

**File #:**

62-116464

**Serial Scope:**

112 THRU 128X

130 THRU 140

UNITED STATES GOVERNMENT

# Memorandum

TO : Mr. J. B. Adams

FROM : Legal Counsel *[Signature]*

SUBJECT: HOUSTUDY-75

- 1 - Mr. Mintz - Enc.
- 1 - Mr. Wannall - Enc.
- 1 - Mr. Cregar - Enc.

DATE: 10/30/75

- 1 - Mr. Peterson - Enc.
- 1 - Mr. Hotis - Enc.
- 1 - Mr. Daly - Enc.

Assoc. Dir. \_\_\_\_\_  
 Dep. AD Adm. \_\_\_\_\_  
 Dep. AD Inv. \_\_\_\_\_  
 Asst. Dir.:  
 Admin. \_\_\_\_\_  
 Comp. Syst. \_\_\_\_\_  
 Ext. Affairs \_\_\_\_\_  
 Files & Com. \_\_\_\_\_  
 Gen. Inv. \_\_\_\_\_  
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 Inspection \_\_\_\_\_  
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 Laboratory \_\_\_\_\_  
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 Spec. Inv. \_\_\_\_\_  
 Training \_\_\_\_\_  
 Telephone Rm. \_\_\_\_\_  
 Director Sec'y \_\_\_\_\_

Attached is a memorandum from Michael E. Shaheen, Jr., Special Counsel for Intelligence Coordination in the Department, addressed to John A. Mintz, Assistant Director, Legal Counsel Division, dated October 9, 1975. The memorandum instructs the Bureau to provide access to the House Select Committee Staff Members to the Kissinger 17 material which was previously made available for review by the Senate Select Committee. This material is exclusive of logs pertaining to electronic surveillance matters. *[Handwritten initials]*

Upon receipt of attached memorandum, SA Paul V. Daly of this Division telephonically contacted Steven Blackhurst, Assistant Special Counsel for Intelligence Coordination in the Department, and advised Blackhurst that the instructions insofar as allowing the House Select Committee Staff Members to take notes on the materials and remove these notes without screening by Bureau personnel back to their offices was contrary to the agreement set forth in the Departmental letter to the Senate Select Committee of July 15, 1975. This letter required prior Bureau screening of notes taken by Staff Members during their review of the aforementioned material. Blackhurst subsequently advised SA Daly that the Committee was agreeable to having their notes screened by Bureau personnel prior to their removal to their offices. Blackhurst was then informed that inasmuch as this involved the State Department and the White House, the Department should advise the appropriate representatives of the White House and the State Department of the aforementioned matter, especially in view of information furnished by the Committee indicating that Secretary of State Henry Kissinger would be testifying in executive session before the House Select Committee on Friday, October 31st.

Enclosure

ENCLOSURE

PVD:lad  
(8)

ST-111  
REC-30

62-111-140

15 NOV 4 1975

CONTINUED - OVER

INTELLIGENCE DIV  
RECEIVED

OCT 30 8 51 AM '75

LEGAL COUNSEL

84 NOV 11 1975

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

Legal Counsel to Mr. Adams  
RE: HOUSTUDY

On 10/30/75, Shaheen telephonically advised SA Daly that the Committee representatives were on their way with Blackhurst to Bureau space to review the Kissinger 17 materials and that Daly was to advise Blackhurst that the Attorney General had instructed the Committee not be granted access to the materials. Upon arrival, Staff Members for the House Select Committee John Atkisson and Timothy Oliphant were advised of the Attorney General's decision by Blackhurst. Oliphant promptly consulted with Committee Counsel Aaron Donner and Donner advised Blackhurst that the Committee was considering issuing subpoenas for the material and would hold a press conference concerning the Department's noncompliance with the Committee request. Blackhurst indicated to SA Daly that he was not fully cognizant of the background concerning the Attorney General's instruction; however, apparently the White House had instructed the Attorney General not to make the material available. He stated that he had informed the White House of the aforementioned request and their compliance thereof early on the morning of October 30th and that the White House had apparently telephoned the Department objecting to making the material available.

Subsequently, Blackhurst telephonically advised SA Daly that the Attorney General had reviewed the motion to modify the Protective Order covering the Kissinger 17 documents which was filed on October 28, 1975, and signed by the Judge on October 29, 1975, which allowed for House Select Committee access to the documents protected by a Protective Order which was issued by that court on June 28, 1975, with the exception of electronic surveillance logs. The Attorney General after this review instructed that the material be made available.

RECOMMENDATION:

For information.

*JMT* *11* *Controlled access granted 10/30/75.*  
*JAM*

*JAM* *Worked*  
*10/30/75*



OFFICE OF THE DEPUTY ATTORNEY GENERAL  
WASHINGTON, D.C. 20530

OCT 29 1975

TO: John A. Mintz, Assistant Director  
Legal Counsel Division  
Federal Bureau of Investigation

*Mika*

FROM: Michael E. Shaheen, Jr.  
Special Counsel for Intelligence  
Coordination

SUBJECT: HSC Request for "Kissinger 17" Materials

Please provide access for Messrs. Atkisson and Oliphant of the House Select Committee staff to those documents which relate to what is commonly known as the "Kissinger 17" wire-taps. Access should be given to those documents which previously have been made available to the Senate Select Committee staff.

The Department has agreed that the House Select Committee staff members will be able to take notes on the materials they see and will be able to take those notes from the Bureau building without prior screening.

ENCLOSURE

62-116464-140

15 NOV 4 1975

cc: Paul Daly

LEGAL COUNSEL  
*[Signature]*  
FILE

*1-Ad Hoc  
11-17-75*



OCT 29 1975

TO: John A. Mintz, Assistant Director  
Legal Counsel Division  
Federal Bureau of Investigation

FROM: Michael E. Shaheen, Jr.  
Special Counsel for Intelligence  
Coordination

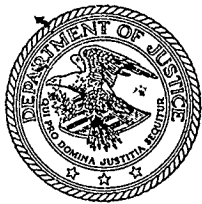
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cc: Paul Daly

FBI



OFFICE OF THE DEPUTY ATTORNEY GENERAL  
WASHINGTON, D.C. 20530

OCT 29 1975

TO: John A. Mintz, Assistant Director  
Legal Counsel Division  
Federal Bureau of Investigation

*M.E.S.*

FROM: Michael E. Shaheen, Jr.  
Special Counsel for Intelligence  
Coordination

*Shaheen (info)*

SUBJECT: House Select Committee Letter dated October 17

For your information attached is a letter dated October 17, from the House Select Committee which this Office received on October 28. The Department's Office of Management and Finance has been asked to prepare an appropriate response to the request in this letter.

*10/30/75 assigned Clyburn, Div 3  
10/31/75 Jim Hogan, Div 3, advises Dept is handling  
11/3/75 Paul Daly, LCO, advises attached for info + Dept not seeking Bureau input at this time.*

REC-30

ST-111

*62-116464-139*

15 NOV 4 1975

ENCLOSURE

cc: Paul Daly

LEGAL COUNSEL  
File  
*S. S. McNEE*

*rec'd 10/30/75  
1-Ad Hoc  
10-30-75*

NOV 11 1975

*62-116464*

OCT 29 1975

TO: John A. Mintz, Assistant Director  
Legal Counsel Division  
Federal Bureau of Investigation

FROM: Michael E. Shaheen, Jr.  
Special Counsel for Intelligence  
Coordination

SUBJECT: House Select Committee Letter dated October 17

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cc: Paul Daly

OTIS G. PIKE, N. Y., CHAIRMAN

ROBERT H. GIAIMO, CONN.  
JAMES V. STANTON, OHIO  
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DAVID E. TREEN, LA.  
JAMES P. JOHNSON, COLO.  
ROBERT W. KASTEN, JR., WIS.

A. SEARLE FIELD, STAFF DIRECTOR  
AARON B. DONNER, COUNSEL

TELEPHONE: (202) 225-9751

Select Committee on Intelligence  
U.S. House of Representatives  
Washington, D.C. 20515

October 17, 1975

OCT 21 10 46 AM '75  
DEPT. OF JUSTICE  
MAIL ROOM  
ORDM

RECEIVED

OCT 23 1975

O.L.A.

The Honorable Edward H. Levi  
Attorney General  
U.S. Department of Justice  
Washington, D. C. 20530

Dear Mr. Levi:

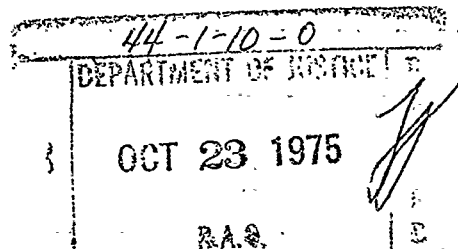
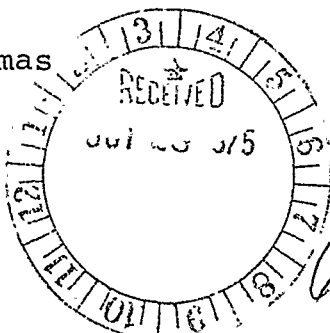
One of the objectives of this Committee is to establish the cost of domestic intelligence. This letter is to request that you provide FY 76 budget numbers (dollars and manpower) concerning intelligence activities and intelligence related activities within your Department. Should this kind of data not be readily available, by Department, Bureau, Administration, etc., your best estimate and an explanation as to how the computations were made will suffice. We have a good deal of budgetary data re: FBI, DEA, etc. already. However, it is in a format that does not readily lend itself to isolating intelligence activities per se, hence this request.

Should there be any questions regarding this matter, Roger Carroll of this staff, at 225-9751, is available for more details. We would appreciate your response by October 31, 1975.

Sincerely,

A. Searle Field  
Staff Director

ASF/RC/mas



OFFICE OF LEGISLATIVE AFFAIRS  
OFFICE OF MGT. & FINANCE  
Mgt. Programs & Budget Staff

ENCLOSURE



UNITED STATES GOVERNMENT

# Memorandum

- 1 - Mr. Mintz
- 1 - Mr. Adams
- 1 - Mr. Gallagher

- Assoc. Dir. \_\_\_\_\_
- Dep. AD Adm. \_\_\_\_\_
- Dep. AD Inv. \_\_\_\_\_
- Asst. Dir.:
- Admin. \_\_\_\_\_
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- Training \_\_\_\_\_
- Telephone Rm. \_\_\_\_\_
- Director Sec'y \_\_\_\_\_

TO : Mr. J. B. Adams

DATE: 10/23/75

FROM : Legal Counsel

- 1 - Mr. Wannall  
(Attn: Mr. Cregar)
- 1 - Mr. Hotis
- 1 - Mr. Daly

*Houstudy - 75*

SUBJECT: TESTIMONY BEFORE THE SELECT COMMITTEE ON  
INTELLIGENCE ACTIVITIES  
OTIS PIKE, CHAIRMAN  
HOUSE OF REPRESENTATIVES, OCTOBER 9, 1975

*DPM*

Attached is a copy of SA James Kraus' captioned testimony in which corrections have been made. These corrections were restricted to grammatical corrections. The corrections were made in coordination with the General Investigative and Intelligence Divisions.

The questions raised during testimony are being responded to separately.

The Committee requested that the corrected testimony be returned to them promptly.

RECOMMENDATION:

That the attached transcript be furnished expeditiously to the Committee.

*See rec to Com in ltr by 62-116464-138X*

*ATT  
10/23/75*

Enclosure

*ENCLOSURE*

REC-48

ST-111

*62-116464-1022*  
15 NOV 12 1975  
*Jm*

lad  
(8)



84 13 1975

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

*Cof over*

Select Committee on Intelligence  
U.S. House of Representatives

ROOM B-316, RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515

Oct. 10, 1975

Referred to James Kraus

Testimony given by you before the Committee appears in the attached typewritten transcript. Please indicate any corrections thereon, attach all requested information to the proper page or pages, and return immediately so that your remarks as revised may appear in the final printed volume.

Changes in diction or expression or in the interest of clarity, brevity, or accuracy, or to correct any errors in transcribing are permitted. If other changes are desired, application must be made to the Chairman.

A. SEARLE FIELD,  
Staff Director.

GPO 57-667-5

Please return any information to be supplied for the record with the corrected transcript.

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STATEMENT OF JAMES KRAUS  
UNIT CHIEF  
ANTI-RUST AND BANKRUPTCY UNIT  
FEDERAL BUREAU OF INVESTIGATION

Mr. Kraus. Yes, sir.

Mr. Glaimo. As I understand it, he is here to answer questions. As I understand it, you don't have any direct testimony that you are to give.

Mr. Kraus. No, sir.

Mr. Glaimo. But you are available for questions.

Mr. Treen. I have just one question, first, of Mr. Kaiser. You stated that there was a 30 percent markup on the equipment that you sold to U.S. Recording. How do you know that?

Mr. Kaiser. I sat in the office, the Old Post Office Building, with the very gentleman that I had been negotiating another contract with and I saw the paperwork come in through U.S. Recording on his desk. I looked at the paperwork and compared the prices shown there -- as a matter of fact, I wrote them down -- and compared the prices shown on their invoice versus what they would have been from me.

Mr. Treen. You said you provided a lot of other agencies with equipment and these orders came through the United States Army. Would that include all the agencies you were talking about that they ordered their equipment through the Army and you referred to the U.S. Postal Service, IRS, Treasury, et cetera, and others? Did they all order their equipment through the Army?

1 Mr. Kaiser. No. They all used a different procedure.  
2 I refer to them as "cutouts". Occasionally, one agency would  
3 order through another.

4 Mr. Treen. Have you supplied the names of these other  
5 agencies to the committee staff?

6 Mr. Kaiser. All the agencies you have there. Just mix  
7 them all around. They all did the business of ordering for  
8 other agencies, not just Fort Holabird, but others.

9 Mr. Treen. I am talking about where you had ostensibly  
10 a private company ordering or where you had the Army ordering  
11 equipment that you knew was destined for someone other than  
12 the Army. Have you supplied that information?

13 Mr. Kaiser. Yes, I will supply the information to you.

14 Mr. Treen. You will. Okay.

15 Mr. Kraus, can you enlighten us a little bit from the  
16 point of view of the FBI about the method by which it  
17 acquires equipment? I assume none of this equipment that  
18 Mr. Kaiser manufactured here is illegal, per se; is it?

19 Mr. Kaiser. It is electronic surveillance.

20 Mr. Treen. It is not illegal to manufacture the  
21 equipment you have displayed today; is it?

22 Mr. Kaiser. No.

23 Mr. Treen. Under the law?

24 Mr. Kaiser. Under the law.

25 Mr. Treen. And it is not illegal for any of these

8 1 government agencies to possess it, per se, possession; is that  
2 correct?

3 Mr. Kaiser. That is correct.

4 Mr. Treen. Mr. Kraus, do you have any comments about  
5 the method by which the Federal Bureau of Investigation  
6 acquires this equipment? It has been alleged that the U.S.  
7 Recording Company is an intermediary through which this  
8 equipment is acquired. Is this true, and if so, why is that  
9 done?

10 Mr. Kraus. The acquisition of material, supplies, is  
11 handled by the Administrative Division of the FBI. I have never  
12 worked in the Administrative Division of the FBI; and I don't  
13 know the answer to your question.

14 Mr. Treen. You have no information on this subject at  
15 all?

16 Mr. Kraus. No, sir.

17 Mr. Treen. Has that been supplied to the staff,  
18 Mr. Field, the FBI explanation as to why, if true, these  
19 intermediary agencies or organizations are used? The answer  
20 is it has not. Can that be supplied, sir? Can you arrange  
21 to supply that to the committee, a statement of the reasons  
22 why, if true, intermediary organizations are used for the  
23 acquisition of this type of equipment?

24 Mr. Kraus. I can't supply it.

25 Mr. Treen. Can the Federal Bureau of Investigation

1 supply it?

2 Mr. Kraus. We will look into it, sir.

3 Mr. Treen. I assure the committee will make a response.

4 Now, if I have some more time, Mr. Kaiser, you  
5 generally alleged that many of these other government  
6 agencies order their equipment through the Army, that is  
7 agencies that are not connected with the Army. Can you give  
8 me a specific example? You said the United States Postal  
9 Service had ordered some of your equipment. What kind of  
10 equipment did the Postal Service order and how did you  
11 transmit it to the Postal Service?

12 Mr. Kaiser. The Postal Service bought in many cases  
13 direct. I think most of their cases were direct. The most  
14 significant example I can think of of an order that was  
15 routed through Army Intelligence was one for the Bureau of  
16 Narcotics and Dangerous Drugs. That was the most sizable.  
17 It was roughly 70 or \$80,000 from the Bureau of Narcotics to  
18 Fort Holabird to me. Again I delivered directly to Bureau of  
19 Narcotics but billed through Fort Holabird.

20 Mr. Treen. You were paid by the Army?

21 Mr. Kaiser. Yes.

22 Chairman Pike. Mr. Dellums, do you want to use your  
23 time?

24 Mr. Glavin. Can I ask unanimous consent to yield my  
25 time to Mr. Dellums?

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Chairman Pike. Without objection, Mr. Dellums is recognized for 10 minutes.

Mr. Dellums. First of all I would like to point out that I think these hearings today are extraordinarily important because it raises one of the most dangerous risks of uncontrolled intelligence-gathering capability. It may be that what we are listening to today is clear evidence that we have established an electronic horror story that renders the Bill of Rights null and void. In some ways I sit here and almost feel impotent as a Member of Congress on a tiny committee that may not even be backed up by the entire Congress trying to go into an area we may not be able to come out of.

I would like to pursue with Mr. Hershman and perhaps Mr. Farris this question. It spins off of the question raised by my distinguished colleague from Illinois. We have heard testimony this morning that various telephone companies around the country have participated or been involved, implicitly or explicitly in illegal wiretaps. The question I would like to ask you is: If that is true and telephone companies have not reported all of these illegal wiretaps to the appropriate Federal agencies, State or local agencies, is it not a fact that perhaps indictments can be brought against telephone companies all over this country for criminal acts in violation of the Constitution and in violation of the rights of human beings in this country, brought to trial?

Poland  
allows  
dolph  
1:30 a.m.  
1/9/75

1 Mr. Hershman. I think if, in fact, they have participated  
2 in illegal wiretapping in the hands of the proper respective  
3 prosecutors could possibly result in convictions, indictments,  
4 whatever.

5 Mr. Dellums. Does your information indicate that it is  
6 clearly true that not all of the warrantless wiretaps that the  
7 telephone company is aware of or perhaps even participated in  
8 were reported to the appropriate authorities?

9 Mr. Hershman. I think that the most glaring evidence of  
10 this is from, of course, the Illinois Bell System, where  
11 through their policy they do not report finds of illegal  
12 devices to law enforcement.

13 I want to say that during the course of the National  
14 Wiretap Commission's business we had many allegations that the  
15 telephone company had cooperated with law enforcement through-  
16 out the country in instituting illegal wiretaps or buggings.  
17 It has been the case, however, that we have only been able to  
18 document individual telephone company repairmen or linesmen  
19 having cooperated and in most of these instances that have  
20 come to light, they have been the subject of prosecution.

21 I believe that the instance discussed here today with regard  
22 to Houston is still under Grand Jury investigation. We will  
23 have to wait and see how that turns out, I suppose.

24 Mr. Dellums. Thank you.

25 Mr. Chairman and members of the Committee, I would like to



1 share with you my own personal experience. A gentleman who was  
2 on leave from Maryland University at University of California  
3 at Berkeley came to my office at the request of my staff, a  
4 very sophisticated person with extraordinary credentials in  
5 electronic surveillance. He put equipment on the telephone  
6 lines of my own Congressional office, found out and signed an  
7 affidavit saying that high frequency radio electronic sur-  
8 veillance equipment was on my telephone.

9 I am a Member of Congress, ostensibly capable of having  
10 some influence, and I say this to point out how the average  
11 citizen has to be totally wiped out in this process.

12 The best I could do as a Member of Congress, I was told  
13 we will hold a hearing and give you an opportunity to blast  
14 the fact there is a wiretap on your phone and maybe you can  
15 get a little press out of it.

16 I found that repugnant and repulsive.

17 What happens when thousands of American people are harmed  
18 by these wiretaps? There has been laughter in the chamber  
19 today, but I don't find one damn thing funny about a nation  
20 ostensibly democratic that has created so much irresponsibility  
21 with Federal agencies involved, and we sit here and think that  
22 is a joke. I think what we have done today is open up  
23 Pandora's box, Mr. Chairman, and I hope this Committee will go  
24 as far as it can go. I hope someday we get someone from the  
25 FBI here who can actually answer questions. This is the second.

1 time, Mr. Chairman, we have had some representative from the  
2 FBI who says, "I can't answer the question", or "maybe we can  
3 get this information for you".

4 I would like to know, because if we can ever open up the  
5 can of worms, the business that the FBI is involved in warrant-  
6 less wiretaps and harassment of American people, maybe it  
7 would make all these things about the CIA look like kinder-  
8 garten school.

9 I would like to ask the gentleman from the FBI, you have  
10 responsibility for investigations of violation of the criminal  
11 provision of Title II of the 1968 Omnibus Crime Control Safe  
12 Streets Act; that is correct, right?

13 Mr. Kraus. Yes, sir; we have responsibility over  
14 Title 47-605, Title 18-2511 and 12. Title III is the law, as  
15 I understand it, that authorizes the legal use of wiretaps.

16 Mr. Dellums. That seems like a great deal of responsi-  
17 bility. How many staff people do you have in order to carry  
18 out your function?

19 Mr. Kraus. In my unit?

20 Mr. Dellums. Yes.

21 Mr. Kraus. I have two other supervisors and two clerks.

22 Mr. Dellums. To carry out all this business?

23 Mr. Kraus. To carry out the business that is carried on  
24 in the Laboratory and Architect Unit in the Accounting and  
25 Fraud Section of the General Investigative Division.

1 We have currently pending 194 interception cases. The  
2 whole unit has somewhere in the neighborhood of 2,000 cases.

3 Mr. Dellums. Does that include Migratory Bird Act viola-  
4 tions?

5 Mr. Kraus. Yes, sir.

6 Mr. Dellums. So that means of these four staff people,  
7 half of them are handling migratory bird violations and the other  
8 two are handling all of these important electronic surveillance  
9 cases?

10 Mr. Kraus. I don't believe there is a single Migratory  
11 Bird Act case pending in the Bureau. But if there was such a  
12 case, it would be handled in the Bankruptcy and Antitrust  
13 Unit.

14 Mr. Dellums. Mr. Farris, what do you think about that?

15 Mr. Farris. I think that is pretty sad, Congressman. I  
16 agree that electronic surveillance is a necessary evil in  
17 certain types of investigations -- national security, the  
18 crimes enumerated in the Act, but I think that even with safe-  
19 guards, electronic surveillance is a dirty business.

20 To think that the only agency chartered by this Congress --  
21 and this is the only Congress we have -- to investigate those  
22 violations has to worry with a small unit with migratory birds  
23 and antitrust, and so forth, is pretty sad. That is what I  
24 think of it.

25 Mr. Dellums. Do you have a comment, Mr. Hershman?

