



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

MILTON J. SHAPP
GOVERNOR

August 12, 1974

HAND DELIVERED

Honorable Patrick A. Gleason, Chairman
Select Committee on State
Contract Practices
House of Representatives
B-10 Main Capitol Building
Harrisburg, Pennsylvania 17120

*on file
Gov. Shapp*

Dear Representative Gleason:

This is in further reply to your letter of July 31st, and those of August 2nd, 6th and 8th concerning transactions between the Continental, Fidelity and IVB Banks and political committees authorized by me.

As I understand from your letter of July 31st, your requests relate to your committee's endeavors "to determine if the banks in question have received any preferential treatment or favored status as a result of the lending practices."

Let me state emphatically: at no time during my term of office have I ever given preferential treatment or favored status to these banks or any other banks as a result of their lending practices.

I am prepared to affirm this statement under oath when and if you invite me to appear before your committee as I have urged for more than eight months.

Honorable Patrick A. Gleason
August 12, 1974

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Under ordinary circumstances, such a flat statement by me, particularly while I am willing to make this statement under oath, should be sufficient to settle the matter.

However, I am willing to go even further. I have not and will not now resort to executive privilege or other devices to withhold requested material that is relevant to your investigation. The last time executive privilege was invoked in Pennsylvania was by Governor Scranton in 1965. (The issue did not arise during the Shafer Administration).

I have not indulged in this practice nor do I intend to do so.

Therefore, there is only one precedent for appearances by a Pennsylvania Governor before an investigating committee and that is my own voluntary appearance last year before the House Liquor Committee. At that time, by mutual agreement, I brought all relevant documents and material with me when I testified.

Nevertheless, I am willing to take further voluntary actions today in regard to your various requests for furnishing certain requested records in advance of my appearing before your committee.

In reference to your letter of August 8th requesting copies of my personal financial disclosures, I am forwarding to you copies of all disclosures made since March of 1971. To the best of my recollection, this was the first such disclosure made. *ON FILE*

My financial disclosures are public knowledge. I do not believe they are relevant to your investigation, but since they were made public you are welcome to them.

In your letter of July 31st, you request copies of documents and other data "pertaining to loan agreements between the Continental Bank, the Fidelity Bank, and IVB Bank and any political committees operating on behalf of or authorized" by me.

Honorable Patrick A. Gleason
August 12, 1974

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I understand you have already requested and received such material from the banks, so therefore, I do not understand your request that I duplicate this information, particularly since none of these records are in my possession.

You also seek "all pertinent information concerning the manner in which any such loans were repaid."

In February, 1972, I reduced a Shapp/Kline Committee loan of \$1,300,000 at Continental Bank by an amount of \$750,000, leaving a balance of \$550,000 outstanding. Continental also has a loan outstanding to the Shapp for Governor Committee in the amount of \$75,000. All of these loans were (and still are) 100 per cent collateralized by certificates of deposit. This information is shown in the financial disclosures I have filed since 1971.

Repayment of the \$750,000 came from my personal funds. There has been no political fund raising to pay off these loans. The loans still outstanding are collateralized by certificates of deposit totaling \$635,000 that belong to my wife and myself.

The first paragraph on page two of your letter of July 31st is the only one which seems to contain material which conceivably could be relevant to your investigation and that is your request for data concerning "the contractual relationships between these three banks and the Commonwealth through which the banks served as either active or inactive depositories for State monies or as transfer agents for Commonwealth general obligation bonds and tax anticipation notes."

Surely you must know that records of state depositories are not in the possession of my office nor are these deposits under the control of my office. They are the responsibility of the independently elected office of the State Treasurer. Mrs. Sloan has been requested to supply this material to my office and as soon as it is received, I shall have it forwarded to you.

Honorable Patrick A. Gleason
August 12, 1974

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I have also directed Budget Secretary McIntosh to draw up a separate list of all banks which have served as transfer agents for Commonwealth obligation bonds and tax anticipation notes and I will forward this information to you along with the material from Mrs. Sloan.

Now, a few words in regard to your request that I furnish your committee with copies of my personal income tax returns. What is the purpose of this request? In your letter of July 31st, you state clearly that your committee's function is to determine if the banks in question have received any preferential treatment or favored status as a result of their lending practices. That type of material would not be contained in federal tax returns and you know this. Tax returns are reviewed by IRS for accuracy and that is the agency responsible for this function, not your committee.

I have stated that I will furnish all material requested that is relevant to the scope of the authority of your investigation. I do not necessarily rule out supplying my tax information, and will be willing to reconsider your request at such time as you may indicate precisely the materiality of the connection between my tax returns and the mandated responsibility of your committee which is to investigate state government contracts.

Finally, I once again reiterate my request to be heard, in public hearings, before your committee.

If you are to maintain public confidence, nothing could be more important than to honor my request to appear personally as soon as possible.

Sincerely,

 LR

MILTON J. SHAPP
Governor

1401 Walnut Street
Philadelphia, Pennsylvania 19102

September 24, 1974

Honorable Patrick A. Gleason
Chairman
Select Committee on State
Contract Practices
House of Representatives
Room B-10 Main Capitol
Harrisburg, Pennsylvania

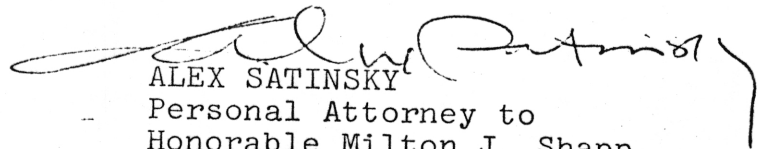
Re: Pennsylvanians for Progress

Dear Chairman Gleason:

Reference is made to the subpoenae that you have caused to be served on Governor Milton J. Shapp and Mr. James Craig. Pursuant thereto, there is hereby being delivered to you, under seal, all of the data presently known to be in existence. The delivery of this material is being effected, despite the fact that I have advised Governor Shapp and Mr. Craig that in my opinion, your request to have this material is not within the scope of the purposes of the Select Committee on State Contract Practices of the House of Representatives pursuant to House Resolution 98, Printer's No. 1381, and adopted July 25, 1973. Accordingly, you are advised that delivery is being made without prejudice to the rights of the parties involved.

If the members of the Select Committee on State Contract practices should, nevertheless, proceed with its alleged investigation of the subject matter, the majority members of the Committee are requested to conduct every phase of such investigation only in the presence of the minority members of the Committee and their designees. You are also requested to insure the safekeeping of the material in a manner that meets with the approval of the minority members of the Committee

Very truly yours,


ALEX SATINSKY
Personal Attorney to
Honorable Milton J. Shapp
and Mr. James Craig

cc: ✓ Hon. Harry J. Comer
Vice Chairman



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG
17120

LAWRENCE J. BEASER
COUNSEL TO THE GOVERNOR

September 24, 1974

Honorable Patrick A. Gleason
Chairman
Select Committee on State
Contract Practices
House of Representatives
Room B-10 Main Capitol
Harrisburg, Pennsylvania

Dear Mr. Gleason:

At the direction of the Governor, this letter is being sent in response to the five subpoenas served on Friday, September 20, 1974. The subpoenas were addressed to Governor Shapp, Mr. Richard Doran, Mr. Norval Reece, Dr. Zalmon Garfield and myself.

Although it is highly unusual for a legislative committee to request information regarding discussions and meetings of a Governor and his personal staff relating to government business, nevertheless, the Governor has directed that the subpoenas be fully and completely answered so that the people of Pennsylvania will continue to know that his Administration is being run in a totally open fashion.

Therefore, please find attached the material your committee is seeking in part (a) of the subpoena addressed to the Governor and in the subpoenas addressed to Messrs. Doran, Reece, Dr. Garfield and me. Alex Satinsky, Esquire, the Governor's personal attorney, will respond as to part (b) of the subpoena addressed to the Governor.

You will note that there are four separate items.

The first is a copy of the August 5, 1974 page of the Governor's Appointment Calendar.

The second is a yellow sheet of lined, legal tablet paper containing my hand written notes of a meeting held Sunday, September 8, 1974 attended by Mr. Richard Doran, Dr. Zalmon Garfield, Mr. Frank Hilton and myself. No other notes were taken at that meeting.

Thirdly, attached is a copy of a memorandum to Governor Shapp, which I wrote and typed myself following a meeting with Mr. Hilton and Joseph Shein, Esquire, on Thursday, September 12, 1974. Two sections of that memorandum should be clarified. There is a reference in paragraph 4 of page one of the memorandum to a discussion held earlier in the day. That relates to a meeting held at approximately 1:00 p.m. in my office between Mr. Hilton, Dr. Garfield and myself at which time the possibility of Mr. Hilton's taking an immediate, voluntary leave of absence pending his appearance before the Select Committee on State Contract Practices was discussed.

Further, in the third paragraph from the end of page two of the memorandum there is a mention of a Mr. (Dr., I now believe) Winslow. The statement about a loan from Dr. Winslow was made by Mr. Shein while Mr. Hilton was on the telephone trying to reach Mr. Anthony F. Altavilla. Mr. Hilton seems to have clarified the reference to his having borrowed money from Dr. Winslow in the material he submitted to your committee and to the Governor on September 13, 1974.

Finally, attached is a copy of the material, including Mr. Hilton's affidavit, which Mr. Hilton submitted to the Governor on September 13, 1974. Although the Governor had this material turned over to the Committee the same day it was received by him, for some reason the subpoena appears to request another copy.

As far as the Governor, Messrs. Doran and Reece, Dr. Garfield and I can determine the attached comprises all of the material requested in part (a) of the subpoena addressed to the Governor and in the subpoenas addressed to Messrs. Doran, Reece, Dr. Garfield and me.

Sincerely yours,



Lawrence J. Beaser
Counsel to the Governor



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

MILTON J. SHAPP
GOVERNOR

September 14, 1974

HAND DELIVERED

Honorable Patrick A. Gleason
Chairman
Select Committee on State
Contract Practices
House of Representatives
Room B-10 Main Capitol
Harrisburg, Pennsylvania

Dear Mr. Gleason:

I have your letter concerning my tax returns and the subpoena which accompanied it. I was pleased to note that you still feel that the privacy of tax returns is a principle which should be upheld.

I refer specifically to paragraphs 4 and 5 of your letter which state:

"The Committee, of course, remains willing to act on the basis of the compromise which was voted on September 5, 1974 and which was discussed with your attorneys on August 29, 1974. So that there may be no misunderstanding about the terms of that compromise, I shall restate it here. It calls for 'review, by Committee members and designated staff of your personal copies of your Federal and State income tax returns for the years indicated at a place and time to be settled by mutual agreement. Under this compromise, the Committee would not take physical possession, custody or control of your copies of your returns, but would have access to them as indicated for as long as necessary.'

Honorable Patrick A. Gleason
September 14, 1974

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"In addition, I believe that our Committee will support a suggestion that Committee members to be involved in an examination of these materials be limited to the Chairman and Vice Chairman with each designating a restricted number of professional staff persons to assist them."


Last week, I suggested another compromise proposal discussed between your staff and my counsel. You rejected it.

I have consistently stated my willingness to cooperate with your Committee and other investigative committees. Although I still do not understand the relevance of your questions to the mandated purposes of your Committee I intend to be fully consistent with my past record of openness and cooperation. Therefore, my income tax records for 1970, 1971, 1972 and 1973 will be made available for examination by your Committee under the terms outlined in your letter of September 11th which are quoted above.

Further, I am instructing Mr. Beaser, my Counsel, to be in touch with you on Monday morning, September 16, 1974, to arrange a mutually agreeable time and place to hold the meeting that is proposed in your letter.

I trust, in this way, this entire matter will be disposed of expeditiously.

Sincerely,



MILTON J. SHAPP
Governor



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

MILTON J. SHAPP
GOVERNOR

August 19, 1974

HAND DELIVERED

Honorable Patrick A. Gleason
Chairman
Select Committee on State
Contract Practices
Room B-10 Main Capitol
Harrisburg, Pennsylvania 17120

Dear Mr. Chairman:

I am in receipt of your letter of August 15th.

For eight months, I have sought in vain to appear before your Committee, under oath, to testify on the matters under investigation.

From reading your latest letter, it is obvious that you have no intention of permitting me to do so, because you fear my testimony would then end your committee's usefulness as a political tool in this election year.

Consequently, I am today making the following statement of my own future action: If by 3 P.M., Monday, August 26, 1974, you do not schedule a mutually agreeable date prior to the end of September for me to appear before your committee, then I shall ask for television and radio time to take a public oath and submit sworn testimony for the people to judge. This testimony will be delivered to you in the form of a sworn affidavit. I shall also invite members of the news media to appear with me and to interrogate me.

Honorable Patrick A. Gleason
August 19, 1974

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It is intolerable that you have, by your innuendos, attempted to further erode public confidence in government. You and your associates have succeeded in bringing the Watergate mentality to Harrisburg with your pistol carrying investigators and the massive misuse of legislative staff for political ends.

Neither I nor any decent citizen can any longer tolerate such actions, and therefore, I will take the issues before the people who are the ultimate judges of our public conduct.

I would, of course, prefer to testify before your Committee.

I have repeatedly said that where your investigations are relevant, they will receive my full cooperation.

Therefore, despite the obvious political overtones in which the leadership of your Committee is engaged, I shall continue to cooperate with you to the maximum extent and within the same legal parameters that apply -- or should apply -- to all citizens of the Commonwealth.

At no time since I have been Governor have I attempted to place myself in any position of higher personal status than that enjoyed by any other citizen, despite declarations by previous governors that they enjoyed such rights.

I do not seek to withhold legitimate information as you infer in your latest letter. For eight months I have sought the opportunity to appear, to take the same oath given to any other witness, and to answer any questions that may be germane to the scope of the investigation that your Committee is authorized to conduct.

House Resolution 98 provides that the Committee is to hold hearings and to take testimony. I seek only the same privileges that a fair committee would offer to any citizen of the Commonwealth in this respect.

Honorable Patrick A. Gleason
August 19, 1974

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In your letter of August 15th, you seek certain documents in order to determine if in fact I profited while Governor as a result of the sale of my stock in the cable television system in Williamsport. I have publicly stated that I profited from this sale. I profited from an above board business transaction, with no political promises made. I would have profited more if I had not sold the cable system soon after I was elected Governor, because the values of such cable systems were rising. I sold the Williamsport system, just as I sold my major systems in Reading and Greensburg, in order to avoid even the appearance of a conflict of interest. Call me as a witness before your Committee and I will repeat this statement under oath.

You also state in your letter of August 15th that the Committee must determine if I have given any preferential treatment to three banks in Philadelphia as a result of their lending policies to me or to various political committees which I authorized. I have already furnished records in the possession of my office and the State Treasurer listing State business transactions with these banks.

I have stated to you in my letter of August 12th, and the records already submitted to you show, that there was no preferential treatment given by the State to the banks in question and I am prepared to so state when I am under oath before your Committee.

As for the records you say you have not received from me, you have already subpoenaed from the banks all of these documents and those of the political committees involved, and such records, I understand, have been turned over to you by the banks.

As an example of your utter disregard for fairness, I note the comment in your August 15th letter to the effect that you were shocked at what you state to be my assertion that I have no records in my possession concerning the bank loans in question.

May I suggest you reread my letter of August 12th, particularly the paragraph immediately preceding the paragraph you have chosen to pull out of context.

Honorable Patrick A. Gleason
August 19, 1974

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It should then be obvious to you that the copies of documents and other data that I stated were not in my possession were the loan agreements between the banks and the political committees and that is what you asked for in your letter of July 31st.

As I stated in my letter of August 12th, you have subpoenaed and, I understand, received copies of the requested records from the banks. As I stated before, my records will only duplicate the material you have received from the banks.

However, I am willing to furnish to your Committee from my files, copies of checks and other documentary material evidencing the reduction of these political committee loans and also furnish copies of the records of collateralization of these loans, even though the material I offer to furnish will merely duplicate the bank records of the same transactions in your possession. I shall gather this material together and forward it to you as quickly as possible.

In your letter of August 15th you state that the Committee must determine if the monies allegedly extorted from employees and contractors by others were used by me in any way to reduce loan obligations undertaken on behalf of political committees. I stated in my letter of August 12th that money used in repayment of these loans came from my personal account. This information is shown quite clearly in the bank records you have subpoenaed.

As to your question concerning the Democratic State Chairman, and the fact that I did not answer your letter, the answer came loud and clear from Mr. Thiemann when he announced that he was opening all the financial records of the State Committee to the public, the press, your investigators and anyone else who wanted to see them.

That was three weeks ago. To this date, you have not seen fit to take advantage of his offer.

The failure of your Committee to take advantage of Mr. Thiemann's open invitation, just like your failure to honor my request to appear in open session, are glaring examples of your obvious attempts to frustrate our efforts to be open and straightforward with the public.

It is also quite obvious that answers to all of the questions you have raised can be documented without reference to my personal tax returns.

In point of fact, the most important question you have raised, namely item (2) on page 4 of your letter of August 15th, would not even be shown in my tax returns because reduction or elimination of indebtedness is not reportable in any income tax return.

Where does this lead us?

You say in your letter that your Committee will not be coerced into calling before it any witness regardless of the individual's position. Translated into simple, ordinary, every day English, it seems obvious that you are merely laying the groundwork for an excuse not to permit me to appear before your Committee -- at least before the November election. You say that the Committee will not be duped. No one is trying to dupe you. However, I will not be duped, nor will the people be duped, by any unfounded statements you choose to release to the press without offering me the opportunity to be heard.

Let me repeat my position very precisely. I desire to be a witness before your Committee and to cooperate fully with your Committee within the scope of its authority. If not afforded the opportunity, I will go to the people. In either case, if it develops that some of the data and documents you have requested are indeed needed in order to assure that full disclosure is made on all pertinent matters you have raised, I shall be willing, then, to bring additional documents that may be needed to satisfy the legitimate demands of your Committee.

I have nothing to hide. I seek no special privileges, but neither do I believe it is proper for the Chairman of your Committee to demand of me more than he could properly and legally demand of any other citizen.

Honorable Patrick A. Gleason
August 19, 1974

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It is quite clear that the only basis for your requesting my personal income tax reports is political. You do not need, and you have no legal right, to my tax returns in order to obtain the pertinent information you are seeking from me. Thus, you have demonstrated no valid right, and, therefore, there is no legal right to my tax returns. The Internal Revenue Service, not your Committee, is charged with the responsibility of reviewing my income tax returns. This, IRS has done and is doing.

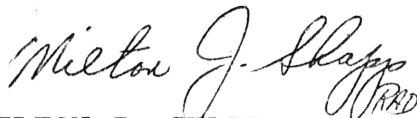
But quite callously, you are trying in this election year, to find or invent a political issue and are prepared to commit any action, as irresponsible as it may be, to invent such an issue. As Mr. Edward Jensen noted in this morning's edition of the Pittsburgh Post-Gazette: "Shapp has volunteered to testify before the Committee at least three times, but Gleason has confined his requests to records and papers in letters suggestive of something sinister, but never spelled out."

So, let's put it all out in the open for the public to see what's really going on in the operation of your Committee.

If Watergate has taught us anything, it is there must be an end to the violations of the freedoms of all Americans; and even your Committee must respect this edict. To their credit, neither the United States House nor Senate Committees investigating the sordid Watergate affair in Washington operated as blatantly politically as you are doing.

It is time that your committee learns something from the Watergate affair and the performance of the Congressional investigating committees.

Sincerely,

A handwritten signature in cursive script that reads "Milton J. Shapp". The signature is written in dark ink and is positioned above the typed name.

MILTON J. SHAPP
Governor



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

MILTON J. SHAPP
GOVERNOR

August 5, 1974

The Honorable Patrick A. Gleason
Chairman
Select Committee on State Contract Practices
House of Representatives
Harrisburg, Pennsylvania

Dear Mr. Gleason:

I have in hand your letters of July 31st and August 2nd, 1974 requesting certain information relative to loan agreements entered into on my behalf, and clarification covering certain declarations in my 1973 Financial Statement. In your letter of August 2nd, 1974, you state that "the Committee looks forward to your personal testimony on these and other matters during the course of its public hearings."

You are aware, I am sure, that it is now more than seven months since I requested that your Committee invite me to testify on any matter pertinent to its investigation. You are aware, too, that as of the present writing, I have not received the Committee's invitation.

I must repeat, once more, that I am ready, willing and able to appear before the Committee and to bring with me at that time such documents and records as may be necessary to answer, under oath, any relevant questions that may be pertinent to its investigation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Milton J. Shapp".

MILTON J. SHAPP
Governor