

The anatomy of a corporate murder

by Jeffrey Steinberg

With virtually no publicity, the U.S. Fifth Circuit Court of Appeals several weeks ago rejected a petition by Shearn Moody, an insurance magnate from Galveston, Texas, for a hearing to reverse an Alabama court's 1972 ruling removing Moody from control over an Alabama-incorporated insurance company, Empire Life. With that two-word ruling, "Petition Denied," Fifth Circuit Appeals Justice Thomas Reavley relegated to the Supreme Court the last opportunity to reverse the looting and burning of one of the oldest entrepreneurial family fortunes of the United States, the Moody estate.

As *EIR* will document in future issues, during one six-month period in the winter and spring of 1972, a number of officials in the Nixon cabinet, working in tandem with corrupt officials of the state governments of Texas and Alabama and prominent organized crime figures inhabiting the precincts of Las Vegas and Hollywood, conspired to bankrupt Shearn Moody and remove him from shared control over a Galveston-based insurance empire.

Despite four separate *amicus curiae* briefs filed in support of the Moody petition, Fifth Circuit Court Justice Reavley rejected out of hand the Moody arguments that the Alabama state court had erred in its interpretation of the law in ordering the receivership-bankruptcy of the Empire Life Insurance Company and the reassigning of all its policy contracts to a state-named company, Protective Life. Reavley's behavior, including his personal "suggestions" to Texas State Attorney General Jim Mattox that the attorney general remove his own *amicus* brief from the Moody matter, has raised eyebrows among the legal beagles of the South, particularly given Reavley's former status as secretary of state under then-Texas Governor John Connally. It was Connally, as secretary of the Treasury under the Nixon administration, who was the prime player in the power grab against the Moody estate. The instrument was a little-publicized component of the Nixon administration's "enemies' list" called Project Southwest.

According to a Bureau of National Affairs report dated Dec. 7, 1977, Project Southwest was a Nixon Treasury Department "hit list" operation that additionally utilized the Securities and Exchange Commission, then headed by William Casey and dominated by Stanley Sporkin. "The Internal Revenue Service, assisted in at least one instance by the SEC, embarked in 1972 on a secret intelligence gathering program aimed at politically influential Texans. IRS's election year Project Southwest focused on 164 Texans with political con-

nections in the state, although the only IRS target identified so far is Shearn Moody, Jr., a wealthy Galveston banker with strong Democratic ties. At its height, the covert operation—designed, in IRS's words, 'to learn as much as we can about Texas political relationships, influence, and payoffs'—utilized 27 revenue agents from Treasury and IRS. An SEC decision to conduct its own stock fraud investigation of Moody was reached just as Project Southwest was getting under way, although there is no evidence that anyone at the SEC was aware of the IRS political project. Because of the SEC's probe, however, IRS was able to obtain private information it otherwise wouldn't have been entitled to."

Between February and July 1972, through the combined efforts of the SEC, the Texas attorney general's office, and the offices of the state insurance commissioners of Alabama, Texas, and Arkansas, Shearn Moody was:

- removed from his position on the board of directors of the Moody Foundation, the repository of the family's banking and insurance estate and the majority shareholders in American National Insurance Company (ANICO) of Galveston, one of the 10 largest insurance companies in the United States;

- removed from control over Empire Life Insurance Company, an Alabama corporation formed by Shearn Moody in the early 1960s which was placed in receivership through documented coordinated efforts of the state attorney generals and state insurance commissioners of Texas, Alabama, and Arkansas, all political protégés of John Connally;

- removed by the SEC from control over W. L. Moody and Company Bank, a private bank owned by the family since 1866, on the preposterous grounds that, as a private holding, it was subject to SEC regulations, and that reporting requirements had been violated.

As the result of these combined efforts, Shearn Moody was in effect robbed of an eight-digit family fortune and thrust in the position of conducting a more than decade-long fight against the combined legal might of the federal government and the governments of three states. Project Southwest, which Moody investigator Norman Revie has amply documented through Freedom of Information Act suits to have been the initiating hand behind the financial blitzkrieg of 1972, soon dropped its investigation of Moody. The only tax irregularity discovered by the IRS team was a \$170,000 discrepancy—in Moody's favor.

The initial assault against the Moody Foundation was activated when Connally orchestrated the appointment of three outside directors, controllers of the ANICO insurance operation. It has been documented by Revie, among others, that under the sway of the hand-picked Connally directors, tens of millions of dollars in foundation funds were diverted into investment in a dozen Las Vegas casinos, principally run through financial cutouts to the recently deceased Meyer Lansky. At the time the walls closed in on Shearn Moody, he was initiating a civil action to remove those mob-linked directors from the foundation.