

Former Bell manager says records distorted

SAN ANTONIO, Tex. (AP) — Southwestern Bell Telephone Co. officials regularly encouraged executives under them to distort records to reflect payment of questionable company expenditures and illegal political contributions, according to a former Bell division manager in Austin.

Bill Holman, now on "special assignment" for Southwestern Bell, outlines in a taped conversation with Bell executive James H. Ashley expenses ranging from a case of whiskey in return for favorable testimony in a rate-setting case to retiring a politician's \$20,000 phone bill.

Expenses of this nature, Holman tells Ashley in the taped conversation, were distorted to reflect legitimate expenditures.

The tape, an exhibit unsealed by a federal court judge here this week, is part of the record in an antitrust suit by the San Antonio Telephone Co. and several other defunct firms against Southwestern Bell. The exchange between Ashley and Holman was taped last October shortly before Ashley was dismissed by Bell following an internal probe. Bell's top man in Texas, T. O. Gravitt, killed himself during the probe and left notes accusing the company of unfair rate setting practices.

Subsequently, Ashley and Gravitt's family filed a \$29 million libel and defamation suit against Bell.

Holman, who knew the conversation was being taped, acknowledged several instances of what Ashley called "a distortion of expenses showing an item as a legal expense on company books which in effect was an illegal political contribution."

He added that ultimately such expenditures helped inflate rate setting bases in the state.

Holman told Ashley of purposely falsifying records in the case of Southwestern Bell president R. A. Godson taking an unidentified Texas governor hunting.

He said that such falsifications were a condition of employment and that it was understood that when such expenditures were made Southwestern Bell employees were to make up the costs as best they could.

"Did you feel you had to do this as a condition of employment?" Ashley asked.

"Well, yes," Holman answered, "because, let's face it, I was instructed to be the front man for the company wherever I might have been."

Officials of the federal Securities and Exchange Commission SEC are exploring allegations contained in a \$29 million civil damage suit against Southwestern Bell Telephone Co.

The allegations made by a dismissed Bell executive in San Antonio "conceivably could bear upon the financial report in the registration statements and annual and periodic reports that any corporation is required to file with the SEC," said James Sims, assistant SEC regional administrator in Houston.

"It behooves us as securities regulators to ascertain what degree of accuracy, if any, there is in those allegations," said Sims.

SEC Regional Administrator Robert Watson, in Fort Worth, confirmed Tuesday the commission has made inquiries to Bell about the suit and is continuing to do so.

Fired Bell executive James Ashley, a plaintiff in the suit against Bell, said Sims also had questioned him "several times" in recent weeks. Ashley declined to discuss the nature of the SEC questions on the advice of his lawyer.

Sims confirmed he had questioned both Ashley and his lawyer, Pat Maloney, about charges made in the suit. He also declined to discuss specific questions.

A spokesman for Bell in Dallas confirmed it has received SEC inquiries, but said they related to the possible effects of the suit on the company's operations and financial position.

"Southwestern Bell issues large amounts of debentures bonds," Sims noted, and financial statements made by the company have a bearing on whether the SEC approves the sale of these bonds.

The suit by Ashley and the family of suicide victim T. O. Gravitt of Dallas accused Bell of wrongful discharge and wrongful death. Until his death last October, Gravitt headed Bell's Texas operations.

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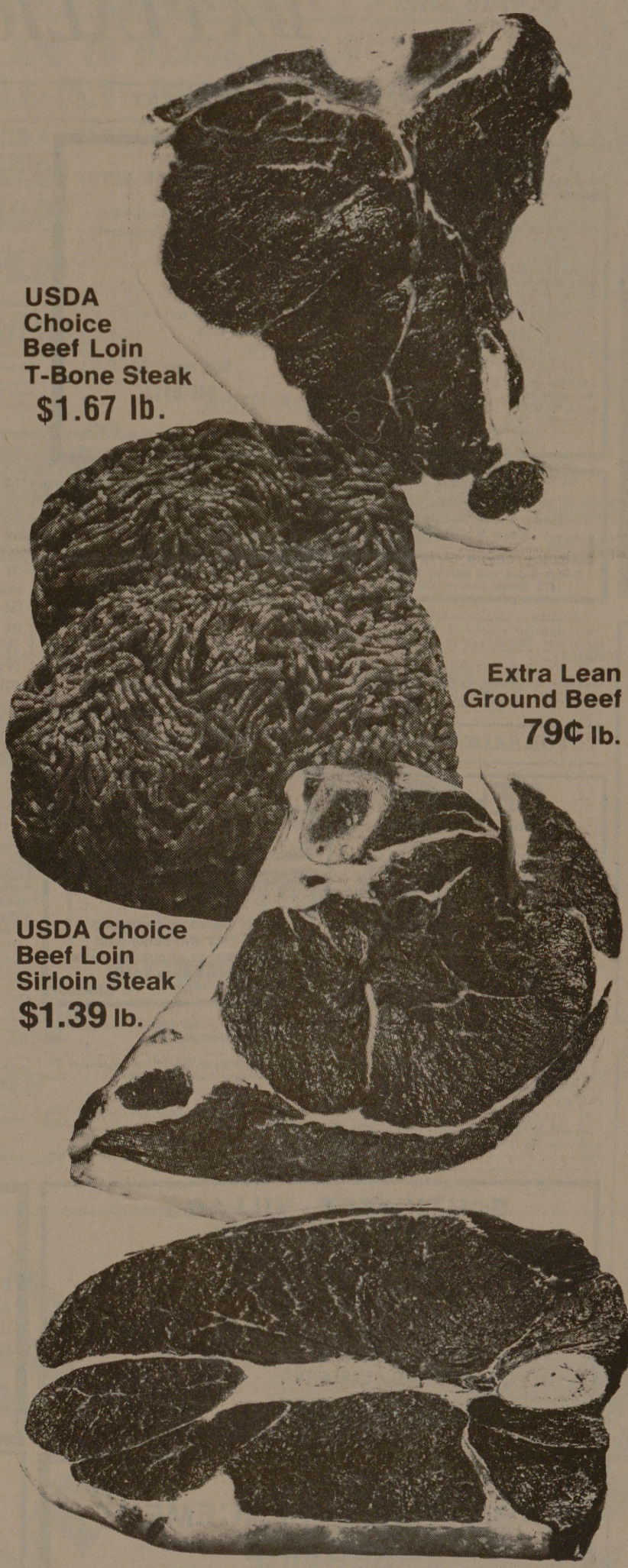
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Senators allocate pay raise

AUSTIN (AP) — Senators voted Tuesday to increase the amount of money for running their offices by \$500 a month but rejected attempts by three Houston lawmakers to go even higher.

Sen. Walter Mengden, R-Houston, probably the most outspoken conservative in the legislature, sought an unlimited office account but received only four motions for his motion in a private session.

Sen. Jack Ogg, D-Houston, attempted to raise the maximum of office expenses from \$5,000 to \$7,500, but he, too failed, and Sen. Bob Gammage, D-Houston, lost an attempt to go to \$6,500.

A motion was finally adopted setting the monthly limit at \$5,500.

That amount, said Mengden, "may be too much for some rural districts, but it's not enough for mine."

He said he probably would have to close one of his several legislative offices, most likely the one on Farm Road 1960 in his district.

House members approved \$4,000 per month to run their offices, a huge increase over the \$2,395 they received during the 1973 session.

Old members received permission, 105-39, to carry over as much as \$3,000 of their balances from the previous legislature and between-sessions period.

Rep. Richard Reynolds, R-Richardson, failed twice to trim the \$4,000.

"I don't think we should make available to those that will spend it the opportunity to spend it . . . Why make more money available to the big spenders?" he said.

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