

Pennsylvania Fair Tax Coalition

631 Melwood Avenue Pittsburgh, PA 15213 (412) OUR-MONEY

Thursday, May 19, 1994

Board Members

Henry George Foundation and
Center for the Study of Economics

Fellow Board Members:

We have all recently received letters from Steve Cord regarding a threatened lawsuit from Stan and Marion Sapiro over the disposition of \$100,000 they had contributed to CSE. Their contention is that Steve had agreed to use that money, or a comparable amount from the Henry George Foundation, to fund Common Ground, which was newly formed at the time of the contribution, and to make that organization a successful chapter-based political force to advance the Georgist cause. Steve contends that he made no such agreement, and that he had spent the entire contribution and more on projects endorsed by the Sapiros.

Stan and Marion's account of what happened squares with what I know much better than Steve's account, and I am convinced that Steve's position is morally, and probably legally, indefensible.

Before discussing individual points of contention, I would like to describe the history of this controversy as I witnessed it at Council of Georgist Organization conferences, at Common Ground Meetings, and at CSE meetings.

The Common Ground concept was originally advanced at CGO conferences by the late Morgan Harris. Although Harris was a garrulous and difficult man who put off many prominent Georgists, his tireless and passionate advocacy for creating a network of grass roots political organizations had won a great deal of support among conference attendees.

Steve quietly lobbied against the formation of Common Ground, using pejorative terms such as hair-brained and half-baked. On more than one occasion he had complained to me that Common Ground would compete with him for financial support from Georgists, and indicated that he did not want to see rival organizations soliciting contributions. Steve was (and still is) the largest recipient of annual contributions.

I was therefore surprised when, in the middle of a CGO conference, Steve abruptly switched from decrying the Common Ground movement to accepting its mantle of leadership. Marion Sapiro had decided to jump-start Common Ground with a \$100,000 contribution. Steve's embrace of Common Ground was also an embrace of the \$100,000. The rationale for turning the reigns over to Steve was partly that he could accept the money on behalf of CSE as a charitable, tax-deductible contribution. If Marion had given

the money directly to Common Ground, she would have had to pay taxes on it first, and only \$60,000 or so would have actually been available for Common Ground use. HGFA funds, which Steve controlled, would be used to advance Common Ground agenda without violating IRS requirements. Another rationale was an expected efficiency from letting Common Ground share facilities with CSE and HGFA. But critically important were Steve's commitments to Common Ground.

By accepting the Common Ground presidency, Steve did more than put Marion's contribution under his personal control; he virtually eliminated prospects of a serious fund raising rival within the Georgist movement. Still, his change of position left me incredulous. I privately challenged his decision, arguing that it was hypocritical for him to take money to lead an organization he did not believe in, and even worse for him to agree to projects that he considered unrealistic. A prominent Georgist who joined the conversation told Steve that he regarded Steve's taking Marion's money under these circumstances as like selling his soul, and predicted that it would lead to Steve's undoing.

Still, Steve took the money and made the unrealistic promises. For example, Marion had entertained the idea of taking the Georgist message to the Philippines. Steve belittled the idea to others as a ridiculous waste of resources, but said nothing to Marion about it. But once Marion proposed contributing \$100,000 to Common Ground, Steve spoke in enthusiastic agreement with her Philippines proposal. Confronted with the appearance of hypocrisy again, Steve only replied, "If Marion wants me to go to the Philippines, I'll go to the Philippines." Fortunately, the prospect of Steve traveling half way around the world on a project he did not have faith in was averted, as Marion discussed the idea with other Georgists and decided that Common Ground's stated agenda and limited resources dictated against sponsorship of a Philippines trip.

Steve's taking charge cost Common Ground more than money. Common Ground meetings were dogged with contention between Steve and other members. Most contentions centered around Steve's resistance to proposals he didn't like. He didn't like proposals that increased his own obligations, because they would divert him from his own agenda. He also didn't like proposals that diverted Common Ground resources to other members who might outshine him or might develop Common Ground into an organization that could exist without him. The net result is that Steve did not support the things that Common Ground most needed in order to reach its goals.

Sometimes he grudgingly submitted to demands of the group, but the following year the group would find that he had either ignored his agreements or met them in such a half-hearted manner that they were unable to make use of the results. Steve was also able to put off members at meetings by behaving in a rancorous manner until opponents relented.

Steve's takeover of Common Ground also forced him to hold other organizations at bay. He was receiving ongoing grants from the Henry George School and the Robert Schalkenbach Foundation with the understanding that he would be working full-time to

publish *Incentive Taxation* and promote land value tax in Pennsylvania. They objected that Steve could not be working full time for them while also working for Common Ground, and they threatened to cut off funding unless Steve resigned as president of Common Ground.

At the next Common Ground meeting, Steve stepped down as president of Common Ground, stating that it was a purely cosmetic move, and that he would play the same actual role in Common Ground he had always played. He told Common Ground members that this was to placate concerns of the Henry George School and the Schalkenbach foundation, but he misrepresented those concerns. He said that those institutions were primarily concerned about tax conflicts that could arise if the IRS determined that tax-deductible contributions were being funneled into non-deductible Common Ground work.

Although that argument had been advanced, the president of the Henry George School told me that their primary concern was Steve's failure to dedicated himself exclusively to the tasks for which they had funded him, and his lack of accountability to them. They were not at all happy with Steve's charade of compliance with their demands, but he was able to put them off enough to keep his funding.

Board meetings of the Henry George Foundation and the Center for the Study of Economics have also become lost in quagmires of multiple accountability. At each meeting, Steve put forward budget documents with funds from five different organizations. His performance reports also included everything he had done for all five organizations. It was therefore impossible for any one board to evaluate or regulate its own organization's performance. Steve could do anything he wanted by asserting that one of the organizations expected it and could get out of doing what he didn't want to do by asserting that one of the organizations would object to it.

I was sitting on three boards at one time, and frequently found that his interpretation at one board meeting of what another board wanted did not square with my recollections. When I called attention to these discrepancies, Steve resorted to rancorous behavior, and the board submitted to Steve's point of view just so we could continue in an orderly and civilized fashion.

The Common Ground situation improved significantly when Hanno Beck was hired as Steve's assistant. Hanno was genuinely interested in Common Ground and worked hard to accomplish its goals. But when Hanno left, Steve was faced with continuing Hanno's work and knowing that the results of his own half-hearted efforts would not compare well with Hanno's results. So without warning, he resigned as an employee of Common Ground.

But he kept the money.

His abrupt cutoff of Common Ground was not limited to refusing to continue Hanno's work. He also cut off funds to Dick Noyes for the publication of *Groundswell*, refusing

to fund it even on an interim basis while the organization sought other sources of funding. By leaving Common Ground hanging this way, Steve seriously damaged the organization's momentum and its ability to compete with Steve for future Georgist contributions.

Marion tried to reason with Steve, and she presented her complaint to the CSE board back in the fall of 1992. Much of what appears above was stated at that board meeting. At the meeting, Steve agreed to work to find a compromise with Marion, and CSE treasurer Ed Schoyer, a senior attorney for a prestigious Pittsburgh law firm, agreed to mediate. Marion showed her willingness to compromise by immediately agreeing to settle for a \$60,000 transfer to Common Ground, leaving \$40,000 under Steve's control with no further obligations to Marion or to Common Ground.

No sooner had the meeting ended than Steve reneged on his promise to compromise, insisting as he does now that he owed Common Ground nothing whatsoever, and that Marion would eventually drop the lawsuit if he could stall her long enough. Had he been honest enough to state that position before the meeting adjourned, CSE would have been able to deal with the issue responsibly. But by making a promise he had no intention of keeping, Steve evaded his responsibility to both the Sapiros and the CSE board.

Steve also began altering his recollections to suit his position. He denied making promises that he had made in front of many witnesses, and, more tellingly, began recalling situations that did not exist. One glaring example was his claim that he had decided to move to Maryland partly on the expectation of revenue from the \$100,000. In fact, Steve had already moved to Maryland before Marion's offer was made.

Marion was unable to attend the 1993 CSE meeting, and Steve reported in Marion's absence that they had resolved their differences and she was no longer demanding money for Common Ground. That was the last I heard about this conflict until I got copies of Steve's recent letters. Besides the assertions that I know to be false, these letters suggest that he had misrepresented Marion's position to CSE at our last board meeting.

The rest of this letter refers to discrepancies I found in the letters Steve mailed to us. I will take each letter in order. They appear to be replies to letters from the Sapiros, and my response would no doubt be more complete if I had the Sapiro letters as well. Indeed, we should all have been given both sides if we are to make responsible judgements as informed board members.

4

April 1993 to fellow Georgists

Page 1, ¶ 1&4

Steve did in fact agree to spend the interest on Marion's money on Common Ground activities, and did so in front of many people. His contention that he merely made a vague promise to serve is a product of selective memory. He made vague promises, but

Common Ground members who were not satisfied with those promises pinned him down to more concrete commitments. Also, Steve presided over long-term planning meetings, where the assumption of interest from the \$100,000 grant was clearly established.

Page 1, ¶ 3

The claim that Steve put the Sapiro's money into low yield, low risk investments and other money in higher yield, higher risk investments is irrelevant. All CSE investments are part of an overall strategy of diversification, which the CSE board has discussed on several occasions. If higher risk investments had lost money, the Sapiro funds would have saved our necks. All these funds were part of the same overall budget. At no time in CSE's history have we entertained the notion that our budgetary obligations would be altered by the question of which investments made the most or least money.

Page 1, ¶ 4

Steve did not commit himself to the Common Ground mission to the best of his ability, but conducted a half-hearted effort designed to put off resistance from Common Ground board members. Common Ground was always a low priority for Steve's operation until Hanno came on board and gave it the enthusiastic attention it deserves.

Anyone who wants to corroborate this can talk to Hanno and to board members of the Schalkenbach Foundation and the Henry George School. Those boards were funding Steve full time, and he assured them that his work for Common Ground was so minimal that it did not interfere with his full-time work for them.

Also, Steve's list of things he did for Common Ground includes things that appear in the CSE and HGFA reports as if he had done them for those organizations.

Page 1-2, ¶ 5 & 6

IRS technicalities have no bearing on the fraudulent nature of Steve's promises to Common Ground, nor do they interfere with redressing those promises. The funds of both CSE and HGFA are under Steve's control, and the question of which fund is used to recompense Common Ground is irrelevant to Steve's operation.

Steve's opinion that the money would not be enough to meet Common Ground's needs is none of our concern, nor is his attempt to discredit the feasibility of Common Ground's mission by listing previous attempts that have failed to accomplish that mission. On the contrary, his disparaging remarks about the Common Ground mission only reinforces the impression that he never had faith in that mission and accepted the offer of leadership just to get the money.

His lament that CSE & HGFA would be hampered without that money is irrelevant. If it is not our money, we have no right to it. If it is our money, we don't have to justify

needing it. The very idea that Steve's use of the money is superior to uses proposed by other Georgists is, in my opinion, nothing more than a rationalization of theft.

Page 2, ¶ 7

Steve's claim that he has spent all of \$100,000 on Common Ground contradicts CSE and HGFA budget statements. The Sapiro fund is in fact listed in the CSE budget, which has shown no significant invasion of capital. Their money is still in place and other CSE money is still in place. Similarly, most of the HGFA capital base is still in place. How can we still have it if we spent it?

Steve's "partial estimate of CG expenses" reveals some rather creative accounting. For example, he bills them for 20% of his salary, even though that salary was entirely funded by the Henry George School and the Schalkenbach Foundation, and even though he had solemnly assured those organizations that his involvement in Common Ground did not interfere with his work for them. Given this inconsistency and all the others, each of his expenditure claims should be subjected to verification by other personnel at Steve's office. Particularly, the amount of time spent on Common Ground activities by the executive assistant (Hanno) and the Secretary (Mrs. Reynolds) should be verified by them.

Page 2, ¶ 8

The tax deduction Steve talks of cost him nothing, nor did it benefit Marion. It simply enabled her to make a \$100,000 contribution instead of a \$60,000 contribution. Marion has graciously offered to let Steve keep the \$40,000 differential, which is pretty good pay for transparent deception. Steve's original commitment, however, was to use the entire amount for Common Ground's benefit.

April 25, 1994 to Nick Tideman and Dick Noyes

Page 1, ¶ 2

The results of first mailings are almost always near zero, as Hanno, I and others told Steve before he undertook the effort. Only the third mailings get decent returns, and even those are just enough to cover the cost of the mailings. The income is made in renewals. Aside from any problems in the design of the particular mailing, the real problems stemmed from unrealistic expectations and from a strategic design with no commitment to follow-through.

The assertion that the Robert Schalkenbach Foundation "is still mad at us" needs to be confirmed directly from them. Steve has levied similar charges at me as if something I did so rankled Schalkenbach people that it damaged his relationship with them. But when I approached Oscar about it, he was completely understanding and showed no sign of anger. Steve has a habit of playing people against each other, and I suspect this is just part of the pattern.

His comments about Marion's opinions of Georgists are wholly inappropriate. Is he suggesting that we have a right to take Marion's money because she is a mean person who doesn't like us? Steve's criticism that Marion "should say nice things about [Georgists] just to get in good with you" is revealing. Steve's saying things he does not really mean is what got him into this mess in the first place.

Page 1, ¶ 3-13

I don't know what any of this has to do with the \$100,000 as I have neither Stan's letters nor the booklets referred to here. The remark in ¶ 6 about *IT* looking better than *Groundswell* now does is an especially unkind remark, since Steve's absconding with Common Ground's money is the reason for *Groundswell's* loss of quality.

As for ¶ 12, we have always sponsored booths. Any implication that we do this for Common Ground's edification would be misleading. The same applies to implications of ¶ 13.

Page 1, ¶ 12

My understanding was that the publication *Groundswell* was undertaken by Dick Noyes on his own initiative, and was approved by the board over Steve's objection that *Equal Rights* was adequate to serve the purpose. The fact that *Groundswell* occurred under Steve's administration should not imply that we should attribute either sacrifice or accomplishment to Steve.

Page 1, ¶ 13

The Sapiros did not take *Common Ground* away from Steve. Steve announced that he would no longer be performing any duties for *Common Ground*, after which the *Common Ground* board transferred responsibilities to others.

Page 1, ¶ 14

If a 14-point resolution was met with general approval at the CSE and HGFA board meetings, I would consider that to be a relevant indication of our understanding, whether or not a resolution was passed. Steve has been notorious for saying, "We don't need a formal motion, I'll do it," only to come back to future meetings without having done what he promised and insisting that there was no motion to that effect. Such parliamentary trickery is further indication that he was building loopholes for escaping with the money even as he was accepting it.

April 26, 1994 to Nick Tideman and Dick Noyes

Page 1, ¶ 4

I don't know why Steve makes such a big deal about wishing Fred Harrison well and saying he "fully supports his efforts," and then makes a liar of himself by fully denouncing his efforts, stating that "his efforts will not result in a real word victory since they require Yeltsin's ear which he does not have and will not get because he opposes private land ownership which I think is irrelevant (we favor lvt) and which the Russians viscerally desire."

If this is what Steve calls "full support," then maybe he really believed himself when he promised full support to the organization with the \$100,000 check. In this same paragraph, Steve has the nerve to complain that Harrison called him "an opportunist." Maybe Steve's definition of opportunism is as convoluted as his definition of full support.

Page 2, ¶ 6

If Steve is referring to the \$100,000 here, there was indeed such a promise made. This promise was made personally by Steve, and if CSE and HGFA cannot be held liable, then Steve must be held personally liable for defrauding the Sapiros.

I recall that after Steve took this money on CSE's behalf, he got both CSE and HGFA to pass motions that officers and board members of both organizations are not to be held individually liable for actions they take in their official capacities. This means that the foundations are financially liable if Steve is personally culpable, which I believe he is.

When Steve suggests that the Sapiros could be put in jail for tax fraud, I feel obliged to suggest that if this is so, Steve could find himself in an adjacent cell, for he was fully complicit in this action, and as an officer of the organizations concerned, is primarily liable for any tax irregularities.

My own interpretation is that this is not tax evasion, but merely tax avoidance. Many 501(c)4 organizations have 501(c)3 counterparts, and I see nothing wrong with giving money to a 501(c)3 with the understanding that a 501(c)4 will agree to actions that are fully within its mission. I have talked to professional fund-raisers and have come away with the understanding that this is a common practice. If Steve did not have such an understanding, his acceptance of the money was outrageously irresponsible.

Page 1, ¶ 8

This is so ridiculous as to be beyond comment. Again, there is no significant loss of capital that can be attributed to Common Ground expenditures.

April 28, 1994 to Nick Tideman and Dick Noyes

Page 1, ¶ 1

Steve points out that his record in Maryland Court is three for three. What court cases were these? Did they have anything to do with the foundations? If not, why are they relevant? If so, why is this news to us?

His main point here is that he is daring the Sapiros to sue, and making it clear that he is not open to mediation, so why is he wasting the time of those trying to mediate this? It is clear to me that either the foundation boards or the courts must take decisive action.

Page 1, ¶ 2

By pointing out that the Sapiro Fund is on the asset sheet and not the budget, Steve negates the relevance of his claim in the first of this series of letters that how their money was invested is related to how much budget support they should expect. We are being doubletalked here.

He is also relentlessly avoiding the essential point that is lying about having spent the Sapiro's money, as there was no dip into capital for the benefit of Common Ground.

Page 1, ¶ 3&4

There are three points here. One is that Steve is willing to put up \$2,500 as a settlement for this \$100,000 claim, and considers it a generous peace offering. The second is that Fred Harrison (whom he still fully supports and whose work he has never denigrated) is "barking up the wrong tree" with a "useless project." The third is that the only way to get results is, essentially, Steve's way.

Page 2, ¶ 8

Steve opened this letter by referring to the Sapiros as "the worst enemies of HGFA" and now says he hopes he has "refrained from any remark critical of Stanley," and that he "admire(s) the Sapiros personally and their generosity to the Georgist Cause." Steve is so lost in rationalization and denial that he appears to not even know what he is saying here.

April 30, 1994 to Nick Tideman and Dick Noyes

Page 1, ¶ 2

Steve says that if he loses use and control of this \$100,000, "then Civilization and the Georgist Movement will fail." Can you say megalomania?

Recommendations

Nobody disputes that Steve has done good work for the Georgist movement, and I believe he must be allowed to continue visiting government officials and publishing *Incentive Taxation*. However, his behavior in soliciting funds, wielding power and dealing with other supporters has been dishonorable, to say the least.

The Sapiro matter is merely the largest example of promises made and ignored. Bill Newcomb left Steve over \$7,000 on Steve's promise to present an annual award at each CGO conference to commemorating outstanding journalistic analysis of the land issue.

Steve presented two or three such awards and then dropped the effort. We have no way of knowing how many other promises he has made and then ignored.

Similarly, our boards have been unable to hold Steve even to rudimentary standards of accountability, as he has not shown us the simple respect of being honest and straightforward with us, or of allowing those who disagree with him to speak without being interrupting by slowly escalating tantrums.

We must have foundation boards that are able to function as boards, and we cannot allow one Georgist to steal from another in our names regardless of the relative abilities and success rates of the two Georgists.

I am reminded of the classic problem of the prima-donna athlete who scores lots of points on his own, but who breaks all the team rules and undercuts his team mates. The problem is that he thinks of himself as better than everyone else and rationalizes abusing them.

No team's morale will survive unless that problem is resolved. It requires nothing less than reestablishing proper lines of authority, even if the star player has to be benched.

I do not want to see Steve benched, but I want to see him play the positions he is good at and allow others to play the rest. I therefore propose that my fellow board members adopt motions to do the following:

1. Transfer \$60,000 from HGFA to Common Ground.
2. Turn the presidencies and directorships of CSE and HGFA over to persons who are loyal to Steve's mission, but who will be more honest and accountable to the boards than Steve has been. I will nominate and support whoever Steve wants to see in these positions.
3. Fund Steve at his current level with grants by CSE and HGFA, making him directly accountable to the executive directors, as he is for his grants with the Henry George School and the Schalkenbach Foundation.
4. Give Steve the specific charges of visiting government officials and other prominent potential supporters, and publishing *Incentive Taxation*. Steve could also continue to manage the asset portfolios of the two foundations.
5. Subject all fundraising letters and any other correspondence on CSE and HGFA letterhead to the approval of the respective executive directors. Steve can send his own correspondence on *Incentive Taxation* letterhead.

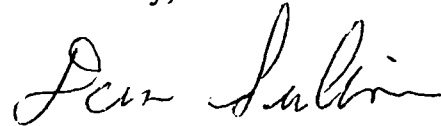
These measures might seem draconian, but attempts to resolve these problems through lesser measures are sure to fail. I am certain that efforts to reason with Steve or accept his promises in this matter are doomed. Actually, these measures will probably prove to be the best thing that ever happened to Steve. His fundraising success is not due to an

outstanding fundraising ability, but to his track record of success with government officials.

I expect Steve to turn on me for proposing this. This is partly because he has a propensity to attack in all directions and partly because we have had a history of conflict over Steve's behavior with his fellow Georgists. I can only hope that my proposals will be considered at face value and recognized as a measured and thoughtful response designed to get the best and fairest results for Steve, Common Ground and the Georgist Movement.

Steve is a genuinely committed Georgist who has led us for more than a decade. I know you will not want to take strong measures against him. I would not want to either if it were not absolutely necessary. I urge you to weigh this matter carefully and listen not just to me, Steve and the Sapiro's, but to others who have worked and shared responsibility with Steve and who can either negate or corroborate what I am saying.

Sincerely,

A handwritten signature in cursive script that reads "Dan Sullivan".

Dan Sullivan

cc. board members of CSE and HGFA
directors and presidents of HGS and Schalkenbach
Dick Noyes
Nick Tideman
Hanno Beck
Stan & Marion Sapiros