	

12



(Mount Clipping in Space Below)

Court orders Bell to pay Mrs. Gravitt

By JOHN GONZALEZ

Southwestern Bell Telephone Co. was told Tuesday it has unlawfully withheld nearly \$300,000 in survivors benefits from the widow of a Bell executive who committed suicide last October.

(Indicate page, name of newspaper, city and state.)

PAGE 1

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

b6
b7C

Date: 6-18-75
Edition: SPORTS FINAL
Author:
Editor:
Title:

Character:
or
Classification:
Submitting Office: SAN ANTONIO

Being Investigated

56-185-56
SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....
JUN 19 1975
FBI - SAN ANTONIO



150th Dist. Judge James A. McKay Jr. said a provision in the Bell pension plan that allowed withholding payment of the benefits to Mrs. Oleta Gravitt because she filed a \$29 million damage claim against the phone company was "void and against public policy."

McKay granted a partial summary judgment for Mrs. Gravitt that would make her immediately eligible to begin recovering the funds, though payment may be withheld further with Bell's announcement it will appeal McKay's ruling.

Mrs. Gravitt will return to court July 7 in an attempt to recover exemplary damages for Bell's withholding of the death benefits. The woman is seeking damages totaling \$14 million.

Vice president

Her husband, F. O. Gravitt, was a Bell vice president in charge of Texas operations until his suicide in Dallas last Oct. 17.

Three weeks after his death, Gravitt's widow filed a lawsuit now pending in federal court with former Bell Asst. Vice President James H. Ashley seeking damages totaling \$29.2 million for slander, invasion of privacy and the alleged wrongful death of Gravitt.

Four days before she filed that suit, of which \$20.2 million of the damages sought are for her and \$7 million are for Ashley, Mrs. Gravitt was visited by Bell officials representing the company pension committee.

They told her she had vested benefits of \$186 per month for life plus an immediate \$80,000, according to the pension committee's official minutes.

The widow was informed three weeks after filing the suit the benefits were "withdrawn," pending disposition of her suit with Ashley against Bell.

The pension provision was attacked as "illegally, unfair, a sham and a real absurdity" by attorney Pat Maloney, led by

Maloney charged the rule never before challenged in a Texas court, allowed Bell "to insulate itself from being sued for torts" for future acts.

The provision, released Bell in advance of its own future negligence, Maloney argued.

Defense

Bell lawyers defended the pension policy as a contractual arrangement "rather than a 'gratuity,'" subject to provisions in the contract such as the clause detailing withholding of benefits if lawsuits are filed.

The Bell pension committee "had no alternative under the plan but to withhold the benefits, once the wrongful death lawsuit was filed," argued Bell lawyer Ralph Langley.

"The (death benefits) lawsuit has been orientally brought under provisions of the benefit plan."

'Trying to bar'

Maloney countered, the Bell stand, charging the policy was an improper infringement on the rights of Mrs. Gravitt.

Bell is trying to bar the courthouse door, Maloney said.

UNITED STATES GOVERNMENT

Memorandum

TO : SAC, SAN ANTONIO (56-185)

DATE: 8/16/75

FROM : SA (A) [REDACTED]

C

b6
b7c

SUBJECT: UNSUBS:
SOUTHWESTERN BELL TELEPHONE COMPANY,
ET AL.
ELECTION LAWS
(OO:SA)

A review of this matter disclosed it has been held in a pending status for the purpose of maintaining newspaper clippings and other pertinent information to this case. It is noted the last newspaper article was dated 6/18/75, and current reviews of the newspapers reflect no important circumstances concerning this action.

In view of the above, it is recommended that this matter be closed.

[Handwritten signature]
[Handwritten initials]

56-185-57

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 1 1975	
FBI - SAN ANTONIO	

1 - SA
PAG: (1)



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Bell hit with wiretap suit

HOUSTON (AP) — J. L. Patterson, an electronics expert, has filed a \$6 million damage suit against Southwestern Bell Telephone Co., alleging the telephone company wiretapped his home telephone.

Southwestern Bell denied the allegations and called the suit "ridiculous."

The federal suit, filed Monday, claimed that on various occasions the telephone company has used "electronic and other wiretapping devices" to illegally eavesdrop on Patterson's private conversations.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO NEWS
SAN ANTONIO, TEXAS

b6
b7C

Date: 10-21-75

Edition:

Author:

Editor:

Title:

Character:

or

Classification:

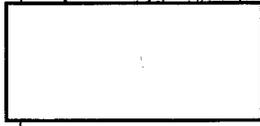
Submitting Office: SAN ANTONIO

Being Investigated

56-185-58

SEARCHED.....	INDEXED.....
SERIALIZED <i>h</i>	FILED <i>h</i>
OCT 25 1975	
FBI - SAN ANTONIO	

Paa



9/24/75

PLAINTEXT

b6
b7c

TELETYPE

NITEL

TO: DIRECTOR, ATTENTION LEGAL COUNSEL

FROM: HOUSTON (62-3016) (C)

[REDACTED] ET AL, TESTIMONY OF SPECIAL AGENT - CIVIL
MATTERS. 62-0-15597

RE HOUSTON AIRTELS SEPT. 15 AND 18, 1975.

AUSA FRED BENNETT ADVISED SA [REDACTED] ON SEPT. 24,
1975, THAT THE SUBPOENA OF SA [REDACTED] HAD BEEN CANCELLED.

NO FURTHER ACTION IS BEING TAKEN AT HOUSTON.

SAN ANTONIO ADVISED AM.

END

- 1 - San Antonio (Info)
- 1 - Houston

RWS:yk
(2)

56-185-61
~~62-0-15597~~
 SEARCHED INDEXED
 SERIALIZED FILED
 SEP 26 1975
 FBI - SAN ANTONIO

X

12/9/76

TO: DIRECTOR, FBI
(Attn: General Investigative Division)

b2
b6
b7C
b7D

FROM: SAC, SAN ANTONIO (62-0-15597)

[Redacted]

INFORMATION CONCERNING

ReHOairtel to the Bureau, 9/15/75, captioned, [Redacted]

[Redacted] SOUTHWESTERN BELL TELEPHONE CO., AMERICAN
TELEPHONE & TELEGRAPH AND [Redacted] TESTIMONY OF SPECIAL
AGENT - CIVIL RIGHTS."

Enclosed for the Bureau is a newspaper article which
appeared in the San Antonio Express, a San Antonio, Texas, daily
newspaper, on 12/9/76.

Review of San Antonio indices reflects reference to reHOairtel.
No additional indices references located.

On 12/9/76, discreet inquiry with [Redacted] reflects

[Redacted]

He is not known to have been in a liaison
position between the telephone company and any law enforcement agencies.

The above is submitted for the information of the Bureau.

2 - Bureau (Enc.)

1 - SA

JEO:TEM:pam

*Transfers
all to 56-185
from 62-0-15597
JEO*

56-185-62

~~62-0-15597~~ C

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Serialized cut
Indexed.....
Filed cut

SA

No further action being taken on this matter by
San Antonio Office, UACB.

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Ashley claims he aided FBI, CIA with taps

By BEN KING Jr.

A fired Southwestern Bell Telephone Co. executive testified Wednesday he was ordered to help the FBI and CIA with wiretapping activities.

James Ashley made the statement in detailing what he termed Bell's obsession with wire tapping during an invasion of privacy suit against the company.

"Wiretapping is a sick obsession with the telephone company; they've got to listen," he said.

During Wednesday's testimony Ashley recounted his career with Bell up to the time of his firing in November of 1974.

Between 1955 and 1966, Ashley said, he was "Bell's point of contact with law enforcement agencies like the CIA and FBI."

Agencies

The agencies, according to his testimony, engaged in wiretapping activities without court orders.

"I was ordered by the company to provide any and all telephone equipment to any law officers who presented the proper credentials," he said.

Original Bureau 12-9-76
[Signature]

(Indicate page, name of newspaper, city and state.)

PAGE 1

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

Date: 12-9-76

Edition: HOME

Author:

Editor:

Title:

Character: CIVIL
or MATTER

Classification: 62-0

Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED	INDEXED
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DEC 9 1976	
FBI - SAN ANTONIO	

Ashley said the wiretapping activities he was asked to aid in were illegal. However that part of his testimony was ruled inadmissible by 57th Dist. Judge Franklin Spears.

The 25-year Bell veteran said as a result of his career: "I've listened and been listened to as much as any man in America."

"They (Bell) can dial right into your phone conversation without you knowing it," he said.

Listening

He said Bell has employed 70 people in San Antonio to listen in on conversations between customers and operators to grade the operators' ability.

During his own career, Ashley testified, he had listened into thousands of conversations and that thousands of his phone conversations were monitored.

Ashley is suing Bell because he believes the company tapped his phones after his dismissal, in addition to turning over his long-distance records to Bell attorneys.

His suit charges other Bell executives and its attorneys examined his long distance records after he filed a \$29 million damage suit against Bell.

Ashley testified according to Bell's

own policy it does not have the right to inspect the long distance records of dismissed employes.

He said according to Bell's Secrecy of Communications Code, the company cannot release a customer's toll records without notifying him.

Ashley also testified he has personal knowledge Bell inspected the long distance records of other companies that had sued Bell.

Testimony

However, Ashley was not allowed to continue testifying concerning other cases that have been filed against Bell.

Earlier Wednesday a deposition by wire-tap expert J. L. Patterson was read. It stated Bell has sold the long distance records of various companies to their competitors.

Patterson's deposition said the companies would buy the records to learn who their competitors were contacting.

Patterson was unable to testify in person because he is serving a five-year term for using a device which makes it impossible for Bell to detect long distance calls.

Ashley is expected to continue testifying at 9 a.m. Thursday in 57th District Court.



JAMES ASHLEY

... testifies

(Mount Clipping in Space Below)

Ashley Testimony

Many Listening Posts at Bell

By BILL TOWERY

There are 360 active Southwestern Bell Telephone Co. listening posts in the San Antonio commercial department alone, James Ashley told a 57th District Court jury Thursday.

Under questioning by his attorney, Pat Maloney, Ashley detailed the extensive practice of "service observing" in the San Antonio area, including one equipped with a loudspeaker.

Ashley, a fired Bell executive, took the stand Thursday in his own behalf in the \$4 million invasion of privacy suit he and his wife filed against Bell.

He opened his testimony Wednesday by describing the Bell system as a company infected with "a sick obsession with wiretapping and listening."

Ashley said the entire Southwestern Bell system spends \$28 million yearly in its "service observing" operations — listening to Bell personnel dealing with customer calls.

Maloney led Ashley Thursday on a journey of his past 25 years of experiences and former jobs with Bell.

Ashley told the court that in any one of the 16 or 17 district offices in San Antonio, there are at least 63 locations where customer calls to Bell service representatives can be listened to.

"In one service observing room, there is even a loudspeaker system set up so that entire groups may listen in on conversations," he declared.

"On numerous occasions I assisted the FBI, the CIA and narcotics agents in wiretapping," Ashley testified.

He also said law enforcement officers "got an absolute free hand" in their examination of long-distance or other customer billing records.

"We were told by Bell not to inquire into the purpose" of the requests by lawmen, he stated.

Ashley testified Wednesday that "service observing is the single

personnel. No one likes being listened to constantly."

He gave the jury a description of his various positions at Bell.

He said he was chosen as one of the first persons to attend an intensive management training program started by Bell in the early 1950s.

Ashley said he was trained in all phases of Bell operations, from engineering to plant management to accounting and marketing.

"Do you consider yourself an expert on the Bell system?" Maloney asked.

"Yes, sir, I do," answered Ashley.

Ashley said he had helped design a telephone monitoring system ordered by Braniff Airlines.

"If there is an expert in the field of designing, implementing and testing listening equipment with more knowledge than me, I haven't met him," Ashley said.

Ashley said there were more than "1,000 locations in San Antonio where lines could be tapped."

"But I know of no one in the whole Bell system in the past five years who has been fired because of wiretapping," he went on.

"Each year, each Bell employe signs a statement saying he will not cheat, steal or listen."

"Hundreds are fired each year for cheating. Hundreds are fired for stealing. But no one is fired for listening. That would only happen if all 100,000 employes in Southwestern Bell were perfect," he said.

Maloney also questioned Ashley concerning the suit filed by Santel (San Antonio Telephone Co.) against Bell for restraint of trade.

Ashley said he had been informed by Hank Hudson, general marketing manager for Bell in San Antonio, that Santel's long distance records were examined "to determine ownership of

(Indicate page, name of newspaper, city and state.)

PAGE 13C

SAN ANTONIO LIGHT
SAN ANTONIO, TEXAS

Date: 12-9-76

Edition: FINAL

Author:

Editor:

Title: JAMES H. ASHLEY

56-185-64

Character: INFORMATION
or CONCERNING

Classification: SA 62-0-15597

Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....
DEC 16 1976
FBI - SAN ANTONIO

(Mount Clipping in Space Below)

Bell taps 'obsession:'

By CHERYL COGGINS

Wiretapping and listening in on telephone conversations is a "sick obsession" with Southwestern Bell Telephone Co., a fired Bell executive testified here Wednesday.

James Ashley, the ousted official, made that statement as he began his story of a 25-year association with the phone company.

He and his wife Bonnie are suing the company for allegedly wiretapping their phone and misusing their long distance billing records.

Ashley took the stand late Wednesday, the eighth day of the trial before a 57th District Court jury.

He testified he had been instrumental in turning over Bell wiretapping equipment to law enforcement agencies.

FBI, CIA

"I was the point of contact for law enforcement agencies, including the FBI and CIA. I was expected to provide facilities for illegal wiretapping from 1955 to 1966," he said.

Ashley, the general commercial manager for Bell

Ashley

Court told of FBI link

in San Antonio before he was fired in October 1974, said he made the illegal wiretapping equipment available without subpoenas to law enforcement officers showing him proper credentials.

He admitted that he was an expert on listening in on phone conversations between phone company employees and customers.

Listening to employee-customer conversations without either party knowing it is being overheard is part of the employee's disciplining, he said.

"It's not something I'm particularly proud of. In my opinion, I'm as expert in this field as anyone," he said.

"After 25 years, I've listened and been listened to as much as any man in America," he added.

Ashley said there were two methods used to wiretap.

The first requires that the tapping be done at the customer's home or office, he said.

"If you wiretap at any other location, it is impossible to do without phone company cooperation," he said.

He backed up testimony given earlier in the trial which revealed that more than 1,000 phone company employees can wiretap or listen in on phone conversations.

He said the only things which prevented these employees from eavesdropping is the strength of Bell management and the employees' integrity.

The 100,000 Bell employees sign a pledge yearly in which they vow not to steal, cheat or listen, Ashley said.

(Indicate page, name of newspaper, city and state.)

PAGE 3A

THE NEWS
SAN ANTONIO, TEXAS

Date: 12-9-76
Edition: RED STREAK FINAL
Author:
Editor:
Title: JAMES H. ASHLEY

56-185-65

Character: INFORMATION
or
CONCERNING
Classification: SA 62-0-15597
Submitting Office: SAN ANTONIO

Being Investigated

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DEC 16 1976	
FBI - SAN ANTONIO	

(Mount Clipping in Space Below)

Ashley links dog killings to Bell plot

By CHERYL COGGINS
Three family dogs were killed in a plot to harass a fired Southwestern Bell Telephone Co. executive's family, testimony showed here Thursday.

That's what James Ashley, the ousted Bell official told jurors in 57th District Court.

Asked about the damages he felt he suffered at the hands of Bell because of alleged wiretapping, Ashley said:

"It's the constant feeling of never being alone. It's constant harassment and the shooting of two of your wife's dogs and the poisoning of the other."

Threats

Ashley said after the phone company fired him, his family was in constant fear of its life.

Fired by Bell in October 1974 following an internal probe of the company, Ashley testified about his fight with the phone company including threats made on his life by a Bell executive.

He and his wife Bonnie are suing Bell for allegedly misusing their long distance billing records and for wiretapping their phone.

The couple is suing Bell for \$4 million.

Ashley testified in his day on the stand Thursday that long distance phone records of San Antonio city councilmen were examined by the phone company during rate hike negotiations here.

Security

He told the jury that dossiers were prepared on council members for rate making by Bell security personnel from 1972 to 1974.

"I discussed with the security personnel the significance of the security dossiers. The significance was obtained from whom the councilmen were calling," Ashley testified.

Ashley told the court that C.L. Todd, general manager for Bell in San Antonio, and Todd's attorney, Hubert Green, made threatening remarks to him at the funeral of

See BELL, Pg. 15-A

O. sent Bureau 12/11 6/76

(Indicate page, name of newspaper, city and state.)

PAGE 1

THE NEWS
SAN ANTONIO, TEXAS

Date: 12-10-76
Edition: RED STREAK FINAL
Author:
Editor:
Title: JAMES H. ASHLEY
56-185-66
Character: INFORMATION
or CONCERNING
Classification: SA 62-0-15597
Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....
DEC 16 1976
FBI - SAN ANTONIO

BELL From Page 1

former Bell Texas chief T.O. Gravitt.

Gravitt committed suicide in Dallas in October 1974, shortly after the internal probe of the company.

Suspended

Todd approached Ashley prior to the funeral service and said, "Jim, I just can't believe you sent an attorney to St. Louis," Ashley testified.

Ashley was first suspended and then fired from his post with Bell, which has headquarters in St. Louis.

He testified he contacted the attorney after he was suspended because he "considered things more serious" than a one-week suspension.

Todd then said to Ashley, "You know that guy (Gravitt) did wrong," Ashley testified.

Untrue

"That son of a b--- in there is dead because he stole money and you know it," Ashley testified Todd told him.

Ashley told the jury he replied, "That's not true and you know it."

Ashley said Todd then asked him to be "reasonable" but he said he did not feel he could come to terms with the phone company.

He said he told Todd, "David did all right against Goliath once."

Todd then told Ashley, "You may get an amount of money out of this, but you'll never live to enjoy it," Ashley testified.

Green

Todd, top Bell executive in San Antonio, told Ashley several employees would be unhappy about his decision to fight the company and

that the employees would "hound" him "to the ends of the earth," Ashley testified.

After his conversation with Todd, Green approached Ashley, the fired official testified.

The attorney told him that San Antonio papers were running stories about a certain Bell executive's suspension, Ashley said.

"Don't you think that whoever that guy is it would be best for him to let up?" Ashley said Green asked him.

Ashley said friends in the phone company refused to talk to him after he was fired and he then filed a \$29-million suit against the company.

Parties

That suit, currently pending in federal court, charges Bell with libel and slander and wrongful death in Gravitt's suicide.

Gravitt's survivors are also parties to the suit.

Ashley said friends working in Bell told him the company knew who he was calling.

He testified one of them told him, "My God, Jim, they know about the neighbors' phones, the pay stations, about everything. They're too powerful. Don't fight them."

Friends who were Bell employees then asked him to quit contacting them for fear of losing their jobs, he said.

He said his family and he were "untouchables," Ashley added.

He also told the jurors that his family "huddled in corners and whispered" when they were near areas they felt the company had placed wiretapping equipment.

(Mount Clipping in Space Below)

Ashley says Bell examined records of city councilmen

By BEN KING Jr.

Long distance telephone records of local City Council members have been examined by Southwestern Bell Telephone Co., a fired Bell executive testified Thursday.

James Ashley testified Bell examined council members' long distance records in 1972 and 1974 during Bell's rate hike negotiations with the city.

Ashley gave the testimony in detailing alleged instances where Bell either invaded his privacy or that of other people with wiretaps or inspection of their phone records.

He also recounted the adverse effect Bell's alleged invasion of privacy has had on his own family during the past two years.

Ninth day

Ashley's testimony came during the ninth day of testimony in the trial of his invasion of privacy suit against the company.

He is suing Bell because he believes the company tapped his phones and inspected his phone records after he filed a \$29 million damage suit against it, following his dismissal in November of 1974.

Ashley said results of Bell's council records search became part of security dossiers Bell kept on the councilmen, Ashley told the 57th District Court jury.

"I discussed with the security personnel the significance of the security dossiers. The significance was obtained from whom the councilmen were calling," Ashley testified.

Made it clear

Bell also inspected the call records of two companies who had filed suits against it, Ashley later added.

In his own case, Ashley said, he knew he was under Bell's surveillance because the company's executives made it extremely clear to him.

Shortly before his dismissal, Ashley testified, he met with several Bell officials who told him they knew who he was calling because they had his long distance records.

A Bell security agent told Ashley, "We have your records," Ashley

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

Date: 12-10-76
Edition: SPORTS FINAL
Author:
Editor:
Title: JAMES H. ASHLEY
56-185-67
Character: INFORMATION
or CONCERNING
Classification: SA 62-0-15597
Submitting Office: SAN ANTONIO
 Being Investigated

SEARCHED.....INDEXED.....
SERIALIZED 7.....FILED.....
DEC 16 1976
FBI - SAN ANTONIO

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***'We have everything,
we know everything'***

said. He also said one told him, "We have everything, we know everything."

"They (the security agents) wanted me to give evidence of Gravitt's wrongdoings that didn't exist," Ashley testified.

He was referring to the late T. O. Gravitt, the former head of Bell's Texas operations who committed suicide after he was named in the same investigation as Ashley.

It produced charges the men abused their expense accounts and were sexually promiscuous with employees.

One of the allegations in the \$29 million suit filed by Ashley and the Gravitt family is Bell wrongfully caused Gravitt's death in November of 1974.

Threat cited

During Gravitt's funeral, Ashley testified, C. L. Todd, Bell's vice-president for the San Antonio area, threatened his life in an attempt to stop him from filing the damage suit.

Ashley said Todd told him: "You may get an amount of money by doing it (filing suit), but you'll never live to enjoy it."

"There are Bell employees who will hound you to the ends of the earth," he said Todd told him.

Referring to Gravitt, Ashley testified, Todd told him: "That S.O.B. is dead because he stole money."

Anguish

Ashley said after the \$29 million damage suit was filed he and his family suffered extreme mental anguish because they knew their phone was tapped.

"We huddled in corners and whispered because we knew the capability of the devices that were being used," he said.

Referring to Bell's alleged harassment of his family, Ashley said, "It's a constant feeling of never being alone. It's constant harassment like the shooting of two of your wife's

dogs and the poisoning of another one.

"It's constantly fearing for your life."

After the suit was filed, Ashley testified, all of his family's friends who are Bell employees stopped contacting the family.

"We're in a vacuum, we're the untouchables," Ashley testified.

Codes used

Prior to the damage suit's filing, Ashley said, he became aware his home phone was tapped through Gravitt.

Gravitt told Ashley both of the men's phones had been tapped by Bell security agents.

"They had embarked on an attempt to wiretap me in an attempt to discredit Gravitt through his friends," he testified.

After the two men learned their phones were tapped, Ashley said, they started calling each other through codes and arranged secret meetings.

Ashley is expected to continue testifying at 9 a.m. Friday in the 57th District Court.

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Ma Bell scores partial victory

(Indicate page, name of newspaper, city and state.)

PAGE 1C

THE NEWS
SAN ANTONIO, TEXAS

Southwestern Bell Telephone Company scored somewhat of a victory in the \$4 million invasion of privacy lawsuit filed against it by fired company official James Ashley.

Fifty-seventh District Court Judge Franklin Spears granted instructed verdicts on allegations of unauthorized use of Ashley's long distance records by Bell and on conspiracy.

Spears, however, did not grant the verdict on allegations by Ashley of invasion of privacy.

The ruling means the jury will solely deliberate on the invasion of privacy allegation.

The motion for instructed verdict was filed late in the afternoon by bell attorneys.

Attitudes

Ashley and his wife, Bonnie, are suing the telephone company for allegedly wiretapping their phone and illegally using their long distance records.

Earlier, Ashley testified that revelation of the phone company's activities had changed his children's attitude and had a "demoralizing affect" on their outlook towards organizations.

"It has affected their opinions of the so-called establishment," the ousted Bell official said. "I know it was demeaning for them."

He testified his children had respect for such organizations before the lawsuit.

Pay phone

Ashley, who spent his fourth day on the witness stand, explained to the court how the telephone company monitored calls he made from pay telephones.

He said that by charging the calls he made on pay telephones to his home number, Bell could determine the pay station he used because the numbers would appear in his long distance bill.

Ashley reiterated earlier testimony that the late T.O. Gravitt had told him he was being wiretapped prior to Gravitt's suicide.

"He knew what was going on," Ashley said. "He was vice president."

Ashley, who was Bell's general commercial manager in San Antonio when fired in October 1974, said he believed his residence home phone in Blanco was also tapped by Bell.

Although his home phone is serviced by another telephone company, Ashley

Jury will focus on 'privacy'

testified he believed Bell was tapping it on its own.

He said he had talked with officials of the other

telephone company and had been told it was not involved.

"There was no necessity for them to be involved," Ashley told the court.

He continued to back up much of his earlier testimony about Bell telephone's illegal wiretapping for various federal government law enforcement agencies.

*O. S. B. Bureau
12/16/76
J.S.*

Date: 12-14-76
Edition: RED STREAK FINAL

Author:
Editor:
Title: JAMES H. ASHLEY

50-185-68

Character: INFORMATION
or CONCERNING

Classification: ~~139~~
Submitting Office: SAN ANTONIO
~~SA 62-0-15597~~

Being Investigated

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[Signature]

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BELL WINS ONE, BEGINS DEFENSE

(Indicate page, name of newspaper, city and state.)

PAGE 1

SAN ANTONIO LIGHT
SAN ANTONIO, TEXAS

Date: 12-14-76

Edition: FINAL

Author:

Editor:

Title: JAMES H. ASHLEY

56-185-69

Character: INFORMATION
or CONCERNING

Classification: 139

Submitting Office: SAN ANTONIO

SA 62-0-15597
 Being Investigated

*O. Sent
Bureau
12/16/76
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SERIALIZED...FILED...
DEC 16 1976
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Ashley Charge Is Ousted

By BILL TOWERY

Southwestern Bell Telephone Co. began its defense Tuesday in a \$4 million invasion of privacy lawsuit after winning one phase of the legal proceedings.

Bell is only having to defend itself against charges made by fired Bell executive James Ashley that it wiretapped and eavesdropped on Ashley's conversations. Bell denies the charges.

Dist. Judge Franklin Spears ruled Monday that Ashley and his attorney, Pat Maloney, had not presented sufficient evidence to prove charges Bell made improper use of Ashley's long-distance telephone records.

Spears also ruled that no conspiracy existed between Bell's San Antonio General Manager C. L. "Chet" Todd and Bell employes David Burchett and Joe Cochran.

As a result of Monday's ruling, Burchett and Cochran were dismissed as parties to the suit.

Bell's first witness Tuesday was Lee D. Bryant, Bell's equipment chief who presented a diagram of telephone cables from Maloney's downtown law office to the Bell central office exchange.

Ashley has contended that Maloney's phone was tapped by Bell because he used Maloney's office to work on a \$29 million libel and slander suit against the telephone company, now pending in federal court.

Another witness presented by Bell was Kenneth D. Hopper, an engineer from Bell Laboratories Inc., New Jersey, who testified on electronic tests he performed on certain equipment and cables.

Spears' ruling Monday afternoon came after Maloney rested his case after 10 days of testimony.

Bell lead attorney Jack Hebdon presented the motions for instructed verdicts to Spears shortly after the jury was sent home early.

Spears overruled Bell's motion for an instructed verdict on the issue of whether Bell wiretapped or eavesdropped on Ashley's telephone calls.

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Bell: Ashley asked for service calls

By BEN KING Jr.

Southwestern Bell Telephone Co. attorneys offered evidence Tuesday to counter charges its servicemen made unsolicited calls to a fired executive's home.

James Ashley, the former executive, has testified during the trial two unsolicited calls were made during the two months immediately prior to his dismissal.

Ashley's attorneys are trying to prove Bell invaded their client's privacy by allegedly tapping his phones.

Last week, Ashley and his wife Bonnie testified they knew of two separate instances when Bell servicemen entered their home without being asked.

Records

However, Richard Vehige, Bell's local plant personnel supervisor, produced records which indicated both of the calls had been requested by Ashley.

Vehige said the call made in August 1974 was the result of Ashley's request to have his bell chimes repaired.

After the initial request, Vehige said, Bell repairmen had to make another call in October to the Ashley home because the bell chimes had not been fixed.

The Bell employe said he specifically remembered sending servicemen to make the October call because Ashley was a high-level executive at the time. He was dismissed in November 1974.

Service slips

Vehige also produced service slips which indicated the calls had been made in October and August at Ashley's request.

However, Pat Maloney, Ashley's attorney, charged Bell had manufactured the records specifically for the invasion of privacy trial.

Ashley and his wife had testified their daughter had let the servicemen into their home in August and a neighbor let Bell repairmen later in October.

Both Ashleys testified neither of them were home on both occasions.

Also during Tuesday's testimony; several Bell employes who are experts concerning wiretapping testified evidence offered by Ashley's attorneys did not prove his phones were tapped.

Earlier in the trial, a deposition by wire-tap expert J. L. Patterson was read which said he examined Ashley's phones and found evidence they were tapped.

He also found evidence which showed one of Maloney's phones had been tapped, according to his deposition.

However, Kenneth D. Hopper, a Bell laboratory technician, testified the methods used for checking taps was ineffectual and provided no positive proof.

He also said an extra wire Patterson testified he found in Ashley's home phone is not proof the phone was tapped.

Hopper said an extra wire is often left in phones so extra lines can be added in the future.

He added, "Most wire taps cannot be detected with the methods used by J. L. Patterson."

The testimony of two other expert witnesses called by Bell backed up Hopper's testimony concerning the acceptability of Patterson's testimony.

Patterson is currently serving a

(Indicate page, name of newspaper, city and state.)

PAGE 3A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

Date: 12-15-76

Edition: HOME

Author:

Editor:

Title: JAMES H. ASHLEY

56-185-70

Character: INFORMATION
or CONCERNING

Classification: 139

Submitting Office: SAN ANTONIO

SA-62-0-15597

Being Investigated

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SERIALIZED.....	FILED.....
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FBI - SAN ANTONIO	

five year prison term for using a device which makes it impossible for Bell to detect long-distance calls.

Also Tuesday, Dist. Judge Franklin Spears ruled three top Bell executives are no longer parties to Ashley's \$4 million invasion of privacy suit.

The executives had been named as defendants in the suit along with Bell when it was filed in January 1975.

However, Monday Judge Spears ruled insufficient evidence had been presented for the jury to consider whether the executives had conspired against Ashley, as he had charged.

As a result of the Monday ruling, Judge Spears said the executives should no longer be parties to the suit.

Testimony in the trial is scheduled to continue at 9 a.m. Wednesday in 57th District Court. It will mark the 13th day in the trial.

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'Brigade' Denies Ashley Tapped

By **BILL TOWERY**

The "Bell Chime Brigade" was thrown into battle Wednesday as Southwestern Bell Telephone Co. moved forward in its defense of a \$4 million invasion of privacy suit.

Fired Bell executive James Ashley, who filed the suit against his former employer, has made allegations that on the day he was suspended (Oct. 9, 1974), Bell sent personnel to his home to install wiretaps.

But Bell, in a series of six witnesses dubbed the "Bell Chime Brigade," tried to show that it was Ashley himself who initiated the repair call to replace a chime on his telephone at his residence.

The persons testifying Wednesday were all involved in ordering and dispatching repairmen to the Ashley home that day, as well as the repairmen themselves.

Testimony showed that repairmen installed a chime on Ashley's telephone to replace the one that wasn't working.

Ashley's attorney, Pat Maloney, has claimed that Bell created false repair documents concerning the alleged service calls.

Bell's defense began Tuesday morning after defense attorneys won two segments of the suit filed by Ashley.

Judge Franklin Spears Monday entered instructed verdicts clearing Bell and key executives on charges they made improper use of Ashley's long distance toll records and conspired against him.

Most of Tuesday's testimony was taken up by witnesses who disputed claims made by a self-styled electronics expert, J. L. Patterson.

Patterson testified by deposition that

he examined the Ashley household phones and found evidence of "extra wires" in one phone, concluding that that phone had been bugged at one time.

Patterson also testified that he examined phones in the law offices of Maloney and found them to be bugged, also.

Bell brought Kenneth D. Hopper from the Bell Laboratories in Homedale, N.J., to testify concerning the readings Patterson took on the Maloney phones. Hopper said he constructed a model of the telephone lines from Maloney's office to the telephone company.

He said that, like Patterson, he too found a difference in readings on two of the lines. However, he said this was due to more than 1,000 feet of extra cable being present at the end of the system.

He also testified that extra wires are not uncommon in telephones and are usually covered with black tape.

Another expert, Samuel W. Daskam, general manager of an engineering firm in Connecticut which manufactures wiretap tracing devices, said the tests performed by Patterson were invalid because they measured only current output at one end of the line and could not be used to trace or confirm a wiretap.

Patterson had also testified that he traced the suspected wiretap on the Maloney phone to a phone equipment room right outside the door to Maloney's office.

A Bell employe, T.W. Stapper, who supervised the phone installations in the building housing the Maloney offices, said Maloney's line does not go through the room mentioned by Patterson, but can be reached only by going through another private office.

(Indicate page, name of newspaper, city and state.)

PAGE 4A

SAN ANTONIO LIGHT
SAN ANTONIO, TEXAS

Date: 12-15-76
Edition: FINAL
Author:
Editor:
Title: JAMES H. ASHLEY

56-185-71

Character: INFORMATION
or CONCERNING
Classification: ~~SA 62-8-15597~~
Submitting Office: SAN ANTONIO
 Being Investigated

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SERIALIZED.....FILED.....
DEC 16 1976
FBI - SAN ANTONIO

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Bell official says wiretappers fired

A Southwestern Bell Telephone Co. vice president testified Wednesday there have been several instances where Bell has fired employees for wiretapping.

C. L. Todd, the Bell executive, gave the testimony during the trial of a suit by a fired Bell executive who claims his phones were tapped by the company.

Attorneys on both side of the suit attempted to use Todd's testimony to discredit previous testimony by their opponent's witnesses.

Pat Maloney, attorney for James Ashley, the fired executive, pointed out several Bell executives have testified they were unaware of any illegal wiretapping by Bell.

Ouster list

When 57th Dist. Judge Franklin Spears recessed the trial at the end of its thirteenth day, Todd had detailed 17 instances where Bell employees were fired for wiretapping.

Todd indicated he had not finished reading from the dismissal list which started in 1948.

In questioning Todd, Maloney said several top Bell officials had testified they were unaware of the phone company ever being part of illegal wiretapping activities.

Vice president of firm testifies there have been several employees dismissed for wiretapping

"You don't expect this jury to ever believe you (Bell) don't wiretap. It just won't fly," Maloney said.

Todd offered to explain the apparent contradiction, but Maloney said he did not want to hear it.

Apprehended

Maloney also charged the only reason Bell fired the several employees was because they were apprehended in the act by people outside of the Bell company.

Todd said the list he was reading from did not detail how the employees were apprehended.

Todd's testimony revealed Bell employees were dismissed because they were listening in on conversations as operators or were caught attempting to install wiretap equipment.

Attorneys for Bell originally began the line of questioning about phone company employees being fired for wiretapping activities.

Ashley had earlier testified Bell never fired employees for wiretapping because it did not enforce its

(Indicate page, name of newspaper, city and state.)

PAGE 8A

SAN ANTONIO EXPRESS
SAN ANTONIO, TEXAS

Date: 12-16-76
Edition: HOME
Author:
Editor:
Title: JAMES H. ASHLEY

56-185-72
Character: INFORMATION
or CONCERNING
Classification: SA 62-8-15597
Submitting Office: SAN ANTONIO

Being Investigated

SEARCHED.....INDEXED.....
SERIALIZED.....FILED.....

DEC 16 1976
FBI - SAN ANTONIO

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security rules.

He said he did not know of any employe being dismissed for wire-tapping activities while he was with the company.

However, testimony revealed there were at least two firings within Ashley's area while he was with Bell.

Ashley's suit charges Bell began tapping his phones after he was dismissed in October of 1974 from his executive position with the company.

After Ashley was dismissed, he filed a \$29 million damage suit against the company.

Charge denied

Also during Wednesday's testimony, Paul Sickbert, a telephone repairman, denied he found a battery-like device in the yard of the Ashley's home after they moved to Blanco.

A former neighbor of the Ashley's, Flora Duvall, had testified a telephone repairman found a device that could be used in wiretapping a few months after the Ashley's moved out.

However, Sickbert, who would have been the repairman to make the call on the day Mrs. Duvall testified about, said he had never seen Mrs. Duvall.

He also denied finding any sort of device in the Ashley yard.

Testimony in the \$4 million damage suit is expected to resume at 9 a.m. Thursday in 57th District Court.

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BELL

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WITNESS

(Indicate page, name of newspaper, city and state.)

PAGE #1

SAN ANTONIO LIGHT

SAN ANTONIO TEXAS

Date: 12/17/76

Edition: FINAL

Author:

Editor:

Title: JAMES H. ASHLEY

Character:

or

Classification:

SA 56-185-73

Submitting Office:

SAN ANTONIO

Being Investigated

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12/20/76
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SERIALIZED.....	FILED.....
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FBI - SAN ANTONIO	
<i>[Signature]</i>	

Bell Suit

(Continued from Page 1.)

his testimony about what he said was a clandestine meeting in a motel parking lot requested by Ashley four days after Ashley was suspended.

Reed said he called Todd to inform him about the meeting. Reed said Ashley mentioned that "Nader got a million dollars from General Motors, didn't he?"

Todd then took the stand to tell the court he had passed the Ashley quotes along to corporate headquarters in St. Louis.

Ashley attorney Pat Maloney accused Bell's public relations staff of fabricating the Ralph Nader quote and sending it out to the news media nationwide.

Maloney also attempted to get Reed to testify to how much money Bell had lost in rate increases because of the suit.

Though blocked by Judge Franklin Spears, Maloney did say Bell had lost "more than \$8 million."

"These are a greedy, grubby bunch who would do anything for money," he blurted out.

Todd also testified to the number of Bell employees who have been fired for wiretapping or eavesdropping. Maloney had contended that no Bell employees are ever fired for eavesdropping.

Todd also testified as a corporate officer that he had the records of Bell security for the years 1954 to 1976 and that he had a list of 17 employees who had been fired for wiretapping or eavesdropping.

On Wednesday, Bell presented a lengthy list of witnesses, dubbed the "Bell Chime Brigade" to refute claims made by Ashley that Bell personnel, under the guise of attempting to repair a telephone bell chime, placed wiretaps in his home. He claimed he had never asked for the repair work and that work documents had been falsified.

Bell brought on repairmen, installers, supervisors, file clerks and work foremen to refute Ashley's claim.

The persons involved in issuance of the repair order and the actual repair of the bell chimes have been nicknamed the "Bell Chime Brigade" by other telephone company employees.

Bell also presented a company repairman, Paul Sickbert, who testified he had gone to the former residence of the Ashleys' and checked for wiretaps

at the urging of the new resident. He said he also had a conversation with the next-door neighbor, Mrs. Flora Duvall.

Mrs. Duvall had testified earlier that a repairman had told her a battery found in the Ashley yard had been used for wiretapping.

Sickbert denied he had ever made such a statement.

Ashley earlier had testified that he had put a halt to an illegal wiretap operation by Bell security forces in St. Louis while he was general commercial manager.

Bell brought on Ted Umphres, the St. Louis security chief, who denied he had ever in his entire 17-year career with Bell placed a wiretap. He also denied Ashley claims that he reported to corporate headquarters.

"I reported to Mr. Ashley. He was my supervisor. He was a pretty good supervisor," Umphres said.

Wiretap Claim Disputed

By BILL TOWERY

Southwestern Bell Telephone Co. unveiled its star witness Thursday as its defense in a \$4 million invasion of privacy trial moved toward an end.

Louis Bailey, Bell's vice president and comptroller from the St. Louis corporate headquarters, took the stand to deny he had ever told the late T. O. Gravitt, Bell's Texas chief, he was being wiretapped. (12-74) 56-185

James Ashley, the fired Bell executive who is suing the telephone company, has contended throughout the lengthy trial that he knew he was being wiretapped by Bell because Gravitt told him that both were being monitored.

Ashley has testified that Gravitt told him that Bailey had ordered the wiretaps.

Bailey said he came to San Antonio the morning of Oct. 9, 1974, and instructed Bell's San Antonio General Manager C. L. "Chet" Todd to place Ashley under suspension.

"Todd did not know about the (Bell) investigation before this time," Bailey said.

Bailey testified he then flew to Dallas in an attempt to talk with Gravitt, but discovered Gravitt had gone to the corporate headquarters in St. Louis.

Flying back to St. Louis, Bailey said he met and talked with Gravitt at the St. Louis airport.

"I informed Mr. Gravitt about the action taken in regards to Mr. Ashley and urged that he continue in the investigation," Bailey said.

Bailey indicated Gravitt was aware of an internal Bell investigation at the San Antonio office while Todd was not.

It is expected that Bailey is the last defense witness before the case goes into jury deliberations in 57th District Court.

During Wednesday's testimony, another Bell official testified Ashley vowed to a subordinate he was going to "embarrass Southwestern Bell by becoming a knight in white armor — the Ralph Nader of the telephone industry."

Jim Reed, Bell's San Antonio division manager, made the statement during

(Continued, Page 16, Col. 1.)

FBI

TRANSMIT VIA:

- Teletype
- Facsimile
- Airtel

PRECEDENCE:

- Immediate
- Priority
- Routine

CLASSIFICATION:

- TOP SECRET
- SECRET
- CONFIDENTIAL
- E F T O
- CLEAR

Date 7/21/77

TO: DIRECTOR, FBI

FROM: SAC, SAN ANTONIO (72-NEW) (P)

76-2554 (2-74)
42-16519* (10-68)*

RE:

[Redacted]

Baylor University Medical School,
Houston, Texas;

[Redacted] VICTIM

OOJ

Pat

OO: San Antonio

b6
b7c

Enclosed for the Bureau are four (4) copies of a Letterhead Memorandum dated and captioned as above. Two (2) copies of the LHM are enclosed for Houston. One (1) copy is being furnished the U. S. Attorney, Western District of Texas, via separate communication.

For the information of the Bureau and Houston, prior information related to the civil matters mentioned by victim have previously been furnished the Bureau under the initial caption "UNSUBS; Southwestern Bell Telephone Company; T. O. GRAVITT, Former Vice President (Deceased); [Redacted] Southwestern Bell Telephone Company, San Antonio, Texas, ELECTION LAW", SA file 56-185. Since 1975, numerous clippings concerning the lawsuits have been furnished the Bureau to reflect the notariety being received. One civil action involved

- 2 - Bureau (Enc. 4)
- 2 - Houston (Enc. 2)
- 3 - San Antonio
- (2 - 72-New) *117*
- (1 - 56-185)

MGA/jkh
(7)

ASSEMBLED BY *[Signature]*

56-185-74
Searched _____
Serialized *aw* _____
Indexed _____
Filed *aw* _____

[Signature]

a \$4 million suit against Southwestern Bell Telephone trial, resulted in a \$1 million award to the plaintiff. For invasion of privacy by wiretapping, which, after western Bell Telephone for libel, slander, harassment and causing wrongful death. News articles reflect that since March, 1975, the courts have ruled deposit- tions obtained or filed in the case be sealed until trial or unless both attorneys agreed to open the sworn statements, with indications this was to prevent either side from making later claims of adverse publicity to support a change of venue request.

LEADS

HOUSTON

AT HOUSTON, TEXAS: Will locate and interview subjects

Baylor University Medical School, 1200 Moursund Street, Houston, Texas, concerning their contact with victim on 1/1/77 regarding his testimony in instant civil action. Determine sources of their information on which questions posed to victim.

SAN ANTONIO

AT SAN ANTONIO, TEXAS: Upon completion of interviews with subjects, recontact AUSA, San Antonio, for prosecutive opinion.



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

San Antonio, Texas 78296

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In Reply, Please Refer to
File No.

July 21, 1977

[REDACTED]
Baylor University Medical School,
Houston, Texas;

[REDACTED]
OBSTRUCTION OF JUSTICE

On July 19, 1977, [REDACTED]

[REDACTED] advised he
represents the plaintiffs in a civil action, [REDACTED]

[REDACTED]
The case has been a highly controversial one for the past few years. It had been heard in U. S. District Court in San Antonio, Texas, until the U. S. Supreme Court recently denied certiorari, at which time the matter was moved to the 166th District Court of Texas, San Antonio, Texas, before Judge Peter Michael Curry. Trial in the matter is presently scheduled to begin August 8, 1977. While in U. S. District Court, the matter was before Judge Adrian Speares.

[REDACTED]
[REDACTED]
University Medical School, 1200 Moursund, Houston, Texas, has contacted him concerning contacts by school officials in an attempt to prevent him from testifying for the plaintiff. [REDACTED] has retained him in the event there may be any wrongful activity, however, from the nature of contacts with [REDACTED] it appears the school officials may have obtained access to sealed court documents and/or may be pressured by the telephone company to prevent [REDACTED] from testifying. Since the contacts appear to be to obstruct justice, he is making [REDACTED] available for interview to determine whether any federal violation exists.

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[REDACTED]

On July 19, 1977, [REDACTED]
Houston, Texas, 77042. [REDACTED]
[REDACTED] advised he is engaged in his own
[REDACTED] at Baylor
University Medical School. He has been engaged by the
plaintiffs in the civil action of [REDACTED]
[REDACTED] versus Southwestern Bell Telephone Company,
seeking \$29 million in damages for actions of the telephone
company including causing the wrongful death of T. O.
Gravitt. The case had formerly been in U. S. District
Court in San Antonio, Texas, however, following a ruling
of the U. S. Supreme Court, was moved to the 166th District
Court of Texas. Trial is to begin August 8, 1977.

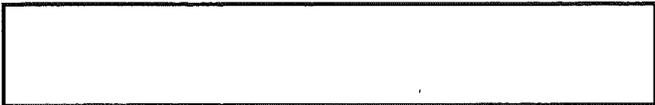
[REDACTED] advised his testimony concerns the
wrongful death of Gravitt to support the plaintiff position.
The testimony is lengthy and involved and much research has
been conducted for this. He previously furnished a
deposition to the U. S. District Court in about September,
1976, along with numerous other persons, however, these
depositions were sealed by Judge Speares at the time and
should not have been made public.

[REDACTED] advised on January 7, 1977, he was contacted
by [REDACTED]
[REDACTED]
at which time these two individuals questioned him concerning
his role as a witness in the case. They only asked a few
questions, however, from the nature of the questions,
their information would have had to come from the sealed
depositions as none of this had been made public as yet.
Their questioning indicated to him that they did not want
him to testify in the matter and if he did, [REDACTED]
[REDACTED] He made notes of the questions
and answers immediately after the meeting which in
substance are as follows:

Q - What is your status on the Bell case?

A - I am an expert witness for the plaintiff.

Q - Do you know that Bell is an important and
powerful corporation?



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A - Yes.

Q - And who is [redacted] and how could she help us as opposed to Bell as to donations, influence, etc.?

A - I have never met [redacted]

Q - You had never examined T. O. Gravitt had you? You only met him once socially, isn't that right?

A - I had not examined him formally.

Q - You did a composite MMPF of some relatives did you not?

A - Yes.

Q - That type of testimony could jeopardize your job.

A - I am sorry, I do not understand.

Q - You have to take into consideration your image, politics, public relations and potential donors - Your participation as a witness in this case would lead to separation from your job.

A - I am naive about those things, I thought honest testimony should not be modified by these concerns.

Q - Do you know [redacted] are going to testify for Bell?

A - No.

Q - Well, they are important people and they have told us you are wrong. It would look bad to oppose them.

A - I am sure something can be worked out.

[REDACTED]

[REDACTED] advised information concerning his contacts with Gravitt and preparation of the MMPF, character analysis of relatives, were in the sealed depositions and were not made public. During the meeting he professed ignorance to their line of questioning, however, he realized that someone, probably Bell Telephone, is applying pressure to prevent his testimony in the matter. The two officials indicated Bell Telephone were good contributors to the university and that should he testify, the school could not keep him and jeopardize this source of financing. He was also reminded his contract was to be renewed in July and he should consider the matter further.

[REDACTED] advised he has considered the matter and felt the school could do him great harm should he be dismissed from such employment. He does have his own practice, however, prefers to continue as an academician at this time. He has had his contract renewed for the coming one year, however, was told this would be dependent upon his actions in the Bell case. He has been told by others that to testify in the matter for the plaintiffs would be professional suicide. He assumed this would be so since he would be in opposition to two very prominent psychiatrists, [REDACTED] and because of the January meeting with school officials.

[REDACTED] advised the school has done some things since January to cause him monetary loss. There have been other things which he feels are related to that meeting, however, it would be difficult at this time to detail specifics. He is still considering whether to testify or not, however, in view of the trial date of August 8, 1977, he must begin now to prepare since his testimony is quite involved. He is fearful that action will be taken against him and felt this pressure being applied to him is to obstruct justice. He had contacted [REDACTED] to protect his interests and to determine whether any criminal violations may exist from the actions of [REDACTED]

[REDACTED]

[REDACTED] requested that any contact with him be initiated through his attorney, [REDACTED], as he did not feel it would be appropriate for law enforcement officers to try to reach him at the university as [REDACTED] [REDACTED] would learn of the contact.

On July 19, 1977, Assistant U. S. Attorney Bob Bennett, Western District of Texas, San Antonio, Texas, was advised of the facts of this matter. He advised that initially it would appear that no federal violation is involved since the case is in State Court and the testimony involved will be in State Court. However, since the witness had given depositions in Federal Court and the meeting with school officials occurred while the case was still in Federal Court, there may be federal jurisdiction in the matter. He will contact [REDACTED] to further discuss the matter with him prior to making any decision.

On July 19, 1977, Assistant U. S. Attorney Bob Bennett, supra, advised that following a contact with [REDACTED] he is of the opinion that both [REDACTED]

[REDACTED]

from testifying in the matter. Upon receipt of the results of these interviews, he will decide whether any violation exists.

FILES AND RECORDS DESTRUCTION ORDER

Date 8/16/75

TO: SAC, SAN ANTONIO (56-185) C

FROM: SA(A)

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RE: File No. 56-185

I have reviewed this file, and under the criteria set forth in Part II, Section 3, of Manual of Rules and Regulations, this file should be:

Destroyed

under the 120-day Rule 1-year Rule 5-year Rule 10-year Rule

Retained

Justification for Retention is as Follows:

Case Agent's Initials Paq

Supervisor's Initials h