



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 428

DATE FILMED 6/12/98 CAMERA NO. 2

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PERKINS COIE

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
607 FOURTEENTH STREET, N.W. • WASHINGTON, D.C. 20005-2011
(202) 628-6000 • FACSIMILE (202) 454-1690

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Nov 3 4 42 PM '94

November 3, 1994

MUR 4128

Lawrence Noble
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

Dear Mr. Noble:

Introduction

The Democratic Congressional Campaign Committee ("DCCC") files today this complaint alleging substantial violations of the Federal Election Campaign Act of 1971, as amended, by Mr. Grant M. Lally, a Republican nominee for the United States House of Representatives from the Fifth District of New York, his principal campaign committee and officials of that Committee.

DCCC alleges specifically that Mr. Lally has received from so far unreported sources substantial sums of money that he purports to claim as "his own" and lend to his campaign. It is apparent from a review of publicly available documents on Mr. Lally's financial position that he does not, in fact, have the personal resources to make substantial loans to his campaign. Some other source has "put up the money" -- providing Lally with illegal contributions unreported as required by law and well in excess of the contribution limitations of the statute.

Mr. Lally's Contributions

Mr. Lally has reported hundreds of thousands of dollars in loans to his own campaign, allegedly from his own resources. Those loans have appeared in his reports throughout the course of the campaign, and make up a huge percentage of the campaign's total receipts. See Exhibit A. His various loans have come at the following times and in the amounts indicated:

[04031-0001/DA943070.008]

<u>Loan Amount</u>	<u>Date</u>	<u>Repayments to Date</u>
\$ 1,000.00	05/05/94	None.
\$ 100,000.00	05/24/94	None.
\$ 25,000.00	06/30/94	None.
\$ 6,000.00	09/09/94	None.
\$ 10,000.00	09/14/94	None.
\$ 10,000.00	09/15/94	None.
\$ 5,000.00	09/30/94	None.
\$ 12,890.00	10/12/94	None.
\$ 30,000.00	10/19/94	None.
\$ 14,598.90	10/24/94	None.
\$ 9,500.00	10/26/94	None.
Totals	<u>\$ 233,988.90</u>	<u>\$- 0 -</u>

Sources for Loans

Mr. Lally claims, of course, that these loans were made from his own personal resources. However, as a candidate he has been required to file disclosure reports under the Ethics in Government Act ("EIGA"), and those reports reflect clearly that he does not, in fact, have any resources even close in liquidity or amount to the requirements for "loans" in the volume made in his name to the campaign. See Exhibit B. The Commission may note from Exhibit B that Mr. Lally has an income from the practice of law of roughly \$60,000 to \$70,000 per year. Other assets that he claims in the form of stock, cash-on-hand and properties have produced income this year no more than \$3,500. This amount is clearly insufficient to support the loans that he claims to have made on his FEC reports.

Those same assets have a "high-end" valuation, assigned by Lally, of approximately \$950,000, and a "low-end" valuation of \$360,000. These valuations are also inadequate to explain the lavish personal "lending" of Lally. \$450,000 at the most -- and \$160,000 at the low end -- of these assets represent stocks in cash, rather than property, which would arguably be available for relatively prompt liquidation. It would have to be assumed that all of those assets could be quickly liquidated by Lally -- that is, converted to cash -- as he needed funds for his campaign. And it would have to be assumed also that Lally was prepared to gamble practically all of his liquid assets on this campaign which, if unsuccessful, stands no chance whatever of repaying him. Neither of these assumptions is plausible.

It is not surprising, then, that Lally has refused to answer questions about the source of these loans. The answer will apparently have to await full federal investigation.

Theresa White

Already the source of Mr. Lally's fraudulent loans to his campaign have become a controversy in the Fifth District election. Mr. Lally's original campaign manager, Theresa White, apparently resigned from the campaign because of her suspicion that he was receiving funds for media purchases from illegal and undisclosed sources. See Exhibit C. According to press reports of a claim made by a Conservative Party opponent of Mr. Lally, Mr. Allan Binder, Ms. White "saw a wire transfer from a Swiss bank account for \$100,000" -- the same day that Mr. Lally's reports to the Commission show a loan to his campaign in the amount of \$100,000.

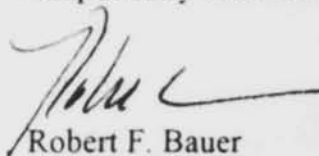
Conclusion

Neither Mr. Lally nor officials of his campaign have been prepared to answer in any convincing detail this charge or the question generally of the source of these

Lawrence Noble
November 3, 1994
Page 4

"personal loans." Only a Commission investigation can address the obvious inconsistencies between his personal financial position and the substantial loans made to the campaign in his own name.

Respectfully submitted,

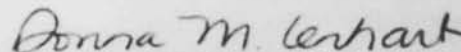


Robert F. Bauer
Counsel to
Democratic Congressional
Campaign Committee

RFB:smb

District of Columbia)ss.

SUBSCRIBED AND SWORN to before me this 3rd day of November, 1994.



Notary Public

My Commission Expires: 2/28/98

Donna M. Leshart
Notary Public, District of Columbia
My Commission Expires Feb. 28, 1998

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EXHIBIT A

SCHEDULE C
(Revised 3/86)

LOANS

Page 1 of 5
LINE NUMBER 12
Use separate schedules
for each numbered line

Name of Creditor (in Full)		Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
LALLY FOR CONGRESS A. Full Name, Mailing Address and ZIP Code of Loan Source GRANT M LALLY 345 HARBOUR DRIVE OYSTER BAY, NY 11771		\$1,000.00	NONE	\$1,000.00
Section: <input checked="" type="radio"/> Primary <input type="radio"/> General <input type="radio"/> Other (specify): Date Incurred: <u>5/5/84</u> Date Due: <u>12/31/84</u> Interest Rate: <u>0</u> % (april) Secured: <input type="checkbox"/>				
List All Endorsers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source		Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
GRANT M. LALLY 345 HARBOUR DRIVE OYSTER BAY, NY 11771		\$100,000.00	NONE	\$100,000.00
Section: <input checked="" type="radio"/> Primary <input type="radio"/> General <input type="radio"/> Other (specify): Date Incurred: <u>5/21/84</u> Date Due: <u>12/31/84</u> Interest Rate: <u>0</u> % (april) Secured: <input type="checkbox"/>				
List All Endorsers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$101,000.00
TOTALS This Period (last page of this line only)				
Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.				

9 8 0 4 3 6 9 9 1

SCHEDULE C
Revised 3/80

LOANS

Page 2 of 5
LHE NUMBER 12
(Use below the schedule
for each numbered line)

Name of Cooperative (in Full)		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
1. LAIN FOR CONGRESS A. Full Name, Mailing Address and ZIP Code of Loan Source GRANT M. LAIN 345 HARBOR DRIVE OYSTER BAY, NY		\$25,000.00	NONE	\$25,000.00
Section: <input checked="" type="radio"/> Primary <input type="radio"/> General <input type="radio"/> Other (specify): Date Incurred: <u>6/24/74</u> Date Due: <u>6/24/79</u> Interest Rate: <u>0</u> % APR Secured				
List All Endorsers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
GRANT M. LAIN 345 HARBOR DRIVE OYSTER BAY, NY 11771		\$10,000.00	NONE	\$10,000.00
Section: <input type="radio"/> Primary <input checked="" type="radio"/> General <input type="radio"/> Other (specify): Date Incurred: <u>9/24/74</u> Date Due: <u>9/24/79</u> Interest Rate: <u>0</u> % APR Secured				
List All Endorsers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$35,000.00
TOTALS This Period (last page in this file only)				

Carry outstanding balance only to LHE 2, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

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SCHEDULE C
(Revised 3/86)

LOANS

Page 3 of 5
LINE NUMBER 11
(See instructions for each numbered line)

Name of Committee (in Full)		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Lally For Congress A. Full Name, Mailing Address and ZIP Code of Loan Source GRANT H. LALLY 345 HARBOR DRIVE OSTER BAY, NY 11771		6,000.00	NONE	6,000.00
Section: <u>Primary</u> <u>General</u> <u>Other (specify):</u> Terms: Date Insured <u>9/19/94</u> Date Due <u>12/31/94</u> Interest Rate <u>0 % (per)</u> Secured				
List All Payers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
GRANT H. LALLY 345 HARBOR DRIVE OSTER BAY, NY 11771		\$5,000.00	NONE	\$5,000.00
Section: <u>Primary</u> <u>General</u> <u>Other (specify):</u> Terms: Date Insured <u>9/20/94</u> Date Due <u>12/31/94</u> Interest Rate <u>0 % (per)</u> Secured				
List All Payers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$11,000.00
TOTALS This Period (last page in this line only)				

Carry outstanding balance only to LINE 1, Schedule D, for 999 line. If no Schedule D, carry forward to appropriate line of Summary.

SCHEDULE C
(Revised 3/80)

LOANS

Page 4 of 5
LINE NUMBER 23
Use separate schedule
for each numbered line

Name of Contributor (in Full)		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
LALLY FOR CONGRESS A. Full Name, Mailing Address and ZIP Code of Loan Source GRANT H. LALLY 245 HARBOUR DRIVE CYPRESS COVE, NY 11771		\$10,000.00	NONE	\$10,000.00
Election <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify): Term: Date Insured: 5/1/84 Date Due: 12/31/84 Interest Rate: 0 % (or) Secured		For All Employers or Guarantors (if any) to Item A		
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source		Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
GRANT H. LALLY		\$30,000.00	NONE	\$30,000.00
Election <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify): Term: Date Insured: 12/19/84 Date Due: 12/31/84 Interest Rate: 0 % (or) Secured		For All Employers or Guarantors (if any) to Item B		
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$40,000.00
TOTALS This Period (last page in this line only)				

Carry outstanding balance only to LINE 5, Schedule C, for this line. If on Schedule B, carry forward to appropriate line of B, entry.

SCHEDULE C
(Revised 3/80)

LOANS

Page 5 of 5 for
JAY HARRIS 12
Use separate schedule for each numbered line

Name or Certificate (in full)		Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period		
LAIRY FOR CONGRESS A. Full Name, Mailing Address and ZIP Code of Loan Borrower: GRANT H. LAIRY 345 HARRIS DRIVE OYSTER BAY, NY 11771 Section: <u>Primary</u> Other: <u>General</u> Other: <u>Other</u>		\$12,890. ⁰⁰	NONE	\$12,890. ⁰⁰		
Term: <u>10/1/84</u> Date Matures: <u>10/1/84</u> Date Due: <u>10/1/84</u> Interest Rate: <u>0</u> % (per) Secured:						
List All Endorsers or Guarantors (if any) to Item A						
1. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
2. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
3. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
B. Full Name, Mailing Address and ZIP Code of Loan Borrower		Original Amount of Loan			Cumulative Payment To Date	Balance Outstanding at Close of This Period
GRANT H. LAIRY 345 HARRIS DRIVE OYSTER BAY, NY 11771 Section: <u>Primary</u> Other: <u>General</u> Other: <u>Other</u>		\$10,000. ⁰⁰			NONE	\$10,000. ⁰⁰
Term: <u>10/1/84</u> Date Matures: <u>10/1/84</u> Date Due: <u>10/1/84</u> Interest Rate: <u>0</u> % (per) Secured:						
List All Endorsers or Guarantors (if any) to Item B						
1. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
2. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
3. Full Name, Mailing Address and ZIP Code		Name of Employer				
		Occupation				
		Amount Guaranteed Outstanding \$				
SUBTOTALS This Period This Page (optional)						\$22,990. ⁰⁰
TOTALS This Period (last page in this and only)						\$209,890. ⁰⁰

Copy outstanding balances only to LINE 2, Schedule G, for this line. If no Schedule G, carry forward to appropriate line on Summary.

OCT 27 1994

CERTIFIED MAIL

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(See Reverse Side for Instructions)

94 OCT 28 AM 10 05

OFFICE OF THE
ATTORNEY GENERAL

Form 100-1001-1 (Continuation of Form 100-1001-1) (See Reverse Side for Instructions)

NAME OF COMMITTEE OR POLITICAL PARTY

ADDRESS

CITY AND STATE

ZIP CODE

NAME OF CANDIDATE

OFFICE BOUGHT

NAME

164880

CONTRIBUTION

Full Name, Mailing Address and ZIP Code	Name of Employer	Amount
NAME & ADDRESS 1234 FIVE AVE NEW YORK, N.Y. 10001	SELF	10/24/94 100.00
NAME & ADDRESS BUSINESS-INDUSTRIAL INC 1234 FIVE AVE NEW YORK, N.Y. 10001	C/A	10/24/94 100.00
NAME & ADDRESS ROBERT P. JONES 1234 FIVE AVE NEW YORK, N.Y. 10001	Retired	10/24/94 100.00
NAME & ADDRESS JOHN A. JONES 1234 FIVE AVE NEW YORK, N.Y. 10001	JOHN A. JONES 1234 FIVE AVE NEW YORK, N.Y. 10001	10/24/94 100.00
NAME & ADDRESS	NAME OF EMPLOYER	Amount

SIGNATURE (endorse)

DATE

For Use
From
To

10/24/94

DC 20463
1-202-376-0400

REC FOR

OCT 28 1994

CERTIFIED

63 NOV -1 21 9 47

48 HOUR NOTICE OF
CONTRIBUTIONS/LOANS RECEIVED

See Reverse Side for Instructions!

2. The total number of contributions (including cash) of \$1,000 or more received within 60 days of the election

Completed for completion

230

4-5-6-7

~~SECRET~~

Ms. V. 10

6-10-1964

1. The first step is to identify the problem. This involves understanding the situation and the goals that need to be achieved. It is important to gather all relevant information and to define the problem clearly.

4. Mailing Address and ZIP Code

JOHN C. CLARKSON
CONTRACT HUNTERS ASSN
OYSTER BAY, N.Y. 11571

Name of Engineer

Discussion

Arredo

None (over
any year)

10/30/94

100

Home - mailing address and ZIP Code

GRANT M. DAWSON
345 JESSIE DAVIS
OVIAT, ALA. 35771

History of Singapore

Drug status

CANDIDATE

Date: _____
Page: _____

09,500.

_____ Calling Address with ZIP Code

Full Name Mailing Address and ZIP Code

Full Name, Mailing Address and ZIP Code

Name of Employer

Occupation

Means of Employer

POLYMER LETTERS

Notes of Employer

Occasion

GAYE

10/20/44

For further information contact:
Federal Election Commission
999 E Street, NW, Washington DC 20541
Tel. from (800) 424-9530, Local 278 211 11

FEC FORM 1

Post-It® Fax Note

7671

Case

FIGURE 1

EXHIBIT B

UNITED STATES HOUSE OF REPRESENTATIVES FINANCIAL DISCLOSURE STATEMENT

Period Covered: January 1, 1994 - Present

FORM B
For use by candidates
and new employees

94 SEP -6 AM 11:29

U.S. HOUSE OF REPRESENTATIVES
U.S. HOUSE OF REPRESENTATIVES

CRANE, M. LARRY

(If Name)

345 Harbor Drive

(If Address)

Oyster Bay, NY 11771

(If Phone Number)

(516) 741-7666

(Office Use Only)

Filer
Status

☒

Candidate for the
House of Representatives

State: NY
District: 5

Date of
Election: 1994

Check if
Amendment

☐
☐

New officer or
employee

Employing Office:

A \$200 penalty shall be assessed
against anyone who files more
than 30 days late.

In all sections, please type or print clearly in black ink.

PRELIMINARY INFORMATION — ANSWER EACH OF THESE QUESTIONS

Did you or your spouse have "unearned" income (e.g., salaries or fees) of \$200 or more from any source in the reporting period? If yes, complete and attach Schedule I.

Yes ☒

No ☐

Did you hold any reportable positions on or before the date of filing in the current calendar year? If yes, complete and attach Schedule IV.

Yes ☒

No ☐

Did you, your spouse, or a dependent child receive "unearned" income of more than \$200 in the reporting period or hold any reportable asset worth more than \$1,000 at the end of the period? If yes, complete and attach Schedule II.

Yes ☐

No ☐

Did you have any reportable agreement or arrangement with an outside entity? If yes, complete and attach Schedule V.

Yes ☐

No ☒

Did you, your spouse, or a dependent child have any reportable liability (more than \$10,000) during the reporting period? If yes, complete and attach Schedule III.

Yes ☐

No ☒

Did you receive compensation of more than \$5,000 from a single source in the two prior years? If yes, complete and attach Schedule VI.

Yes ☒

No ☐

Each question in this part must be answered and the appropriate schedule attached for each "Yes" response.

EXCLUSION OF SPOUSE, DEPENDENT, OR TRUST INFORMATION — ANSWER EACH OF THESE QUESTIONS

TRUSTS—Details regarding "Qualified Blind Trusts" approved by the Committee on Standards of Official Conduct and certain other "excepted trusts" need not be disclosed. Have you excluded from this report details of such a trust benefiting you, your spouse, or a dependent child? (See Instructions, pages 10-11.)

Yes ☐

No ☒

EXEMPTION—Have you excluded from this report any other assets, "unearned" income, transactions, or liabilities of a spouse or dependent child because they meet all three tests for exemption? (See Instructions, page 11.)

Yes ☐

No ☒

CERTIFICATION — THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The Statement will be available to any requesting person upon written application and will be reviewed by the Committee on Standards of Official Conduct or its designee. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions (See 5 U.S.C. app. 6, § 104 and 18 U.S.C. § 1001).

SIGNATURE OF REPORTING INDIVIDUAL

DATE (Month/Day/Year)

August 11, 1994

List the source, type, and amount of earned income, including honoraria, from any source (other than your current employment by the U.S. Government) totaling \$200 or more during the current year to the filing date and, separately, the preceding calendar year. For a spouse, list the source and amount of any honoraria; list only the source for other spouse earned income exceeding \$1,000. For further information, see Instructions, pages 12-13.

[illegible]

This page may be copied if more space is required.

SCHEDULE II — ASSETS AND "UNEARNED" INCOME

Continued on Sheet (if needed)

Name _____

Page of

[illegible]

SCHEDULE III - LIABILITIES

Name _____

Page ____ of ____

Report liabilities of over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent child. Mark the highest amount owed during the reporting period. Exclude: Any mortgage on your personal residence (unless there is rental income); loans secured by automobiles, household furniture, or appliances; and liabilities owed to a spouse, or the child, parent, or sibling of you or your spouse. Report revolving charge accounts only if the balance at the end of the reporting period exceeded \$10,000. For further information, see Instructions, pages 21-22.

SP, DC, JT	Creditor	Type of Liability	Amount of Liability						
			B	C	D	E	F	G	H
	Example: First Bank of Wilmington, Delaware	Mortgage on 123 Main Street, Dover, Del.	\$10,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	Over \$1,000,000
	- NONE -					X			

SCHEDULE IV - POSITIONS

Report all positions, compensated or uncompensated, held on or before the date of filing during the current calendar year and in the two prior years as an officer, director, trustee of an organization, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. For further information, see Instructions, pages 25-26.

Exclude: Positions held in any religious, social, fraternal, or political entities; positions solely of an honorary nature; and positions listed on Schedule I.

Position	Name of Organization
President	Museum Source, Ltd.
Attorney	Lally & Lally, Esqs.
President	Galway Trading Co., Ltd.

Use additional sheets if more space is required.

SCHEDULE V—AGREEMENTS

Name _____

Page _____ of _____

Identify the date, parties to, and general terms of any agreement or arrangement with respect to: future employment; a leave of absence during the period of government service; continuation or deferral of payments by a former or current employer other than the U.S. Government; or continuing participation in an employee welfare or benefit plan maintained by a former employer. For further information, see Instructions, page 26.

Date	Parties To	Terms of Agreement
	- NONE -	

SCHEDULE VI—COMPENSATION IN EXCESS OF \$5,000 PAID BY ONE SOURCE

Report sources of such compensation received by you or your business affiliation for services provided directly by you during the two prior years. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any non-profit organization if you directly provided the services generating a fee or payment of more than \$5,000. Exclude: Payments by the U.S. Government and any information considered confidential as a result of a privileged relationship recognized by law. For further information, see Instructions, page 26.

Source (Name and Address)	Brief Description of Duties
<i>Example:</i> Doe Jones & Smith, Horn-town, Hornstate	Accounting services
Lally & Lally, Pscs.	Legal Service
Museum Source, Ltd.	Officer

EXHIBIT C

98043384003

Hot Words In Congress Primary

A mysterious Swiss bank account, FEC reports, and personal financial statements are fueling a fiery debate in a local race for Congress.

Disclosure continues to be a controversial issue in the primary battle for the Republican and Conservative party nominations to oppose Congressman Gary Ackerman in the November general election. Fighting it out in both primaries are Suffolk County Legislator Allan Binder of East Northport and Grant Lally, an Oyster Bay attorney.

Last week Mr. Binder filed a formal complaint with the House of Representatives Committee on Standards of Official Conduct complaining that Mr. Lally had failed to file his personal financial disclosure statements as required by federal election law. Mr. Binder then began to send out daily press releases counting the number of days Mr. Lally had gone beyond the federal filing deadline. Included on the press release is a number in Albany that can be dialed to check on the Lally disclosure statement.

In one of the press releases, sent out from Binder campaign headquarters Labor Day, September 8, it is alleged that Mr. Lally's former campaign staffer Theresa White saw "a wire transfer from a Swiss Bank account for \$100,000... that day [Mr. Lally's] campaign filing shows he loaned his campaign \$100,000."

During an interview this week, Mr. Lally's campaign manager Tom Ballou denied that any campaign funds are from a Swiss account. "We have heard that Mr. Binder is making that allegation. It is all make believe. There is no Swiss bank account; that's why we are all laughing up our sleeves over here," said Mr. Ballou, of the

charges. "These are obviously the acts of a desperate man."

Mr. Ballou acknowledged that Mr. Lally's personal disclosure statement was filed late but said it had been prepared and formally filed last Tuesday, August 30. Mr. Ballou said that Mr. Binder has now missed the September 1 deadline to file his campaign financial report with the Federal Elections Commission.

Mr. Ballou said that the July FEC report shows that the Lally campaign is better financed than the Binder campaign which is faltering financially. He said that in July the Binder campaign report showed \$5,000 on hand.

"We have a lot more than

that," said Mr. Ballou. "and ~~you can find an issue~~"

In the meantime, Mrs. White, who quit amid controversy in May, disclosed during an interview this week that she had been threatened with legal action by Arthur Lally, Grant's father and campaign treasurer. Mrs. White said that Mr. Lally is alleging that she violated the lawyers canon of professional conduct by disclosing privileged attorney/client information about the campaign. Mrs. White told *The News* that her retainer agreement with the Lally campaign made it clear that she was not an attorney for the campaign. She said the charge was just a scare tactic and that it is without merit.

The Observer 9-8-94 p. 8

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 9, 1994

Mr. Tom Ballou
14 Albert Ct.
Staten Island, NY 10303

RE: MUR 4128

Dear Mr. Ballou:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4128. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

9 3 0 4 3 0 8 4 0 0 5

Mary L. Taksen (BMS)

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 9, 1994

Mr. Grant M. Lally
345 Harbor Dr.
Oyster Bay, NY 11771

RE: MUR 4128

Dear Mr. Lally:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4128. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar (EMS)

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

9804386401C



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

November 9, 1994

Lawrence M. Lally, Treasurer
Lally for Congress
220 Old Country Rd.
Mineola, NY 11501

RE: MUR 4128

Dear Mr. Lally:

The Federal Election Commission received a complaint which indicates that the Lally for Congress Committee ("Committee") and you, as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4128. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Committee and you, as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar (EMS)

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Complaint
2. Procedures
3. Designation of Counsel Statement

98004364012



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

November 9, 1994

Robert F. Bauer
Perkins Coie
607 Fourteenth St. NW
Washington, D.C. 20005

RE: MUR 4128

Dear Mr. Bauer:

This letter acknowledges receipt on November 3, 1994, of the complaint which you filed on behalf of the Democratic Congressional Campaign Committee alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). The respondent(s) will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 4128. Please refer to this number in all future communications. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar (ENG)

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure
Procedures

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM

Nov 28 10 02 AM '94

LALLY AND LALLY

Nov 28 9 28 AM '94

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8533

November 23, 1994

Mary L. Taksar, Esq.
Federal Election Commission
999 E Street, NW
Washington, DC 20463

RE: Case # MUR 4128

Dear Ms. Taksar:

In reference to your letter dated November 9, 1994 regarding the complaint filed by Robert F. Bauer of the Democratic Congressional Campaign Committee ("DCCC"), I submit the following information to you in answer to Mr. Bauer's complaint.

First, I clearly own more than sufficient assets to have made the loans which I did to my campaign. Mr. Bauer very deceptively misstates the "low end" of my assets at \$360,000, when in fact a reading of my Personal Financial Disclosure indicates a "low end" of \$440,000 and a "high end" of over \$1,000,000. Regardless of this error, Mr. Bauer admits in his complaint that I have adequate assets to finance the \$233,900 in personal loans that were made to the campaign. On its face, the Complaint is frivolous.

In addition, I own other assets which were not required to be disclosed, including mortgages totalling approximately \$240,000 which are owed to me by my parents, Lawrence & Ute Lally, and several non-income producing personal assets.

All loans made by me to my campaign were drawn from my personal funds - from personal bank and stock accounts, payoffs of mortgage debts, the sale and mortgaging of some personal assets, and ordinary income which I continued to earn as an attorney during the course of my campaign. During the Fall of 1994 alone, I earned over \$50,000 from the settling of several long-standing estate proceedings.

Even a cursory review of my Personal Financial Disclosure shows I have more than sufficient assets to make the loans to my campaign. What I find professionally disturbing is the attempt by Mr. Bauer and the DCCC to use the FEC in a partisan political way. Apparently their frivolous Complaint was part of a coordinated political strategy, since my opponent's campaign contacted the press in advance of Mr. Bauer's complaint, and sought to generate

partisan press coverage. Mr. Bauer's complaint is clearly frivolous and intended to harass an opponent through the political use of the Federal Election Commission. It should be dismissed accordingly.

If I can be of any further assistance to you or if you should have any questions with regard to the above, please feel free to contact me.

Thank you for your cooperation in this matter.

Very truly yours,



GRANT M. LALLY

GML:las
Enc.

900430060013

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4128

NAME OF COUNSEL: Lawrence M. Lally

ADDRESS: 220 Old Country Rd
Manhasset Neck, NY 11501

TELEPHONE: (516) 741-2666

RECEIVED
 FEDERAL ELECTION
 COMMISSION
 OFFICE OF GENERAL
 COUNSEL
 NOV 28 10 02 AM '94

The above-named individual is hereby designated as my
 counsel and is authorized to receive any notifications and other
 communications from the Commission and to act on my behalf before
 the Commission.

4/15/94
 Date

[Signature]
 Signature

RESPONDENT'S NAME: Grant Lally

ADDRESS: 345 Harbor Drive
Oyster Bay NY 11771

HOME PHONE: _____

BUSINESS PHONE: (516) 741-2666

98043664010

PERKINS COIE

A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
607 FOURTEENTH STREET, N.W. WASHINGTON, D.C. 20005-2011
TELEPHONE: (202) 628-6600 FACSIMILE: (202) 434-1690

ROBERT F. BAUER
(202) 434-1602

August 2, 1995

Aug 3 5 06 PM '95

Lawrence Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

mup 4128

Dear Mr. Noble:

The Democratic Congressional Campaign Committee ("DCCC") brings to the Commission's attention, for its urgent consideration, additional information bearing on the complaint already pending against Grant M. Lally and the Lally for Congress Committee.¹ It has become increasingly clear that Grant M. Lally and others committed serious and pervasive violations of the Federal Election Campaign Act of 1971, as amended, in his pursuit of election to the House of Representatives in 1994.

In its original complaint DCCC noted the substantial "loans" that Mr. Lally made to the campaign, supposedly from personal resources but without any indication on the public record of any such resources sufficient to cover them. Post-election reports filed by his committee showed that in the closing days of the campaign he made still more of these mysterious "loans." By the end of the campaign the number of loans he made exceeded \$300,000 -- \$329,992.35. Lally, in short, funded his campaign in the fashion of a wealthy candidate -- when his personal financial disclosure reports and other public record information refute the suggestion that he is in any way wealthy.

As will be noted below, new evidence has surfaced to indicate additional questionable financing for his campaign. As he was preparing for his House race, his father, Lawrence Lally, who is also his campaign treasurer, and his brother, Craig

¹ DCCC originated that matter with a complaint dated November 3, 1994.

Lally, arranged to transfer to him title to property then owned exclusively by Craig Lally. This property appears on Grant Lally's personal financial disclosure report with an apparently -- and extremely -- inflated valuation. Transferred in anticipation of the campaign, this property apparently was intended to support the "loans" Lally subsequently made, or to misleadingly create the public impression that he does have the resources necessary to make those loans. Also, public records suggest that Lally received substantial in-kind support -- well in excess of lawful contribution limitations and source restrictions -- from the law firm of his father, and may have failed to pay for office space at that firm and elsewhere.

These violations are detailed below. Their significance is such that Mr. Lally, apparently considering another race for the House, must account for these violations to assure any violations of the Act are remedied and that the voters of his district are well aware of the questionable means he and his family used to finance his last campaign.

I. Final Account of Personal "Lending"

In its original complaint DCCC cited the dates and the amounts of the "loans" that Lally made in his own name. As shown in Exhibit "A," additional loans appearing in his post-election report were as follows:

<u>Loan Amount</u>	<u>Date</u>	<u>Repayments to Date</u>
\$ 49,500.00	10/20/94	None.
\$ 32,000.00	11/01/94	None.
\$ 20,000.00	11/07/94	None.
\$ 4,003.44	11/23/94	None.
Revised Totals (Based on Most Recent Transactions)	\$ <u>329,992.35</u>	\$ - 0 -

Lally's total "lending" from mysterious personal sources totaled \$329,992.35 over the course of the campaign. This amount represents 75.1% of the total receipts of this campaign. Thus, Lally, though not wealthy, was largely a self-financed candidate. The question for the Commission to address is whether he indeed financed the campaign himself, as he would claim.

DCCC noted in its original complaint and reiterates now that Lally's personal financial disclosure report does not suggest resources sufficient to cover these loans. On the numbers alone, these reports refute any suggestion he had the assets for loans to his campaign exceeding \$300,000. DCCC also noted then and reiterates now that Lally would have the additional burden of demonstrating that the assets reflected on his reports were available for prompt liquidation or available for immediate liquidation at all. He claims more or less complete and instant liquidity -- quite unlike the personal finances of most Americans, and in apparent contradiction to his own Financial Disclosure Statement.

II. Transfer of Craig Lally's Property

Nassau County Public Records show that in May of 1994 Grant M. Lally's brother, Craig, transferred title of property he then owned alone, into a joint tenancy with his brother, Grant. Exhibit "B." Deeds show that Lally's father and campaign treasurer, Lawrence, witnessed and notarized the transfer. Public records also reflect that Craig Lally originally purchased the property ten years ago for \$5,500. Exhibit "C." Tax records show that the taxes paid on this property in 1994 were calculated on the basis of a constant and continued valuation of \$5,500 -- the original purchase price. Exhibit "C." By the time Grant M. Lally reported his ownership share on his Ethics in Government Act ("EIGA") Report in August 1994, Exhibit "D," he declared a value for the property in the range of \$100,000 to \$250,000. This is an extraordinary appreciation by any measure.

While Lally claims ownership of an extraordinarily valuable piece of property on his EIGA Report, he asserts a dramatically lower valuation to those who have an expertise in and experience with the value of local property and pay taxes on that acknowledged lower value.

Lawrence Noble, Esq.
August 2, 1995
Page 4

This property transfer raises a number of questions. In the first instance, if Craig Lally (perhaps with the assistance of their father), transferred the property to Grant M. Lally in anticipation of the campaign to assist him in any way with the campaign, the transfer constitutes a contribution to the Lally campaign. 2 U.S.C. § 441a. Craig Lally, like any contributor, is limited to a \$1,000 per election in supporting his brother and the limit applies to contributions made in cash or in-kind. 11 C.F.R. § 100.7(a)(1)(iii). On the basis of the valuation reflected in Lally's personal financial disclosure report, any such contribution by Craig to Grant M. Lally would have exceeded the \$1,000 limitation by at least \$99,000, and perhaps by as much as \$249,000. This violation of the limits would compare with the worst found in the history of the statute in its enforcement.

There is the additional possibility that the property was as modest in value as the original purchase price and subsequent tax records indicate. In that event, the property may have been transferred to Lally for a campaign purpose but also for a very different one. Working in connection with Grant Lally's father, who is also his campaign treasurer and an original owner of the property, Craig Lally may have intended to assist Grant with making a public claim of resources sufficient to cover the "loans" Lally later claimed to have made from personal resources to his campaign. The property transfer permitted Lally to claim a substantially higher personal net worth than his modest law practice would have permitted.²

Any arrangement to transfer property for this purpose would evidence a "knowing and willful" scheme to deceive the public and the Commission about the true sources of the personal "loans." In effect, if the property were transferred for this reason, the transfer would be no more than a "cover" for funds impermissibly secured from other sources. A property transfer arranged to "cover" an unlawful act, reported falsely on public reports, would merit the most thoroughgoing inquiry by the Commission on a "knowing and willful" theory and possible referral to the Justice Department for criminal investigation.

² Lally's income from his law practice, as DCCC noted in the original complaint, comes to \$60,000 to \$70,000 per calendar year.

Lawrence Noble, Esq.
August 2, 1995
Page 5

III. Failure to Pay Rent for Lawrence Lally's Law Firm and Office Space

The campaign headquarters used office space in the father's law firm. Nowhere in Lally's reports does there appear any payment at any time for rental. There does appear in the post-election report a debt to his father in the amount of \$2,400, described as owing for "office rental." Exhibit "E."

It is obvious that Lally's father has played a large role in arranging financing for his son's campaign. Now it appears that his law firm may have provided a special arrangement for campaign space and resources. The rental charge appears only late and it does not appear ever to have been collected. It is not clear from the record that this obligation represents a fair market charge for whatever use the campaign made of that space for the duration of its active campaign. It is also not clear that the rental charge included the appropriate charge paid by the campaign for utilities and supplies.

If Lawrence Lally's firm is a corporation, then the support provided constitutes a corporate in-kind contribution in violation of source restrictions and in excess of contribution limitations. 2 U.S.C. § 441b. The contribution also went unreported, in violation of the disclosure provisions of the Act. The extent of Mr. Lally's support for his son's campaign cannot be known without a thorough continuing review by the Commission.

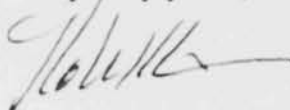
The campaign also used office space in Suffolk County, at 484 New York Avenue in Huntington, and in this case, too, no rental payment appears to have been made. A "water bill" in the amount of \$105 appears to have been the only expense borne by the campaign for this property. Exhibit "F." Upon information and belief, this space, owned by a corporation, is a very large building and lot, whose immediate previous use was for a gas station-service station with repair shop offices and parking area. The campaign used the entire property. The campaign has never paid rent for this corporation's property, nor reported or acknowledged in any other way any outstanding liability for rent. This appears to be a corporate contribution of huge proportions. Independent appraisals of the rental value of the property (attached) show it to be in the area of \$30,000 - \$35,000 per year. Exhibit "G." The campaign (primary and general) had exclusive use of the property during that time.

Lawrence Noble, Esq.
August 3, 1995
Page 6

Conclusion

Mr. Lally apparently is considering running for re-election, possibly in the confidence that the Commission will not complete an inquiry or conduct the rigorous investigation necessary to uncover all of the possible violations. The Commission should act now to ensure that his actions are reviewed and any violations severely sanctioned. Also the voters of his district are entitled to know the basis on which he financed his last campaign for the House of Representatives.

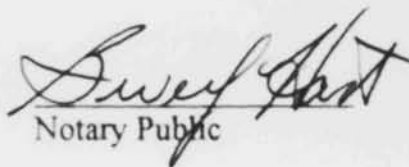
Very truly yours,



Robert F. Bauer
Counsel to Democratic Congressional
Campaign Committee

RFB:lja

Subscribed and sworn to before me this 3rd day of August, 1995.


Notary Public

My commission expires 10/31/95

EXHIBIT A

9 0 0 4 3 0 0 1 0 2 3

SCHEDULE C

(Revised 3/80)

LOANS

Loans Made or Guaranteed by Candidate

Page 1 of 8 for
LINE NUMBER
(Use separate schedules
for each numbered line)

Name of Committee (in Full)

Lally For Congress

C00295253

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	\$1,000.00	-0-	\$1,000.00 (Personal Funds)
Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General Other (specify):			

Terms: Date Incurred 5/5/94 Date Due _____ Interest Rate 0 % (apr) Secured

List All Endorsers or Guarantors (if any) to Item A

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	\$100,000.00	-0-	\$100,000.00 (Personal Funds)
Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General Other (specify):			

Terms: Date Incurred 5/24/94 Date Due _____ Interest Rate 0 % (apr) Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

SUBTOTALS This Period This Page (optional) \$101,000.00

TOTALS This Period (last page in this line only)

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

LOANS

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	\$25,000.00	-0-	\$25,000.00 (Personal Funds)
Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General Other (specify):			

Terms: Date incurred 6/30/94 Date Due _____ Interest Rate 0 % (april) Secured

List All Endorsers or Guarantors (if any) to Item A

1. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	
2. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	
3. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	

B. Full Name, Mailing Address and ZIP Code of Loan Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	\$6,000.00	-0-	\$6,000.00 (Personal Funds)
Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General Other (specify):			

Terms: Date incurred 9/9/94 Date Due _____ Interest Rate 0 % (april) Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	
2. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	
3. Full Name, Mailing Address and ZIP Code	Name of Employer	
	Occupation	
	Amount Guaranteed Outstanding \$	

SUBTOTALS This Period This Page (optional) \$31,000.00

TOTALS This Period (last page in this line only)

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

SCHEDULE C

Revised 3/80)

LOANS

Page 3 of 8 for
LINE NUMBER 13
(Use separate schedules
for each numbered line)

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):		Original Amount of Loan \$10,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$10,000.00 (Personal Funds)
Terms: Date Incurred <u>9/14/94</u> Date Due _____ Interest Rate <u>0</u> % (apri) Secured				
List All Endorsers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):		Original Amount of Loan \$10,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$10,000.00 (Personal Funds)
Terms: Date Incurred <u>9/15/94</u> Date Due _____ Interest Rate <u>0</u> % (apri) Secured				
List All Endorsers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$20,000.00
TOTALS This Period (last page in this line only)				
Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.				

LOANS

Name of Committee (in Full)
Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	Original Amount of Loan \$5,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$5,000.00 (Personal Funds)
Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):			

Terms: Date Incurred **9/30/94** Date Due _____ Interest Rate **0** % (apri) Secured

List All Endorsers or Guarantors (if any) to Item A

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		

B. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	Original Amount of Loan \$12,890.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$12,890.00 (Personal Funds)
Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):			

Terms: Date Incurred **10/12/94** Date Due _____ Interest Rate **0** % (apri) Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding: \$		

SUBTOTALS This Period This Page (optional)	\$17,890.00
TOTALS This Period (last page in this line only)	

98043364027

LOANS

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input type="checkbox"/> General <input checked="" type="checkbox"/> Other (specify):	Original Amount of Loan \$10,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$10,000.00 (Personal Funds)
---	---	--	---

Terms: Date Incurred 10/17/94 Date Due _____ Interest Rate 0 % (APR) Secured

List All Endorsers or Guarantors (if any) to Item A

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

B. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input type="checkbox"/> General <input checked="" type="checkbox"/> Other (specify):	Original Amount of Loan \$30,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$30,000.00 (Personal Funds)
---	---	--	---

Terms: Date Incurred 10/19/94 Date Due _____ Interest Rate 0 % (APR) Secured

List All Endorsers or Guarantors (if any) to Item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

SUBTOTALS This Period This Page (optional) **\$40,000.00**

TOTALS This Period (last page in this line only)

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

90043364020

LOANS

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):		Original Amount of Loan \$14,598.91	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$14,598.91 (Personal Funds)
Terms: Date Incurred <u>10/24/94</u> Date Due _____ Interest Rate <u>0</u> % (apri) _____ Secured _____				
List All Endorsers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify):		Original Amount of Loan \$49,500.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$49,500.00 (Personal Funds)
Terms: Date Incurred <u>10/20/94</u> Date Due _____ Interest Rate <u>0</u> % (apri) _____ Secured _____				
List All Endorsers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding: \$		
SUBTOTALS This Period This Page (optional)				\$64,098.91
TOTALS This Period (last page in this line only)				
Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.				

SCHEDULE C

Revised 3/80)

LOANS

Page 7 of 8 for
LINE NUMBER 13a
(Use separate schedules
for each numbered line)

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General Other (specify):	Original Amount of Loan \$32,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$32,000.00 (Personal Funds)
---	--	-----------------------------------	--

Terms: Date Incurred 11/1/94 Date Due _____ Interest Rate 0 %/yr Secured

List All Endorsers or Guarantors (if any) to item A

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

B. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: Primary <input checked="" type="checkbox"/> General Other (specify):	Original Amount of Loan \$20,000.00	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$20,000.00 (Personal Funds)
---	--	-----------------------------------	--

Terms: Date Incurred 11/7/94 Date Due _____ Interest Rate 0 %/yr Secured

List All Endorsers or Guarantors (if any) to item B

1. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code	Name of Employer		
	Occupation		
	Amount Guaranteed Outstanding \$		

SUBTOTALS This Period This Page (optional) \$52,000.00

TOTALS This Period (last page in this line only)

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

SCHEDULE C

Revised 3/80)

LOANS

Page 8 of 8 for
LINE NUMBER 13a
(Use separate schedules
for each numbered line)

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Loan Source Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election: <input checked="" type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):		Original Amount of Loan \$4,003.44	Cumulative Payment To Date -0-	Balance Outstanding at Close of This Period \$4,003.44 (Personal Funds)
Terms: Date Incurred <u>11/23/94</u> Date Due _____ Interest Rate <u>0</u> % (april) Secured				
List All Endorsers or Guarantors (if any) to Item A				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
B. Full Name, Mailing Address and ZIP Code of Loan Source		Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Election: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify):				
Terms: Date Incurred _____ Date Due _____ Interest Rate _____ % (april) Secured				
List All Endorsers or Guarantors (if any) to Item B				
1. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
2. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
3. Full Name, Mailing Address and ZIP Code		Name of Employer		
		Occupation		
		Amount Guaranteed Outstanding \$		
SUBTOTALS This Period This Page (optional)				\$4,003.44
TOTALS This Period (last page in this line only)				\$329,992.35

Carry outstanding balance only to LINE 3, Schedule D, for this line. If no Schedule D, carry forward to appropriate line of Summary.

EXHIBIT B

Nassau County Clerk
RECORDS OFFICE
RECORDING PAGE

Deed Number (RETT):
RETT020876



Type of Instrument: Deed

Control No: 199405060092

CRAIG
LALLY

CRAIG
LALLY

Recorded: 5/06/1994
At: 9:30:06 AM
In Liber: 10423
Of: Deed Book
From Page: 0802
Through Page: 0804

Refers to Liber: 00000
Of:
Page: 0000

Location: Oyster Bay (2824) Section: 00000028 Block: 00057-00 Lot: 00037
Unit: 38

EXAMINED AND CHARGED AS FOLLOWS:

Consider Amt \$.00

Received Following Fees For Above Instrument

	Exempt		Exempt
Recording \$	24.00 NO	State Fee \$	4.75 NO
Equal/Cty \$	5.00 NO	St.Fee/Cty \$.25 NO
Gains Tax \$	1.00 NO	Trans Tax	
Surchg/NYS \$	22.00 NO		
Surchg/Cty \$	3.00 NO		

Fees
Paid: \$ 60.00

Deed Number (RETT): RETT020876

THIS PAGE IS A PART OF THE INSTRUMENT

LAK001

Karen V. Murphy
County Clerk, Nassau County

THIS INDENTURE, made the 12th day of February, nineteen hundred and ninety-four
BETWEEN CRAIG LALLY, residing at 345 Centre Island Road, Oyster Bay,
New York 11771

party of the first part, and CRAIG LALLY and GRANT M. LALLY, both residing at
345 Centre Island Road, Oyster Bay, New York 11771

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Incorporated Village of Centre Island, Town of Oyster Bay, County of Nassau and State of New York, as shown as a certain map entitled "Amended Map of Harbor View at Centre Island, July 23rd, 1926, Lewis N. Waters, Surveyor, Oyster Bay, L.I., and filed in the office of the Clerk of the County of Nassau, on August 25th, 1926, as File No. 362, Case Number 2391, and known and designated as and by Lots number 37 and 38 and an undivided 1/19th interest in Lots number 39 and 40.

BEING AND EXTENDED TO BE the same premises conveyed to the Grantor herein by Deed dated the 10th day of May, 1942 and recorded in the Office of the Clerk of the County of Nassau in Liber 9523 Page 759.

9804384034
X MAP
LOCATION

9

28

57

37-38

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises: TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.
AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

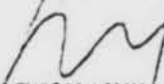
IN PRESENCE OF:

Craig Lally

STATE OF NEW YORK, COUNTY OF NASSAU

On the 12th day of February 19 94, before me personally came **CRAIG LALLY**

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.


LAWRENCE M. LALLY
Notary Public, State of New York
No. 30-223-6465
Qualified in Nassau County, NY
Commission Expires May 31, 1995

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

Bargain and Sale Deed

WITH COVENANT AGAINST GRANTORS ACTS

TLA No.

CRAIG LALLY,

TO

CRAIG LALLY and GRANT M. LALLY

Overlaid by



TICOR TITLE GUARANTEE

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same; and that he, said witness, at the same time subscribed his name as witness thereto.

SECTION

BLOCK

LOT

COUNTY OR TOWN Nassau

TAX BILLING ADDRESS 345 Centre Island Rd.
Oyster Bay, NY 11771

Recorded At Request of Title Guaranty Company

RETURN BY MAIL TO

LAWRENCE M. LALLY, ESQ.
LALLY & LALLY, ESQS.
220 Old Country Rd.
Mineola, NY

Exp No. 11501

90043301038

EXHIBIT C

NASSAU COUNTY PROPERTY RECORD CARD

CARD NO.

SECTION 28 BLK 057 LPT 37-38 1-19 INT 39-40 RLK 57

CONDO
BLDG.

CONDO
UNIT

TOWN 08

S.S. 009

1 of 1

PROPERTY ADDRESS 345 CENTRE ISLAND ROAD
OWNERS NAME LALLY CRAIG & GRANT
ASSESSED LAND 1255 ASSESSED TOTAL 1255

1

CI 520 -4 1255

FOUNDATION
BSMT AREA NONE
FIN. BSMT AREA
RECREATIONAL RM. BSMT NO
GARAGE IN BSMT. BULK HEAD
ROOF TYPE
ROOFING
INSULATION
INT. FIN 1st
INT. FIN 2nd
INT. FIN 3rd
FLOORS 1st
FLOORS 2nd
FLOORS 3rd
ROOMS BSMT. 1st 2nd
3rd ATTIC
HEATING
HEAT TYPE
AIR COND.
FIREPLACES FIREPLACE STACKS
PLUMBING
BATHROOMS STALL SHOWER BATHROOM
TOILET ROOMS
STALL SHOWER EXTRA
WATER CLOSET EXTRA BIDET EXTRA
LAVATORY EXTRA SINK EXTRA
TILING BR TR K
FLOOR & WAINSCOT
FLOOR & WALLS
FLOOR ONLY
DORMERS L/P

PROPERTY USE CODE 311 14 NYS EX CODE

CARD CODE:

LABOR

BUILD :

TOTAL :

AUTOMATED PRICING CODES
FOR ** ATTACHED ** ADDITIONS

A/C. 1/2 S ADDN (FH) ZC
A/C. 1S ADDN (FR) ZA
A/C. 1S ADDN (FX) ZD
A/C. 1/2 S ADDN (FT) ZB
A/C. OVERHANG (FO) ZE
A/C. QUARTERS (QT) ZF
ADDITION - 1S GLASS EXMPT FX
ADDITION. 1 STORY FR
ADDITION. 1/2 STORY FH
ADDITION. 1/4 STORY FT
ATTIC. FINISHED FA
ATTIC. UNFINISHED UA
BASEMENT. FINISHED FB
BASEMENT. RECREATION ROOM RB
BASEMENT. UNFINISHED UB
BAY WINDOW BW
BREEZEWAY BZ
CANOPY CA
CARPORT CP
ELEVATOR EV

FIRE ESCAPE FI
GARAGE. FINISHED FG
GARAGE. UNFINISHED UG
GREENHOUSE GR
GREENHOUSE - GLASS EXEMPT GX
OVERHANG FO
POOL. INDOOR / CONCRETE PC
POOL. INDOOR / VINYL PV
PORCH. ENCLOSED EP
PORCH. OPEN OP
QUARTERS. FINISHED 1/2S QT
QUARTERS. UNFINISHED 1/2S QU
SHED FS
SHOWER ROOM - OUTSIDE FIX OS
STAIR / STOOP ST
TERRACE "C" MP
TERRACE "B" SP
TERRACE "BB" MT
TERRACE "A" RT
WOOD DECK. "B" WD
WOOD DECK. "A" WB

DATE OF LAST SALE 05/07/84
AMOUNT OF SALE 5500
LIBER & PAGE 9563-799
1995 ASSESSMENT ROLL (3/1)
CARD PRINTED OCT.- 6-94
ROLL LIBR & PAGE 10423-802
CHANGE DATE & TIME 7/27/94
CHANGE ORDER #

LAST MAINT. DATE 07/30/84
RE

LAND VALUE COMPUTATIONS

TYPE	FRONTAGE FIGURED	AVERAGE DEPTH	UNIT PRICE	UNIT PERCENT	FRONT FT. PRICE	COR	DEPR	VALUE
L	33.00	123	20.00	109	21.80		33	
R					53.00		33	

COMMENTS R FROM LOTS 39 & 40

LAND TOTAL

OCC	CONSTRUCTION	SIZE	GRADE	AGE	REMOD	COND	PHY DEPR	FUNCT	REPL. VALUE	SOUND VALUE
	STY .0									

COMMENTS

BUILDING TOTAL

EXTERIOR WALLS
MASONRY WALLS L/P HGT STORY
PARTY WALLS L/P
GROSS FLOOR LIVING AREA-
FLOOR B 1 2 3 SQ FT
ADDITION
ADDITION
ADDITION
ADDITION
ADDITION
ADDITION
ADDITION
TOTAL
COST FACTOR
REPLACEMENT VALUE

EXHIBIT D

9 8 0 4 3 8 4 0 3 0

9 8 0 4 3 3 8 4 0 3 9
UNEARNED" INCOME

Name _____	Page ____ of ____
------------	-------------------

Name _____	Page ____ of ____
------------	-------------------

[illegible]

For additional assets and unearned income, use next page.

SCHEDULE II — ASSETS AND “UNEARNED” INCOME

Continuation Sheet (if needed)

Name _____

Page ____ of ____

[illegible]

EXHIBIT E

90043061041

SCHEDULE D

(Revised 3/80)

DEBTS AND OBLIGATIONS
Excluding Loans

 Page 1 of 1 for
 LINE NUMBER 10
 (Use separate schedules
 for each numbered line)

Name of Committee (In Full)	Outstanding Balance Beginning This Period	Amount Incurred This Period	Payment This Period	Outstanding Balance at Close of This Period
Lally For Congress				
A. Full Name, Mailing Address and ZIP Code of Debtor or Creditor Lawrence M. Lally 220 Old Country Road Mineola, NY 11501	\$2,400.00	-0-	-0-	\$2,400.00
Nature of Debt (Purpose): Office Rental				
B. Full Name, Mailing Address and ZIP Code of Debtor or Creditor John Plant 93 Ocean Avenue Amityville, NY 11701	\$ 500.00	0	-0-	\$ 500.00
Nature of Debt (Purpose): Office Rental				
C. Full Name, Mailing Address and ZIP Code of Debtor or Creditor Anton Community Newspaper 135 Liberty Avenue Mineola, NY 11501	\$1,055.00	-0-	-0-	\$1,055.00
Nature of Debt (Purpose): Advertising				
D. Full Name, Mailing Address and ZIP Code of Debtor or Creditor Prime New York 1560 Broadway New York, NY 10036	\$5,686.12	-0-	-0-	\$5,686.12
Nature of Debt (Purpose): Mailing				
E. Full Name, Mailing Address and ZIP Code of Debtor or Creditor N.S. Pedersen Co. 25 Union Avenue Ronkonkoma, NY 11779	\$3,065.40	-0-	-0-	\$3,065.40
Nature of Debt (Purpose): Printing				
F. Full Name, Mailing Address and ZIP Code of Debtor or Creditor L.I. Catholic 99 N. Village Avenue Rockville Centre, NY 11570	\$1,575.00	-0-	-0-	\$1,575.00
Nature of Debt (Purpose): Advertising				
1) SUBTOTALS This Period This Page (optional)				\$12,706.52
2) TOTALS This Period (last page in this line only)				\$12,706.52
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)				
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)				

EXHIBIT F

98043043

JULY B

ITEMIZED DISBURSEMENTS

Use separate schedule(s)
for each category of the
Detailed Summary PagePAGE 3 OF 3
FOR LINE NUMBER

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Multi-Media 801 N. FAIRFAX ST. ALEXANDRIA, VA 22314	Media - Consulting Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/14/94	\$12,890. ⁰⁰ \$10,000. ⁰⁰
B. Full Name, Mailing Address and ZIP Code POST-MASTER HICKSVILLE, N.Y.	Postage Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/14/94 10/17/94	\$2,180. ⁰⁰ \$13,500. ⁰⁰
C. Full Name, Mailing Address and ZIP Code ARISTA INNOVATIONS 150 HERRICKS RD. MINENGA, NY 11501	Printing Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/14/94	\$1,421. ³⁵
D. Full Name, Mailing Address and ZIP Code AT&T	Phone Bill Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/14/94	\$8. ⁸⁶
E. Full Name, Mailing Address and ZIP Code TARGETED CREATIVE COMMUNICATIONS 801 N. FAIRFAX ST. ALEXANDRIA, NY 22314	Printing Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/18/94	\$4,500. ⁰⁰
F. Full Name, Mailing Address and ZIP Code POST-MASTER MINENGA, NY	Postage Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/17/94	\$145. ⁰⁰
G. Full Name, Mailing Address and ZIP Code Thomas BAIIAU 14 ALBERT COURT STATEN ISLAND, NY 10303	SALARY Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/18/94	\$1,000. ⁰⁰
H. Full Name, Mailing Address and ZIP Code Suffolk County WATER Authority HAUPPAGUE, New York.	WATER - bill Disbursement for: <input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other (specify)	10/18/94	\$105. ⁰⁰
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement Disbursement for: <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify)	Date (month, day, year)	Amount of Each Disbursement This Period

SUBTOTAL of Disbursements This Page (optional)

\$45,750.²¹

TOTAL This Period (last page this line number only)

\$67,412.⁸⁸

EXHIBIT G

9
8
7
6
5
4
3
2
1
0
4
5

BRESLIN APPRAISAL CO., INC.

44 ELM STREET
HUNTINGTON, L.I., N.Y. 11743

TELEPHONE (516) 271-7277
FAX (516) 271-7298

EASTERN L.I. OFFICE
BOX 1292
AMAGANSETT, L.I., N.Y. 11930
(516) 267-3702

October 6, 1994

TO WHOM IT MAY CONCERN

In reference to your recent enquiry regarding property at 484 New York Avenue, Huntington; This is a former service station (tanks removed), consisting of a multi bay structure on the east side of New York Avenue just north of Oakland Street.

In my opinion this property will have a fair rental value at this time of \$2,500 - \$3,000 per month with the tenants being responsible for utilities and interior maintenance.

I hope this letter will resolve your questions on this property.

Very truly yours


John J. Breslin, Sr., ASA, SR/WA
Lic. 46000007446

jjb/mh



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

August 4, 1995

Lawrence M. Lally, Esq.
220 Old Country Road
Mineola, NY

RE: MUR 4128
Grant M. Lally

Dear Mr. Lally:

On November 9, 1994, your client, Grant Lally, was notified that the Federal Election Commission received a complaint from Robert F. Bauer, Counsel to the Democratic Congressional Campaign Committee, alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. At that time your client was given a copy of the complaint and informed that a response to the complaint should be submitted within 15 days of receipt of the notification.

On August 3, 1995, the Commission received additional information from the complainant pertaining to the allegations in the complaint. Enclosed is a copy of this additional information. As this new information is considered an amendment to the original complaint, your client is hereby afforded an additional 15 days in which to respond to the allegations.

If you have any questions, please contact Alva E. Smith at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20461

August 4, 1995

Lawrence M. Lally
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128

Dear Mr. Lally:

The Federal Election Commission received an amendment to a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the original and amended complaint is enclosed. We have numbered this matter MUR 4128. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

Lawrence Lally
Page 2

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Original and Amended Complaint
2. Procedures
3. Designation of Counsel Statement

9804384049



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 4, 1995

Craig Lally
c/o Grant M. Lally
345 Harbor Drive
Oyster Bay, NY 11771

RE: MUR 4128

Dear Mr. Lally:

The Federal Election Commission received an amended complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the original and amended complaint is enclosed. We have numbered this matter MUR 4128. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

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Craig Lally
Page 2

If you have any questions, please contact Alva E. Smith at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosures

1. Original and Amended Complaint
2. Procedures
3. Designation of Counsel Statement

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 4, 1995

Lawrence M. Lally, Treasurer
Lally for Congress
220 Old Country Road
Mineola, NY 11501

RE: MUR 4128
Lally for Congress
Lawrence M. Lally, Treasurer

Dear Mr. Lally:

On November 9, 1994, you were notified that the Federal Election Commission received a complaint from Robert F. Bauer, Counsel to the Democratic Congressional Campaign Committee alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. At that time you were given a copy of the complaint and informed that a response to the complaint should be submitted within 15 days of receipt of the notification.

On August 3, 1995, the Commission received additional information from the complainant pertaining to the allegations in the complaint. Enclosed is a copy of this additional information. As this new information is considered an amendment to the original complaint, you are hereby afforded an additional 15 days in which to respond to the allegations.

If you have any questions, please contact Alva E. Smith at (202) 219-3400.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Enclosure



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

August 4, 1995

Robert F. Bauer, Esq.
Perkins Coie
607 14th Street, N.W.
Washington, D.C. 20005-2011

RE: MUR 4128

Dear Mr. Bauer:

This letter acknowledges receipt on August 3, 1995, of the amendment to the complaint you filed on November 3, 1994, on behalf of the Democratic Congressional Campaign Committee. The respondent(s) will be sent copies of the amendment. You will be notified as soon as the Federal Election Commission takes final action on your complaint.

Sincerely,

Mary L. Taksar

Mary L. Taksar, Attorney
Central Enforcement Docket

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

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RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

AUG 28 11 49 AM '95

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-0500

August 25, 1995

Mary L. Taksar, Esq.
Federal Election Commission
Washington, DC 20463

Re: MUR-4128 - Lally For Congress

Dear Ms. Taksar:

Your letter dated August 4, 1995 together with a copy of a letter dated August 2, 1995 from Robert F. Bauer, Esq., Counsel to the Democratic Congressional Campaign Committee, has been received.

The reading of the rambling, illogical, politically motivated letter of Mr. Bauer leads but to one conclusion, namely, his attempt to continue the highly publicized "smear" campaign which was commenced by the Democratic Congressional Campaign Committee one week prior to the November, 1994 election to defeat, intimidate and politically cripple a candidate for high Federal elective office.

I shall attempt to succinctly and rationally respond to Mr. Bauer's specious allegations.

Response to Specious Allegation I

Mr. Bauer alleges that Mr. Lally's Personal Financial Disclosure does not report sufficient assets to cover \$329,992.00 in loans made to his campaign. He states that Mr. Lally's assets were insufficient; notwithstanding that his Personal Financial Disclosure Affidavit listed assets between \$440,000.00 to \$1,000,000.00. Rhetorically, I ask did Mr. Lally have assets in excess of his liabilities? The answer is, yes.

Then, Mr. Bauer retreats to his next argument when he states that Mr. Lally could not liquidate his assets "unlike. . .most Americans." This is the "stupidest" argument I have ever encountered. Apparently, Mr. Bauer's life experience has been grossly inadequate notwithstanding his presumptuous and fallacious position on behalf of "most Americans". If you have property, real and personal, you liquidate what you can and supplement your

campaign needs from your employment income. Mr. Lally sold assets and applied income from his law practice to partially fund his campaign.

Response to Specious Allegation II

In February, 1994, a correction Deed was executed and filed with the Nassau County Clerk's Office to correct a mistake made by a seller's attorney in May, 1984, when Grant Lally's name should have been added to the Deed for a parcel of vacant land in Centre Island, New York. The fact is that this property played absolutely no part in Mr. Lally's campaign. In a super stretch of a super imagination, Mr. Bauer then ominously proclaims that perhaps Craig Lally should be prosecuted for a "gift" to his brother in excess of \$1,000.00 FEC limitation. He terms same a "scheme to deceive" the public and the Commission. There was no gift nor was same a contribution, it was the correction of an administrative error.

As an attorney who has practiced for over thirty-four years and served at the pleasure of the New York State Appellate Division investigating the activities of corrupt attorneys, if such a patently obvious political charge was leveled against an individual, I would admonish and caution the proponent to refrain from reckless and casual defamation. Mr. Bauer should familiarize himself with the law of defamation before he uses the term "unlawful act" against not only a "public", but also a "private" person. "Most Americans", to borrow Mr. Bauer's phrase, do not accuse people of unsavory, illegal or unethical motives unless they are sure of their facts and are prepared to defend same in our courts of law.

However, Mr. Bauer with his imperfect prismatic focus and his adroitness in speculative theory (any theory I might add - true or not), then advances the argument that there is an "additional possibility" that the property had modest value and that an inflated value would support "loans" against same. In point of fact, no loans were taken, secured or unsecured, against this property.

Mr. Bauer then states that Mr. Lally "asserts a dramatically lower valuation to those who have an expertise in and experience with the value of local property and pay taxes on that acknowledged lower value". He supports this fictitious "expert's" opinion with nothing but his own comparison of assessed valuation (he lists \$5,500.00, whereas in actuality it is \$1,255.00) with market value range (\$100,000.00 - \$250,000.00) and he concludes that this is "an extraordinary appreciation by any measure." The situation that consistently confronts responsible attorneys in advocating a client's position is to never allow yourself to get caught up in your client's emotional, unreasoning and baseless assault on his adversary. Here an attorney stepped out of his role as a counselor and presented himself as a rabid attack dog ready to distort facts. The presentation of the truth, supported by clear, factual evidence, has however left him gumming rather than devouring his

intended prey.

In point of fact in Nassau County, New York, the valuation assigned by the Assessor's Office to a parcel of land does not reflect its true market value and unless there is some improvement, sale or subdivision, it retains it's original assessed valuation. Minimal research would have revealed that an assessed valuation of \$1,135.00 was assigned to the contiguous parcel of vacant land which was acquired on June 21, 1988 for \$50,000.00, and sold on April 19, 1995 for the sum of \$170,000.00, still carrying the same assessed valuation of \$1,135.00. This fact illustrates Mr. Bauer's ignorance of our system of assessment. One can only conclude that had Mr. Bauer consulted an expert, as he maintains that he did, this fact would have been disclosed to him. One can reasonably conclude that he did not seek the expert advice that he cited in support of his position.

Response to Specious Allegation III

The law firm of Lally & Lally, Esqs., did not supply office space at 220 Old Country Road, Mineola, New York, to the Lally for Congress campaign, nor was any corporation involved. No smoke, no gun, no victims, no case! Period.

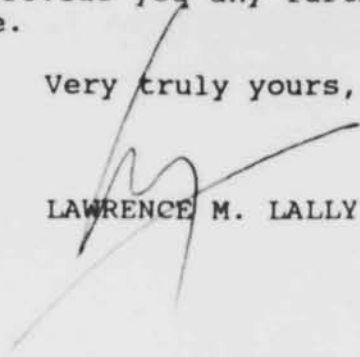
The campaign office at 484 New York Avenue, Huntington, New York, was leased for two and one-half (2 1/2) months for \$500.00. This office was contained in a large, long vacant, auto repair facility. The campaign maintained a small office on the premises and did not utilize its four repair bays, parts department, etc. Mr. Bauer cites his Exhibit "F" - the space is a "very large building and lot whose immediate previous use was for a gas station/service station with repair shop, offices and parking area." The premises was in deplorable condition and was the target of vandalism. The campaign workers replaced windows, cleaned up debris and overgrown vegetation and this activity and presence was obviously factored into this very short term occupancy. The fair rental value of \$2,500.00 to \$3,000.00 per month assumes that the premises would be fully used as an auto repair facility. This, however, was clearly not the case.

Conclusion

In view of the foregoing, it is respectfully submitted that there were no violations of the Federal election laws, and Mr. Bauer's charges should be dismissed. He attempts to use the F.E.C. as a vehicle for the Democratic Congressional Campaign Committee's effort to deter Mr. Lally from seeking election to the House of Representatives. Accusation and intimidation are the tools of thugs, villains and disingenuous people who believe that by repeating a lie often enough people will believe it.

I rely on your impartiality, perception and professionalism to bring this political "witch hunt" to an early conclusion. Thank you for your consideration, and if I can provide you any further information, please feel free to contact me.

Very truly yours,


LAWRENCE M. LALLY

LML:las

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FEDERAL ELECTION COMMISSION

999 E Street, N.W.
Washington, D.C. 20463

1-11-95 10:40 AM '95

FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 4128

DATE COMPLAINT FILED: November 3, 1994

DATE OF NOTIFICATION: November 9, 1994

DATE AMENDMENT FILED: August 3, 1995

DATE OF NOTIFICATION: August 4, 1995

DATE ACTIVATED: August 31, 1995

STAFF MEMBER: Xavier K. McDonnell

SOURCE: Complaint

RESPONDENTS: Lally for Congress and Dawn M. Fasano, as treasurer
Grant M. Lally
Lawrence M. Lally
Ute Wolf Lally
Tri-County of Huntington, Inc.

RELEVANT STATUTES: 2 U.S.C. § 441a
2 U.S.C. § 434(b)
2 U.S.C. § 441b
11 C.F.R. § 110.10(b)
11 C.F.R. § 100.7(a)(1)(iii)(A)

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

The Democratic Congressional Campaign Committee ("DCCC" or "Complainant") filed a complaint and an amendment alleging that over \$329,000 in funds reported as personal loans from Congressional candidate Grant Lally to his 1994 campaign, Lally for Congress ("Lally campaign")

or "respondents"), were actually received from other undisclosed and unknown sources.¹ DCCC also alleges that the Lally campaign was provided with office space without charge, possibly by a corporation. The Lally campaign submitted unsworn responses to both the complaint and amendment in which it denies the charges. Attachments 1 and 2.

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended (the "Act") limits the amount that persons other than multicandidate committees may contribute to any candidate for federal office to \$1,000 per election. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C. § 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a).² All contributions made by a candidate to his or her committee, including candidate loans, must be reported in accordance with 2 U.S.C. § 434(b)(B)(G).

¹ On April 22, 1996, the DCCC filed a petition for declaratory and injunctive relief in the U.S. District Court for the District of Columbia, claiming that the Commission's failure to act on the complaint in this matter within the 120 day period provided in 2 U.S.C. § 437g(a)(8) is contrary to law. DCCC v. FEC, No. 96CV00764 (D.D.C. April 22, 1996).

² The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments, bequests to the candidate; income from trusts established before candidacy; income from trusts established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F.R. § 110.10(b)(1) and (2). A candidate may also use a portion of assets jointly owned with his or her spouse, as provided in 11 C.F.R. § 110.10(b)(3). However, in this matter the candidate does not claim that his assets are jointly owned by his spouse, or even that he is married.

The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election.

2 U.S.C. § 431(8)(A)(i). The term "anything of value" includes all in-kind contributions and providing any goods or services without charge, or at a charge which is less than the usual and normal charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal" charge is the price of the goods in the market from which they ordinarily would have been purchased at the time of the contribution, i.e., the fair market value. 11 C.F.R. § 100.7(a)(1)(iii)(B). See also Advisory Opinions 1995-8, 1991-10, n. 1, 1984-60.

A commercial vendor which is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(a). An incorporated vendor may extend credit to a candidate, political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(b). The Act provides that it is unlawful for any corporation to make a contribution or expenditure in connection with a federal election.

2 U.S.C. § 441b(a).

III. BACKGROUND

Grant Lally submitted his Statement of Candidacy on June 9, 1994. Lally won the Republican Primary election for New York's 5th Congressional district on September 13, 1994,

and lost the General election on November 8, 1994. A 1994 news article described Grant Lally as a 32 year old attorney and museum company executive. During 1994, the candidate was practicing law with his father, Lawrence Lally, at the law firm of Lally and Lally, Esquires ("law firm" or "Lally law firm") in Mineola, New York. The Lally campaign's disclosure reports indicate that Grant Lally loaned his campaign a total of \$319,991 from "personal funds" from May through November of 1994, as follows:

PRIMARY		GENERAL	
May 5, 1994	\$ 1,000	September 14, 1994	\$ 10,000
May 24, 1994	\$ 100,000	September 15, 1994	\$ 10,000
June 30, 1994	\$ 25,000	September 30, 1994	\$ 5,000
September 9, 1994	\$ 6,000	October 12, 1994	\$ 12,890
		October 19, 1994	\$ 30,000
		October 20, 1994	\$ 49,500
		October 24, 1994	\$ 14,598
		November 1, 1994	\$ 32,000
		November 7, 1994	\$ 20,000
		November 29, 1994	\$ 4,003
TOTAL PRIMARY	\$132,000	TOTAL GENERAL	\$ 187,991

On September 6, 1994, Grant Lally filed the financial statement required for House candidates by the Ethics in Government Act ("EIGA"), 5 U.S.C. 101, *et. seq.* See Attachment 4. Grant Lally reported a 1993 salary of \$59,062 from the Lally law firm, and that up through the end of the EIGA reporting period in the spring of 1994, his salary was \$70,400. The EIGA also requires the disclosure of assets, and the value of assets is reported within wide ranges. According to the EIGA statement, the candidate's total assets were valued anywhere from between roughly \$440,000 and \$1,150,000. *Id.* A review of the EIGA statement shows that the reported value of Grant Lally's bank and stock accounts was estimated at between \$30,000-\$100,000. Mr. Lally reported ownership in two pieces of real estate, one located in Oyster Bay, New York and the other

in the Bronx, New York. The estimated worth of both properties together was between \$200,000-\$500,000. In addition, \$130,000-\$350,000 of the estimated assets claimed by the candidate on his EIGA statement was for the combined value of his stock in L. Lally Enterprises, Museum Source, Ltd. and Galway Trading, Co. The candidate also included with his assets the loans he made to Lally for Congress which are the subject of this matter, which he placed in the range of \$100,000 - \$250,000. The candidate's reported annual income from dividends and interest ranged from approximately \$1,200 and \$3,500.

The Lally campaign reported a continuing debt to Lawrence M. Lally for office space at \$600 per reporting period which totaled \$2,400 by November of 1994. The Lally campaign's latest report discloses that it still owes \$2,400 to "Lawrence M. Lally" for "office rental." In addition, during 1994 the Lally campaign reported a \$500 debt to "John Plant" for "office rental," which was paid on August 25, 1995."

IV. SUMMARY OF COMPLAINT AND RESPONSES

In both its complaint and amendment, the DCCC charges that Grant Lally's 1994 Congressional election bid was financed primarily through undisclosed, impermissible and/or prohibited sources. DCCC asserts that Grant Lally's EIGA statement does not disclose the kind of wealth and assets for him to have made loans from personal funds totaling over \$300,000.³ DCCC suggests that financing for the campaign was arranged by the candidate's father, Lawrence Lally, and that some other source has "put up the money." Complaint, dated November 3, 1994, at 1.

³ The DCCC's complaint indicated that the EIGA statement disclosed assets of between \$360,000 and \$950,000. Apparently, the DCCC disregarded the candidate loans to his campaign, which Lally included as an asset on his EIGA statement.

As evidence of the illegality of the Lally campaign's contributions, the complaint points to a press release distributed by Lally's opponent which claimed that Lally's former campaign staffer, Theresa White, allegedly resigned after seeing a "wire transfer from a Swiss bank account for \$100,000" on the same day that Grant Lally loaned that amount to his campaign (May 24, 1994). Complaint at page 3. A press article attached to the complaint states that White "quit amid controversy in May" of 1994. *Id.* at Exhibit C.

In its August 1995 amendment to the complaint, the DCCC claims that property located in Oyster Bay, New York listed on the Grant Lally's EIGA statement appears to have been placed in the candidate's name earlier in 1994 "in anticipation of the campaign to assist him." Amendment to the Complaint, dated August 2, 1995, at 4. The DCCC enclosed a public document which shows that on May 5, 1994, the Nassau County Clerk's Office recorded that the ownership status of the Oyster Bay property, which consists of two vacant lots on 345 Centre Island Road, was changed by deed so that the candidate's brother Craig Lally, who had been listed on the deed as the sole owner of the two lots since their purchase in 1984, became joint owner with his brother the candidate Grant Lally. *Id.* at Exhibit B. According to the deed, which was notarized by the candidate's father, the transfer was made on February 12, 1994. As the candidate's EIGA statement indicates that the property is valued at between \$100,000 to \$250,000, the Complainant concludes that this transfer appears to have been a "contribution" from the candidate's brother Craig Lally, which exceeds the limits of Section 441a(a)(1)(A). *Id.* at 4. In the alternative, the DCCC claims that the land's value may have been overstated on the candidate's EIGA statement to make it appear he had sufficient assets to make the loans in question, which the complainant concludes, would have been a "'knowing and willful' scheme to deceive the public." *Id.* As

evidence of its theory that the value was overstated on the EIGA, the DCCC states that the 1994 tax for the parcel of land at 345 Centre Island Road was based upon the 1984 purchase price of \$5,500, well below the value listed on the EIGA statement.

The DCCC further alleges that an excessive or possibly prohibited contribution was made to the Lally campaign through its use of office space at the Nassau Building, located at 220 Old Country Road in Mineola. Amendment to the Complaint at page 5. The complaint notes that no payments were made for that space, only a \$2,400 debt to Lawrence Lally, which was never paid. It is also alleged that the Lally campaign's reports did not disclose payments for its use of space at 484 New York Avenue in Huntington, New York, which the complainant describes as a very large building that was formerly an auto repair shop with offices. The DCCC has attached to the amendment a letter from a local appraiser, who offers his opinion that the fair market rental value of the space was \$2,500-\$3,000 per month plus utilities.

The candidate Grant Lally submitted an unsworn response to the complaint, while his father and then campaign treasurer Lawrence Lally submitted an unsworn response to the amendment. Attachments 1 and 2. Both father and son deny that any violations occurred and refute several of the DCCC's factual assertions. In his response, the candidate states that on its face the complaint is frivolous because the EIGA statement itself discloses that he had sufficient assets to make the loans at issue to his campaign. Grant Lally contends that "[a]ll loans made by me to my campaign were drawn from my personal funds -- from personal bank and stock accounts, payoffs of mortgage debts, the sale and mortgaging of some personal assets, and ordinary income which I continued to earn during the course of my campaign." Attachment 1 at 1. The candidate also asserts that he has other assets that were not required to be reported on his

EIGA statement, and he specifically asserts that his assets included mortgages totaling approximately \$240,000 which were owed to him by his parents, Lawrence and Utewolf (or "Ute") Lally. *Id.* Grant Lally also contends that he earned over \$50,000 at the law firm in the Fall of 1994 from settling several long-standing estate proceedings. *Id.*

In his response to the amendment, Lawrence Lally, who was at the time treasurer of the Lally campaign, reiterates that his son had sufficient assets to make the loans in question. Attachment 2.⁴ Moreover, Lally contends that what the complaint claims was a transfer of a one-half interest of the vacant land in Oyster Bay from Craig Lally to his brother Congressional candidate Grant Lally was actually just recordation of a "correction deed." *Id.* at 2. The candidate's father claims that this correction of an administrative error by the seller's attorney in 1984 "played absolutely no part in Mr. Lally's campaign." *Id.* Lally also denies the DCCC's charge that the value of the land may have been inflated to increase the appearance of his son's assets, and he claims that in Nassau County, New York, the assessed value of land differs vastly from market value. *Id.* at 2-3.

Lawrence Lally denies that there was any violation with respect to the Lally campaign's use of office space. He states that the law firm "did not supply office space at 220 Old Country Road, Mineola, New York, to the Lally for Congress campaign, nor was there any corporation involved." Attachment 2 at 3. However, he does not deny the DCCC's claim that the office space was not paid for. Nor does Lawrence Lally claim that he, who is listed as the creditor of the debt,

⁴ On September 15, 1994, Lawrence Lally responded to inquiries from the Reports Analysis Division regarding the source of the candidate loans, stating: "Please be advised that the loans were not secured from any lending institution but rather from Grant Lally's own personal funds." Attachment 3 at 9-10.

received any payment for the office space. Mr. Lally indicates further that the Lally campaign leased space in the former auto repair shop located at 484 New York Avenue in Huntington, New York for two and one-half months for \$500. Lally, however, states that the campaign did not occupy the entire building, that it was in deplorable condition with broken windows and was the target of vandalism. Attachment 2 at 3. The candidate's father also asserts that the \$2,500-\$3,000 assessment assumes the building would be used as an auto repair facility, which was not the case here.

V. ANALYSIS

The information at hand leaves it unclear whether the \$319,991 in loans received by the Lally campaign was actually derived from Grant Lally's "personal funds." To begin with, the respondents do not address, much less refute, the allegations in the complaint about the \$100,000 wire transfer from a Swiss account reportedly seen by former Lally campaign staffer Theresa White. Moreover, the respondents have submitted only unsworn responses to the charges without any supporting documentation whatsoever. Thus, there is presently insufficient evidence to establish whether the candidate had in fact liquidated personal assets substantial enough to make such loans. Such assets would be considered to be derived from Grant Lally's "personal funds" if they were: assets which, at the time Mr. Lally became a candidate, he had a "legal right of access or control over and legal and rightful title or an equitable interest," earned or unearned income, bequests, or personal gifts which had been customarily received prior to candidacy. 11 C.F.R. § 110.10(b)(1) and (2).

Contrary to respondents' suggestions, Grant Lally's EIGA statement does not establish that the loans were derived from personal funds. As noted above, the Lally campaign has not produced

any evidence to show that the candidate liquidated assets disclosed on the EIGA statement to make the loans in question. It does not appear that the two pieces of real estate to which the candidate had legal title, which he valued at between \$200,000 to \$500,000, were sold or mortgaged for the purpose of making these loans.⁵ Indeed, the respondents do not claim that such property was liquidated for the purpose of making these loans. And the EIGA statement includes with Grant Lally's assets the \$100,000-\$250,000 in loans which the candidate reportedly made to the Lally campaign. Such loans, however, are excludable for purposes of this analysis because the source of such loans is precisely what is at issue here. This leaves the candidate's bank and stock accounts, which have a total low value of \$160,000 and a total high value of \$450,000. Yet much of that stock, between \$130,000 to \$350,000 of it, is in L. Lally Enterprises, Museum Source, Ltd. and Galway Trading. Grant Lally identifies himself as the President of Galway Trading and Museum Source, Ltd., and both corporations have as an official address the Nassau Building, the same office building occupied by the Lally law firm and the Lally campaign. That building appears to be owned by the candidate's parents, Lawrence and Utewolf Lally.⁶ The third entity in which the

⁵ In addition, title to the Oyster Bay property was recorded in Grant Lally's name only in May of 1994, which substantially increased his total assets for purposes of his EIGA statement. Increasing the appearance of the candidate's assets on his EIGA may have been important to the Lally campaign because by the time that Lally, under pressure from his primary opponent, submitted the untimely filed EIGA statement on September 6, he had already loaned his campaign \$126,000. On the other hand, since there is no evidence that the land was sold or mortgaged for the campaign, it does not, at this time, appear that an excessive contribution was made to the Lally campaign by Craig Lally. In addition, we note that it does not appear that in the applicable jurisdiction the assessed value of property is an accurate indicator of market value.

⁶ It appears that Lawrence and Utewolf Lally purchased the two story building and property located at 220 Old Country Road in 1981 for \$502,474. As noted, the candidate's father, who was the Lally campaign's treasurer during the election campaign, is an attorney at the Lally law firm. In addition, on his statement of candidacy, Grant Lally indicates that he resides at 345 Harbor Drive in Oyster Bay, which appears to be the address of the residence owned and occupied by his parents.

candidate reported a large interest in stocks, L. Lally Enterprises, has not been identifiable through Dun and Bradstreet and contains the family name (perhaps that of the candidate's father, Lawrence Lally).

The information at hand suggests that L. Lally Enterprises, Museum Source, Ltd. and Galway Trading may be closely held, and perhaps even family owned, corporations. It is well established that, as a general rule, stock in closely held corporations is difficult to liquidate, especially on an expedited basis. See Harry H. Henn, Handbook of the Law of Corporations, Chapter 10, Section 280, page 552 (1970). In addition, it is well established that the market value of stock in closely held corporations is extremely difficult to ascertain and that such stock is often subject to transfer restrictions. *Id.* In light of the above, and that one of the entities bears the family name and that the official address for at least two of the others is the office building owned by the candidate's parents, questions remain about the candidate's interest in such stock and about any sales of such stock that may have transpired during the applicable time frame.

Next, Grant Lally's response suggests that some portion of the over \$300,000 in candidate loans may have been derived from other assets not required to be reported by the EIGA statement, i.e. payoffs of mortgage debts from his parents, and money earned at the law firm after the EIGA statement was submitted.⁷ Specifically, Mr. Lally claims that his parents owed him \$240,000 for mortgages and he suggests, but does not explicitly state, that all or some portion of such mortgages were paid off during the campaign to make the loans in question. However, we do not presently

⁷ The EIGA does not require the disclosure of any personal liability owed to the reporting individual by a parent, spouse, child or sibling, or disclosure of any liabilities owed to a parent, spouse, child or sibling. See 5 U.S.C. § 102(a)(3) and (4).

have any documentation to establish the existence of such mortgages or that any portion of them was paid off. It is thus presently unclear whether such mortgages, and any related promissory notes, were executed prior to Grant Lally's candidacy and whether the mortgages were for real or personal property. It is also unclear whether all such payments for those mortgages were consistent with the terms of the original agreement(s) related to such mortgages. If the payments for such mortgages were made in advance for the purpose of aiding Lally's candidacy, or if the amount paid was in excess of the fair market value, they would have been "contributions," and thus subject to the Act's limitations and reporting requirements.⁸

Finally, the candidate claims that he "earned over \$50,000" during the fall of 1994 by settling several long-standing estate proceedings. There is no information at hand, however, about the candidate's pay structure at the Lally law firm. Thus, it is not presently clear whether the candidate was paid by salary, paid a percentage of the Lally law firm's total revenue, or had some other arrangement. In short, further investigation is necessary to determine whether the \$50,000 which the candidate received in the fall of 1994 was part of his usual and agreed to pay structure from the law firm, or was an advance or increase in pay provided by the firm.⁹ If there had been any such an advance or increase by the firm in order to aid Lally's campaign, it would constitute a

⁸ Nothing in the public record suggests that Grant Lally owned real property of sufficient value to hold a first or second mortgage of that amount other than the two plots of land that he allegedly co-owned with his brother Craig and the duplex in the Bronx. As noted, there is no evidence that Grant Lally's interests in either of such properties were sold or mortgaged during this time frame. Indeed, given that the real estate holdings of Lawrence and Ute Lally are substantial, it is curious that they would find it necessary to seek mortgages from their son.

⁹ During the year prior to the election, Grant Lally reported a total income of \$59,062 from the law firm, while he reported making \$70,004 from the law firm during the period from January through August of 1994. If Lally received over \$50,000 in the Fall of 1994, as he claims, his 1994 income was at least twice that of his 1993 income.

contribution from the firm, which was not accurately reported and may have exceeded the limits of the Act.

In light of all the above, this Office recommends that the Commission find reason to believe that Lally for Congress and Dawn Fasano, as treasurer, violated 2 U.S.C. §§ 441a(f) and 434(b) by accepting excessive contributions that were not accurately reported. In addition, given that Grant Lally was involved in all the transactions at issue this Office recommends that the Commission find reason to believe that he violated 2 U.S.C. § 441a(f) by accepting such contributions.

With respect to the origin of the loans, the facts at hand suggest that Lawrence and Utewolf Lally were the source of at least some of them. As noted, the candidate claims that his parents owed him \$240,000 for mortgages, and suggests that payoffs of such mortgages were a source of the loans. Also as noted, of the three corporations in which the candidate claims to have large stock interests, two are located in the building which appears to be owned by his parents and the third carries the family name. In addition, the Lally campaign's headquarters were located in that same building and there is no evidence that the Lally campaign ever paid for the use of the office space. Indeed, as of the date of this report, such office space is still being reported as a \$2,400 debt to Lawrence M. Lally. By permitting the Lally campaign to occupy office space from June through November of 1994 without requiring it to pay any rent, and by extending credit to the Lally campaign for over 22 months in total, Lawrence and Ute Lally appear to have also made an unreported in-kind contribution to the Lally campaign.¹⁰ Therefore, in light of all the above, this

¹⁰ Disclosure reports also reveal that Lawrence M. Lally contributed \$1,000 to his son's campaign on November 4, 1994. Thus, this amount would also be counted towards Lawrence Lally's Section 441a(a) limits.

Office recommends that the Commission find reason to believe that Lawrence Lally and Utewolf Lally violated 2 U.S.C. § 441a (a)(1)(A).¹¹

Finally, the Lally campaign also acknowledges that it occupied part of a building located at 484 New York Avenue in Huntington, New York. The building was a former auto repair shop which respondents state that they leased for two and one half months at a total cost of \$500. The respondents suggest that they may have paid fair market value, arguing that the space was in very poor condition, but providing no evidence to support that contention. In addition, the respondents reported the \$500 as a debt to John Plant for "office rental" and in the 1995 Year End Report the Lally campaign reported paying that debt on August 25, 1995, the very same day as Lawrence Lally's response to the amended complaint.

The property located at 484 New York Avenue in Huntington, New York appears to be owned by Tri-County of Huntington, Inc., a New York corporation. It appears that John Plant, acting for the corporation, may have permitted the Lally campaign to occupy the building at 484 New York Avenue for two and one half months without making any payment to it and only due to the pendency of this matter was payment finally made almost one year later. Given that it appears that the property was owned by a corporation, such an extension of credit appears to be in violation of Section 441b(a). In addition, a question remains about whether the amount in question represents the market value of the space used by the campaign. Accordingly, this Office recommends that the Commission find reason to believe that Tri-County of Huntington, Inc.

¹¹ Although the complaint alleged that \$100,000 was wired from a Swiss bank account, it is presently unclear whether the source may have been a foreign national. 2 U.S.C. 441e. In addition, at this time there is insufficient evidence to determine whether the violations may have been knowing and willful, as the complaint suggested. Given the lack of information at hand concerning these issues, this Office makes no recommendation relating to them at this time.

violated 2 U.S.C. § 441b(a) by making a corporate contribution, and that Lally for Congress and Dawn Fasano, as treasurer violated 2 U.S.C. § 441b(a) by accepting such a contribution.¹²

VI. PROPOSED DISCOVERY

In light of the complexity of the issues and in order to expedite the investigation, this Office recommends that the Commission approve the attached Subpoena for Documents and Order for Written Answers to the Lally campaign, Grant Lally, Lawrence and Utewolf Lally and Tri-County of Huntington, Inc. Attachment 6. The discovery directed to the candidate and the Lally campaign focuses on determining the source of the funds and assets used to make the loans in question and whether any of the assets disclosed on his EIGA statement were sold during 1993-1994. To explore the allegations about the \$100,000 that was reportedly wired to the Lally campaign from a Swiss bank account, this Office will contact Theresa White, the former Lally campaign staffer who reportedly made the allegation about the wire transfer and quit amid controversy. To expedite the investigation, this Office recommends that the Commission now approve the attached subpoena for Ms. White's deposition which will be used only in the event that informal attempts at obtaining information prove unsuccessful. Attachment 7.¹³

¹² The property was purchased in 1988 for \$450,000 and a local appraiser apparently contacted by the DCCC stated that in his opinion the fair market value of it was far in excess of what was charged. This was not an appraisal by an expert, which the Commission has previously stated in AO 1984-60 is prima facie evidence of a property's usual and normal market price. Rather, this was simply a letter by an appraiser stating his opinion about the value of this property. While Lawrence Lally's unsworn claim as to the property's condition and value may prove true, the failure of the campaign to make any payment for the space during the campaign may also raise a question whether the amount reported as a debt was a sham transaction. Once these issues are resolved, this Office may recommend taking no further action against the corporation.

¹³ While the complaint states that White was Lally's former campaign manager, the news article attached to the complaint describes her as a former campaign staffer. Complaint at page 3 and at Exhibit C. In addition, from our review of disclosure reports there is no evidence that the

VII. RECOMMENDATIONS

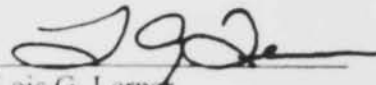
1. Find reason to believe that Lally for Congress and Dawn M. Fasano, as treasurer violated 2 U.S.C. §§ 441a(f), 434(b) and 441b(a).
2. Find reason to believe that Grant M. Lally violated 2 U.S.C. § 441a(f).
3. Find reason to believe that Lawrence M. Lally and Utewolf Lally violated 2 U.S.C. § 441a(a)(1)(A).
4. Find reason to believe that Tri-County of Huntington, Inc. violated 2 U.S.C. § 441b(a).
5. Approve the attached factual and legal analyses (4) and Subpoenas and Orders (4).
6. Approve the attached Subpoena to depose Theresa White (1).
7. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

Date

5/10/96

BY:


Lois G. Lerner
Associate General Counsel

Attachments

1. Grant Lally's Response
2. Lawrence Lally's Response
3. Disclosure Reports
4. EIGA statement
5. Factual and Legal Analyses (4)
6. Subpoena and Orders (4)
7. Subpoena for deposition (1)

Lally campaign made any payments to Theresa White. Ms. White's role in the Lally campaign will be clarified during the investigation.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress and Dawn M.)
Fasano, as treasurer;)
Grant M. Lally;) MUR 4128
Lawrence M. Lally;)
Utewolf Lally;)
Tri-County of Huntington, Inc.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on May 16, 1996, the Commission decided by a vote of 5-0 to take the following actions in MUR 4128:

1. Find reason to believe that Lally for Congress and Dawn M. Fasano, as treasurer, violated 2 U.S.C. §§ 441a(f), 434(b), and 441b(a).
2. Find reason to believe that Grant M. Lally violated 2 U.S.C. § 441a(f).
3. Find reason to believe that Lawrence M. Lally and Utewolf Lally violated 2 U.S.C. § 441a(a)(1)(A).
4. Find reason to believe that Tri-County of Huntington, Inc. violated 2 U.S.C. § 441b(a).

(continued)

5. Approve the factual and legal analyses (4) and Subpoenas and Orders (4), as recommended in the General Counsel's Report dated May 10, 1996.
6. Approve the Subpoena to depose Theresa White (1), as recommended in the General Counsel's Report dated May 10, 1996.
7. Approve the appropriate letters, as recommended in the General Counsel's Report dated May 10, 1996.

Commissioners Aikens, Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

5-16-96
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat:	Mon., May 13, 1996	10:46 a.m.
Circulated to the Commission:	Mon., May 13, 1996	4:00 p.m.
Deadline for vote:	Thurs., May 16, 1996	4:00 p.m.

bjr



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 22, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Lawrence M. Lally
UteWolf Lally
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Lawrence M. Lally
UteWolf Lally

Dear Mr. and Mrs. Lally:

On November 9, 1994, and August 4, 1995, the Federal Election Commission notified Lawrence M. Lally of a complaint and amendment alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint and amendment were enclosed with those notifications.

Upon further review of the allegations contained in the complaint and amendment, and based upon information obtained by the Commission in the normal course of carrying out its supervisory responsibilities under the Act, on May 16, 1996, the Commission found that there is reason to believe you violated 2 U.S.C. § 441a(a)(1)(A), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Order to Answer Questions and Subpoena to Produce Documents must be submitted to the General Counsel's Office within 30 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Order and Subpoena. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Lawrence M. Lally
Utewolf Lally
Page 2

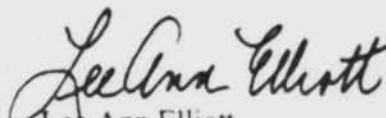
You may consult with an attorney and have an attorney assist you in the preparation of your responses to this order and subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notification or other communications from the Commission.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact Xavier K. McDonnell, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures
Order and Subpoena
Factual and Legal Analysis
Designation of Counsel Form

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)

MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

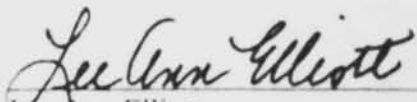
TO: Lawrence M. Lally
Utewolf Lally
220 Old Country Road
Mineola, New York 11501

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

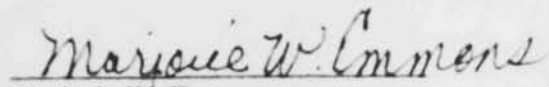
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

96043361076

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 22nd day of May 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

9804364079

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1993 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Lally campaign" shall mean the authorized committee of 1994 House candidate Grant M. Lally and any of its agents.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RE: MUR 4128

RESPONDENTS: Utewolf Lally
Lawrence M. Lally

I. GENERATION OF MATTER

This matter was generated by a complaint and amendment submitted by the Democratic Congressional Campaign Committee ("DCCC") and by the Commission in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2).

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended (the "Act") limits the amount that persons other than multicandidate committees may contribute to any candidate for federal office to \$1,000 per election. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C. § 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a).¹ All contributions made by a candidate to his or her

¹ The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments, bequests to the candidate; income from trusts established before candidacy; income from trusts established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F.R. § 110.10(b)(1) and (2). A candidate may also use a portion of assets jointly owned with his or her spouse, as provided in 11 C.F.R. § 110.10(b)(3). However, in this matter the candidate does not claim that his assets are jointly owned by his spouse, or even that he is married.

QUESTIONS AND DOCUMENT REQUESTS

1. Identify all mortgages and/or debts which you owed to Grant Lally during 1993-94, and:

- a. provide the amount of each mortgage and/or debt;
- b. identify the purpose of obtaining such mortgages or incurring such debt and identify the collateral used to secure each mortgage and/or debt;
- c. provide the date on which each mortgage was executed and/or debt was incurred;
- d. identify and produce all documents which relate or refer to such mortgages and/or debts including but not limited to checks, check ledgers, money orders, promissory notes, mortgage documents correspondence, wire transfers, notes, memos, agreements, contracts, documents created by and/or stored on computer.

2. State whether you provided Grant Lally with any financial support (including loans) and/or gift(s) with a value of \$1,000 or more at any time during 1993-1994 (excluding the \$1,000 given to the Lally campaign by Lawrence M. Lally and reported by that campaign as received on November 4, 1994). If so

- a. identify the type of support or gift(s) provided, i.e., \$10,000 loan, 100 stocks in IBM, etc.;
- b. state the actual or estimated value of such financial support or gift(s);
- c. state the purpose of providing such financial support or gift(s);
- d. provide the date(s) on which such financial support or gift(s) was/were provided, and;
- e. identify and produce all documents which relate or refer to such financial support or gift(s), including but not limited to checks, check ledgers, money orders, correspondence, wire transfers, promissory notes, mortgage documents, notes, memos, agreements, contracts, documents created by and/or stored on computer, etc.

3. State whether during 1993-94, Utewolf and/or Lawrence M. Lally had an ownership interest in the Nassau Building ("building") located at 220 Old Country Road in Mineola, New York. If so, describe such interest, and :

- a. list all the units and/or office suites within the building;
- b. identify all the units and/or office suites within the building that

were rented, leased or subleased during 1993-1994;

- c. identify all tenants, lessees, and/or any other occupants of each of the units and/or office suites within the building during 1993-1994;
 - d. state the rental terms for tenants of the building during 1993-1994, specifically including the cost of renting space within the building (i.e., cost per square foot or per suite or unit), the minimum lease/occupancy requirements, the policy regarding security deposits, the policy regarding late payment and/or non-payment of rent, etc.;
 - e. identify the person(s) responsible for managing the building and the person(s) responsible for setting and approving the terms of rentals/leases within the building.
4. State whether the Lally campaign occupied space within the building at any time during 1993 to present. If so, describe the terms of the Lally's campaign's rental agreement and occupancy, and specifically:
- a. identify the unit(s) and/or office suites occupied by the Lally campaign, i.e., suites 202-204.
 - b. state the amount you charged the Lally campaign for occupancy i.e., monthly costs, weekly costs, and whether utilities were included;
 - c. state whether there were any extensions of credit granted to the Lally campaign. If so, describe the terms of any such extensions and whether penalties or interest were charged for any late payments or non-payment on rent;
 - d. state the amount of funds actually received by you from the Lally campaign for the use of any space occupied from 1993 to present;
 - e. explain the basis for the rent charged to the Lally campaign, i.e., comparative market analysis
5. Identify all tenant(s) of the building who occupied space that was of the same or similar value to that which was occupied by the Lally campaign in 1993-1994. If so, describe the terms of the rental agreement(s) with such tenants, i.e., the rental costs for office space of the same or similar size and value, etc.;
6. Identify all tenants of the building to whom you have extended credit on terms similar to those terms that you provided to the Lally campaign. State the terms of all such agreements, the number of months that elapsed before payment was made, and the amount that was eventually paid to you.

7. Identify and produce all documents related to rental space within the building and the Lally campaign's use of such space, including but not limited to copies of leases, agreements, memos, invoices, statements, policies, correspondence (including any late payment notices), memoranda, notes, checks, check registers, forms, information created by and/or stored on computer, i.e., electronic mail messages.
8. With respect to Lally and Lally, Esquires ("law firm):
- a. identify all the owners and partners in law firm;
 - b. describe Grant Lally's role and ownership interest in the law firm;
 - c. state the terms of Grant Lally's employment and/or his position within the law firm during 1993 and 1994;
 - d. provide the dollar amount of Grant Lally's compensation from the law firm for each of the years 1993 and 1994, and;
 - e. identify and produce all documents related to Grant Lally's role and ownership interest in the law firm and all funds received from the law firm during 1994.

committee, including candidate loans, must be reported in accordance with 2 U.S.C.

§ 434(b)(B)(G).

The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election.

2 U.S.C. § 431(8)(A)(i). The term "anything of value" includes all in-kind contributions and providing any goods or services without charge, or at a charge which is less than the usual and normal charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal" charge is the price of the goods in the market from which they ordinarily would have been purchased at the time of the contribution, i.e., the fair market value. 11 C.F.R. § 100.7(a)(1)(iii)(B). See also Advisory Opinions 1995-8, 1991-10, n. 1, 1984-60.

A commercial vendor which is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(a).

III. BACKGROUND

Grant Lally submitted his Statement of Candidacy on June 9, 1994. Grant Lally's authorized committee was Lally for Congress, and Dawn M. Fasano was the committee's treasurer ("Lally campaign"). The Lally campaign's disclosure reports indicate that Grant Lally loaned his

campaign a total of \$319,991 from "personal funds" from May through November of 1994, as follows:

PRIMARY		GENERAL	
May 5, 1994	\$ 1,000	September 14, 1994	\$ 10,000
May 24, 1994	\$ 100,000	September 15, 1994	\$ 10,000
June 30, 1994	\$ 25,000	September 30, 1994	\$ 5,000
September 9, 1994	\$ 6,000	October 12, 1994	\$ 12,890
		October 19, 1994	\$ 30,000
		October 20, 1994	\$ 49,500
		October 24, 1994	\$ 14,598
		November 1, 1994	\$ 32,000
		November 7, 1994	\$ 20,000
		November 29, 1994	\$ 4,003
TOTAL PRIMARY	\$132,000	TOTAL GENERAL	\$ 187,991

The Lally campaign reported a continuing debt to Lawrence M. Lally for office space at \$600 per reporting period which totaled \$2,400 by November of 1994. The Lally campaign's latest report discloses that it still owes \$2,400 to "Lawrence M. Lally" for "office rental."

III. ANALYSIS

Assets would be considered to be derived from Grant Lally's "personal funds" if they were: assets which, at the time Mr. Lally became a candidate, he had a "legal right of access or control over and legal and rightful title or an equitable interest," earned or unearned income, bequests, or personal gifts which had been customarily received prior to candidacy. 11 C.F.R. §§ 110.10(b)(1) and (2).

There is information at hand suggesting that some portion of the over \$300,000 in candidate loans may have been payoffs of mortgage debts from the candidate's parents, Lawrence and Utewolf Lally. However, there is presently no documentation to establish the existence of such mortgages or that any portion of them was paid off. It is thus presently unclear whether such

mortgages and any related promissory notes were executed prior to Grant Lally's candidacy and whether the mortgages were for real or personal property. It is also unclear whether all payments for such mortgages were consistent with the terms of the original agreement(s) and not made in advance for the purpose of aiding Lally's candidacy which would make them "contributions" subject to the Act's limitations at Section 441a(a)(1)(A).

There is also information suggesting that at least two of the three corporations in which the candidate's Ethics in Government Act statement discloses he has large stock interests, Museum Source, Ltd. and Galway Trading Co., are located in The Nassau Building, an office building located in Mineola, New York, which appears to be owned by Lawrence and Utewolf Lally. In addition, the Lally campaign's headquarters were located in The Nassau Building, and there is no evidence that the Lally campaign ever paid for the use of the office space. Indeed, as of the date of this report, such office space is still being reported as a \$2,400 debt to Lawrence M. Lally. By permitting the Lally campaign to occupy office space from June through November of 1994 without requiring it to pay any rent, and by extending credit to the Lally campaign for over 22 months in total, Lawrence and Utewolf Lally appear to have also made an in-kind contribution to the Lally campaign.² Therefore, in light of all the above, there is reason to believe that Utewolf Lally and Lawrence M. Lally violated 2 U.S.C. § 441a (a)(1)(A).

² Disclosure reports also reveal that Lawrence M. Lally contributed \$1,000 to his son's campaign on November 4, 1994. Thus, this amount would also be counted towards Lawrence Lally's Section 441a(a) limits.



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 22, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Dawn M. Fasano, Treasurer
Lally for Congress
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Lally for Congress and
Dawn M. Fasano, as treasurer

Dear Ms. Fasano:

On November 9, 1994, and August 4, 1995, the Federal Election Commission notified Lally for Congress ("Lally Campaign") and its treasurer of a complaint and amendment alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint and amendment were enclosed with those notifications.

Upon further review of the allegations contained in the complaint and amendment, on May 16, 1996, the Commission found that there is reason to believe you and the Lally campaign violated 2 U.S.C. §§ 441a(f), 434(b) and 441b(a), provisions of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Order to Answer Questions and Subpoena to Produce Documents must be submitted to the General Counsel's Office within 30 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Order and Subpoena. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this order and subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notification or other communications from the Commission.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact Xavier K. McDonnell, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures
Order and Subpoena
Factual and Legal Analysis
Designation of Counsel

cc: Grant M. Lally
220 Old Country Road
Mineola, New York 11501

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

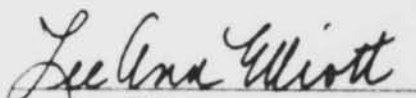
SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Dawn M. Fasano, Treasurer
Lally for Congress
220 Old Country Road
Mineola, New York 11501

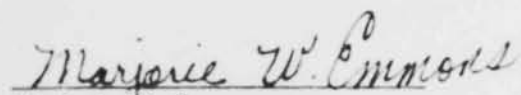
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this *22nd* day of *May* 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

98043364092

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1994 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Lally campaign" shall mean the authorized committee of 1994 House candidate Grant M. Lally and any of its agents.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the ~~most~~ recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

QUESTIONS AND DOCUMENT REQUESTS

A. Candidate Loans

During 1994, the Lally campaign reported the receipt of the following loans from the personal funds of the candidate, Grant M. Lally:

Primary Election

Primary #1	May 5, 1994	\$ 1,000
Primary #2	May 24, 1994	\$ 100,000
Primary #3	June 30, 1994	\$ 25,000
Primary #4	Sept. 9, 1994	\$ 6,000

General Election

General #1	Sept. 14, 1994	\$ 10,000
General #2	Sept. 15, 1994	\$ 10,000
General #3	Sept. 30, 1994	\$ 5,000
General #4	Oct. 12, 1994	\$ 12,890
General #5	Oct. 19, 1994	\$ 30,000
General #6	Oct. 20, 1994	\$ 49,500
General #7	Oct. 24, 1994	\$ 14,598
General #8	Nov. 1, 1994	\$ 32,000
General #9	Nov 7, 1994	\$ 20,000
General #10	Nov. 29, 1994	\$ 4,003

Question #1. With respect to each of the fourteen loans listed above, state separately:

- a. the form in which each such loans were provided to the Lally campaign, i.e., check, wire transfer, cash, etc.
- b. identify the person(s) who received such loans on behalf of the Lally campaign;
- c. identify the person(s) who deposited such funds into the Lally's campaign's bank accounts.

Question #2. . Identify and produce all documents which relate or refer to any of the candidate loans listed above, including but not limited to all correspondence, checks, check ledgers, promissory notes, wire transfers, bank statements, stock statements, summaries, memos, agreements, notes, electronic mail messages, etc.

B. Office Space

The Lally campaign's disclosure reports reveal that it occupied space at 220 Old Country Road in Mineola, New York and at 484 New York Avenue in Huntington, New York.

With respect to the Lally campaign's use of each property, describe the terms of the rental agreement for the use of such space, and:

- a. identify the owner(s), lessor(s) and manager/management of such office space;
- b. provide the terms of the rental agreement, including the duration of occupancy, the rental price, the amount of space used (number of offices and square feet), the costs for utilities and/or of any services provided;
- c. state the amount paid by the Lally campaign to date for the use of such space, and;
- d. identify and produce all documents related to the Lally campaign's use of such office space, including but not limited to leases, invoices, agreements, correspondence (including any late payment notices), memoranda, notes, checks, check registers, etc.

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RE: MUR 4128

RESPONDENTS: Lally for Congress
and Dawn M. Fasano, as treasurer

I. GENERATION OF MATTER

The Democratic Congressional Campaign Committee ("DCCC" or "Complainant") filed a complaint and an amendment alleging that over \$329,000 in funds reported as personal loans from Congressional candidate Grant Lally to his 1994 campaign, Lally for Congress and Dawn M. Fasano, as treasurer ("Lally campaign" or "respondents") were actually received from other undisclosed and unknown sources. DCCC also alleges that the Lally campaign was provided with office space without charge, possibly by a corporation. The Lally campaign submitted unsworn responses to both the complaint and amendment in which it denies the charges.

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended (the "Act") limits the amount that persons other than multicandidate committees may contribute to any candidate for federal office to \$1,000 per election. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C. § 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a).¹ All contributions made by a candidate to his or her

¹ The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments,

committee, including candidate loans, must be reported in accordance with 2 U.S.C.

§ 434(b)(B)(G).

The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election.

2 U.S.C. § 431(8)(A)(i). The term "anything of value" includes all in-kind contributions and providing any goods or services without charge, or at a charge which is less than the usual and normal charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal" charge is the price of the goods in the market from which they ordinarily would have been purchased at the time of the contribution, i.e., the fair market value. 11 C.F.R. § 100.7(a)(1)(iii)(B). See also Advisory Opinions 1995-8, 1991-10, n. 1, 1984-60.

A commercial vendor which is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(a). An incorporated vendor may extend credit to a candidate, political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of

bequests to the candidate; income from trusts established before candidacy; income from trusts established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F.R. § 110.10(b)(1) and (2). A candidate may also use a portion of assets jointly owned with his or her spouse, as provided in 11 C.F.R. § 110.10(b)(3). However, in this matter the candidate does not claim that his assets are jointly owned by his spouse, or even that he is married.

similar risk and size of obligation. 11 C.F.R. § 116.3(b). The Act provides that it is unlawful for any corporation to make a contribution or expenditure in connection with a federal election.

2 U.S.C. § 441b(a).

III. **BACKGROUND**

Grant Lally submitted his Statement of Candidacy on June 9, 1994. Lally won the Republican Primary election for New York's 5th Congressional district on September 13, 1994, and lost the General election on November 8, 1994. At the time Grant Lally was reported to be a 32 year old attorney and museum company executive. The candidate was apparently employed by Lally and Lally, Esquires ("Lally law firm"), located in Mineola, New York. The Lally campaign's disclosure reports indicate that Grant Lally loaned his campaign a total of \$319,991 from "personal funds" from May through November of 1994, as follows:

PRIMARY		GENERAL	
May 5, 1994	\$ 1,000	September 14, 1994	\$ 10,000
May 24, 1994	\$ 100,000	September 15, 1994	\$ 10,000
June 30, 1994	\$ 25,000	September 30, 1994	\$ 5,000
September 9, 1994	\$ 6,000	October 12, 1994	\$ 12,890
		October 19, 1994	\$ 30,000
		October 20, 1994	\$ 49,500
		October 24, 1994	\$ 14,598
		November 1, 1994	\$ 32,000
		November 7, 1994	\$ 20,000
		November 29, 1994	\$ 4,003
TOTAL PRIMARY	\$132,000	TOTAL GENERAL	\$ 187,991

On September 6, 1994, Grant Lally filed the financial statement required for House candidates by the Ethics in Government Act ("EIGA"), 5 U.S.C. 101, *et. seq.* Grant Lally reported a 1993 salary of \$59,062 from the Lally law firm, and that up through the end of the EIGA reporting period in the spring of 1994 his salary was \$70,400. The EIGA also requires the

disclosure of assets, and the value of assets is reported within wide ranges. According to the EIGA statement, the candidate's total assets were valued from between \$440,000 and \$1,150,000. A review of the EIGA statement shows that the reported value of Grant Lally's bank and stock accounts was estimated at between \$30,000-\$100,000. Mr. Lally reported ownership in two pieces of real estate, one located in Oyster Bay, New York and the other in the Bronx, New York. The estimated worth of both properties together was between \$200,000-\$500,000. In addition, \$130,000-\$350,000 of the estimated assets claimed by the candidate on his EIGA statement was for the combined value of his stock in L. Lally Enterprises, Museum Source, Ltd. and Galway Trading, Co. The candidate also included with his assets the loans he made to Lally for Congress which are the subject of this matter, which he placed in the range of \$100,000 - \$250,000. The candidate's reported annual income from dividends and interest ranged from approximately \$1,200 and \$3,500.

The Lally campaign reported a continuing debt to Lawrence M. Lally for office space at \$600 per reporting period which totaled \$2,400 by November of 1994. The Lally campaign's latest report discloses that it still owes \$2,400 to "Lawrence M. Lally" for "office rental." In addition, the Lally campaign reported a \$500 debt to "John Plant" for "office rental."²

IV. SUMMARY OF COMPLAINT AND RESPONSES

In both its complaint and amendment, the DCCC essentially charges that Grant Lally's 1994 Congressional election bid was financed primarily through undisclosed, impermissible and/or prohibited sources. DCCC asserts that Grant Lally's EIGA statement does not disclose the

² The Lally campaign reported that two payments of \$650 each were made on October 3, 1994 to a "Jebaily Realty" for "rental." The campaign's reports do not disclose anything more about such payments.

kind of wealth and assets for him to have made loans from personal funds totaling over \$300,000. DCCC suggests that financing for the campaign was arranged by the candidate's father, Lawrence M. Lally, and that some other source has "put up the money."

As evidence of the illegality of the Lally campaign's contributions, the complaint points to a press release distributed by Lally's opponent which suggested that Lally received a "wire transfer from a Swiss bank account for \$100,000" on the same day that Grant Lally loaned that amount to his campaign (May 24, 1994).

In its August 1995 amendment to the complaint, the DCCC claims that the property located in Oyster Bay, New York listed on the Grant Lally's EIGA statement had only been placed in the candidate's name earlier in 1994 "in anticipation of the campaign to assist him." The DCCC enclosed a public document which shows that on May 5, 1994, the Nassau County Clerk's Office recorded that the ownership status of the Oyster Bay property, which consists of two vacant lots on 345 Centre Island Road, was changed by deed so that the candidate's brother Craig Lally, who had been listed on the deed as the sole owner of the two lots since their purchase in 1984, became joint owner with his brother the candidate Grant Lally. According to the deed, which was notarized by the candidate's father, the transfer was made on February 12, 1994. As the candidate's EIGA statement indicates that the property is valued at between \$100,000 to \$250,000, the Complainant concludes that this transfer appears to have been a "contribution" from the candidate's brother Craig Lally, which exceeds the limits of Section 441a(a)(1)(A). In the alternative, the DCCC claims that the land's value may have been overstated on the candidate's EIGA statement to make it appear he had sufficient assets to make the loans in question, which the complainant concludes, would have been a "'knowing and willful' scheme to deceive the public."

As evidence of its theory that the value was overstated on the EIGA, the DCCC states that the 1994 tax for the parcel of land at 345 Centre Island Road was based upon the 1984 purchase price of \$5,500, well below the value listed on the EIGA statement.

The DCCC further alleges that an excessive or possibly prohibited contribution was made to the Lally campaign through its use of office space at 220 Old Country Road in Mineola. The complaint notes that no payments were made for that space, only a \$2,400 debt to Lawrence M. Lally, which was never paid. It is also alleged that the Lally campaign's reports did not disclose payments for its use of space at 484 New York Avenue in Huntington, New York, which the complainant describes as a very large building that was formerly an auto repair shop with offices. The DCCC has attached to the amendment a letter from a local appraiser, who offers his opinion that the fair market rental value of the space was \$2,500-\$3,000 per month plus utilities.

The candidate Grant Lally submitted an unsworn response to the complaint, while his father and then campaign treasurer Lawrence Lally submitted an unsworn response to the amendment. Both father and son deny that any violations occurred and refute several of the DCCC's factual assertions. In his response, the candidate states that on its face the complaint is frivolous because the EIGA statement itself discloses that he had sufficient assets to make the loans at issue to his campaign. Grant Lally contends that "[a]ll loans made by me to my campaign were drawn from my personal funds -- from personal bank and stock accounts, payoffs of mortgage debts, the sale and mortgaging of some personal assets, and ordinary income which I continued to earn during the course of my campaign." The candidate also asserts that he has other assets that were not required to be reported on his EIGA statement, and he specifically asserts that his assets included mortgages totaling approximately \$240,000 which were owed to him by his

parents, Lawrence and Utewolf (or "Ute") Lally. Grant Lally also contends that he earned over \$50,000 at the law firm in the Fall of 1994 from settling several long-standing estate proceedings.

In his response to the amendment, Lawrence Lally, who was at the time treasurer of the Lally campaign, reiterates that his son had sufficient assets to make the loans in question. Moreover, Lally contends that what the complaint claims was a transfer of a one-half interest of the vacant land in Oyster Bay from Craig Lally to his brother Congressional candidate Grant Lally was actually just recordation of a "correction deed." Mr. Lally states that the deed was recorded in 1994 to show that the candidate Grant Lally was a co-owner with his brother Craig. The candidate's father claims that this correction of an administrative error by the seller's attorney "played absolutely no part in Mr. Lally's campaign." Lally also denies the DCCC's charge that the value of the land may have been inflated to increase the appearance of his son's assets, and he claims that in Nassau County, New York, the assessed value of land differs vastly from market value.

Lawrence Lally denies that there was any violation with respect to the Lally campaign's use of office space. He states that the law firm "did not supply office space at 220 Old Country Road, Mineola, New York, to the Lally for Congress campaign, nor was there any corporation involved." However, he does not deny the DCCC's claim that no payment was made for the office space. Nor does Lawrence Lally claim that he, who is listed as the creditor of the debt, received any payment for the office space. Mr. Lally indicates further that the Lally campaign leased space in the former auto repair shop located at 484 New York Avenue in Huntington, New York for two and one-half months for \$500, but does not claim that the campaign ever paid for it. Lally states that the campaign did not occupy the entire building, that it was in deplorable condition with

broken windows and was the target of vandalism. The candidate's father also asserts that the \$2,500-\$3,000 assessment assumes the building would be used as an auto repair facility, which was not the case here.

V. ANALYSIS

A. SOURCE OF LOANS

The information at hand leaves it unclear whether the \$319,991 in loans received by the Lally campaign was actually derived from Grant Lally's "personal funds." To begin with, the respondents' unsworn responses do not address, much less refute, the allegations in the complaint about the \$100,000 wire transfer from a Swiss account. Moreover, there is insufficient information at hand to establish whether the candidate had in fact liquidated personal assets to make the loans in question. Such assets would be considered to be derived from Grant Lally's "personal funds" if they were: assets which, at the time Mr. Lally became a candidate, he had a "legal right of access or control over and legal and rightful title or an equitable interest," earned or unearned income, bequests, or personal gifts which had been customarily received prior to candidacy. 11 C.F.R. § 110.10(b)(1) and (2).

Neither the candidate's EIGA statement or the responses indicate whether the loans were derived from personal funds. As noted above, the Lally campaign has submitted only unsworn responses, and there are currently no documents at hand to show what assets the candidate liquidated to make the loans in question. There is no evidence that the two pieces of real estate to which he had legal title, which he valued at between \$200,000 to \$500,000, were sold or mortgaged for the purpose of making these loans.³ And the EIGA statement includes as an asset

³ In any event, title to the Oyster Bay property was recorded in Grant Lally's name only in May of 1994, which substantially increased his total assets for purposes of his EIGA statement.

the \$100,000-\$250,000 in loans which the candidate reportedly made to the Lally campaign, that is excludable for purposes of this analysis because the source of such loans is precisely what is at issue here.

Grant Lally's response suggests that some portion of the over \$300,000 in candidate loans may have been derived from other assets not required to be reported by the EIGA, i.e. payoffs of mortgage debts from his parents,⁴ and money earned at the law firm after the EIGA form was submitted. Specifically, Mr. Lally claims that his parents owed him \$240,000 for mortgages and he suggests, but does not explicitly state, that all or some portion of such mortgages were paid. Yet there is presently no documentation to establish the existence of such mortgages or that any portion of them was paid off. Finally, the candidate claims that he "earned over \$50,000" during the fall of 1994 by settling several long-standing estate proceedings. No information has been provided, however, about the candidate's pay structure at the Lally law firm. In light of all the above, there is reason to believe that Lally for Congress and Dawn M. Fasano, as treasurer, violated 2 U.S.C. §§ 441a(f) and 434(b) by accepting excessive contributions that were not accurately reported.

B. OFFICE RENTAL

The Lally campaign's disclosure reports indicated that it incurred a debt totaling \$2,400 to Lawrence M. Lally for office space located at 220 Old Country Road in Mineola, NY. The office space was apparently occupied from June through November of 1994, and the debt was reported as covering four undisclosed intervals at \$600 each, for a total of \$2,400. As of this date, the Lally

⁴ The EIGA does not require the disclosure of any personal liability owed to the reporting individual by a parent, spouse, child or sibling, or disclosure of any liabilities owed to a parent, spouse, child or sibling. See 5 U.S.C. § 102(a)(3) and (4).

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campaign still reports a debt of \$2,400 to Lawrence M. Lally for office space. Lawrence and Ute Lally appear to own the office building in which the Lally campaign was located. There is no indication that the Lally campaign ever paid Lawrence or Ute Lally for the use of the office space. By permitting the Lally campaign to occupy office space from June through November of 1994 without requiring it to pay any rent, and by extending credit to the Lally campaign for over 22 months in total, Lawrence and Ute Lally appear to have made an unreported in-kind contribution to the Lally campaign. In addition, in light of this lengthy extension of credit and the relationship between the parties, this was not an arms-length transaction. Accordingly, there is reason to believe that Lally for Congress and Dawn M. Fasano as treasurer violated 2 U.S.C. §§ 441a(f) and 434(b).

The Lally campaign also acknowledges that it occupied part of a building located at 484 New York Avenue in Huntington, New York. The building was a former auto repair shop which respondents state that they leased for two and one half months at a total cost of \$500. The respondents suggest that they may have paid fair market value, arguing that the space was in very poor condition, but providing no evidence to support that contention. In addition, the respondents reported the \$500 as a debt to John Plant for "office rental" and in the 1995 Year End Report the Lally campaign reported paying on August 25, 1995, the very same date as Lawrence Lally's response to the amended complaint.

The property located at 484 New York Avenue in Huntington, New York appears to be owned by Tri-County of Hunnington, Inc., a New York corporation. It appears that John Plant, acting for the corporation, may have permitted the Lally campaign to occupy the building at 484 New York Avenue for two and one half months without making any payment to it and only due to

the pendency of this matter was payment finally made. Given that it appears that the property was owned by a corporation, such an extension of credit appears to be in violation of Section 441b(a). In addition, a question remains about whether the amount at issue represents the market value of the space used by the campaign. Accordingly, there is reason to believe that Lally for Congress and Dawn M. Fasano, as treasurer violated 2 U.S.C. § 441b(a).

98043364107



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 22, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Tri-County of Huntington, Inc.
16 West Columbia Street
Hempstead, NY 11550

RE: MUR 4128
Tri-County of Huntington, Inc.

Dear Sir or Madame:

Based upon information ascertained in the normal course of carrying out its supervisory duties under the Federal Election Campaign Act of 1971, as amended ("the Act"), on May 16, 1996, Federal Election Commission found reason to believe that Tri-County of Huntington, Inc. violated 2 U.S.C. § 441b(a), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Order to Answer Questions and Subpoena to Produce Documents must be submitted to the General Counsel's Office within 30 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Order and Subpoena. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this order and subpoena. If you intend to be represented by counsel, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notification or other communications from the Commission.

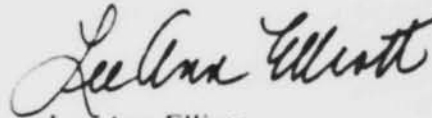
If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact Xavier K. McDonnell the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lee Ann Elliott
Chairman

Enclosures

Order and Subpoena

Designation of Counsel Form

Procedures

Factual and Legal Analysis

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

TO: Tri-County of Huntington, Inc.
16 West Columbia Street
Hempstead, NY 11550

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

Lee Ann Elliott
Lee Ann Elliott
Chairman
Federal Election Commission

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1993 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Lally campaign" shall mean the authorized committee of 1994 House candidate Grant M. Lally and any of its agents.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

QUESTIONS AND DOCUMENT REQUESTS

1. Identify the persons who owned the building located at 484 New York Avenue in Huntington, New York ("building") during 1994.
2. Identify the person(s) responsible for managing the building and the person(s) responsible for setting and approving the terms of rentals/leases within the building during 1994.
3. Identify John Plant. Describe his relationship to you and the building.
4. State whether the Lally campaign occupied space within the building at any time during 1993 to present. If so, describe the terms of the Lally's campaign's rental agreement and occupancy, and specifically:
 - a. identify the amount of space occupied by the Lally campaign, i.e., 2000 square feet, suites 202-204.
 - b. state the amount you charged the Lally campaign for occupancy i.e., monthly costs, weekly costs, and whether utilities were included;
 - c. state whether any extensions of credit were granted to the Lally campaign. If so, describe the terms of any such extensions and whether penalties or interest were charged for any late payments or non-payment on rent;
 - d. state the amount of funds actually received by you from the Lally campaign for the use of any space occupied from 1993 to present;
 - e. explain the basis for rent charged to the Lally campaign, i.e., comparative market analysis.
5. Identify all tenant(s) of the building during 1992-present (other than the Lally campaign). With respect to each tenant, lessee or occupant:
 - a. describe the terms of the rental agreement(s) i.e., the rental costs, whether security deposits were required, whether there were penalties were charged for rent payments received late, etc.
 - b. provide the dates of occupancy for each tenant or occupant;
 - c. identify and produce all documents related to the terms of such rental or occupancy agreements.

6. Identify all tenants of the building to whom you have extended credit on terms similar to those terms that you provided to the Lally campaign. State the terms of all such agreements, the number of months that elapsed before payment was made, and the amount that was eventually paid to you.

7. Identify and produce all documents related to rental space within the building and the Lally campaign's use of such space, including but not limited to copies of leases, including but not limited to copies of leases, agreements, memos, invoices, statements, policies, correspondence (including any late payment notices), memoranda, notes, checks, check registers, forms, information created by and/or stored on computer, i.e., electronic mail messages.

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RE: MUR 4128

RESPONDENTS: Tri-County of Huntington, Inc.

I. GENERATION OF MATTER

This matter was generated by the Commission in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2).

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended (the "Act") provides that it is unlawful for any corporation to make a contribution or expenditure in connection with a federal election. 2 U.S.C. § 441b(a). An incorporated vendor may extend credit to a candidate, political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(b).

The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election.

2 U.S.C. § 431(8)(A)(i). The term "anything of value" includes all in-kind contributions and providing any goods or services without charge, or at a charge which is less than the usual and normal charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal" charge is the price of the goods in the market from which they ordinarily would have been purchased at the time of the contribution, i.e., the fair market value. 11 C.F.R. § 100.7(a)(1)(iii)(B).

III. ANALYSIS

Grant Lally submitted his Statement of Candidacy for New York's fifth Congressional district on June 9, 1994. Grant Lally's authorized committee during his 1994 Congressional bid was Lally for Congress ("Lally campaign").

It appears that the during the 1994 election season the Lally campaign occupied a building located at 484 New York Avenue in Huntington, New York. The building was a former auto repair shop. The Lally campaign's disclosure report, dated October 24, 1994, show a \$500 debt for "office rental" to John Plant of 93 Ocean Avenue in Amityville, New York. The building was leased for two and one half months at a total cost of \$500. The Lally campaign reported that it paid that debt on August 25, 1995.

It appears that the property which the Lally campaign occupied at 484 New York Avenue in Huntington, New York is owned by Tri-County of Huntington, Inc., a New York corporation. It also appears that John Plant, apparently an agent of the corporation, permitted the Lally campaign to occupy that building for over two months but charged it only \$500. In addition, it appears that no payment was made for the use of that space for at least ten months. Given that it appears that the property was owned by a corporation, such an extension of credit appears to be in violation of Section 441b(a). In addition, a question is raised about whether the amount at issue represents the market value of the space provided to the campaign. Accordingly, there is reason to believe that Tri-County of Huntington, Inc. violated 2 U.S.C. § 441b(a).



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 22, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Lawrence M. Lally, Esquire
Lally and Lally
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Grant M. Lally

Dear Mr. Lally:

On November 9, 1994 and August 4, 1995, the Federal Election Commission notified Grant M. Lally ("your client") of a complaint and amendment alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint and amendment were enclosed with those notifications.

Upon further review of the allegations contained in the complaint and amendment, and information supplied by your client, the Commission, on May 16, 1996, found that there is reason to believe your client violated 2 U.S.C. § 441a(f), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Statements should be submitted under oath. All responses to the enclosed Order to Answer Questions and Subpoena to Produce Documents must be submitted to the General Counsel's Office within 30 days of your receipt of this letter. Any additional materials or statements you wish to submit should accompany the response to the Order and Subpoena. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

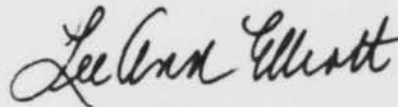
If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

If you have any questions, please contact Xavier K. McDonnell, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lee Ann Elliott
Chairman

Enclosures
Order and Subpoena
Factual and Legal Analysis

9804364112

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

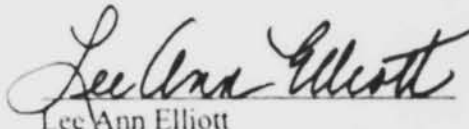
TO: Grant M. Lally

c/o Lawrence M. Lally, Esq.
Lally and Lally
220 Old Country Road
Mineola, New York 11501

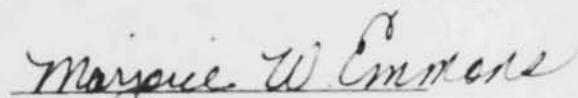
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 22nd day of May 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions and Definitions
Questions and Document Requests

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INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1994 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Lally campaign" shall mean the authorized committee of 1994 House candidate Grant M. Lally and any of its agents.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

QUESTIONS AND DOCUMENT REQUESTS

A. Candidate Loans

During 1994, the Lally campaign reported the receipt of the following loans from the personal funds of the candidate, Grant M. Lally:

Primary Election

Primary #1	May 5, 1994	\$ 1,000
Primary #2	May 24, 1994	\$ 100,000
Primary #3	June 30, 1994	\$ 25,000
Primary #4	Sept. 9, 1994	\$ 6,000

General Election

General #1	Sept. 14, 1994	\$ 10,000
General #2	Sept. 15, 1994	\$ 10,000
General #3	Sept. 30, 1994	\$ 5,000
General #4	Oct. 12, 1994	\$ 12,890
General #5	Oct. 19, 1994	\$ 30,000
General #6	Oct. 20, 1994	\$ 49,500
General #7	Oct. 24, 1994	\$ 14,598
General #8	Nov. 1, 1994	\$ 32,000
General #9	Nov 7, 1994	\$ 20,000
General #10	Nov. 29, 1994	\$ 4,003

Question 1. For each of the fourteen loans listed above, provide the information requested below. Each loan should be addressed as a separate item.

Identify the asset(s) that were liquidated, sold, withdrawn or otherwise used to make each loan in question, and specifically:

- a. Identify all cash, stocks, bonds or other forms of savings or investments used to make each loan and;
 - i. provide the amount of money received by the candidate from each withdrawal, sale or liquidation;
 - ii. identify the financial institution(s) and accounts from which they were derived;
 - iii. identify all persons with authority to make withdrawals on such account(s);

- iv. provide the date of each withdrawal, sale or liquidation;
 - v. for all stock that was sold/liquidated in corporations with less than 25 shareholders, identify all known purchaser(s) of such stock.
- b. Identify all personal property (other than stocks, bonds, etc.) that was sold or mortgaged to make each loan, and
- i. identify the purchaser of each piece of personal property that was sold or mortgaged;
 - ii. provide the amount of money received by the candidate through each sale or mortgage;
 - iii. provide the date on which each sale occurred or mortgage was executed.
- c. Identify all real property that was sold or mortgaged to make each loan, and:
- i. identify the purchaser or mortgagee of each;
 - ii. provide the amount of money received by the candidate through each sale or mortgage transaction;
 - iii. provide the date on which such sale occurred or mortgage was executed.

Question 2. Provide the date on which Grant Lally acquired an "interest" in each of the assets identified in response to Question 1 above (for purposes of these questions an "interest" means legal or equitable title in and/or possession and control over such assets).

Question 3. Identify and produce all documents which relate or refer to any of the candidate loans listed above, and/or the sale or liquidation of assets from which such loans were derived, including but not limited to all correspondence, checks, check ledgers, promissory notes, mortgage instruments, wire transfers, bank statements, stock statements, summaries, memos, agreements, notes, electronic mail messages, etc.

B. Sales/Transfers of Assets on EIGA Statement

The following two questions relate to assets disclosed on Grant Lally's 1994 Ethics in Government Act ("EIGA") statement.

Question 1. The EIGA statement disclosed the candidate's interest in real property in "Harbor Drive Properties" at 345 Centre Island Road in Oyster Bay, New York, and property located 1527 Bantam Place in Baychester, New York ("properties"):

- a. describe any sales or changes in ownership interests that occurred in 1993-1994 regarding those properties;
- b. state the date on which Grant Lally first acquired an interest in those properties;
- c. state how Grant Lally acquired an interest in those properties, i.e., by purchasing them, as a gift, by devise (if purchased, state whether it was acquired through a mortgage);
- d. identify the person(s) from whom Grant Lally acquired an interest in those properties;
- e. identify all persons with whom Grant Lally shared an interest in those properties;
- f. list all the years in which Grant Lally paid taxes on those properties;
- g. describe how you arrived at the value given to those properties on the EIGA statement, and;
- h. identify and produce all documents related to Grant Lally's initial acquisition of those properties, to taxes paid on those properties and to estimating the value of those properties including but not limited to deeds, titles, mortgage documents, promissory notes, tax statements, settlement papers, HUD-1 statements, checks, check ledgers, money orders, memos, notes, etc.

Question 2. Identify: L. Lally, Enterprises, Museum Source, Ltd. and Galway Trading ("corporations"), and:

- a. state the number of shares of stock which Grant Lally owned in each corporation during 1993-1994;
- b. state the value of Grant Lally's shares of stock in each corporation during 1993-1994 (include an explanation of how you determined the value of such shares of stock);
- c. state whether any of Grant Lally's shares of stock in such corporations were sold or transferred at any time during 1993-1994;

- d. if any of Grant Lally's shares in such corporations were sold or transferred during 1993-1994, identify all purchaser(s) or recipient(s) of such shares, and state the amount of money received through each sale or transaction;
- e. provide the total gross revenues and net worth of each of the corporations for the years 1993-94.
- f. identify the board of directors and officers for each of the corporations during 1993-94.

Question 3. Identify and produce all documents relating or referring to any sales or transfers of Grant Lally's shares of stock in the corporations during 1993-1994, identify and produce the articles of incorporation, bylaws, any organizational charts or directories of each corporation, and documents related to total gross revenues and value of each corporation, i.e. auditors' reports and financial statements, tax forms, etc.

C. Debts Owed to the Candidate

Identify all mortgages or other debts that were owed to Grant Lally during 1994. With respect to each mortgage and/or debts(s):

- i. provide the amount of each;
- ii. identify the mortgagor(s) and/or debtor(s);
- iii. identify the collateral used to secure each mortgage or debt;
- iv. provide the date on which Grant Lally acquired an interest in each piece of property mortgaged or used as collateral;
- v. provide the date on which each mortgage was executed and/or debt was incurred;
- vi. identify and produce all documents which relate to such mortgages and/or debts.

D. Law Firm Income

State the terms of Grant Lally's compensation at Lally and Lally, Esquires ("law firm"), during 1994, and specifically:

- i. state whether Grant Lally was a salaried employee and/or whether he received a percentage of the law firm's profits. If so, provide that percentage;

- ii. provide Grant Lally's total 1994 earnings;
- iii. identify any bonuses, advances or loans received from the law firm in 1994, provide the dates and purpose of each payment, and identify who authorized or approved any such payment(s).
- iv. identify and produce all documents which relate to Grant Lally's pay structure and 1994 income at the law firm.

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FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS

RE: MUR 4128

RESPONDENT: Grant M. Lally

I. GENERATION OF MATTER

The Democratic Congressional Campaign Committee ("DCCC" or "Complainant") filed a complaint and an amendment alleging that over \$329,000 in funds reported as personal loans from Congressional candidate Grant Lally to his 1994 campaign, Lally for Congress and Dawn M. Fasano, as treasurer ("Lally campaign") were actually received from other undisclosed and unknown sources. DCCC also alleges that the Lally campaign was provided with office space without charge, possibly by a corporation. Grant Lally and the Lally campaign submitted unsworn responses to both the complaint and amendment in which it denies the charges.

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended (the "Act") limits the amount that persons other than multicandidate committees may contribute to any candidate for federal office to \$1,000 per election. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C. § 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a).¹ All contributions made by a candidate to his or her

¹ The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments, bequests to the candidate; income from trusts established before candidacy; income from trusts

committee, including candidate loans, must be reported in accordance with 2 U.S.C.

§ 434(b)(B)(G).

The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election.

2 U.S.C. § 431(8)(A)(i). The term "anything of value" includes all in-kind contributions and providing any goods or services without charge, or at a charge which is less than the usual and normal charge. 11 C.F.R. § 100.7(a)(1)(iii)(A). The "usual and normal" charge is the price of the goods in the market from which they ordinarily would have been purchased at the time of the contribution, i.e., the fair market value. 11 C.F.R. § 100.7(a)(1)(iii)(B). See also Advisory Opinions 1995-8, 1991-10, n. 1, 1984-60.

A commercial vendor which is not a corporation may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(a). An incorporated vendor may extend credit to a candidate, political committee or another person on behalf of a candidate or political committee provided that the credit is extended in the ordinary course of the commercial vendors' business and the terms are substantially similar to extensions of credit given to nonpolitical debtors that are of similar risk and size of obligation. 11 C.F.R. § 116.3(b). The Act provides that it is unlawful for

established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F.R. § 110.10(b)(1) and (2). A candidate may also use a portion of assets jointly owned with his or her spouse, as provided in 11 C.F.R. § 110.10(b)(3). However, in this matter the candidate does not claim that his assets are jointly owned by his spouse, or even that he is married.

any corporation to make a contribution or expenditure in connection with a federal election.

2 U.S.C. § 441b(a).

III. **BACKGROUND**

Grant Lally submitted his Statement of Candidacy on June 9, 1994. Lally won the Republican Primary election for New York's 5th Congressional district on September 13, 1994, and lost the General election on November 8, 1994. At the time Grant Lally was reported to be a 32 year old attorney and museum company executive. The candidate was apparently employed by Lally and Lally, Esquires ("Lally law firm"), located in Mineola, New York. The Lally campaign's disclosure reports indicate that Grant Lally loaned his campaign a total of \$319,991 from "personal funds" from May through November of 1994, as follows:

PRIMARY		GENERAL	
May 5, 1994	\$ 1,000	September 14, 1994	\$ 10,000
May 24, 1994	\$ 100,000	September 15, 1994	\$ 10,000
June 30, 1994	\$ 25,000	September 30, 1994	\$ 5,000
September 9, 1994	\$ 6,000	October 12, 1994	\$ 12,890
		October 19, 1994	\$ 30,000
		October 20, 1994	\$ 49,500
		October 24, 1994	\$ 14,598
		November 1, 1994	\$ 32,000
		November 7, 1994	\$ 20,000
		November 29, 1994	\$ 4,003
TOTAL PRIMARY	\$132,000	TOTAL GENERAL	\$ 187,991

On September 6, 1994, Grant Lally filed the financial statement required for House candidates by the Ethics in Government Act ("EIGA"), 5 U.S.C. 101, *et. seq.* Grant Lally reported a 1993 salary of \$59,062 from the Lally law firm, and that up through the end of the EIGA reporting period in the spring of 1994 his salary was \$70,400. The EIGA also requires the disclosure of assets, and the value of assets is reported within wide ranges. According to the

EIGA statement, the candidate's total assets were valued from between \$440,000 and \$1,150,000. A review of the EIGA statement shows that the reported value of Grant Lally's bank and stock accounts was estimated at between \$30,000-\$100,000. Mr. Lally reported ownership in two pieces of real estate, one located in Oyster Bay, New York and the other in the Bronx, New York. The estimated worth of both properties together was between \$200,000-\$500,000. In addition, \$130,000-\$350,000 of the estimated assets claimed by the candidate on his EIGA statement was for the combined value of his stock in L. Lally Enterprises, Museum Source, Ltd. and Galway Trading. Co. The candidate also included with his assets the loans he made to Lally for Congress which are the subject of this matter, which he placed in the range of \$100,000 - \$250,000. The candidate's reported annual income from dividends and interest ranged from approximately \$1,200 and \$3,500.

IV. SUMMARY OF COMPLAINT AND RESPONSES

In both its complaint and amendment, the DCCC essentially charges that Grant Lally's 1994 Congressional election bid was financed primarily through undisclosed, impermissible and/or prohibited sources. DCCC asserts that Grant Lally's EIGA statement does not disclose the kind of wealth and assets for him to have made loans from personal funds totaling over \$300,000. DCCC suggests that financing for the campaign was arranged by the candidate's father, Lawrence M. Lally, and that some other source has "put up the money."

As evidence of the illegality of the Lally campaign's contributions, the complaint points to a press release distributed by Lally's opponent which suggested that Lally may have received a "wire transfer from a Swiss bank account for \$100,000" on the same day that Grant Lally loaned that amount to his campaign (May 24, 1994). In its amendment to the complaint, the DCCC

claims that the property located in Oyster Bay, New York listed on the Grant Lally's EIGA statement had only been placed in the candidate's name earlier in 1994 "in anticipation of the campaign to assist him." The DCCC enclosed a public document which shows that on May 5, 1994, the Nassau County Clerk's Office recorded that the ownership status of the Oyster Bay property, which consists of two vacant lots on 345 Centre Island Road, was changed by deed so that the candidate's brother Craig Lally, who had been listed on the deed as the sole owner of the two lots since their purchase in 1984, became joint owner with his brother the candidate Grant Lally. According to the deed, which was notarized by the candidate's father, the transfer was made on February 12, 1994. As the candidate's EIGA statement indicates that the property is valued at between \$100,000 to \$250,000, the Complainant concludes that this transfer appears to have been a "contribution" from the candidate's brother Craig Lally, which exceeds the limits of Section 441a(a)(1)(A). In the alternative, the DCCC claims that the land's value may have been overstated on the candidate's EIGA statement to make it appear he had sufficient assets to make the loans in question, which the complainant concludes, would have been a "knowing and willful" scheme to deceive the public." As evidence of its theory that the value was overstated on the EIGA, the DCCC states that the 1994 tax for the parcel of land at 345 Centre Island Road was based upon the 1984 purchase price of \$5,500, well below the value listed on the EIGA statement.

The DCCC further alleges that an excessive or possibly prohibited contribution was made to the Lally campaign through its use of office space at 220 Old Country Road in Mineola. The complaint notes that no payments were made for that space, only a \$2,400 debt to Lawrence M. Lally, which was never paid. It is also alleged that the Lally campaign's reports did not disclose payments for its use of space at 484 New York Avenue in Huntington, New York, which the

complainant describes as a very large building that was formerly an auto repair shop with offices. The DCCC has attached to the amendment a letter from a local appraiser, who offers his opinion that the fair market rental value of the space was \$2,500-\$3,000 per month plus utilities.

The candidate Grant Lally submitted an unsworn response to the complaint, while his father and then campaign treasurer Lawrence Lally submitted an unsworn response to the amendment. Both father and son deny that any violations occurred and refute several of the DCCC's factual assertions. In his response, the candidate states that on its face the complaint is frivolous because the EIGA statement itself discloses that he had sufficient assets to make the loans at issue to his campaign. Grant Lally contends that "[a]ll loans made by me to my campaign were drawn from my personal funds -- from personal bank and stock accounts, payoffs of mortgage debts, the sale and mortgaging of some personal assets, and ordinary income which I continued to earn during the course of my campaign." The candidate also asserts that he has other assets that were not required to be reported on his EIGA statement, and he specifically asserts that his assets included mortgages totaling approximately \$240,000 which were owed to him by his parents, Lawrence and Utewolf (or "Ute") Lally. Grant Lally also contends that he earned over \$50,000 at the law firm in the Fall of 1994 from settling several long-standing estate proceedings.

In his response to the amendment, Lawrence Lally, who was at the time treasurer of the Lally campaign, reiterates that his son had sufficient assets to make the loans in question. Moreover, Lally contends that what the complaint claims was a transfer of a one-half interest of the vacant land in Oyster Bay from Craig Lally to his brother Congressional candidate Grant Lally was actually just recordation of a "correction deed." Mr. Lally states that the deed was recorded in

1994 to show that the candidate Grant Lally was a co-owner with his brother Craig. The candidate's father claims that this correction of an administrative error by the seller's attorney "played absolutely no part in Mr. Lally's campaign." Lally also denies the DCCC's charge that the value of the land may have been inflated to increase the appearance of his son's assets, and he claims that in Nassau County, New York, the assessed value of land differs vastly from market value.

V. ANALYSIS

The information at hand leaves it unclear whether the \$319,991 in loans received by the Lally campaign was actually derived from Grant Lally's "personal funds." To begin with, the unsworn responses do not address, much less refute, the allegations in the complaint about the \$100,000 wire transfer from a Swiss bank account. Moreover, there is insufficient information at hand to establish whether the candidate had in fact liquidated personal assets to make the loans in question. Such assets would be considered to be derived from Grant Lally's "personal funds" if they were: assets which, at the time Mr. Lally became a candidate, he had a "legal right of access or control over and legal and rightful title or an equitable interest," earned or unearned income, bequests, or personal gifts which had been customarily received prior to candidacy. 11 C.F.R. § 110.10(b)(1) and (2).

Neither the candidate's EIGA statement or the responses indicate whether the loans were derived from personal funds. As noted above, the Lally campaign has submitted only unsworn responses, and there are currently no documents at hand to show what assets the candidate liquidated to make the loans in question. There is no evidence that the two pieces of real estate to which he had legal title, which he valued at between \$200,000 to \$500,000, were sold or

mortgaged for the purpose of making these loans.² And the EIGA statement includes as an asset the \$100,000-\$250,000 in loans which the candidate reportedly made to the Lally campaign, that is excludable for purposes of this analysis because the source of such loans is precisely what is at issue here.

Grant Lally's response suggests that some portion of the over \$300,000 in candidate loans may have been derived from other assets not required to be reported by the EIGA, i.e. payoffs of mortgage debts from his parents,³ and money earned at the law firm after the EIGA form was submitted. Specifically, Mr. Lally claims that his parents owed him \$240,000 for mortgages and he suggests, but does not explicitly state, that all or some portion of such mortgages were paid. Yet there is presently no documentation to establish the existence of such mortgages or that any portion of them was paid off. Finally, the candidate claims that he "earned over \$50,000" during the fall of 1994 by settling several long-standing estate proceedings. No information has been provided, however, about the candidate's pay structure at the Lally law firm. Grant M. Lally was involved in the transactions at issue. Thus, in light of the foregoing, there is reason to believe that Grant M. Lally violated 2 U.S.C. § 441a(f).

² In any event, title to the Oyster Bay property was recorded in Grant Lally's name only in May of 1994, which substantially increased his total assets for purposes of his EIGA statement.

³ The EIGA does not require the disclosure of any personal liability owed to the reporting individual by a parent, spouse, child or sibling, or disclosure of any liabilities owed to a parent, spouse, child or sibling. See 5 U.S.C. § 102(a)(3) and (4).

MUR 4128

September 9, 1994

Lawrence M. Lally, Esq.
Treasurer
Lally for Congress Committee
220 Old Country Road
Mineola, N.Y. 11501

Re.: Message of September 2, 1994

Dear Mr. Lally:

I am in receipt of your message of Friday, September 2, 1994, 5:26 p.m., stating that I should refer to Canon Four of the Code of Professional Responsibility.

I fail to see the relevance of this message. This Canon in no way applies to me or my relationship to the Lally for Congress Campaign or Grant Lally, individually. Canon Four refers only to an attorney/client relationship, a relationship which never existed between myself and anyone on the Lally for Congress Campaign. My specific role, at all times, was purely as a campaign manager. Any direction given in that role to Mr. Lally or the campaign was unrelated to the legal process, procedures or forums and pertained only to political concerns.

I also note, that this Canon refers specifically to the preservation of the "confidences and secrets" of a client. In reviewing my political experience with the Lally campaign, the only "secrets" that I can think of that you would not wish to be made public are the facts that personal financial disclosure forms have not been filed by Grant, and the fact that documentation of a wire transfer from a Swiss bank account was seen in Grant's office. This transfer had been widely discussed in the office prior to its receipt, although the source of those funds was not known during those discussions. That wire transfer was for \$100,000.00 and was seen on the same day that Grant loaned the campaign \$100,000.00 according to FEC filings.

On a political level, though I am no longer the campaign manager, I can say that it would be a good political idea that Grant fully disclose his finances to the public as required by law. Not to do so will only prove to be damaging to Grant in the long run.

Moreover, I am now asking that members of the campaign immediately cease all attempts to contact me or my family and that all false allegations concerning me or my family also stop.

Sincerely,

Teresa A. White

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUN 3 12 33 PM '96

98043004137

TERESA A. WHITE
ATTORNEY AT LAW
740 VETERANS MEMORIAL HIGHWAY
SUITE 504
HAUPPAUGE, NEW YORK 11788

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUN 6 5 39 PM '96

810-205-9680
FAX 810-255-9685

September 7, 1994

Lawrence Lally, Treasurer
Lally for Congress Committee
220 Old Country Road
Mineola, N.Y. 11501

Re: Message of September 2, 1994

(114128)

Dear Mr. Lally:

This letter is in response to your message of Friday, September 2, 1994, 5:26 p.m., referring me to Canon Four of the Code of Professional Responsibility (Preservation of Confidences and Secrets of a Client).

I fail to see the relevance of this Canon to my role in the congressional campaign. As you are aware, I only served the campaign in the capacity of campaign manager. At no time was I ever solicited or retained or for legal advice nor was I ever consulted in my capacity as an attorney. It is unquestionable that there is a significant difference between the political and legal forums. The campaign activities in which I participated were at all times strictly political in nature. It is misguided and yet another distortion of the facts for the campaign to now assert that my role in the campaign was that of an attorney or legal advisor.

Finally, I do not know what information you are trying to prevent from being disclosed. I can only take your actions to be an attempt to dissuade me from engaging in political discussions which you believe would be politically (or legally) damaging to your campaign and/or candidate.

I would now ask that all of those connected with the Lally for Congress campaign cease attempts to contact me, particularly by using my family as a vehicle for this purpose.

Sincerely,

Teresa A. White

Teresa A. White

[REDACTED]



FEDERAL ELECTION COMMISSION
Washington, DC 20463

Date: 6-25-96

MEMORANDUM

TO:

X McDermott

FROM:

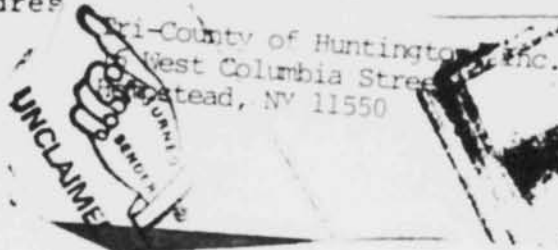
The Docket Assistant KCS

SUBJECT:

Returned Letters

The following MUR 4128 letter was returned. If you wish to resend the letter, Please provide the envelope(s) and/or green card(s), also, please write the corrected address in the space below. This memo will be placed in the permanent file.

Old Address



New Address:

Tri-County of Huntington → 516-
3800 Pennsylv. Blvd. P.O. Box 535-
Huntington, WV - 25701 8444
To → Huntington City Hall

Date re-mailed: 6-22-96

NOTES:

→ 3800 Pennsylv. Blvd
Huntington
WV



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 27, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Plant
Tri-County of Huntington, Inc.
388 Peninsula Blvd.
Hempstead, N.Y. 11550

RE: MUR 4128

Dear Mr. Plant:

Enclosed please find a letter from Chairman Lee Ann Elliott notifying you that the Commission has found reason to believe that Tri-County of Huntington, Inc. violated 2 U.S.C. § 441b(a), along with the Commission's Order and Subpoena and Factual and Legal Analysis. These materials were previously sent to 16 West Columbia Street, but were returned as "unclaimed." If you have any questions please call me at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Staff Attorney

Enclosures

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

93043684140



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

VIA FAX AND FIRST CLASS MAIL

July 3, 1996

Dawn M. Fasano, Treasurer
Lally for Congress
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Lally for Congress
and Dawn M. Fasano, as treasurer

Dear Ms. Fasano:

By letter dated May 22, 1996, you were notified that the Commission found that there is reason to believe that Lally for Congress and you, as treasurer, violated 2 U.S.C. §§ 441a(f), 434(b) and 441b(a). Enclosed with that notification was an Order to Answer Questions and Subpoena to Produce Documents ("Discovery"). Your responses to the Commission's Discovery were due on June 28, 1996. As of the date of this letter, no responses to Discovery or designation of counsel have been received. If you have not yet sent your responses to Discovery, please do so immediately.

To discuss this matter further, please contact me at (202) 219-3400.

Sincerely,

A handwritten signature in dark ink, appearing to read "Xavier K. McDonnell", is written over the typed name.

Xavier K. McDonnell
Attorney

9804384141



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

July 3, 1996

Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Grant M. Lally

Dear Mr. Lally:

By letter dated May 22, 1996, you were notified that the Commission found that there is reason to believe that your client, Grant M. Lally, violated 2 U.S.C. § 441a(f). Enclosed with that notification was an Order to Answer Questions and a Subpoena to Produce Documents ("Discovery"). Your responses to the Commission's Discovery were due on June 28, 1996. As of the date of this letter, no responses to Discovery have been received. If you have not yet sent your responses to Discovery, please do so immediately.

To discuss this matter further, please contact me at (202) 219-3400.

Sincerely,

A handwritten signature in black ink, reading "Xavier K. McDonnell". The signature is written in a cursive, flowing style.

Xavier K. McDonnell
Attorney

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

July 3, 1996

Lawrence M. Lally
UteWolf Lally
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128
Lawrence M. Lally
UteWolf Lally

Dear Mr. and Mrs. Lally:

By letter dated May 22, 1996, you were notified that the Commission found that there is reason to believe that you violated 2 U.S.C. § 441a(a)(1)(A). Enclosed with that notification was an Order to Answer Questions and Subpoena to Produce Documents ("Discovery"). Your responses to the Commission's Discovery were due on June 28, 1996. As of the date of this letter, no responses to Discovery or designation of counsel have been received. If you have not yet sent your responses to Discovery, please do so immediately.

To discuss this matter further, please contact me at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Attorney,

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

July 10, 1996

Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128

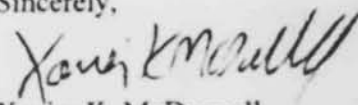
Dear Mr. Lally:

As you know, your responses to the Commission's Orders to Answer Questions and Subpoenas to Produce Documents were due on June 28, 1996. In response to my letter of July 3, 1996, you called this Office on July 8, 1996, and informed me that your responses to the Subpoenas and Orders were sent on June 28, 1996. You also indicated that you would investigate who signed for the package containing your responses. To date, no responses have been received, and I have not heard from you regarding the results of your search for the package.

In early June, this Office received a telephone call from John Champoli, an attorney from Garden City, New York, who claimed that he may be representing you as well as other respondents in this matter. Shortly after you called this Office on July 8, I received a call from Mr. Champoli's secretary, who claimed that a package containing responses to the Subpoenas and Orders was sent via first class mail on June 26, 1996. The secretary could not verify whether the package sent by Mr. Champoli contained your responses, or which respondents in this matter he was representing. In any event, as I told Mr. Champoli when he first called on June 10, 1996, this Office must receive a designation of counsel before we can communicate with him about this matter. See 11 C.F.R. § 111.23.

Please inform me of the results of your search for the responses immediately and to avoid the necessity of judicial enforcement of the Subpoenas and Orders, send a copy of your responses to this Office via overnight mail. To discuss this matter, call me at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

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COMMISSION
OFFICE OF GENERAL
COUNSEL

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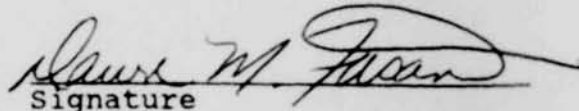
MUR: 4128

NAME OF COUNSEL: GENTILE & CIAMPOLI, ESQS.
1461 Franklin Avenue
Garden City, N.Y. 11530

TELEPHONE: (516) 739-2041

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and
other communications from the Commission and to act on my
behalf before the Commission.

DATED: July 8, 1996


Signature

RESPONDENT'S NAME: DAWN M. FASANO
ADDRESS: 15 West View Road
Northport, N.Y. 11768

BUSINESS PHONE: (516) 248-1640

98043684145

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COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 11 12 09 PM '96

MUR: 4128

NAME OF COUNSEL: GENTILE & CIAMPOLI, ESQS.
ADDRESS: 1461 Franklin Avenue
Garden City, New York 11530

TELEPHONE: (516) 739-2041

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and
other communications from the Commission and to act on my
behalf before the Commission.

Dated: July 8, 1996

Signature

Signature

RESPONDENT'S NAME: LAWRENCE M. LALLY
UTE W. LALLY
ADDRESS: 345 Centre Island Road
Centre Island, N.Y. 11771
BUSINESS PHONE: (516) 741-2666

98043064146

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COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 11 12.09 PM '96

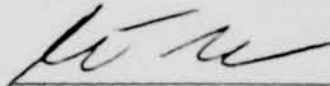
MUR: 4128

NAME OF COUNSEL: GENTILE & CIAMPOLI, ESQS.
ADDRESS: 1461 Franklin Avenue
Garden City, New York 11530

TELEPHONE: (516) 739-2041

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and
other communications from the Commission and to act on my
behalf before the Commission.

Dated: July 8, 1996



Signature

RESPONDENT'S NAME: GRANT M. LALLY
ADDRESS: 345 Harbor Drive
Oyster Bay, N.Y. 11771

BUSINESS PHONE: (516) 741-2666

93043064147

GENTILE and CIAMPOLI
ATTORNEYS AND COUNSELLORS AT LAW

GLEN JEREMIAH GENTILE
JOHN N. CIAMPOLI
OF COUNSEL
HARLAN WITTENSTEIN

MUR 4/28

MAIN OFFICE
1461 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530
(516) 739-2041

NEW YORK CITY OFFICE
POST OFFICE BOX 204
BROOKLYN, NEW YORK 11209
(718) 748-0017

STATE CAPITAL OFFICE
POST OFFICE BOX 817
TOWN OF KINDERHOOK
VALATIE, NEW YORK 12184
(518) 758-1845

PLEASE REPLY TO
MAIN OFFICE

July 12, 1996

Xavier McDonnell, Esq.
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Grant M. Lally, Candidate
Via Overnight delivery

Dear Mr. McDonnell:

Enclosed herewith please find documents pertaining to the ownership of corporations of our client, Grant M. Lally, candidate for Congress, 5th Congressional District, State of New York.

The delay in obtaining these documents was occasioned by the fact that our client was required to recall these records from storage.

We thank you for your forbearance and patience.

Very truly yours,

John N. Ciampoli
JOHN N. CIAMPOLI
JNC:lr
enc.

RECEIVED
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COMMISSION
OFFICE OF GENERAL
COUNSEL
JUL 15 2 43 PM '96

Know all Men by these Presents,

THAT KURT SCHURM and MARGARET SCHURM
of 25-38 Oakleaf Lane, Clearwater, Florida 34623

assignor(s).

in consideration of \$ 10.00, the receipt whereof is hereby acknowledged, has sold and by these presents does grant, assign and convey unto KURT SCHURM, MARGARET SCHURM and GRANT LALLY, as joint tenants with right of survivorship

of assignee(s)

the following: all right, title, and interest that KURT SCHURM and/or MARGARET SCHURM have or may have had in any notes, mortgages, bonds, and/or other obligations executed or entered into by LAWRENCE M. LALLY and/or UTE W. LALLY, from November 1, 1984 to August 30, 1992, in favor of KURT SCHURM and/or MARGARET SCHURM.

TO HAVE AND TO HOLD the same unto the said assignee(s) executors, administrators and assigns forever, to and for the use of the assignee(s), hereby constituting and appointing said assignee(s) true and lawful attorney(s) irrevocable, in assignor's name, place and stead, for the purposes aforesaid, to ask, demand, sue for, attach, levy, recover and receive all such sum and sums of money which now are, or may hereafter become due, owing and payable for, or on account of all or any of the accounts, dues, debts, and demands above assigned, and giving and granting unto the said attorney(s) full power and authority to do and perform all and every act and thing whatsoever requisite and necessary, as fully, to all intents and purposes, as assignor's might or could do, if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that the said attorney(s) or attorney's substitute shall lawfully do, or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set hand(s) and seal(s) the 26th
day of March 1993.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

Kurt Schurm L.S.
KURT SCHURM

Margaret Schurm L.S.
MARGARET SCHURM

9804369149

STATE OF Wisconsin

COUNTY OF Racine

SS.:

On the 26 day of March, nineteen hundred and 93
before me came Kurt Schurm & Margaret Schurm

to me known and known to me to be the individual(s) described in, and who executed, the foregoing instrument, and acknowledged to me that ~~he~~ ^{she} executed the same.

Notary Public, State of Wisconsin
My Commission Expires Dec 22, 1995
Bonded Thru Troy Farm Insurance Inc.

Sherrill Kellrung
Sherrill Kellrung
0160188

STATE OF

COUNTY OF

SS.:

On the day of , nineteen hundred and
before me came to me known, who,
being by me duly sworn, did depose and say that he resides in

that he is the of

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of
said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the board of of said corporation; and that he signed h
name thereto by like order.

KURT SCHURM and MARGARET SCHURM

To

KURT SCHURM, MARGARET SCHURM and
GRANT LALLY

Assignment

Dated, March 26, 1993

9304358415C

Know all Men by these Presents,

THAT KURT SCHURM AND MARGARET SCHURM
of 25-38 Oakleaf Lane, Clearwater, Florida 34623

in consideration of \$ \$10.00 , the receipt whereof is hereby acknowledged, has sold and by these presents does grant, assign and convey unto KURT SCHURM, MARGARET SCHURM AND GRANT LALLY, as joint tenants with right of survivorship ,

assignor(s),

of

assignee(s)

the following: all right, title and interest that KURT SCHURM AND MARGARET SCHURM have or may have had in any notes, mortgages and/or bonds executed by LAWRENCE M. LALLY and/or UTE W. LALLY, from October 1, 1972 to October 30, 1984, in favor of KURT SCHURM and/or MARGARET SCHURM.

TO HAVE AND TO HOLD the same unto the said assignee(s) executors, administrators and assigns forever, to and for the use of the assignee(s), hereby constituting and appointing said assignee(s) true and lawful attorney(s) irrevocable, in assignor's name, place and stead, for the purposes aforesaid, to ask, demand, sue for, attach, levy, recover and receive all such sum and sums of money which now are, or may hereafter become due, owing and payable for, or on account of all or any of the accounts, dues, debts, and demands above assigned, and giving and granting unto the said attorney(s) full power and authority to do and perform all and every act and thing whatsoever requisite and necessary, as fully, to all intents and purposes, as assignor's might or could do, if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that the said attorney(s) or attorney's substitute shall lawfully do, or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set hand(s) and seal(s) the 15
day of April 1992 .

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

KURT SCHURM

L.S.

MARGARET SCHURM

L.S.

STATE OF Florida
COUNTY OF Pinellas

} ss.:

On the 15 day of April, nineteen hundred and ninety-two
before me came Margaret A Schurm and Kurt Schurm

to me known and known to me to be the individual(s) described in, and who executed, the foregoing instru-
ment, and acknowledged to me that he executed the same.

STATE OF Florida
COUNTY OF Pinellas

} ss.:

On the 15 day of April, nineteen hundred and 92
before me came Margaret A Schurm and Kurt Schurm to me known, who,
being by me duly sworn, did depose and say that he resides in Pinellas County

that he is the resident of Florida

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of
said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the board of
name thereto by like order.

NOTARY PUBLIC, STATE OF FLORIDA.
MY COMMISSION EXPIRES: Dec. 3, 1995.
BONDED THROUGH NOTARY PUBLIC UNDERWRITERS.

Michelle Merrick
Michelle Merrick
commission
CC165053

KURT SCHURM
MARGARET SCHURM

To

KURT SCHURM
MARGARET SCHURM
GRANT LALLY

Assignment

Dated, April, 1992

MINUTES OF ORGANIZATION MEETING OF
GALWAY TRADING COMPANY LTD.

The undersigned, being the sole incorporator of this corporation, held an organization meeting at the date and place set forth below, at which meeting the following action was taken:

It was resolved that a copy of the certificate of incorporation together with the receipt issued by the department of state showing payment of the statutory organization tax and the date and payment of the fee for filing the original certificate of incorporation be appended to these minutes.

By-Laws regulating the conduct of the business and affairs of the corporation, as prepared by Grant M. Lally counsel for the corporation were adopted and ordered appended hereto.

The persons whose names appear below were named as directors

The board of directors was authorized to issue all of the unsubscribed shares of the corporation at such time and in such amounts as determined by the board and to accept in payment money or other property, tangible or intangible, actually received or labor or services actually performed for the corporation or for its benefit or in its formation.

The principal office of the corporation was fixed at 220 Old Country Road,
Mineola, New York 11501

Dated at
the 1st day of March 1992

Elizabeth Hata
Sole incorporator

The undersigned accept their nomination as directors.

Grant M. Lally
Type director's name

[Signature]
Signature

Benjamin Frankel

Benjamin Frankel

The following are appended to the minutes of this meeting:

Copy of certificate of incorporation, filed on 12/5/91
Receipt of department of state
By-Laws

MINUTES OF SPECIAL MEETING OF DIRECTORS

OF

Galway Trading Company, Ltd

A special meeting of the Board of Directors of the Corporation was held at the time, date and place set forth below.

All of the Directors being present, the meeting was called to order by the Chairman. The Chairman advised that all the shareholders had executed written consents to the election by the Corporation to be treated as a "small business corporation". Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the proper officers of the corporation are hereby authorized to take any and all action necessary to comply with the requirements of the Internal Revenue Service for making an election pursuant to Sub Chapter S of the Internal Revenue Code, Sec. 1362, and it was further

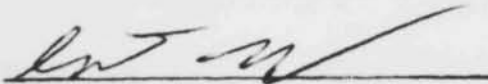
RESOLVED, that the signing of these minutes by the Directors shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

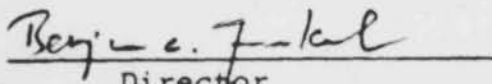
Place: *Mincola, New York*

Date: *April 15, 1992*

Time: *3:00 PM*



Chairman



Director

Secretary

Director

Director



INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

GALWAY TRADING COMPANY LTD.

The Corporation is authorized to issue 200 Common Shares—No Par Value

This Certifies that Grant M. Kelly *is the owner of*
— One Hundred — *fully paid and*
non-assessable Shares of the above Corporation transferable only on the
books of the Corporation by the holder hereof in person or by duly authorized
Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed
by its duly authorized officers and to be sealed with the Seal of the Corporation.

Dated March 1, 1942


SECRETARY


PRESIDENT

551-9524056

CERTIFICATE OF INCORPORATION

OF

GALWAY TRADING COMPANY LTD.

Under Section 402 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

GALWAY TRADING COMPANY LTD.

2. The purpose or purposes for which the corporation is formed are as follows; to wit:

To engage in any lawful act or activity for which corporations may be formed under the Business Corporation Law. The corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

To own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

The corporation shall have all of the powers enumerated in Section 202 of the Business Corporation Law, subject to any limitations provided in the Business Corporation Law or any other statute in the State of New York.

3. A director of the corporation shall not be held liable to the corporation or its shareholders for damages for any breach of duty in such capacity except for

(i) liability if a judgment or other final adjudication adverse to a director establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained in fact a financial profit or other advantage to which he or she was not legally entitled or that the director's acts violated BCL Section 719, or

(ii) liability for any act or omission prior to the adoption of this provision.

4. The county in which the office of the corporation is to be located in the State of New York is: Nassau

5. The aggregate number of shares which the corporation shall have authority to issue is: 200 shares, no par value.

6. The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the corporation served upon him is:

Lally & Lally, Esqs.
220 Old Country Road
Mineola, New York 11501

The undersigned incorporator is of the age of eighteen years or over.

IN WITNESS WHEREOF, this certificate has been subscribed December 2, 1991 by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Elizabeth Slater
Elizabeth Slater
33 Rensselaer Street
Albany, New York 12202

90043000157

Y. S. DEPARTMENT OF STATE
DIVISION OF CORPORATIONS AND STATE RECORDS

102 WASHINGTON AVENUE
ALBANY, NY 12231

FILING RECEIPT

CORPORATION NAME: GALWAY TRADING COMPANY LTD.

DOCUMENT TYPE : INCORPORATION (DOM. BUSINESS)

COUNTY: NASS

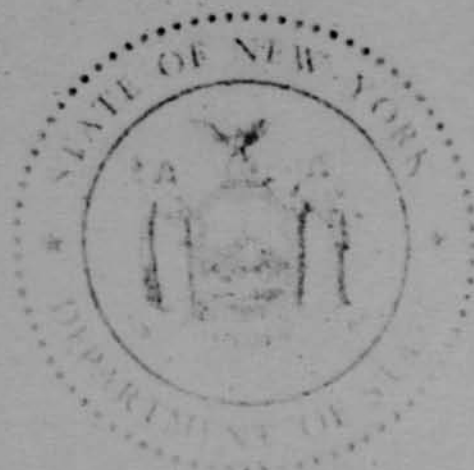
SERVICE COMPANY : XL CORPORATE SERVICES, INC.

FILED: 12/05/1991 DURATION: PERPETUAL CASH : 911205000138 FILM : 911205000127

ADDRESSES FOR PROCESS

LALLY & LALLY, ESQS.
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

REGISTERED AGENT



STOCK: 200 NPV

FILER	FEES	160.00	PAYMENTS	160.00
LALLY & LALLY, ESQS.	FILING	125.00	CASH	0.00
220 OLD COUNTRY ROAD	TAX	10.00	CHECK	0.00
MINEOLA, NY 11501	CERT	0.00	BILLED	160.00
	COPIES	0.00		
	HANDLING	25.00		
			REFUND	0.00

BY-LAWS

of

Galway Trading Company, Inc

ARTICLE I - OFFICES

The principal office of the corporation shall be in the
of _____ County of _____ State of New York.
The corporation may also have offices at such other places within or with-
out the State of New York as the board may from time to time determine
or the business of the corporation may require.

ARTICLE II - SHAREHOLDERS

1. PLACE OF MEETINGS.

Meetings of shareholders shall be held at the principal office of the
corporation or at such place within or without the State of New York as the
board shall authorize.

2. ANNUAL MEETING.

The annual meeting of the shareholders shall be held on the
day of _____ at _____ M. in each year if not a
legal holiday, and, if a legal holiday, then on the next business day follow-
ing at the same hour, when the shareholders shall elect a board and trans-
act such other business as may properly come before the meeting.

3. SPECIAL MEETINGS.

Special meetings of the shareholders may be called by the board or
by the president and shall be called by the president or the secretary at the
request in writing of a majority of the board or at the request in writing by
shareholders owning a majority in amount of the shares issued and outstand-
ing. Such request shall state the purpose or purposes of the proposed meet-
ing. Business transacted at a special meeting shall be confined to the pur-
poses stated in the notice.

4. FIXING RECORD DATE.

For the purpose of determining the shareholders entitled to notice of
or to vote at any meeting of shareholders or any adjournment thereof, or
to express consent to or dissent from any proposal without a meeting, or
for the purpose of determining shareholders entitled to receive payment of
any dividend or the allotment of any rights, or for the purpose of any other

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action, the board shall fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. If no record date is fixed it shall be determined in accordance with the provisions of law.

5. NOTICE OF MEETINGS OF SHAREHOLDERS.

Written notice of each meeting of shareholders shall state the purpose or purposes for which the meeting is called, the place, date and hour of the meeting and unless it is the annual meeting, shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice shall be given either personally or by mail to each shareholder entitled to vote at such meeting, not less than ten nor more than fifty days before the date of the meeting. If action is proposed to be taken that might entitle shareholders to payment for their shares, the notice shall include a statement of that purpose and to that effect. If mailed, the notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the secretary a written request that notices to him be mailed to some other address, then directed to him at such other address.

6. WAIVERS.

Notice of meeting need not be given to any shareholder who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

7. QUORUM OF SHAREHOLDERS.

Unless the certificate of incorporation provides otherwise, the holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or classes, the holders of a majority of the shares of such class or classes shall constitute a quorum for the transaction of such specified item of business.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present may adjourn the meeting despite the absence of a quorum.

8. PROXIES.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

9. QUALIFICATION OF VOTERS.

Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, unless otherwise provided in the certificate of incorporation.

10. VOTE OF SHAREHOLDERS.

Except as otherwise required by statute or by the certificate of incorporation;

(a) directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election;

(b) all other corporate action shall be authorized by a majority of the votes cast.

11. WRITTEN CONSENT OF SHAREHOLDERS.

Any action that may be taken by vote may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all the outstanding shares entitled to vote thereon or signed by such lesser number of holders as may be provided for in the certificate of incorporation.

ARTICLE III - DIRECTORS

1. BOARD OF DIRECTORS.

Subject to any provision in the certificate of incorporation the business of the corporation shall be managed by its board of directors, each of whom shall be at least 18 years of age and be shareholders.

2. NUMBER OF DIRECTORS.

The number of directors shall be
When all of the shares are owned by less than three shareholders, the number of directors may be less than three but not less than the number of shareholders.

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3. ELECTION AND TERM OF DIRECTORS.

At each annual meeting of shareholders, the shareholders shall elect directors to hold office until the next annual meeting. Each director shall hold office until the expiration of the term for which he is elected and until his successor has been elected and qualified, or until his prior resignation or removal.

4. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board for any reason except the removal of directors without cause may be filled by a vote of a majority of the directors then in office, although less than a quorum exists, unless otherwise provided in the certificate of incorporation. Vacancies occurring by reason of the removal of directors without cause shall be filled by vote of the shareholders unless otherwise provided in the certificate of incorporation. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

5. REMOVAL OF DIRECTORS.

Any or all of the directors may be removed for cause by vote of the shareholders or by action of the board. Directors may be removed without cause only by vote of the shareholders.

6. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

7. QUORUM OF DIRECTORS.

Unless otherwise provided in the certificate of incorporation, a majority of the entire board shall constitute a quorum for the transaction of business or of any specified item of business.

8. ACTION OF THE BOARD.

Unless otherwise required by law, the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the board. Each director present shall have one vote regardless of the number of shares, if any, which he may hold.

9. PLACE AND TIME OF BOARD MEETINGS.

The board may hold its meetings at the office of the corporation or at such other places, either within or without the State of New York, as it may from time to time determine.

10. REGULAR ANNUAL MEETING.

A regular annual meeting of the board shall be held immediately following the annual meeting of shareholders at the place of such annual meeting of shareholders.

11. NOTICE OF MEETINGS OF THE BOARD, ADJOURNMENT.

(a) Regular meetings of the board may be held without notice at such time and place as it shall from time to time determine. Special meetings of the board shall be held upon notice to the directors and may be called by the president upon three days notice to each director either personally or by mail or by wire; special meetings shall be called by the president or by the secretary in a like manner on written request of two directors. Notice of a meeting need not be given to any director who submits a waiver of notice whether before or after the meeting or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to him.

(b) A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the adjournment shall be given all directors who were absent at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

12. CHAIRMAN.

At all meetings of the board the president, or in his absence, a chairman chosen by the board shall preside.

13. EXECUTIVE AND OTHER COMMITTEES.

The board, by resolution adopted by a majority of the entire board, may designate from among its members an executive committee and other committees, each consisting of three or more directors. Each such committee shall serve at the pleasure of the board.

14. COMPENSATION.

No compensation shall be paid to directors, as such, for their services, but by resolution of the board a fixed sum and expenses for actual attendance, at each regular or special meeting of the board may be author-

ized. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

ARTICLE IV - OFFICERS

1. OFFICES, ELECTION, TERM.

(a) Unless otherwise provided for in the certificate of incorporation, the board may elect or appoint a president, one or more vice-presidents, a secretary and a treasurer, and such other officers as it may determine, who shall have such duties, powers and functions as hereinafter provided.

(b) All officers shall be elected or appointed to hold office until the meeting of the board following the annual meeting of shareholders.

(c) Each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified.

2. REMOVAL, RESIGNATION, SALARY, ETC.

(a) Any officer elected or appointed by the board may be removed by the board with or without cause.

(b) In the event of the death, resignation or removal of an officer, the board in its discretion may elect or appoint a successor to fill the unexpired term.

(c) Any two or more offices may be held by the same person, except the offices of president and secretary. When all of the issued and outstanding stock of the corporation is owned by one person, such person may hold all or any combination of offices.

(d) The salaries of all officers shall be fixed by the board.

(e) The directors may require any officer to give security for the faithful performance of his duties.

3. PRESIDENT.

The president shall be the chief executive officer of the corporation; he shall preside at all meetings of the shareholders and of the board; he shall have the management of the business of the corporation and shall see that all orders and resolutions of the board are carried into effect.

4. VICE-PRESIDENTS.

During the absence or disability of the president, the vice-president, or if there are more than one, the executive vice-president, shall have all

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the powers and functions of the president. Each vice-president shall perform such other duties as the board shall prescribe.

5. SECRETARY.

The secretary shall:

- (a) attend all meetings of the board and of the shareholders;
- (b) record all votes and minutes of all proceedings in a book to be kept for that purpose;
- (c) give or cause to be given notice of all meetings of shareholders and of special meetings of the board;
- (d) keep in safe custody the seal of the corporation and affix it to any instrument when authorized by the board;
- (e) when required, prepare or cause to be prepared and available at each meeting of shareholders a certified list in alphabetical order of the names of shareholders entitled to vote thereat, indicating the number of shares of each respective class held by each;
- (f) keep all the documents and records of the corporation as required by law or otherwise in a proper and safe manner.
- (g) perform such other duties as may be prescribed by the board.

6. ASSISTANT-SECRETARIES.

During the absence or disability of the secretary, the assistant-secretary, or if there are more than one, the one so designated by the secretary or by the board, shall have all the powers and functions of the secretary.

7. TREASURER.

The treasurer shall:

- (a) have the custody of the corporate funds and securities;
- (b) keep full and accurate accounts of receipts and disbursements in the corporate books;
- (c) deposit all money and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the board;
- (d) disburse the funds of the corporation as may be ordered or authorized by the board and preserve proper vouchers for such disbursements;
- (e) render to the president and board at the regular meetings of the board, or whenever they require it, an account of all his transactions as

treasurer and of the financial condition of the corporation;

(f) render a full financial report at the annual meeting of the shareholders if so requested;

(g) be furnished by all corporate officers and agents at his request, with such reports and statements as he may require as to all financial transactions of the corporation;

(h) perform such other duties as are given to him by these by-laws or as from time to time are assigned to him by the board or the president.

8. ASSISTANT-TREASURER.

During the absence or disability of the treasurer, the assistant-treasurer, or if there are more than one, the one so designated by the secretary or by the board, shall have all the powers and functions of the treasurer.

9. SURETIES AND BONDS.

In case the board shall so require, any officer or agent of the corporation shall execute to the corporation a bond in such sum and with such surety or sureties as the board may direct, conditioned upon the faithful performance of his duties to the corporation and including responsibility for negligence and for the accounting for all property, funds or securities of the corporation which may come into his hands.

ARTICLE V - CERTIFICATES FOR SHARES

1. CERTIFICATES.

The shares of the corporation shall be represented by certificates. They shall be numbered and entered in the books of the corporation as they are issued. They shall exhibit the holder's name and the number of shares and shall be signed by the president or a vice-president and the treasurer or the secretary and shall bear the corporate seal.

2. LOST OR DESTROYED CERTIFICATES.

The board may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation, alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall

require and/or give the corporation a bond in such sum and with such surety or sureties as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

3. TRANSFERS OF SHARES.

(a) Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate; every such transfer shall be entered on the transfer book of the corporation which shall be kept at its principal office. No transfer shall be made within ten days next preceding the annual meeting of shareholders.

(b) The corporation shall be entitled to treat the holder of record of any share as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the laws of New York.

4. CLOSING TRANSFER BOOKS.

The board shall have the power to close the share transfer books of the corporation for a period of not more than ten days during the thirty day period immediately preceding (1) any shareholders' meeting, or (2) any date upon which shareholders shall be called upon to or have a right to take action without a meeting, or (3) any date fixed for the payment of a dividend or any other form of distribution, and only those shareholders of record at the time the transfer books are closed, shall be recognized as such for the purpose of (1) receiving notice of or voting at such meeting, or (2) allowing them to take appropriate action, or (3) entitling them to receive any dividend or other form of distribution.

ARTICLE VI - DIVIDENDS

Subject to the provisions of the certificate of incorporation and to applicable law, dividends on the outstanding shares of the corporation may be declared in such amounts and at such time or times as the board may determine. Before payment of any dividend, there may be set aside out of the net profits of the corporation available for dividends such sum or sums as the board from time to time in its absolute discretion deems proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other

purpose as the board shall think conducive to the interests of the corporation, and the board may modify or abolish any such reserve.

ARTICLE VII - CORPORATE SEAL

The seal of the corporation shall be circular in form and bear the name of the corporation, the year of its organization and the words "Corporate Seal, New York." The seal may be used by causing it to be impressed directly on the instrument or writing to be sealed, or upon adhesive substance affixed thereto. The seal on the certificates for shares or on any corporate obligation for the payment of money may be a facsimile, engraved or printed.

ARTICLE VIII - EXECUTION OF INSTRUMENTS

All corporate instruments and documents shall be signed or countersigned, executed, verified or acknowledged by such officer or officers or other person or persons as the board may from time to time designate.

ARTICLE IX - FISCAL YEAR

The fiscal year shall begin the first day of _____ in each year.

ARTICLE X - REFERENCES TO CERTIFICATE OF INCORPORATION

Reference to the certificate of incorporation in these by-laws shall include all amendments thereto or changes thereof unless specifically excepted.

ARTICLE XI - BY-LAW CHANGES

AMENDMENT, REPEAL, ADOPTION, ELECTION OF DIRECTORS.

(a) Except as otherwise provided in the certificate of incorporation the by-laws may be amended, repealed or adopted by vote of the holders of the shares at the time entitled to vote in the election of any directors. By-laws may also be amended, repealed or adopted by the board but any by-law adopted by the board may be amended by the shareholders entitled to vote thereon as hereinabove provided.

(b) If any by-law regulating an impending election of directors is adopted, amended or repealed by the board, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the by-law so adopted, amended or repealed, together with a concise statement of the changes made.

9 8 0 4 3 8 8 4 1 6 9

action, the board shall fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. If no record date is fixed it shall be determined in accordance with the provisions of law.

5. NOTICE OF MEETINGS OF SHAREHOLDERS.

Written notice of each meeting of shareholders shall state the purpose or purposes for which the meeting is called, the place, date and hour of the meeting and unless it is the annual meeting, shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice shall be given either personally or by mail to each shareholder entitled to vote at such meeting, not less than ten nor more than fifty days before the date of the meeting. If action is proposed to be taken that might entitle shareholders to payment for their shares, the notice shall include a statement of that purpose and to that effect. If mailed, the notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the secretary a written request that notices to him be mailed to some other address, then directed to him at such other address.

6. WAIVERS.

Notice of meeting need not be given to any shareholder who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

7. QUORUM OF SHAREHOLDERS.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present may adjourn the meeting despite the absence of a quorum.

8. PROXIES.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

9. QUALIFICATION OF VOTERS.

Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, unless otherwise provided in the certificate of incorporation.

10. VOTE OF SHAREHOLDERS.

11. WRITTEN CONSENT OF SHAREHOLDERS.

Any action that may be taken by vote may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all the outstanding shares entitled to vote thereon or signed by such lesser number of holders as may be provided for in the certificate of incorporation.

ARTICLE III - DIRECTORS

1. BOARD OF DIRECTORS.

Subject to any provision in the certificate of incorporation the business of the corporation shall be managed by its board of directors, each of whom shall be at least 18 years of age and be shareholders.

2. NUMBER OF DIRECTORS.

The number of directors shall be
When all of the shares are owned by less than three shareholders, the number of directors may be less than three but not less than the number of shareholders.

3. ELECTION AND TERM OF DIRECTORS.

At each annual meeting of shareholders, the shareholders shall elect directors to hold office until the next annual meeting. Each director shall hold office until the expiration of the term for which he is elected and until his successor has been elected and qualified, or until his prior resignation or removal.

4. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board for any reason except the removal of directors without cause may be filled by a vote of a majority of the directors then in office, although less than a quorum exists, unless otherwise provided in the certificate of incorporation. Vacancies occurring by reason of the removal of directors without cause shall be filled by vote of the shareholders unless otherwise provided in the certificate of incorporation. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

5. REMOVAL OF DIRECTORS.

Any or all of the directors may be removed for cause by vote of the shareholders or by action of the board. Directors may be removed without cause only by vote of the shareholders.

6. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

7. QUORUM OF DIRECTORS.

8. ACTION OF THE BOARD.

9804384172

Minutes
and
By Laws

OF

Galway Trading Company, Ltd.

MINUTES AND BY-LAWS

INDEX

	PAGE
ORGANIZATION MEETING:	
Minutes of the Meeting	1-4
Waiver of Notice of Meeting	4
Receipt of Department of State	5
Copy of Certificate of Incorporation	6
By-Laws:	A through J

FIRST MEETING OF THE BOARD OF DIRECTORS:

Minutes of the Meeting	7, 8, 9
Waiver of Notice of Meeting	10
Specimen of Certificate for Shares	11
Resolution Designating Depository of Funds	12

FIRST MEETING OF SHAREHOLDERS:

Minutes of Meeting	13, 14
Waiver of Notice	15

APPENDIX

SUGGESTIONS FOR ADDITIONAL RESOLUTIONS	Appendix 1
--	------------

SPECIMEN RESOLUTIONS	Appendix 1
----------------------------	------------

Fix Salary
Execution of Lease
Certificate as to Resolution that Name does not conflict with other corporation

SPECIMEN FORMS FOR USE AS A GUIDE AFTER ORGANIZATION:

Notice of Annual Meeting	Appendix 2
Affidavit of Mailing of Notice of Annual Meeting	Appendix 2
Minutes of the Annual Meeting of Shareholders	Appendix 2, 3
Certificate of Election of Directors	Appendix 4
Oath of Inspectors of Election	Appendix 5
Notice of Meeting of Board	Appendix 5
Minutes of Meeting of Board	Appendix 5
Minutes of Special Meeting of Board	Appendix 6
Proxy	Appendix 6

MINUTES OF ORGANIZATION MEETING OF

The organization meeting of the incorporators was held at

on the day of 19 at o'clock M.

The following were present:

being a quorum and all the incorporators.

One of the incorporators called the meeting to order. Upon motion duly made, seconded and carried, was duly elected chairman of the meeting and duly elected secretary thereof. They accepted their respective offices and proceeded with the discharge of their duties.

A written waiver of notice of this meeting signed by all the incorporators was submitted, read by the secretary and ordered appended to these minutes.

The secretary then presented and read to the meeting a copy of the certificate of incorporation of the corporation and reported that on the day of 19 , the original thereof was duly filed by the department of state.

Upon motion duly made, seconded and carried, said report was adopted and the secretary was directed to append to these minutes a copy of the certificate of incorporation together with the original receipt issued by the department of state, showing payment of the statutory organization tax, the filing fee and the date of filing of the certificate.

The chairman stated that the election of directors was then in order.

The following were nominated as directors:

Upon motion duly made, seconded and carried, it was unanimously

RESOLVED, that each of the above named nominees be and hereby is elected a director of the corporation.

Upon motion duly made, seconded and carried, and by the affirmative vote of all present, it was

RESOLVED, that the board of directors be and it is hereby authorized to issue all of the unsubscribed shares of the corporation at such time and in such amounts as determined by the board, and to accept in payment money or other property, tangible or intangible, actually received or labor or other services actually performed for the corporation or for its benefit or in its formation.

The chairman presented and read, article by article, the proposed by-laws for the conduct and regulation of the business and affairs of the corporation as prepared by

counsel for the corporation.

Upon motion duly made, seconded and carried, they were adopted and in all respects, ratified, confirmed and approved, as and for the by-laws of this corporation.

The secretary was directed to cause them to be inserted in the minute book immediately following the receipt of the department of state.

Upon motion duly made, seconded and carried, the principal office of the corporation was fixed at

County of

State of New York.

Upon motion duly made, seconded and carried, and by the affirmative vote of all present, it was

RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business before the meeting, the same was, on motion, duly adjourned.

Dated the day of 19 .

Secretary of meeting

Chairman of meeting

The following are appended to the minutes of this meeting:

Waiver of notice of organization meeting
Copy of certificate of incorporation
Receipt of department of state
By-laws

WAIVER OF NOTICE OF ORGANIZATION MEETING

of

We, the undersigned, being all the incorporators named in the certificate of incorporation of the above corporation hereby agree and consent that the organization meeting thereof be held on the date and at the time and place stated below and hereby waive all notice of such meeting and of any adjournment thereof.

Place of meeting

Date of meeting

Time of meeting

Incorporator

Incorporator

Incorporator

Dated:

9804384177

RECEIPT OF DEPARTMENT OF STATE

98043884170

COPY OF CERTIFICATE OF INCORPORATION

98043884179

9804358418C

on the day of 19 at o'clock M.

Grant Lally
Ben Frankel

temporary chairman and acted as such until relieved by the president.
temporary secretary, and acted as such until relieved by the permanent secretary.

The following were duly nominated and, a vote having been taken, were unanimously elected officers of the corporation to serve for one year and until their successors are elected and qualified:

Vice-President: Grant Lally

Secretary: Grant Lally

Treasurer: Grant Lully

9 8 0 4 3 6 3 4 1 8 1

The president and secretary thereupon assumed their respective offices in place and stead of the temporary chairman and the temporary secretary.

Upon motion duly made, seconded and carried, it was

RESOLVED that the seal now presented at this meeting, an impression of which is directed to be made in the margin of the minute book, be and the same hereby is adopted as the seal of this corporation and further

RESOLVED that the president and treasurer be and they hereby are authorized to issue certificates for shares in the form as submitted to this meeting and appended to the minutes of this meeting and further

RESOLVED that the share and transfer book now presented at this meeting be and the same hereby is adopted as the share and transfer book of the corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED that the treasurer be and hereby is authorized to open a bank account in behalf of the corporation with *Cit. bank*

located at
and a resolution for that purpose on the printed form of said bank was adopted and was ordered appended to the minutes of this meeting.

Upon motion duly made, seconded and carried, it was

RESOLVED that the corporation proceed to carry on the business for which it was incorporated.

The secretary then presented to the meeting a written proposal from
to this corporation.

Upon motion duly made, seconded and carried, the said proposal was
ordered filed with the secretary, and he was requested to spread the same
at length upon the minutes, said proposal being as follows:

98043684182

9 0 0 4 3 8 4 1 8 3
The proposal was taken up for consideration and the following resolution was on motion unanimously adopted:

WHEREAS a written proposal has been made to this corporation in the form as set forth above in these minutes, and

WHEREAS in the judgment of this board the assets proposed to be transferred to the corporation are reasonably worth the amount of the consideration demanded therefor, and that it is in the best interests of this corporation to accept the said offer as set forth in said proposal,

NOW THEREFORE, IT IS RESOLVED that said offer, as set forth in said proposal, be and the same hereby is approved and accepted, and that in accordance with the terms thereof, this corporation, shall as full payment for said property issue to said offeror (s) or nominee (s) fully paid and non-assessable shares of this corporation, and it is

FURTHER RESOLVED, that upon the delivery to this corporation of said assets and the execution and delivery of such proper instruments as may be necessary to transfer and convey the same to this corporation, the officers of this corporation are authorized and directed to execute and deliver the certificate or certificates for such shares as are required to be issued and delivered on acceptance of said offer in accordance with the foregoing.

The chairman presented to the meeting a form of certificate required under Tax Law section 275A to be filed in the office of the tax commission.

Upon motion duly made, seconded and carried, it was

RESOLVED that the proper officers of this corporation are hereby authorized and directed to execute and file such certificate forthwith.

On motion duly made, seconded and carried, it was

RESOLVED that all of the acts taken and decisions made at the organization meeting be and they hereby are ratified and it was

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business before the meeting, on motion duly made, seconded and carried, the meeting adjourned.

Dated the day of 19 .

Secretary

Chairman

A true copy of each of the following papers referred to in the foregoing minutes is appended hereto.

Waiver of notice of meeting
Specimen certificate for shares
Resolution designating depository of funds

WAIVER OF NOTICE OF FIRST MEETING OF BOARD

of

We, the undersigned, being all the directors of the above corporation hereby agree and consent that the first meeting of the board be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereof of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

Place of meeting

Date of meeting

Time of meeting

Director

Director

Director

Dated:

9804384185

CERTIFICATE FOR SHARES

90043084186

RESOLUTION DESIGNATING DEPOSITORY OF FUNDS

98043884187

MINUTES OF FIRST MEETING OF SHAREHOLDERS

of

The first meeting of the shareholders was held at
on the day of 19 at o'clock M.

The meeting was duly called to order by the president who stated the object of the meeting.

The secretary then read the roll of the shareholders as they appear in the share record book of the corporation and reported that a quorum of the shareholders was present.

The secretary then read a waiver of notice of meeting signed by all the shareholders and on motion duly made, seconded and carried it was ordered that the said waiver be appended to the minutes of this meeting.

The president then asked the secretary to read the minutes of the organization meeting and the minutes of the first meeting of the board.

On motion duly made, seconded and unanimously carried the following resolution was adopted:

WHEREAS, the minutes of the organization meeting and the minutes of the first meeting of the board have been read to this meeting, and

WHEREAS, at the organization meeting by-laws were adopted, it is

RESOLVED that this meeting hereby approves, ratifies and adopts the said by-laws as the by-laws of the corporation, and it is

FURTHER RESOLVED that all of the acts taken and the decisions made at the organization meeting and at the first meeting of the board hereby are approved and ratified, and it is

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business the meeting was adjourned.

Dated the day of 19 .

Secretary

The following is appended hereto:

Waiver of notice of meeting.

98043684189

WAIVER OF NOTICE OF FIRST MEETING OF SHAREHOLDERS

of

We, the undersigned being all of the shareholders of the above corporation hereby agree and consent that the first meeting of the shareholders be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereof of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

Place of meeting

Date of meeting

Time of meeting

Dated:

980436419C

SS-4

Application for Employer Identification Number

Form
(Rev. April 1991)
Department of the Treasury
Internal Revenue Service

(For use by employers and others. Please read the attached instructions before completing this form.)

EIN

OMB No. 1545-0003
Expires 4-30-94

Please type or print clearly.

1 Name of applicant (True legal name) (See instructions.) Galway Trading Company, Ltd.	
2 Trade name of business, if different from name in line 1	3 Executor, trustee, "care of" name
4a Mailing address (street address) (room, apt., or suite no.) 220 Old Country Road	5a Address of business (See instructions.)
4b City, state, and ZIP code Mineola, N.Y. 11501	5b City, state, and ZIP code
6 County and state where principal business is located Nassau County, N.Y.	
7 Name of principal officer, grantor, or general partner (See instructions.) ▶ Grant M. Lally	

8a Type of entity (Check only one box.) (See instructions.)

<input type="checkbox"/> Individual SSN	<input type="checkbox"/> Estate	<input type="checkbox"/> Trust
<input type="checkbox"/> REMIC	<input type="checkbox"/> Plan administrator SSN	<input type="checkbox"/> Partnership
<input type="checkbox"/> State/local government	<input checked="" type="checkbox"/> Other corporation (specify) import	<input type="checkbox"/> Farmers' cooperative
<input type="checkbox"/> National guard	<input type="checkbox"/> Federal government/military	<input type="checkbox"/> Church or church controlled organization
<input type="checkbox"/> Other nonprofit organization (specify) _____	If nonprofit organization enter GEN (if applicable) _____	
<input type="checkbox"/> Other (specify) ▶ _____		

8b If a corporation, give name of foreign country (if applicable) or state in the U.S. where incorporated ▶ Foreign country _____ State _____

9 Reason for applying (Check only one box.)

<input checked="" type="checkbox"/> Started new business	<input type="checkbox"/> Changed type of organization (specify) ▶ _____
<input type="checkbox"/> Hired employees	<input type="checkbox"/> Purchased going business
<input type="checkbox"/> Created a pension plan (specify type) ▶ _____	<input type="checkbox"/> Created a trust (specify) ▶ _____
<input type="checkbox"/> Banking purpose (specify) ▶ _____	<input type="checkbox"/> Other (specify) ▶ _____

10 Date business started or acquired (Mo., day, year) (See instructions.) **March 1, 1992**

11 Enter closing month of accounting year. (See instructions.) **December**

12 First date wages or annuities were paid or will be paid (Mo., day, year) **Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (Mo., day, year)** _____

13 Enter highest number of employees expected in the next 12 months. **Note: If the applicant does not expect to have any employees during the period, enter "0."**

Nonagricultural	Agricultural	Household
-----------------	--------------	-----------

14 Principal activity (See instructions.) ▶ **6299**

15 Is the principal business activity manufacturing? ☐ Yes ☒ No

If "Yes," principal product and raw material used ▶ _____

16 To whom are most of the products or services sold? Please check the appropriate box. ☒ Business (wholesale) ☐ N/A

☐ Public (retail) ☐ Other (specify) ▶ _____

17a Has the applicant ever applied for an identification number for this or any other business? ☐ Yes ☒ No

Note: If "Yes," please complete lines 17b and 17c.

17b If you checked the "Yes" box in line 17a, give applicant's true name and trade name, if different than name shown on prior application.

True name ▶ _____

Trade name ▶ _____

17c Enter approximate date, city, and state where the application was filed and the previous employer identification number if known.

Approximate date when filed (Mo., day, year)	City and state where filed	Previous EIN
--	----------------------------	--------------

Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.

Name and title (Please type or print clearly.) ▶ **Grant Lally, President** (516) 791-2666

Signature ▶ **[Signature]** Date ▶ **March 1, 1992**

Note: Do not write below this line. For official use only.

Please leave blank ▶	Geo.	Ind.	Class	Size	Reason for applying
----------------------	------	------	-------	------	---------------------

12/10/91

519-483-8843
212-966-9600



EXCELSIOR LEGAL NORTHEAST
P.O. BOX 1339
ALBANY NY 12201

P.O./credit card
Prod. No.

Inv. No.

INVOICE

UPS SHIPPER NUMBER

PKG ID #01194044001

DB

Att: LALLY & LALLY
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

Ship to LALLY & LALLY
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

02
0 00
0 00
US

Bill to

U.S. MAIL

Qty	Cat. no.	Description	
1	EA 4108	24 HR. RIP W/ VASE	50
1	EA 4119	DISBURSED	160

9604384192

Please return this stub with payment and make checks payable to:

EXCELSIOR LEGAL NORTHEAST
P.O. BOX 1339
ALBANY NY 12201

LAL1150101
01132173

FILED NY 12 5 91
OLD COUNTRY ROAD SALES CONSULTANTS, INC

Subtotal 1
Subtotal 2 50.00
DISBURS \$ 160.00
Shipping-handling chg.
Prepaid
Amount Due 210.00

CUSTOMER

MINUTES OF ORGANIZATION MEETING OF

MUSEUM SOURCE INC.

The undersigned, being the sole incorporator of this corporation, held an organization meeting at the date and place set forth below, at which meeting the following action was taken:

It was resolved that a copy of the certificate of incorporation together with the receipt issued by the department of state showing payment of the statutory organization tax and the date and payment of the fee for filing the original certificate of incorporation be appended to these minutes.

By-Laws regulating the conduct of the business and affairs of the corporation, as prepared by counsel for the corporation were adopted and ordered appended hereto.

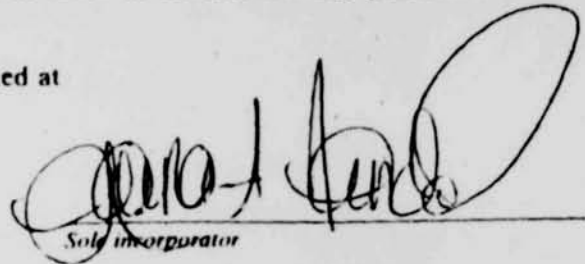
The persons whose names appear below were named as directors.

The board of directors was authorized to issue all of the unsubscribed shares of the corporation at such time and in such amounts as determined by the board and to accept in payment money or other property, tangible or intangible, actually received or labor or services actually performed for the corporation or for its benefit or in its formation.

The principal office of the corporation was fixed at

Dated at
the 9th day of July

19 90


Sole incorporator

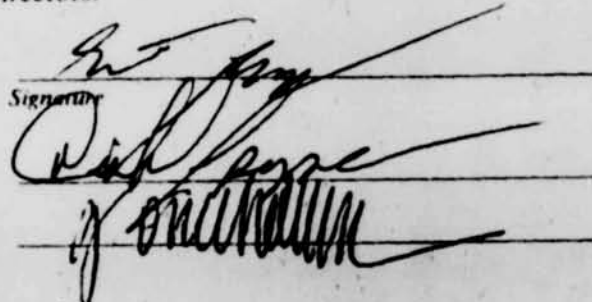
The undersigned accept their nomination as directors.

Grant M. Lally

Type director's name

Richard A. Sperazza

Genevieve Overholser


Signatures

The following are appended to the minutes of this meeting:

Copy of certificate of incorporation, filed on June 15, 1990
Receipt of department of state
By-Laws

9 8 0 4 3 8 8 4 1 9 4

NYS DEPARTMENT OF STATE

FILING RECEIPT

INCORPORATION (BUSINESS)

CORPORATION NAME

MUSEUM SOURCE INC.

DATE FILED

06/15/90

DURATION & COUNTY CODE

F

NASS

FILM NUMBER

C150024-3

CASH NUMBER

003895

NUMBER AND KIND OF SHARES

200NPV

LOCATION OF PRINCIPAL OFFICE

*XL

ADDRESS FOR PROCESSLALLY & LALLY
220 OLD COUNTRY ROAD

MINEOLA

NY 11501

REGISTERED AGENT

FE

AA FEES AND/OR TAX PAID AS FOLLOWS

S AMOUNT OF CHECK \$

AMOUNT OF MONEY ORDER \$ 00110.00

AMOUNT OF CASH \$

FIL \$ 5.00 DOLLAR FEE TO COUNTY

\$ 100.00 FILING

\$ 00010.00 TAX

\$ CERTIFIED COPY

\$ CERTIFICATE

FILER NAME AND ADDRESSLALLY & LALLY
220 OLD COUNTRY ROAD

MINEOLA

NY 11501

TOTAL PAYMENT \$ 0000110.00

REFUND OF \$

DC

TO FOLLOW

RECEIPT OF DEPARTMENT OF STATE

CERTIFICATE OF INCORPORATION
OF

MUSEUM SOURCE INC.

Under Section 402 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The purpose or purposes for which the corporation is formed are as follows; to wit:

To engage in any lawful act or activity for which corporations may be formed under the Business Corporation Law. The corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

To own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

The corporation shall have all of the powers enumerated in Section 202 of the Business Corporation Law, subject to any limitations provided in the Business Corporation Law or any other statute in the State of New York.

3. A director of the corporation shall not be held liable to the corporation or its shareholders for damages for any breach of duty in such capacity except for

(i) liability if a judgment or other final adjudication adverse to a director establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained in fact a financial profit or other advantage to which he or she was not legally entitled or that the director's acts violated BCL Section 719, or

(ii) liability for any act or omission prior to the adoption of this provision.

4. The county in which the office of the corporation is to be located in the State of New York is: Nassau

9004303125

5. The aggregate number of shares which the corporation shall have authority to issue is: 200 shares, no par value.

6. The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the corporation served upon him is:

Lally & Lally
220 Old Country Road
Mineola, New York 11501

The undersigned incorporator is of the age of eighteen years or over.

IN WITNESS WHEREOF, this certificate has been subscribed May 16, 1990 by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Laura Faircloth
Laura Faircloth
33 Rensselaer Street
Albany, New York 12202

9 3 0 4 3 3 8 4 1 9 6

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION
OF
MUSEUM SOURCE INC.

Under Section 805 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The certificate of incorporation was filed by the Department of State on the 15th day of June, 1990.

3. The certificate of incorporation is hereby amended to effect the following change:

To amend Paragraph (1) which sets forth the name of the corporation.

Paragraph (1) shall now read as follows:

(1) The name of the corporation is:

MUSEUM SOURCE LTD.

4. The amendment to the certificate of incorporation was authorized by the sole incorporator for the reason that no shares have been issued, no directors or officers have been elected, and there are no subscribers for shares whose subscriptions have been accepted.

98043884197

IN WITNESS WHEREOF, this certificate has been
subscribed June 26, 1990 by the undersigned who affirms that the
statements made herein are true under the penalties of perjury.

Laura A. Faircloth
Laura A. Faircloth
Sole Incorporator

96043664198

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS

of

MUSEUM SOURCE, LIMITED

The first meeting of the board was held at MUSEUM SOURCE, LTD.,
Executive Offices, 1590 Kellum Place, Mineola, New York 11501
on the 9th day of July 1990 at 9:00 o'clock A M.

The following were present:

Grant M. Lally
Richard A. Sperazza
Genevieve Overholser

being a quorum and all of the directors of the corporation.

Grant M. Lally was nominated and elected
temporary chairman and acted as such until relieved by the president.
Genevieve Overholser was nominated and elected
temporary secretary, and acted as such until relieved by the permanent
secretary.

The secretary then presented and read to the meeting a waiver of notice
of meeting, subscribed by all the directors of the corporation, and it was
ordered that it be appended to the minutes of this meeting.

The following were duly nominated and, a vote having been taken, were
unanimously elected officers of the corporation to serve for one year and un-
til their successors are elected and qualified:

President: Grant M. Lally

Vice-President: Richard A. Sperazza

Secretary: Genevieve Overholser

Treasurer: Genevieve Overholser

98043304200

The president and secretary thereupon assumed their respective offices in place and stead of the temporary chairman and the temporary secretary.

Upon motion duly made, seconded and carried, it was

RESOLVED that the seal now presented at this meeting, an impression of which is directed to be made in the margin of the minute book, be and the same hereby is adopted as the seal of this corporation and further

RESOLVED that the president and treasurer be and they hereby are authorized to issue certificates for shares in the form as submitted to this meeting and appended to the minutes of this meeting and further

RESOLVED that the share and transfer book now presented at this meeting be and the same hereby is adopted as the share and transfer book of the corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED that the treasurer be and hereby is authorized to open a bank account in behalf of the corporation with Citibank, N.A.

located at 200 Old Country Road, Mineola, New York 11501 and a resolution for that purpose on the printed form of said bank was adopted and was ordered appended to the minutes of this meeting.

Upon motion duly made, seconded and carried, it was

RESOLVED that the corporation proceed to carry on the business for which it was incorporated.

The secretary then presented to the meeting a written proposal from to this corporation.

Upon motion duly made, seconded and carried, the said proposal was ordered filed with the secretary, and he was requested to spread the same at length upon the minutes, said proposal being as follows:

That for the sum of \$60.00 the MUSEUM SOURCE LIMITED shall issue one-hundred and twenty shares to Grant M. Lally, that for the sum of \$20.00 MUSEUM SOURCE LIMITED shall issue forty shares to Richard A. Sperazza, and that for the sum of \$20.00 MUSEUM SOURCE LIMITED shall issue forty shares to Genevieve Overholser, such total equalling 200 shares, the aggregate number of shares which the Corporation has authority to issue.

96043064201

9 8 0 4 3 8 3 4 2 0 2
The proposal was taken up for consideration and the following resolution was on motion unanimously adopted:

WHEREAS a written proposal has been made to this corporation in the form as set forth above in these minutes, and

WHEREAS in the judgment of this board the assets proposed to be transferred to the corporation are reasonably worth the amount of the consideration demanded therefor, and that it is in the best interests of this corporation to accept the said offer as set forth in said proposal,

NOW THEREFORE, IT IS RESOLVED that said offer, as set forth in said proposal, be and the same hereby is approved and accepted, and that in accordance with the terms thereof, this corporation, shall as full payment for said property issue to said offeror (s) or nominee (s) 200 fully paid and non-assessable shares of this corporation, and it is

FURTHER RESOLVED, that upon the delivery to this corporation of said assets and the execution and delivery of such proper instruments as may be necessary to transfer and convey the same to this corporation, the officers of this corporation are authorized and directed to execute and deliver the certificate or certificates for such shares as are required to be issued and delivered on acceptance of said offer in accordance with the foregoing.

The chairman presented to the meeting a form of certificate required under Tax Law section 275A to be filed in the office of the tax commission.

Upon motion duly made, seconded and carried, it was

RESOLVED that the proper officers of this corporation are hereby authorized and directed to execute and file such certificate forthwith.

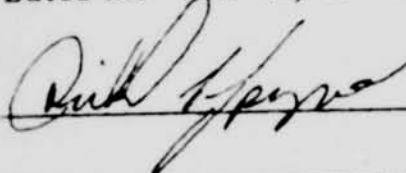
On motion duly made, seconded and carried, it was

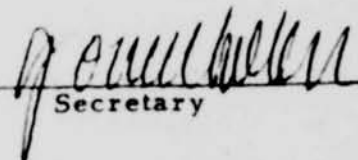
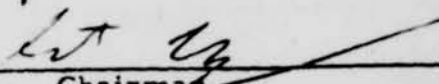
RESOLVED that all of the acts taken and decisions made at the organization meeting be and they hereby are ratified and it was

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business before the meeting, on motion duly made, seconded and carried, the meeting adjourned.

Dated the 9th day of July 1990.




Secretary

Chairman

A true copy of each of the following papers referred to in the foregoing minutes is appended hereto.

Waiver of notice of meeting
Specimen certificate for shares
Resolution designating depository of funds

WAIVER OF NOTICE OF FIRST MEETING OF BOARD

of

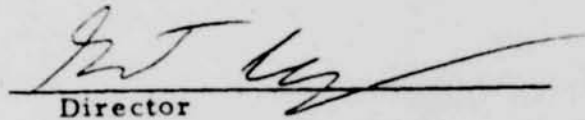
MUSEUM SOURCE, LIMITED

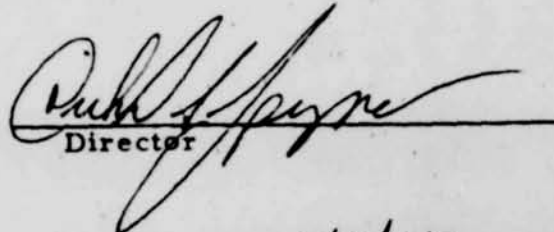
We, the undersigned, being all the directors of the above corporation hereby agree and consent that the first meeting of the board be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereof of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

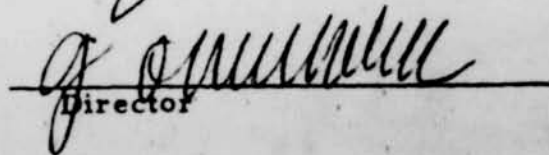
Place of meeting 1590 Kellum Place, Mineola, New York 11501

Date of meeting July 9, 1990

Time of meeting 3:30 P.M.


Director


Director


Director

Dated:

98043384204

MINUTES OF FIRST MEETING OF SHAREHOLDERS

of

MUSEUM SOURCE LIMITED

The first meeting of the shareholders was held at
on the 9th day of July 19 90 at 4:00 o'clock P M.

The meeting was duly called to order by the president who stated the object of the meeting.

The secretary then read the roll of the shareholders as they appear in the share record book of the corporation and reported that a quorum of the shareholders was present.

The secretary then read a waiver of notice of meeting signed by all the shareholders and on motion duly made, seconded and carried it was ordered that the said waiver be appended to the minutes of this meeting.

The president then asked the secretary to read the minutes of the organization meeting and the minutes of the first meeting of the board.

On motion duly made, seconded and unanimously carried the following resolution was adopted:

WHEREAS, the minutes of the organization meeting and the minutes of the first meeting of the board have been read to this meeting, and

WHEREAS, at the organization meeting by-laws were adopted, it is

RESOLVED that this meeting hereby approves, ratifies and adopts the said by-laws as the by-laws of the corporation, and it is

FURTHER RESOLVED that all of the acts taken and the decisions made at the organization meeting and at the first meeting of the board hereby are approved and ratified, and it is

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business the meeting was adjourned.

Dated the 9th day of July 19 90 .

[Signature]
Secretary

[Signature]
[Signature]
[Signature]

The following is appended hereto:

Waiver of notice of meeting.

98043084206

WAIVER OF NOTICE OF FIRST MEETING OF SHAREHOLDERS

of

MUSEUM SOURCE LIMITED

We, the undersigned being all of the shareholders of the above corporation hereby agree and consent that the first meeting of the shareholders be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereof of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

Place of meeting 1590 Kellum Place, Mineola, New York 11501

Date of meeting July 9, 1990.

Time of meeting 3:45 P.M.

9 8 0 4 3 3 6 4 2 0 7


[Handwritten signatures]

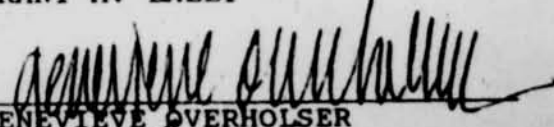
Dated:

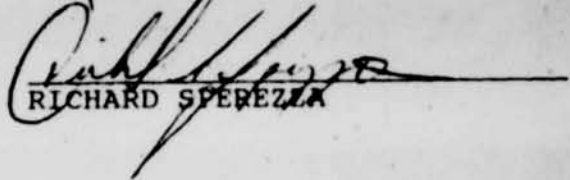
Waiver of notice of Special Meeting of Shareholders

We, the undersigned, being all of the stockholders of MUSEUM SOURCE, LTD. do hereby waive all notice of a special meeting of the stockholders of said corporation and do consent that the 10th day of September, 1990 at 8⁰⁰ o'clock in the afternoon be and the same hereby are fixed as the time, and the offices of the corporation, at 1590 Kellum Place, City of Garden City, New York, is the place for holding the said meeting and that all such matters be transacted thereat as may lawfully come before the meeting.

Dated: 9/10/90


GRANT M. LALLY


GENEVIEVE OVERHOLSER


RICHARD SPEREZZA

98043884200

Minutes
and
By Laws

OF

Museum Source, Ltd.

MINUTES AND BY-LAWS

INDEX

PAGE

ORGANIZATION MEETING:

Minutes of the Meeting	1-4
Waiver of Notice of Meeting	4
Receipt of Department of State	5
Copy of Certificate of Incorporation	6
By-Laws:	A through J

FIRST MEETING OF THE BOARD OF DIRECTORS:

Minutes of the Meeting	7, 8, 9
Waiver of Notice of Meeting	10
Specimen of Certificate for Shares	11
Resolution Designating Depository of Funds	12

FIRST MEETING OF SHAREHOLDERS:

Minutes of Meeting	13, 14
Waiver of Notice	15

APPENDIX

SUGGESTIONS FOR ADDITIONAL RESOLUTIONS	Appendix 1
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SPECIMEN RESOLUTIONS	Appendix 1
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Fix Salary
Execution of Lease
Certificate as to Resolution that Name does not conflict with other corporation

SPECIMEN FORMS FOR USE AS A GUIDE AFTER ORGANIZATION:

Notice of Annual Meeting	Appendix 2
Affidavit of Mailing of Notice of Annual Meeting	Appendix 2
Minutes of the Annual Meeting of Shareholders	Appendix 2, 3
Certificate of Election of Directors	Appendix 4
Oath of Inspectors of Election	Appendix 5
Notice of Meeting of Board	Appendix 5
Minutes of Meeting of Board	Appendix 5
Minutes of Special Meeting of Board	Appendix 6
Proxy	Appendix 6

MINUTES OF ORGANIZATION MEETING OF

MUSEUM SOURCE INC.

The undersigned, being the sole incorporator of this corporation, held an organization meeting at the date and place set forth below, at which meeting the following action was taken:

It was resolved that a copy of the certificate of incorporation together with the receipt issued by the department of state showing payment of the statutory organization tax and the date and payment of the fee for filing the original certificate of incorporation be appended to these minutes.

By-Laws regulating the conduct of the business and affairs of the corporation, as prepared by counsel for the corporation were adopted and ordered appended hereto.

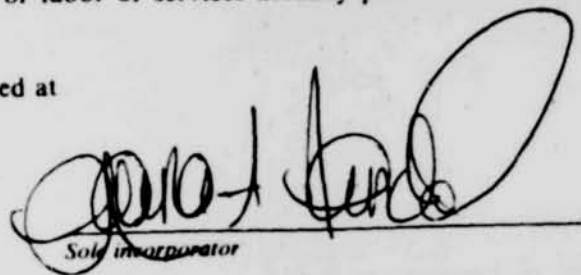
The persons whose names appear below were named as directors.

The board of directors was authorized to issue all of the unsubscribed shares of the corporation at such time and in such amounts as determined by the board and to accept in payment money or other property, tangible or intangible, actually received or labor or services actually performed for the corporation or for its benefit or in its formation.

The principal office of the corporation was fixed at

Dated at
the 9th day of July

19 90


Sole incorporator

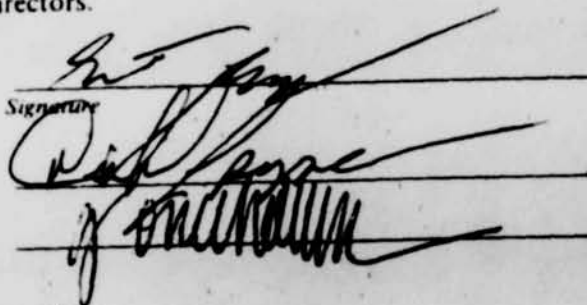
The undersigned accept their nomination as directors.

Grant M. Lally

Type director's name

Richard A. Sperazza

Genevieve Overholser


Signature

The following are appended to the minutes of this meeting:

Copy of certificate of incorporation, filed on June 15, 1990
Receipt of department of state
By-Laws

9 8 0 4 5 8 8 4 2 1 2

NYS DEPARTMENT OF STATE

FILING RECEIPT

INCORPORATION (BUSINESS)

CORPORATION NAME

MUSEUM SOURCE INC.

DATE FILED

06/15/90

DURATION & COUNTY CODE

P

NASS

FILM NUMBER

C153024-3

CASH NUMBER

635895

NUMBER AND KIND OF SHARES

200NPV

LOCATION OF PRINCIPAL OFFICE

*XL

ADDRESS FOR PROCESSLALLY & LALLY
220 OLD COUNTRY ROAD

MINEOLA

NY 11501

REGISTERED AGENTFEES AND/OR TAX PAID AS FOLLOWS

AMOUNT OF CHECK \$

\$ 5.00

DOLLAR FEE TO COUNTY

AMOUNT OF MONEY ORDER \$ 00110.00

AMOUNT OF CASH \$

\$ 100.00

FILING

\$ 00010.00

TAX

\$

CERTIFIED COPY

\$

CERTIFICATE

TOTAL PAYMENT \$ 0000110.00

REFUND OF \$

FILER NAME AND ADDRESSLALLY & LALLY
220 OLD COUNTRY ROAD

MINEOLA

NY 11501

TO FOLLOW

RECEIPT OF DEPARTMENT OF STATE

CERTIFICATE OF INCORPORATION
OF

MUSEUM SOURCE INC.

Under Section 402 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The purpose or purposes for which the corporation is formed are as follows; to wit:

To engage in any lawful act or activity for which corporations may be formed under the Business Corporation Law. The corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

To own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

The corporation shall have all of the powers enumerated in Section 202 of the Business Corporation Law, subject to any limitations provided in the Business Corporation Law or any other statute in the State of New York.

3. A director of the corporation shall not be held liable to the corporation or its shareholders for damages for any breach of duty in such capacity except for

(i) liability if a judgment or other final adjudication adverse to a director establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained in fact a financial profit or other advantage to which he or she was not legally entitled or that the director's acts violated BCL Section 719, or

(ii) liability for any act or omission prior to the adoption of this provision.

4. The county in which the office of the corporation is to be located in the State of New York is: Nassau

5. The aggregate number of shares which the corporation shall have authority to issue is: 200 shares, no par value.

6. The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the corporation served upon him is:

Lally & Lally
220 Old Country Road
Mineola, New York 11501

The undersigned incorporator is of the age of eighteen years or over.

IN WITNESS WHEREOF, this certificate has been subscribed May 16, 1990 by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Laura Faircloth
Laura Faircloth
33 Rensselaer Street
Albany, New York 12202

98043664214

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION
OF

MUSEUM SOURCE INC.

Under Section 805 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The certificate of incorporation was filed by the Department of State on the 15th day of June, 1990.

3. The certificate of incorporation is hereby amended to effect the following change:

To amend Paragraph (1) which sets forth the name of the corporation.

Paragraph (1) shall now read as follows:

- (1) The name of the corporation is:

MUSEUM SOURCE LTD.

4. The amendment to the certificate of incorporation was authorized by the sole incorporator for the reason that no shares have been issued, no directors or officers have been elected, and there are no subscribers for shares whose subscriptions have been accepted.

98043384215

IN WITNESS WHEREOF, this certificate has been
subscribed June 26, 1990 by the undersigned who affirms that the
statements made herein are true under the penalties of perjury.

Laura A. Faircloth
Laura A. Faircloth
Sole Incorporator

98043664216

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS

of

MUSEUM SOURCE, LIMITED

The first meeting of the board was held at MUSEUM SOURCE, LTD.,
Executive Offices, 1590 Kellum Place, Mineola, New York 11501
on the 9th day of July 1990 at 9:00 o'clock A M.

The following were present:

Grant M. Lally
Richard A. Sperazza
Genevieve Overholser

being a quorum and all of the directors of the corporation.

Grant M. Lally was nominated and elected
temporary chairman and acted as such until relieved by the president.
Genevieve Overholser was nominated and elected
temporary secretary, and acted as such until relieved by the permanent
secretary.

The secretary then presented and read to the meeting a waiver of notice
of meeting, subscribed by all the directors of the corporation, and it was
ordered that it be appended to the minutes of this meeting.

The following were duly nominated and, a vote having been taken, were
unanimously elected officers of the corporation to serve for one year and un-
til their successors are elected and qualified:

President: Grant M. Lally

Vice-President: Richard A. Sperazza

Secretary: Genevieve Overholser

Treasurer: Genevieve Overholser

The president and secretary thereupon assumed their respective offices in place and stead of the temporary chairman and the temporary secretary.

Upon motion duly made, seconded and carried, it was

RESOLVED that the seal now presented at this meeting, an impression of which is directed to be made in the margin of the minute book, be and the same hereby is adopted as the seal of this corporation and further

RESOLVED that the president and treasurer be and they hereby are authorized to issue certificates for shares in the form as submitted to this meeting and appended to the minutes of this meeting and further

RESOLVED that the share and transfer book now presented at this meeting be and the same hereby is adopted as the share and transfer book of the corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED that the treasurer be and hereby is authorized to open a bank account in behalf of the corporation with Citibank, N.A.

located at 200 Old Country Road, Mineola, New York 11501 and a resolution for that purpose on the printed form of said bank was adopted and was ordered appended to the minutes of this meeting.

Upon motion duly made, seconded and carried, it was

RESOLVED that the corporation proceed to carry on the business for which it was incorporated.

The secretary then presented to the meeting a written proposal from to this corporation.

Upon motion duly made, seconded and carried, the said proposal was ordered filed with the secretary, and he was requested to spread the same at length upon the minutes, said proposal being as follows:

That for the sum of \$60.00 the MUSEUM SOURCE LIMITED shall issue one-hundred and twenty shares to Grant M. Lally, that for the sum of \$20.00 MUSEUM SOURCE LIMITED shall issue forty shares to Richard A. Sperazza, and that for the sum of \$20.00 MUSEUM SOURCE LIMITED shall issue forty shares to Genevieve Overholser, such total equalling 200 shares, the aggregate number of shares which the Corporation has authority to issue.

98043084219

9 0 0 4 3 8 4 2 2 C

The proposal was taken up for consideration and the following resolution was on motion unanimously adopted:

WHEREAS a written proposal has been made to this corporation in the form as set forth above in these minutes, and

WHEREAS in the judgment of this board the assets proposed to be transferred to the corporation are reasonably worth the amount of the consideration demanded therefor, and that it is in the best interests of this corporation to accept the said offer as set forth in said proposal,

NOW THEREFORE, IT IS RESOLVED that said offer, as set forth in said proposal, be and the same hereby is approved and accepted, and that in accordance with the terms thereof, this corporation, shall as full payment for said property issue to said offeror (s) or nominee (s) 200 fully paid and non-assessable shares of this corporation, and it is

FURTHER RESOLVED, that upon the delivery to this corporation of said assets and the execution and delivery of such proper instruments as may be necessary to transfer and convey the same to this corporation, the officers of this corporation are authorized and directed to execute and deliver the certificate or certificates for such shares as are required to be issued and delivered on acceptance of said offer in accordance with the foregoing.

The chairman presented to the meeting a form of certificate required under Tax Law section 275A to be filed in the office of the tax commission.

Upon motion duly made, seconded and carried, it was

RESOLVED that the proper officers of this corporation are hereby authorized and directed to execute and file such certificate forthwith.

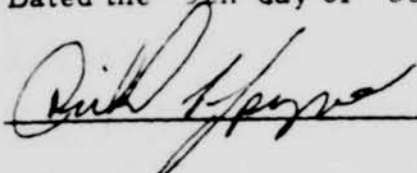
On motion duly made, seconded and carried, it was

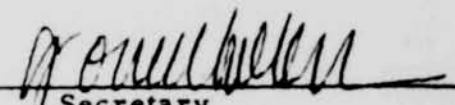
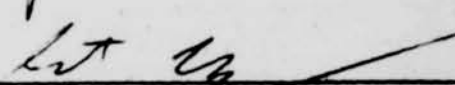
RESOLVED that all of the acts taken and decisions made at the organization meeting be and they hereby are ratified and it was

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business before the meeting, on motion duly made, seconded and carried, the meeting adjourned.

Dated the 9th day of July 1990.

9804364221



Secretary

Chairman

A true copy of each of the following papers referred to in the foregoing minutes is appended hereto.

Waiver of notice of meeting
Specimen certificate for shares
Resolution designating depository of funds

WAIVER OF NOTICE OF FIRST MEETING OF BOARD

of

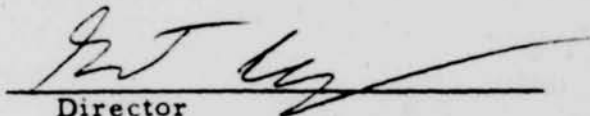
MUSEUM SOURCE, LIMITED

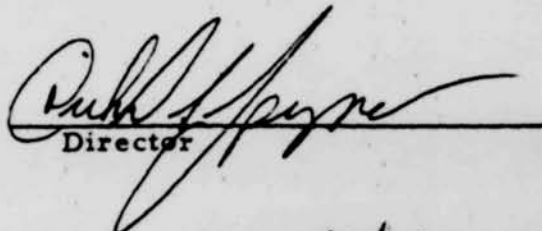
We, the undersigned, being all the directors of the above corporation hereby agree and consent that the first meeting of the board be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereat of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

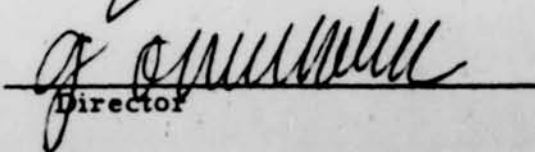
Place of meeting 1590 Kellum Place, Mineola, New York 11501

Date of meeting July 9, 1990

Time of meeting 3:30 P.M.


Director


Director


Director

Dated:



INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

MUSEUM SOURCE LTD.

The Corporation is authorized to issue 200 Common Shares Without Par Value

This Certifies that

SPECIMEN

*is the owner of
fully paid and*

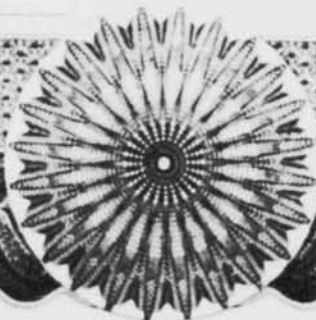
*non-assessable Shares of the above Corporation transferable only on the
books of the Corporation by the holder hereof in person or by duly authorized
Attorney upon surrender of this Certificate properly endorsed.*

*In Witness Whereof, the said Corporation has caused this Certificate to be signed
by its duly authorized officers and to be sealed with the Seal of the Corporation.*

Dated

SECRETARY

PRESIDENT



RESOLUTION DESIGNATING DEPOSITORY OF FUNDS

9 8 0 4 3 5 6 4 2 2 4

MINUTES OF FIRST MEETING OF SHAREHOLDERS

of

MUSEUM SOURCE LIMITED

The first meeting of the shareholders was held at
on the 9th day of July 19 90 at 4:00 o'clock P M.

The meeting was duly called to order by the president who stated the object of the meeting.

The secretary then read the roll of the shareholders as they appear in the share record book of the corporation and reported that a quorum of the shareholders was present.

The secretary then read a waiver of notice of meeting signed by all the shareholders and on motion duly made, seconded and carried it was ordered that the said waiver be appended to the minutes of this meeting.

The president then asked the secretary to read the minutes of the organization meeting and the minutes of the first meeting of the board.

On motion duly made, seconded and unanimously carried the following resolution was adopted:

WHEREAS, the minutes of the organization meeting and the minutes of the first meeting of the board have been read to this meeting, and

WHEREAS, at the organization meeting by-laws were adopted, it is

RESOLVED that this meeting hereby approves, ratifies and adopts the said by-laws as the by-laws of the corporation, and it is

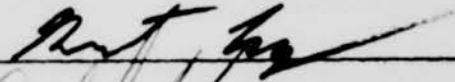

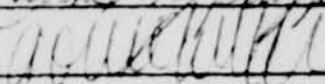
FURTHER RESOLVED that all of the acts taken and the decisions made at the organization meeting and at the first meeting of the board hereby are approved and ratified, and it is

FURTHER RESOLVED, that the signing of these minutes shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business the meeting was adjourned.

Dated the 9th day of July 19 90 .


Secretary

The following is appended hereto:

Waiver of notice of meeting.

980433041226

WAIVER OF NOTICE OF FIRST MEETING OF SHAREHOLDERS

of

MUSEUM SOURCE LIMITED

We, the undersigned being all of the shareholders of the above corporation hereby agree and consent that the first meeting of the shareholders be held on the date and at the time and place stated below for the purpose of electing officers and the transaction thereof of all such other business as may lawfully come before said meeting and hereby waive all notice of the meeting and of any adjournment thereof.

Place of meeting 1590 Kellum Place, Mineola, New York 11501

Date of meeting July 9, 1990.

Time of meeting 3:45 P.M.

9 8 0 4 3 8 8 4 2 2 7

[Handwritten signatures]

Dated:

CERTIFICATE OF INCORPORATION

OF

MUSEUM SOURCE INC.

Under Section 402 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The purpose or purposes for which the corporation is formed are as follows; to wit:

To engage in any lawful act or activity for which corporations may be formed under the Business Corporation Law. The corporation is not formed to engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.

To own, operate, manage, acquire and deal in property, real and personal, which may be necessary to the conduct of the business.

The corporation shall have all of the powers enumerated in Section 202 of the Business Corporation Law, subject to any limitations provided in the Business Corporation Law or any other statute in the State of New York.

3. A director of the corporation shall not be held liable to the corporation or its shareholders for damages for any breach of duty in such capacity except for

(i) liability if a judgment or other final adjudication adverse to a director establishes that his or her acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that the director personally gained in fact a financial profit or other advantage to which he or she was not legally entitled or that the director's acts violated BCL Section 719, or

(ii) liability for any act or omission prior to the adoption of this provision.

4. The county in which the office of the corporation is to be located in the State of New York is: Nassau

5. The aggregate number of shares which the corporation shall have authority to issue is: 200 shares, no par value.

6. The Secretary of State is designated as agent of the corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the corporation served upon him is:

Lally & Lally
220 Old Country Road
Mineola, New York 11501

The undersigned incorporator is of the age of eighteen years or over.

IN WITNESS WHEREOF, this certificate has been subscribed May 16, 1990 by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Laura Faircloth
Laura Faircloth
33 Rensselaer Street
Albany, New York 12202

96043084229

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION
OF
MUSEUM SOURCE INC.

Under Section 805 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the corporation is:

MUSEUM SOURCE INC.

2. The certificate of incorporation was filed by the Department of State on the 15th day of June, 1990.

3. The certificate of incorporation is hereby amended to effect the following change:

To amend Paragraph (1) which sets forth the name of the corporation.

Paragraph (1) shall now read as follows:

- (1) The name of the corporation is:

MUSEUM SOURCE LTD.

4. The amendment to the certificate of incorporation was authorized by the sole incorporator for the reason that no shares have been issued, no directors or officers have been elected, and there are no subscribers for shares whose subscriptions have been accepted.

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IN WITNESS WHEREOF, this certificate has been
subscribed June 26, 1990 by the undersigned who affirms that the
statements made herein are true under the penalties of perjury.

Laura A. Faircloth
Laura A. Faircloth
Sole Incorporator

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9 3 0 4 3 8 0 4 2 3 2

The Board of Directors have determined that in order to attract investment in the corporation the corporation shall be organized and managed so that it is a "Small Business Corporation" as defined in IRC Sec. 1244 (c)(1), as amended, and so that the shares issued by the corporation are "Section 1244 Stock" as defined in IRC Sec. 1244 (c)(1), as amended. Compliance with this section will enable shareholders to treat the loss on the sale or exchange of their shares as an "ordinary loss" on their personal income tax returns.

RESOLVED, that the proper officers of the corporation are authorized to sell and issue common shares in an aggregate amount of money and other property (as a contribution to capital and as paid in surplus), which together with the aggregate amount of common shares outstanding at the time of issuance, does not exceed \$1,000,000, and

RESOLVED, that the sale and issuance of shares shall be conducted in compliance with IRC Sec. 1244, so that the corporation and its shareholders may obtain the benefits of IRC Sec. 1244, and further

RESOLVED, that the proper officers of the corporation are directed to maintain such accounting records as are necessary so that any shareholder that experiences a loss on the transfer of common shares of the corporation may determine whether they qualify for "ordinary loss" deduction treatment on their personal income tax returns.

MINUTES OF SPECIAL MEETING OF DIRECTORS

OF

A special meeting of the Board of Directors of the Corporation was held at the time, date and place set forth below.

All of the Directors being present, the meeting was called to order by the Chairman. The Chairman advised that all the shareholders had executed written consents to the election by the Corporation to be treated as a "small business corporation". Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the proper officers of the corporation are hereby authorized to take any and all action necessary to comply with the requirements of the Internal Revenue Service for making an election pursuant to Sub Chapter S of the Internal Revenue Code, Sec. 1362, and it was further

RESOLVED, that the signing of these minutes by the Directors shall constitute full ratification thereof and waiver of notice of the meeting by the signatories.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

Place:

Date:

Time:

Secretary

Chairman

Director

Director

Director

BY-LAWS

of

ARTICLE I - OFFICES

The principal office of the corporation shall be in the
of _____ County of _____ State of New York.
The corporation may also have offices at such other places within or with-
out the State of New York as the board may from time to time determine
or the business of the corporation may require.

ARTICLE II - SHAREHOLDERS

1. PLACE OF MEETINGS.

Meetings of shareholders shall be held at the principal office of the
corporation or at such place within or without the State of New York as the
board shall authorize.

2. ANNUAL MEETING.

The annual meeting of the shareholders shall be held on the
day of _____ at _____ M. in each year if not a
legal holiday, and, if a legal holiday, then on the next business day follow-
ing at the same hour, when the shareholders shall elect a board and trans-
act such other business as may properly come before the meeting.

3. SPECIAL MEETINGS.

Special meetings of the shareholders may be called by the board or
by the president and shall be called by the president or the secretary at the
request in writing of a majority of the board or at the request in writing by
shareholders owning a majority in amount of the shares issued and outstand-
ing. Such request shall state the purpose or purposes of the proposed meet-
ing. Business transacted at a special meeting shall be confined to the pur-
poses stated in the notice.

4. FIXING RECORD DATE.

For the purpose of determining the shareholders entitled to notice of
or to vote at any meeting of shareholders or any adjournment thereof, or
to express consent to or dissent from any proposal without a meeting, or
for the purpose of determining shareholders entitled to receive payment of
any dividend or the allotment of any rights, or for the purpose of any other

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action, the board shall fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. If no record date is fixed it shall be determined in accordance with the provisions of law.

5. NOTICE OF MEETINGS OF SHAREHOLDERS.

Written notice of each meeting of shareholders shall state the purpose or purposes for which the meeting is called, the place, date and hour of the meeting and unless it is the annual meeting, shall indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice shall be given either personally or by mail to each shareholder entitled to vote at such meeting, not less than ten nor more than fifty days before the date of the meeting. If action is proposed to be taken that might entitle shareholders to payment for their shares, the notice shall include a statement of that purpose and to that effect. If mailed, the notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the secretary a written request that notices to him be mailed to some other address, then directed to him at such other address.

6. WAIVERS.

Notice of meeting need not be given to any shareholder who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

7. QUORUM OF SHAREHOLDERS.

Unless the certificate of incorporation provides otherwise, the holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or classes, the holders of a majority of the shares of such class or classes shall constitute a quorum for the transaction of such specified item of business.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present may adjourn the meeting despite the absence of a quorum.

8. PROXIES.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

9. QUALIFICATION OF VOTERS.

Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, unless otherwise provided in the certificate of incorporation.

10. VOTE OF SHAREHOLDERS.

Except as otherwise required by statute or by the certificate of incorporation;

(a) directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election;

(b) all other corporate action shall be authorized by a majority of the votes cast.

11. WRITTEN CONSENT OF SHAREHOLDERS.

Any action that may be taken by vote may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all the outstanding shares entitled to vote thereon or signed by such lesser number of holders as may be provided for in the certificate of incorporation.

ARTICLE III - DIRECTORS

1. BOARD OF DIRECTORS.

Subject to any provision in the certificate of incorporation the business of the corporation shall be managed by its board of directors, each of whom shall be at least 18 years of age and be shareholders.

2. NUMBER OF DIRECTORS.

The number of directors shall be
When all of the shares are owned by less than three shareholders, the number of directors may be less than three but not less than the number of shareholders.

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3. ELECTION AND TERM OF DIRECTORS.

At each annual meeting of shareholders, the shareholders shall elect directors to hold office until the next annual meeting. Each director shall hold office until the expiration of the term for which he is elected and until his successor has been elected and qualified, or until his prior resignation or removal.

4. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board for any reason except the removal of directors without cause may be filled by a vote of a majority of the directors then in office, although less than a quorum exists, unless otherwise provided in the certificate of incorporation. Vacancies occurring by reason of the removal of directors without cause shall be filled by vote of the shareholders unless otherwise provided in the certificate of incorporation. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

5. REMOVAL OF DIRECTORS.

Any or all of the directors may be removed for cause by vote of the shareholders or by action of the board. Directors may be removed without cause only by vote of the shareholders.

6. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

7. QUORUM OF DIRECTORS.

Unless otherwise provided in the certificate of incorporation, a majority of the entire board shall constitute a quorum for the transaction of business or of any specified item of business.

8. ACTION OF THE BOARD.

Unless otherwise required by law, the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the board. Each director present shall have one vote regardless of the number of shares, if any, which he may hold.

9. **PLACE AND TIME OF BOARD MEETINGS.**

The board may hold its meetings at the office of the corporation or at such other places, either within or without the State of New York, as it may from time to time determine.

10. **REGULAR ANNUAL MEETING.**

A regular annual meeting of the board shall be held immediately following the annual meeting of shareholders at the place of such annual meeting of shareholders.

11. **NOTICE OF MEETINGS OF THE BOARD, ADJOURNMENT.**

(a) Regular meetings of the board may be held without notice at such time and place as it shall from time to time determine. Special meetings of the board shall be held upon notice to the directors and may be called by the president upon three days notice to each director either personally or by mail or by wire; special meetings shall be called by the president or by the secretary in a like manner on written request of two directors. Notice of a meeting need not be given to any director who submits a waiver of notice whether before or after the meeting or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to him.

(b) A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the adjournment shall be given all directors who were absent at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

12. **CHAIRMAN.**

At all meetings of the board the president, or in his absence, a chairman chosen by the board shall preside.

13. **EXECUTIVE AND OTHER COMMITTEES.**

The board, by resolution adopted by a majority of the entire board, may designate from among its members an executive committee and other committees, each consisting of three or more directors. Each such committee shall serve at the pleasure of the board.

14. **COMPENSATION.**

No compensation shall be paid to directors, as such, for their services, but by resolution of the board a fixed sum and expenses for actual attendance, at each regular or special meeting of the board may be author-

ized. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

ARTICLE IV - OFFICERS

1. OFFICES, ELECTION, TERM.

(a) Unless otherwise provided for in the certificate of incorporation, the board may elect or appoint a president, one or more vice-presidents, a secretary and a treasurer, and such other officers as it may determine, who shall have such duties, powers and functions as hereinafter provided.

(b) All officers shall be elected or appointed to hold office until the meeting of the board following the annual meeting of shareholders.

(c) Each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified.

2. REMOVAL, RESIGNATION, SALARY, ETC.

(a) Any officer elected or appointed by the board may be removed by the board with or without cause.

(b) In the event of the death, resignation or removal of an officer, the board in its discretion may elect or appoint a successor to fill the unexpired term.

(c) Any two or more offices may be held by the same person, except the offices of president and secretary. When all of the issued and outstanding stock of the corporation is owned by one person, such person may hold all or any combination of offices.

(d) The salaries of all officers shall be fixed by the board.

(e) The directors may require any officer to give security for the faithful performance of his duties.

3. PRESIDENT.

The president shall be the chief executive officer of the corporation; he shall preside at all meetings of the shareholders and of the board; he shall have the management of the business of the corporation and shall see that all orders and resolutions of the board are carried into effect.

4. VICE-PRESIDENTS.

During the absence or disability of the president, the vice-president, or if there are more than one, the executive vice-president, shall have all

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the powers and functions of the president. Each vice-president shall perform such other duties as the board shall prescribe.

5. SECRETARY.

The secretary shall:

- (a) attend all meetings of the board and of the shareholders;
- (b) record all votes and minutes of all proceedings in a book to be kept for that purpose;
- (c) give or cause to be given notice of all meetings of shareholders and of special meetings of the board;
- (d) keep in safe custody the seal of the corporation and affix it to any instrument when authorized by the board;
- (e) when required, prepare or cause to be prepared and available at each meeting of shareholders a certified list in alphabetical order of the names of shareholders entitled to vote thereat, indicating the number of shares of each respective class held by each;
- (f) keep all the documents and records of the corporation as required by law or otherwise in a proper and safe manner.
- (g) perform such other duties as may be prescribed by the board.

6. ASSISTANT-SECRETARIES.

During the absence or disability of the secretary, the assistant-secretary, or if there are more than one, the one so designated by the secretary or by the board, shall have all the powers and functions of the secretary.

7. TREASURER.

The treasurer shall:

- (a) have the custody of the corporate funds and securities;
- (b) keep full and accurate accounts of receipts and disbursements in the corporate books;
- (c) deposit all money and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the board;
- (d) disburse the funds of the corporation as may be ordered or authorized by the board and preserve proper vouchers for such disbursements;
- (e) render to the president and board at the regular meetings of the board, or whenever they require it, an account of all his transactions as

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treasurer and of the financial condition of the corporation;

(f) render a full financial report at the annual meeting of the shareholders if so requested;

(g) be furnished by all corporate officers and agents at his request, with such reports and statements as he may require as to all financial transactions of the corporation;

(h) perform such other duties as are given to him by these by-laws or as from time to time are assigned to him by the board or the president.

8. ASSISTANT-TREASURER.

During the absence or disability of the treasurer, the assistant-treasurer, or if there are more than one, the one so designated by the secretary or by the board, shall have all the powers and functions of the treasurer.

9. SURETIES AND BONDS.

In case the board shall so require, any officer or agent of the corporation shall execute to the corporation a bond in such sum and with such surety or sureties as the board may direct, conditioned upon the faithful performance of his duties to the corporation and including responsibility for negligence and for the accounting for all property, funds or securities of the corporation which may come into his hands.

ARTICLE V - CERTIFICATES FOR SHARES

1. CERTIFICATES.

The shares of the corporation shall be represented by certificates. They shall be numbered and entered in the books of the corporation as they are issued. They shall exhibit the holder's name and the number of shares and shall be signed by the president or a vice-president and the treasurer or the secretary and shall bear the corporate seal.

2. LOST OR DESTROYED CERTIFICATES.

The board may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation, alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall

require and/or give the corporation a bond in such sum and with such surety or sureties as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

3. TRANSFERS OF SHARES.

(a) Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate; every such transfer shall be entered on the transfer book of the corporation which shall be kept at its principal office. No transfer shall be made within ten days next preceding the annual meeting of shareholders.

(b) The corporation shall be entitled to treat the holder of record of any share as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the laws of New York.

4. CLOSING TRANSFER BOOKS.

The board shall have the power to close the share transfer books of the corporation for a period of not more than ten days during the thirty day period immediately preceding (1) any shareholders' meeting, or (2) any date upon which shareholders shall be called upon to or have a right to take action without a meeting, or (3) any date fixed for the payment of a dividend or any other form of distribution, and only those shareholders of record at the time the transfer books are closed, shall be recognized as such for the purpose of (1) receiving notice of or voting at such meeting, or (2) allowing them to take appropriate action, or (3) entitling them to receive any dividend or other form of distribution.

ARTICLE VI - DIVIDENDS

Subject to the provisions of the certificate of incorporation and to applicable law, dividends on the outstanding shares of the corporation may be declared in such amounts and at such time or times as the board may determine. Before payment of any dividend, there may be set aside out of the net profits of the corporation available for dividends such sum or sums as the board from time to time in its absolute discretion deems proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other

purpose as the board shall think conducive to the interests of the corporation, and the board may modify or abolish any such reserve.

ARTICLE VII - CORPORATE SEAL

The seal of the corporation shall be circular in form and bear the name of the corporation, the year of its organization and the words "Corporate Seal, New York." The seal may be used by causing it to be impressed directly on the instrument or writing to be sealed, or upon adhesive substance affixed thereto. The seal on the certificates for shares or on any corporate obligation for the payment of money may be a facsimile, engraved or printed.

ARTICLE VIII - EXECUTION OF INSTRUMENTS

All corporate instruments and documents shall be signed or countersigned, executed, verified or acknowledged by such officer or officers or other person or persons as the board may from time to time designate.

ARTICLE IX - FISCAL YEAR

The fiscal year shall begin the first day of _____ in each year.

ARTICLE X - REFERENCES TO CERTIFICATE OF INCORPORATION

Reference to the certificate of incorporation in these by-laws shall include all amendments thereto or changes thereof unless specifically excepted.

ARTICLE XI - BY-LAW CHANGES

AMENDMENT, REPEAL, ADOPTION, ELECTION OF DIRECTORS.

(a) Except as otherwise provided in the certificate of incorporation the by-laws may be amended, repealed or adopted by vote of the holders of the shares at the time entitled to vote in the election of any directors. By-laws may also be amended, repealed or adopted by the board but any by-law adopted by the board may be amended by the shareholders entitled to vote thereon as hereinabove provided.

(b) If any by-law regulating an impending election of directors is adopted, amended or repealed by the board, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the by-law so adopted, amended or repealed, together with a concise statement of the changes made.

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

Lally for Congress)
and Dawn M. Fasano, as treasurer) MUR 4128
Grant M. Lally)
Lawrence M. Lally)
Utewolf Lally)

SENSITIVE
JUL 16 1996
EXECUTIVE SESSION

1. BACKGROUND

Also on May 16, 1996, the Commission approved Subpoenas and Orders to the above-named respondents. Responses to the Commission's Subpoenas and Orders were due on June 28, 1996. On July 3, 1996, this Office sent letters to these respondents by facsimile and first class mail informing them that their responses to the Commission's Subpoenas and Orders were overdue. See Attachment 1. Despite these notifications and several telephone calls made by

On April 22, 1996, the complainant DCCC filed a petition for declaratory and injunctive relief in the U.S. District Court for the District of Columbia, claiming that the Commission's failure to act on the complaint in this matter within the 120 day period provided in 2 U.S.C. § 437g(a)(8) is contrary to law. DCCC v. FEC, No. 96CV00764 (D.D.C. April 22, 1996).

staff informing respondents that their responses were overdue, responses have still not been submitted.² In light of the foregoing and to avoid further delay of this investigation, this Office recommends that the Commission authorize the Office of General Counsel to file a civil suit for relief in United States District Court against Grant M. Lally, Lawrence M. Lally, Utewolf Lally, Lally for Congress, and Dawn M. Fasano, as treasurer, in the event that all such respondents do not fully comply with the Commission's Subpoenas and Orders within five days of notification.

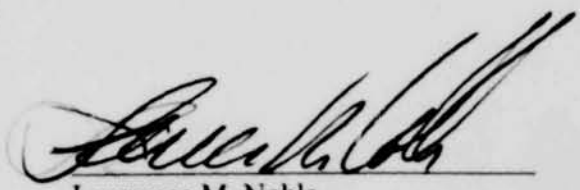
II. RECOMMENDATIONS

1. Authorize the Office of General Counsel to file a civil suit for relief in United States District Court against Grant M. Lally, Lawrence M. Lally, Utewolf Lally, Lally for Congress, and Dawn M. Fasano, as treasurer, in the event that all such respondents do not fully comply with the Commission's Subpoenas and Orders within five days of notification.

2. Approve the appropriate letters.

Date

7/10/96


Lawrence M. Noble
General Counsel

Attachment

Letters to respondents dated July 3, 1996

Staff Assigned: Xavier K. McDonnell

² During several telephone conversations, respondents have provided conflicting information about when and how their responses were alleged to have been sent. In response to our letter of July 3, 1996, Lawrence Lally claimed that the responses were sent on June 28, 1996, suggested that they had obtained a signature establishing delivery from a Commission representative and that he would look into the matter. However, Mr. Lally never called back. Later on the same day the secretary for an attorney from Garden City, New York who had previously claimed to be representing these respondents stated that the package was sent via first class mail on July 26, 1996. By close of business on July 9, 1996, no responses or designation of counsel have been received.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4128
Lally for Congress and)
Dawn M. Fasano, as treasurer;)
Grant M. Lally:)
Lawrence M. Lally;)
Utewolf Lally)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on July 16, 1996, do hereby certify that the Commission decided by a vote of 4-0 to take the following actions in MUR 4128:

1. Authorize the Office of General Counsel to file a civil suit for relief in United States District Court against Grant M. Lally, Lawrence M. Lally, Utewolf Lally, Lally for Congress, and Dawn M. Fasano, as treasurer, in the event that all such respondents do not fully comply with the Commission's Subpoenas and Orders within five days of notification.
2. Approve the appropriate letters as recommended in the General Counsel's July 10, 1996 report.

Commissioners Aikens, Elliott, McDonald, and McGarry voted affirmatively for the decision; Commissioner Thomas was not present.

Attest:

7-17-96
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY FEDERAL EXPRESS

John Ciampoli, Esquire
1461 Franklin Ave.
Garden City, New York 11530

July 17, 1996

RE: MUR 4128
Lally for Congress
and Dawn M. Fasano, as treasurer
Grant M. Lally
Lawrence M. Lally
Ute wolf Lally

Dear Mr. Ciampoli:

By letters dated May 22, 1996, the above-named respondents were notified that on May 16, 1996, the Federal Election Commission found reason to believe that they violated various provisions of the Federal Election Campaign Act of 1971, as amended. Enclosed with those notification letters were Factual and Legal Analyses, Subpoenas for Documents and Orders for Written Answers. Responses to the Subpoenas and Orders were due on June 28, 1996. As no responses were received on the date due, on July 3 and again on July 10, 1996, this Office sent letters to the above-named respondents requesting that such responses be submitted immediately. See enclosures. On July 12, 1996, we received signed statements by the above-named respondents designating you as their counsel. On July 15, 1996, we received a package from your office containing documents that appear to be responsive to only a fraction of those subpoenaed. In addition, the package does not contain any written answers to the Commission's Orders.

As a result of our inability to obtain voluntary compliance with the Commission's Orders and Subpoenas, on July 16, 1996 the Commission authorized the General Counsel to institute a civil action for relief in the United States District Court in the event there is not full compliance with such Orders and Subpoenas within 5 days of your receipt of this notification.

Should you have any questions, please contact Stephen E. Hershkowitz, Assistant General Counsel for Litigation at (202) 219-3400.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosures

RECEIVED
FEDERAL ELECTION
COMMISSION
GENTILE CIAMPOLI
ATTORNEYS AND COUNSELLORS AT LAW

JUL 19 2 15 PM '96

GLEN JEREMIAH GENTILE
JOHN N. CIAMPOLI
OF COUNSEL
HARLAN WITTENSTEIN

MAIN OFFICE
1461 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530
(516) 739-2041

NEW YORK CITY OFFICE
POST OFFICE BOX 204
BROOKLYN, NEW YORK 11209
(718) 748-0017

STATE CAPITAL OFFICE
7 BRIARWOOD TERRACE
ATLANTA, NEW YORK 11209
518 758 2845

PLEASE RESPOND TO:

June 30, 1996

Xavier Mc Donnell, Esq.
Federal Election Commission
999 E Street NW
Washington, D.C. 20463

RE: MUR 4128

Dear Mr. McDonnell:

We have been retained by Candidate Grant M. Lally and the Lally campaign committee in connection with the above referenced matter.

Enclosed herewith please find the response of the committee's treasurer, Lawrence Lally, and candidate Grant Lally to the requests for documents and questions posed by the Commission. The two affidavits are attached to a single set of exhibits to which they refer.

On behalf of our clients, we would respectfully request an opportunity to conference this matter with counsel for the commission. Additional documents are being retrieved by our clients and will be forwarded when available. Designation of counsel will also come under separate cover.

It is our hope that the affidavits submitted, together with the documentation we have and will produce, should resolve any remaining questions the Commission may have. Please advise the undersigned of any further inquiries you might have. Please bear with us during the days ahead as we will be actively engaged in the New York State ballot access process for several clients, which carries with it short statutes of limitations and heavy work loads.

Thank you for your consideration.

Very truly yours,

GENTILE and CIAMPOLI

BY: 

GRANT M. LALLY, ESQ., being duly sworn, deposes and says
that the following are answers to questions submitted:

- A. (1) Primary #1 - 5/5/94
- \$1,000.00
- Source - personal savings
- (2) Primary #2 - 5/24/94
- \$100,000.00
- Sources to Grant M. Lally ("GML")
 (a) \$73,000. paid from Lawrence M. Lally ("LML")
 toward purchase of 1527 Bantam Place, Bronx,
 N.Y. property
 (b) \$18,000. paid by Ute W. Lally ("UWL") for
 purchase of 1966 Corvette
 (c) \$9,000. paid from personal savings
- (3) Primary #3 - 6/30/94
- \$25,000.00
- Sources to GML
 (a) \$25,000. from personal savings (income
 from Lally & Lally, Esqs., law firm)
- (4) Primary #4 - 9/9/94
- \$6,000.00
- Sources to GML
 (a) \$6,000. from personal savings (income
 from Lally & Lally, Esqs., law firm)
- (5) General #1 - 9/14/94
- \$10,000.00
- Source to GML
 (a) \$10,000.00 from personal savings (income
 from Lally & Lally, Esqs., law firm)
- (6) General #2 - 9/15/94
- \$10,000.00
- Source to GML
 (a) \$10,000. from personal savings (income
 from Lally & Lally, Esqs., law firm)
- (7) General #3 - 9/30/94
- \$5,000.00
- Source to GML
 (a) \$5,000. from personal savings (income
 from Lally & Lally, Esqs., law firm)

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- 9804364250
- (8) General #4 - 10/10/94
 - \$12,890.00
 - Source to GML
 - (a) \$12,890. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (9) General #5 - 10/19/94
 - \$30,000.00
 - Source to GML
 - (a) \$30,000. from LML toward purchase of 1527 Bantam Place, Bronx, N.Y. property
 - (10) General #6 - 10/20/94
 - \$49,500.00
 - Source to GML
 - (a) \$49,500.00 from partial satisfaction of indebtedness from Margaret & Kurt Schurm (grandparents)
 - (11) General #7 - 10/24/94
 - \$14,598.00
 - Source to GML
 - (a) \$13,000. from LML toward purchase of 1527 Bantam Place, Bronx, N.Y. property;
 - (b) \$1,598. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (12) General #8 - 11/1/94
 - \$32,000.00
 - Source to GML
 - (a) \$32,000. from partial satisfaction of indebtedness from Margaret & Kurt Schurm (grandparents)
 - (13) General #9 - 11/7/94
 - \$20,000.00
 - Source to GML
 - (a) \$20,000. from Dean Witter - liquidation of stock account
 - (14) General #10 - 11/29/94
 - \$4,003.00
 - Source to GML
 - (a) \$4,003. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (a) (i) Sales
 - (a) Real Property
 - 1527 Bantam Place, Bronx, N.Y. - sold to Lawrence M. Lally for \$118,000.
 - (b) 1966 Corvette automobile - sold to Ute W. Lally for \$18,000.

(c) Dean Witter stock brokerage account
[REDACTED] - liquidation of
stocks (\$26,204.29)

(d) Sale of Interest in Mortgage Indebtedness
\$88,356.52

(ii) See (i) above

(iii) Grant M. Lally

(iv) (a) Above on 5/5/94; 5/21/94; 10/19/94; 10/24/94 and
10/26/95

(b) Above on 5/4/94

(c) See annexed stock transfer certificates

(d) Above on 10/20/94

(v) Not applicable

(b) See (a) (i) above

(i) See (a) (i) above

(ii) See (a) (i) above

(iii) See (a) (i) above

(c) 1527 Bantam Place, Bronx, N.Y.

(i) Lawrence M. Lally

(ii) \$118,000.00

(iii) Final Sale 10/26/95

(2) (a) 1527 Bantam Place, Bronx, N.Y.
- acquired 3/15/93

(b) 1966 Corvette automobile
- acquired March, 1990

(c) See annexed stock transfer certificates
from Dean Witter account

(d) Interest in Mortgage Indebtedness
- acquired 4/15/92 and 3/26/93

(3) See attached

B. (1) (a) Bantam Place property sold - see (A) above

(b) Bantam Place - see (A) above
Harbor Drive - acquired 1984

(c) Both properties purchased

(d) Bantam Place - Preston Pavlo and Ann Pennesi

90043064251

Harbor Drive - Philip Hirshek

- (e) Bantam Place - James Pavlo
Harbor Drive - Craig Lally
- (f) Bantam Place - 1993-1995
Harbor Drive - 1984-present
- (g) Market value
- (h) See attached

(2) New York Corporations

- (a) L. Lally Enterprises - 200 shares
Museum Source, Ltd. - 160 shares
Galway Trading Co. - 100 shares

- (b) L. Lally Enterprises - \$150,000.
(market value of assets)

Museum Source, Ltd. - \$15,000.
(market value of assets)

Galway Trading Co. - \$15,000.
(market value of assets)

- (c) NO

- (d) N/A

- (e) L. Lally Enterprises - \$15,000.
Museum Source, Ltd. - none
Galway Trading Co. - none

- (f) L. Lally Enterprises - Board Grant M. Lally,
Lawrence M. Lally

Museum Source, Ltd. - Board Grant M. Lally,
Richard Sperazza, Genevieve Overholzer

Galway Trading Co. - Grant M. Lally, Benjamin
Frankel

(3) See attached

C. (i) Indebtedness of \$341,670.

- (ii) Lawrence M. Lally and Ute W. Lally
- (iii) None

- (iv) N/A

- (v) 4/15/92 and 3/26/93

98043684252

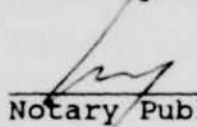
(vi) See attached

D. Employment Income

- (i) Receipts based upon work performed, fees paid, business generated
- (ii) \$102,892.00
- (iii) None
- (iv) See attached


GRANT M. LALLY

Sworn to before me this
28th day of June, 1996


Notary Public

LAWRENCE M. LALLY
Notary Public, State of New York
No. 02-LA2236465
Qualified in Nassau County
Commission Expires May 31, 1997

9 0 0 4 3 6 6 4 2 5 3

LAWRENCE M. LALLY, ESQ., being duly sworn, deposes and says that the following are answers to questions submitted:

1. (a) Indebtedness of \$341,670.00 to three joint tenants. Grant Lally being one tenant.
 - a. (1981-83) - purchase real property - \$152,000.
 - b. (9/91) - improve real property - \$90,400.
 - c. (9/92) - purchase real property - \$99,270.
- b. Purchase or improve real property
- c. See (a) above
- d. Copies of checks annexed for 1991 and 1992 indebtedness attached; 1981-1983 checks no longer available.
2. No loans or gifts.
3. Lawrence M. Lally and Ute Wolff Lally own the office building at 220 Old Country Road, Mineola, New York.
 - a.
 - (\$8998.65 per mo.)
 - (\$5373. per mo.)
 - (\$600. per mo.)
 - (\$1300. per mo.)
 - (\$160. per mo.)
 - (\$55. per mo.)
 - Lally & Lally, Esqs. - (\$1,000. per mo.)
 - (\$20. per mo.)
 - Lally for Congress - (\$480. per mo.)
 - b. All the above during various periods
 - c. All the above during various periods
 - d. See above for rental terms. There is no policy concerning security, late payments, non-payment, etc. This is determined on a case by case basis.
 - e. Lawrence M. Lally
4. 1994 - June to Election Day.
1996 - April 1 to present
 - a. Basement space - no number
 - b. Month to month (1994) \$480 per mo., utilities included. 1996 - \$550. per mo., utilities included.
 - c. No penalties or interest for late payment
 - d. \$4,050.
 - e. Comparative market value

5. - \$475. per month for
comparable space. No utilities. Month to month

6. arrears average six or seven
months; presently owes \$2,400.; arrears
ten to twelve months; presently owes \$2,280. - no interest, no
penalty.

7. No lease - month to month


8. (a) Lawrence M. Lally, Esq. and Grant M. Lally, Esq.

(b) Partner

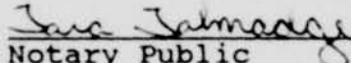
(c) Partner

(d) 1993, 1994

(e) Copies of 1994 checks attached. There is no written
partnership agreement, income from the firm is distributed on
a case by case basis between the partners.


LAWRENCE M. LALLY

Sworn to before me this
28th day of June, 1996


Notary Public

Notary Public State of New York
Qualified in Nassau County
Commission Expires
September 28, 1998

98043084255

CORNWATER OFFICE

Cashier's Check

12524545

ED 4191

MARGARET SCHURN

SEPTEMBER 17 1992

LAWRENCE LILLY

*****99,270.04

NINETY NINE THOUSAND TWO HUNDRED SEVENTY AND 04/100*****

Dollars

Authorized Signature

William J. Morrison Jr.

⑈12524545⑈ ⑆063000021⑆ ⑆1508000397⑈

98043664256

BARNETT BANK OF PINELLAS COUNTY

63-612/631

No. 00080479

Office EAST DUNEDIN

RE KURT SCHURM

Date: SEPT 9, 1991

AY TO
ORDER OF .. UTE LALLY AND LAWRENCE LALLY ..

\$ 30126.60 ..

... THIRTY THOUSAND ONE HUNDRED TWENTY SIX AND 60/100 ...

CASHIER'S CHECK

NOTICE TO CUSTOMER

purchase of an indemnity bond will be required before any official check on this bank
replaced or refunded in the event it is lost, misplaced or stolen

Jamie B. Kelt
Authorized Signature

⑈00080479⑈ ⑆063106129⑆

1263256175⑈

Cashier's Check

11502367

Issued by

BR#

Purchaser

9/10/91

63-2630

Pay to

Date

1991

Payable to

\$ 60,273.64

Dollars

First Union National Bank
of Florida
Jacksonville, Florida 32202

William J. Harrison Jr.

⑈11502367⑈ ⑆063000021⑆11508000397⑈

ALONG PERFORATIONS ▼

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

50-448 19
24

PAY
TO THE
ORDER OF

Paul Lally
Two Thousand & no/100

2/22 19*94*

\$ *2000.*

DOLLARS



[Signature]

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

13420

50-448 19
24

PAY
TO THE
ORDER OF

G.M. Lally
Twelve Thousand & no/100

2/3 19*94*

\$ *12,000.*

DOLLARS



[Signature]

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

13382

50-448 19
24

PAY
TO THE
ORDER OF

G.M. Lally
Two Thousand & no/100

1/4 19*94*

\$ *2000.-*

DOLLARS



[Signature]

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

PAY
TO THE
ORDER OF

Er M Lally

Twenty thousand \$ ⁴⁰/₁₀₀



Fleet Bank
North Franklin 13053
Hempstead, New York 11550

5/10 1094

\$ 70,000.

DOLLARS

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

PAY
TO THE
ORDER OF

G. Kelly

Four Thousand Five Hundred & ^{noy} 700



Fleet Bank
North Franklin 12885
Hamden, Conn. 06517

2/10 1930

\$ 2500-

DOLLARS

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

PAY
TO THE
ORDER OF

Grant M. Lally

Two Thousand \$ ⁰⁰/₁₀₀



Fleet Bank
North Franklin 12002
Hempstead, New York 11550

2/11 1994

\$ 200.-

DOLLARS

Transfer to [REDACTED]

PREPARED BY _____

TEL: 501-741-6352
DEPT: _____

ACCOUNT NUMBER [REDACTED]

APPROVED BY Chaz

MAIL TO

Lawrence Lally

AMOUNT \$	4003	44
-----------	------	----

TOTAL

\$ 400344

7 1:5 160 168 11: 0 19 100 49 10 10000400344

[illegible]

LALLY AND LALLY, ESQS.
BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

13856

PAY
TO THE
ORDER OF

G. M. Halley

Five Thousand $\frac{00}{100}$

12/2 54

\$5000.-

DOLLARS

[illegible]

LALLY AND LALLY, ESQS.
BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 11501

13836

PAY
TO THE
ORDER OF

G. Hall

One Thousand & 00/100

11/17 90

\$ 1000-

DOLLARS





FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

BY FAX and First Class Mail

July 22, 1996

John Ciampoli, Esquire
1461 Franklin Ave.
Garden City, New York 11530

RE: MUR 4128
Lally for Congress
and Dawn M. Fasano, as treasurer
Grant M. Lally
Lawrence M. Lally
Utewolf Lally

Dear Mr. Ciampoli:

I phoned you late this morning (in Xavier McDonnell's absence today) after a brief review of your latest subpoena response last Friday afternoon, July 19th. I appreciate your quick response to my telephone message. To repeat our short talk, your clients remain in substantial noncompliance with the Commission's outstanding Subpoenas and Orders, and last week the Commission authorized this Office to file suit in U.S. District Court if necessary to enforce compliance by your clients. While we are willing to continue the dialog begun between you and Mr. McDonnell, we must have complete compliance with the outstanding Subpoenas and Orders in very short order.

Tomorrow, Mr. McDonnell will review with you with specificity the substantial information and materials that remain outstanding, but as examples, we have received no response at all to the Subpoena and Order issued to the Committee and Ms. Fasano, and the responses to the other two Subpoenas and Orders include none of the subpoenaed bank statements and no documentation of many of the most significant transactions at issue (e.g., purchase and sale of the Bantam Place property, sale of the Corvette, and payments from the Schurms). Thank you again for calling me back promptly and Mr. McDonnell will phone and/or FAX you tomorrow.

Sincerely,

Jonathan Bernstein

Assistant General Counsel

cc: Stephen Hershkowitz



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
1461 Franklin Ave.
Garden City, New York 11530

July 23, 1996

RE: MUR 4128
Lally for Congress
and Bruce Cozzens, as treasurer
Grant M. Lally
Lawrence M. Lally
Ute Lally

Dear Mr. Ciampoli:

This is a follow-up to our letter dated July 22, 1996, and your conversation that same day with Assistant General Counsel Jonathan Bernstein, informing you that your clients' responses, submitted July 15 and 19, 1994, are not in compliance with the Commission's Subpoenas and Orders. As you were previously informed in a letter dated July 17, 1996, the Commission authorized the Office of the General Counsel to file a civil suit unless your clients fully comply with the Subpoenas and Orders within 5 days of your receipt of that notification. Accordingly, responses to the outstanding Commission Subpoenas and Orders must be submitted by the close of business on Friday, July 26, 1996. For your convenience, we have compiled the following list of the missing or incomplete responses.

I. Grant M. Lally

Document Request #A-3. The response does not identify and produce documents related to payments made from Grant Lally's "personal savings" account(s) and documents related to the sale or mortgaging of personal and real property, i.e., payment(s) received from Mr. and Mrs. Schurm, payments received from Lawrence or Ute Lally, documents related to payment(s) for the sale of 1527 Bantam Place, documents related to any automobile(s) sold to Ute Lally or others. As stated in the Subpoena and Order dated May 22, 1996, the subpoenaed documents include, inter alia, bank statements, deposit slips, checks, check ledgers, wire transfers, money orders, agreements, notes, electronic mail messages, correspondence, mortgage instruments, etc.

Document Request #B-1(h). The response does not identify and produce documents related to Grant Lally's initial acquisition of the real property listed therein, to taxes paid, or to estimating the value of such properties, including but not limited to deeds, titles, mortgage documents, promissory notes, tax statements, settlement papers, checks, check ledgers, money orders, memos, notes, etc.

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

Document Request #C-v. Your response contains 1992 and 1993 documents conveying Grant Lally an interest in property and three cashiers checks (dated September 9, 1991, September 16, 1991, and September 17, 1992). The response does not identify and produce documents related to the \$88,356.52 "sale" of Grant Lally's interest in "Mortgage Indebtedness," or any other documents related to such mortgages, i.e., checks, check ledgers, money orders, agreements, correspondence, etc.

Document Request #D-iv. The response contains 20 checks issued to Grant Lally from the law firm, but does not identify and produce any other documents related to his "pay structure" and "1994 income at the law firm." This would include but not be limited to check ledgers, law firm invoices, client agreements, client checks, partnership agreements, disbursement summaries, accounting statements, financial statements, income tax returns, settlement agreements, law firm diary entries, etc.

Question #A-1(a)(ii). The response does not identify the financial institution(s) and account(s) from which all cash, stocks, bonds or other forms of savings or investments used to make each of the 14 loans at issue were derived.

Question #A-1(b)(ii). The response states that there was a "sale of interest in Mortgage Indebtedness \$88,356.52." It is unclear whether this is in reference to the money paid by Mr. and Mrs. Schurm: the amount differs from the \$81,500 provided in the breakdown by loans. Please clarify.

The copy of the cashier's check dated September 16, 1992 and some of the copies of the checks issued to Grant Lally from the law firm are not legible, i.e., \$2,000 check issued on 2-22-94, \$20,000 check issued on 5-10-94, \$6,000 check issued on 9-6-94, \$10,000 check issued on 9-15-94, \$30,000 check issued on 10-19-94, and \$4003 check (date issued illegible). In addition, only one side of all the checks provided have been submitted. Please provide originals or legible copies of both sides of all the subpoenaed documents with your next submission.

II. Lawrence and Ute Lally

Responses to the following portions of the Commission's Subpoena and Order appear incomplete.

Question 1(b). The response does not "identify the collateral" used to obtain the mortgages owed to Grant Lally.

Document Request #1(d). The response does not contain any documents related to your clients' payments to Grant Lally or the other mortgagees, i.e., checks issued by Lawrence and Ute Lally to Grant Lally or others (Schurms) for such debt throughout the applicable time frame.

Document Request #7. The response does not identify and produce any documents related to the Lally campaign's rental space within the Nassau building, i.e., checks, check ledgers, invoices, correspondence, memoranda, agreements, etc.

Question #8-d. The response does not provide the dollar amount of Grant Lally's compensation from the law firm for the years 1993 and 1994.

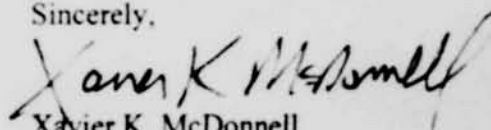
Document Request #8-e. The response does not identify and produce all documents related to Grant Lally's role and ownership interest in the law firm and all funds received from the law firm during 1994 (except for the 20 checks produced) including but not limited to check ledgers, law firm invoices, client agreements, client checks, partnership agreements, disbursement summaries, accounting statements, financial statements, income tax returns, settlement agreements, law firm diary entries, etc.

III. Lally for Congress

Lally for Congress has not produced any answers to the Commission's Order or any documents to the Commission's Subpoena. Note that the compulsory process directed to these respondents requires, inter alia, the production of documents and answers related to the form of the loans provided to Lally for Congress.

If you have any questions, please contact me at (202) 219-3400

Sincerely,



Xavier K. McDonnell
Attorney

cc: Stephen Hershkowitz

98043664260



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

VIA FAX

Certified Document Center
Empire State Plaza
Albany, N.Y. 12228

July 29, 1996

RE: MUR 4128

Dear Sir or Madam:

As part of the Federal Election Commission's confidential investigation in the above-captioned matter, the Office of General Counsel hereby requests that you identify the current owner(s) of any vehicle(s) with the New York license plate "LRS 750." We also request that you identify all persons who have owned any vehicle that used that license plate since 1990. In addition, please identify all owner(s) of a vehicle with the vehicle identification number ("VIN") "NY 1318."

As Commission investigations are confidential, this request and information about this request should not be released to the public. See 2 U.S.C. § 437g(A)(12). Your prompt response to this request is appreciated. Please label your response MUR 4128, and send it via FAX to (202) 219-3923. If you have any questions, please call me at 1-800-424-9530 or (202) 219-3400.

Sincerely,

A handwritten signature in dark ink, appearing to read "Xavier K. McDonnell", is written over the typed name.

Xavier K. McDonnell
Attorney

RESPONSE TO DEMAND REQUEST

MUR 4128

III. LALLY FOR CONGRESS

A. Candidate Loans

1(a) Check	05/05/94	\$ 1,000.00
Check	05/24/94	\$100,000.00
Check	06/30/94	\$ 25,000.00
Check	09/09/94	\$ 6,000.00
Check	09/14/94	\$ 10,000.00
Check	09/15/94	\$ 10,000.00
Check	09/30/94	\$ 5,000.00
Check	10/12/94	\$ 12,890.00
Check	10/19/94	\$ 30,000.00
Wire Transfer	10/24/94	\$ 14,598.00
Wire Transfer	11/01/94	\$ 32,000.00
Wire Transfer	11/07/94	\$ 20,000.00
Wire Transfer	11/29/94	\$ 4,003.00

1(b) Lawrence M. Lally

1(c) Lawrence M. Lally

2. Copies of checks, wire transfers & bank statements enclosed.

B. Office Space

(a) 220 Old Country Road, Mineola, N.Y.
Lawrence M. Lally


484 New York Avenue, Huntington, N.Y.
John Plant

(b) Huntington - Flat rental \$500.00 (approx. 150 sq. ft.)
Mineola - \$480.00 per mo. (approx. 300 sq. ft.)
Mineola - utilities included
Huntington - electric & water approx. \$200.00
Mineola - occupancy 6/94-11/5/94
Huntington - occupancy 2 1/2 months

(c) Huntington - \$500.00
Mineola - \$4,050.00

(d) No written leases; copies of rent checks enclosed.

Sworn to before me this
26th day of July, 1996


DAWN FASANO

LAWRENCE M. LALLY
Notary Public, State of New York
No. 02-LA2236465
Qualified in Nassau County
Commission Expires May 31, 1997

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 29 9 33 AM '96

98043064270

90043004271

GRANT LALLY 50-44622 725
214
May 3 1974
PAY TO THE ORDER OF Lally for Congress \$ 1,000.00
- One - Thousand - DOLLARS
Fleet Bank
MEMO: loan to committee
[Signature]

GRANT LALLY 50-44622 538
214
May 19 1974
PAY TO THE ORDER OF Lally for Congress \$ 100,000.00
- One Hundred Thousand & 00/100 - DOLLARS
Fleet Bank
MEMO: loan
[Signature]

GRANT LALLY 50-44622 60180
214
6/30 1971
PAY TO THE ORDER OF Lally for Congress \$ 25,000.00
- Twenty - Five Thousand - DOLLARS
Fleet Bank
MEMO:
[Signature]

98043364272


GRANT LALLY
[REDACTED]

50-44622
214

564

Sept 30 1944

PAY TO THE ORDER OF Lally For Congress \$ 5,000.-
Five Thousand DOLLARS


Fleet Bank
One Plaza 13304
Bayville, New York 11708

MEMO [REDACTED]

[REDACTED]


GRANT LALLY
[REDACTED]

50-44622
214

569

Oct 12 1944

PAY TO THE ORDER OF Lally For Congress \$ 12,890.-
Twelve Thousand and Eight Hundred Ninety & 10/100 DOLLARS


Fleet Bank
One Plaza 13304
Bayville, New York 11708

MEMO [REDACTED]

[REDACTED]


GRANT LALLY
[REDACTED]

50-44622
214

571

10/19 1944

PAY TO THE ORDER OF Lally For Congress \$ 30,000.-
Thirty Thousand and 00/100 DOLLARS


Fleet Bank
One Plaza 13304
Bayville, New York 11708

MEMO Loan - [REDACTED]

[REDACTED]

50-445-19
214

PAY TO THE ORDER OF G. Kelly
Six Thousand } 07/100

Fleet Bank
North Plumb Road
Longmeadow, New York 12095

\$ 6000

DOLLARS

$$\frac{50-44}{24} = 19\%$$

PAY TO THE ORDER OF *Grand Jury*
Five Thousand & 00/100



Fleet Bank
North Franklin 12000
Hempstead, New York 11540

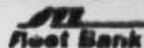
\$ 10,000 -

DOLLARS

50-415 19
211

PAY
TO THE
ORDER OF G. Lally

1 \$ 10,000.



CREDIT MEMO

CHECKING

WE ARE CREDITING YOUR ACCOUNT AS DESCRIBED BELOW.

DATE 11/1/94

PREPARED BY

TEL DEPT

ACCOUNT NUMBER

APPROVED BY

CREDIT
MAIL
TO

AMOUNT

\$

TOTAL

\$



DEBIT MEMO

CHECKING

WE ARE CHARGING YOUR ACCOUNT AS DESCRIBED BELOW.

DATE 11/1/94

Transfer to [redacted] per your request

PREPARED BY

TEL DEPT

ACCOUNT NUMBER

APPROVED BY

DEBIT
MAIL
TO

AMOUNT

\$

TOTAL

\$

⑈0004950000⑈



CREDIT MEMO

CHECKING

WE ARE CREDITING YOUR ACCOUNT AS DESCRIBED BELOW.

DATE 11/1/94

PREPARED BY

TEL DEPT

ACCOUNT NUMBER

APPROVED BY

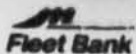
CREDIT
MAIL
TO

AMOUNT

\$

TOTAL

\$



WE ARE CHARGING YOUR ACCOUNT AS DESCRIBED BELOW

DATE 11/7/94

Transfer to [REDACTED] per your request

PREPARED BY

TEL DEPT 516 741-6300

ACCOUNT NUMBER

[REDACTED]

APPROVED BY

Chitgerald

DEBIT

MAIL TO

Grant Lally

AMOUNT

\$

20,000 -

TOTAL

\$

20000 -

⑈000 2000000⑈



WE ARE CHARGING YOUR ACCOUNT AS DESCRIBED BELOW

DEBIT MEMO

NT AS DESCRIBED BELOW

DATE 11-23-94

CHECKING

Transfer to [REDACTED]

PREPARED BY

TEL DEPT 516 741-6300

ACCOUNT NUMBER

[REDACTED]

APPROVED BY

Chitgerald

DEBIT

MAIL TO

Grant Lally

AMOUNT

\$

4003 44

TOTAL

\$

400344

⑈0000400344⑈

LALLY FOR CONGRESS
220 OLD COUNTRY RD.
MINEOLA, NY 11501

50-446 14
214

1399

PAY TO THE
ORDER OF

John Plant
Five Hundred and

Aug 25 19 95

\$ 500.00

xx 100 DOLLARS



Alan Isaac

MEMO

⑆02⑆404465⑆ 93826 ⑆2387⑆ ⑆399 ⑆0000050000⑆

96043684276

152

LALLY FOR CONGRESS
220 OLD COUNTRY RD.
MINEOLA, NY 11501

PAY TO THE ORDER OF *Laurence Lally*

Two Thousand, Four Hundred DOLLARS

First Bank

MEMO: *[Signature]*

⑆021404465⑆ 93826 12387 1975 ⑆0000140000⑆

90043084271

Post

[illegible]

RESPONSE TO DEMAND REQUEST

I. GRANT LALLY

A-3. Documents relating to the sale of real property are enclosed:

1. Contract of Sale - enclosed
2. Deed - enclosed
3. Payments received from Lawrence M. Lally, for sale of interest in Bantam Road, Bronx, New York were as follows: (See response A-14 (a) (iv)a in 6/28/96 affidavit)
4. Receipt for initial purchase of automobile and copy of check received for sale of same. Receipts for repairs and maintenance of automobile. Sale agreement was oral.

B-1. Copy of Contract and Deed for acquisition of Bantam Place, Bronx, New York. Copies of checks for taxes, insurance and water. (See enclosed)

C-VII No "documents". The transaction was between family members.

D-IV Checks received from clients were deposited in the firm business and escrow account. Copies of checks are not made. There is no check ledger on client agreements except in matrimonial cases which are privileged. There is no partnership agreement, disbursement summary, accounting statement, financial statement or settlement agreements except in matrimonial actions which again, are privileged.

A-1(a)(11) Fleet Bank, Bayville, New York 11709
Account # [REDACTED] - All loans made from this account or were endorsed checks (checks on order) to Grant Lally from Lally & Lally.

A-1(b)(11) \$81,500 of \$88,356.52 was loaned to the campaign.

Copies of requested checks have been ordered.

Sworn to before me this
26th day of July, 1996

Tara Talmadge
Notary Public

TARA TALMADGE
Notary Public, State of New York
No: 5002090
Qualified in Nassau County
Commission Expires September 21, 1998

GRANT M. LALLY

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

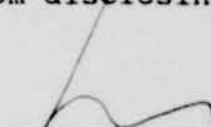
JUL 29 9 34 AM '96

90043084279

RESPONSE TO DEMAND REQUEST

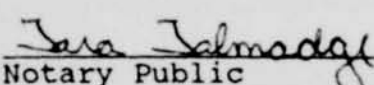
II. LAWRENCE M. LALLY AND UTE LALLY

- 1(b) No collateral & Agreements were oral.
- 1(d) Checks to Grant Lally - None. Interest waived.
Checks to Schurms attached.
7. Lease was oral. No check ledgers, invoices,
correspondence or memoranda.
- 8(d) 1993 - \$59,000.; 1994 - \$102,000.
- 8(e) There are no client agreements except for
matrimonial cases and they are privileged.
There is no partnership agreement or partnership
returns. There are no check ledgers, accounting
statements, financial statements or settlement
agreements other than in matrimonial actions
which we are prohibited from disclosing.



LAWRENCE M. LALLY

Sworn to before me this
26th day of July, 1996



Notary Public

TARA TALMADGE
Notary Public, State of New York
No. 5002080
Qualified in Nassau County
Commission Expires September 21, 1998

JUL 29 9 34 AM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

98043064280

13581

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

G.M. Lally

Twenty Thousand & no/100

5/10 1994

\$ 20,000.-

DOLLARS



North Franklin 13000
 Hempstead, New York 11560

13440

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

John Lally

Two Thousand & no/100

2/22 1994

\$ 2000.-

DOLLARS



North Franklin 13000
 Hempstead, New York 11560

13382

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

G.M. Lally

Two Thousand & no/100

1/4 1994

\$ 2000.-

DOLLARS



North Franklin 13000
 Hempstead, New York 11560

13495

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

G. M. Lally

3/22 1994

\$ 9,900.-

Nine Thousand Nine Hundred & 00/100

DOLLARS



Fleet Bank
 North Franklin 13003
 Hempstead, New York 11560

13499

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

J. Lally

3/29 1994

\$ 7,000.-

Seven Thousand & 00/100

DOLLARS



Fleet Bank
 North Franklin 13003
 Hempstead, New York 11560

13700

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

50-446 19
214

PAY
 TO THE
 ORDER OF

G. Lally

7/25 1994

\$ 6,000.-

Six Thousand & 00/100

DOLLARS



Fleet Bank
 North Franklin 13003
 Hempstead, New York 11560

13732

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 1150150-448 19
214PAY
TO THE
ORDER OFG. M. Lally
Seven Thousand & 00/100

\$ 7,000 -

DOLLARS

North Branch 13003
Hempstead, New York 11560

13743

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 1150150-448 19
214PAY
TO THE
ORDER OFJ. Lally
Six Thousand & 00/100

\$ 6,000 -

DOLLARS

North Branch 13003
Hempstead, New York 11560

13752

LALLY AND LALLY, ESQS.

BUSINESS ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, NY 1150150-448 19
214PAY
TO THE
ORDER OFGrant Lally
Ten Thousand & 00/100

\$ 10,000 -

DOLLARS

North Branch 13003
Hempstead, New York 11560

LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

13836

50-446 19
 214

PAY
 TO THE
 ORDER OF

G. Lally
One Thousand & 00/100

11/17 94
 \$1000.-

DOLLARS



LALLY AND LALLY, ESQS.
 BUSINESS ACCOUNT
 220 OLD COUNTRY ROAD
 MINEOLA, NY 11501

13856

50-446 19
 214

PAY
 TO THE
 ORDER OF

G. M. Lally
Five Thousand & 00/100

12/2 94
 \$5000.-

DOLLARS



DEBIT MEMO

CHECKING

WE ARE CHARGING YOUR ACCOUNT AS DESCRIBED BELOW

DATE *11-23-94*

Transfer to [redacted]

PREPARED BY

TEL DEPT *50 74-135*

ACCOUNT NUMBER *[redacted]*

APPROVED BY *[signature]*

MAIL TO

Lawrence Lally

AMOUNT \$ *4003 44*

TOTAL \$ *400344*

Miscellaneous Operating Charge - Off
ACCOUNT TITLE

GENERAL LEDGER
BIT
N. 9878086

[REDACTED]

12459002

OFFICIAL CHECK

No. 05274026

DATE XTONE 21, 1994

PAID TO BANK OF AMERICA

OFFICE NAME EAST BRUNNEN OFFICE

PAID BY BANK

NOTICE TO CUSTOMER
The purchase of an instrument issued may be
subjected to the bank's discretion before the
check is cashed or deposited in the bank.

PAY FIVE THOUSAND ONE HUNDRED SEVENTY EIGHT DOLLARS AND NO CENTS

\$

TO ORDER OF EAST BRUNNEN OFFICE

[Signature]

[REDACTED]

OFFICIAL CHECK

No. 05274027

DATE XTONE 21, 1994

PAID TO BANK OF AMERICA

OFFICE NAME EAST BRUNNEN OFFICE

PAID BY BANK

NOTICE TO CUSTOMER
The purchase of an instrument issued may be
subjected to the bank's discretion before the
check is cashed or deposited in the bank.

PAY EIGHT FIVE THOUSAND ONE HUNDRED SEVENTY EIGHT DOLLARS AND NO CENTS

\$

TO ORDER OF EAST BRUNNEN OFFICE

[Signature]

[REDACTED]

12459000

17042
1748
274000

65160-13474 93673 23907

00000060000

UTL HOLD LALLY

5/4

18

Grant Hall

18,000

Franklin New York

utl hold

FLEET BANK
No. 0001

CASH IN

BRANCH #10

COST CENTER

62,000.00

DEPOSIT TICKET

GRANT LALLY

22

2,000

18,000

5/4

Fleet Bank

\$

20,000

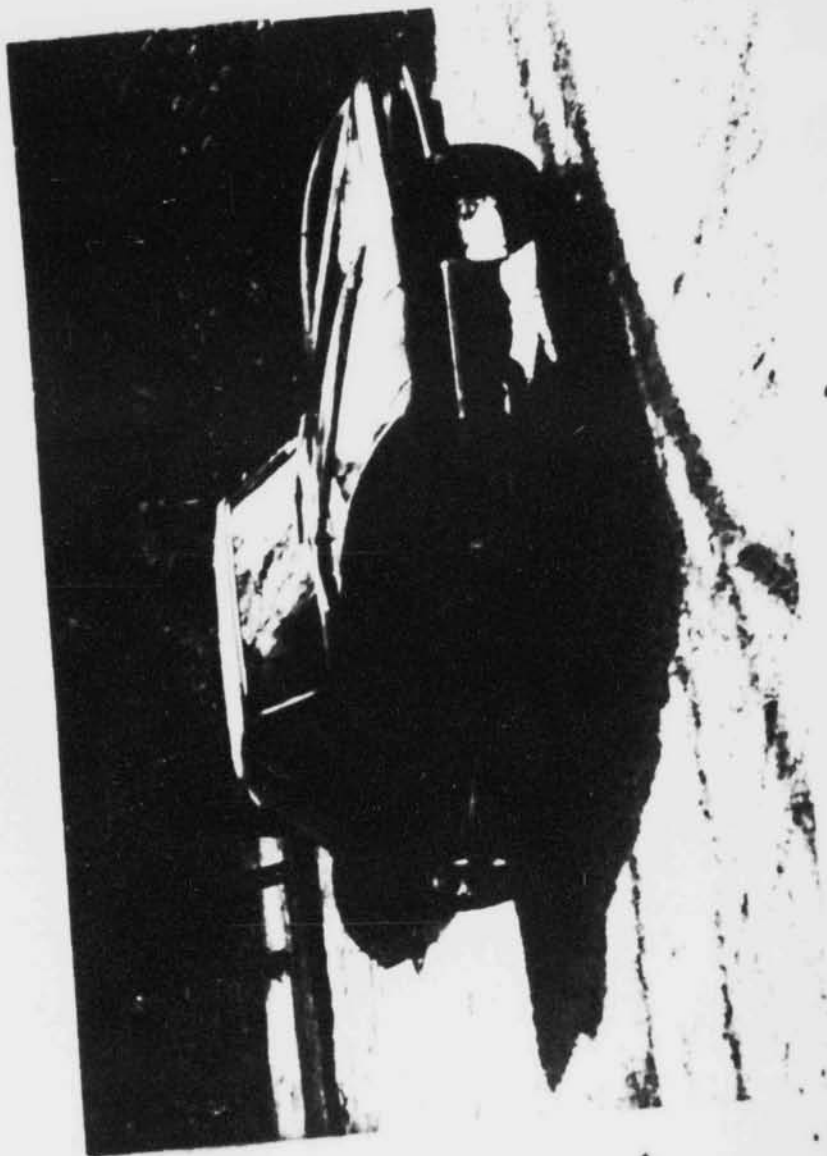
WATNEY SHEARSON

0403

WATNEY HAYES
CITY NY 10030

May 4 1994

96043381289



Chute

4/3/90

Received from Grant Lally the
sum of Twelve Thousand (12,000) Dollars
for one 1966 Corvette Conv. VIN# NW1318
freed clean of all lien and
incumbrances.

Bruce Tibbo

9804366429C

PIONEER AUTO BODY INC.

78 BEDELL STREET, HEMPSTEAD, NEW YORK 11550
(516) 483-6570

15 YEARS EXPERIENCE -- FAX #516-483-6790 -- REG. #1300J88

Order Number:

Vehicle:

Insurance:

Order Date:

66 CHEVROLET

Order Address:

CORVETTE

Hempstead 11550

MAKUN

Order City:

LR5750

Order State:

Mileage: 97298

Order Loss: 0/00

Vehicle ID Number

NY1318

Bill Written By BOBBY BURGAN --

Item	Price	Labor Nett Mech (Hr)
Remove & Replace STRIP & REFINISH COMPLETE CAR	\$ 2,100.00	
Remove & Replace RE-CHROME REAR BUMPER	\$ 512.00	
Remove & Replace RE-CHROME FRONT BUMPER	\$ 512.00	
Remove & Replace RE-CHROME TIE BAR	\$ 67.00	1.0
Repair & Straighten LEFT DOOR WEATHER STRIP		1.5
Paint Material Supplies	\$ 200.00	
Remove & Replace SEATS (2)		2.5
Remove & Replace RUG		8.5
10. NOTE DATE IN 040992 OUT 043092		
11. NOTE UDUM IN 97298 OUT 97299		

NOTES:

C = customer payable repair ites

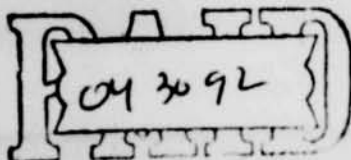
FINAL BILL SUMMARY

BODY SALES \$ 540.00 13.5 hours @ \$ 40.00 per hour
PAINT LABOR \$ 200.00 5.0 hours @ \$ 40.00 per hour
PARTS \$ 3,191.00
PAINT MATERIALS \$ 200.00
SALES TAX \$ 351.14

FINAL BILL TOTAL \$ 4,482.14

Insurance Payable Repair Total \$ 0.00
Customer Payable, including Deductible \$ 4,482.14

- 108.25
\$ 4373.89





SOUND VIEW MOTORS

20 Bayville Avenue
BAYVILLE, NY 11709
x (516) 626-1255 R-1301185



MERCEDES-BENZ (516) 626-1255 R-1301185

2000-2001

On Friday

6-10-1902

2 ✓

500

NAME G. LAUT		CUSTOMER'S ORDER NO.		DATE 1 / + / 91	
ADDRESS CENTAG 15000		PHONE 21-0202		PROCESSED	
CITY ROSELAND N.Y.		ORDER WRITTEN BY		A.M. P.M.	
YEAR MAKE AND MODEL 66 CORVETTE		SERIAL NUMBER	LICENSE NUMBER	TERMS	
		MOTOR NUMBER	ODOMETRIC 77293	1	

DESCRIPTION OF WORK				AMOUNT
LUBRICATION <input type="checkbox"/>	CHANGE OIL <input type="checkbox"/>	OIL FILTER <input type="checkbox"/>	TUNE UP <input type="checkbox"/>	
TRANSMISSION <input type="checkbox"/>	DIFFERENTIAL <input type="checkbox"/>	WASH <input type="checkbox"/>	POLISH <input type="checkbox"/>	
CHANGED MOTOR OIL & OIL FILTER.				
LUBRICATED CHASSIS & STEERING.				
REPLACED BROKEN SPEEDOMETER CABLE.				
FLUSHED BRAKE MASTER CYLINDER & BLEED SYSTEM.				
REPAIRED DISCONNECTED WIRE ON BRAKE LIGHT SWITCH.				

(MAY BE CONTINUED ON OTHER SIDE)

TOTAL PARTS	3400
-------------	------

ACCESSORIES				LITERS/GALS. OF GAS @				TOTAL LABOR	75 00			
				LITERS/GALS. OF OIL @	15 00			TOTAL PARTS	34 20			
				kg/LBS. OF GREASE @	5 00			ACCESSORIES				
					20 00			GAS, OIL AND GREASE	20 00			
				<p>NOTE: The above repair work to be done along with the and the employee's mail certificate above the vehicle's license, or delivery of the tax. An employee's license is acknowledged on above vehicle to secure the vehicle's license. It is also understood that you will not be responsible for damage to cars or articles left in cars and the cause beyond your control.</p>							OUTSIDE REPAIRS	
									129 00			
								TAX	10 32			
								Thank You				
TOTAL ACCESSORIES												



NAME G. LALLY		CUSTOMER'S ORDER NO.	DATE 12/12/50
ADDRESS CENTRE HAVEN		PHONE 722 0202	PROMISED 1/1
CITY OSTER HAY NY.		ORDER WHEN 4/1/51	A.M. P.M.
YEAR, MAKE AND MODEL 66 CORVETTE	SERIAL NUMBER	LICENSE NUMBER	TERMS
	MOTOR NUMBER	COPIES 77,298	1

DESCRIPTION OF WORK				AMOUNT
LUBRICATION <input type="checkbox"/>	CHANGE OIL <input type="checkbox"/>	OIL FILTER <input type="checkbox"/>	TUNE UP <input type="checkbox"/>	
TRANSMISSION <input type="checkbox"/>	DIFFERENTIAL <input type="checkbox"/>	WASH <input type="checkbox"/>	POLISH <input type="checkbox"/>	
REMOVED RIGHT SIDE REAR AXLE SHAFT. REMOVED & REPAIRED INNER & OUTER UNIVERSAL JOINTS. GREASED NEW JOINTS & INSTALLED AXLE SHAFT.				

TOTAL PARTS		LITERS/GALS. OF GAS		TOTAL LABOR	
40.00				150.00	
ACCESSORIES		LITERS/QTS. OF OIL		TOTAL PARTS	
				40.00	
		kg/LBS. OF GREASE		ACCESSORIES	
				GAS, OIL AND GREASE	
				OUTSIDE REPAIRS	
TOTAL ACCESSORIES					



Franklin Ave. & 7th St., Garden City, NY 11530
 Telephone: (516) 248-1166
 S Repair Shop No. R 1300794

Order

No. 22991

Robert Tolly

YEAR & MAKE OF CAR 66 CADILLAC	OTHER NO. CRS 750
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED 7/16/90	YOUR NEXT INSPECTION & MAINTENANCE SERVICE WILL BE DUE (Date) 7/16/90
MILEAGE ABOUT	EST. MILEAGE (When next due)

PART CODE	DESCRIPTION	PART PRICE	SERVICES	CAR SERVICE ORDER
500	LUBRICATION	5.00	<input checked="" type="checkbox"/> Standard <input type="checkbox"/> Extended	
1250	MOTOR OIL	12.50	<input checked="" type="checkbox"/> 1 qt. oil <input type="checkbox"/> 2 qt. oil	
1095	FILTER SERVICE	10.95	<input checked="" type="checkbox"/> Oil <input type="checkbox"/> Air <input type="checkbox"/> Fuel	
	TRANSMISSION		<input type="checkbox"/> AUTO <input type="checkbox"/> MAN <input type="checkbox"/> REPAIR	
	WHEEL SERVICE		<input type="checkbox"/> REPACK <input type="checkbox"/> BALANCE	
	EMISSIONS		<input type="checkbox"/> PCV <input type="checkbox"/> CARB <input type="checkbox"/> REPLACE	
3395	BRAKE SERVICE	33.95	<input type="checkbox"/> ADJUST <input type="checkbox"/> REPAIR	
800	COOLING	8.00	<input type="checkbox"/> COOLANT <input type="checkbox"/> FAN BELTS	
5200	AIR CONDITION	52.00	<input type="checkbox"/> CHARGE <input type="checkbox"/> LEAK STOP	
1500	BATTERY	15.00	<input type="checkbox"/> RECHARGE <input type="checkbox"/> NEW BATTERY	
2800	TUNE-UP	28.00	<input type="checkbox"/> MAJOR <input type="checkbox"/> MINOR	
1400	2 outer Hub bearings	14.00	<i>30.00 on wiring for switch & repair shifter</i> <i>60.00 on 4th & 5th gears & 1st gear</i>	
2800	2 outer Hub bearings	28.00		
60.00	4 hub	60.00		
800	4 lug nuts	8.00		
	TOTAL PARTS	275.40		

ESTIMATED COST	PARTS	LABOR	ESTIMATED BY	REVISE EST.	PARTS	LABOR
The services and repairs shown above including parts are hereby authorized. The estimated cost is acceptable to the undersigned. Diagnose problems discussed and advise me of work needed. Work may be subject where necessary as explained to me. If no work is required parts returned to supplier for credit.						
X <input type="checkbox"/> I authorize the repair shop to perform the work shown above.				X <input type="checkbox"/> I authorize the repair shop to perform the work shown above.		
GASOLINE FULL <input type="checkbox"/> PART <input type="checkbox"/> No lead <input type="checkbox"/>				REPAIRED BY <input type="checkbox"/> INSPECTED CERTIFIED <input type="checkbox"/>		

PARTS 222
 LABOR 82.20
 TAX 6.60
TOTAL \$310.80

CUSTOMER'S COPY



MOPAK SERVICE CENTER INC.

Franklin Ave. & 7th St., Garden City, NY 11530

Telephone: (516) 248-1166

Repair Shop No. R 1300794

Repair order

No 22387

300 H.P.

300 H.P.

Mont Jolly

VEHICLE MAKE OR L.A.P.	66 CHEV	VEHICLE NO.	OLV-240
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED	4/4/90	YOUR NEXT INSPECTION & MAINTENANCE SERVICE	90925
DATE	90925	VEHICLE MAKE (L.A.P.)	90925
MILEAGE (L.A.P.)	90925	VEHICLE MAKE (L.A.P.)	90925

741-2666

STATE

ZIP

CAR SERVICE ORDER

R/R Parking Ditch → 5.00
 Fuel 5.00
 Oil Change 15.00
 Oil Filter 10.95
 20 New Wheel Nuts 20.00
 Char orange paint 14.00
 Pos Cable 4F22 14.00
 Neg Cable 4F30 15.00
 5-gal. Antifreeze 89.95
 Core charge for H.P. 90.00
 2 Rebuilt Hertz 500.00
 Head gaskets
 Intake manifold
 Last gasket (top)
 Valve cover gasket
 Cork gasket (Bottom)
 Oil filter cap 4.50
 R/R on Universal 28.50
 Rod for Clutch 85.96
 1 Muffler L/SIDE 137.65
 2 Antennae pipe 115.30
 Clamps 6.00
 2 Spark PLUGS 24.00
 2 gal anti freeze 26.00
 Synthetic Wile. oil 44.00
 Dist Cap + Retri 46.84
 Paint + Coat 45.88
 for 1000000 25.96

SERVICES	LUBRICATION	<input checked="" type="checkbox"/>
MOTOR OIL	<input checked="" type="checkbox"/>	
FILTER SERVICE	<input checked="" type="checkbox"/>	
TRANSMISSION	<input type="checkbox"/>	
WHEEL SERVICE	<input type="checkbox"/>	
EMISSIONS	<input type="checkbox"/>	
BRAKE SERVICE	<input type="checkbox"/>	
COOLING	<input type="checkbox"/>	
AIR CONDITION	<input type="checkbox"/>	
BATTERY	<input type="checkbox"/>	
TUNE-UP	<input checked="" type="checkbox"/>	

Drop.
 Check alt.
 Check headlight (Ltr)
 Check Battery + (New) Cables (Ltr)
 Check Exhaust leak (Ltr)
 Labor on Head + Exh. job
 Labor on Universal job

5000
1700

3000

2000

60.00

300.00

40.00

#149337

ESTIMATED COST	PARTS	LABOR	ESTIMATED COST	REVIEW	PARTS	LABOR
I authorize and require person above including parts are hereby authorized. The estimated cost is acceptable to the undersigned. I agree to be present when necessary as required to the work may be subject where necessary as required to the work may be subject where necessary as required to the returned to customer for check			Revised estimate add-on approved X BY PHONE APPROVAL SHOW TIME DATE PHONE NO CALLED CASH/IN REPAIRED BY INSPECTED/CERTIFIED			

PARTS 1493.34

#201533

TAX 159.8

#2175.2

CUSTOMER'S COPY

ITEMS THAT NEED TREATMENT

ORVETTES UNLIMITED
718 HEMPSTEAD TURNPIKE
EVITTOWN, NY 11756
hone (516) 735 0780

ORVETTES UNLIMITED PK
718 HEMPSTEAD TURNPIKE
EVITTOWN NY 11756

AR CHARGE
3 - 100921

05/04/90 3 100 1 1
Clerk JPH
Store 2 Reg

Qty	Part Number	Description
5	1040	OIL, CASTROL GT 10W40
1	1125	FILTER, A/C OIL
1	42004	FITTING, BRASS
1	5F123	PAINT, CHEVY ORANGE ENGINE

List	Price
8.95	1.61
8.95	3.52
8.95	4.17
8.95	2.23

Subtotal

0.000% Sales Tax

>>> TOTAL

Charge
0.00
14.97

Payment
Bal Due

TERMS

COD

PAID
5-10-90

CONVEYANCE UNIT LIMITED
3718 MIDLAND TURNPIKE
LEWISTOWN, NY 11756
Phone 516-735-0780

CONVEYANCE UNIT LIMITED PK
3718 MIDLAND TURNPIKE
LEWISTOWN, NY 11756

AP CHARGE
3,100.92

Store

Description
SPARK PLUG, A/C RESISTOR
PAINT, CHEVY ORANGE FIB-III
FILLING

Flt

Sublet

0.000% Sales

20-TH

TERMS

COD

Payment
Bal Due

Charge
0.00
13.72

98043684299

CORVETTES UNLIMITED PK
3718 HEMPSTEAD TURNPIKE
LEVITTOWN NY 11756

AR CHARGE
3 - 100911

05/03/90 15:00
Clerk 1500
Store 2

Qty	Part Number
1	90104

Description
PRESSURE PLATE/DISC

List	Price
210.00	100.0%

9 3 0 4 3 0 6 4 3 0 C

>>>

Subtotal 107.00

TERMS

□□□

Payment
Bal Due

Charge
0.00
103.95

0.000% Sales Tax

>>> TOTAL 100.0

210

TARGET MOTOR - \$1325.00

CLUTCH	103.95
FLYWHEEL - RECON	45.00
OIL	8.05
FILTER	3.52
PAINT	2.23
SPARK PLUGS	10.24
PAINT	2.23
FITTING (PLUG)	1.25
BALANCER, GASKETS, HARDWARE, ACCEL ROD	25.00

	201.47	
LABOR	350.00	(17.5 HRS AT \$20.00 / H)
	<hr/> 551.47	

9304301301



MOPAK SERVICE CENTER INC.
 Franklin Ave. & 7th St., Garden City, NY 11530
 Telephone: (516) 248-1166
 NYS Repair Shop No. R 1300794

Repair order
 No 22734

Cont. Kelly

YEAR & MAKE OF CAR 66 Chev	LICENSE NO. LR5 730
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED DATE 6/23/70 MILEAGE IN OIL 9440	YOUR NEXT INSPECTION & MAINTENANCE SERVICE DATE OF NEXT SERVICE 9440

PAID BY CASH	PAID BY CREDIT
PAID BY CASH	PAID BY CREDIT

PARTS		LABOR	CAR SERVICE ORDER		ESTIMATE	PAID BY
<i>Oil change</i> <i>air filter</i> <i>water pump</i> <i>hatch</i> <i>49.40</i>	5.00	LUBRICATION	<input checked="" type="checkbox"/>			
	12.50	MOTOR OIL	<input checked="" type="checkbox"/>			
	10.50	FILTER SERVICE	<input checked="" type="checkbox"/>			
	4.00	TRANSMISSION	<input type="checkbox"/>			
		WHEEL SERVICE	<input type="checkbox"/>			
		EMISSIONS	<input type="checkbox"/>			
		BRAKE SERVICE	<input type="checkbox"/>			
		COOLING	<input type="checkbox"/>			
		AIR CONDITION	<input type="checkbox"/>			
		BATTERY	<input type="checkbox"/>			
	TUNE-UP	<input type="checkbox"/>				
TOTAL PARTS			<i>49.40</i> <i>on ignition filter</i>			

CUSTOMER'S COPY

516 822-4626

ORIGINAL INVOICE

Vinyl Village

No. 10685

Auto, Truck & Marine Upholstery
Customize & Restoration

77C BLOOMINGDALE RD., HICKSVILLE, N. Y. 11801

SENT TO

Lochy

INVOICE DATE <i>4/29/90</i>	STOCK NO.
P. O. NO.	R. O. NO.
VEHICLE NO.	F.O.B.
SHIPPED VIA	
SALESMAN	

MAKE & YEAR

Comuta

QUANTITY	DESCRIPTION	PRICE
	<i>Install Supplex Conter</i>	
	<i>Install Coast Guard</i>	
	<i>John P</i>	
	<i>11718</i>	



BRIDGEVILLE, PA. 15005
TELEPHONE (412) 321-1234

1	Oil Filter	8.00
1	Oil Filter	10.00
1	ISOPORE OIL	2.00
1	Fuel Gauge	5.00
1	SAFARI WASH & LUB	20.00

John

TOTAL PARTS	78.00
-------------	-------

ACCESSORIES	
TOTAL ACCESSORIES	

NAME: **ALBERT LARRY** CUSTOMER'S ADDRESS: **BRIDGEVILLE, PA. 15005** DATE: **7/11/81**

ADDRESS: **BRIDGEVILLE, PA. 15005** PHONE: **321-1234**

CITY: **BRIDGEVILLE** ORDER WRITTEN BY: **ALBERT LARRY** AM. P.M.

TELEPHONE: **321-1234** LICENSE NUMBER: **12345678** TIME: **2:38**

DESCRIPTION OF WORK

LUBRICATION ☐ CHANGE OIL ☐ OIL FILTER ☐ TUNE UP ☐

TRANSMISSION ☐ DIFFERENTIAL ☐ WASH ☐ POLISH ☐

THINK UP MOTOR REPAIRS. SET BUILT
FLY, FLYS - SUBSTANTIAL. GAMES & ADDED
CABINET. BUILT ALL FLYS.
CHANGED MOTOR OIL & OIL FILTER.
LUBRICATED GAMES.

LITERS/GALS. OF GAS		TOTAL LABOR	90.00
LITERS/GALS. OF OIL	15.00	TOTAL PARTS	78.00
KG/LBS OF GREASE	5.00	ACCESSORIES	
	20.00	GAS, OIL AND GREASE	20.00
		OUTSIDE REPAIRS	
		TAX	188.50
		TOTAL	15.08
		TOTAL	203.58

TOTAL ACCESSORIES

7 back 780
TOTAL 203.58

NO 00215

JUL 4/27 1992

NAME

ADDRESS

SALESPERSON

TERMS

L.A.S.		QUANTITY	PRICE	AMOUNT
		1	24.95	24.95
		1	269.00	269.00
		1	440.00	440.00
				337.95

USA Rep 25000

Full

RECEIVED

POSTED

THIS INVOICE

980403064307

CITY/STATE ZIP
 WESTPORT N.Y. 11771

VETTELAND
 195 C Sunrise Highway
 AMITYVILLE, N.Y. 11701
 516 842-8841

LICENSE NO.	6-1-7	WARRANTY BY	
DELIVERY DATE		WARRANTY	<input type="checkbox"/>
REG. PHONE		CHANGE OIL	<input type="checkbox"/>
SUB. PHONE		CHANGE OIL FILTER CART	<input type="checkbox"/>
USE PROMISED		SERVICE AIR CLEANER	<input type="checkbox"/>
STATE MOTOR SHOP REGISTRATION NO.		SERVICE TRANS.	<input type="checkbox"/>
		BALANCE WHEELS	<input type="checkbox"/>
		ROTATE TIRES	<input type="checkbox"/>
		SHOCKS CONTROL SERVICE	<input type="checkbox"/>
		Brake Service	<input type="checkbox"/>

INSTRUCTIONS
 Install New Column Bearings for Key
 1.4

Install Radio & Speaker
 1.2

379.50

Seller 100 Kilo 229.00
 SACV 24 Speaker 44.00

ENGINE OIL @
 LUB. GREASE @

ALL REPAIRS ARE CASH OR CERTIFIED CHECK ONLY.
 I hereby authorize the repair work herein set forth to be done by you, together with the materials of the necessary kind and amount for such repair, and agree that you are not responsible for any delays caused by unavailability of parts or materials for any reason. That you neither assume nor authorize any other person to assume any liability in connection with such repair, that you shall not be responsible for loss of or damage to the above vehicle or articles left therein, in case of fire, theft or other cause beyond your control; that an express mechanic's lien is hereby acknowledged on the above vehicle to secure the amount of repairs thereto; that your employees may operate the vehicle on streets, highways or elsewhere for the purpose of testing and/or inspecting such vehicle.

DAILY STORAGE FEE WILL BE CHARGED IF THE VEHICLE IS NOT PICKED UP WITHIN 24 HOURS AFTER YOU HAVE BEEN NOTIFIED. WHEN NOT PICKED UP, THE VEHICLE WILL BE STORED AT YOUR RISK.

INSPECTION ESTIMATE
 PRTS. MATERIAL & LABOR \$

TEAR DOWN FOR ESTIMATE ONLY
 \$

CONTACTED BY
 CUSTOMER & IDENTIFICATION NO.
 41005

WARRANTY DETAILS
 These repairs are covered by a
 Warranty, Labor and Parts for
 or Miles, whichever comes first.
 Warranty Repairs to be performed at Seller's place of business. Seller hereby limits implied warranties to the period stated.
SEE OTHER SIDE FOR ADDITIONAL IMPORTANT WARRANTY DETAILS

	AMOUNT
WARRANTY	156.00
PARTS MISC.	379.50
LABOR BODY	-
PARTS BODY	-
SUBLET	-
OIL & GREASE	-
SUB-TOTAL	735.50
TAX	22.80
TOTAL	758.30

ITEMS THAT NEED ATTENTION

20840004006

TWIN HARBOR AUTO REPAIR, INC.

Complete Car Care, Including 4 Wheel Computer Alignments

23 Ludlam Avenue

BAYVILLE, NEW YORK 11709

Repair Shop #1302618

(516) 628-3347

CUSTOMER'S ORDER NO.		PHONE		DATE	
		741-2166		10/6/93	
<p>NAME: <i>Lally</i></p> <p>VEHICLE: <i>66 Chev. Corvette</i></p> <p>MILEAGE: <i>92,298 miles</i></p>					
RECEIVED BY	CASH	COD	CHARGE	ON ACCT	MOSE RETD
QTY	DESCRIPTION			PRICE	AMOUNT
	NYS Inspection				19.00
1	A-30-40 Negative battery cable				16.70
Charge battery. Tracer no start condition to defective negative battery cable. K&R cable.					
Total time				1.0hr	50.00
Road Service - Towing (Bill attached)					56.00
					141.70
				TAX	10.43
RECEIVED BY: <i>[Signature]</i>				TOTAL	152.13

3866

All claims and returned goods MUST be accompanied by this bill.

Thank You

NO 00721

DATE 6/20/92

ADDRESS

ALEXANDERSON

Team

PERIODIC NOTE

PAID CASH

OTHER

QUANT

PRICE

AMOUNT

 $\frac{1}{2} hr$

RECEIVED BY

POSTED

NO REFUND WITHOUT THIS INVOICE

Form PL-13C (2-90)

TWIN HARBOR AUTO REPAIRS, INC.
29 Ludlum Avenue
BAYVILLE, NEW YORK 11709
(516) 628-3347
Sta. #1302818

NAME L. J. J. J. 005072

ADDRESS

CITY

DATE 5/28/94 CUST. ORDER NO. WHEN PROMISED PHONE 741-2666

YEAR & MAKE OF CAR TYPE OR MODEL SERIAL NO.

66 Chev Corvette MOTOR NO.

LICENS. NO. LR5-750 MILEAGE 1327 WRITTEN BY

QTY	PART NO.	NAME OF PART	SALE AMT
1		Rebuilt starter motor	59.95
2		Rear half shaft	
1		U-JOINTS @ \$26.95 ea	53.90

DESCRIPTION OF WORK AMOUNT

Oil change service special 24.95

Change & test battery Test charging system Run starter draw test and replace starter motor. 1.0hr 50.00

Road test for noise from rear. Check & replace rear half shaft U-joints. 1.5hrs 75.00

GAS OIL & GREASE CHECK BELOW LUBRICATE LABOR ONLY 149.95

SALES GAS CHANGE ENGINE OIL PARTS 113.85

QTS OIL TRANSMISSION ACCESSORIES

LBS GREASE DIFFERENTIAL GAS OIL & GREASE

WASH WASH MERCHANDISE

POLISH SUMMER REPAIRS 263.80

TOTAL GAS OIL & GREASE TOTAL SERVICE TAX 22.43

AUTHORIZED BY TOTAL 286.23

SEE BACK FOR ADDITIONAL PARTS

TOTAL PARTS 113.85

ACCESSORIES - TIRES AND TUBES

TOTAL ACCESSORIES

ESTIMATES ARE FOR PARTS AND LABOR

PAY THIS AMOUNT



9 8 0 4 3 8 4 3 1 4

L. HOUSE OF TIRES

OFFICIALS BUILDING

WINGOLA, NY 11591

(516) 746-3533

4

ENTER NO
11301

11-1-2000

VE-1
1101
0101
9 11

STATEMENT PAYMENT METHOD
CPS

DATE OF SALE: 11-1-2000

SALESMAN: 11301

SALESMAN: 11301

93043084315

AMOUNT FOR TOTAL

INVOICE TOTAL

SEE SIDE FOR
WARRANTY

HAVE A QUESTION OR PROBLEM?

Please let our sales manager, he will give you as much as you
need. Thank you and please call us.

CUSTOMER ASSISTANCE LINE

1-800-321-3129



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
1461 Franklin Ave
Garden City, New York 11530

July 31, 1996

RE: MUR 4128
Lally for Congress and
Bruce Cozzens, as treasurer
Grant M. Lally
Lawrence M. Lally
Utewolf Lally

Dear Mr. Ciampoli:

On July 29, 1996, this Office received additional documents from Grant and Lawrence Lally in response to the Commission's Subpoenas in the above captioned matter. On the same date, this Office received the initial response to the Commission's Order and Subpoena from Lally for Congress and its treasurer. Upon review of the latest submission, it still does not appear that your clients have identified and produced documents which are essential to compliance with the Commission's Subpoenas in this matter. In particular, it would appear that the documents discussed below would be in your clients' possession but have not been produced. To resolve this issue, state with specificity whether your clients do not possess any additional documents responsive to the Commission's Subpoenas, and whether they have withheld documents. With respect to any privileges, see the "Instructions" provided to you with the Commission's Subpoenas, and provide citations for all relevant case law and statutes on which you rely.

Bank Statements

The latest response contains only the first pages of "summaries" of Grant Lally's bank statements. Complete bank statements must be produced.

Bantam Road Property

The latest response to Request A-3 encloses a deed related to Lawrence Lally's purchase of the Bantam Road property from Grant Lally and several other deeds related to the property. The response indicates that a "Contract of Sale" is enclosed. However, the only contract of sale

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

produced relates to the 1992 purchase of the property by Grant Lally. Your clients have not produced checks or a contract of sale relating to Lawrence Lally's purchase and sale of the Bantam Road property, i.e., front and back of checks issued by Lawrence Lally, and all contracts for the purchase and sale of that property.

Automobile Sale

The latest response contains a copy of the front of Ute Lally's \$18,000 check relating to the purchase of the automobile, along with a deposit slip, and maintenance records which predate the 1994 sale. The response states that the sale was oral. However, the response fails to provide any other evidence relating to the sale and to the purchase or transfer of ownership of the car, i.e., title to the car, vehicle registration documents, evidence of Mrs. Lally's payment of county sales tax for the purchase, evidence that subsequent maintenance work was paid for by Ute Lally, both sides of Mrs. Lally's check for the purchase of the vehicle, etc.

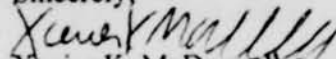
Law Firm Income

The Subpoenas to Grant Lally and to Lawrence and Ute Lally compel the production of documents related to Grant Lally's "pay structure" and "1994 income at the law firm." The responses contain checks issued to Grant Lally which total \$161,290 (more than his 1994 income of \$102,000). The latest response contains what appear to be law firm invoices which total \$27,252. Your clients have not produced any other documents that show the purpose of the checks issued to Grant Lally or documents setting forth the services rendered by Grant Lally for which he received such payments, i.e., check ledgers from the law firm's check book disclosing the cases for which such checks were issued, client invoices related to the income or payments received (other than the law firm invoices totaling \$27,252). Your clients' latest response also claims that some documents subpoenaed are privileged. However, the response does not provide "sufficient detail to provide justification for the claim" or specify "in detail all the grounds on which it rests," as required by the Commission's Instructions that were sent with the Subpoenas. In addition, identify the case law or statute on which any privileges are based.

Finally, the copies of documents evidencing transfers into the Lally for Congress account are not legible and copies of both sides of all checks must be produced.

In light of the time that has now elapsed your clients must produce a response to this letter, along with all the outstanding subpoenaed documents requested, by the close of business on Friday August 2, 1996.

Sincerely,


Xavier K. McDonnell

Attorney

GENTILE and CIAMPOLI
ATTORNEYS AND COUNSELLORS AT LAW

GLEN JEREMIAH GENTILE
JOHN N. CIAMPOLI
OF COUNSEL
HARLAN WITTENSTEIN

MAIN OFFICE
1461 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530
(516) 739-2041

NEW YORK CITY OFFICE
POST OFFICE BOX 204
BROOKLYN, NEW YORK 11209
(718) 748-0017

STATE CAPITAL OFFICE
POST OFFICE BOX 817
TOWN OF KINDERHOOK
VALATIE, NEW YORK 12184
(518) 758-1845

PLEASE REPLY TO
MAIN OFFICE

MUR 4128

August 1, 1996

Lawrence Lally, Esq.
Lally & Lally, Esqs.
220 Old Country Road
Mineola, N.Y. 11501

Dear Mr. Lally:

While I realize that we are in the middle of several ballot access litigations, nevertheless, to whatever extent we can, we must comply with the F.E.C. requests in a timely fashion.

Very truly yours,

John Ciampoli
JOHN N. CIAMPOLI

JNC:lr

cc: Xavier McDonnell

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
AUG 5 2 09 PM '96

MUR 4/28

RESPONSE TO DEMAND OF 7/31/96

LAWRENCE M. LALLY, ESQ., being duly sworn, deposes and says:

BANK STATEMENTS:

See Bank Statements enclosed.

BANTAM PLACE PROPERTY:

See Contract of Sale of property from Lally to Farquharson enclosed. Copies of checks previously provided. Checks received on sale of Farquharson are not in possession of seller.

AUTOMOBILE SALE:

Title in the name of Lawrence M. Lally for insurance purposes. All vehicles of family members were registered in this manner. Copy of check enclosed.

LAW FIRM INCOME:

Ute Lally does not practice law with Lally & Lally, consequently she has no knowledge of Grant Lally's compensation. Grant Lally's compensation is based upon ongoing firm work.

<u>Date</u>	<u>Client</u>	<u>Amt.</u>
1/14/94		\$1500.
		100.
1/19		953.
2/2		982.
2/3		300.
		15,992.
2/15		2,399.
		200.
2/16		750.
2/18		4,649.
3/4		1,000.
		300.
3/9		220.
3/10		6,585.
		150.
		75.
3/14		600.
3/15		140.
		950.

AUG 5 2 08 PM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

3/22	750.
	8,170.
3/25	20,190.
3/31	230.
	130.
4/5	300.
4/8	515.
4/25	50.
	210.
	750.
4/29	572.
5/9	21,530.
	300.
	100.
	95.
5/13	272.
5/16	750.
5/18	1,000.
6/8	100.
	300.
	189.
	100.
6/15	380.
6/16	1,655.
6/23	95.
7/5	750.
7/6	200.
	300.
	2,110.
7/8	200.
7/14	610.
7/15	500.
7/18	750.
7/20	972.
	3,400.
	1,000.
7/22	2,125.
	8,545.
8/8	100.
	20.
	300.
8/10	1,550.
8/31	695.
9/6	46,730.
9/8	300.
9/15	1,150.
	2,119.
9/19	200.
9/28	100.
	750.
	2,550.
10/5	1,964.
	4,000.
	300.

98043001320

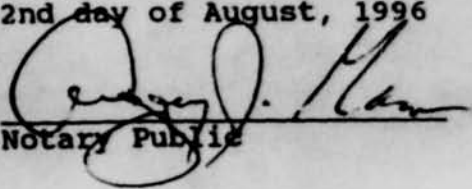
	75.
10/7	6,833.
10/20	870.
	60.
	750.
11/4	200.
	300.
11/17	500.
11/26	500.
12/2	6,000.
12/5	750.
	400.
12/9	6,830.
12/20	575.
	50.

All matrimonial files containing pleadings, motions, judgments, etc. in New York State are not subject to public inspection. Retainer agreements are mandatory and are part of the court's file and can only be disclosed to the parties, the court and their attorneys. Rules of the Appellate Division, 2nd Dept., control same.

Please advise as to which documents evidencing transfers into Lally for Congress account you wish reproduced since this documentation was previously provided to you. Please advise as to which checks you wish reproduced as same was likewise previously provided to you.


 LAWRENCE M. LALLY

Sworn to before me this
 2nd day of August, 1996


 Notary Public

GREGORY J. MASON
 NOTARY PUBLIC, State of New York
 No. 41-487884
 Qualified in Queens County
 Commission Expires October 20, 1996

90043004321

127

References

9 8 0 4 3 8 4 3 2 2

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT—THIS INSTRUMENT SHOULD BE USED BY LAWYERS

THIS INDENTURE, made the 26 day of October, nineteen hundred and ninety-five
 BETWEEN LAWRENCE M. LALLY & Grant M. Lally, both residing
 220 Old Country Road, Mineola, N.Y. 11501

party of the first part, and WINSOME BROWN, residing at 2716 Young Avenue, Bronx, N.Y.
 and BOYD FARQUHARSON, residing at 2746 Hering Avenue, Bronx, N.Y.,
 as joint tenants with right of the survivorship.

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place distant 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; RUNNETH thence northerly at right angles to Bantam Place, 55.51 feet; THENCE Northwest on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; THENCE westerly along the westerly prolongation of said line 20 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; THENCE southerly at right angles to the northerly side of Bantam Place and part of the distance through a party 90 feet to the northerly side of Bantam Place, and; THENCE easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantors herein by deeds dated April 21, 1993 and April 25, 1995.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF:

LAWRENCE M. LALLY

GRANT M. LALLY

Lally
6/6

9804384323

On the 26 day of October 1995, before me personally came

LAWRENCE M. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

Sheryl Brown

SHERYL BROWN
Notary Public, State of New York
No. 5011328
Qualified in Nassau County
Term Expires April 19, 1997

On the 26 day of October 1995, before me personally came

GRANT H. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

Sheryl Brown

SHERYL BROWN
Notary Public, State of New York
No. 5011328
Qualified in Nassau County
Term Expires April 19, 1997

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same; and that he, said witness, at the same time subscribed his name as witness thereto.

Mortgage and Sale Deed
WITH COVENANT AGAINST GRANTOR'S ACTS
TITLE NO. BK 221920
LAWRENCE M. LALLY

SECTION 16
BLOCK 4534
LOT 74
COUNTY OR TOWN

TO
WINSOME BROWN and BOYD FARQUHARSON

Recorded At Request of
First American Title Insurance Company of New York

RETURN BY MAIL TO



Steven A. Neil Esq.
Lushman & Neil Esqs.
319 Broadway
New York City
By *1007*

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE

THIS INDENTURE, made the 24 day of May, nineteen hundred and Ninety-Four
BETWEEN GRANT M. LALLY, residing at 345 Harbor Drive
Centre Island, New York 11771

party of the first part, and LAWRENCE M. LALLY, residing at 345 Centre Island
Road, Centre Island, New York 11771

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place, distance 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence Northerly at right angles to Bantam Place, 55.51 feet; thence Northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees 48 minutes 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence Westerly along the westerly prolongation of said line 20.4 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; thence Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Seller warrants and represents that he is conveying a two-third (2/3) percent interest in said premises to the Purchaser herein.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantor herein by Deed dated March 15, 1993 and recorded in the Office of the City Register, Bronx, County.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

Section: 16
Book: 4534
Page: 74

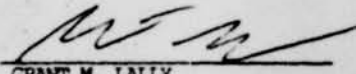
AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF:


GRANT M. LALLY

TOGETHER with all right, title and interest of the mortgagor in and to the land lying in the streets and roads in front of and adjoining said premises;

TOGETHER with all fixtures, chattels and articles of personal property now or hereafter attached to or used in connection with said premises, including but not limited to furnaces, boilers, oil burners, radiators and piping, coal stokers, plumbing and bathroom fixtures, refrigeration, air conditioning and sprinkler systems, wash-tubs, sinks, gas and electric fixtures, stoves, ranges, awnings, screens, window shades, elevators, motors, dynamos, refrigerators, kitchen cabinets, incinerators, plants and shrubbery and all other equipment and machinery, appliances, fittings, and fixtures of every kind in or used in the operation of the buildings standing on said premises, together with any and all replacements thereof and additions thereto.

TOGETHER with all awards heretofore and hereafter made to the mortgagor for taking by eminent domain the whole or any part of said premises or any easement therein, including any awards for changes of grade of streets, which said awards are hereby assigned to the mortgagee, who is hereby authorized to collect and receive the proceeds of such awards and to give proper receipts and acquittances therefor, and to apply the same toward the payment of the mortgage debt, notwithstanding the fact that the amount owing thereon may not then be due and payable, and the said mortgagor hereby agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning said awards to the mortgagee, free, clear and discharged of any encumbrances of any kind or nature whatsoever.

AND the mortgagor covenants with the mortgagee as follows:

1. That the mortgagor will pay the indebtedness as hereinbefore provided.
2. That the mortgagor will keep the buildings on the premises insured (i) against loss by fire for the benefit of the mortgagee; (ii) against loss by flood if the premises are located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of nineteen hundred sixty-eight; that he will assign and deliver the policies to the mortgagee, and that he will reimburse the mortgagee for any premiums paid for insurance made by the mortgagee on the mortgagor's default in so insuring the buildings or in so assigning and delivering the policies.
3. That no building on the premises shall be altered, removed or demolished without the consent of the mortgagee.
4. That the whole of said principal sum and interest shall become due at the option of the mortgagee: after default in the payment of any instalment of principal or of interest for fifteen days; or after default in the payment of any tax, water rate, sewer rent or assessment for thirty days after notice and demand; or after default after notice and demand either in assigning and delivering the policies insuring the buildings against loss by fire or in reimbursing the mortgagee for premiums paid on such insurance, as hereinbefore provided; or after default upon request in furnishing a statement of the amount due on the mortgage and whether any offsets or defenses exist against the mortgage debt, as hereinafter provided. An assessment which has been made payable in instalments at the application of the mortgagor or lessee of the premises shall nevertheless, for the purpose of this paragraph, be deemed due and payable in its entirety on the day the first instalment becomes due or payable or a lien.
5. That the holder of this mortgage, in any action to foreclose it, shall be entitled to the appointment of a receiver.
6. That the mortgagor will pay all taxes, assessments, sewer rents or water rates, and in default thereof, the mortgagee may pay the same.
7. That the mortgagor within five days upon request in person or within ten days upon request by mail will furnish a written statement duly acknowledged of the amount due on this mortgage and whether any offsets or defenses exist against the mortgage debt.
8. That notice and demand or request may be in writing and may be served in person or by mail.
9. That the mortgagor warrants the title to the premises.
10. That the fire insurance policies required by paragraph No. 2 above shall contain the usual extended coverage endorsement; that in addition thereto the mortgagor, within thirty days after notice and demand, will keep the premises insured against war risk and any other hazard that may reasonably be required by the mortgagee. All of the provisions of paragraphs No. 2 and No. 4 above relating to fire insurance and the provisions of Section 254 of the Real Property Law construing the same shall apply to the additional insurance required by this paragraph.
11. That in case of a foreclosure sale, said premises, or so much thereof as may be affected by this mortgage, may be sold in one parcel.
12. That if any action or proceeding be commenced (except an action to foreclose this mortgage or to collect the debt secured thereby), to which action or proceeding the mortgagee is made a party, or in which it becomes necessary to defend or uphold the lien of this mortgage, all sums paid by the mortgagee for the expenses of any litigation to prosecute or defend the rights and lien created by this mortgage (including reasonable counsel fees), shall be paid by the mortgagor, together with interest thereon at the rate of six per cent. per annum, and any such sum and the interest thereon shall be a lien on said premises, prior to any right, or title to, interest in or claim upon said premises attaching or accruing subsequent to the lien of this mortgage, and shall be deemed to be secured by this mortgage. In any action or proceeding to foreclose this mortgage, or to recover or collect the debt secured thereby, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

13. That the mortgagor hereby assigns to the mortgagee all rents, issues and profits of the premises as further security for the payment of said indebtedness, and the mortgagor grants to the mortgagee the right to enter upon and to take possession of the premises for the purpose of collecting the same and to let the premises or any part thereof, and to apply the rents, issues and profits, after payment of all necessary charges and expenses, on account of said indebtedness. This assignment and grant shall continue in effect until this mortgage is paid. The mortgagee hereby waives the right to enter upon and to take possession of said premises for the purpose of collecting said rents, issues and profits, and the mortgagor shall be entitled to collect and receive said rents, issues and profits until default under any of the covenants, conditions or agreements contained in this mortgage, and agrees to use such rents, issues and profits in payment of principal and interest becoming due on this mortgage and in payment of taxes, assessments, sewer rents, water rates and carrying charges becoming due against said premises, but such right of the mortgagee may be revoked by the mortgagor upon any default, on five days' written notice. The mortgagor will not, without the written consent of the mortgagee, receive or collect rent from any tenant of said premises or any part thereof for a period of more than one month in advance, and in the event of any default under this mortgage will pay monthly in advance to the mortgagee, or to any receiver appointed to collect said rents, issues and profits, the fair and reasonable rental value for the use and occupation of said premises or of such part thereof as may be in the possession of the mortgagor, and upon default in any such payment will vacate and surrender the possession of said premises to the mortgagee or to such receiver, and in default thereof may be evicted by summary proceedings.

14. That the whole of said principal sum and the interest shall become due at the option of the mortgagee: (a) after failure to exhibit to the mortgagee, within ten days after demand, receipts showing payment of all taxes, water rates, sewer rents and assessments; or (b) after the actual or threatened alteration, demolition or removal of any building on the premises without the written consent of the mortgagee; or (c) after the assignment of the rents of the premises or any part thereof without the written consent of the mortgagee; or (d) if the buildings on said premises are not maintained in reasonably good repair; or (e) after failure to comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the premises within three months from the issuance thereof; or (f) if on application of the mortgagee two or more fire insurance companies lawfully doing business in the State of New York refuse to issue policies insuring the buildings on the premises; or (g) in the event of the removal, demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered hereby, unless the same are promptly replaced by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from chattel mortgages or other encumbrances thereon and free from any reservation of title thereto; or (h) after thirty days' notice to the mortgagor, in the event of the passage of any law deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way the taxation of mortgages or debts secured thereby for state or local purposes; or (i) if the mortgagor fails to keep, observe and perform any of the other covenants, conditions or agreements contained in this mortgage.

15. That the mortgagor will, in compliance with Section 13 of the Lien Law, receive the advances secured hereby and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

Strike out this clause if inapplicable

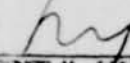
~~16. That the execution of this mortgage has been duly authorized by the board of directors of the mortgagor.~~

16. That in the event that there is any change in the ownership of said premises without the prior written consent of the mortgagee, then and in such event the aforesaid principal sum with accrued interest shall, at the option of the mortgagee, become due and payable immediately, although the period for the payment thereof may not have expired.

This mortgage may not be changed or terminated orally. The covenants contained in this mortgage shall run with the land and bind the mortgagor, the heirs, personal representatives, successors and assigns of the mortgagor and all subsequent owners, encumbrancers, tenants and subtenants of the premises, and shall ensure to the benefit of the mortgagee, the personal representatives, successors and assigns of the mortgagee and all subsequent holders of this mortgage. The word "mortgagor" shall be construed as if it read "mortgagors" and the word "mortgagee" shall be construed as if it read "mortgagees" whenever the sense of this mortgage so requires.

IN WITNESS WHEREOF, this mortgage has been duly executed by the mortgagor.

IN PRESENCE OF



 LAWRENCE M. LILLY

90043861327

STATE OF NEW YORK, COUNTY OF NASSAU

On the 19 day of April 1995, before me personally

LAWRENCE M. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that he executed the same.

Robert A. Pacht
Notary Public, State of NY
No. 02PA4935656
Comm. Filed in Suff. Co.
Comm. Exp. 6/6/96

STATE OF NEW YORK, COUNTY OF

On the 19 day of 1995, before me personally came

to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order

STATE OF NEW YORK, COUNTY OF

On the 19 day of 1995, before me personally

ROBERT A. PACHT
Notary Public, State of New York
No. 4935656
Qualified in Suffolk County
Commission Expires June 6, 1996

STATE OF NEW YORK, COUNTY OF

On the 19 day of 1995, before me personally came

the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same; and that he, said witness, at the same time subscribed his name as witness thereto

RECORDED BY
COUNSEL ABSTRACTING CO.
111 GREAT NECK RD.
GREAT NECK, NY 11031

(212) 461-1111
(516) 825-1111

SECTION

BLOCK 4534

LOT 74

COUNTY OR TOWN BLENY

PREMISES 1527 BANTAM PLACE

Recorded At Request of
First American Title Insurance Company of New York
RETURN BY MAIL TO

Robert A. Pacht, Esq.
525 No. Blvd
Great Neck, NY 11021

Zip No
ATGETX 22583

MORT 22583

223.0

05-05-95 EX01 MORT 22583

PAID MORT 223.0

RECEIVED
RECORDING TAX OF \$ 495
Includes Special
Adopt Tax of \$ 62.50
SEAL NO. 620672

Jay A. Eberwein
CITY, NEW YORK

RECORDED IN DORON COUNTY

OFFICE OF THE CITY RECORDER

1995 MAY -5 A 11:42

WITH MY HAND
AND OFFICIAL SEAL

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE

SCHEDULE A

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of Bantam Place, distant 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence NORTHERLY at right angles to Bantam Place, 55.51 feet; thence NORTHWESTERLY on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence WESTERLY along the westerly prolongation of said line 20.45 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence SOUTHERLY at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and thence EASTERLY along the northerly side of Bantam Place 31.12 feet to the point or place of beginning.

TOGETHER with all the right, title and interest of the Seller of, in and to the land lying in Bantam Place, in front of and adjoining said premises to the center line thereof.

SAID PREMISES being known as and by the street number 1527 BANTAM PLACE.

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT - THIS INSTRUMENT SHOULD BE USED BY LAWYERS

*George
6/16*

THIS INDENTURE, made the 26 day of October, nineteen hundred and ninety-five
BETWEEN LAWRENCE M. LALLY & Grant M. Lally, both residing
220 Old Country Road, Mineola, N.Y. 11501

party of the first part, and WINSOME BROWN, residing at 2716 Young Avenue, Bronx, N.Y.
and BOYD FAPOUHARSON, residing at 2746 Hering Avenue, Bronx, N.Y.,
as joint tenants with right of the survivorship.

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situated and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place distant 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; THENCE northerly at right angles to Bantam Place, 55.51 feet; THENCE Northwest on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; THENCE westerly along the westerly prolongation of said line 20 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; THENCE southerly at right angles to the northerly side of Bantam Place and part of the distance through a party 90 feet to the northerly side of Bantam Place, and; THENCE easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantors herein by deeds dated April 21, 1993 and April 25, 1995.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF:

LAWRENCE M. LALLY

GRANT M. LALLY

98043004330

STATE OF NEW YORK, COUNTY OF NASSAU

On the 26 day of October 1995, before me personally came

LAWRENCE M. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

Sheryl Bruno

SHERYL BRUNO
Notary Public, State of New York
No. 5011328
Qualified in Nassau County
Term Expires April 19, 1997

STATE OF NEW YORK, COUNTY OF NASSAU

On the 26 day of October 1995, before me personally came

GRANT H. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

Sheryl Bruno

SHERYL BRUNO
Notary Public, State of New York
No. 5011328
Qualified in Nassau County
Term Expires April 19, 1997

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

STATE OF NEW YORK, COUNTY OF

On the day of 19, before me personally came

the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same; and that he, said witness, at the same time subscribed his name as witness thereto.

Bargain and Sale Deed

WITH COVENANT AGAINST GRANTOR'S ACTS

TITLE NO. Bx 221920

LAWRENCE M. LALLY

TO

WINSOME BROWN and BOYD FARQUHARSON

STANDARD FORM OF NEW YORK BOARD OF TITLE UNDERWRITERS

Distributed by

First American Title Insurance Company
of New York



SECTION 16

BLOCK 4534

LOT 74

COUNTY OR TOWN

Recorded At Request of
First American Title Insurance Company of New York

RETURN BY MAIL TO

Steven A. Neil Esq.
Lushman & Neil Esqs.
319 Broadway
New York City

By No. 10007

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT—THIS INSTRUMENT SHOULD BE USED BY LAWYERS ONLY.

THIS MORTGAGE, made ^{as of} ~~2/87~~ ^{2/88} day of April, nineteen hundred and ninety-fiveBETWEEN LAWRENCE M. LALLY
220 Old Country Road
Mineola, NY 11501and JAMES PAVLO
1529 Bantam Place
Bronx, NY 10469

, the mortgagor,

, the mortgagee,

WITNESSETH, that to secure the payment of an indebtedness in the sum of
TWENTY-FIVE THOUSAND and 00/100 (\$25,000.00) _____ dollars,
lawful money of the United States, to be paidwith interest thereon to be computed from the date hereof, at the rate of _____ per centum
per annum, and to be paid on the _____ day of _____ next ensuing and
thereafter,according to a certain bond,
note or obligation bearing even date herewith, the mortgagor hereby mortgages to the mortgagee

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place, distance 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence Northerly at right angles to Bantam Place, 55.51 feet; thence Northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence Westerly along the westerly prolongation of said line 20.45 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; thence Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Seller warrants and represents that he is conveying a 33 1/3% interest in said premises to the Purchaser herein.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantors herein by Deed dated 11/3/87 and recorded in the Office of the City Register, Bronx County, on 12/24/87 in Reel 0813, page 0079.

✓
PREMISES HERLIN ARE
IMPROVED BY A ONE/TWO
FAMILY DWELLING ONLY

MTG TAX
\$5001527 Bantam Place
Bronx, NY 10469

98043084332

9 0 0 4 3 3 8 4 3 3 3

TOGETHER with all right, title and interest of the mortgagor in and to the land lying in the streets and roads in front of and adjoining said premises.

TOGETHER with all fixtures, chattels and articles of personal property now or hereafter attached to or used in connection with said premises, including but not limited to furnaces, boilers, oil burners, radiators and piping, coal stokers, plumbing and bathroom fixtures, refrigeration, air conditioning and sprinkler systems, wash-tubs, sinks, gas and electric fixtures, stoves, ranges, awnings, screens, window shades, elevators, motors, dynamos, refrigerators, kitchen cabinets, incinerators, plants and shrubbery and all other equipment and machinery, appliances, fittings, and fixtures of every kind in or used in the operation of the buildings standing on said premises, together with any and all replacements thereof and additions thereto.

TOGETHER with all awards heretofore and hereafter made to the mortgagor for taking by eminent domain the whole or any part of said premises or any easement therein, including any awards for changes of grade of streets, which said awards are hereby assigned to the mortgagee, who is hereby authorized to collect and receive the proceeds of such awards and to give proper receipts and acquittances therefor, and to apply the same toward the payment of the mortgage debt, notwithstanding the fact that the amount owing thereon may not then be due and payable; and the said mortgagor hereby agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning said awards to the mortgagee, free, clear and discharged of any encumbrances of any kind or nature whatsoever.

AND the mortgagor covenants with the mortgagee as follows:

1. That the mortgagor will pay the indebtedness as hereinbefore provided.
2. That the mortgagor will keep the buildings on the premises insured (i) against loss by fire for the benefit of the mortgagee; (ii) against loss by flood if the premises are located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of nineteen hundred sixty-eight; that he will assign and deliver the policies to the mortgagee, and that he will reimburse the mortgagee for any premiums paid for insurance made by the mortgagee on the mortgagor's default in so insuring the buildings or in so assigning and delivering the policies.
3. That no building on the premises shall be altered, removed or demolished without the consent of the mortgagee.
4. That the whole of said principal sum and interest shall become due at the option of the mortgagee: after default in the payment of any instalment of principal or of interest for fifteen days; or after default in the payment of any tax, water rate, sewer rent or assessment for thirty days after notice and demand; or after default after notice and demand either in assigning and delivering the policies insuring the buildings against loss by fire or in reimbursing the mortgagee for premiums paid on such insurance, as hereinbefore provided; or after default upon request in furnishing a statement of the amount due on the mortgage and whether any off-sets or defenses exist against the mortgage debt, as hereinafter provided. An assessment which has been made payable in instalments at the application of the mortgagor or lessee of the premises shall nevertheless, for the purpose of this paragraph, be deemed due and payable in its entirety on the day the first instalment becomes due or payable or a lien.
5. That the holder of this mortgage, in any action to foreclose it, shall be entitled to the appointment of a receiver.
6. That the mortgagor will pay all taxes, assessments, sewer rents or water rates, and in default thereof, the mortgagee may pay the same.
7. That the mortgagor within five days upon request in person or within ten days upon request by mail will furnish a written statement duly acknowledged of the amount due on this mortgage and whether any off-sets or defenses exist against the mortgage debt.
8. That notice and demand or request may be in writing and may be served in person or by mail.
9. That the mortgagor warrants the title to the premises.
10. That the fire insurance policies required by paragraph No. 2 above shall contain the usual extended coverage endorsement; that in addition thereto the mortgagor, within thirty days after notice and demand, will keep the premises insured against war risk and any other hazard that may reasonably be required by the mortgagee. All of the provisions of paragraphs No. 2 and No. 4 above relating to fire insurance and the provisions of Section 254 of the Real Property Law construing the same shall apply to the additional insurance required by this paragraph.
11. That in case of a foreclosure sale, said premises, or so much thereof as may be affected by this mortgage, may be sold in one parcel.
12. That if any action or proceeding be commenced (except an action to foreclose this mortgage or to collect the debt secured thereby), to which action or proceeding the mortgagee is made a party, or in which it becomes necessary to defend or uphold the lien of this mortgage, all sums paid by the mortgagee for the expenses of any litigation to prosecute or defend the rights and lien created by this mortgage (including reasonable counsel fees), shall be paid by the mortgagor, together with interest thereon at the rate of six per cent. per annum, and any such sum and the interest thereon shall be a lien on said premises, prior to any right, or title to, interest in or claim upon said premises attaching or accruing subsequent to the lien of this mortgage, and shall be deemed to be secured by this mortgage. In any action or proceeding to foreclose this mortgage, or to recover or collect the debt secured thereby, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

13 That the mortgagor hereby assigns to the mortgagee all rents, issues and profits of the premises as further security for the payment of said indebtedness, and the mortgagor grants to the mortgagee the right to enter upon and to take possession of the premises for the purpose of collecting the same and to let the premises or any part thereof, and to apply the rents, issues and profits, after payment of all necessary charges and expenses, on account of said indebtedness. This assignment and grant shall continue in effect until this mortgage is paid. The mortgagee hereby waives the right to enter upon and to take possession of said premises for the purpose of collecting said rents, issues and profits, and the mortgagor shall be entitled to collect and receive said rents, issues and profits until default under any of the covenants, conditions or agreements contained in this mortgage, and agrees to use such rents, issues and profits in payment of principal and interest becoming due on this mortgage and in payment of taxes, assessments, sewer rents, water rates and carrying charges becoming due against said premises, but such right of the mortgagee may be revoked by the mortgagor upon any default, on five days' written notice. The mortgagor will not, without the written consent of the mortgagee, receive or collect rent from any tenant of said premises or any part thereof for a period of more than one month in advance, and in the event of any default under this mortgage will pay monthly in advance to the mortgagee, or to any receiver appointed to collect said rents, issues and profits, the fair and reasonable rental value for the use and occupation of said premises or of such part thereof as may be in the possession of the mortgagor, and upon default in any such payment will vacate and surrender the possession of said premises to the mortgagee or to such receiver, and in default thereof may be evicted by summary proceedings.

14 That the whole of said principal sum and the interest shall become due at the option of the mortgagee: (a) after failure to exhibit to the mortgagee, within ten days after demand, receipts showing payment of all taxes, water rates, sewer rents and assessments; or (b) after the actual or threatened alteration, demolition or removal of any building on the premises without the written consent of the mortgagee; or (c) after the assignment of the rents of the premises or any part thereof without the written consent of the mortgagee; or (d) if the buildings on said premises are not maintained in reasonably good repair; or (e) after failure to comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the premises within three months from the issuance thereof; or (f) if on application of the mortgagee two or more fire insurance companies lawfully doing business in the State of New York refuse to issue policies insuring the buildings on the premises; or (g) in the event of the removal, demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered hereby, unless the same are promptly replaced by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from chattel mortgages or other encumbrances thereon and free from any reservation of title thereto; or (h) after thirty days' notice to the mortgagor, in the event of the passage of any law deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way the taxation of mortgages or debts secured thereby for state or local purposes; or (i) if the mortgagor fails to keep, observe and perform any of the other covenants, conditions or agreements contained in this mortgage.

15 That the mortgagor will, in compliance with Section 13 of the Lien Law, receive the advances secured hereby and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

Section 13 of the
Lien Law is
inapplicable

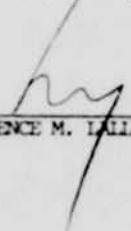
~~16 That the execution of this mortgage has been duly authorized by the board of directors of the mortgagee.~~

16. That in the event that there is any change in the ownership of said premises without the prior written consent of the mortgagee, then and in such event the aforesaid principal sum with accrued interest shall, at the option of the mortgagee, become due and payable immediately, although the period for the payment thereof may not have expired.

This mortgage may not be changed or terminated orally. The covenants contained in this mortgage shall run with the land and bind the mortgagor, the heirs, personal representatives, successors and assigns of the mortgagor and all subsequent owners, encumbrancers, tenants and subtenants of the premises, and shall inure to the benefit of the mortgagee, the personal representatives, successors and assigns of the mortgagee and all subsequent holders of this mortgage. The word "mortgagor" shall be construed as if it read "mortgagors" and the word "mortgagee" shall be construed as if it read "mortgagees" whenever the sense of this mortgage so requires.

IN WITNESS WHEREOF, this mortgage has been duly executed by the mortgagor.

IN PRESENCE OF:


LAWRENCE M. LILLY

STATE OF NEW YORK, COUNTY OF NASSAU

On the 19 day of April 1995, before me personally came

LAWRENCE M. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that he executed the same.

Robert A. Pachet
 Notary Public, State of New York
 No. 02 PA 4935656
 Comm. filed in Suff. Co.
 Comm. Exp. 6/6/96

STATE OF NEW YORK, COUNTY OF

On the 19 day of April 1995, before me personally came

ROBERT A. PACHT
 Notary Public, State of New York
 No. 4935656
 Qualified in Suffolk County
 Commission Expires June 6, 1996

STATE OF NEW YORK, COUNTY OF

On the 19 day of April 1995, before me personally came

to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

STATE OF NEW YORK, COUNTY OF

On the 19 day of April 1995, before me personally came

the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same, and that he, said witness, at the same time subscribed his name as witness thereto.

RECORDING BY
 COUNSEL ADDRESSING
 111 GREAT NECK ROAD
 GREAT NECK, N.Y. 11041

(212) 461-1111
 (516) 821-1111

SECTION

BLOCK 4534

LOT 74

COUNTY OR TOWN BLENY

PREMISES 1527 BANTAM PLACE

Mortgage
 TITLE NO. 103-34635
 LAWRENCE M. LALLY,
 TO
 JAMES PAVLO

STANDARD FORM OF NEW YORK BOARD OF TITLE UNDERWRITERS
 Distributed by
 First American Title Insurance Company
 of New York



Recorded At Request of
 First American Title Insurance Company of New York
 RETURN BY MAIL TO

Robert A. Pachet, Esq.
 525 No. Blvd
 Great Neck, NY 11041

Zip No. 22583
 HTGETX

MORT 22583

22583

05-05-95 BX01 MORT 22583

PAID MORT 2230

RECORDED IN DORONX COUNTY

OFFICE OF THE CITY CLERK

1995 MAY -5 A 11:42

BY MY HAND AND OFFICIAL

RECEIVED
 RECORDING TAX OF \$ 495
 Includes Special
 Adaptor Tax of \$ 62.50
 SERIAL NO. 106672

Jy Q. E. [Signature]
 CITY CLERK

REMARKS THIS SPACE FOR USE IN RETURNING OFFICE

WARNING: NO REPRESENTATION IS MADE THAT THIS FORM OF CONTRACT FOR THE SALE AND PURCHASE OF REAL ESTATE COMPLIES WITH SECTION 5-702 OF THE GENERAL OBLIGATIONS LAW ("PLAIN ENGLISH").

CONSULT YOUR LAWYER BEFORE SIGNING IT.

NOTE: FIRE AND CASUALTY LOSSES: This contract form does not provide for what happens in the event of fire or casualty loss before the title closing. Unless different provision is made in this contract, Section 5-1311 of the General Obligations Law will apply. One part of that law makes a purchaser responsible for fire and casualty loss upon taking of title to or possession of the premises.

Date: **CONTRACT OF SALE** made as of the 7th day of January, 1995
Parties: BETWEEN **LAWRENCE M. LALLY**

Address: 220 Old Country Road, Mineola, New York 11501

hereinafter called "SELLER", who agrees to sell, and **WINSOME BROWN**, residing at 2716 Young Avenue, Bronx, NY and
Address: **BOYD FARQUHARSON**, residing at 2746 Hering Avenue, Bronx, N.Y.

hereinafter called "PURCHASER", who agrees to buy:

Premises: The property, including all buildings and improvements thereon (the "PREMISES") (more fully described on a separate page marked "Schedule A") and also known as:

Street Address: 1527 Bantam Place, Bronx, New York

Tax Map Designation: Sec.: 16, Blk: 4534, Lot: 74

Together with SELLER'S interest, if any, in streets and unpaid awards as set forth in Paragraph 9.

Personal Property:

The sale also includes all fixtures and articles of personal property attached to or used in connection with the PREMISES, unless specifically excluded below. SELLER states that they are paid for and owned by SELLER free and clear of any lien other than the EXISTING MORTGAGE(S). They include but are not limited to plumbing, heating, lighting and cooking fixtures, bathroom and kitchen cabinets, ~~sanitary ware, mirrors, window blinds, shades, screens, awnings, storm windows, window boxes, storm doors, mail boxes, weather vane, flagpole, pump, shrubbery, lawn, outdoor statue, hot tub, dishwasher, washing machine, clothes dryer, garbage disposal unit, range, refrigerator, freezer, air conditioner, equipment and installations, and wall to wall carpeting.~~
And will be well regarding as same possibly exist;

Excluded from this sale are: Furniture and household furnishings.

Purchase Price:

1. a. The purchase price is \$169,000.00
payable as follows:
On the signing of this contract, by check subject to collection: \$ 8,450.-
By allowance for the principal amount still unpaid on EXISTING MORTGAGE(S): \$ 160,550.-
By a Purchase Money Note and Mortgage from PURCHASER (or assigns) to SELLER: \$ 160,550.-
BALANCE AT CLOSING: \$ 152,100.00

b. If there is to subject to an EXISTING MORTGAGE, the Purchase Money Note and Mortgage will also provide that it will remain subject to the prior lien of any EXISTING MORTGAGE even though the EXISTING MORTGAGE is extended or modified in good faith. The Purchase Money Note and Mortgage shall be drawn on the TITLE GUARANTEE COMPANY standard form by the attorney for SELLER. PURCHASER shall pay the mortgage recording tax, recording fees and the attorney's fees in the amount of \$ for its preparation.

c. If any required payments are made on an EXISTING MORTGAGE between now and CLOSING which reduce the unpaid principal amount of an EXISTING MORTGAGE below the amount shown in Paragraph 2, then the balance of the price payable at CLOSING will be adjusted. SELLER agrees that the amount shown in Paragraph 2 is reasonably correct and that only payments required by the EXISTING MORTGAGE will be made.

d. If there is a mortgage escrow account that is maintained for the purpose of paying taxes or insurance, etc., SELLER shall assign it to PURCHASER, if it can be assigned. In that event PURCHASER shall pay the amount in the escrow account to SELLER at CLOSING.

9804337

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place, distant 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; RUNNING THENCE Northerly at right angles to Bantam Place, 55.51 feet; THENCE Northeasterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; THENCE Westerly along the westerly prolongation of said line 20.45 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto: THENCE Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and THENCE Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

Mortgage now in the unpaid principal amount of \$
per cent per year, presently payable
which include principal, in \$
and with any balance of principal being due and payable on

and interest at the rate of
in installments of \$

SELLER hereby states that no EXISTING MORTGAGE contains any provision that permits the holder of the mortgage to require its immediate payment in full or to change any other term thereof by reason of the fact of CLOSING.

Acceptable
Funds:

3. All money payable under this contract, unless otherwise specified, shall be either:

- Cash, but not over one thousand (\$1,000.00) Dollars.
- Good certified check of PURCHASER, or official check of any bank, savings bank, trust company, or savings and loan association having a banking office in the State of New York, payable to the order of SELLER, or to the order of PURCHASER and duly endorsed by PURCHASER (if an individual) to the order of SELLER in the presence of SELLER or SELLER'S attorney.
- Money other than the purchase price, payable to SELLER at CLOSING, may be by check of PURCHASER up to the amount of FIVE HUNDRED and 00/100 DOLLARS (\$ 500.00) dollars, or
- As otherwise agreed to in writing by SELLER or SELLER'S attorney.

"Subject to"
Provisions:

4. The PREMISES are to be transferred subject to:

- Laws and governmental regulations that affect the use and maintenance of the PREMISES, provided that they are not violated by the buildings and improvements erected on the PREMISES.
- Consents for the erection of any structures on, under or above any streets on which the PREMISES abut.
- Encroachments of stoeps, areas, cellar openings, trim and cornices, if any, upon any street or highway, provided same does not render title unmarketable.
- Any state of facts that an accurate survey may show, provided same does not render title unmarketable.

Title Company
Approval:

5. SELLER shall give and PURCHASER shall accept such title as ~~any~~ any reputable title company will be willing to approve and insure in accordance with the standard form of title policy approved by the New York State Insurance Department, subject only to the matters provided for in this contract.

Closing
Method and
Form of Deed:

6. "CLOSING" means the settlement of the obligations of SELLER and PURCHASER to each other under this contract, including the payment of the purchase price to SELLER, and the delivery to PURCHASER of a Bargain & Sale Deed w/covenants against Grantors Acted in per statutory form for recording so as to transfer full ownership (fee simple) to the PREMISES, free of all encumbrances except as herein stated. The deed will contain a covenant by SELLER as required by Section 13 of the Lien Law.

If SELLER is a corporation, it will deliver to PURCHASER at the time of CLOSING (a) a resolution of its Board of Directors authorizing the sale and delivery of the deed, and (b) a certificate by the Secretary or Assistant Secretary of the corporation certifying such resolution and setting forth facts showing that the transfer is in conformity with the requirements of Section 909 of the Business Corporation Law. The deed in such case shall contain a recital sufficient to establish compliance with that section.

Closing
Date and Place:

7. CLOSING will take place at the office of EMILY G. LALLY, ESQ., 220 Old Country Road, Mineola, N.Y., or the lending institution at 10:00 A.M. or about August 7, 1995.

Broker (A)

8. PURCHASER hereby states that PURCHASER has not dealt with any broker in connection with this sale other than GRANT M. LALLY

and SELLER agrees to pay the broker the commission earned thereby (pursuant to separate agreement).

Signer of
Assignment
of
Equity
Award:

9. This sale includes all of SELLER'S ownership and rights, if any, in any land lying in the bed of any street or highway, opened or proposed, in front of or adjoining the PREMISES to the center line thereof. It also includes any right of SELLER to any unpaid award by reason of any taking by condemnation and/or for any damage to the PREMISES by reason of change of grade of any street or highway. SELLER will deliver at no additional cost to PURCHASER at CLOSING, or thereafter, on demand, any documents which PURCHASER may require to collect the award and damages.

Mortgagee's
Certificate
of Satisfaction
to Purchase
Mortgage(s):

10. SELLER agrees to deliver to PURCHASER at CLOSING a certificate dated not more than thirty (30) days before CLOSING signed by the holder of each EXISTING MORTGAGE, in form for recording, certifying the amount of the unpaid principal and interest, date of maturity, and rate of interest. SELLER shall pay the fees for recording such certificate. If the holder of a mortgage is a bank or other institution as defined in Section 274-a, Real Property Law, it may, instead of the certificate, furnish an unqualified letter dated not more than thirty (30) days before CLOSING containing the same information. SELLER hereby states that any EXISTING MORTGAGE will not be in default at the time of CLOSING.

Compliance
with State
and Municipal
Departmental
Violations
and Orders:

11. a. SELLER will comply with all notices or notices of violations of law or municipal ordinances, orders or requirements issued in or issued by any governmental department having authority as to lands, housing, buildings, fire, health and labor conditions affecting the PREMISES at the time hereof. The PREMISES shall be transferred free of them at CLOSING and this provision shall survive CLOSING. SELLER shall furnish PURCHASER with any authorizations necessary to make the searches that could disclose these matters.

Omits if the
Property is Not
In the City of
New York:

b. All obligations affecting the PREMISES, incurred pursuant to the Administrative Code of the City of New York prior to CLOSING and payable in money shall be discharged by SELLER at CLOSING. This provision shall survive CLOSING.

Installment
Assessments:

12. If at the time of CLOSING the PREMISES are affected by an assessment which is or may become payable in annual installments, and the first installment is then a lien, or has been paid, or for the purposes of this contract all the unpaid installments shall be considered due and are to be paid by SELLER at CLOSING.

9804384339

Water Meter Readings

Allowance for Unpaid Taxes, Etc.

Use of Purchase Price to Pay Encumbrances

Affidavit as to Judgments, Bankruptcies, Etc.

Deed Transfer and Recording Taxes

Purchaser's Lien

Seller's Liability to Cover Limitation of Liability

Condition of Property

Entire Agreement

Changes Must be in Writing

Singular Also Means Plural

(a) items as and when collected ~~insurance policies and annuities~~ ~~those expiring prior to~~ (d) i.e. water charges and sewer rents, on the basis of the fiscal year for which assessed. (e) any. (f) ~~out-charges~~ if any.

If CLOSING shall occur before a new tax rate is fixed, the apportionment of taxes shall be upon the basis of the old tax rate for the preceding period applied to the latest assessed valuation.

Any errors or omissions in computing apportionments at CLOSING shall be corrected. This provision shall survive CLOSING.

14. If there be a water meter on the PREMISES, SELLER shall furnish a reading to a date not more than thirty (30) days before CLOSING date and the unfixed meter charge and sewer rent, if any, shall be apportioned on the basis of such last reading.

15. SELLER has the option to credit PURCHASER as an adjustment of the purchase price with the amount of any unpaid taxes, assessments, water charges and sewer rents, together with any interest and penalties thereon to a date not less than five(5) business days after CLOSING, provided that official bills therefor computed to said date are produced at CLOSING.

16. If there is anything else affecting the sale which SELLER is obligated to pay and discharge at CLOSING, SELLER may use any portion of the balance of the purchase price to discharge it. As an alternative SELLER may deposit money with the title insurance company employed by PURCHASER and required by it to assure its discharge, but only if the title insurance company will insure PURCHASER'S title clear of the matter or insure against its enforcement out of the PREMISES. Upon request, made within a reasonable time before CLOSING, the PURCHASER agrees to provide separate certified checks as requested to assist in clearing up these matters.

17. If a title examination discloses judgments, bankruptcies or other returns against persons having names the same as or similar to that of SELLER, SELLER shall deliver a satisfactory detailed affidavit at CLOSING showing that they are not against SELLER.

18. At CLOSING, SELLER shall deliver a certified check payable to the order of the appropriate State, City or County officer in the amount of any applicable transfer and/or recording tax payable by reason of the delivery or recording of the deed, together with any required tax return. PURCHASER agrees to duly complete the tax return and to cause the check(s) and the tax return to be delivered to the appropriate officer promptly after CLOSING.

19. All money paid on account of this contract, and the reasonable expenses of examination of the title to the PREMISES and of any survey and survey inspection charges are hereby made liens on the PREMISES and collectable out of the PREMISES. Such liens shall not continue after default in performance of the contract by PURCHASER.

20. If SELLER is unable to transfer title to PURCHASER in accordance with this contract, SELLER'S sole liability shall be to refund all money paid on account of this contract, plus all charges made for: (i) examining the title, (ii) any appropriate additional searches made in accordance with this contract, and (iii) survey and survey inspection charges. Upon such refund and payment this contract shall be considered cancelled, and neither SELLER nor PURCHASER shall have any further rights against the other.


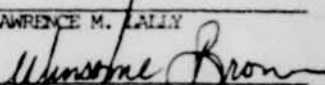

21. PURCHASER has inspected the buildings on the PREMISES and the personal property included in this sale and is thoroughly acquainted with their condition. PURCHASER agrees to purchase them "as is" and in their present condition subject to reasonable use, wear, tear, and natural deterioration between now and CLOSING. PURCHASER shall have the right, after reasonable notice to SELLER, to inspect them before CLOSING.

22. All prior understandings and agreements between SELLER and PURCHASER are merged in this contract. It completely expresses their full agreement. It has been entered into after full investigation, neither party relying upon any statements made by anyone else that is not set forth in this contract.

23. This contract may not be changed or cancelled except in writing. The contract shall also apply to and bind the distributees, heirs, executors, administrators, successors and assigns of the respective parties. Each of the parties hereby authorize their attorneys to agree in writing to any changes in dates and time periods provided for in this contract.

24. Any singular word or term herein shall also be read as in the plural whenever the sense of this contract may require it.

In Presence Of:


LAWRENCE M. LALLY

WINSOME BROWN

BOYD FARQUHARSON

OVER

MORTGAGE NOTE

\$ 25,000.00

New York.

1994

FOR VALUE RECEIVED.

LAWRENCE M. LALLY
220 Old Country Road
Mineola, New York 11501

promise to pay to

JAMES PAVLO
1527 Bantam Place
Bronx, New York 10469

or order, ~~xxx~~ c/o - ROBERT PACITT, ESQ., 525 Northern Blvd., Great Neck, New York
or at such other place as may be designated in writing by the holder of this note, the principal sum
of TWENTY-FIVE THOUSAND and 00/100 (\$25,000.00)
dollars

with interest ^{only} thereon to be computed from the date hereof, at the rate of 10% per annum and to be paid on the 20th day of May on the 20th day of each ~~thereafter~~ month thereafter until October 20, 1995 at which time the entire principal sum of TWENTY-FIVE THOUSAND and 00/100 (\$25,000.00) shall be due and payable. 19 95, next ensuing and 1995 at which

IT IS HEREBY EXPRESSLY AGREED, that the said principal sum secured by this note shall become due at the option of the holder thereof on the happening of any default or event by which, under the terms of the mortgage securing this note, said principal sum may or shall become due and payable; also, that all of the covenants, conditions and agreements contained in said mortgage are hereby made part of this instrument.

Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived.
This note is secured by a mortgage on the property described in the accompanying deed.

This note is secured by a mortgage made by the maker to the payee of even date herewith, on property situate in the

This note may not be changed or terminated orally.

LAWRENCE M. LALLY

CONSULT YOUR LAWYER BEFORE SIGNING IT.

NOTE: FIRE AND CASUALTY LOSSES: This contract form does not provide for what happens in the event of fire or casualty loss before the title closing. Unless different provision is made in this contract, Section 5-1311 of the General Obligations Law will apply. One part of that law makes a purchaser responsible for fire and casualty loss upon taking of title to or possession of the premises.

Date:
Furnish:

CONTRACT OF SALE made as of the _____ day of December, 1992
BETWEEN

PRESTON PAVLO, residing at 51 Claremont Street, Deer Park, New York, and
ANNA PENNESI, residing at No. 10 Kingston Drive, Ridge, New York 11961

Address:

hereinafter called "SELLER", who agrees to sell, and GRANT M. LALLY

Address: 345 Centre Island Road, Centre Island, New York

hereinafter called "PURCHASER", who agrees to buy:

Premises:

The property, including all buildings and improvements thereon (the "PREMISES") (more fully described on a separate page marked "Schedule A") and also known as:

Street Address: 1527 Bantam Place, Bronx, New York

Tax Map Designation: Section 16, Block 4534, Lot 74

File 20-1001-7

Together with SELLER'S interest, if any, in streets and unpaid awards as set forth in Paragraph 9.

Personal
Property:

The sale also includes all fixtures and articles of personal property attached to or used in connection with the PREMISES, unless specifically excluded below. SELLER states that they are paid for and owned by SELLER free and clear of any lien other than the EXISTING MORTGAGE(S). They include but are not limited to plumbing, heating, lighting and cooking fixtures, bathroom and kitchen cabinets, mantels, door mirrors, venetian blinds, shades, screens, awnings, storm windows, window boxes, storm doors, mail boxes, weather vanes, flagpoles, pumps, shrubbery, fencing, outdoor statuary, tool sheds, dishwashers, washing machines, clothes dryers, garbage disposal units, ranges, refrigerators, freezers, air conditioning equipment and installations, and wall to wall carpeting.

Excluded from this sale are:

Furniture and household furnishings.

Purchase
Price:

1. a. The purchase price is	\$ 40,000.00
payable as follows:	
On the signing of this contract, by check subject to collection:	\$ 500.00
By allowance for the principal amount still unpaid on EXISTING MORTGAGE(S):	\$
By a Purchase Money Note and Mortgage from PURCHASER (or assigns) to SELLER:	\$
BALANCE AT CLOSING:	\$ 39,500.00

Sellers' fee interest in the above-described real property represents two-thirds (2/3) ownership of the entire parcel.

93043384341

modified in good faith. The Purchase Money Note and Mortgage shall be drawn by the attorney for SELLER. SELLER shall pay the mortgage recording tax, recording fees and the attorney's fee in the amount of \$ for its preparation.

c. If any required payments are made on an EXISTING MORTGAGE between now and CLOSING which reduce the unpaid principal amount of an EXISTING MORTGAGE below that amount shown in Paragraph 2, then the balance of the price payable at CLOSING will be adjusted. SELLER agrees that the amount shown in Paragraph 2 is reasonably correct and that only payments required by the EXISTING MORTGAGE will be made.

d. If there is a mortgage escrow account that is maintained for the purpose of paying taxes or insurance, etc., SELLER shall assign it to PURCHASER, if it can be assigned. In that event PURCHASER shall pay the amount in the escrow account to SELLER at CLOSING.

Existing
Mortgages:

2. The PREMISES will be conveyed subject to the continuing lien of "EXISTING MORTGAGE(S)" as follows:

Mortgage now in the unpaid principal amount of \$ and interest at the rate of
per cent per year, presently payable in installments of \$
which include principal, interest,
and with any balance of principal being due and payable on

SELLER hereby states that no EXISTING MORTGAGE contains any provision that permits the holder of the mortgage to require its immediate payment in full or to change any other term thereof by reason of the fact of CLOSING.

Acceptable
Funds:

3. All money payable under this contract, unless otherwise specified, shall be either:

a. Cash, but not over one thousand (\$1,000.00) Dollars,
b. Good certified check of PURCHASER, or official check of any bank, savings bank, trust company, or savings and loan association having a banking office in the State of New York, payable to the order of SELLER, or to the order of PURCHASER and duly endorsed by PURCHASER (if an individual) to the order of SELLER in the presence of SELLER or SELLER'S attorney.

c. Money other than the purchase price, payable to SELLER at CLOSING, may be by check of PURCHASER up to the amount of FIVE HUNDRED (\$ 500.00) dollars, or

d. As otherwise agreed to in writing by SELLER or SELLER'S attorney.

"Subject to"
Provisions:

4. The PREMISES are to be transferred subject to:

a. Laws and governmental regulations that affect the use and maintenance of the PREMISES, provided that they are not violated by the buildings and improvements erected on the PREMISES.
b. Consents for the erection of any structures on, under or above any streets on which the PREMISES abut.
c. Encroachments of stoops, areas, cellar steps, trim and cornices, if any, upon any street or highway.
d. Covenants, easements and restrictions of record, if any.
e. Any statement of facts an accurate survey may show provided same does not render title unmarketable.

Title Company
Approval:

5. SELLER shall give and PURCHASER shall accept such title as any reputable title company will be willing to approve and insure in accordance with their standard form of title policy, subject only to the matters provided for in this contract.

Closing
Defined and
Form of Deed

6. "CLOSING" means the settlement of the obligations of SELLER and PURCHASER to each other under this contract, including the payment of the purchase price to SELLER, and the delivery to PURCHASER of a Bargain & Sale w/covenants against grantors' acts deed in proper statutory form for recording so as to transfer full ownership (fee simple title) to the PREMISES, free of all encumbrances except as herein stated. The deed will contain a covenant by SELLER as required by Section 13 of the Lien Law.

If SELLER is a corporation, it will deliver to PURCHASER at the time of CLOSING (a) a resolution of its Board of Directors authorizing the sale and delivery of the deed, and (b) a certificate by the Secretary or Assistant Secretary of the corporation certifying such resolution and setting forth facts showing that the transfer is in conformity with the requirements of Section 909 of the Business Corporation Law. The deed in such case shall contain a recital sufficient to establish compliance with that section.

Closing
Date and Place:

7. CLOSING will take place at the office of LALLY & LALLY, ESQs., 220 Old Country Road, Mineola, New York, or the lending institution at o'clock on January 23, 1992.

Broker:

8. PURCHASER hereby states the PURCHASER has not dealt with any broker in connection with this sale other than and SELLER agrees to pay the broker the commission earned thereby (pursuant to separate agreement).

Mortgagee's
Certificate
or Letter as
to Existing
Mortgages)

Compliance
with State
and Municipal
Department
Violations
and Orders

Grant of the
Property is Not
In the City of
New York

Installment
Assessments

Apportionments

Water Meter
Readings

Allowance
for Unpaid
Taxes, Etc.

Use of
Purchase
Price to Pay
Encumbrances

Affidavit as
to Judgments,
Bankruptcies
Etc.

Deed Transfer
and
Recording
Taxes

Purchaser's
Lien

Seller's
Inability to
Convey
Limitation of
Liability

Condition of
Property

Entire
Agreement

9. This sale includes all of SELLER's ownership and rights, if any, in any land proposed, in front of or adjoining the PREMISES to the center line thereon. It also includes any right of SELLER to any award by reason of any taking by condemnation and/or for public use or damage to the PREMISES by reason of change of grade of any street or highway. SELLER will deliver at no additional cost to PURCHASER at CLOSING, or thereafter, on demand, any documents which PURCHASER may require to collect the award and damages.

10. SELLER agrees to deliver to PURCHASER at CLOSING a certificate dated not more than thirty (30) days before CLOSING signed by the holder of each EXISTING MORTGAGE, in form for recording, certifying the amount of the unpaid principal and interest, date of maturity, and rate of interest. SELLER shall pay the fees for recording such certificate. If the holder of a mortgage is a bank or other institution as defined in Section 274-a, Real Property Law, it may, instead of the certificate, furnish an unqualified letter dated not more than thirty (30) days before CLOSING containing the same information. SELLER hereby states that any EXISTING MORTGAGE will not be in default at the time of CLOSING.

11. a. SELLER will comply with all notes or notices of violations of law or municipal ordinances, orders or requirements noted in or issued by any governmental department having authority as to lands, housing, buildings, fire, health and labor conditions affecting the PREMISES at the date hereof. The PREMISES shall be transferred free of them at CLOSING and this provision shall survive CLOSING. SELLER shall furnish PURCHASER with any authorizations necessary to make the searches that could disclose these matters.

b. All obligations affecting the PREMISES, incurred pursuant to the Administrative Code of the City of New York prior to CLOSING and payable in money shall be discharged by SELLER at CLOSING. This provision shall survive CLOSING.

12. If at the time of CLOSING the PREMISES are affected by an assessment which is or may become payable in annual installments, and the first installment is then a lien, or has been paid, then for the purposes of this contract all the unpaid installments shall be considered due and are to be paid by SELLER at CLOSING.

13. The following are to be apportioned as of midnight of the day before CLOSING:

(a) Rents as and when collected; (b) Interest on EXISTING MORTGAGE(S); (c) Premiums on existing transferable insurance policies and renewals of those expiring prior to CLOSING; (d) Taxes, water charges and sewer rents, on the basis of the fiscal period for which assessed; (e) Fuel, if any; (f) Vault charges, if any.

If CLOSING shall occur before a new tax rate is fixed, the apportionment of taxes shall be upon the basis of the old tax rate for the preceding period applied to the latest assessed valuation.

Any errors or omissions in computing apportionments at CLOSING shall be corrected. This provision shall survive CLOSING.

14. If there be a water meter on the PREMISES, SELLER shall furnish a reading to a date not more than thirty (30) days before CLOSING date and the unfixed meter charge and sewer rent, if any, shall be apportioned on the basis of such last reading.

15. SELLER has the option to credit PURCHASER as an adjustment of the purchase price with the amount of any unpaid taxes, assessments, water charges and sewer rents, together with any interest and penalties thereon to a date not less than five (5) business days after CLOSING, provided that official bills therefor computed to said date are produced at CLOSING.

16. If there is anything else affecting the sale which SELLER is obligated to pay and discharge at CLOSING, SELLER may use an portion of the balance of the purchase price to discharge it. As an alternative SELLER may deposit money with the title insurance company employed by PURCHASER and required by it to assure its discharge, but only if the title insurance company will insure PURCHASER'S title clear of the matter or insure against its enforcement out of the PREMISES. Upon request, made within a reasonable time before CLOSING, the PURCHASER agrees to provide separate certified checks as requested to assist in clearing up these matters.

17. If a title examination discloses judgments, bankruptcies or other returns against persons having names the same as or similar to that of SELLER, SELLER shall deliver a satisfactory detailed affidavit at CLOSING showing that they are no against SELLER.

18. At CLOSING, SELLER shall deliver a certified check payable to the order of the appropriate State, City or County office in the amount of any applicable transfer and/or recording tax payable by reason of the delivery or recording of the deed together with any required tax return. PURCHASER agrees to duly complete the tax return and to cause the check(s) and the tax return to be delivered to the appropriate officer promptly after CLOSING.

19. All money paid on account of this contract, and the reasonable expenses of examination of the title to the PREMISES as of any survey and survey inspection charges are hereby made liens on the PREMISES and collectable out of the PREMISES. Such liens shall not continue after default in performance of the contract by PURCHASER.

20. If SELLER is unable to transfer title to PURCHASER in accordance with this contract, SELLER'S sole liability shall be refund all money paid on account of this contract, plus all charges made for: (i) examining the title, (ii) any appropriate additional searches made in accordance with this contract, and (iii) survey and survey inspection charges. Upon such refund and payment this contract shall be considered cancelled, and neither SELLER nor PURCHASER shall have any further right against the other.

21. PURCHASER has inspected the buildings on the PREMISES and the personal property included in this sale and thoroughly acquainted with their condition. PURCHASER agrees to purchase them "as is" and in their present condition subject to reasonable use, wear, tear, and natural deterioration between now and CLOSING. PURCHASER shall have the right, after reasonable notice to SELLER, to inspect them before CLOSING.

22. All prior understandings and agreements between SELLER and PURCHASER are merged in this contract. It completely expresses their full agreement. It has been entered into after full investigation, neither party relying upon any statements made by anyone else that is not set forth in this contract.

Singular
Also Means
Plural

23. This contract may not be changed or cancelled except by the parties. The contract shall also apply to and bind the distributees, heirs, executors, administrators, successors and assigns of the parties. Each of the parties hereby authorize the attorneys to agree in writing to any changes in dates and time periods provided for in this contract.

24. Any singular word or term herein shall also be read as in the plural whenever the sense of this contract may require it.

In Presence Of:

Preston Pavlo
PRESTON PAVLO

Grant M. Lally
GRANT M. LALLY

Anna Pennesi
ANNA PENNESI

Closing of title under the within contract is hereby adjourned to
o'clock at

as of 19
Dated, 19

For value received, the within contract and all the right, title and interest of the purchaser thereunder are hereby assigned transferred and set over unto
and said assignee hereby assumes all obligations of the purchaser thereunder.
Dated, 19

19, at
title to be closed and all adjustments to be made

Purcha

Assignee of Purcha

Contract of Sale

Title No.

PRESTON PAVLO and ANNA PENNESI

TO

GRANT M. LALLY

PREMISES

Section 16
Block 4534
Lot 74
County or Town BROWN
Street Numbered Address

Recorded at Request of
RETURN BY MAIL TO:

Distributed by

**CHICAGO TITLE
INSURANCE COMPANY**

Zip No.

9804384344

tax
\$160-

THIS INDENTURE, made the 15 day of March, nineteen hundred and ninety-three
BETWEEN

PRESTON PAVLO, residing at 51 Claremont Street, Deer Park, New York 11729, and
NINA FERNESI, residing at No. 16 Kingston Drive, Ridge, New York 11961

party of the first part, and

GRANT M. TALLY, 220 Old Country Road, Mineola, New York

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place, distant 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; THENCE THENCE northerly at right angles to Bantam Place, 55.51 feet; THENCE Northwestwardly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; THENCE westerly along the westerly prolongation of said line 20.4 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; THENCE Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; THENCE Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Sellers warrant and represent that they are conveying a 66-2/3% interest in sa premises to the purchaser herein and that there are no orders, judgments or agreements granting to James Pavlo the right to exclusively occupy the subject premises and that there are no set-offs concerning any repairs or improvements made by James Pavlo.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.


BEING AND INTENDED TO BE the premises conveyed to the grantors herein by deed dated 11/3/87 and recorded in the Office of the City Register, Bronx County, on 12/24/87 in Book 0813, page 0079.

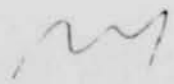
TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof, **TOGETHER** with the appurtenances and all the estate and rights of the party of the first part in and to said premises; **TO HAVE AND TO HOLD** the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.
AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.
The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF


PRESTON PAVLO




NINA FERESI

98043384345

STATE OF NEW YORK, COUNTY OF NASSAU

On the 15 day of March 19 93, before me personally came

PRESTON PAVLO and
ANNA PENNESI

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that they executed the same.

Doris R. McSparran

DORIS R. McSPARRAN
Notary Public, State of New York
No. 30-2639435
Qualified in Nassau County
Commission Expires January 31, 1994

STATE OF NEW YORK, COUNTY OF

On the day of 19 , before me personally came to me known, who, being by me duly sworn, did depose and say that he resides at No.

that he is the of

, the corporation described in and which executed the foregoing instrument, that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order.

STATE OF NEW YORK, COUNTY OF

On the day of 19 , before me personally came

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

STATE OF NEW YORK, COUNTY OF

On the day of 19 , before me personally came the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No.

that he knows

to be the individual described in and who executed the foregoing instrument, that he, said subscribing witness, was present and saw execute the same, and that he, said witness, at the same time subscribed his name as witness thereto.

BARGAIN AND SALE DEED
WITH COVENANT AGAINST GRANTOR'S ACTS
FILE NO.

PRESTON PAVLO and ANNA PENNESI

TO

FRANK M. LALLY

STANDARD FORM OF NEW YORK BOARD OF TITLE UNDERWRITERS

Disseminated by



COMMONWEALTH LAND
TITLE INSURANCE COMPANY

SUBJECT
BLOCK
LOT
COUNTY OR TOWN

Recorded at Request of COMMONWEALTH LAND
TITLE INSURANCE COMPANY

RETURN BY MAIL TO

Lally & Lally, Esqs.
220 Old Country Road
Merrick, N.Y. 11501
Zip 115

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT—THIS INSTRUMENT SHOULD BE USED BY LAWYERS ONLY.

MTG TAX
6500

THIS MORTGAGE, made the ^{21st} ~~20th~~ day of April, nineteen hundred and ninety-five
BETWEEN LAWRENCE M. LALLY
220 Old Country Road
Mineola, NY 11501

and JAMES PAVLO
1529 Bantam Place
Bronx, NY 10469

, the mortgagor,

, the mortgagee,

WITNESSETH, that to secure the payment of an indebtedness in the sum of
TWENTY-FIVE THOUSAND and 00/100 (\$25,000.00) _____ dollars,
lawful money of the United States, to be paid

2511 Bantam Pl
B 4334 L 74

with interest thereon to be computed ~~from the date hereof, at the rate of~~
~~per annum, and to be paid on the~~ day of ~~10~~ next ensuing and ~~per centum~~
thereafter,

according to a certain bond,
note or obligation bearing even date herewith, the mortgagor hereby mortgages to the mortgagee

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place, distance 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence Northerly at right angles to Bantam Place, 55.51 feet; thence Northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees, 48 minutes, 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence Westerly along the westerly prolongation of said line 20.45 feet to a point distant 50 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; thence Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Seller warrants and represents that he is conveying a 33 1/3% interest in said premises to the Purchaser herein.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantors herein by Deed dated 11/3/87 and recorded in the Office of the City Register, Bronx County, on 12/24/87 in Reel 0813, page 0079.

✓
PREMISES HEREIN ARE
IMPROVED BY A ONE/TWO
FAMILY DWELLING ONLY

9804338437

GRANT LALI

50-44622
214

52

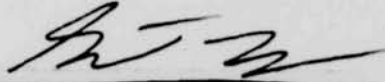
Aug 18 1994

PAY TO THE
ORDER OF

NYC Dept of Finance \$ 350.79

Three Hundred & Fifty - 00 - DOLLARS


Fleet Bank
One Plaza 1300
Bayville, New York 11708



9804364340



GRANT LALLY

50-14622
214

62

Aug 1 19 94

NYC Dept of Finance \$ 305 11
- Three Hundred and Five 43/100 DOLLARS


Fleet Bank
100 WALL STREET
NEW YORK, N.Y. 10038

Handwritten signature

90043001349



OF FINANCE

Delinquency Notice ESTATE AND ASSESSMENT

Additional amounts
will be added if not
paid out on back.

45347 74

Block Lot Borough or Date of Establishment
2 4534 74 9 BRONX 10/04/93

11/05/93 BRONX

21004534007410000000001019300000000000000003854350000000000000212878

NYC DEPT. OF FINANCE
P.O. BOX 32
N.Y. N.Y. 10008-0032

LALLY GRANT M

IF YOU HAVE MADE PAYMENT
SINCE 09/22/93
PLEASE DISREGARD THIS
NOTICE

PLEASE DO NOT MAIL CASH

PAYMENTS MUST
INCLUDE INTEREST
ON THIS STATEMENT
ON PAYMENT

AUTHORIZED SIGNATURE

406.71

IF NAME OR MAILING
ADDRESS IS IN CHANGE,
PLEASE PRINT
CORRECT ADDRESS
AND SIGN

OUR RECORDS INDICATE THAT YOU HAVE FAILED TO PAY THE CHARGES SHOWN BELOW.
CONTINUED FAILURE TO PAY THESE CHARGES MAY SUBJECT YOUR PROPERTY TO FORECLOSURE.

ACCOUNT	DATE DUE	TAX	CHARGES	DATE OF ENTRY	1ST HALF OR 2ND HALF OR 1ST OR 2ND QUARTER REAL ESTATE OR ASSESSMENT	2ND OR 3RD QUARTER REAL ESTATE	INTEREST
045340074	4/01/93	10	4 0	01/01/93		385.43	21

IF YOU BELIEVE THE ABOVE CHARGES TO BE INCORRECT SEE REVERSE SIDE.

TOTAL ▶

406.7

GRANT LALLY

50-416-22
214

491

Oct 29 1993

NYC Dept of Finance

18 406 71

Payable to: Grant M Lally

DOLLARS

Fleet Bank

One Bank 1304
Payable New York 10018

Signature: [Handwritten Signature]

GRANT LAL

50-44622
214

62

Aug 15 1994

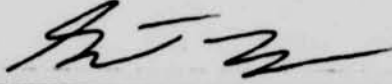
PAID TO THE
ORDER OF

NYC Dept of Finance

\$ 350.79

- Three Hundred and Fifty - 1400 - DOLLARS


Fleet Bank
One World Trade Center
New York, NY 10048



MEMO

93043884351



GRANT LALLY

50-446-22
214

566

PAY TO THE
ORDER OF

NYC Dept of Finance

\$ 358.42

Three Hundred Fifty-Eight and 42/100 DOLLARS


Fleet Bank

One Bank Building
New York, New York 10005

MEMO

[Signature]



98043664352

GRANT LALL

50-44622
214

389

June 30 1943

PAY TO THE
ORDER OF

Metropolitan

\$ 93.25

Ninety Three and 25/100

DOLLARS



[Signature]

93043353



GRANT LALLY

50-44622
214

397

July 1 1943

PAY TO THE
ORDER OF

NYC D. of Finance

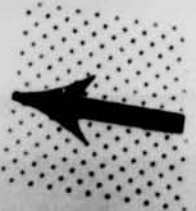
\$ 340.00

Three Hundred and Forty and 00/100 — DOLLARS



[Handwritten signature]

93043001354



GRANT LALLY

50-44622
214

397

PAY TO THE
ORDER OF

NYC Dept of Finance

July 1 1963

\$ 340.08

Three Hundred and Forty and 08/100

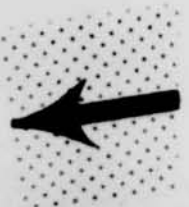
DOLLARS



[Signature]

MEMO

98043064355



LALLY v. PAVLO - PAYMENT SCHEDULE

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>For</u>
5/1/93	89.75	Metropolitan	Ins.
6/30/93	93.25	Metropolitan	Ins.
7/1/93	340.08	NYC Dept. of Finance	Taxes
9/10/93	93.25	Metropolitan	Ins.
9/30/93	340.08	NYC Dept. of Finance	Taxes
10/15/93	527.72	NYC Water Board	Water
10/29/93	406.71	NYC Dept. of Finance	Taxes
2/1/94	395.00	Metropolitan	Ins.
8/1/94	510.44	NYC Water Board	Water
8/1/94	305.43	NYC Dept. of Finance	Taxes
8/15/94	350.78	NYC Dept. of Finance	Taxes
9/30/94	<u>358.42</u>	NYC Dept. of Finance	Taxes
TOTAL	\$3,810.91		

98043004357



NYC WATER BOARD

PO BOX 5067

NEW YORK, N.Y. 10008

NY 45347 74

Delinquency Notice

WATER CHARGES / SEWER RENTS
NOT INCLUDING REAL ESTATE AND ASSESSMENTS

Block	Lot	Block	Lot	Block	Lot	Block	Lot
2	4534	74	9	BRONX	10/11/93	11/12/93	BRONX

2200453400749000000000630930000019708700003133610000066760000106113

NYC WATER BOARD

PO BOX 3070

NY, NY 10008-3070

M A
A D
I O
L R
I E
N S
G S

LALLY GRANT M
220 OLD COUNTRY RD
MINEOLA NY 11501

IF YOU HAVE MADE PAYMENT

DATE 09/22/93

PLEASE EXERCISE YOUR
RIGHT

527.72

IF NAME OR MAILING
ADDRESS IS INCORRECT
PLEASE PRINT
CORRECTION(S)

R198C1

OUR RECORDS INDICATE THAT YOU HAVE FAILED TO PAY THE CHARGES SHOWN BELOW. CONTINUED FAILURE TO
PAY THESE CHARGES MAY SUBJECT YOUR PROPERTY TO FORECLOSURE OR MAY SUBJECT YOU PERSONALLY TO LITIGATION.

GRANT LALLY

50-446-22
214

490

PAID TO FOR
CREDIT ONLY

NYC Water Board

\$ 527.72

For Mende and Twenty-Six + 13th - 11th FARS



One Fleet Bank
New York, New York 10008

[Signature]

GRANT LALLY

50-44622
214

62

PAID TO THE ORDER OF

NYC Water Board

\$ 510.44

— Five Hundred and Ten, 44/100 — DOLLARS


Fleet Bank
One Plaza 13204
New York, New York 10020

NEW YORK

RTM

93043081359

THE CITY OF NEW YORK
NYC WATER BOARD
P.O. BOX 3163
NEW YORK, NY 10008

BILL FOR WATER

LARGE (FRONTAGE) AND/OR SEWER RENT

1994-95



FOR THE PERIOD OF July 1, 1994 to June 30, 1995

BOROUGH OF BRONX

E200453400749000000006309407000019708700003133610000000000000000000000

INTEREST AT THE PREVAILING RATE WILL BE ADDED IF NOT PAID BY JULY 31, 1994

Make check or money order payable to the order of NYC
WATER BOARD. A \$15.00 service charge will be assessed for
each dishonored check.

RETAIN THIS COPY FOR YOUR RECORDS. YOUR CANCELLED
CHECK IS YOUR RECEIPT. STATEMENTS OF ACCOUNT WILL BE
MAILED ANNUALLY.

MAIL PAYMENTS TO
NYC WATER BOARD
P.O. BOX 3070
NEW YORK, NY 10008-3070

PLEASE DO NOT MAIL CARD

150404 1624620	4534	74900	970870031336	LALLY GRANT M
220 OLD COUNTRY RD			MINEOLA NY 11501	

DATE	PRINCIPAL	SEWER	TOTAL
06/30/94	197.08	313.36	510.44
	INTEREST	INTEREST	

GRANT LARK

50-44622
214

62

PAY TO THE
ORDER OF

NYC Water Board

\$ 510.44

— Five Hundred and Ten, 44/100 — DOLLARS


Fleet Bank
One Penn Plaza
New York, New York 10119

MEMO

RTM

98043661361

THE CITY OF NEW YORK
NYC WATER BOARD
P.O. BOX 3163
NEW YORK, NY 10008

FOR THE PERIOD OF July 1, 1994 to June 30, 1995

BOROUGH OF:

BRONX

1994-95

22004534007490000000063094000000197087000031336100000000000000000000

INTEREST AT THE PREVAILING RATE WILL BE ADDED IF NOT PAID BY JULY 31, 1994

RETAIN THIS COPY FOR YOUR RECORDS. YOUR CANCELLED CHECK IS YOUR RECEIPT. STATEMENTS OF ACCOUNT WILL BE MAILED ANNUALLY.

Make check or money order payable to the order of: NYC
WATER BOARD. A \$15.00 service charge will be assessed for
each dishonored check.

MAIL PAYMENTS TO:
NYC WATER BOARD
P.O. BOX 3070
NEW YORK, NY 10008-3070

PLEASE DO NOT MAIL CASH

C BLOCK LOT C FOR OFFICE USE ONLY
150404 1624620 4534 749001970870031336

CHECK BLOCK AND LOT
NUMBERS ABOVE

For information regarding the particulars of this bill, including interest and non-payment, see the reverse side.

LALLY GRANT M
220 OLD COUNTRY RD
MINEOLA NY 11501
COPY

DATE OF ENTRY	FRONTAGE	SEWER	TOTAL
06/30/94	197.08	313.36	510.44
AUTHORITY NO.	INTEREST	INTEREST	

TOTAL AMOUNT DUE ▶

1959 *ANNUAL REPORT*

N.Y.C. WATER BOARD

P.O. BOX 3167

NEW YORK, N.Y. 10008

Delinquency Notice

WATER CHARGES / SEWER RENTS
NOT INCLUDING REAL ESTATE AND ASSESSMENTS

Additional amount
will be added if not
paid on or before

Block	Lot	BOROUGH OF	Date of Statement	Additional amount
2	4534	74	9	BRONX
			10/11/93	11/12/93

BRONX

2200453400749000000006309300000019708700003133610000066760000106113

From Check or Money Order payable
N.Y.C. WATER BOARD

P.O. BOX 3070
N.Y., N.Y. 10008-3070

M A
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L E
I E
N S
G S

LALLY GRANT M
220 OLD COUNTRY RD
MINEOLA NY 11501

IF YOU HAVE MADE PAYMENT

SINCE 09/22/93



PLEASE DISREGARD THIS
NOTICE

527.72

IF NAME OR MAILING
ADDRESS IS INCORRECT,
PLEASE PRINT
CORRECTION(S)

R198CT

OUR RECORDS INDICATE THAT YOU HAVE FAILED TO PAY THE CHARGES SHOWN BELOW. CONTINUED FAILURE TO
THESE CHARGES MAY SUBJECT YOUR PROPERTY TO FORECLOSURE OR MAY SUBJECT YOU PERSONALLY TO LITIGATION.

GRANT LALLY		50-446 214	22	490
Oct 15 1993				
PAY TO THE ORDER OF	NYC Water Board	\$ 527.72		
- Five Hundred and Twenty-Seven & 72/100 DOLLARS				
 Fleet Bank One North 13304 Hayville, New York 11709				
				



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

August 6, 1996

TO: Stephen Hershkowitz
Assistant General Counsel
for District Court Litigation

FROM: Jonathan Bernstein *TB*
Xavier McDonnell *XM*

SUBJECT: Authorization to File Suit in MUR 4128

On July 16, 1996, the Commission authorized this Office to file suit in MUR 4128 against Grant M. Lally, Lawrence M. Lally, Utewolf Lally, Lally for Congress and its treasurer, unless such respondents fully complied with the Commission's Subpoenas and Orders within five days of notification. Notice of the Commission's contingent suit authorization was sent to counsel via overnight mail on July 17. Attachment 1. Despite receiving the notification of July 17, and three additional letters from this Office dated July 22, 29 and 31, 1996, respondents have still not provided a number of subpoenaed documents that are necessary to this investigation. Attachment 2-4. For instance, respondents have produced only one side of all but two of the checks subpoenaed, although both sides of all checks were explicitly requested in the Subpoenas and in subsequent letters. Respondents have also not produced check registers, and several pages of bank statements from the accounts of Grant Lally and Lally for Congress are missing, although such were also requested by the Subpoenas and in an explicit follow up request. With respect to subpoenaed documents related to the candidate's 1994 income at the law firm of Lally and Lally, Esquires, despite repeated requests, respondents have not produced any check registers or ledgers and have produced invoices related to only a small portion of the candidate's claimed 1994 income. In response to our follow up requests, respondents appear to be asserting that the remaining law firm documents, i.e., check ledgers, invoices and client agreements, are excludable from "public inspection" under New York appellate court rules based on a claim of "matrimonial" privilege. That privilege would not appear to prevent the Commission from obtaining such documents pursuant to this investigation. Given that over twenty days have passed since the Commission authorized contingent suit, and that despite our many efforts to reach an agreement, substantial compliance has not been achieved, you should file suit.

cc: Lawrence M. Noble
Lois G. Lerner

Attachments



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

FAXED

VIA FAX

Karen Levine
Deputy City Registrar
1932 Arthur Ave.
Room 300
Bronx, NY 10457

August 7, 1996

RE: MUR 4128

Dear Ms. Levine:

This is a follow-up to our telephone conversation earlier today. As part of the Federal Election Commission's confidential investigation in the above-captioned matter, the Office of General Counsel requests that you provide this Office with copies of documents which show all persons who held any interest in real property located at 1527 Bantam Place in the Bronx from January 1, 1992 until the present. The property is located at Section 16, Block 4534 and Lot 74. The documents requested include all deeds and mortgages or other written instruments evidencing ownership or transfers of ownership.

As Commission investigations are confidential, this request and information about this request should not be released to the public. See 2 U.S.C § 437g(A)(12). Your prompt response to this request is appreciated. Please label your response MUR 4128, and send it via FAX to (202) 219-3923. If you have any questions, please call me at 1-800-424-9530 or (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Xavier K. McDonnell
Attorney

9304384366



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FEDERAL EXPRESS

Karen Levine
Deputy City Registrar
1932 Arthur Ave.
Room 300
Bronx, NY 10457

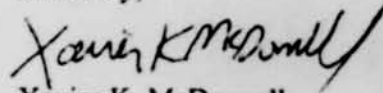
August 21, 1996

RE: MUR 4128

Dear Ms. Levine:

Enclosed please find a check in the amount of \$6.50 for the documents we discussed today related to 1527 Bantam Place in the Bronx (Section 16, Block 4534 and Lot 74). As Commission investigations are confidential, this request and information about this request should not be released to the public. See 2 U.S.C § 437g(A)(12). Please label the documents "MUR 4128" and mail them to my attention at Federal Election Commission, Office of the General Counsel, 999 E Street, N.W., Washington, D.C. 20463. If you have any questions, please call me at 1-800-424-9530 or (202) 219-3400. I appreciate all your assistance in this matter.

Sincerely,


Xavier K. McDonnell
Attorney

98043884367

XAVIER MC DONNELL

1633

15-52/540

8-21-1976

Pay to the order of NY City Post Office

\$ 670

Six Dollars and 70/100

Dollars  Security features include:  

CHESTNUT BANK N.A.
WASHINGTON, DC

For March 28 Oct Xavier McDonnell

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SEP 3 10 01 AM '96

BULK FILE

RESPONSE TO DEMAND

MUR 4128

1. Checks #301 and 303 enclosed.
2. This was part of a wire transfer - no checks issued.
3. Enclosed
4. Enclosed
5. Bank Statement enclosed.
6. Checks retained by bank - money market account.
7. Reverse of checks enclosed.
8. Ledger Book cannot be located.
9. Reverse of checks enclosed.
10. Bank Statements enclosed.
11. *LFC check stubs*

There are no retainer agreements with clients, except
in matrimonial actions.

9604369

- 1) The back of Lawrence Lally's check nos. 302 and 303.
- 2) A check in the amount of \$13,000 from Lawrence Lally to Grant M. Lally for the Bantam Properties.
- 3) Check register for the above.
- 4) Copies of the register for checks previously furnished.
- 5) Bank statements as indicated herein - page 3 of the February 29, 1994 statement, page 3 of the July 16, 1994 statement pages 2 and 4 of the October 20, 1994 statement, page 3 of the November 19, 1994 statement.
- 6) The back of Judge Lally's check to Grant M. Lally dated May 4, 1991.
- 7) The obverse or 1994 Lally & Lally checks.
- 8) The Lally for Congress Committee ledger book entries for October 24, 1994 and November 1, 1994 (copies provided were illegible).
- 9) The reverse of 3 checks issued by the Lally for Congress - printed nos. 1801, 1824 and 1899.
- 10) Bank statements for the Committee's accounts reflecting a \$2,000 deposit on September 30, 1994 and \$14,598. on October 1, 1994.

Mur 4128

9804368M37C

9 8 0 4 3 8 4 3 7 1

98043664372

UTE WOLFF LALLY

294

TRANSFERABLE ITEM ☐

50-7241/2214

5/4

Great Kelly
Eighteen thousand and no/100

BAL FWD	
DIS COUNT	18,122.10
BALANCE	
OTHER	
BAL FWD	



Fidelity New York

Banking with Confidence

1000 PENNSYLVANIA AVENUE
BANK CITY, NEW YORK 10030

NEGOTIABLE

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-0500

September 4, 1996

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
SEP 9 10 30 AM '96
Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4128

Dear Mr. McDonnell:

Enclosed you will find a Designation of Counsel Form filled out by John Plant.

Telephonic reference was made by your office to one of Mr. Plant's employees of a subpoena allegedly served on Mr. Plant. Please provide me with a copy of the subpoena, as well as the date with proof of service.

If a potential conflict presents itself with respect to my representation, I will advise Mr. Plant who may seek new counsel. However, for the moment, your providing me with the above information will be appreciated.

Very truly yours,

LAWRENCE M. LALLY

98043064373
IML:las
Enc.

STATEMENT OF DESIGNATION OF COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

MUR #4128

SEP 9 10 30 AM '96

NAME OF COUNSEL: LAWRENCE M. LALLY, ESQ.

ADDRESS: 220 Old Country Road

Mineola, N.Y. 11501

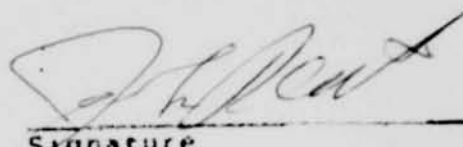
TELEPHONE: (516) 741-2666

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

Date

9/3/96

Signature



RESPONDENT'S NAME: JOHN PLANT

ADDRESS:

93 OCEAN AVE
AMITYVILLE, N.Y.

HOME PHONE:

264-2906

BUSINESS PHONE:

538-8444

9804384374



FINANCE
NEW • YORK
THE CITY OF NEW YORK
DEPARTMENT OF FINANCE

August 29, 1996

Federal Election Commission
Attn: Mr. Xavier McDonnell
999 East St N.W. - 6th floor
Office of General Counsel
Washington, D.C. 20463

Re: Mur 4128
copies of Real Property Documents
Bronx County Blk: 4534 Lot 74

Dear Mr. McDonnell:

Attached are copies of all the Real Property documents recorded on Block # 4534 Lot # 74 beginning January 1, 1992 to the present in the Office of the City Register, Bronx County.

The fee for these uncertified copies of documents is \$6.50. Six documents are attached totaling 26 pages at .25 per page or \$6.50. I have also enclosed a copy of the check used in payment of these office fees and the cash register receipt.

If you have any further questions regarding the above matter please contact Ms. Levine at (718) 579 - 6828.

Sincerely,

Karen Levine
Deputy City Register
Bronx County

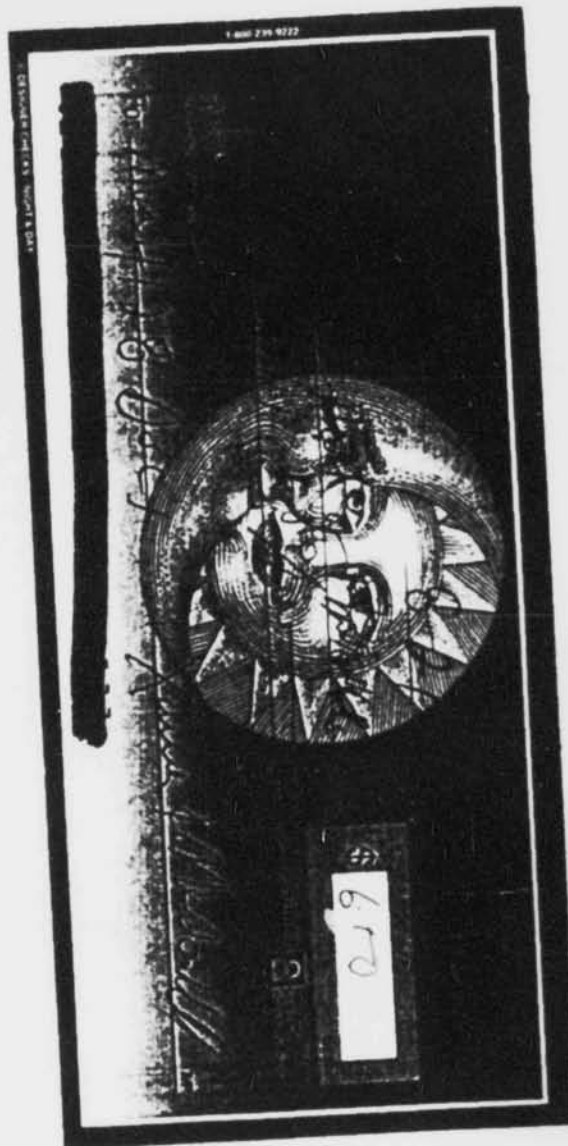
SEP 9 2 06 PM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

BRONX COUNTY
CITY-REGISTER
BRONX N.Y.

08-30-96 001 001

RPP 42123
U-COPY 331970
\$6.50
CHK 16.50
CHRG \$0.00
RX02 11:54 0035



0043064376

9 8 0 4 3 0 6 4 3 7 7

THIS INDENTURE, made the 1st day of April, 1944, between and between

expired on the _____ day of January _____ nineteen hundred and eighty-eight
year of the first part, and _____ residing at _____

parts of the second part.

and statement, and is by Article 11 of the Estates, Powers and Trusts Law, an unconstitutional deprivation of the rights of the parties to the estate, and the estate is void.

All materials in this piece or pieces of land, with the buildings and improvements thereon erected, situated and lying in the Borough and County of Essex, City and State of New York, County and District as follows:

located at 20.1 feet to a point distant 20.1 feet vertically into the water.

[illegible]

...to the in, in of
... .. to the line thereof.

TOGETHER with all right title and interest, I am, of the party of the first part in and to any streets and roads abutting the above described premises to the extent hereinafter stated. TOGETHER with the appurtenances, and also all the estate which the said donor had in the same at the time of the making of this deed.

NOTE: The part — is the first part concerning that the parts of the first part has not gone or suffered anything whereas the said part has been dismembered in any way whatever, except as aforesaid.

• **FIGURE 2** •

Frederic Davis, Exec Dir of
Bureau of Labor, Davis

STATE OF NEW YORK, COUNTY OF ALBANY
IN the City of Albany, ss.
personally came Frederick W. ...

On the ground to be the industrial structure and the accompanying infrastructure. And as a consequence the

LITVAK, J. B. 1967
 Deputy Public, State of New York
 c/o J. B. Litvak
 County Seat of Otsego County
 Cortland, N.Y. 13828

STATE OF NEW YORK, County of _____ ss.
I, the _____ day of _____ 19 _____ before me
personally appeared _____
9813 0079

10. The signers to be the individual described in and who
 executed the foregoing instrument, and acknowledged that
 executed the same.

STATE OF NEW YORK, COUNTY OF Westchester ss. me
 I, the County Clerk of and for said County, do hereby certify that
 the within and foregoing is a true and correct copy of the original
 of the same as the same appears from the records of said County.

[illegible]

The company was described as and whose ownership the following statements that he knows the act of said corporation that the act effected in said statements a such corporation was that it was an effort be acted on the board of directors of said corporation and that he signed a same terms be his order

STATE OF NEW YORK, COUNTY OF _____ ss.
 I, _____, Clerk of the County of _____, do hereby certify that _____
 is the true and correct copy of the _____ of _____
 as the same appears from the records of the County of _____.

the underlying witness in the foregoing instrument, with which I am personally acquainted, was being by me destroyed, did depose and say that it remains to be

to be the individual
responsible for the
loss of the aircraft.

Exercice 6. 8

1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 26

TO

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 Distributed by
 **TITLE GUARANTEE-
 NEW YORK**
 A TITON COMPANY

6750329

8874-8879 94 08 25 10

STANLEY LAMBERT, JR.
2200 LAMBERT AVENUE
PITTSBURGH, PA 15202

Key words: *Salmonella*; *Shigella*; *Shigella* spp.; *Shigella* spp.; *Shigella* spp.

THE UNIVERSITY OF CHICAGO

016 00 02 30 10

OFFICE OF CITY REGISTER
Broward County
RECORDED
-trans by hand
-a official book
Geo. W. Thomas
CITY REGISTER

1961

95043684379

REF 136270130

TITLE # 8K221930
SECTION 16
BLOCK 9534
LOT 79
PRIORITIES 1521 Boston Place
COUNTY BRONX



RECORD AND RETURN TO:

GE Capital Mortgage Services Inc
6834 Six Forks Rd
Raleigh NC 27609
Attn: My Processing Center

40 4 70
40 4 70
40 4 70
40 4 70
40 4 70

RECORDED BY BRONX COUNTY



OFFICE OF THE CITY CLERK

JAN 28 4 49 PM '95

RECEIVED

RECEIVED
JAN 28 4 49 PM '95
CM 4886

J. R. Brown
CITY CLERK

CONFIDENTIAL - THIS DOCUMENT IS UNCLASSIFIED - DATE 08-01-2001 BY 60322 UCBAW

THIS INDENTURE, made the 15 day of March, 1934, between the said

FRANK WOLD, residing at 51 Claremont Street, Outer Park, New York 11729, and
 Mrs. FRANK, residing at No. 18 Kensington Drive, Ridge, New York 11961

many of the first years, and

GEORGE M. LALLI, 230 Old Country Road, Mineola, New York

part of the second part.

[illegible][illegible]

to the northerly side of Indian Plain, east of the
to front to the northerly side of Indian Plain 21.13 feet to the peak of plane of Indian
northerly side of Indian Plain 21.13 feet to the peak of plane of Indian Plain.

The Sellers warrant and agreement that they are conveying a 6-1/2% interest in said
premises to the Purchaser herein and that there are no other, subsequent or
agreements granting to James Burke the right to substantially occupy the subject
premises and that there are no interests concerning any portion or improvement
made by James Burke.

WITNESSES at 1527 Canton Place, Denver, New York.

SAID FRANKLIN being known as and by 1527 Ocean Place, Bronx, New York.

MADE AND RETURNED TO BY THE MAILMAN DELIVERED TO THE GRANTOR'S HOME BY MAIL
DATED 11/15/97 AND RECEIVED IN THE OFFICE OF THE CITY SHERIFF, DEANE COUNTY,
ON 12/24/97 IN MAIL 0013, PAGE 0079.

Testimony with all rights, title and interest, if any, of the party of the first part is and to my heirs and assigns during the above described term in the same free tenement with the appurtenances and in and to all the estate and right of the party of the first part is and to my heirs and assigns, to have and to hold unto the party of the second part, the heirs, successors and assigns of the party of the second part forever.

[illegible]

ON THE COVER: A view of the new building, designed by architect Richard Rogers, which houses the new headquarters of the British Library.

Page 1-6

Anna Rouse

Standard Mar 9 11 A. June 2002 / 7-73 - Signature and Seal Must Be Certified Against To Remain In Force - Indemnified or Exempt from Policy - 10/01

BETWEEN JAMES FAYLE, residing at 1327 Boston Place,
 Bronx, New York

3840

WYNEBETEL, that the party of the first part, at consideration of Two Letters and other valuable contributions paid by the party of the second part, does hereby grant and release unto the party of the second part, the lease or enjoyment and images of the parts of the second part hereafter.²

150760mm place. 600
0 1000 2 50

TOGETHER with all rights, title and interest, if any, of the party of the first part of, in and to one parcel and more showing the above-described premises to the estate hereinafter described. **TOGETHER** with the appurtenances and all of the estate and rights of the party of the first part in and to said premises. **TO HAVE AND TO HOLD** the premises herein granted unto the party of the second part, the heirs or testament and assigns of the party of the second part forever.

The word "way" shall be construed as if a word "process" whenever the sense of this definition is required.

IN PRESENCE OF

James L. Parker

EXHIBIT 2

The Seller warrants and represents that he is conveying a 10 1/2% interest in said residence to the Purchaser herein.

MADE REGISTERED TODAY INQUIRY ON AND BY 1237 UNION BLVD. SEAS. THE WASH.

and returned to the premises conveyed to the grantee herein by deed dated 11/2/47 and recorded in the Office of the Clay Register, Knox County, on 12/24/47 in Book 683.3, page 6079.

15.12.9

REF ID: A61298

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED DATE 08-01-2001 BY 60322 UCBAW

APR 11 1964

BETWEEN LAWRENCE R. LALLI
 230 Old Country Road
 Mineola, NY 11501

1. JOHN WARD
1525 Market Place
Ward, at 1525

IMPORT-ITHE WINDING and 00/100 (225,000.00) -----
total money of the United States, to be paid

with interest charges to be computed from the day of the sale of the property and on the proceeds of the sale.

... as a result of the ...

[illegible]

The dollar amounts and represents that he is carrying a 20 1/2 percent in cash
amount in the Southern Nevada.

has numerous listing spaces as well by 1027 Eastern Plaza, South, New York.

These requests being made as and by 1927 Herbert Hoover, Director, and
James A. Connelley, Chief of the Bureau, to the President by Special Agent
J. Edgar Hoover, and approved by the Chief of the City Engineer, James Connelley, on 10/10/27.
1927, page 209.

**PREMIUM HOMES ARE
SUPPORTED BY A ONE/TWO
FAMILY HOUSING ONLY**

THESE RESULTS ARE IN ACCORDANCE WITH THE FINDINGS OF OTHER STUDIES. FOR EXAMPLE, IN A STUDY BY [REDACTED], IT WAS FOUND THAT [REDACTED].

[illegible]

APPROXIMATE PERCENTAGE OF THE POPULATION WITH THE LANGUAGE AS FOLLOWS:

- [illegible]

五

15. That the mortgagee will, in compliance with Section 12 of the Lien Law, require the advance stated hereby and will hold the right to receive such advance in a trust fund to be applied first for the purpose of paying the cost of the improvements and will apply the same first to the payment of the cost of the improvements, before using any part of the same for any other purpose.

14. That in the event that there is any change in the ownership of said premises without the prior written consent of the mortgagee, then and in such event the aforementioned principal, one with assumed interest shall, at the option of the mortgagee, terminate due and payable immediately, although the period for the payment thereof may not have expired.

The language may not be changed or corrected easily. The comments contained in the margins did not reach the field nor had the marginers. In turn, personal representations, comments and replies of the marginers and of subsequent errors, misstatements, omissions and statements of the previous and final ones in the history of the marginers, the personal representations, comments and replies of the marginers and of subsequent omissions of the marginers. The word "marginer" shall be construed as it is and "marginer" shall be construed as it is and "marginer" shall be construed as it is and "marginer" shall be construed as it is.

IN WASHINGTON, D.C., THE MESSAGE WAS NOT DELIVERED TO THE PRESIDENT

by Anthony D. O'Neil

1-78

9804333333

NEW 131861293

STATE OF NEW YORK, COUNTY OF [blank] On the 28 day of April 19 57, before me personally [blank]

LAWRENCE H. LALLY

is an known to be the individual described in and who is known to be the individual described in and who executed the foregoing instrument, and acknowledged that he executed the same.

Robert A. Lally
Robert A. Lally, one of the
do. 1224401701
Exec. filed in 1224401701
Comm. exp. 11/1/56

NOTARY A. BROOK
Notary Public, State of New York
By Appointment
Qualified in Suffolk County
Commencing August 1, 1956

STATE OF NEW YORK, COUNTY OF [blank] On the [blank] day of [blank] 19 [blank], before me personally [blank]

is an known to be the individual described in and who is known to be the individual described in and who executed the foregoing instrument, and acknowledged that he executed the same.

is and which executed the foregoing instrument, that he knows the act of said corporation, that he and others to and represents in such corporation and that it was in effect by order of the board of directors of said corporation, and that he signed it, as shown by the order.

RECORDED BY
COUNTY CLERK
122 GREAT RICK RD.
GREAT RICK

(122) 122
(122) 122

Filed for
LAWRENCE H. LALLY.

JAMES FIELD

NOTARY PUBLIC
Notary Public, State of New York
By Appointment
Qualified in Suffolk County
Commencing August 1, 1956

NOTARY
NAME: JES
NO. 70
COUNTY: SUFFOLK
ADDRESS: 1537 CANTON PLACE

Notary in Suffolk
Notary Public, State of New York
By Appointment
Qualified in Suffolk County
Commencing August 1, 1956

Robert A. Lally, one of the
do. 1224401701
Exec. filed in 1224401701
Comm. exp. 11/1/56

RECORDED IN BRONX COUNTY
OFFICE OF THE CLERK
BY: R1 5 A 10-62
JAMES FIELD

4th
100-1
JAMES FIELD
1224401701

96043304389

(2)

[Handwritten initials]

110020110

Noted at 1:17 P. M. 1991. *[Faint header text]*

THIS AGREEMENT, made the 26 day of October, 1991, between and among:
LAWRENCE H. LALLI & GRACE H. LALLY, both residing at 126 Old Country Road, Mineola, N.Y. 11501

party of the first part, and **VERONIC BROWN, residing at 2754 Young Avenue, Bronx, N.Y.**
and **JOHN PAKLEBACH, residing at 2766 Spring Avenue, Bronx, N.Y.,**
as joint tenants with right of the survivorship.

party of the second part,
WHEREAS, the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the lots or portions and outlots of the party of the second part known as:
ALL the entire plot, plan or parcel of land, with the buildings and improvements thereon, situate, being and lying in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Buxton Place and distant 61.85 feet westerly from the corner formed by the intersection of the northerly side of Woodhull Avenue with the northerly side of Buxton Place; thence northerly at right angles to Buxton Place, 55.51 feet; thence northerly on a line bearing an exterior angle with the last course of 197 degrees 11 minutes 50 seconds, a distance of 36.18 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line bearing an angle of 72 degrees, 48 minutes, 52 seconds on its northerly side with the westerly side of Woodhull Avenue; thence westerly along the westerly prolongation of said line 36.45 feet to a point distant 90 feet northerly from the northerly side of Buxton Place measured on a line drawn at right angles thereto; thence southerly at right angles to the northerly side of Buxton Place and part of the distance through a party wall 50 feet to the northerly side of Buxton Place, and thence southerly along the northerly side of Buxton Place 11.12 feet to the point or place of BEGINNING.

Said premises being known as and by 1527 Buxton Place, Bronx, New York.
WITNESSETH AND INTENDED TO BE the premises conveyed to the grantors herein by deeds dated April 21, 1977 and April 25, 1991.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any claims and suits relating to the above described premises in the County of Bronx, State of New York, and all the claims and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or assigns and outlots of the party of the second part forever.

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatsoever, except as shown.

AND the party of the first part, in compliance with Section 12 of the New York Law, covenants that the party of the first part will execute the contribution for the improvement and will hold the right to execute said contribution as a lien in and to the premises for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the cost of the same for any other purpose.

The word "party" shall be construed to mean "parties" whenever the sense of this instrument so requires.
WITNESSETH, the party of the first part has duly executed this deed the day and year first above written.
In witnesses whereof:
[Signature]
LAWRENCE H. LALLI

93043004390

136270117

STATE OF NEW YORK, COUNTY OF SHERIDAN
On the 24 day of October 1955, before me
personally came
LAWRENCE H. LALLY

to me known to be the individual described to and who executed the foregoing instrument, and acknowledged the contents of the same.

Therese Bennett
Notary Public
for the State of New York

STATE OF NEW YORK, COUNTY OF SHERIDAN
On the 24 day of October 1955, before me
personally came
GRACE H. LALLY

to me known to be the individual described to and who executed the foregoing instrument, and acknowledged the contents of the same.

Therese Bennett
Notary Public
for the State of New York

STATE OF NEW YORK, COUNTY OF SHERIDAN
On the day of 1955, before me
personally came
to me known, who, being by me duly sworn, did depose and say that he is the

of the corporation described in and which executed the foregoing instrument, that he knows the contents of said instrument, that he was not offered by or for the benefit of directors of said corporation, and that he signed it as such officer by the order

STATE OF NEW YORK, COUNTY OF SHERIDAN
On the day of 1955, before me
personally came
the undersigned witness to the foregoing instrument, who when I was personally sworn, did depose and say that he is the

of the individual described to and who executed the foregoing instrument, that he, said undersigned witness, was present and saw execute the same, and that he, said witness, at the same time subscribed to same as witness thereto.

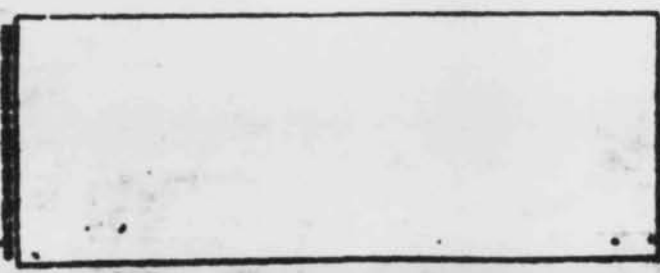
Notary and State Seal
Notary Commission Expires December 31st, 1956
THIS NOTARY PUBLIC
LAWRENCE H. LALLY

SECTION 16
PAGE 0534
LAW 74
COUNTY
FRANCE 1537 Barber Ave.

TO
SHERIDAN COUNTY AND SHERIDAN TOWNSHIP



NOTARY OF NEW YORK
Therese Bennett
Notary Public
317 Broadway
New York City
10013



CITY RECOVERED EVIDENCE AND INVESTIGATION FORM - BRIDGES COUNTY - <i>(This page forms part of the instrument)</i>			
Block <u>4534</u> Lot <u>74</u>	Record & Return to: <u>Tracy & Halley, Esq., 29 Broadway, Cambridge, Mass.</u> Witnessing Company name: <u>Law Offices LTD</u> This Company number: <u>2-00000</u>		
This form is to be completed by the person who has recovered the evidence and is to be filed with the evidence.			
Recovery by: Name <u>John W. Smith</u> Address <u>123 Main St.</u> City <u>Cambridge</u> State <u>Mass.</u> Zip <u>02142</u> Phone <u>(617) 555-1234</u> Occupation <u>Attorney</u> Signature <u>[Signature]</u> Date <u>10/1/74</u>	Witnessing Company: Name <u>Tracy & Halley, Esq.</u> Address <u>29 Broadway</u> City <u>Cambridge</u> State <u>Mass.</u> Zip <u>02142</u> Phone <u>(617) 555-1234</u> Occupation <u>Attorneys</u> Signature <u>[Signature]</u> Date <u>10/1/74</u>		
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RETURN ORIGINAL TO:
GE CAPITAL MORTGAGE SERVICES, INC.
THE MORTGAGE PROCESSING CENTER, 4000 ONE FORD ROAD
BALTIMORE, MARYLAND 21204

REF: 136770119

Please Print Your Name For Recording Date

8718458

MORTGAGE

ORIGINAL

TERMS USED OFTEN IN THIS DOCUMENT

- (A) "Security Instrument": The document, which is here called the "Security Instrument".
- (B) "Borrower": **WERNER BROWN AND BOYD FARMER, JR.,** 1000-1000-0000000
RESIDING AT: 100 BAYVIEW PLACE, BRIDGE, NEW YORK 10600

- (C) "Lender": **GE CAPITAL MORTGAGE SERVICES, INC.**

will be called "Lender". Lender is a corporation or association which exists under the laws of
THE STATE OF NEW JERSEY
Lender's address is: **THIRD EXECUTIVE CAMPUS, CHERRY HILL, NEW JERSEY 08004**

- (D) "Term": The term agreed by Borrower and Lender **OCTOBER 26, 1978** will be
called the "Term". The Term shows that I owe Lender **ONE HUNDRED SIXTY THOUSAND FIVE HUNDRED**
FIFTY AND NO/100 Dollars (U.S. \$ **166,500.00**) plus interest.

I have promised to pay the debt in monthly payments and to pay the debt in full by **NOVEMBER 21, 2000**

- (E) "Property": The property that is described below in the section titled "Description of the Property" will be called
the "Property".

- (F) "Term Secured": The amounts described below in the section titled "Borrower's Transfer to Lender of Rights in the
Property" will be called the "Term Secured".

Borrower's Transfer to Lender of Rights in the Property

I mortgage, grant and convey the Property to Lender subject to the terms of this Security Instrument. This means that, in
signing this Security Instrument, I am giving Lender those rights that are stated in the Security Instrument and also those
rights that the law gives to lenders who hold mortgages on real property. I am giving Lender those rights to prevent Lender
from possible losses that might result if I fail to:

- (A) Pay all the amounts that I owe Lender as stated in the Term.
- (B) Pay, with interest, any amounts that Lender spends under Paragraphs 2 and 7 of this Security Instrument to protect the
debt of the Property and Lender's rights in the Property; and
- (C) Keep all of my other promises and agreements under this Security Instrument.

**THIS PROPERTY IS OR WILL BE PRINCIPALLY SECURED BY
A ONE- OR TWO-FAMILY HOUSE OR DWELLING ONLY.**

SEE TERM-Secured-Fully-Recorded-Property-Record-Office
RECORD NUMBER

Page 1 of 3 Pages

93043004392

98043084393

DESCRIPTION OF THE PROPERTY

REF 136740170

I give Lender rights in the Property described in (A) through (G) below:

(A) The Property which is located at 1077 BAYVIEW PLACE

BRIDGE

New York

This Property is in

BRIDGE

State

County

County. It has the following legal description:

SEE LEGAL DESCRIPTION ATTACHED HERETO AS "EXHIBIT A"
INCORPORATED BY REFERENCE IN THIS MORTGAGE

- (B) All buildings and other improvements that are located on the Property described in subparagraph (A) of this section.
- (C) All rights in other property that I have as owner of the Property described in subparagraph (A) of this section. These rights are known as "easements and appurtenances attached to the Property".
- (D) All rights that I have in the land which lies to the north or south or east or west of, or near to, the Property described in subparagraph (A) of this section.
- (E) All fixtures that are now or in the future will be on the Property described in subparagraph (A) and (D) of this section.
- (F) All of the rights and property described in subparagraphs (B) through (E) of this section that I acquire in the future, and
- (G) All improvements of or additions to the Property described in subparagraphs (B) through (F) of this section.

BORROWER'S RIGHT TO MORTGAGE THE PROPERTY AND BORROWER'S OBLIGATION TO DEFEND CREDITORS OF THE PROPERTY

I promise that: (A) I lawfully own the Property; (B) I have the right to mortgage, grant and convey the Property in Lender and (C) there are no outstanding claims or charges against the Property, except for those which are of public record.

I give a general warranty of title to Lender. This means that I will be fully responsible for any losses which Lender suffers because someone other than myself has some of the rights in the Property which I promise that I have. I promise that I will defend my ownership of the Property against any claims of such rights.

PLAIN LANGUAGE SECURITY AGREEMENT

This Security Agreement contains promises and agreements that are used in real property security transactions all over the country. It also contains other promises and agreements that vary, in a limited manner, in different parts of the country. My promises and agreements are stated in "plain language."

CONCLUSIONS

☐ strongly and ☐ agree with (order as follows)

MEMBERS' PRICES TO PAY

will pay to Lender on later principal and interest due under the Note and any prepayments and late charges due under the Note.

1. MONTHLY PAYMENTS FOR TAXES AND INSURANCE

Inventory Collection

A. Borrower's Obligations

I will pay to Lender all amounts necessary to pay the loans, assessments, when mortgage charges and other similar charges are due, including prepayments or ground rent (if any); interest on the loans; expenses in obtaining the Property and fees and costs thereon; insurance premiums or ground rent (if any); taxes and assessments; and all other charges and expenses that I am obligated to pay. I will also pay to Lender all amounts necessary in connection with making or redeeming the mortgage, and all of said mortgage. I further assume all paying the mortgage and interest on it until I am released by Lender as shown up to the date of mortgage redemption. I will pay this amount to Lender until I am released by Lender as shown up to the date of mortgage redemption. I do not want to be in a position where I am required to pay. I will make these payments on the same day that my monthly

14. Services under this Paragraph 7 will be for the items listed in (1) through (4) below, which are called "Turn-in Items". The estimated yearly costs, assessments, water feebate charges and other similar charges, and other costs on the Property which shall be the law may be superior to this Security Instrument as a law on the Property. Any claim, demand or charge against the said security instrument, regardless of obligations law and have fulfilled a law as a "law".

- (b) The estimated yearly household payments or gross rents on the Property (if any).

Leslie will estimate from sale to show the amount I will have to pay for Square State by using existing measurements and take our reasonable estimates of the amount I will have to pay for Square State in the future, unless the two squares Leslie or I another method for determining the amount I ask for you. The amounts that I pay as Leslie the Square State and the amount I will be called the "Ponds". The Ponds are pledged to additional money for all State Square.

The law puts focus on the total amount of Puerto Rican tax at any one office and field. This new statute means that even the most-advanced taxpayer, a leader for a "financially oriented mortgage loan" would require not to place in an "expensive account" under the federal law called the "New Finance Settlement Mortgage Act" of 1976, as this law may be amended from time to time. If there is another law that requires a lower rate on the total amount of Puerto Rican tax office and field, Lander will be bound to the lower amount.

2. Limited Evidence

(3) **Lender's Obligations**
Lender will keep the Funds in a savings or lending institution which has deposits insured by a Federal agency, notwithstanding, it may or it may not be a Federal Reserve Bank. If Lender is not a savings or lending institution, Lender may hold the Funds. Except as described in the Paragraph 2, Lender will use the Funds to pay the Borrower loans. Lender will give to the Borrower charge, as stated concerning of the Funds. The accounting must show all activities to and disbursements from the Funds and the expense for each disbursement.

Lender may use charge as for building or keeping the Pledge, for using the Pledge to pay income taxes, for making a cash advance of any payments of Pledge or for returning, replacing and making amendments and bills. Lender may use charge for the same purpose if Lender pays no interest on the Pledge and if the parties Lender to make such a charge. Lender also may require use to pay a new charge for an independent use made on reporting current used by Lender in connection with any bill, unless the law does not permit Lender to make such a charge. Lender will not be required to pay any amount or earnings on the Pledge unless either (i) Lender and I agree in writing, or the time I sign the Security, before used, and Lender will pay interest on the Pledge, or (ii) the law requires Lender to pay interest on a Pledge.

Advertisement in the Press

Under the law, there is a limit on the amount of Puerto Lander may hold. If the amount of Puerto held by Lander exceeds this limit, then the law requires Lander to attempt to sell it a special manner for the benefit of Puerto. There will be no action against L, if, at any time, the amount of Puerto which Lander is holding or keeping is greater than the amount of Puerto Lander is allowed to hold under the law.

MD136700122

It is now time. Lender has not received enough Funds to make the payments of Secured Notes when the payments are due. Lender has not yet received the additional amount in currency. I will pay to Lender whatever additional amount is necessary to pay the Secured Notes in full. Lender will determine the number of monthly payments I have in which to pay that additional amount, but the number of payments will not be more than twelve.

When I have paid all of the Secured Notes, Lender will promptly return to me any Funds that are then being held by Lender. If under Paragraph 2, below, Lender either accepts or sells the Property, then within the regulations or rules, Lender will use any Funds which Lender is holding at the time of the acceptance or sale to reduce the Secured Notes.

3. APPLICATION OF BORROWER'S PAYMENTS

Unless the law requires otherwise, Lender will apply each of my payments under the Note and under Paragraph 1 and 2 above in the following order and for the following purposes:

- First, to pay any prepayment charges due under the Note;
- Then, to pay the amounts due to Lender under Paragraph 2 above;
- Then, to pay interest due;
- Then, to pay principal due; and
- Last, to pay any late charges due under the Note.

4. BORROWER'S OBLIGATION TO PAY CHARGES, AGREEMENTS AND CLAIMS

I will pay all taxes, assessments, water drainage charges and other similar charges, sewer rents, and any other charges and fees that are or may be imposed on the Property and that may be reported to the Secured Noteholders. I will also make payments due under the Note if I am a tenant on the Property and I will pay ground rent (if any) due on the Property. I will do this either by making the payments to Lender that are described in Paragraph 2 above or if I am not required to make payments under Paragraph 1, by making the payments in time to the person named there. On the Secured Noteholders, the word "person" means any person, partnership, governmental authority or other party. If I make direct payments, then promptly after making any of these payments, I will give Lender a receipt which shows that I have done so. If I make payments to Lender under Paragraph 1, I will give Lender all notices or bills that I receive for the amounts due under this Paragraph.

I will promptly pay or satisfy all taxes against the Property that may be reported to the Secured Noteholders. However, the Secured Noteholders may not require me to satisfy a superior lien if: (A) I agree, in writing, to pay the obligations which give rise to the superior lien and Lender approves the way in which I agree to pay that obligation; or (B) in good faith, I agree or default against the superior lien as a tenant on that, during the term, the superior lien may not be enforced; or (C) I receive from the holder of the other lien an agreement, approved in writing by Lender, that the lien of the Secured Noteholders is superior to the lien held by that person. If Lender determines that any part of the Property is subject to a superior lien, Lender may give Borrower a notice describing the superior lien. Borrower shall pay or satisfy the superior lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. BORROWER'S OBLIGATION TO MAINTAIN SALLAS INSURANCE OR PROPERTY INSURANCE

I will obtain and maintain property insurance to cover all buildings and other improvements that are on or in the house and are located on the Property. The insurance must cover loss or damage caused by fire, lightning, windstorm, hail, flood, or other causes, including theft and vandalism. The insurance must be in the amount and for the periods of time required by Lender. I may obtain the insurance company, but my choice is subject to Lender's approval. Lender may not refuse to approve my choice unless the refusal is unreasonable. If I do not maintain the insurance coverage described above, Lender may obtain insurance coverage to protect Lender's rights in the Property in accordance with Paragraph 7 below.

All of the insurance policies and records of these policies must include what is known as a "standard mortgage clause" to protect Lender. The form of all policies and records must be acceptable to Lender. Lender will have the right to test the policies and records. If Lender requires, I will promptly give Lender all samples of past policies and records under this clause.

If there is a loss or damage to the Property, I will promptly notify the insurance company and Lender. If I do not promptly give notice to the insurance company that the loss or damage occurred, then Lender may do so.

The amount paid by the insurance company is called "proceeds." The proceeds will be used to repair or to replace the damaged Property unless: (A) it is not economically feasible to make the repairs or replacement; or (B) the use of the proceeds for that purpose would leave the proceeds given to Lender by the Secured Noteholders, or (C) Lender and I have agreed to not use any or all of the proceeds for that purpose. If the repair or replacement is not economically feasible or if I would leave Lender's proceeds under the Secured Noteholders, then the proceeds will be used to reduce the amount that I owe to Lender under the Note and under the Secured Noteholders. If any of the proceeds remain after the amount that I owe to Lender has been paid in full, the remaining proceeds will be paid to me.

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REL 136770173

6. Lender's Obligations to Property. (A) Lender shall, within 10 days, a notice from Lender stating that the mortgage instrument is offered to be recorded. Lender shall not record the mortgage instrument until the proceeds in respect to the Property are paid to the Trust. The 10-day period will begin when the notice is given.

(B) Any proceeds are used to reduce the amount of principal which I owe to Lender under the Note, then the use will not delay the due date or change the amount of any of my monthly payments under the Note and under Paragraphs 1 and 2 above. However, Lender and I may agree in writing to these delays or changes.

(C) Lender waives the Property under Paragraph 31 below, all of my rights in the mortgage policies will belong to Lender. After all of my rights in any proceeds which are paid because of damage that occurred before the Property is conveyed to Lender, I will still belong to Lender. However, Lender's rights in these proceeds will not be greater than the State's mortgage insurance policy for the Property is covered by Lender or sold.

6. BORROWER'S OBLIGATIONS TO OCCUPY THE PROPERTY TO MAINTAIN AND PROTECT THE PROPERTY AND TO FULFILL ANY LEASE OBLIGATIONS, BORROWER'S LEASE APPLICATION

(A) Borrower's Obligations to Occupy the Property

I will occupy the Property and use the Property as my principal residence within sixty days after I sign this Security Instrument. I will continue to occupy the Property and use the Property as my principal residence for at least one year. The one year period will begin when I first occupy the Property. However, I will not have to occupy the Property and use the Property as my principal residence within the time frame set forth above if Lender agrees in writing that I do not have to do so. Lender may not refuse to agree unless the refusal is reasonable. I also will not have to occupy the Property and use the Property as my principal residence within the time frame set forth above if extraordinary circumstances exist which are beyond my control.

(B) Borrower's Obligations to Maintain and Protect the Property

I will keep the Property in good repair. I will not destroy, damage or harm the Property and I will not allow the Property to be destroyed.

I will be "in default" under the Security Instrument if I fail to keep any promise or agreement made in this Security Instrument. I also will be in default under the Security Instrument if any court or arbitral action is proceeding to "revoke" this Note, a legal action or proceeding to require the Property or any part of the Property, to be given up or taken and Lender, in good faith, has the action or proceeding would result in a court ruling that I would require forfeiture of the Property or (3) that would require forfeiture of the Property or Lender's rights in the Property. I also cannot be in default for violating a court ruling that determines the legal action or proceeding, if Lender determines, in good faith, that the court ruling is not in my best interests or (4) Lender's rights in the Property. If I cannot be in default, I will have the right to have enforcement of the Security Instrument determined, as provided in Paragraph 14 below, even if Lender has not made payment in full.

(C) Borrower's Obligations to Fulfill any Lease Obligations

If I do not own the Property, I will fulfill all of my obligations under any lease. I also agree that, if I cannot do the lease for the Property, my lease income and the fee will not change unless Lender agrees in writing to the change in writing.

(D) Borrower's Lease Application

If, during the application process for the lease, I promise to pay under the Note, I must take or reasonable measures to Lender those information important to Lender in determining my eligibility for the lease. Lender will not be without a default under the Security Instrument. Failure of reasonable measures does not constitute a default to Lender under the Security Instrument. This is just one example of a failure of reasonable measures of information. Also, if during the lease application process I failed to provide Lender with information important to Lender in determining my eligibility for the lease, Lender will treat this as a default under the Security Instrument.

7. LENDER'S RIGHT TO PROTECT ITS RIGHTS IN THE PROPERTY

If (A) I do not keep my promise and agreement made in the Security Instrument, or (B) someone, including me, takes a legal proceeding that may significantly affect Lender's rights in the Property (such as a legal proceeding to "revoke" or "void" the Note, a legal action or proceeding to require the Property or any part of the Property, to be given up or taken and Lender, in good faith, has the action or proceeding would result in a court ruling that I would require forfeiture of the Property or Lender's rights in the Property. Lender's actions may include appointing or electing, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this Paragraph 7, Lender does not have to do so.

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I will pay to Lender my amounts, with interest, which Lender specifies under this Paragraph. I will pay these amounts to Lender when Lender sends me a notice specifying that I do so. I will also pay interest on these amounts at the time and in the manner which Lender specifies in its notice. I will also pay interest on these amounts at the time and in the manner which Lender specifies in its notice. I will also pay interest on these amounts at the time and in the manner which Lender specifies in its notice. I will also pay interest on these amounts at the time and in the manner which Lender specifies in its notice.

5. MORTGAGE INSURANCE

If Lender requires mortgage insurance as a condition of making the loan that I promise to pay under this Paragraph, I will pay the premiums for the mortgage insurance. If, for any reason, the mortgage insurance coverage ceases or ceases to be in effect, I will pay the premiums for substantially equivalent mortgage insurance coverage. However, the cost of the mortgage insurance coverage must be substantially equivalent to the cost to me of the previous mortgage insurance coverage, and the mortgage insurance coverage must be approved by Lender.

If substantially equivalent mortgage insurance coverage is not available, Lender will establish a "loss reserve" as a substitute for the mortgage insurance coverage. I will pay to Lender each month an amount equal to one-twelfth of the principal amount of the mortgage loan. Lender will retain these payments, and will use these payments to pay for interest on the mortgage insurance coverage until it is obtained. Lender may choose to no longer require loss reserve payments, if mortgage insurance coverage again becomes available and is obtained. The mortgage insurance coverage must be in the amount and for the period of time required by Lender. The Lender must approve the insurance company providing the coverage.

I will pay the mortgage insurance premiums, or the loss reserve payments, until the requirement for mortgage insurance ends according to my written agreement with Lender or according to law. Lender may require me to pay the premiums, or the loss reserve payments, in the manner described in Paragraph 2 above.

6. LENDER'S RIGHT TO INSPECT THE PROPERTY

Lender, and others authorized by Lender, may enter on and inspect the Property. They may do so at a reasonable season and at reasonable times. Before or at the time of inspection in writing, Lender must give me notice stating a reasonable purpose for the inspection.

7. AGREEMENTS ABOUT CONDEMNATION OF THE PROPERTY

A taking of property by any governmental authority by eminent domain is known as "condemnation." I give to Lender my right: (A) to proceeds of all awards or claims for damages resulting from condemnation or other governmental taking of the Property; and (B) to proceeds from a sale of the Property that is made in great condemnation. All of these proceeds will be paid to Lender.

If all of the Property is taken, the proceeds will be used to reduce the loan balance. If one of the proceeds results after this amount then I owe to Lender has been paid in full, the remaining proceeds will be paid to me.

Unless Lender and I agree otherwise in writing, if only a part of the Property is taken, and the fair market value of the Property immediately before the taking either is equal to, or greater than, the amount of the loan balance immediately before the taking, the amount that I owe to Lender will be reduced only by the amount of proceeds multiplied by a fraction. That fraction is as follows: (A) the total amount of the loan balance immediately before the taking, divided by (B) the fair market value of the Property immediately before the taking. The remainder of the proceeds will be paid to me.

Unless Lender and I agree otherwise in writing or unless the law requires otherwise, if only a part of the Property is taken, and the fair market value of the Property immediately before the taking is less than the amount of the loan balance immediately before the taking, the proceeds will be used to reduce the loan balance.

If I abandon the Property, or if I do not agree, within 30 days, a notice from Lender stating that a governmental authority has refused to make a payment or to settle a claim for damages, Lender has the authority to reduce the proceeds. Lender may then use the proceeds to repair or restore the Property or to reduce the loan balance. The thirty-day period will begin when the notice is given.

If any proceeds are used to reduce the amount of principal which I owe to Lender under this Note, then we will not delay the due date or change the amount of any of my monthly payments under this Note and under Paragraphs 1 and 2 above. However, Lender and I may agree in writing to delay the due date or change the amount of any of my monthly payments.

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11. CONTINUATION OF BORROWER'S OBLIGATIONS AND OF LENDER'S RIGHTS

(A) Borrower's Obligations

Lender may allow a person who takes over my rights and obligations to delay or to change the amount of the monthly payments of principal and interest due under the Note or under this Security Instrument. Even if Lender does this, however, the person and I will both still be fully obligated under the Note and under this Security Instrument.

Lender may allow a person who takes over my rights and obligations, even if Lender is requested to do so, to delay or to change the amount of the monthly payments of principal and interest due under the Note or under this Security Instrument. Even if Lender does this, however, the person and I will both still be fully obligated under the Note and under this Security Instrument.

(B) Lender's Rights

Even if Lender does not exercise or enforce any right of Lender under this Security Instrument or under the Note, Lender will have all of these rights and may exercise and enforce them in the future. Even if Lender allows someone, past or present, to pay other debts, charges or taxes against the Property, Lender will have the right under Paragraph 11 below to demand that I make immediate payments to full of the amount due to Lender under the Note and will be obligated to keep all of Lender's payments made to the Security Instrument.

12. OBLIGATIONS OF BORROWER AND OF PERSONS TAKING OVER BORROWER'S RIGHTS OR OBLIGATIONS

Any person who takes over my rights or obligations under this Security Instrument will have all of my rights and will be obligated to keep all of my promises and agreements made in this Security Instrument. Similarly, any person who takes over Lender's rights or obligations under this Security Instrument will have all of Lender's rights and will be obligated to keep all of Lender's agreements made in this Security Instrument.

If more than one person signs this Security Instrument as Borrower, each of us is fully obligated to keep all of Borrower's promises and agreements contained in this Security Instrument. Lender may enforce Lender's rights under this Security Instrument against each of us individually or against all of us together. This means that any one of us may be required to pay all of the loan balance. However, if one of us does not sign the Note, (A) that person is signing this Security Instrument only to give that person's rights in the Property to Lender under the terms of this Security Instrument, and (B) that person is not personally obligated to pay the loan balance, and (C) that person agrees that Lender may agree with the other Borrower to take whatever action Lender's rights or is entitled to take any arrangements with regard to the terms of this Security Instrument or the Note without that person's consent.

13. LOAN CHARGES

If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the amount or other loan charges collected or to be collected in connection with the loan exceed permitted limits, (A) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (B) any such charge shall be reduced from Borrower which accumulated payments will be refunded to Borrower. Lender may choose to make the refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund is chosen, the refund will be treated as a partial prepayment without any prepayment charge under the Note.

14. NOTICES REQUIRED UNDER THIS SECURITY INSTRUMENT

Any notice that must be given in or under this Security Instrument will be given by delivering it or by sending it by first class mail unless applicable law requires use of another method. The notice will be addressed to me at the address stated in the notice above titled "Description of the Property". A notice will be given to me at a different address if I give Lender a notice of my different address. Any notice that must be given to Lender under this Security Instrument will be given by a notice to Lender's address stated in subparagraph (C) of the notice above titled "Ready Used Office in This Document". A notice will be mailed to Lender at a different address if Lender gives me a notice of the different address. A notice required by this Security Instrument is given when it is mailed or when it is delivered according to the requirements of the Paragraph 14 or of applicable law.

15. LAW THAT GOVERNS THIS SECURITY INSTRUMENT

This Security Instrument is governed by federal law and the law that applies in the place where the Property is located. If any term of this Security Instrument or of the Note conflict with the law, all other terms of this Security Instrument and of the Note will still remain in effect if they can be given effect without the conflicting term. This means that any term of this Security Instrument and of the Note which conflict with the law can be separated from the remaining terms, and the remaining terms will still be enforceable.

16. BORROWER'S COPY

I will be given one confirmed copy of the Note and of this Security Instrument.

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REF 1367700126

17. AGREEMENTS ABOUT LENDER'S RIGHTS IF THE PROPERTY IS SOLD OR TRANSFERRED

Lender may require immediate payment in full of all loans secured by this Security Instrument if all or any part of the Property or if any right in the Property is sold or transferred without Lender's prior written permission. Lender also may require immediate payment in full if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person. However, Lender shall not require immediate payment in full if this is prohibited by federal law on the date of this Security Instrument.

If Lender requires immediate payment in full under this Paragraph 17, Lender will give me a notice which states the requirements. The notice will give me at least 30 days to make the required payment. The 30-day period will begin on the date the notice is mailed or delivered. If I do not make the required payment during that period, Lender may act to enforce its rights under this Security Instrument without giving me any further notice or demand for payment.

18. BORROWER'S RIGHT TO HAVE LENDER'S ENFORCEMENT OF THIS SECURITY INSTRUMENT DEFERRED

Even if Lender has required immediate payment in full, I may have the right to have enforcement of this Security Instrument deferred. I will have this right to use these federal rules of the Property in the 90-day period of time granted by the Security Instrument or a day later before a judgment has been entered concerning this Security Instrument if I meet the following conditions:

- (A) I pay to Lender the full amount that I owe under this Security Instrument and the fees as if immediate payment in full had never been required; and
- (B) I ensure my failure to keep any of my other promises or agreements made in this Security Instrument, and
- (C) I pay all of Lender's reasonable expenses in enforcing this Security Instrument including, for example, reasonable attorney fees, and
- (D) I do whatever Lender reasonably requires to secure the Lender's rights in the Property, Lender's rights under the Security Instrument, and my obligations under the Note and under this Security Instrument without challenge.

If I fulfill all of the conditions in this Paragraph 18, then the Note and this Security Instrument will remain in full effect as if immediate payment in full had never been required. However, I will not have the right to have Lender's enforcement of this Security Instrument deferred if Lender has required immediate payment in full under Paragraph 17 above.

19. NOTE BORROWER'S RIGHT TO SELL THE NOTE OR AN INTEREST IN THE NOTE; BORROWER'S RIGHT TO NOTICE OF CHANGE OF LOAN SERVICE

The Note, or an interest in the Note, together with this Security Instrument, may be sold now or some time. I may not receive any prior notice of these sales.

The entity that acquires my security payments due under the Note and this Security Instrument is called the "Loan Service." There may be a change of the Loan Service as a result of the sale of the Note; there also may be one or more changes of the Loan Service assigned to a sale of the Note. The law requires that I be given written notice of any change of the Loan Service. The written notice must be given to the address required under Paragraph 14 above and under applicable law. The notice will state the name and address of the new Loan Service, and also will say the address to which I should make my payments. The notice also will contain any other information required by the law.

20. COMPLIANCE OF BORROWER'S OBLIGATIONS TO MAINTAIN AND PROTECT THE PROPERTY

The federal laws and the laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection are called "Environmental Laws." I will not do anything affecting the Property that violates Environmental Laws, and I will not allow anyone else to do so.

Environmental Laws classify certain substances as toxic or hazardous. There are other substances that are considered hazardous for purposes of this Paragraph 20. These are pesticides, herbicides, other fumigants or other poisonous products, motor vehicles and trailers, mobile airvents, asbestos-containing materials or vermin-infested, and radioactive materials. The substances defined as toxic or hazardous by Environmental Laws and the substances considered hazardous for purposes of this Paragraph 20 are called "Hazardous Substances."

I will not permit Hazardous Substances to be present on the Property. I will not use or store Hazardous Substances on the Property, and I will not allow anyone else to do so. I also will not dispose of Hazardous Substances on the Property, or allow any Hazardous Substances on the Property, and I will not allow anyone else to do so. However, I may permit the presence on the Property of small quantities of Hazardous Substances that are generally recognized as appropriate for normal residential use and maintenance of the Property, and I may use or store these small quantities on the Property. In addition, unless the law requires removal or other action, the buildings, the improvements and the fixtures on the Property are permitted to contain asbestos and asbestos-containing materials if the asbestos and asbestos-containing materials are undisturbed and "non-friable" (that is, not easily crumbled by hand pressure).

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REL 136740120

EXHIBIT A

BORROWERS: WYOMING BROWN AND BOYS FARMERS
LOAN NUMBER: 11408

LEGAL DESCRIPTION

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of Bantam Place, distance 67.81 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place;

RUNNING THENCE northerly at right angles to Bantam Place, 53.31 feet;

THENCE northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees 48 minutes 02 seconds on its northerly side with the westerly side of Woodhull Avenue;

THENCE westerly along the westerly prolongation of said line, 20.41 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto;

THENCE southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall, 90 feet to the northerly side of Bantam Place; AND

THENCE easterly along the northerly side of Bantam Place, 31.12 feet to the point or place of BEGINNING.

FOR CONVEYANCE ONLY

SAID premises being known as and by 1127 Bantam Place, Bronx, New York.

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NEEL 1362M0129


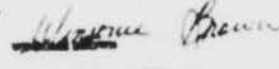

IN WITNESS TO THIS SECURITY INSTRUMENT

If one or more notes are signed by Borrower and recorded together with this Security Instrument, the provisions and agreements of such notes are incorporated as a part of this Security Instrument. (Check applicable box(es).)

- | | | |
|---|--|--|
| <input type="checkbox"/> Adjustable Rate Note | <input type="checkbox"/> Conditional Rate | <input type="checkbox"/> 1-4 Family Note |
| <input type="checkbox"/> Conventional Payment Note | <input type="checkbox"/> Fixed Unit Development Note | <input type="checkbox"/> Directly Payment Note |
| <input type="checkbox"/> Reverse Note | <input type="checkbox"/> Rate Adjustment Note | <input type="checkbox"/> Second Note Note |
| <input checked="" type="checkbox"/> (Other as specified): | | |

PROPERTY DESCRIPTION

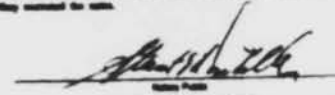
BY SIGNING BELOW, I accept and agree to the provisions and agreements contained in pages 1 through 10 of the Security Instrument and in any exhibits signed by me and recorded with it.

Witness
  

State before this is for advertisement

State of New York, ESSEX County, ESSEX County
On the 20th day of OCTOBER, 1988 before me personally were
WENDIE BROWN AND BOYD FARRINGTON, 1988-1362M0129

as loan and terms to me in for the individual described in and who executed the foregoing instrument, and
hereby they acknowledge in me that they are the parties to the same.


Notary Public

PREPARED BY:
NATIONWIDE DOCUMENT CORPORATION
25 GERRARD ST. E. 1ST FL. N.Y.C.
NEW YORK, N.Y. 10002

My Commission Expires on 10/20/90
N.Y.C. - 10002
Notary Public



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX

September 9, 1996

John Ciampoli, Esq.
Gentile and Ciampoli
1416 Franklin Ave.
Garden City, NY 11530

RE: MUR 4128
Lally for Congress
Grant M. Lally
Lawrence M. Lally
Utewolf Lally

Dear Mr. Ciampoli:

Enclosed for your consideration are proposed drafts of the Petition, Order and Stipulation in the above-captioned matter. The declarations referenced in the Petition are in preparation and basically recount the information included in the Petition.

Please review the documents and call me tomorrow, September 10, 1996 to discuss any changes you might have. The prayer for relief in the petition asks that the documents be given to the Commission within five days of the issuance of the Order. Let us know if you need more time. We are prepared to recommend to the Commission that they approve this proposal.

As a follow-up to our previous discussions, please provide a legible copy of the back of Ute Lally's check #294 Fidelity New York, dated 5-4-94 in the amount of \$18,000 to Grant Lally; please also provide documents evidencing the sale of the corvette, such as change in title from Grant Lally to Ute Lally, insurance coverage for that vehicle, vehicle registration, payment of taxes associated with ownership of the vehicle (e.g., excise, sales, personal property). In regard to Lally for Congress, please provide legible copies of credit memos dated 10-24-94 in the amount of \$14,598 and 11-1-94 in

John Ciampoli, Esq.
Draft documents
page 2

the amount of \$30,000. Please also provide Lally for Congress bank statements for September and October, 1994.

If you have any questions, I can be contacted at (202) 219-3400.

Sincerely,



Holly J. Baker
Attorney

Enclosures
Petition
Order
Stipulation

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress)
and Bruce Cozzens, as treasurer) MUR 4128
Grant M. Lally)
Lawrence M. Lally)
Utewolf Lally)

SENSITIVE

GENERAL COUNSEL'S REPORT

I. **BACKGROUND**

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This matter involves allegations that loans reportedly made from 1994 New York Fifth Congressional district candidate Grant M. Lally's personal funds, totaling \$319,991, were derived from other sources.¹ On May 16, 1996, the Commission found reason to believe that Lally for Congress and its treasurer ("Lally campaign" or "Committee"), violated 2 U.S.C. §§ 441a(f), 434(b) and 441b(a), that Grant M. Lally ("candidate") violated 2 U.S.C. § 441a(f), and that Lawrence M. Lally and Utewolf ("Ute") Lally violated 2 U.S.C. § 441a(a)(1)(A). By same date, the Commission approved Subpoenas and Orders to the above-named Respondents. Partial responses have been received.²

¹ This matter is the subject of a case now in district court, filed by the DCCC, alleging that the Commission's failure to act on the complaint in this matter within the 120 day period provided in 2 U.S.C. § 437g(a)(8) was contrary to law. See DCCC v. FEC, No. 96CV00764 (D.D.C. April 22, 1996).

² On July 16, 1996, the Commission authorized the Office of General Counsel to file a civil suit for relief in United States District Court against Respondents for failing to fully comply with the Subpoenas and Orders. After this Office contacted counsel and provided him with a list of the outstanding requests, Respondents provided additional materials on September 3. See Attachment 8. However, some documents responsive to the Commission's Subpoenas have still not been produced and negotiations are continuing in an effort to avoid the need for litigation.

II. SUMMARY OF RESPONSES

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The loans at issue, totaling \$319,991, were used by the Lally campaign in connection with the primary election on September 13, 1994 and in the general election on November 8, 1994. The responses show that over 90% of the \$319,991 in loans in question, or \$289,991, was derived from either the candidate's parents, the candidate's grandparents or from the law firm in which only the candidate and his father are partners (Lally and Lally, Esquires or the "law firm"). First, \$116,000 was received from the candidate's father, Lawrence Lally, allegedly for the sale of property the candidate owned in the Bronx at 1527 Bantam Place. Second, \$74,491 was derived from the law firm. Third, \$18,000 was provided by the candidate's mother, allegedly for the purchase of the candidate's 1966 Corvette. Fourth, \$81,500 was received from the candidate's grandparents, allegedly as "partial satisfaction" of the candidate's interest in the proceeds of a debt which the candidate's parents owed to the grandparents. As for the remainder of the loans, the candidate claims that \$20,000 was derived from the sale of personal stock and that \$10,000 was from "personal savings" apparently from some source other than law firm income. As demonstrated below, the Respondents' submissions raise numerous questions and provide insufficient information to support the claim that the loans in question were derived from Grant Lally's "personal funds." See 11 C.F.R. § 110.10(b).

a. Bantam Place Property

During the primary and general election period, Lawrence Lally made four payments, totaling \$116,000, to his son the candidate Grant Lally. Specifically, Lawrence issued a \$25,000 check to his son on May 3 and a \$48,000 check on May 21. Attachment 2 at 1. Those funds, along with \$18,000 received from his mother for the alleged sale of his Corvette, and some

personal savings, were used by the candidate to make a \$100,000 loan to the Committee on May 24, 1994. Attachment 1 at 2. The third payment, in the amount of \$30,000, was received on October 19, 1994, and used to make a loan to the Committee in that amount that same day.³ The fourth payment, in the amount of \$13,000, was provided to Grant by his father at some unknown date in October of 1994. That \$13,000 payment was used by Grant, along with other funds, to loan his Committee \$14,598 on October 24, 1994. Attachment 1 at 2-3.

The Respondents assert that Lawrence Lally's payments to the candidate were for the purchase of the candidate's investment property located at 1527 Bantam Place in the Bronx. Attachment 1 at 2-4. Documents produced by the Respondents and obtained from the Bronx Clerk's office show that the candidate purchased a 2/3 interest in the Bantam Place property on March 15, 1993 for \$40,000. Attachment 2 at 2-6.⁴ A contract of Sale, dated December of 1992, and a notarized deed have been provided with respect to that transaction. Id.

With respect to the candidate's sale of the Bantam Place property to his father, however, the Respondents have produced only an unrecorded deed that was not notarized, dated May 24, 1994. Attachment 2 at 7. In addition, despite repeated requests, a sales contract has not been produced and apparently does not exist. We further note that Lawrence Lally paid \$116,000 for

³ The \$30,000 payment appears to have been derived from the law firm; a \$30,000 law firm check issued to Grant Lally and dated October 19, 1994 has been provided. See Attachment 3 at page 10.

⁴ Additional documents produced by the Respondents but which are not relevant to the transactions at issue, i.e., documents related to assets in which the candidate has an interest but which were not used during the campaign, are not attached. Such documents are available for review in Room 656 (OGC Docket).

his 2/3 interest in the property, over three times as much as his son paid for that interest 17 months earlier.

Additional questions are raised by subsequent transactions involving the Bantam Place property. Documents disclose that Lawrence Lally purchased the other 1/3 interest in Bantam Place on April 21, 1995 from James Pavlo for \$25,000. A copy of the sales contract and a recorded deed related to that transaction have been produced. Attachment 2 at 8-9. As Lawrence Lally had allegedly purchased Grant's 2/3 interest in 1994, after purchasing the 1/3 interest in April of 1995 from Mr. Pavlo, he would then appear to own all the rights to the property himself. Yet when all the interest in the property was sold in October of 1995 for \$169,000 to Winsome Brown and Boyd Farquharson, although the contract listed Lawrence Lally as the seller, the deed listed both Lawrence and Grant Lally as the owners/sellers. Attachment 2 at 10-12. If Grant sold his 2/3 interest in the property to his father for \$116,000 in 1994 as claimed, it is unclear why his is listed as co-owner/seller on the deed dated October 26, 1995.

b. Law Firm Income

Lawrence and his son Grant are the only partners in Lally and Lally, Esquires ("law firm"). Attachment 1 at 8. From the responses submitted, it appears that at least \$74,491 of the \$319,991 in loans at issue came directly from the law firm, allegedly for Grant Lally's 1994 law firm income. *Id.* at 2-3. In response to the Orders for Written Answers related to Grant Lally's position, ownership interest, pay structure, and terms of employment at the law firm, Respondents stated that "income from the firm is distributed on a case by case basis between the partners" and that receipts are based "upon work performed, fees paid, business generated." Attachment 1 at 6, 8.

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The responses indicate that during 1994, the year of the election, Grant Lally's income was \$102,892. Attachment 1 at 6 and 11. Grant Lally's 1993 law firm income was dramatically lower, however, totaling only \$59,000. *Id.* at 11. Thus, the candidate's election year income was almost 73% higher than in the previous year. Moreover, according to the documents produced, approximately 84% of Grant Lally's annual income for 1994 was received in just two months, September and October of 1994, the heat of the election season. See Attachment 3 at 1 (chart detailing law firm funds received by the candidate in 1994).⁵ In addition, the checks and other law firm documents provided by the Respondents disclose that Grant Lally received approximately \$165,293 from the law firm during 1994, far more than the \$102,892 claimed to have been his annual income for that year. *Id.* Although this Office pointed out in a letter to the Respondents that there was a wide discrepancy between Grant Lally's claimed income of \$102,892 and the \$165,293 he received according to the law firm's checks, the Respondents' reply did not offer any explanation.⁶

⁵ As campaigning usually requires time away from work, it would appear that election year income would generally tend to be lower, especially in these circumstances where income is earned on a case by case basis. Here, the opposite occurred. We note that in his November 23, 1994 response to the complaint, Grant Lally claimed that he had earned \$50,000 in the Fall of 1994 alone by settling "several long-standing estate proceedings." However, there is insufficient documentation to support that assertion.

⁶ The candidate's response asserts that he received one of his father's payments for the Bantam Place property, in the sum of \$30,000, on October 19, 1994. Attachment 1 at 3-4. The Committee reported receiving a \$30,000 loan from the candidate on the same day. A law firm check produced by the Respondents, and included in the \$165,293 discussed above, is made out to Grant Lally, is in the sum of \$30,000 and is dated October 19, 1994. Attachment 3 at 10. Thus, as noted in footnote 3, it appears that \$30,000 of the \$165,293 received by the candidate during 1994 from the law firm may represent one of the payments claimed to have been provided by the candidate's father for the Bantam Place property.

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With respect to documents requested pursuant to the Commission's Subpoenas, Respondents claimed that there are no "check ledgers," and "no written partnership agreement," "no disbursement summary, accounting statement [or] financial statement." Attachment 1 at 8, 10-12. After subsequent requests for some documentation of the candidate's law firm income, Respondents produced 1994 client invoices from the law firm totaling approximately \$28,000. Attachment 3 at 14-34. The accompanying response, however, did not explain how such invoices related to Grant Lally's receipt of funds from the law firm. After this Office sought further information/documentation related to Grant Lally's 1994 income, Respondents provided a letter which sets forth a list of what appear to be law firm clients. Attachment 1 at 12-14. Beside each client's name is a monetary amount, presumably a fee paid to the law firm. The total amount provided on the list totals \$205,500. Respondents, however, again failed to offer any explanation for how the list relates to Grant Lally's receipt of \$165,293 from the law firm in 1994. Therefore, it is not possible to determine whether the funds received by the candidate from the law firm in 1994, including the \$74,491 which he loaned directly to his Committee, were "bona fide" income from the law firm. See 11 C.F.R. § 110.10(b)(2).

c. Sale of 1966 Corvette

According to the response, in May of 1994 Grant Lally sold his 1966 Corvette to his mother Ute Lally for \$18,000. Attachment 1 at 2 and 4. That \$18,000, along with funds received from his father Lawrence Lally for the sale of Bantam Place, see supra pages 2-4, was used by the candidate to loan the Committee \$100,000 on May 24, 1994. Id. at 2. In response to the Subpoena's request for documents related to the transaction, Grant Lally produced a check drawn on the account of Ute Lally issued to him in the amount of \$18,000 on May 5, 1994.

Attachment 4 at 2. The "memo" portion of that check does not disclose the purpose of such check. In response to follow up requests for documents sought by the Subpoena which relate or refer to the sale of any assets from which the candidate loans were derived, the Respondents claim that the "[s]ale agreement was oral," thereby implying that there are no written documents related to the agreement. Attachment 1 at 10. In another follow-up letter, this Office requested that Respondents produce related documents, i.e., documents evidencing a change in title, vehicle registration documents, payment of the county sales tax by Ute Lally for her purchase of the vehicle and evidence that any repair work on the vehicle after the May 1994 sale was paid for by Mrs. Lally. However, the Respondents did not produce any of the requested documents. Rather, in response to that request they stated only that: "Title in the name of Lawrence M. Lally for insurance purposes. All vehicles of family members are registered in this manner."

Attachment 1 at 12.⁷

d. Payments Received from the Candidate's Grandparents

The responses show that \$81,500 of the funds at issue were received from the candidate's grandparents, Margaret and Kurt Schurm. Attachment 1 at 2-3. The payments are evidenced by two bank checks issued to Grant Lally on October 21, 1994, signed by Margaret Schurm, and which together totaled \$87,357. Attachment 5 at 1. Grant Lally asserts that the payments were "partial satisfaction of indebtedness from Margaret and Kurt Schurm, (grandparents)."

Attachment 1 at 3. The candidate has produced a document which indicates that effective March

⁷ Records obtained from the New York Department of Motor Vehicles show that the Corvette was registered to Lawrence Lally from 1990-1993. According to such records, the vehicle was sold to Michael Adornato in 1995, who then sold it to Celeste Nicotra. Attachment 4 at 4.

26, 1993, he was made a joint tenant with his grandparents in "all right, title, and interest" in "notes, mortgages, bonds and/or other obligations executed or entered into by Lawrence M. Lally and/or Ute W. Lally, from November 1, 1984 to August 30, 1992 in favor of Kurt Schurm and/or Margaret Schurm." Attachment 5 at 2. The copy of the document provided is neither sealed nor notarized, and there are no signatures of witnesses. The response also included a document dated April 15, 1992, that was for the same purpose and in which the candidate was also granted an interest, but which applied to interests acquired by the Schurms from October 1, 1972 to October 30, 1984. *Id.* at 3.

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In reply to this Office's request for further documentation responsive to the Subpoena's request for documents related to the funds issued to Grant Lally, the Respondents produced documents related to the mortgages from which the Schurms' payments to the candidate are alleged to have been derived. Specifically, Respondents produced three cashier's checks, totaling \$189,670. Attachment 5 at 4-5. The three checks, dated September 9 and 16, 1991, and September 17, 1992, were issued to Lawrence and Ute Lally and were from Margaret and Kurt Schurm. *Id.* In addition, the Respondents produced evidence that the loans were being paid off, i.e., copies of 29 checks issued to "M. Schurm" from Lawrence M. Lally's "Real Property Account II" during 1994, totaling approximately \$29,126. Attachment 5 at 6-15. Lawrence Lally explained that the purposes of the loans from the Schurms were to purchase and improve "real property." Attachment 1 at 7. He claims that the total debt initially owed was \$341,670, and that the candidate was one of three joint tenants in the interest. *Id.* The response did not identify the property which the Lallys purchased or improved with the mortgages loaned by the candidate's grandparents.

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The copies of the documents in which the candidate is granted an interest in his parents' debt are not sealed or notarized and there are no signatures of witnesses. Thus, it is presently unclear if such documents were properly executed and are legally binding. It is also unclear whether Grant's interest in the debt owed by his parents was equal to or more than the \$81,500 which he received at the time that the payments were received by him on October 21, 1994, and then loaned to his Committee. Indeed, other than the checks themselves, the Respondents have not produced any documents to show that the candidate's interest in the debt was reduced to reflect that these sizable payments were made by his grandparents. In response to follow up requests by this Office for supporting documentation as required by the Subpoena, the Respondents stated that there were "No 'documents.'" The transaction was between family members." Attachment 1 at 10. However, the Respondents had in fact used documents to create the candidate's initial interest in the debt, and that was also between family members. Moreover, inasmuch as such transactions would appear to have tax implications, some documentation would appear to have been necessary.

e. Remaining Portion of Candidate Loans

The remaining portion of the candidate loans at issue totals \$30,000. The candidate claims that \$10,000 of that amount was from his personal savings (a \$1,000 loan made on May 5 and a \$9,000 loan made on May 24) and that \$20,000 was derived from the liquidation of his stock account with Dean Witter, which he loaned the Committee on November 7, 1994. Attachment 1 at 2-3; Attachment 7. The documents at hand show that the candidate had sufficient funds in his checking account to loan the Committee \$10,000 in May of 1994. Attachment 6 at 20. We note, however, that a few weeks before the candidate loaned his

Committee \$9,000 on May 24, 1994, \$33,200 had been deposited into his checking account. *Id.* at 16. At this point, the source of that \$33,200 deposit is unknown. Finally, it appears that the candidate had liquidated sufficient stock during 1994 to make the \$20,000 loan on November 7, 1994. Attachment 7.

III. SUMMARY/PROPOSED DISCOVERY

The responses to the Commissions' Subpoenas and Orders raise many questions. The evidence at hand strongly suggests that most of Grant Lally's loans to the Committee, totaling \$319,991, were not from "personal funds" but were "gifts," "loans or "advances" from family members, and thus "contributions" which were not accurately reported and exceeded the limitations of the statute. See 2 U.S.C. §§ 431(8)(A); 441a, 434(b). First, there is no contract for Lawrence Lally's claimed purchase of the Bantam Place property, the deed for that sale does not appear to have ever been recorded and Grant Lally, along with his father, are both identified as the owners of such property on a subsequent deed. Thus, it is unclear whether Lawrence Lally's \$116,000 in payments to the candidate during the 1994 election period were actually for a bona fide purchase of a 2/3 interest in Bantam Place.

Second, there is insufficient information at hand to determine whether the funds that Grant Lally received from the law firm during 1994, including the \$74,491 that he is known to have loaned to his Committee, were bona fide income. In addition, the documents at hand indicate that the candidate received payments totaling \$165,293 from the law firm during 1994, far more than his claimed income of \$102,892. Third, there is insufficient documentation at hand for this Office to determine whether the \$18,000 which the candidate received from his mother Ute Lally was actually for the purchase of his 1966 Corvette. Finally, the responses and

documents raise questions about the candidate's receipt of substantial funds assertedley pursuant to a debt interest that he jointly shared with his grandparents.

In light of the discrepancies and unanswered questions, further investigation appears necessary. Accordingly, this Office recommends that the Commission approve the attached Subpoenas to depose Grant Lally, Lawrence Lally, Utewolf Lally, Dawn Fasano (former treasurer), Kurt Schurm and Margaret Schurm. Attachment 9. We note that this Office only intends to depose Mr. and Mrs. Schurm if necessary, i.e., if the testimonies of the Lallys do not adequately explain the circumstances relating to the candidate's receipt of \$81,500 from the Schurms just prior to the general election. The attached Subpoenas to Grant, Lawrence and Utewolf Lally and the Schurms also seek additional documents related to these transactions. In addition, this Office recommends that the Commission approve the attached Subpoena for documents to Lally and Lally, Esquires, which seeks more specific information related to the law firm's 1994 revenue and Grant Lally's 1994 income. Finally, to ascertain who owned the property at issue, i.e., Bantam Place and the Corvette, attached are Orders for written answers and Subpoenas for documents to James Pavlo, Winsome Brown and Boyd Farquharson (sellers/purchasers of interests in Bantan Place property) and Michael Adornato and Celeste Nicotra (subsequent purchasers of the Corvette who should be able to identify the prior owner).⁸ Attachment 10.

IV. **RECOMMENDATIONS**

1. Approve the attached Subpoenas for depositions and documents to Grant M. Lally, Lawrence M. Lally, Utewolf Lally, Margaret Schurm and Kurt Schurm.

⁸ This Office will attempt to communicate with these witnesses informally, and will send the Subpoenas and Orders only if they will not provide information voluntarily.

2. Approve the attached Subpoena to depose Dawn Fasano.
3. Approve the attached Subpoenas for documents to Lally and Lally, Esquires and Subpoenas for documents and Orders for written answers to Michael Adornato, Celeste Nicotra James Pavlo, Winsome Brown and Boyd Farquharson.
4. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

Date

9/6/96

BY: Lois G. Lerner

Associate General Counsel

Attachment

1. Responses
2. Bantam Place Documents
3. Law Firm Documents (with chart)
4. Corvette Documents
5. Schurm Documents
6. Bank statements (candidate and Committee).
7. Dean Witter stock statements
- 8 Letter to Counsel, August 21, 1996 and Respondents' latest submission
9. Subpoenas for depositions
10. Subpoenas for documents and Orders.

Staff Assigned: Xavier K. McDonnell

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

Lally for Congress and Bruce
Cozzens, as treasurer;
Grant M. Lally;
Lawrence M. Lally;
UteWolf Lally.

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) MUR 4128
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CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on September 12, 1996, the Commission decided by a vote of 5-0 to take the following actions in MUR 4128:

1. Approve the Subpoenas for depositions and documents to Grant M. Lally, Lawrence M. Lally, UteWolf Lally, Margaret Schurm and Kurt Schurm, as recommended in the General Counsel's Report dated September 6, 1996.
2. Approve the Subpoena to depose Dawn Fasano, as recommended in the General Counsel's Report dated September 6, 1996.

(continued)

3. Approve the Subpoenas for documents to Lally and Lally, Esquires and Subpoenas for documents and Orders for written answers to Michael Adornato, Celeste Nicotra, James Pavlo, Winsome Brown and Boyd Farquharson, as recommended in the General Counsel's Report dated September 6, 1996.
4. Approve the appropriate letters, as recommended in the General Counsel's Report dated September 6, 1996.

Commissioners Aikens, Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

9-13-96
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Mon., Sept. 09, 1996 9:37 a.m.
Circulated to the Commission: Mon., Sept. 09, 1996 4:00 p.m.
Deadline for vote: Thurs., Sept. 12, 1996 4:00 p.m.

bjr



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 18, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Winsome Brown
2716 Young Avenue
Bronx, New York 10469

RE: MUR 4128

Dear Mr. Brown:

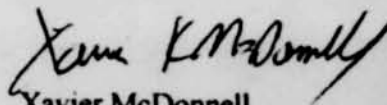
The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached order and subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 30 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,


Xavier McDonnell
Attorney

Enclosure
Subpoena and Order

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

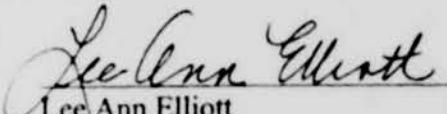
Winsome Brown
2716 Young Ave
Bronx, New York 10469

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

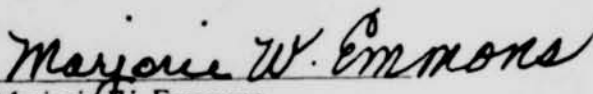
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C. on this 18th day of September, 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

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INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1993 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

98043060423

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or ever had an ownership interest in property located at 1527 Bantam Place in the Bronx ("property"). If so:

i. Describe your interest in the property, state how you acquired that interest and the terms of your acquisition;

ii. Provide the date on which you acquired your interest in the property;

iii. Identify all the persons from whom you purchased your interest in the property;

iv. State whether Grant Lally and/or Lawrence Lally held any interest in the property during 1994 and 1995. Provide the date(s) on which Grant Lally and Lawrence Lally acquired and sold any interest in the property;

v. Identify any person(s) with whom you share or ever shared an interest in the property;

vi. Identify and produce all documents related to your purchase and sale of the property including but not limited to contracts, deeds, any legal documents, checks (excluding those for mortgage payments), check registers, correspondence, diaries, forms, information created by and/or stored on computer, etc.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 18, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Boyd Farquharson
2746 Hering Ave.
Bronx, New York 10469

RE: MUR 4128

Dear Mr. Farquharson:

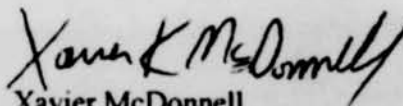
The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached order and subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 30 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,


Xavier McDonnell
Attorney

Enclosure
Subpoena and Order

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

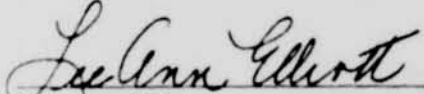
Boyd Farquharson
2746 Hering Ave.
Bronx, New York 10469

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

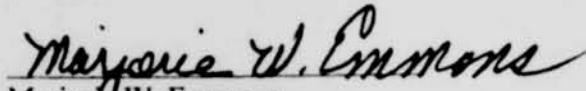
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

980443064426

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 14th day of September, 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

98043084427

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1993 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

9804384423

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

98043004429

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or ever had an ownership interest in property located at 1527 Bantam Place in the Bronx ("property"). If so:

- i. Describe your interest in the property, state how you acquired that interest and the terms of that acquisition;
- ii. Provide the date on which you acquired your interest in the property;
- iii. Identify all the persons from whom you acquired your interest in the property;
- iv. State whether Grant Lally and/or Lawrence Lally held any interest in the property during 1994 and 1995. Provide the date(s) on which Grant Lally and Lawrence Lally acquired and sold any interest in the property;
- v. Identify any person(s) with whom you share or ever shared an interest in the property;
- vi. Identify and produce all documents related to your purchase and sale of the property including but not limited to contracts, deeds, any legal documents, checks (excluding those for mortgage payments), check registers, correspondence, diaries, forms, information created by and/or stored on computer, etc.

98043084430



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 18, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Celeste Nicotra
75 Matsunaye Road
Medford, NY 11763

RE: MUR 4128

Dear Ms. Nicotra:

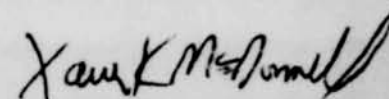
The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached order and subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 30 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,


Xavier McDonnell
Attorney

Enclosure
Subpoena and Order

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

Celeste Nicotra
75 Matsunaye Road
Medford, NY 11763

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C. on this 1st day of September, 1996.

Lee Ann Elliott
Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:

Marjorie W. Emmons
Marjorie W. Emmons
Secretary to the Commission

[Attachments](#)
[Instructions/Definitions](#)
[Questions and Document Requests](#)

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

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Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1994 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

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"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or had an ownership interest in a 1966 Chevrolet Corvette ("Corvette"). If so, provide the following information with respect to each Corvette owned by you, your family members or any company in which you own or are employed, from 1994 to 1996.

1. State whether the Corvette had the Vehicle Identification Number ("VIN") : NY 1318.
2. Provide the date on which you acquired an interest in the Corvette.
3. Describe the manner in which you acquired an interest in the Corvette, i.e., purchase, gift. If purchased, provide the purchase price.
4. Identify the person(s) from whom you purchased the Corvette, and specifically to whom you made your payment(s) for the purchase.
5. Identify any person(s) with whom you share or ever shared an interest in the Corvette.
6. State whether you currently have an ownership interest in the Corvette. If you sold your interest, identify the purchaser and provide the date of the sale.
7. Identify and produce all documents related to your purchase and sale of the Corvette, including but not limited to any contracts, titles, registrations, invoices, copies of checks or money orders used for the purchase, check registers, check ledgers, bank statements and deposit slips, correspondence, diaries, forms, information created by and/or stored on computer, etc.

9804304436



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

September 18, 1996

Michael C. Adornato
715 E. Walnut Street
Long Beach, NY 11561

RE: MUR 4128

Dear Mr. Adornato:

The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached order and subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 30 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,

Xavier McDonnell
Xavier McDonnell
Attorney

Enclosure
Subpoena and Order

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)

MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

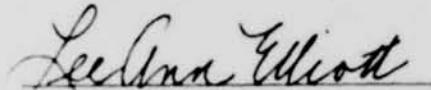
Michael C. Adornato
715 E. Walnut Street
Long Beach, NY 11561

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

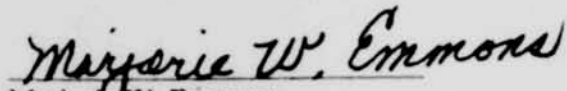
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 18th day of September, 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

9804364439

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1994 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

98043644C

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

9804366441

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or had an ownership interest in a 1966 Chevrolet Corvette ("Corvette"). If so, provide the following information with respect to each Corvette owned by you, your family members or any company in which you own or are employed, from 1994 to 1996:

1. State whether the Corvette had the Vehicle Identification Number ("VIN") : NY 1318.
2. Provide the date on which you acquired an interest in the Corvette.
3. Describe the manner in which you acquired an interest in the Corvette, i.e., purchase, gift. If purchased, provide the purchase price.
4. Identify the person(s) from whom you purchased the Corvette, and specifically to whom you made your payment(s) for the purchase.
5. Identify any person(s) with whom you share or ever shared an interest in the Corvette.
6. State whether you currently have an ownership interest in the Corvette. If you sold your interest, identify the purchaser and provide the date of the sale.
7. Identify and produce all documents related to your purchase and sale of the Corvette, including but not limited to any contracts, titles, registrations, invoices, copies of checks or money orders used for the purchase, check registers, check ledgers, bank statements and deposit slips, correspondence, diaries, forms, information created by and/or stored on computer, etc.

98043081442



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
1461 Franklin Ave
Garden City, New York 11530

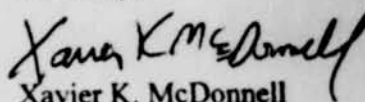
September 16, 1996

RE: MUR 4128
Lally for Congress and
Bruce Cozzens, as treasurer
Grant M. Lally
Lawrence M. Lally
Ute wolf Lally

Dear Mr. Ciampoli:

This is to confirm the discussions today and last Friday with this Office regarding documents not yet produced but responsive to the Commission's Subpoenas and Orders, dated May 22, 1996. Pursuant to those discussions, we expect your clients to produce all law firm documents assertedly privileged under New York's matrimonial statute by Monday, September 23, 1996. All other subpoenaed documents not yet produced are to be submitted by Thursday, September 19, 1996, i.e., documents listed in paragraph 22 of the Petition to Enforce the Subpoenas, provided to you on September 9, 1996, and in Holly Baker's letter to you of the same date. During our call today, you informed me that we should expect to receive via fax a letter confirming this arrangement by tomorrow, September 17, 1996. I can be reached at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney

cc: Stephen Hershkowitz
Assistant General Counsel, Litigation

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SEP 17 12 26 PM '96

FACSIMILE NUMBER
(516) 742-8533

September 13, 1996

Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4128
Tri-County of Huntington, Inc.

Dear Mr. McDonnell:

Enclosed you will find a Designation of Counsel Form executed by John Plant relative to the above-referenced matter.

If you should have any questions, please do not hesitate to call my office.

Very truly yours,

hyl/L.S.
LAWRENCE M. LALLY

LML:las
Enc.

STATEMENT OF DESIGNATION OF COUNSEL

MUR #4128

NAME OF COUNSEL: LAWRENCE M. LALLY, ESQ.

ADDRESS: 220 Old Country Road

Mineola, New York 11501

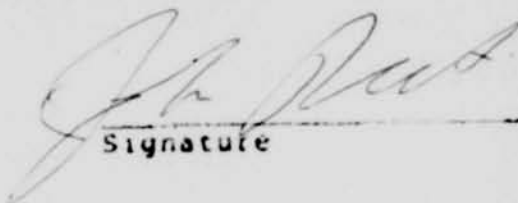
TELEPHONE: (516) 741-2666

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

Date

9/13/96

Signature



RESPONDENT'S NAME:

TRI-COUNTY OF HUNTINGTON, INC.

ADDRESS:

c/o - John Plant

388 Peninsular Blvd.

Hempstead, N.Y. 11550

HOME PHONE:

516 284-2906

BUSINESS PHONE:

516 538-8444

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

September 17, 1996

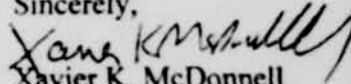
Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128

Dear Mr. Lally:

Enclosed please find the Commission's notification letter, Subpoena and Order and Factual and Legal Analysis for Tri County of Huntington, Inc. As the enclosed correspondence demonstrates, these materials were previously sent to Tri County on May 22, 1996 and to John Plant/Tri-County on June 27, 1996. If you have any questions, please call me at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney

Enclosures
Correspondence
Subpoena and Order

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

980438446

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-0533

September 18, 1996

Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Attention: Holly J. Baker, Esq.

Re: Mur #4128

Dear Ms. Baker:

Enclosed you will find copies of the following documents called for in your correspondence of September 9, 1996 addressed to John Ciampoli, Esq., as well as paragraph 22 of the proposed petition and paragraph 15 of the declaration:

1. Complete copies of 1994 Fleet Bank (Account #) records for Grant Lally.
2. Copy of Providence Washington insurance coverage for 1966 Chevrolet Corvette (2/28/94 to 2/18/95). All family vehicles were registered in the name of Lawrence M. Lally for insurance purposes. Lawrence M. Lally was the nominal owner. The 1966 Chevrolet Corvette was owned by Grant M. Lally and the 1987 Dodge Charger by Regan Lally. You will note that all drivers appeared on the policy.
3. Copies of credit memo's dated October 24, 1994 in the amount of \$14,598.00 and November 1, 1994 in the amount of \$30,000.
4. Copies of Lally for Congress bank statements for September and October, 1994.
5. Copy of carbon impression from check register of Ute W. Lally drawn on May 4, 1994 on money market account in the sum of \$18,000. Fidelity New York retains the checks and the check, once negotiated, was never returned to the payor.

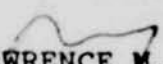
SEP 19 10 22 AM '96

FEDERAL ELECTION
COMMISSION
OFFICE OF THE GENERAL COUNSEL

9604336447

Grant Lally's affirmation concerning legal services and copies of all checks paid for Bantam Place, Bronx, New York, will follow under separate cover.

Very truly yours,


LAWRENCE M. LALLY

LML:las
Enc.

980436440

WE ARE CREDITING YOUR ACCOUNT AS DESCRIBED BELOW

DATE _____

CHECKING

PREPARED

4

TEL
DEPT

ACCOUNT
NUMBER

[REDACTED]

APPROVED
BY _____

127

ACCOUNT

5

15

TOTAL

5

CUSTOMER COPY

MAIL TO
CRAWD-T

MA-1 TO

Fuller

9 8 0 4 3 0 6 4 4 4 9



CREDIT MEMO

WE ARE CREDITING YOUR ACCOUNT AS DESCRIBED BELOW.

DATE 10/24/94

Account # [redacted] 10/24/94

PREPARED BY

TEL. DEPT.

ACCOUNT NUMBER

APPROVED BY

[Signature]

CREDIT MAIL TO

For [redacted] 10/24/94

TOTAL

AMOUNT

\$

14,598

91

\$

1459841

98043004450



STATEMENT OF ACCOUNTS

PAGE 1 OF 3

9382-612387

STATEMENT DATE
09/30/94If you have any
questions, contact
our Answer Center
1-800-331-9994LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

68 ENCLOSED ITEMS

CHECKING	BEGINNING BALANCE	DEPOSITS, OTHER CREDITS	CHECKS, WITHDRAWALS, OTHER DEBITS	INTEREST PAID	ACCOUNT ACTIVITY & OTHER FEES	ENDING BALANCE
2-612387	23354.50	68662.05	95011.90	.00	.00	2995.35-

ACCOUNT NO. 9382-612387 BUSINESS REGULAR CHECKING PERIOD 09/01/94 THROUGH 09/30/94
TAX IDENTIFICATION NUMBER 11-3208039
ANSWER CENTER ACCESS CODE 2314

- DEBITS AND CREDITS -

DATE	DEBITS (-)	CREDITS (+)	DESCRIPTION
✓09-06		965.00	PERSONAL DEPOSIT
✓09-07		970.00	PERSONAL DEPOSIT
✓09-07		25,000.00	PERSONAL DEPOSIT
✓09-09		6,350.00	PERSONAL DEPOSIT
09-13		11,027.05	EFFECTIVE DATE 9-12-94 RETURNED CHECK
✓09-15		10,000.00	PERSONAL DEPOSIT
✓09-15		10,800.00	PERSONAL DEPOSIT
✓09-19		200.00	PERSONAL DEPOSIT
✓09-20		1,000.00	PERSONAL DEPOSIT
✓09-28		700.00	PERSONAL DEPOSIT
✓09-28		1,650.00	PERSONAL DEPOSIT

9382-612387

STATEMENT DATE
09/30/94If you have any
questions, contact
our Answer Center
1-800-331-8994LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

ACCOUNT NO. 9382-612387

CONTINUED

PERIOD 09/01/94 THROUGH 09/30/94

- DAILY BALANCE SUMMARY -

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
09-20	4,442.17	09-27	905.04	09-29	2,305.79
09-23	3,928.99	09-28	2,656.79	09-30	2,995.350D
09-26	3,440.99				

9 0 0 4 3 0 8 4 4 5 2

9382-612387

STATEMENT DATE
09/30/94If you have any
questions, contact
our Answer Center
1-800-331-8884LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

COUNT NO. 9382-612387 CONTINUED

PERIOD 09/01/94 THROUGH 09/30/94

- CHECKS POSTED -			- CHECKS POSTED -			- CHECKS POSTED -		
DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
9-01	1119	20.59	09-06	✓ 1174	190.00	09-16	1196*	11,027.05
9-08	1120	26.00	09-19	✓ 1175	240.00	09-19	1197	225.00
9-09	1121	475.00	09-07	✓ 1176	3,799.00	09-13	1198	770.35
9-13	1137*	17.00	09-06	✓ 1177	1,801.00	09-14	1204*	75.00
9-01	1143*	1,939.20	09-07	✓ 1178	372.00	09-26	1206*	40.00
9-01	1144	550.55	09-06	✓ 1179	217.00	09-13	1207	290.00
9-07	1151*	35.00	09-07	✓ 1180	850.64	09-13	1208	40.00
9-07	1154*	40.49	09-09	✓ 1181	2,320.00	09-12	1209	500.00
9-07	1155	17.19	09-14	✓ 1182	100.00	09-16	1210	200.16
9-12	1156	28.84	09-08	✓ 1183	132.50	09-19	1211	256.00
9-12	1157	48.50	09-08	✓ 1184	132.50	09-23	1212	113.18
9-09	1158	43.40	09-12	✓ 1185	343.00	09-23	1213	400.00
9-14	1159	87.00	09-08	✓ 1186	290.00	09-26	1214	40.00
9-02	1162*	1,740.00	09-09	✓ 1187	250.00	09-27	1215	174.15
9-02	1163	1,443.25	09-12	✓ 1188	3,497.46	09-28	1217*	598.25
9-06	1164	500.58	09-12	✓ 1189	3,390.63	09-29	1218	351.00
9-01	1165	355.00	09-14	✓ 1190	6,897.54	09-27	1219	1,822.80
9-01	1166	810.00	09-09	✓ 1191	1,582.98	09-27	1220	539.00
9-08	1167	1,000.00	09-26	✓ 1192	200.00	09-26	1221	208.00
9-16	1168	500.00	09-08	✓ 1193	35.00	09-30	1224*	4,800.00
9-13	1170*	180.00	09-12	✓ 1194	355.00	09-30	1225	75.00
9-06	1172*	23,809.00	09-08	✓ 1195	150.93	09-30	1226	415.29
9-06	1173	200.00	09-12	✓ 1196	11,027.05	09-30	1227	10.85

* DENOTES SEQUENCE BREAK

- DAILY BALANCE SUMMARY -

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
09-01	19,679.16	09-08	9,832.08	09-14	5,109.620D
09-02	16,495.91	09-09	11,510.70	09-15	15,690.38
09-06	9,256.670D	09-12	7,679.780D	09-16	3,963.17
09-07	11,599.01	09-13	2,049.92	09-19	3,442.17

STATEMENT DATE
 10/31/94

 If you have any
 questions, contact
 our Answer Center
 1-800-331-8884

 LALLY FOR CONGRESS
 220 OLD COUNTRY RD
 MINEOLA NY 11501

 CY
 77 ENCLOSED ITEMS

CHECKING	BEGINNING BALANCE	DEPOSITS, OTHER CREDITS	CHECKS, WITHDRAWALS, OTHER DEBITS	INTEREST PAID	ACCOUNT ACTIVITY & OTHER FEES	ENDING BALANCE
9382-612387	2995.35-	132671.41	138057.76	.00	.00	8381.71

ACCOUNT NO. 9382-612387 BUSINESS REGULAR CHECKING PERIOD 10/01/94 THROUGH 10/31/94
 TAX IDENTIFICATION NUMBER 11-320803
 ANSWER CENTER ACCESS CODE 2314

- DEBITS AND CREDITS -

DATE	DEBITS (-)	CREDITS (+)	DESCRIPTION
✓10-04		300.00	PERSONAL DEPOSIT
✓10-04		1,850.00	PERSONAL DEPOSIT
✓10-04		8,075.00	PERSONAL DEPOSIT
✓10-04	1,000.00		DEPOSIT CORRECTION
✓10-05		635.00	PERSONAL DEPOSIT
✓10-05		1,000.00	PERSONAL DEPOSIT
✓10-07		1,825.00	PERSONAL DEPOSIT
✓10-07		3,595.00	PERSONAL DEPOSIT
✓10-11		2,550.00	PERSONAL DEPOSIT
✓10-12		12,890.00	DEPOSIT
✓10-12	12,890.00		CERTIFIED CHECK
✓10-13		2,000.00	PERSONAL DEPOSIT
✓10-13		2,435.00	PERSONAL DEPOSIT
✓10-13		4,600.00	PERSONAL DEPOSIT
✓10-14		1,075.00	PERSONAL DEPOSIT
✓10-17		12,210.00	PERSONAL DEPOSIT
✓10-18		1,550.00	PERSONAL DEPOSIT
✓10-19		3,725.00	PERSONAL DEPOSIT
✓10-20		2,950.00	PERSONAL DEPOSIT
10-20		30,000.00	PERSONAL DEPOSIT
10-20	15.00		OVERDRAFT CHARGE

STATEMENT OF ACCOUNTS

PAGE 2 OF 3

9382-612387

STATEMENT DATE
10/31/94If you have any
questions, contact
our Answer Center
1-800-331-8884LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

ACCOUNT NO. 9382-612387 CONTINUED PERIOD 10/01/94 THROUGH 10/31/94

- DEBITS AND CREDITS -

DATE	DEBITS (-)	CREDITS (+)	DESCRIPTION
✓10-21		4,242.50	PERSONAL DEPOSIT
✓10-24		14,598.91	CREDIT MEMO
✓10-24		3,260.00	PERSONAL DEPOSIT
✓10-24		4,215.00	PERSONAL DEPOSIT
✓10-25		755.00	PERSONAL DEPOSIT
✓10-25		1,325.00	PERSONAL DEPOSIT
✓10-26		1,410.00	PERSONAL DEPOSIT
10-27		2,660.00	PERSONAL DEPOSIT
10-27	15.00		OVERDRAFT CHARGE
✓10-28		1,845.00	PERSONAL DEPOSIT
✓10-31		5,095.00	PERSONAL DEPOSIT

- CHECKS POSTED -

DATE	CHECK NO.	AMOUNT
10-11	✓1199	75.00
10-11	✓1200	35.00
10-12	✓1203*	145.00
10-06	✓1205*	40.00
10-03	✓1216*	609.58
10-04	✓1222*	40.00
10-03	✓1228*	30.28
10-04	✓1230*	550.00
10-03	✓1231	256.00
10-04	✓1232	17.33
10-05	✓1233	872.40
10-05	✓1234	87.00
10-05	✓1236*	35.00
10-05	✓1237	173.85
10-05	✓1238	400.00

- CHECKS POSTED -

DATE	CHECK NO.	AMOUNT
10-14	✓1239	650.00
10-14	✓1240	650.00
10-07	✓1242*	4,050.00
10-11	✓1243	440.00
10-07	✓1244	434.31
10-11	✓1246*	140.00
10-11	✓1247	355.00
10-13	✓1248	408.00
10-11	✓1249	92.41
10-05	✓1250	200.00
10-05	✓1251	500.00
10-06	✓1252	500.00
10-12	✓1253	478.41
10-12	✓1254	200.00
10-25	✓1255	197.94

- CHECKS POSTED -

DATE	CHECK NO.	AMOUNT
10-11	✓1256	500.00
10-11	✓1257	114.65
10-11	✓1258	609.00
10-12	✓1259	270.00
10-13	✓1260	350.00
10-13	✓1262*	68.00
10-18	✓1263	87.89
10-19	✓1265*	2,180.00
10-18	✓1266	1,421.35
10-18	✓1268*	10,000.00
10-19	✓1269	4,500.00
10-19	✓1270	10,000.00
10-20	✓1271	145.00
10-20	✓1272	13,500.00
10-19	✓1273	1,000.00

CONTINUED

See reverse side for important information.

50% Recycled Paper
10% Post Consumer Waste

STATEMENT OF ACCOUNTS

PAGE 3 OF 3

9382-612387

STATEMENT DATE
10/31/94If you have any
questions, contact
our Answer Center
1-800-331-8884LALLY FOR CONGRESS /
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

ACCOUNT NO. 9382-612387 CONTINUED

PERIOD 10/01/94 THROUGH 10/31/94

- CHECKS POSTED -			- CHECKS POSTED -			- CHECKS POSTED -		
DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
10-24	1274	105.00	10-26	1289	1,084.00	10-28	1300*	27.21
10-21	1275	35,904.00	10-26	1290	350.00	10-31	1301	7,500.00
10-21	1277*	2,091.60	10-27	1291	400.00	10-31	1302	5,500.00
10-25	1278	500.00	10-28	1292	261.00	10-31	1304*	500.00
10-26	1279	10.00	10-26	1293	175.00	10-28	1305	551.10
10-26	1281*	500.00	10-25	1294	1,000.00	10-28	1306	550.55
10-27	1282	342.00	10-27	1295	9.85	10-31	1313*	640.00
10-26	1285*	3,034.41	10-28	1296	76.45	10-27	1317*	200.00
10-25	1286	1,000.00	10-28	1297	238.15	10-31	1319*	342.00
10-25	1287	2,707.08	10-25	1298	588.01	10-31	1320	91.95
10-26	1288	450.00						

* DENOTES SEQUENCE BREAK

- DAILY BALANCE SUMMARY -					
DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
10-03	3,891.210D	10-13	11,793.43	10-24	7,370.00
10-04	4,065.61	10-14	11,568.43	10-25	3,456.97
10-05	4,093.21	10-17	23,778.43	10-26	736.440D
10-06	3,553.21	10-18	13,819.19	10-27	956.71
10-07	4,488.90	10-19	135.810D	10-28	1,097.25
10-11	4,677.84	10-20	19,154.19	10-31	8,381.700D
10-12	3,584.43	10-21	14,598.910D		

Notice: See reverse side for important information

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10% Post Consumer Waste

UTE WOLFF LALLY
CENTRE ISLAND RD
CENTRE ISLAND, NY 11771

*Can't tell
15,000 thousand and 10/10*



Fidelity New York

Banking with Confidence

1000 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530

5/4

294

1.5% ANNUAL ITEM ☐

50-7241/2214

BAL FORW	
THIS MENT	15,000.00
BALANCE	
OTHER	
BAL FORW	110

98043864457

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-0533

September 19, 1996

Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Attention: Xavier McDonnell, Esq.

Re: Mur #4128

Dear Mr. McDonnell:

Enclosed you will find the response to the demand served upon
Tri-County of Huntington, Inc.

Very truly yours,

LAWRENCE M. LALLY

LML:las
Enc.

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
SEP 20 12 08 PM '96

9304000145

RESPONSE TO DEMAND

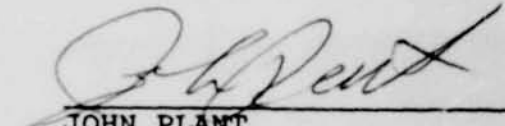
1. Tri-County of Huntington, Inc.
2. John Plant
3. President of Tri-County of Huntington, Inc.
4. (a) In 1994, the Lally campaign occupied approximately 200 square feet of the property.
 - (b) \$500.00 for 2 1/2 months plus clean-up and replacement of broken windows. Utilities not included.
 - (c) The rent was demanded and paid.
 - (d) \$500.00
 - (e) Property was vacant and in foreclosure by bank.
5. (a) 1992 - T.J. Lube, Inc. (1/1/92-12/31/92) - \$4,000. per month always late - no late charges.

1993 - T.J. Lube, Inc. (Jan. 1 - Mar. 31, 1993) - no rent - no penalties

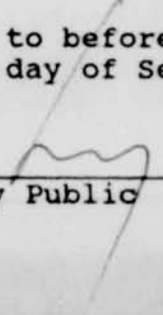
1994 - No tenants

1995 - Vacant until 7/1/95. Faithful Automotive occupied a portion for \$2500.00 and Huntington Locksmith occupied a portion for \$1,000.00 from September 1, 1995 to present.

1996 - Property foreclosed on 3/31/96.
6. No credit extended to any tenant. Rent was demanded and either paid or tenant declared bankruptcy.
7. There was no written lease, agreement or invoices for the Lally campaign.


JOHN PLANT

Sworn to before me this
19th day of September, 1996


Notary Public

LAWRENCE M. LALLY
Notary Public, State of New York
No. 02-LA2236466
Qualified in Nassau County
Commission Expires May 31, 1997

98043884459



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

October 2, 1996

Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 1150

RE: MUR 4128

Dear Mr. Lally:

This is a follow up to our telephone conversation last Friday, September 27, 1996. At that time you agreed to provide the following:

1. all documents evidencing the \$30,000 and \$13,000 payments to Grant Lally for the Bantam Place property;
2. all documents evidencing the source of the \$30,000 and \$13,000 credited to the law firm account (Fleet # [REDACTED]) on October 20 and 21, 1994, i.e., loan documents, credit memos, etc.;
3. all deposits slips for the law firm account for the year 1994;
4. all invoices and/or other documentation in your files related to services rendered to the clients who made payments to you during 1994 and identified in your response sworn to on August 2, i.e., clients named [REDACTED]
[REDACTED]
[REDACTED]
5. affidavits from your clients identifying who performed services rendered during 1994.

Please call me when you receive this letter so that we can set a specific time frame for the production of these documents. In addition, as I indicated last Friday, any documents thus far only faxed must also be mailed. I can be reached at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Xavier K. McDonnell
Attorney

cc: John Ciampoli, Esquire
Stephen Hershkowitz, Esquire

98043604460



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 3, 1996

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
OCT 15 10 16 AM '96

POSTMASTER

United States Post Office

101 E. Park Ave.

Long Beach, NY 11561

MUR 4128

ADDRESS INFORMATION REQUEST

Pursuant to 39 C.F.R. § 265.6(d)(1), please furnish this agency with a new address, if available, for the individual or entity listed below, or verify whether the address given below is one at which mail for this individual or entity is currently being delivered.

NAME: Michael Adornato

LAST KNOWN ADDRESS: 715 E. Walnut Street
Long Beach, NY 11561

Under 39 C.F.R. § 265.9(g)(5)(i), we request a waiver of fees. In this connection I hereby certify that the Federal Election Commission, an agency of the U.S. Government, requires the information requested above in the performance of its official duties, and that all other known sources for obtaining it have been exhausted. A return envelope is enclosed for your convenience.



Lois G. Lerner
Associate General Counsel

FOR POST OFFICE USE ONLY

- () Mail is Delivered to Above Address
(☒) Moved, left no forwarding address
() No such address
() Other (Please Specify)

New Address : _____



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20461

October 3, 1996

POSTMASTER

United States Post Office

101 E. Park Ave.

Long Beach, NY 11561

MUR 4129

ADDRESS INFORMATION REQUEST

Pursuant to 39 C.F.R. § 265.6(d)(1), please furnish this agency with a new address, if available, for the individual or entity listed below, or verify whether the address given below is one at which mail for this individual or entity is currently being delivered.

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LAST KNOWN ADDRESS: 715 E. Walnut Street
Long Beach, NY 11561

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Lois G. Lerner
Associate General Counsel

FOR POST OFFICE USE ONLY

- () Mail is Delivered to Above Address
() Moved, left no forwarding address
() No such address
() Other (Please Specify)

New Address : _____

90043061462

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

OCT 7 9:30 AM '96

FACSIMILE NUMBER
(516) 742-0500

October 4, 1996

Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

BULK FILE

Re: Mur #4128

Dear Mr. McDonnell:

I tried to reach you today, but I was informed you would be out of the office for the day so I took the liberty of leaving a message with Holly Baker, Esq.

In response to your faxed letter of October 2, 1996, I have faxed to you on October 3, 1996 a copy of the affidavit of as well as a copy of the credit line.

In reference to your October 2, 1996 letter (paragraph 1), I am enclosing a copy of a credit memo from my credit line on October 24, 1994 of \$30,000. I do not have a similar credit memo from the bank for \$13,000. However, I am enclosing two notices received from the bank indicating the \$30,000. credit line advance on October 27, 1994 and a \$13,000. advance on October 27, 1994.

The aforesaid notices, together with my credit line letter of October 14, 1994 should satisfy the document requirement of paragraph 2. If not, please advise.

Enclosed you will find all deposit slips for the law firm account for 1994.

Enclosed you will find all the invoices I could locate to date. I did find a copy of one check received from Certified Van in their file, however, as I mentioned to you earlier, it is not our practice to photocopy checks received from our clients.

Very truly yours,

LAWRENCE M. LALLY

IML:las
Enc.

List of Documentation
to
F.E.C.

10/4/96

1. Original Affidavit of
2. Original Affidavit of
3. Original Affidavit of
4. Original Affidavit of
5. Fleet Bank Debit Memo, Credit Memo & Payment Advance
6. Lawrence M. Lally Atty. Trust Acct.-IOLA, checks #1039, 1043, 1047, 1021 & 1034
7. Constitution State Service Company Check #14298948 for client in the sum of \$6,000.
8. Closing Statement for client
9. Client Certified Van Service, Inc. check #056567 in the sum of \$953.00
10. Fleet Bank letter of 10/14/94
11. Invoices to following clients:
- 12.
13. Brief of client
Chase Manhattan Bank & International Fidelity Ins. Co. and letter of July 1, 1993.
14. N.Y.S. and Federal Estate Tax Returns - Estate of and letter of January 3, 1990.

98043884464



FEDERAL ELECTION COMMISSION
Washington, DC 20463

Date: 10-3-96

MEMORANDUM

TO:

X McDonnell

FROM:

The Docket Assistant *WJ*

SUBJECT:

Returned Letters

The following MUR 4128 letter was returned. If you wish to resend the letter, Please provide the envelope(s) and/or green card(s), also, please write the corrected address in the space below. This memo will be placed in the permanent file.

Old Address: _____



~~Michael C. Adornato
715 E Walnut Street
Long Beach, NY 11561~~

Undelivered
by
mail
on
10/3/96

New Address: _____

Date re-mailed: _____

NOTES: _____

90043081465

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-8533

October 10, 1996

OCT 11 1 02 PM '96

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Counsel
999 "E" Street, N.W.
Washington, D.C. 20463

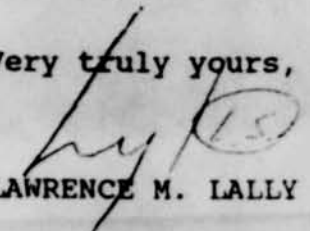
Re: LFC - Mur #4128

Dear Mr. McDonnell:

Pursuant to the above-referenced matter, enclosed please find the following documents:

1. Original Affidavit of
2. Invoice to client dated 3/9/94.
3. Home Federal Check dated 5/19/94 in the sum of \$49,580.00 for Home Improvement Loan.
4. Settlement Account for G.E. Capital Mortgage Services, Inc., checks #13303, 13304, 13299, 13300, 13301, 13302.
5. Settlement Statement - U.S. Department of Housing and Urban Development, re: 1527 Bantam Place, Bronx, N.Y.
6. Satisfaction of Mortgage - James Pavlo to Lawrence M. Lally - re: mortgage dated 4/21/95.
7. Closing Statement of client

Very truly yours,


LAWRENCE M. LALLY

LML:las
Enc.

9804381466



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Michael Adornato
66 Ocean Avenue
Bayport, New York 11705

October 16, 1996

RE: MUR 4128

Dear Mr. Adornato:

As I indicated during our telephone conversation on October 14, 1996, the Commission has approved the enclosed Subpoena and Order that was previously sent to your prior address. In addition to faxing the materials discussed during our conversation, please send by mail written answers to the enclosed questions and originals or copies of all subpoenaed documentation. Your response should be received within 30 days of receipt. If you have any questions, please call me at 1-800-424-9530. Thank you for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Xavier K. McDonnell", is written over the typed name.

Xavier K. McDonnell
Attorney

Enclosures

90043064467



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 16, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

James Pavlo
1473 Hicks Street
Hicksville, New York 10469

RE: MUR 4128

Dear Mr. Pavlo:

The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended, and Chapters 95 and 96 of Title 26, United States Code. The Commission has issued the attached subpoena which requires you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you a respondent in this matter, but rather a witness only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to this subpoena and order. However, you are required to submit the information within 30 days of your receipt of this subpoena and order. All answers to questions must be submitted under oath.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,

Xavier K. McDonnell
Attorney

Enclosure
Subpoena and Order
Instructions/Definitions

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
)
)

MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

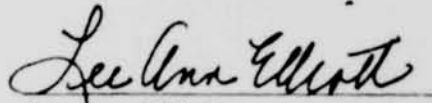
James Pavlo
1473 Hicks Street
Hicksville, New York 10469

Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

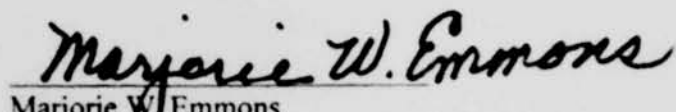
Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

98043064469

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 16th day of October, 1996.


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

98043684470

INSTRUCTIONS

In answering these interrogatories and requests for production of documents, furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Each answer is to be given separately and independently, and unless specifically stated in the particular discovery request, no answer shall be given solely by reference either to another answer or to an exhibit attached to your response.

The response to each interrogatory propounded herein shall set forth separately the identification of each person capable of furnishing testimony concerning the response given, denoting separately those individuals who provided informational, documentary or other input, and those who assisted in drafting the interrogatory response.

If you cannot answer the following interrogatories in full after exercising due diligence to secure the full information to do so, answer to the extent possible and indicate your inability to answer the remainder, stating whatever information or knowledge you have concerning the unanswered portion and detailing what you did in attempting to secure the unknown information. With respect to any date requested, provide the approximate date if the actual date is not ascertainable.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1993 to present.

The following interrogatories and requests for production of documents are continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

98043001471

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"You" shall mean the named respondents in this action to whom these discovery requests are addressed, including all officers, employees, agents, attorneys or volunteers thereof.

"Persons" shall be deemed to include both singular and plural, and shall mean any natural person, partnership, committee, association, corporation, or any other type of organization or entity.

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, all information created by or stored by computer, i.e., computer print-outs, computer diskettes, electronic mail messages, software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"Identify" with respect to a person shall mean state the full name, the most recent business and residence addresses and the telephone numbers, the present occupation or position of such person, the nature of the connection or association that person has to any party in this proceeding. If the person to be identified is not a natural person, provide the legal and trade names, the address and telephone number, and the full names of both the chief executive officer and the agent designated to receive service of process for such person.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or ever had an ownership interest in property located at 1527 or 1529 Bantam Place in the Bronx ("property"). If so:

- i. Describe your interest in the property;
- ii. Provide the date(s) on which you acquired an interest in the property, and state the manner in which such interest was acquired;
- iii. Identify all the persons with whom you shared an interest in the property during each of the years 1993, 1994 and 1995;
- iv. State whether Grant Lally and/or Lawrence Lally held any interest in the property during 1993, 1994 and 1995. Provide the date(s) on which Grant Lally and Lawrence Lally acquired and sold any interest in the property, and describe the ownership interest(s) of each;
- v. If you no longer hold an interest in the property, provide the date when you conveyed or sold your interest, identify the person (s) who acquired that interest from you, and state the terms of the conveyance or sale.
- vi. Identify and produce all documents related to your purchase and sale/conveyance of the property, including but not limited to contracts, deeds, any legal documents, checks (excluding those related to mortgage payments), check registers, bank statements, correspondence, diaries, forms, information created by and/or stored on computer, etc.

98043864473

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-6533

October 15, 1996

Oct 18 3 03 PM '96

RECEIVED
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COMMISSION
OFFICE OF GENERAL
COUNSEL

Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: LFC - Mur #4128

Dear Mr. McDonnell:

Enclosed please find an original Affidavit of
relative to the above-referenced matter.

Additional affidavits will be forwarded as I receive them.

Very truly yours,

hy (L.S.)
LAWRENCE M. LALLY

LML:las
Enc.

9804364474

Lally & Lally, Esqs.

The Nassau Building
220 Old Country Road
Mineola, New York 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8533

TELEFAX COVER SHEET

Date: 10/23/96

Fax Number: 1202-219 3923

To: X McDonald

From: Lawrence M. Lally

Re: MUR 4128

Total number of pages (including cover sheet): 2

Comments:

If you do not receive all the pages above, please call (516)741-2666 as soon as possible.

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OFFICE OF GENERAL
COUNSEL
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MICHELLE A. HARRIS
RENEE M. HARRIS
JAMES H. HARRIS

October 16, 1996

Private and Confidential

Lawrence M. Lally, Esq.
Lally and Lally
The Nassau Building
220 Old Country Road
Mineola, New York 11501

98043084475

JOHN A. FARMER
JAMES HALL
MICHAEL BROWN
WILLIAM STONE
ROBERT C. BENTLEY
CLAUDE E. GIBBARTS
LPA GROUP
DONALD C. VERNON
KARL E. SCHUBERT

WAGNER, ROBERT OF L. AND GRAD
AND S. WASHINGTON

PAUL FRANCESCO GREGG TORRE
ROBERT D. PROCTOR
JUDITH BROWN
IS HARRIET GREGG
HAROLD S. COLLINS
JAMES E. FORTUNE
GARY P. KULLMAN
JAMES A. KOPPEL
JUDITH L. KOPPEL JR.
SANDRA J. KOPPEL
TOM H. KOPPEL
HAROLD A. KOPPEL
GREGORY T. KOPPEL
KATHLEEN M. KOPPEL
MICHAEL J. KOPPEL
PETER J. KOPPEL
KATHLEEN T. KOPPEL
FRANCIS D. KOPPEL
STEPHEN GARDNER
FRANK E. TANGELLI
RONALD J. WHITE
A. THOMAS (BOB)
KOPPEL / BROWN
KOPPEL / BROWN
GRACE S. BROWN
WILLIAM J. BROWN

Very truly yours,

Roy D. Simon
Chairman

44108

Oct 23 4 52 PM '96

FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

OCT 24 1 48 PM '96

October 24, 1996

MEMORANDUM

SENSITIVE

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

BY: Lois G. Lerner *SP*
Associate General Counsel

SUBJECT: MUR 4128 -- Status of Subpoena Enforcement
(Lally for Congress et al.)

On May 22, 1996, the Commission approved Subpoenas and Orders for Lally for Congress and Dawn M. Fasano, as treasurer, Grant M. Lally, Lawrence M. Lally and Utewolf Lally ("respondents"). On July 16, 1996, the Commission authorized this Office to institute a civil action for relief in the United States District Court in the event that the respondents did not fully comply within 5 days of notification. On August 6, 1996, Enforcement notified Litigation that substantial compliance had not yet been achieved and suit should be commenced. In the General Counsel's Report dated September 6, 1996, p. 1 n.2, this Office informed the Commission that additional materials had been submitted, that some responsive documents remained outstanding, and that "negotiations are continuing in an effort to avoid the need for litigation." Since that time, these respondents have been providing information sought by the Subpoenas and Orders, and now appear to be in full compliance. Accordingly, it will no longer be necessary for this Office to file suit to enforce those Subpoenas and Orders (OGC's authority to file suit in this matter expired on October 22, 1996). Instead, this Office is continuing its investigation based on the materials submitted, is making use of the additional subpoena authority requested in the September 6, 1996 General Counsel's Report, and will shortly be scheduling depositions in the matter.

Staff Assigned: X. McDonnell

OCT 31 3 11 PM '96



STONY BROOK

University Hospital

10/22/96

Dear XAVIER McDonnell,

MUR 4128

The information that you need for your investigation is below

- ① The corvette had "VIN" #NY1318
- ② The 1966 Corvette was purchased for \$16,000.00
- ③ I Acquired an Interest in the corvette on August 30, 1995
- ④ I purchased the corvette from Mr Grant Lally
and I made my payment specifically to him.
- ⑤ There are no other persons who share interest in the corvette
- ⑥ I am owner of the corvette at this time.

If you have any further questions please contact me

at home or work. My work number is 516-261-4400 Ext 7404.

Sincerely,

MICHAEL ADORNATO DOS
90437 DEN
ORAL/MAXIL

90040001470

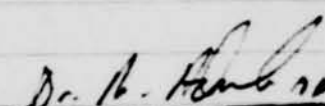
Bill of Sale

Sold to Michael Adornato of 715
E. Walnut St, Long Beach, NY, one 1966
Corvette Convertible, NYS Registration # NY-1318
for the sum of \$16,000 - , as is, including,
hardtop, car cover, and 327 engine block

Aug 30, 1975




Lawrence M. Lally



Michael Adornato

Two checks received:

07- to "Grant Lilley" for
\$8,000 -

1003 to Grant Lally for \$8,000 -

Law Offices
FISHMAN & NEIL

319 BROADWAY
SUITE 400
NEW YORK, NY 10007-1187

(212) 406-0570
Telecopier: (212) 267-8040

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Nov 7 11 53 AM '96

James B. Fishman
Steven A. Neil

Laurence H. Pearson
Of Counsel

October 29, 1996

Xavier McDonnell, Esq.
Federal Election Commission
Washington, D.C. 20463

Dear Mr. McDonnell:

I represent Winsome Brown and Boyd Farquharson. Enclosed please find my clients' response to your subpoena of Sept. 18, 1996, which apparently concerns an investigation of Grant M. Lally. Your reference number is MUR 4128.

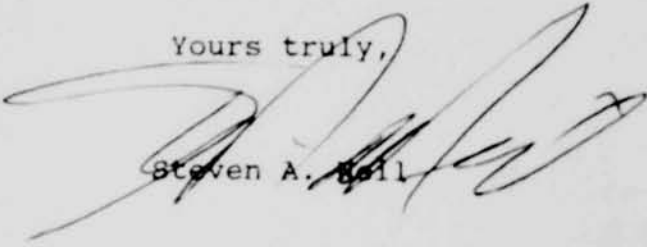
The response includes an affidavit from Boyd Farquharson, one of the purchasers, to the subpoena's inquiries, and copies of the following documents relating to the transaction under investigation:

- closing memorandum
- title insurance policy
- purchasers' note to lender
- purchasers' mortgage to lender
- mortgage settlement statement
- compliance agreement
- owner's estoppel certificate
- GE Capital estimated first payment information letter
- GE Capital estimate first payment coupon
- escrow disclosure statement
- tax escrow account designation
- correction of errors agreement
- premium payment authorization
- invoice of Stuart H. Mikelberg, title closer
- invoice of Frank N. Mavroudis, attorney for lender
- invoice of Steven A. Neil, Esq., attorney for buyers
- Freddie Mac Form 70
- checks issued at closing
- borrowers' loan application
- borrowers' name certification

Brown/Farquharson letter
Page 2
Oct. 29, 1996

Kindly contact me if there are further questions concerning this transaction.

Yours truly,


Steven A. Bell

98043884481

MUR 4128
Winsome Brown
Page 5

QUESTIONS AND DOCUMENT REQUESTS

State whether you have or ever had an ownership interest in property located at 1527 Bantam Place in the Bronx ("property"). If so:

- i. Describe your interest in the property, state how you acquired that interest and the terms of your acquisition;
- ii. Provide the date on which you acquired your interest in the property;
- iii. Identify all the persons from whom you purchased your interest in the property;
- iv. State whether Grant Lally and/or Lawrence Lally held any interest in the property during 1994 and 1995. Provide the date(s) on which Grant Lally and Lawrence Lally acquired and sold any interest in the property;
- v. Identify any person(s) with whom you share or ever shared an interest in the property;
- vi. Identify and produce all documents related to your purchase and sale of the property including but not limited to contracts, deeds, any legal documents, checks (excluding those for mortgage payments), check registers, correspondence, diaries, forms, information created by and/or stored on computer, etc.

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA TO PRODUCE DOCUMENTS
ORDER TO SUBMIT WRITTEN ANSWERS

Winsome Brown
2716 Young Ave
Bronx, New York 10469

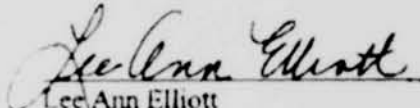
Pursuant to 2 U.S.C. § 437d(a)(1) and (3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby orders you to submit written answers to the questions attached to this Order and subpoenas you to produce the documents requested on the attachment to this Subpoena. Legible copies which, where applicable, show both sides of the documents may be substituted for originals.

Such answers must be submitted under oath and must be forwarded to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, along with the requested documents within 30 days of receipt of this Order and Subpoena.

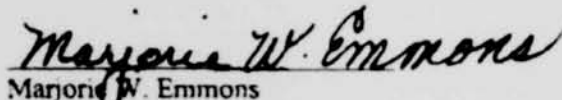
980436484

MUR 4128
Winsome Brown
Page 2

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C. on this 18th day of September, 1996


Lee Ann Elliott
Chairman
Federal Election Commission

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachments
Instructions/Definitions
Questions and Document Requests

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 16, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Ciampoli, Esquire
1461 Franklin Ave
Garden City, New York 11530

RE: **MUR 4128** and MUR 4362

Dear Mr. Ciampoli:

On May 17, 1996, your clients Grant M. Lally, Lally for Congress ("Committee") and Bruce Cozzens, as treasurer, were notified of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint, marked as MUR 4362, was forwarded to your clients at that time.

Upon further review of the allegations contained in the complaint, and information supplied by your clients, the Commission, on December 3, 1996, found that there is reason to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1) and that the Committee and its treasurer violated 2 U.S.C. § 434(a) and 434(b), provisions of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is enclosed for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of MUR 4362. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public.

This letter is also to notify you that pursuant to the investigation in MUR 4128, the Commission has authorized the enclosed Subpoenas requiring Grant M. Lally, Lawrence M. Lally and Utewolf Lally to appear to give sworn testimony which will assist the Commission in carrying out its statutory duty of supervising compliance with the Act. The enclosed Subpoena to Utewolf Lally also requires the production of documents. The dates and times for the depositions and for document production are provided in the enclosed Subpoenas.

MURs 4128 & 4362
John Ciampoli, Esquire
Page Two

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid \$40, plus mileage. Subsequent to the deposition, your clients will be sent a check for the witness fee and mileage.

Within two days of your receipt of this notification, please confirm the scheduled appearance with Xavier McDonnell at (202) 219-3400.

Sincerely,


Lee Ann Elliott
Chairman

Enclosures:

Factual and Legal Analysis
Subpoenas

cc: Lally and Lally, Esquires
220 Old Country Road
Mineola, New York 11501

98043084487

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

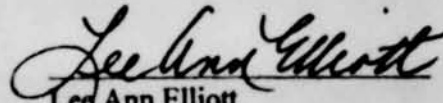
SUBPOENA

TO: Lawrence M. Lally
c/o John Ciampoli, Esquire
Gentile and Ciampoli
1461 Franklin Avenue
Garden City, New York 11530

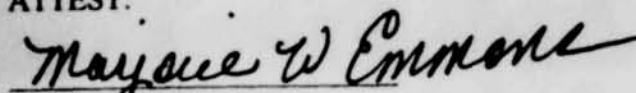
Pursuant to 2 U.S.C. § 437d(a)(3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby subpoenas you to appear for deposition with regard to MUR 4128. Notice is hereby given that the deposition is to be taken in Conference Room A, located on the third floor of the United States Attorney's Office, 825 E. Gates Boulevard, Garden City, New York, 11530, beginning at 9:30 a.m. on January 14, 1997, and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C., on this 13th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

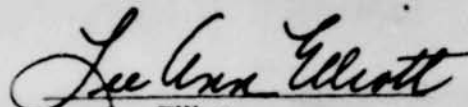
SUBPOENA

TO: Grant M. Lally
c/o John Ciampoli, Esquire
Gentile and Ciampoli
1461 Franklin Avenue
Garden City, New York 11530

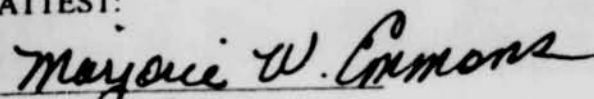
Pursuant to 2 U.S.C. § 437d(a)(3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby subpoenas you to appear for deposition with regard to MUR 4128. Notice is hereby given that the deposition is to be taken in Conference Room A, located on the third floor of the United States Attorney's Office, 825 E. Gates Boulevard, Garden City, New York, 11530, beginning at 9:30 a.m. on January 13, 1997 and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C., on this 13th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA

TO: Utewolf Lally
c/o John Ciampoli, Esquire
Gentile and Ciampoli
1461 Franklin Avenue
Garden City, New York 11530

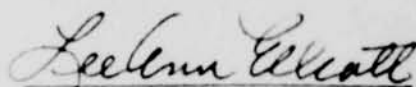
Pursuant to 2 U.S.C. § 437d(a)(3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby subpoenas you to appear for deposition with regard to MUR 4128. Notice is hereby given that the deposition is to be taken in Conference Room A, located on the third floor of the United States Attorney's Office, 825 E. Gates Boulevard, Garden City, New York, 11530, beginning at 9:30 a.m. on January 15, 1997, and continuing each day thereafter as necessary.

Further, pursuant to 2 U.S.C. § 437d(a)(3), you are hereby subpoenaed to produce the documents listed on the attachment to this subpoena. Legible copies which, where applicable, show both sides of the documents, may be substituted for originals. The documents must be submitted to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, 10 days prior to the deposition.

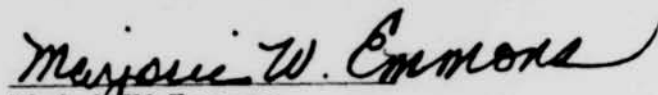
9804438449C

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her hand in Washington, D.C., on this *13th* day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Attachment
Instructions/Definitions
Document Request

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INSTRUCTIONS

Furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1994 to the present date.

The following production of documents is continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, information stored on or created by computer, i.e., electronic messages, computer diskettes, any information stored on software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

98043884492

DOCUMENT REQUESTS

Identify and produce:

1. All documents relating to your purchase of the 1966 Chevrolet Corvette from your son Grant Lally (VIN-NY-1318);
2. All documents relating to your ownership and maintenance of the 1966 Chevrolet Corvette;
3. All documents related to your sale of the 1966 Chevrolet Corvette;
4. The documents subpoenaed herein include but are not limited to invoices, contracts, written agreements, deposit slips, checks and bank statements evidencing funds received for the sale of the Corvette, payment(s) for sales tax, documents related to insurance and insurance payments, documents evidencing maintenance or repair of the Corvette, documents evidencing title and change of title, invoices, checks (excluding the \$18,000 check to the candidate that has already been produced), check ledgers, check registers, correspondence, diaries, calendars, any documents stored on or created by computer, electronic mail messages, etc.

98043884433



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 23, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Kurt and Margaret Schurm
Unit 33-C
2538 Oakleaf Lane
Clearwater, FL 34623-1240

RE: MUR 4128

Dear Mr. and Mrs. Schurm:

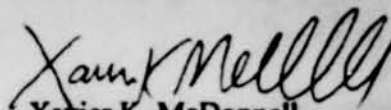
The Federal Election Commission has the statutory duty of enforcing the Federal Election Campaign Act of 1971, as amended. The Commission has issued the attached Subpoenas which require you to provide certain information in connection with an investigation it is conducting. The Commission does not consider you respondents in this matter, but rather witnesses only.

Because this information is being sought as part of an investigation being conducted by the Commission, the confidentiality provision of 2 U.S.C. § 437g(a)(12)(A) applies. That section prohibits making public any investigation conducted by the Commission without the express written consent of the person with respect to whom the investigation is made. You are advised that no such consent has been given in this case.

You may consult with an attorney and have an attorney assist you in the preparation of your responses to these Subpoenas. However, you are required to submit the information within 20 days of your receipt of these Subpoenas.

If you have any questions, please contact me at (800) 424-9530.

Sincerely,


Xavier K. McDonnell
Attorney

Enclosures

Subpoenas

98043601494

INSTRUCTIONS

Furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1992 to the present.

The following production of documents is continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, information stored on or created by computer, i.e., electronic messages, computer diskettes, any information stored on software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

"And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope.

9804388445

DOCUMENT REQUESTS

1. Identify and produce all documents relating to any payments you made to Grant M. Lally from January 1, 1992 through December 31, 1994, including but not limited to money orders, cashier's checks, bank statements, checks, check ledgers, check registers, wire transfers, correspondence, diaries, memoranda, information stored by or generated by computer, i.e., electronic mail messages, etc.
2. Identify and produce all documents relating to any real or personal property in which you and Grant M. Lally share or shared any interest, i.e., loan documents, contracts, deeds, conveyance documents, mortgage instruments, checks, bank statements, correspondence, memoranda, diaries, information stored by or generated by computer, i.e., electronic mail messages, etc.

98043884496

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA

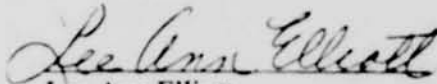
TO: Kurt Schurm
Unit 33-C
2538 Oakleaf Lane
Clearwater, FL 34623-1240

Pursuant to 2 U.S.C. § 437d(a)(3), you are hereby subpoenaed to produce the documents listed on the attachment to this subpoena. Legible copies which, where applicable, show both sides of the documents, may be substituted for originals. The documents must be submitted to the Office of the General Counsel, Federal Election Commission, 999 E Street, N.W., Washington, D.C. 20463, within 20 days of your receipt of this Subpoena.

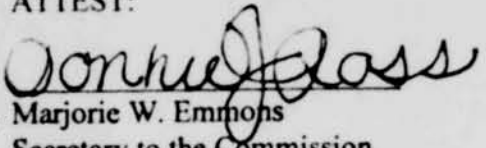
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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C., on this 13th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Enclosures:
Instructions/Definitions
Document Request

98043001490

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

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MUR 4128

SUBPOENA

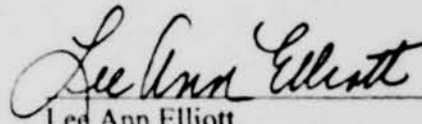
TO: Margaret Schurm
Unit 33-C
2538 Oakleaf Lane
Clearwater, FL 34623-1240

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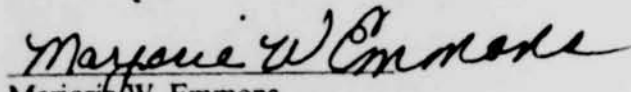
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WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C., on this 13th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

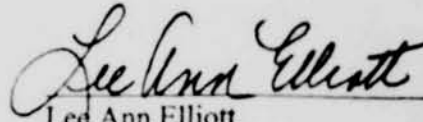
ATTEST:


Marjorie W. Emmons
Secretary to the Commission

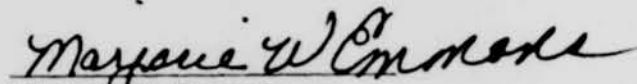
Enclosures:
Instructions/Definitions
Document Requests

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set her
hand in Washington, D.C., on this 13th day of December, 1996.

For the Commission,


Lee Ann Elliott
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission

Enclosures:
Instructions/Definitions
Document Requests

980043881500

INSTRUCTIONS

Furnish all documents and other information, however obtained, including hearsay, that is in possession of, known by or otherwise available to you, including documents and information appearing in your records.

Should you claim a privilege with respect to any documents, communications, or other items about which information is requested by any of the following interrogatories and requests for production of documents, describe such items in sufficient detail to provide justification for the claim. Each claim of privilege must specify in detail all the grounds on which it rests.

Unless otherwise indicated, the discovery requests shall refer to the time period from January 1, 1992 to the present.

The following production of documents is continuing in nature so as to require you to file supplementary responses or amendments during the course of this investigation if you obtain further or different information prior to or during the pendency of this matter. Include in any supplemental answers the date upon which and the manner in which such further or different information came to your attention.

DEFINITIONS

For the purpose of these discovery requests, including the instructions thereto, the terms listed below are defined as follows:

"Document" shall mean the original and all non-identical copies, including drafts, of all papers and records of every type in your possession, custody, or control, or known by you to exist. The term document includes, but is not limited to books, letters, contracts, notes, diaries, log sheets, records of telephone communications, transcripts, vouchers, accounting statements, ledgers, checks, money orders or other commercial paper, telegrams, telexes, pamphlets, circulars, leaflets, reports, memoranda, correspondence, surveys, tabulations, audio and video recordings, drawings, photographs, graphs, charts, diagrams, lists, computer print-outs, information stored on or created by computer, i.e., electronic messages, computer diskettes, any information stored on software, and all other writings and other data compilations from which information can be obtained.

"Identify" with respect to a document shall mean state the nature or type of document (e.g., letter, memorandum), the date, if any, appearing thereon, the date on which the document was prepared, the title of the document, the general subject matter of the document, the location of the document, the number of pages comprising the document.

" And" as well as "or" shall be construed disjunctively or conjunctively as necessary to bring within the scope of these interrogatories and requests for the production of documents any documents and materials which may otherwise be construed to be out of their scope. mail messages, etc.

DOCUMENT REQUESTS

1. Identify and produce all documents relating to any payments you made to Grant M. Lally from January 1, 1992 through December 31, 1994, including but not limited to money orders, cashier's checks, bank statements, checks, check ledgers, check registers, wire transfers, correspondence, diaries, memoranda, information stored by or generated by computer, i.e., electronic mail messages, etc.
2. Identify and produce all documents relating to any real or personal property in which you and Grant M. Lally share or shared any interest, i.e., loan documents, contracts, deeds, conveyance documents, mortgage instruments, checks, bank statements, correspondence, memoranda, diaries, information stored by or generated by computer, i.e., electronic mail messages, etc.

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RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

DEC 30 9 52 AM '96

FACSIMILE NUMBER
(516) 742-0533

December 23, 1996

Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR #4128 & MUR #4362

Dear Mr. McDonnell:


In response to the subpoenas issued by your office, I would like to request that the subpoenas for Grant M. Lally, Lawrence M. Lally, and Ute W. Lally scheduled for January 13-15, 1997 be rescheduled for January 30, 31 and February 1, 1997 at the same time and location.

The purpose for this request to reschedule is to allow additional time to prepare for the depositions due to the proximity of the holidays, and because my attorney, John Ciampoli, Esq., is generally not available on Mondays or Tuesdays during the first quarter of the year.

In addition, I would like to confirm that the date to respond to MUR #4128 and MUR #4362 has been extended on consent to January 15, 1997.

Please feel free to contact me should any other dates prove more convenient to you, and thank you for your courtesy and consideration in this regard.

Very truly yours,


GRANT M. LALLY

GML:las
cc: John Ciampoli, Esq.

New York State Bar Association

One Elk Street, Albany, New York 12207 • 518/463-3200



Facsimile Cover Sheet

Date: January 2, 1997

To: MUR 4128

(Xavier McRonnell)

Company/Firm: _____

Telephone: _____

Fax: 202-219-3923

Number of Pages (Including cover sheet): 6

From: Kathleen R. Mulligan Baxter, Esq./Ms. Kathryn T. McNary

Fax: (518) 487-5694

In reply to your recent request to the Committee on Professional Ethics, attached for your information are copies of prior advisory opinion(s).

We thought it might be helpful for you to know the parameters within which our Committee operates. Opinions of the Committee are advisory and are issued only to attorneys concerning their own proposed conduct, not the conduct of another attorney. The Committee does not pass upon past conduct, questions of law, or matters which are presently in litigation. In these latter instances, such matters fall more appropriately within the authority of the Court to determine. The Committee does not consider requests which also have been submitted to another bar association.

In line with the foregoing, and after reading the attached, if you desire an opinion from the Committee, you may direct your specific request to the Committee's attention at the address above. The Committee addresses inquiries at its regular meetings; it meets monthly, except during July and August.

We are pleased to be of service to you.

Attached material: 645

Comments: _____

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF CENTRAL
ADMINISTRATION

JAN 2 4 27 PM '97

93043364504

NEW YORK STATE BAR ASSOCIATION

ONE ELK STREET ALBANY, NEW YORK 12207 TEL (518)463-3200



COMMITTEE ON PROFESSIONAL ETHICS

Opinion 645 - 5/3/93 (61-92)

Topic: Client confidences and secrets.

Digest: A lawyer whose appointment to a town board would require disclosure of client confidences or secrets must either (1) obtain client consent to the disclosure, (2) obtain a declaratory judgment that the disclosure law does not apply to the lawyer or (3) not accept appointment to the board.

Code: Canon 4
EC 1-5
DR 2-110, DR 4-101(A), (B), (C).

QUESTION

A lawyer expects to be appointed as a member of the Town Board of Assessment Review, at which time the lawyer will be subject to the town's Ethics and Disclosure Law. That law requires a member of the board annually to disclose certain interests held within the previous twelve months, including interests of the member's spouse, as well as any firm, partnership or association with which the member is involved. One question on the disclosure form requires the officer to list:

all notes and accounts receivable in excess of one thousand dollars (\$1,000.00) held by you or your spouse due from any entity doing business with the Town ... or any agency or board thereof.

The lawyer has several clients who do business with the Town, and the lawyer may have accounts receivable from such clients that exceed \$1,000.

May or must the lawyer comply with the disclosure law?

OPINION

This opinion discusses the obligations of a lawyer who contemplates accepting a position that might involve the disclosure of certain information about the lawyer's clients - the name of the client and, implicitly, the fact of the representation, and the amount of a legal fee.

An important professional obligation under the Code of Professional Responsibility is the preservation of the confidences and secrets of a client. Canon 4. The Code also provides that lawyers should avoid even minor violations of law. EC 1-5. Legally mandated disclosure requirements have

OPINION 645

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created a great deal of controversy within the Bar because of the difficulty of complying with these two Code requirements.

DR 4-101(B) provides that a lawyer may not knowingly reveal a confidence or secret of the client unless one of the exceptions set forth in DR 4-101(C) applies. Thus, the first issue is whether the town's law would require disclosure of either a confidence or secret.

As used in DR 4-101(B), the term "confidence" refers to information protected by the attorney-client privilege under applicable law. This Committee does not answer questions of law. We note, however, that courts generally have held that the attorney-client privilege does not extend to the identity of the client or the fact of consultation, because the disclosure of these items does not reveal the content of any communications between the client and the lawyer, and such information usually has not been disclosed by the client for the purpose of obtaining legal advice. See 8 John H. Wigmore, *Evidence in Trials at Common Law*, §2313 (John T. McNaughton rev. ed. 1961); Charles W. Wolfram, *Legal Ethics*, §6.3.5 at 259-60 (1986); *Colton v. United States*, 306 F.2d 622 (2d Cir. 1962), cert. denied 371 U.S. 951 (1963) (fact of consultation); see generally Annot., *Disclosure of Name, Identity, Address, Occupation, or Business of Client as Violation of Attorney-Client Privilege*, 16 A.L.R.3d 1047 (1967); Steven Goode, *Identity, Fees, and the Attorney-Client Privilege*, 59 Geo. Wash. L. Rev. 307 (1991). The principal exception to this general rule applies where the fact of representation would implicate the client in unlawful activities and the client might thereby be subject to criminal or civil liability. See generally ABA/BNA Lawyers' Manual on Professional Conduct 55:307 [hereinafter ABA/BNA Manual].

The authorities are less uniform as to whether information about legal fees falls within the attorney-client privilege. Many courts have held that information about fee arrangements is not protected under the attorney-client privilege unless the fees constitute the last link between the client and criminal activity. See *In re Shargel*, 742 F.2d 61, 62 (2d Cir. 1984) (fees); see generally ABA/BNA Manual 55:309. At least one court has held that an ethics-in-government law requiring public officeholders to report the names of substantial fee-paying clients does not impinge upon the attorney-client privilege. *Hays v. Wood*, 25 Cal. 3d 772, 160 Cal. Rptr. 102, 603 P.2d 19 (1979).¹

Even if the information is not protected as a confidence, it would be shielded from disclosure if it is a "secret." The term "secret," which is much broader in scope than the term "confidence," is defined as "other information gained in the professional relationship that the client has requested by held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client." DR 4-101(A).

¹ Like the statute at issue here, the statute in *Hays* did not require disclosure of the actual amount of the legal fee, but only the fact that it exceeded \$1,000.

OPINION

A number of ethics committees have found that the name of a client may be a secret. See, e.g., ABA Inf. Op. 1287 (1974) (name, address and telephone number of legal service office's client are secrets because revelation of representation may embarrass the client); North Carolina Ethics Op. 21 (1987) (indexed in ABA/BNA Manual at 901:6604) (client's identity must be kept confidential where disclosure would be physically or economically detrimental to the client). See also Md. Inf. Op. 78-4 (1977) (indexed in Maru's Digest at 11333) (legal aid attorney cannot reveal client identity to other agencies); Md. Inf. Op. 76-56 (1976) (indexed in Maru's Digest at 11285) (attorney should not comply with County Council's Bill and disclose client identity and fee information); Mo. Op. 111 (1974) (indexed in Maru's Digest at 8707) (lawyer cannot disclose client and fee information required by Campaign Spending Reform Act without client consent); Ohio Op. 90-4 (1990) (indexed in ABA/BNA Manual at 901:6865) (lawyer may not reveal cash fee to Internal Revenue Service, but must inform client about IRS requirement). Contra Alaska Op. 85-6 (1985) (indexed in ABA/BNA Manual at 801:1205) (client's name is not a secret even where client requested that it be kept confidential); Ill. Op. 414 (1973) (indexed in Maru's Digest at 8333).

Whether particular information constitutes a secret is a question of fact that the lawyer must determine. We agree, however, with those ethics committees that have found that a client's name and the fact of representation could constitute a secret in some circumstances. In many cases, the fact that a person has consulted counsel and has paid or owes more than \$1,000 for legal services will be neither embarrassing nor detrimental to the client. In other cases, however, such information might be embarrassing or detrimental. For example, the fact that a client has consulted a divorce lawyer or a criminal defense lawyer or has an outstanding unpaid debt may be embarrassing. Even if not embarrassing or detrimental, the client may have requested that the information not be disclosed. In these cases, the information would be a secret that cannot be divulged without consent unless an exception in DR 4-101(C) applies.

If the lawyer accepts appointment to the town board, the lawyer must comply with the disclosure law. EC 1-5. The lawyer, however, may not ethically disclose on the annual disclosure form any information that constitutes a client confidence or secret. We do not think that the exception provided by DR 4-101(C)(2), which permits the lawyer to reveal a secret when required by law, should apply in this situation since the lawyer can, by declining appointment to the Town Board, avoid having to comply with the disclosure law. Consequently, the lawyer cannot properly claim that disclosure of the requisite information is truly "required" by law.

One way the lawyer may comply with the disclosure law is to obtain consent from each client whose name it is reasonably foreseeable that the lawyer will be required to reveal, that is, any client who is doing business with the town and who may at any time during the applicable period owe more than \$1,000 of legal fees to the lawyer. (A lawyer may reveal a confidence or secret with the consent of the client. DR 4-101[C][1].) The lawyer also must recognize

OPINION 645

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that existing clients may, in the future, begin to do business with the town and refuse to consent to disclosure. The lawyer could not then disclose the client's name without violating the ethical obligation to the client; yet, failure to disclose could be a violation of law. Thus, prior to accepting appointment to the board, the lawyer should also obtain consent from any existing client who is doing business with the town.² This consent must be accompanied by full disclosure to the client of the pertinent facts and the implications of the consent.

If any client refuses to consent to the disclosure, the lawyer has three alternatives. If there is a continuing representation, the lawyer may seek to withdraw from the representation. DR 2-110(C) permits withdrawal from a representation in various specified circumstances and also where the withdrawal can be accomplished without material adverse effect on the interests of the client. In a matter pending before a tribunal, the permission of the tribunal must be obtained if required by the rules of the tribunal. DR 2-110(A)(1). If the representation has ended, withdrawal is not an option. Second, the lawyer can petition the appropriate court for a determination of the validity of the disclosure law as applied to the lawyer. If a court determines that the disclosure law is not to be applied to the lawyer, then service on the board would be permissible because disclosure would not be required. Absent such a determination, the lawyer should decline appointment to the board because service on the board is inconsistent with the lawyer's obligations to the client.

If the lawyer is able to accept appointment to the board, the lawyer has continuing obligations. If an existing client from whom consent was not obtained begins doing business with the town, the lawyer should make appropriate disclosure to the client and obtain the client's consent. If the client refuses to consent, the lawyer must withdraw from the representation if that is permissible. DR 2-110.

The lawyer also must disclose to and obtain consent from new clients who are doing or are reasonably likely to do business with the town prior to accepting the engagement. If the client refuses to consent, the lawyer must decline the representation.

Thus, the lawyer is able to accept appointment to the board only if all the lawyer's clients, for whom information is mandated by the disclosure law, consent to disclosure or if the lawyer has a reasonable belief that, due to the nature of the lawyer's practice, the lawyer's clients are unlikely to do business with the town while the lawyer is a member of the board.

If, however, subsequent to joining the board, the lawyer is placed in the position of needing to disclose a client's name, the client refuses to consent, and withdrawal is not possible, the lawyer would be ethically obligated to resign from the board if, as a matter of law, that would avoid the lawyer's having to file the disclosure statement. If, however, resigning would not relieve the lawyer of

² It also would be prudent for the lawyer to obtain consent from anyone the lawyer reasonably believes may begin doing business with the town in the future.

OPINION 645

the filing obligation, the lawyer has two options. The lawyer could file the disclosure statement with a notation that required information is protected under DR 4-101(C) as a confidence or secret,³ thereby triggering, presumably, legal action on the part of the town to sanction the lawyer for noncompliance with the disclosure law. Alternatively, the lawyer can commence a declaratory judgment action or some other appropriate procedure designed to obtain a court determination on the disclosure law.⁴ Under either alternative, if the court orders the lawyer to comply, the lawyer would be required to do so pursuant to DR 4-101(C)(2).

CONCLUSION

For the reasons stated above, we conclude that under Canon 4 of the Code, a lawyer would have an ethical obligation to decline a government position that would require disclosure of existing client secrets (absent valid client consent). For similar ethical reasons, a lawyer who takes a governmental position with a reasonable belief that no existing clients' secrets are, or would be, subject to an applicable disclosure law, would be ethically obligated to resign his or her position if that would avoid the necessity of filing the required disclosure statement. Subject to the qualifications set forth in this opinion, the question posed is answered in the affirmative.

³ See Wisc. Formal Op. E-90-3 (1990) (lawyer whose client does not consent to disclosure of his fee to the Internal Revenue Service must file the required IRS form with a statement asserting confidentiality and evidentiary and constitutional privileges).

⁴ Any court proceeding should be conducted in a manner to preserve the confidences and secrets of the client such as conducting the proceeding in camera and/or under seal, and the client should be given notice of the proceeding.

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARY

JAN 3 10 36 AM '97

In the Matter of)
)
Lally for Congress)
and Bruce Cozzens, as treasurer) MUR 4128
Grant M. Lally) MUR 4362
Lawrence M. Lally, *et al*)

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

In MUR 4128, based upon evidence that 1994 candidate Grant M. Lally had received over \$300,000 in excessive contributions, on May 16, 1996, the Commission found reason to believe that Lally for Congress and its treasurer violated 2 U.S.C. §§ 441a(f) and 434(b), that Grant M. Lally violated 2 U.S.C. § 441a(f) and that his father and former treasurer Lawrence M. Lally violated 2 U.S.C. § 441a(a)(1)(A). On September 12, 1996, the Commission approved Subpoenas to depose, *inter alia*, Grant and Lawrence Lally in connection with MUR 4128.

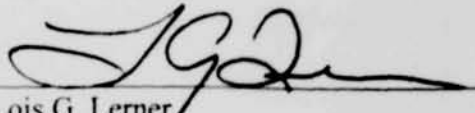
In MUR 4362, on December 3, 1996, the Commission found reason to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1), and that Lally for Congress and Bruce Cozzens, as treasurer, violated 2 U.S.C. § 434(a) and (b)(8). Although the complaint in MUR 4362 alleged that the former candidate had failed to file his 1996 Statement of Candidacy, some of the issues in MUR 4362 relate back to the Lally campaign's activities in the 1994 election cycle. The depositions of Grant and Lawrence Lally are scheduled to be held later this month. In order to facilitate the resolution of MUR 4362, this Office recommends that the Commission extend the scope of the previously approved deposition subpoenas so that they encompass activities at issue in MUR 4362. The respondents will be notified of this determination prior to their depositions.

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II. RECOMMENDATIONS

1. Extend the scope of the previously approved deposition subpoenas in MUR 4128 to Grant M Lally and Lawrence M. Lally so as to include activities at issue in MUR 4362.
2. Approve the appropriate letter.

1/2/97
Date


Lois G. Lerner
Associate General Counsel

Staff Assigned: Xavier K. McDonnell

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress and Bruce) MURs 4128 & 4362
Cozzens, as treasurer;)
Grant M. Lally;)
Lawrence M. Lally, et al.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on January 8, 1997, the Commission decided by a vote of 4-0 to take the following actions in MURs 4128 & 4362:

1. Extend the scope of the previously approved deposition subpoenas in MUR 4128 to Grant M. Lally and Lawrence M. Lally so as to include activities at issue in MUR 4362.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated January 2, 1997.

Commissioners Aikens, Elliott, McGarry, and Thomas voted affirmatively for the decision; Commissioner McDonald did not cast a vote.

Attest:

1-9-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Fri., Jan. 03, 1997 10:36 a.m.
Circulated to the Commission: Fri., Jan. 03, 1997 12:00 p.m.
Deadline for vote: Wed., Jan. 08, 1997 4:00 p.m.

mwd

98043684512



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

January 7, 1997

FAXED AND MAIL

Grant M. Lally, Esq.
Lally and Lally
Attorneys at Law
220 Old Country Road
Mineola, NY 11501

Re: MUR 4128 and 4362

Dear Mr. Lally:

As we discussed by telephone, this office has agreed to reschedule the depositions of Grant M. Lally, Lawrence M. Lally and Ute W. Lally for January 29, 30, and 31, 1997 at the same times and location.

In addition, an extension in MUR 4362 has been granted until January 15, 1997 for your response.

Should you have any questions, feel free to contact me at (202)219-3690.

Sincerely,


Xavier McDonnell

cc: John Ciampoli, Esq.

98043884513



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 8, 1997

U. S. Attorneys Office
Eastern District of New York
825 East Gate Blvd.,
Garden City, New York 11530

Re: MURs 4128 and 4362
Confirmation of Depositions on January 29, 30, and 31, 1997

Dear Ms. Desinor:

This is to confirm the use of Room A on the third floor of the U.S. Attorneys Office for depositions on January 29, 30, and 31, 1997 at 9:30am until 4:00pm.

Should you have any questions regarding these dates or times, feel free to call me at (202) 219-3690.

Sincerely,

Deborah L. Rice

Deborah L. Rice
Paralegal

98043684514



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 8, 1997

Michelle Cox
541 Clark Place,
Uniondell, NY 11553

RE: MURs **4128** and 4362

Dear Ms. Cox:

This is to confirm your services for the depositions scheduled for January 29, 30, and 31, 1997 at 9:30am until 4:30pm at the U.S. Attorneys office in Room A on the third floor. Mr. Xavier McDonnell is the attorney of record in this matter.

Should you have any questions regarding this matter, feel free to contact me at (202) 219-3690.

Sincerely,

A handwritten signature in cursive script that reads "Deborah L. Rice".

Deborah L. Rice
Paralegal

9804384515



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 15, 1997

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
Gentile & Ciampoli
1461 Franklin Ave.
Garden City, NY 11530

RE: MUR 4128
MUR 4362

Dear Mr. Ciampoli:

This is a follow-up to our telephone conversation on January 14, 1996, in which you requested information about DCCC v. FEC, Civil Action No. 96-0764, (1996). As you are aware, that case, in which the complainant in MUR 4128 sued this agency, was dismissed on November 18, 1996. During our conversation, you inquired about what information related to MUR 4128 may have been released to the DCCC or to the public.

The statute allows a complainant to file a lawsuit against the FEC if the agency fails to take action on his or her complaint within 120 days of when it was filed. See 2 U.S.C. § 437g(a)(8). As I indicated during our discussion, in accordance with the confidentiality requirements of 2 U.S.C. § 437g(a)(12), no documents produced by your clients in connection with MUR 4128, and no documents created by or gathered by the Commission in the course of its investigation in this matter, were provided to the court or to the DCCC. However, to establish that the Commission had taken action in MUR 4128, it submitted to the court under seal a chronology of the events that occurred in the administration of the complaint in MUR 4128. The DCCC is under a protective order which prohibits it from sharing any information provided to it in the course of the litigation in DCCC v. FEC. The protective order will not be vacated until a motion is made by this agency, which will occur at the conclusion of MUR 4128 when the provisions of 2 U.S.C. § 437g(a)(12) no longer apply.

With respect to the upcoming depositions, as I indicated during our conversation on January 14, the Commission has extended the authority of the deposition subpoenas so that they now include the activities at issue in MUR 4362. If you have any other questions, I can be reached at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Xavier K. McDonnell

Attorney

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 17, 1997

John Ciampoli, Esquire
Gentile & Ciampoli
1461 Franklin Ave.
Garden City, NY 11530

RE: MUR 4128
Dawn Fasano

Dear Mr. Ciampoli:

Pursuant to its investigation of this matter, the Commission has issued the attached Subpoena requiring your client Dawn Fasano to appear and give sworn testimony. The date, time and location of the deposition is provided on the enclosed Subpoena.

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid \$40, plus mileage. Subsequent to the deposition, your client will be sent a check for the witness fee and mileage.

Please confirm the scheduled appearance with me at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Attorney

Enclosure

Subpoena

98043864517

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

)
) MUR 4128
)

SUBPOENA

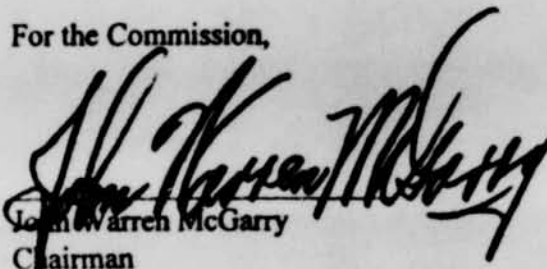
TO: Dawn Fasano

c/o John Ciampoli, Esquire
Gentile and Ciampoli
1461 Franklin Avenue
Garden City, New York 11530

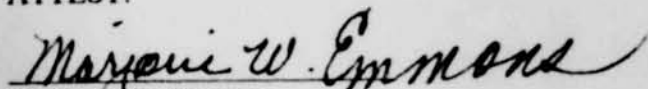
Pursuant to 2 U.S.C. § 437d(a)(3), and in furtherance of its investigation in the above-captioned matter, the Federal Election Commission hereby subpoenas you to appear for deposition with regard to MUR 4128. Notice is hereby given that the deposition is to be taken in Conference Room A at the United States Attorney's Office, 825 E. Gates Boulevard, Garden City, New York, 11530, beginning at 2:00 p.m. on January 31, 1997 and continuing each day thereafter as necessary.

WHEREFORE, the Chairman of the Federal Election Commission has hereunto set his hand in Washington, D.C., on this 17th day of January, 1997.

For the Commission,


John Warren McGarry
Chairman

ATTEST:


Marjorie W. Emmons
Secretary to the Commission



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 22, 1997

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
Gentile & Ciampoli
1461 Franklin Ave.
Garden City, NY 11530

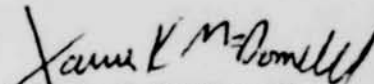
RE: MUR 4128

Dear Mr. Ciampoli:

Grant Lally informed me today by telephone that you will be representing Kurt and Margaret Schurm in this matter. Prior to my discussion today with Mr. Lally, this Office had no indication that you or anyone else intended to represent the Schurms in this matter. Responses to Subpoenas for documents sent to the Schurms on December 23, 1997 were due within 20 days of receipt. To date, no responses have been submitted. If you are to represent the Schurms, please notify us in writing so that we can direct the Subpoenas to your attention. In light of the time that has elapsed, documents responsive to the Subpoenas should be submitted immediately.

If you have any questions, I can be reached at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 5, 1997

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
Gentile & Ciampoli
1461 Franklin Ave.
Garden City, NY 11530

RE: MUR 4128 & MUR 4362

Dear Mr. Ciampoli:

As I indicated during our call today, I have compiled from my notes a list of documents and information that your clients indicated that they would be willing to provide in connection with the above-referenced matters. As I also informed you, although I believe that the following list is complete, it has been prepared in advance of our receipt of the deposition transcripts which may disclose additional items. The items on my list include:

1. A copy of Grant Lally's 1995 income tax return (with all attachments).
2. A complete copy of the Deed for 1527 Bantam Place between Grant Lally and Lawrence Lally, dated May 24, 1994.
3. An explanation for the discrepancy between Grant Lally's reported 1994 income of \$102,000 and checks received by Grant Lally from Lally and Lally during 1994, which totaled over \$135,000.
4. An explanation for the discrepancy between the \$116,000 in checks Lawrence Lally issued to Grant Lally in 1994 and the \$118,000 that, according to your July 19, 1996 response, was paid for the property located at 1527 Bantam Place in the Bronx. Please include evidence of any payment(s) made to Grant Lally by Lawrence Lally for such property in 1995.
5. Evidence related to the source of the \$8,545 deposited in the law firm account on or about August 26, 1994 (account # _____).
6. Copies of the letter(s) that Lawrence Lally sent to Home Federal Savings Bank requesting information about the loan Lawrence and Ute Wolff Lally obtained from that institution in May of 1994.

7. Evidence showing what became of the \$16,000 received from Michael Adornato on or about August 30, 1995, i.e., bank deposit slips, bank statements, correspondence, etc.

8. Evidence or information related to any suit(s) commenced by Lawrence Lally involving property located at 345 Centre Island Road in Oyster Bay.

9. Any evidence related to services provided by Theresa White to Lally for Congress, i.e., checks, check registers, agreements, documents created by Ms. White, etc.

10. Evidence related to any agreement between Tom Ballau and Lally for Congress, and payments made to Mr. Ballau during 1995.

11. Evidence related to the debt owed to N.S. Pederson that was reported in the committee's 1994 and 1995 disclosure reports but was then later omitted.

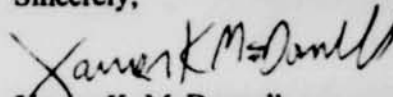
12. Information disclosing Lally and Lally's gross income for 1993 and 1995.

During our discussions, you also indicated that you would be representing Mr. and Mrs. Schurm. I have therefore enclosed a designation of counsel form which must be signed by them before I may provide you with the Commission's Subpoenas or discuss them with you.

In a letter dated December 23, 1996, Grant Lally requested an extension of until January 15, 1997, to respond to the Commission's findings in MUR 4362. To date, no response has been submitted. In addition, during our discussions you have inquired about conciliation, specifically with respect to MUR 4362. Please note that any request for conciliation prior to a finding of probable cause must be made in writing. See 11 C.F.R. § 111.18(d).

As I said earlier today, to arrange a timetable for the production of these documents and/or information, please call me at (202) 219-3400.

Sincerely,



Xavier K. McDonnell
Attorney

Enclosure

Designation of Counsel form

9604364521

BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF

)
)
)

MUR 4128

AFFIDAVIT

FEB 18 3 56 PM '97

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

I, Michael Adornato, DDS, being first duly sworn, depose and say as follows:


1. I reside at 66 Ocean Avenue, Bayport New York, 11750
2. My principal places of business are the State University of Stony Brook in Stony Brook, New York and the Veterans Administration Hospital in Northport, New York.
3. In August of 1995, I called Lally and Lally, Esquires to inquire about a 1966 Corvette (hereinafter "car") that was advertised in a local paper for \$17,000. I subsequently went to view the car at the Lally residence in Oyster Bay, New York. I was informed by Lawrence Lally that the car belonged to his son Grant, who had not yet returned home from work. I was also told by Lawrence Lally that his son Grant would call me to answer any further questions about the car, and to discuss the sales price. At some point, Grant or his father informed me that the car had not been registered or used for the previous year to year and one half. Grant indicated that he was too busy to use the car during that period.
4. Grant subsequently called me and we negotiated a sales price of \$16,000. We also agreed to meet at a service station in Grant Lally's neighborhood to have the car examined by a mechanic prior to completing the sale.
5. On or about August 30, 1995, I obtained a bank check in the sum of \$8,000 which I had issued to Grant.¹ After meeting Grant at the service station and being informed by the mechanic that the car was in satisfactory condition, I followed Grant to the Lally residence in Oyster Bay where we concluded the sale. I then delivered to Grant the \$8,000 bank check. In addition, I issued and delivered to Grant Lally another \$8,000 check, this one drawn from my credit card account. Grant Lally accepted both checks, totaling \$16,000, as payment in full for the 1966 Corvette. A bill of sale, dated August 30, 1995, was also executed. I signed the bill of sale, as did Lawrence Lally. I assumed that Lawrence signed the bill of sale because the car may have

¹ Although I mistakenly had the bank check issued to Grant "Lilley" (rather than Lally), Grant and Lawrence later assured me that it was acceptable. To prevent any misunderstanding, we made a notation regarding the error on the bill of sale.

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been registered in his name rather than Grant's name. Grant also provided me with numerous receipts evidencing mechanical work performed on the car. There were no receipts for the period beginning on or around May of 1994 through the October 30, 1995 sale date. After completing the transaction I drove off with the car, which is presently registered in the name of

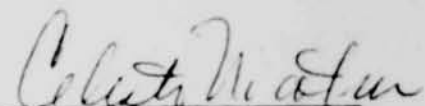
Further the affiant sayeth not.


Michael Adornato, DDS

Subscribed and sworn to before me, on this
of 1997

10th day FEBRUARY

CELESTE NICOTRA
NOTARY PUBLIC, State of New York
No. 617-101868, Suffolk County
Commission Expires July 15, 1997


Notary Public

9804384523



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 24, 1997

VIA FAX AND FIRST CLASS MAIL

John Ciampoli, Esquire
Gentile & Ciampoli
1461 Franklin Ave.
Garden City, NY 11530

RE: MUR 4128

Dear Mr. Ciampoli:

During the last week of January, 1997, your clients agreed to provide information, some of which was to explain outstanding questions related to the investigation in the above-captioned matter. In addition, you indicated that you would be responding to the Subpoenas that the Commission issued to Kurt and Margaret Schurm last December. On February 5, 1997, this Office provided you with a letter which set out in detail twelve of the items that your clients agreed to provide. Since that time I have called you on several occasions. You agreed to consult with your clients and inform me of the date when they will produce the information. As of this date, however, your clients have not produced any of the information and you have not informed me when it will be produced. If your clients intend to produce this information for the Commission's consideration, and would like to avoid the necessity of having this Office seek additional Subpoenas and enforcement of outstanding Subpoenas, please call me by the close of business on Wednesday, February 27, 1997, with a firm date for production of this information. I can be reached at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Attorney

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

90043684524

GENTILE and CIAMPOLI
ATTORNEYS AND COUNSELLORS AT LAW

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

GLEN JEREMIAH GENTILE
JOHN N. CIAMPOLI
OF COUNSEL
HARLAN WITTENSTEIN

MAR 3 2 39 PM '97
MAILS OFFICE
1461 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530
(516) 739-2041

NEW YORK CITY OFFICE
POST OFFICE BOX 204
BROOKLYN, NEW YORK 11209
(718) 748-0017

STATE CAPITAL OFFICE
POST OFFICE BOX 817
TOWN OF KINDERHOOK
VALATIE, NEW YORK 12184
(518) 758-1845

PLEASE REPLY TO
MAIN OFFICE

February 28, 1997

Xavier K. McDonnell, Esq.
Federal Election Commission
999 East Street, N.W.
Washington, D.C. 20463

Via Overnight UPS Delivery

MUR 4128

Dear Xavier:

Enclosed herewith, please find the following documents which you have requested.

- 1) The decision of the Zoning Board of Appeals regarding the Harbor Drive property which came up during testimony.
- 2) Federal Tax returns (1995) for Grant M. Lally.
- 3) New York State Tax Returns (1995) for Grant M. Lally.

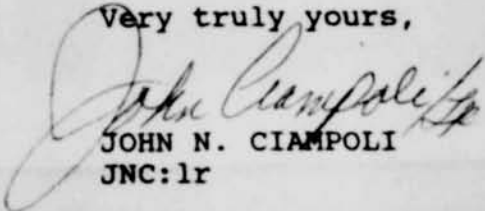
You will find reference to the Bantam Road, Bronx, property on attachment 12 (capital gains and losses) to the Federal Returns.

I will be reviewing my notes and contacting my client(s) forthwith regarding further documents to be produced.

I apologize for my inavailability over the past days, occassioned by the Federal Title VII case I am handling, as well as a change of positions (and physical move) within the State Senate. If an emergency arises, my new number in Albany is 518-455-3313.

As you can see, my response to your calls has been to get my client digging into the records necessary for you to complete your investigation.

Very truly yours,


JOHN N. CIAMPOLI
JNC:lr

VILLAGE OF CENTRE ISLAND
BOARD OF ZONING APPEALS

In the Matter of the Application of

STANLEY CHASE and
JOHN P. and NINA M. GENNOSA

DECISION

For an Order Appealing the Decision and
Determination of the Building Inspector
of the Incorporated Village of Centre
Island

ON MOTION duly made and seconded, the Board of Zoning Appeals of the Incorporated Village of Centre Island, William P. Lovett, Chairman, Walter Stackler, Angelo Pegno, and Rita S. Hirschfield, constituting a quorum of the Board, and the Board having reviewed the notice of appeal including affidavit by Stanley Chase and disclosure affidavits, plot plan, survey, memorandum of law in support of application and short environmental assessment form, all filed on March 4, 1994, and having determined that the approval action requested of this Board is subject to SEQR but is a Type II action under 6 NYCRR 617.13 (16) since the appellants are seeking the renewal of an expired variance and then having adopted its findings of facts and rendered its decision in the above-entitled appeal after a duly called public meeting which was held on April 6, 1994 and April 13, 1994, at 7:30 p.m., at the Village Hall on Centre Island Road in said Village, the minutes of which are incorporated herein by reference.

FINDINGS

1. Stanley Chase, John P. and Nina M. Gennosa, hereinafter referred to as the applicant, are the former and present owners of a parcel of unimproved property located at no number Harbor Drive, also known as Section 28, Block 57, Lots 33 through 36 inclusive on the Nassau County Land and Tax Map. Said parcel contains 20,846 square feet and is located within the Village's A-2 Zoning District.

2. The applicant seeks a variance from the Building Zone Ordinance for permission to construct a one-family dwelling with attached garage on the subject lot having an area of 20,846 square feet rather than the required one-half acre (21,780 square feet).

3. The applicant Stanley Chase came before this Board seeking the same relief as sought herein. This Board on January 27, 1987 denied the request of Stanley Chase for a variance. Thereafter, Stanley Chase commenced an Article 78 Proceeding in Supreme Court of Nassau County and the Honorable Howard Levitt, in a decision dated June 3, 1987, annulled this Board's determination and directed this Board to issue the requested variance.

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4. Thereafter on May 9, 1988, the judgment of the Supreme Court of Nassau County was affirmed by the Appellate Division Second Department.

5. On December 31, 1988, this Board issued the variance to Stanley Chase.

6. Said variance expired by its own terms on December 31, 1991.

7. The applicant herein has established that there has been no change in any of the relevant conditions surrounding the application of January 27, 1987. That absent such material changes, this Board is bound to its earlier decision and may not refuse a variance previously granted.

8. The applicant has established and the Board so finds that the 5 percent area deficiency is de minimus.

9. The granting of the application would be in harmony with the general purpose and intent of the Village's Building Zone Ordinance.

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10. The granting of this application would not be injurious nor would it have an adverse effect upon the neighborhood and be otherwise detrimental to the public welfare.

11. The applicant has met its burden of establishing its right to the relief requested in the application in that it established that there has been no change to any material circumstances surrounding the original grant of the prior variance.

NOW, THEREFORE, BE IT

RESOLVED, that the application of Stanley Chase and John P. and Nina M. Gennosa for a variance from the provisions of the Building Zone Ordinance for permission to construct a one-family dwelling with attached garage on a lot area of 20,846 square feet rather than the required one-half acre (21,780 square feet), which application relates to land known as Section 28, Block 57, Lots 33 through 36 inclusive, be and the same is hereby granted.

On a poll of the Board, the following vote was taken on April 13, 1994:

Voting for granting the appeal:

William P. Lovett, Chairman
Walter Stackler
Rita S. Hirschfield

Voting against granting the application: None

Abstaining: Angelo Pegno

Dated: Centre Island, New York
May 18, 1994



William P. Lovett, Chairman

*Filed with me
this 19 day of
May 1994*

Barbara A. Ritz

98043384530



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

March 3, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Ciampoli, Esquire
1461 Franklin Ave
Garden City, New York 11530

RE: MUR 4128 and MUR 4362

Dear Mr. Ciampoli:

Pursuant to 11 C.F.R. § 111.14, a witness summoned by the Commission shall be paid \$40, plus mileage. Enclosed please find witness fees for your clients in the above-captioned matter.

If you have any questions, please contact me at (202) 219-3690 or (800) 424-9530.

Sincerely,

Xavier K. McDonnell
Attorney

Enclosures:
Checks for:

United States Treasury ¹⁵⁻⁵¹/₀₀₀ P 506,452,832



Pay to
the order of

02 18 97 77

260961

DAWN FASANO

PHILADELPHIA, PA

05 DAWN FASANO

F E C

WASH DC

Check No.

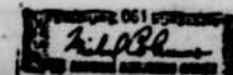
2036 99282161

95350001

*****40*00

VOID AFTER ONE YEAR

PO NO 7AW024 WITNESS FEE



20361

000000518: 992821610 010297

DAWN FASANO
2529 36th Avenue
Astoria, N.Y. 11106

March 7, 1997

90043064532
Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

TO WHOM IT MAY CONCERN:

In early, 1996, I reviewed the outstanding debts of Lally for Congress. As part of my review, I contacted N.S. Pederson & Co. regarding a \$3,065.40 debt listed as due.

The accounts representative from N.S. Pederson informed me that there were no bills due and owing and that all bills had been paid by the Committee during the 1994 campaign.

We concluded that the \$3,065.40 listed as due was in error.

Very truly yours,

Dawn Fasano

DAWN FASANO

TERESA A. WHITE
ATTORNEY AT LAW
740 VETERANS MEMORIAL HIGHWAY
SUITE 304
HAUPPAUGE, NEW YORK 11788

516-265-9050
FAX 516-265-9050

March 22, 1994

Grant M. Lally, Esq.
222 Old Country Road
Mineola, N.Y. 11501

Re: Congressional Race - 5th C.D.

Dear Grant:

The following is a proposed retainer agreement for my services as manager of your primary and general election campaigns for the fifth congressional district

Services included as part of this retainer are day to day operations of all campaign headquarters; coordination and preparation of mailings, print media, radio, television, etc.; communication with local party headquarters; oversight of campaign staff; meetings with consultants; oversight of volunteer coordinators; preparation and distribution of campaign material; coordination of fundraising events; management of general campaign activities

In light of the time that will be necessary to effectively run the campaign as well as the time off from my law practice, the following is a proposed compensation schedule:

<u>Dates</u>	<u>Retainer</u>
1/1/94 to 4/1/94(part time)	\$5000.00
4/1/94 to 7/1/94(part time)	\$5000.00
7/1/94 to 9/1/94(full time)	\$5000.00
9/1/94 to 10/1/94(full time)	\$5000.00
10/1/94 to 11/1/94(full time)	\$5000.00

Part time denotes ten (10) to forty(40) hours per week devoted to campaign work. Full time indicates forty (40) hours plus. Retainer compensation due on last date of periods indicated.

Please let me know if these terms are agreeable. I look forward to a successful campaign!

Sincerely,


Teresa A. White

9 8 0 4 3 3 8 4 5 3 4

TERESA A. WHITE
ATTORNEY AT LAW
740 VETERANS MEMORIAL HIGHWAY
SUITE 304
HAUPPAUGE, NEW YORK 11788

TEL 516 765 0300
FAX 516 765 0305

September 7, 1994

Lawrence Lally, Treasurer
Lally for Congress Committee
220 Old Country Road
Mineola, N.Y. 11501

Re: Message of September 2, 1994

Dear Mr. Lally:

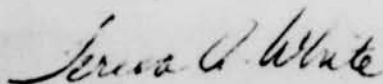
This letter is in response to your message of Friday, September 2, 1994, 5:26 p.m., referring me to Canon Four of the Code of Professional Responsibility (Preservation of Confidences and Secrets of a Client)

I fail to see the relevance of this Canon to my role in the congressional campaign. As you are aware, I only served the campaign in the capacity of campaign manager. At no time was I ever solicited or retained or for legal advice nor was I ever consulted in my capacity as an attorney. It is unquestionable that there is a significant difference between the political and legal forums. The campaign activities in which I participated were at all times strictly political in nature. It is misguided and yet another distortion of the facts for the campaign to now assert that my role in the campaign was that of an attorney or legal advisor.

Finally, I do not know what information you are trying to prevent from being disclosed. I can only take your actions to be an attempt to dissuade me from engaging in political discussions which you believe would be politically (or legally) damaging to your campaign and/or candidate.

I would now ask that all of those connected with the Lally for Congress campaign cease attempts to contact me, particularly by using my family as a vehicle for this purpose.

Sincerely,



Teresa A. White

MAR 13 10 23 AM '97

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

FACSIMILE NUMBER
(516) 742-8533

March 12, 1997

Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4128 & MUR 4362

Dear Mr. McDonnell:

Your correspondence of February 5, 1997 was only received by me on March 4, 1997. Please forgive the delay, however, if you provide me with a copy of any future requests, I will try to respond as quickly as possible to you. When the New York Legislature is in session, Mr. Ciampoli is usually in Albany, therefore, this will insure that I receive a copy to which I can timely respond.

In accordance with our telephone conversation of March 10, please accept this letter as a request for conciliation of MUR 4362.

In response to your request for documents, I am enclosing documents concerning items 2, 5, 7 and 9. I understand that you have already received items 1 and 8.

The difference referred to in item 3 between Grant Lally's income of \$102,000.00 and the \$135,000.00 he received is detailed as follows: \$10,000.00 paid from Lawrence M. Lally to Grant M. Lally for his interest in Museum Source, Ltd., and \$23,000.00 is a pay-out of part of the indebtedness owed by Lawrence M. Lally to Grant M. Lally and Margaret and Kurt Schurm.

The \$2,000.00 referred to in Paragraph 4 was paid on October 26, 1995 as final payment for the conveyance of Grant Lally's interest in the Bronx property. The check is attached.

The letter forwarded to Home Federal Savings Bank requesting information on the loan of May, 1994 cannot be located.

There was no written agreement with Tom Ballou concerning services or payment. A N.S. Pederson debt that was reported in 1994 was erroneously listed as N.S. Peterson maintained in 1995 that all bills had been paid. Annexed hereto is a letter from Dawn Fasano regarding the same.

The gross income of Lally & Lally, Esqs. for 1993 was \$100,097.00 and 1995 was \$92,564.

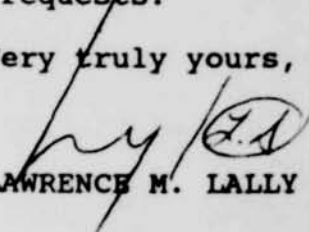
The Home Federal Savings Bank loan of \$50,361.45 was paid on March 23, 1995.

The \$120,000.00 check received on the sale of Bantam Place, Bronx, New York, was deposited in Fleet Bank, Real Property Account # A copy of the deposit slip is attached.

The L. Lally Enterprise, Inc. Account # is maintained at Fleet Bank, Hempstead, New York.

Please advise if you require any further requests.

Very truly yours,


LAWRENCE M. LALLY

LML:las
Enc.

9804384537

These were made by the seller to the buyer to be recorded in the County of New York and the City of New York and to be recorded in the County of New York and the City of New York.

THIS INDENTURE, made the 24 day of May, nineteen hundred and ninety-four
BETWEEN GRANT M. LALLY, residing at 345 Harbor Drive
Centre Island, New York 11771

party of the first part, and LAWRENCE M. LALLY, residing at 345 Centre Island
Road, Centre Island, New York 11771

party of the second part,

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place distance 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence Northerly at right angles to Bantam Place, 55.51 feet; thence Northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees 48 minutes 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence Westerly along the westerly prolongation of said line 20.45 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; thence Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Seller warrants and represents that he is conveying a two-third (2/3) percent interest in said premises to the Purchaser herein.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantor herein by Deed dated March 15, 1993 and recorded in the Office of the City Register, Bronx, County.

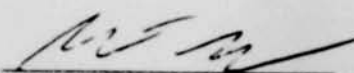
TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and roads abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

Section: 16
Block: 4534
Lot: 74

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid. AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose. The word "party" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF:


GRANT M. LALLY

98043384533

STATE OF NEW YORK, COUNTY OF

On the _____ day of _____, 19____, before me personally came

GRANT M. LALLY

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

STATE OF NEW YORK, COUNTY OF

On the _____ day of _____, 19____, before me personally came

to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that executed the same.

STATE OF NEW YORK, COUNTY OF

On the _____ day of _____, 19____, before me personally came _____, who, being by me duly sworn, did depose and say that he resides at No. _____

that he is the _____ of _____

the corporation described in and which executed the foregoing instrument, that he knows the seal of said corporation, that the seal affixed to said instrument is such corporate seal, that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order

STATE OF NEW YORK, COUNTY OF

On the _____ day of _____, 19____, before me personally came _____, the subscribing witness to the foregoing instrument, with whom I am personally acquainted, who, being by me duly sworn, did depose and say that he resides at No. _____

that he knows _____

to be the individual described in and who executed the foregoing instrument; that he, said subscribing witness, was present and saw execute the same, and that he, said witness, at the same time subscribed his name as witness thereto.

Mortgage and Sale Deed

WITH COVENANT AGAINST GRANTOR'S ALIEN

TITLE NO. _____

SECTION 16

BLOCK 4534

LOT 74

COUNTY ~~COBENCO~~ BRONX

GRANT M. LALLY

TO

LAWRENCE M. LALLY

Recorded At Request of
First American Title Insurance Company of New York

RETURN BY MAIL TO

STANDARD FORM OF NEW YORK BOARD OF TITLE UNDERWRITERS
Distributed byFirst American Title Insurance Company
of New YorkLALLY & LALLY, ESQS.
220 Old Country Road
Mineola, New York

Exp No 11501

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

March 19, 1997

Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128

Dear Mr. Lally:

This is in response to your letter of March 12, 1997, and a follow up to my letter of February 5, 1997, seeking documentation related to the above-captioned matter. Your letter indicates that \$10,000 of the funds received by Grant Lally during 1994 from Lally and Lally, Esquires was for the sale of his interest in Museum Source, Ltd. Please specify which check or checks issued to Grant Lally from the law firm during 1994 were payment for that interest. Include the check number(s), dates and amount(s). (Copies of the 21 checks were provided to you at deposition). Identify and produce all contemporaneous documentation related to that transaction, including but not limited to check ledgers, check registers, contracts, bills of sale, stockholder agreements, documents evidencing stock transfers, correspondence, memos, all information generated by or stored on computer, etc.

Your letter indicates that \$23,000 of the funds which Grant Lally received from the law firm during 1994 was payment for the debt on the mortgages you and Ute Lally owed to him and Margaret and Kurt Schurm. Specify which check or checks issued to Grant Lally from the law firm during 1994 were payment for that debt. Include the check number(s), dates and amount(s). State the reason why such funds were provided to Grant Lally rather than to the Schurms, and indicate whether payments for that debt had been provided directly by you to Grant Lally at any other time. If so, provide the date(s) and amount(s). Identify and produce all documentation related to the \$23,000 payment, including but not limited to check ledgers, check registers, contracts, correspondence, memos, all information generated by or stored on computer, etc. In addition, provide documentation or a list setting forth the dates and amounts of all payments made for that debt, the total amount paid and when such debt was or will be paid in full.

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

Your latest response references the Real Property Account (Fleet Bank #) and the L. Lally Enterprises, Inc. Account (Fleet Bank #). Identify all persons who had an interest in each of those accounts during 1994. Include all owners, beneficiaries and signatories for such accounts, and provide the nature and value of the interest held by each person. In addition, identify the major assets of L. Lally Enterprises, Inc. from 1993-95.

Your response contains a deposit slip for Fleet Account # , dated October 30, 1995, in the amount of \$9,759.66, and a check and deposit slip dated August 24, 1994 in the sum of \$8,500. Identify the sources of the funds for those checks and/or deposits.

Please state in writing whether you are in possession of any documentation related to the \$49,580 loan you obtained in May of 1994 from Home Federal Savings or the \$56,000 line of credit you obtained in October of 1994 (other than the limited documents that you have already produced: the notice of right to cancel, the copy of the \$49,580 check and the letter dated October 14, 1994). If you have any other documentation related to those transactions, i.e., loan applications, please produce them.

During deposition, you agreed to produce the check register used by Lally and Lally, Esquires during 1994 which discloses the identities of clients who had paid the law firm, along with the amounts paid. In addition, we note that the portions of the check registers from the law firm that you previously provided (which relate to the 21 checks issued to Grant Lally during 1994) do not contain any notations other than Grant Lally's name. Please clarify whether those portions of the check register that you have previously provided were redacted. If so, state the basis of any such redaction.

During your depositions, you agreed to provide copies of any checks and portions of check registers related to payments made to Teresa White during 1994. If such documentation is not in your possession, please state so in writing. At his deposition, Grant Lally agreed to explain why the capital gain he received from the sale of Bantam Place was not reported under "Unearned Income" for 1995 on his 1996 financial statement filed pursuant to the Ethics in Government Act ("EIGA"). In addition, please indicate whether the \$10,140 broker fee received for the 1995 sale of Bantam Place was reported under "Earned Income" on the 1996 EIGA statement and on Grant Lally's 1995 federal income taxes.

Finally, this Office has still not received any response to the Commission's Subpoenas to Kurt and Margaret Schurm which were provided to them on December 23, 1996. Please provide the above listed information as soon as possible, but no later than March 31, 1997. If you have any questions, I can be reached at (202) 219-3400.

Sincerely,

Xavier R. McDonnell
Xavier R. McDonnell
Attorney

cc: John Ciampoli, Esquire

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2000

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

APR 2 9 52 AM '97

FACSIMILE NUMBER
(516) 742-0533

March 31, 1997

Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E. St., N.W.
Washington, DC 20463

Re: MUR 4128

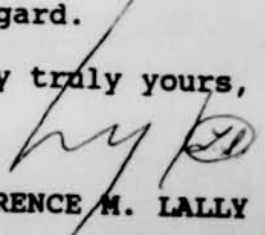
Dear Mr. McDonnell:

Enclosed please find response to your request of March 2, 1997.

The subpoenas for information from Mr. and Mrs. Shurm were received on March 25th, and this response will be forwarded to you under separate cover upon our receipt of same.

Thank you for your courtesy in this regard.

Very truly yours,


LAWRENCE M. LALLY

LML:las

APR 2 9 52 AM '97

RESPONSES TO REQUEST OF
MARCH 19, 1997 FOR MUR 4128

1. Check was issued in Fall of 1994 - specific date not recorded.
2. September 1, 1994 transfer of stock - copy of transfer certificate enclosed.
3. Funds distributed were part of checks disbursed during 1994 - specific dates not recorded. Payoff letter enclosed.
4. L. LALLY ENTERPRISES:

President - Lawrence M. Lally (signatory)
Shareholder - Grant M. Lally
5. REAL PROPERTY ACCOUNT:

Lawrence M. Lally (signatory)
6. Major Assets of L. Lally Enterprises:

- Real Property located at 6 S. Elm Street,
Hicksville, New York
7. Deposit Slip for \$9,759.66 - source of funds was balance owed on Bronx Property from Purchaser.
8. Deposit Slip for \$8,500.00 - source of funds was from money market account - previously provided to you.
9. All documentation was provided to you related to the loans and line of credit.
10. Identities of clients of Lally & Lally, Esqs. are confidential information prohibited from disclosure by the Code of Professional Responsibility. Annexed hereto is State Ethics opinion regarding the confidentiality of client identity.
11. We are not aware of any portion of the check register previously provided to you that was redacted. Please provide copies of any document previously provided to you which requires interpretation.

9804384543

12. Copies of checks to Teresa White are enclosed.
13. The small portion of the Capital Gain (\$2,000.00) that was not reported in the EIGA was an oversight. The bulk of the actual return was received in 1994, and thus not applicable for the 1996 EIGA.
14. The fee received was reported under Grant Lally's 1995 taxes and the 1996 EIGA as Lally & Lally income.
15. No copy of subpoenas to Kurt and Margaret Schurm were received until recently and their response will be forwarded under separate cover. As you were informed, both are in their mid-90's and infirm.

98043884544

NUMBER
6



SHARES
100

INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

MUSEUM SOURCE LTD.

The Corporation is authorized to issue 200 Common Shares Without Par Value

This Certifies that

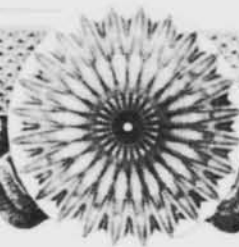
ONE HUNDRED

is the owner of
fully paid and

non-assessable shares of the above Corporation transferable only on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation.
Dated

SECRETARY-TREASURER



[Signature]

9 0 0 4 3 8 4 5 4 5

PAYOFF LETTER

This will acknowledge receipt of the sum of
\$23,000.00 as a partial payment of the indebtedness
owed by Lawrence and Ute Lally to Grant Lally, and
Margaret and Kurt Schurm.

Dated: December 7, 1994


GRANT LALLY

90043384546

BAR ASSOCIATION OF NASSAU COUNTYCOMMITTEE ON PROFESSIONAL ETHICS

Opinion 96-15
(Inquiry # 589)

HOLDING: Ethical disclosure of an attorney's billing records for legal services when these records are requested by a civil inquiry from a federal agency, without a court order.

ANALYSIS: Absent client consent after full disclosure, an attorney may not disclose billing records for legal services to a federal agency pursuant to the agency's civil inquiry unless a court orders the attorney to do so. Billing records for legal services generally constitute client "secrets" under DR 4-101(A). In addition, some portions of billing records for legal services may constitute "confidences" protected by the attorney-client privilege, and an attorney must make every effort to assert and protect the attorney-client privilege to the extent it is properly applicable.

CODE PROVISIONS:

EC 4-1

DR 4-101(A)

DR 4-101(C)

DR 9-102(D)(5)

DR 9-102(F)

DESCRIBED FACTS: The inquiring attorney has received a civil inquiry from a federal agency requesting billing records to clients for legal services. The inquiring attorney does not describe his law practice, but he points out that matrimonial files are not subject to public inspection, and that both civil and criminal clients might object to voluntary disclosure of such records based upon the confidentiality between attorney and client."

INQUIRY: May the inquiring attorney voluntarily disclose billing records for legal services when a federal agency requests those records via a civil inquiry, but the agency does not obtain a court order?

DETERMINATION: No, unless the client consents after full disclosure or some other exception to the duty of confidentiality applies.

ANALYSIS: One of an attorney's most sacred duties is the duty to maintain client confidences and secrets. As stated in EC 4-1 "Both the fiduciary relationship existing between lawyer and client and the proper functioning of the legal system require the preservation by the lawyer of confidences and secrets of one who has employed or sought to employ the lawyer."

Whether the inquiring attorney may disclose billing records for legal services to clients pursuant to a request from a federal agency in the absence of a court order depends, therefore, on whether the billing records constitute client confidences or secrets.

98043064547

DR 4-101(A) defines client confidences and secrets as follows:

- A. "Confidence" refers to information protected by the attorney-client privilege under applicable law, and "secret" refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client.

Whether information is a "confidence" -- i.e., information protected by the attorney-client privilege -- is a question of law that this Committee cannot definitively answer. However, the Committee notes that courts have struggled to establish guidelines for determining whether billing records are protected by the attorney-client privilege.

A case in point is *Comptroller of the Currency v. American Commerce National Bank*, 974 F.2d 117 (9th Cir. 1993). In that case, the Comptroller of the Currency had issued an administrative subpoena to a bank asking the bank to produce all billing statements received from outside counsel over the past year. The bank contested the subpoena. The district court then conducted an in camera inspection of the billing records and held that some parts of the billing records were protected by the attorney-client privilege while other parts were not. The district court also held that the crime-fraud exception to the attorney-client privilege overrode the privilege. On appeal, the Ninth Circuit held that billing records are not protected by the attorney-client privilege except to the extent they would reveal a client's motive for seeking legal advice or specifics about such things as litigation strategy or the purpose of particular legal research. Six weeks later, after a line-by-line in camera review of the billing records, the Ninth Circuit held that certain bills were protected by the attorney-client privilege because they "contain information which, if disclosed, would reveal litigation strategy."

The lesson of the *Comptroller of the Currency* case is that it is difficult to generalize about whether billing records are protected by the attorney-client privilege. Making this determination is likely to require research into the guidelines set down in the particular jurisdiction and a line-by-line analysis of each bill.

However, it is relatively easy to conclude that billing records are "secrets" within the meaning of DR 4-101(A), and may therefore not be disclosed without a court order or some other exception specified in DR 4-101(C). There are at least two reasons for considering billing records to be secrets.

First, when the attorney informs the client that the attorney has received a request for the client's billing records -- and we think the attorney must inform the client of the request -- the client has the right to request that the records "be held inviolate." That would immediately bring them within the protection accorded "secrets" under DR 4-101. Billing records necessarily reflect information "gained in the professional relationship." A

client does not need any reason to request that information in the attorney's file be held in private. The client's mere desire for confidentiality is reason enough.

Second, disclosure of client billing records might well be "embarrassing" to the client, and in some circumstances would be likely to be detrimental to the client. This will not always be the case, but it will often be the case, especially in sensitive matters such as divorce litigation or criminal defense. For example, billing records in a divorce case might include entries about research on the implications of child abuse or adultery. Billing records in criminal matters might include entries about research into possible crimes that have never been charged, or about interviews with witnesses whose names the client expects to remain confidential. Even if there are no embarrassing or revealing entries in the billing records, the client may not want anyone to know how much the client is spending on legal fees. Similarly, a client might be embarrassed if billing records reveal that a third party is paying the legal fees, or that the client is being charged a reduced fee (or no fee) because the client is indigent.

As a general rule, therefore, billing records constitute client secrets that may not be revealed to a federal agency (or to anyone else) absent a court order.

One important exception to this general rule is found in DR 9-102. Under DR 9-102(A)(1), an attorney must maintain "copies of all bills to clients" for seven years after the date which they record. Under DR 9-102(H), an attorney must produce such records "in response to a notice or subpoena duces tecum issued in connection with a complaint before or any investigation by the appropriate grievance or departmental disciplinary committee," or shall produce the records "at the direction of the appropriate Appellate Division, before any person designated by it." The inquiring attorney has received a request from a federal agency, not from a grievance committee or departmental disciplinary committee or from an Appellate Division, so the present inquiry does not implicate DR 9-102(H), and nothing in this opinion diminishes the strength of DR 9-102(H).

Of course, when an attorney receives a civil inquiry from a federal agency, it will often be to the client's advantage to cooperate with a agency and to respond fully to its request for billing records without awaiting a court order. This will especially be so where the attorney receiving the request determines that the billing records are not protected by the attorney-client privilege or do not contain embarrassing or detrimental information. In those instances, the attorney may wish to urge the client to consent to voluntary disclosure of the billing records. However, the attorney should carefully consider whether any portions of the billing records are arguably protected by the attorney-client privilege, and whether disclosure of these portions of the records without a court order might waive the privilege. In those instances the attorney must explain the situation to the client, including the advantages and disadvantages of asserting or waiving the privilege.

The inquiring attorney has not supplied this Committee with any billing records or with any description of his typical billing records, so this opinion is necessarily general in

nature. Some attorneys keep highly detailed billing records, while others simply record time spent for "research" or "drafting" or other general activities. Conceivably, the disclosure of some billing records might not be embarrassing or detrimental to a client at all, and most billing records are probably not protected by the attorney-client privilege.

The inquiring attorney does not ask about an attorney's obligations and options when a court orders disclosure of billing records, but DR 4-101(C)(2) ordinarily gives an attorney the right to comply with such a court order. Nor does the inquiring attorney ask about the extent of an attorney's right to disclose billing records when disclosure is "necessary to establish or collect the lawyer's fee or to defend the lawyer or his or her employees or associates against an accusation of wrongful conduct," but DR 4-101(C)(4) ordinarily gives an attorney the right to disclose billing records to the extent necessary in that situation. This opinion is not intended to diminish the scope of an attorney's rights under DR 4-101(C).

If, then, absent client consent after full disclosure of the costs and benefits satisfying a federal agency's request for billing records, or absent some other exception to the duty of confidentiality, an attorney may not disclose billing records to a federal agency without a court order. Billing records for legal services generally constitute client "secrets" that are protected by an attorney's duty of confidentiality. In addition, some portions of billing records for legal services may constitute "confidences" protected by the attorney-client privilege, and an attorney must make every effort to assert and protect the attorney-client privilege to the extent it arguably applies.

(Approved by the Executive Subcommittee on 10/15/96;
approved by the full Committee on 10/30/96)



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 4, 1997

VIA FAX

John Ciampoli, Esquire
1461 Franklin Ave
Garden City, New York 11530

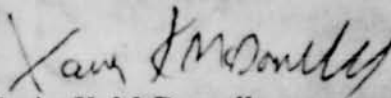
RE: MUR 4128 and MUR 4362

Dear Mr. Ciampoli:

As I informed your office in February, at your request the deposition transcripts for your clients in the above-captioned matters were sent to the U.S. Attorney's Office in Garden City for their review and signature. We have been informed that to date the transcripts have not been reviewed or signed. If your clients wish to review and sign the transcripts, they should do so as soon as possible but no later than by Friday April 11, 1997.

If you have any questions, please contact me at (202) 219-3690.

Sincerely,


Xavier K. McDonnell
Attorney

CC: Lawrence Lally, Esquire

9804384551

RECEIVED
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COMMISSION
OFFICE OF GENERAL
COUNSEL

APR 10 8 54 AM '97

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
280 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 761-2600

FACSIMILE NUMBER
(516) 761-0800

April 9, 1997

By Facsimile

Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4120

Dear Mr. McDonnell:

Pursuant to your request, both Grant Lally and I appeared at the Office of the United States Attorney, to review the transcripts in the above-captioned matter.

Upon review of the transcripts, however, it was noted that the dozens of exhibits referred therein were not attached or available at that office. The exhibits constitute a major part of the record, and are repeatedly referenced throughout the transcript. Without the exhibits, review of the transcripts is meaningless.

Please arrange for these exhibits to be available for review with the transcripts, and I will endeavor to complete our review and return these to you as soon as possible.

Pursuant to our stipulation entered into on the record, please provide Mr. Ciampoli with a copy of the transcripts.

Thank you for your courtesy and consideration in this regard.

Very truly yours,


LAWRENCE M. LALLY

LNL:las

98043084552



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 30, 1997

VIA FEDERAL EXPRESS

Ms. Mitze Tanner
U.S. Attorney's Office
825 East Gates Blvd.
Suite 301
Garden City, NY 11530

RE: MURs 4128/4362

Dear Ms. Tanner:

Enclosed please find copies of the exhibits for the depositions in MURs 4128/4362. Please place each of the exhibits at the rear of the appropriate deposition transcript. In addition, pages 1-3 of the transcript of Lawrence Lally that are in your possession are incorrect. Therefore, I have enclosed replacements for those pages. Within the next two weeks, the deponents should be coming by your office to review and sign the transcripts. As before, we appreciate your assuring that the deponents do not copy the transcripts and that they are kept confidential, as required by 2 U.S.C. § 437g(a)(12).

Thank you for your assistance. If you have any questions, please call me at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Attorney

Enclosures:

1. Pages 1-3 from deposition of Lawrence Lally
2. Exhibits from depositions of Grant Lally, Lawrence Lally, Ute Lally and Dawn Fasano



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX

May 1, 1997

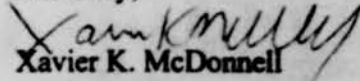
Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

RE: MUR 4128

Dear Mr. Lally:

This is to notify you that the exhibits for the depositions of Grant Lally, Ute Lally, Dawn Fasano and yourself are available for review at the U.S. Attorney's Office in Garden City. If you and your clients wish to read and sign the transcripts, please do so as soon as possible. I can be reached at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney

cc: John Ciampoli, Esquire

98043004554

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8533

May 1, 1997

MAY 7 12 36 PM '97

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COMMISSION
OFFICE OF GENERAL
COUNSEL

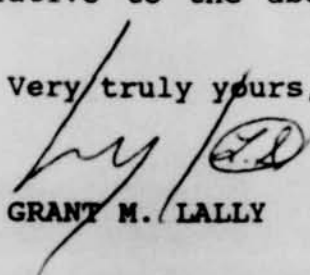
Xavier McDonnell, Esq.
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: MUR 4128

Dear Mr. McDonnell:

Enclosed please find response to subpoenas to Kurt and Margaret Schurm dated December 23, 1996 relative to the above-referenced matter.

Very truly yours,


GRANT M. LALLY

GML:las
Enc.

9804388455

CHIEF OF BUREAU
FEDERAL ELECTION
COMMISSION
OFFICE OF SPECIAL
COUNSEL

MAY 7 12 36 PM '97

Re: MUR 4128

RESPONSE TO SUBPOENAS TO KURT and MARGARET
SCHURM DATED DECEMBER 23, 1996

GRANT LALLY was gifted a joint tenancy with right of survivorship in a debt of _____ owed, by Lawrence and Ute Lally, to Margaret and Kurt Schurm.

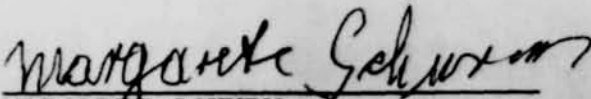
This gift was made in 1992 and evidenced by two signed and notarized documents, copies of which are enclosed.

In October, 1994, Kurt and Margaret Schurm paid out \$87,000.00 to Grant Lally for a portion of the value of the indebtedness. Grant Lally retained the right of survivorship.

The evidence of such payment and the transfer of this interest is the check made from Kurt and Margaret Schurm to Grant Lally for \$87,000.00. Copies of this check have been provided to the F.E.C.

That Margaret Schurm is now 92 years old, and Kurt Schurm is now 95 years old. Both are frail and in ill health.

Dated: April 28 , 1997


MARGARET SCHURM

980436456

Know all Men by these Presents,

THAT KURT SCHURM and MARGARET SCHURM
of 25-38 Oakleaf Lane, Clearwater, Florida 34623

assignor(s),

in consideration of \$ 10.00, the receipt whereof is hereby acknowledged, has sold and by these presents does grant, assign and convey unto KURT SCHURM, MARGARET SCHURM and GRANT LALLY, as joint tenants with right of survivorship

of assignee(s)

the following: all right, title, and interest that KURT SCHURM and/or MARGARET SCHURM have or may have had in any notes, mortgages, bonds, and/or other obligations executed or entered into by LAWRENCE M. LALLY and/or UTE W. LALLY, from November 1, 1984 to August 30, 1992, in favor of KURT SCHURM and/or MARGARET SCHURM.

9 3 0 4 3 8 4 5 5 7

TO HAVE AND TO HOLD the same unto the said assignee(s) executors, administrators and assigns forever, to and for the use of the assignee(s), hereby constituting and appointing said assignee(s) true and lawful attorney(s) irrevocable, in assignor's name, place and stead, for the purposes aforesaid, to ask, demand, sue for, attach, levy, recover and receive all such sum and sums of money which now are, or may hereafter become due, owing and payable for, or on account of all or any of the accounts, dues, debts, and demands above assigned, and giving and granting unto the said attorney(s) full power and authority to do and perform all and every act and thing whatsoever requisite and necessary, as fully, to all intents and purposes, as assignor's might or could do, if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that the said attorney(s) or attorney's substitute shall lawfully do, or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set hand(s) and seal(s) the 26th
day of March 1993.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

Kurt Schurm L.S.
KURT SCHURM

Margaret Schurm L.S.
MARGARET SCHURM

STATE OF *Tennessee*
COUNTY OF *Putnam*

ss.:

On the *26* day of *March*, nineteen hundred and *93*
before me came *Kurt Schurm & Margaret Schurm*

to me known and known to me to be the individual(s) described in, and who executed, the foregoing instrument, and acknowledged to me that ~~he~~ *she* executed the same.

Sherrie Hellrung
Notary Public, State of *Tennessee*
My Commission Expires Dec. 31, 1995
Bonds Thru Troy Fair Insurance Inc.
Sherrie Hellrung
0160188

STATE OF
COUNTY OF

ss.:

On the _____ day of _____, nineteen hundred and _____
before me came _____ to me known, who,
being by me duly sworn, did depose and say that he resides in _____

that he is the _____ of _____

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of _____ of said corporation; and that he signed his name thereto by like order.

KURT SCHURM and MARGARET SCHURM

To

KURT SCHURM, MARGARET SCHURM and
GRANT LALLY

Assignment

Dated, March 26, 1993

98043084556

Know all Men by these Presents,

THAT KURT SCHURM AND MARGARET SCHURM
of 25-38 Oakleaf Lane, Clearwater, Florida 34623

in consideration of \$ \$10.00 , the receipt whereof is hereby acknowledged, has sold and by these presents
does grant, assign and convey unto KURT SCHURM, MARGARET SCHURM AND GRANT LALLY,
as joint tenants with right of survivorship ,

of the following: all right, title and interest that KURT SCHURM AND
MARGARET SCHURM have or may have had in any notes, mortgages and/or
bonds executed by LAWRENCE M. LALLY and/or UTE W. LALLY, from
October 1, 1972 to October 30, 1984, in favor of KURT SCHURM and/or
MARGARET SCHURM.

TO HAVE AND TO HOLD the same unto the said assignee(s) executors, administrators and assigns forever,
to and for the use of the assignee(s), hereby constituting and appointing said assignee(s) true and lawful
attorney(s) irrevocable, in assignor's name, place and stead, for the purposes aforesaid, to ask, demand, sue for,
attach, levy, recover and receive all such sum and sums of money which now are, or may hereafter become due,
owing and payable for, or on account of all or any of the accounts, dues, debts, and demands above assigned, and
giving and granting unto the said attorney(s) full power and authority to do and perform all and every act and
thing whatsoever requisite and necessary, as fully, to all intents and purposes, as assignor's might or could do,
if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that
the said attorney(s) or attorney's substitute shall lawfully do, or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set hand(s) and seal(s) the 15
day of April 1992 .

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

KURT SCHURM

MARGARET SCHURM

L.S.

L.S.

STATE OF Florida
COUNTY OF Pinellas

} ss.:

On the 15 day of April, nineteen hundred and ninety-two
before me came Margaret A Schurm and Kurt Schurm

to me known and known to me to be the individual(s) described in, and who executed, the foregoing instru-
ment, and acknowledged to me that he executed the same.

STATE OF Florida
COUNTY OF Pinellas

} ss.:

On the 15 day of April, nineteen hundred and 92
before me came Margaret A Schurm and Kurt Schurm to me known, who,
being by me duly sworn, did depose and say that he resides in Pinellas County

that he is the resident of Florida

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of
said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the board of
name thereto by like order.

NOTARY PUBLIC, STATE OF FLORIDA.
MY COMMISSION EXPIRES: Dec. 3, 1995.
BONDED FIDELITY NOTARY PUBLIC UNDERWRITERS.

Michelle Merrick
Michelle Merrick
commission
CC 165053

KURT SCHURM
MARGARET SCHURM

To

KURT SCHURM
MARGARET SCHURM
GRANT LALLY

Assignment

Dated, April, 1992

BEFORE THE FEDERAL ELECTION COMMISSION

IN THE MATTER OF

)
)
)

MUR 4128

AFFIDAVIT

I, Kenneth Goldstein, being first duly sworn, depose and say as follows:

1. I am a certified public accountant and a partner in the firm of Shapiro, Bress & Goldstein.
2. My principal place of business is located at 366 North Broadway, Jericho, New York.
3. During 1994-1996, I provided tax preparation services to Grant M. Lally, who resides at 345 Harbor Drive in Oyster Bay, New York.
4. I prepared Grant Lally's federal income tax return for 1994, which covered the period beginning on January 1, 1994 and ending on December 31, 1994. That tax return, which I signed as tax preparer on October 15, 1995, does not report any capital gains for tax year 1994. At no time did Grant Lally inform me that during 1994 he received income in connection with the sale of real property.
5. I prepared Grant Lally's federal income tax return for 1995 ("1995 tax return"), which covered the period beginning on January 1, 1995 and ending on December 31, 1995. It was only in the course of preparing Grant Lally's 1995 tax return that I was first informed that he had sold real property located at 1427 Bantam Place, Bronx, New York ("Bantam Place Property").¹ Specifically, during a telephone conversation shortly before the 1995 tax return was signed by me as tax preparer on October 15, 1996, Grant Lally inform me that he had sold the Bantam Place Property during 1995, and provided me with information relevant to my determining the amount of the capital gain. Grant Lally's 1995 tax return reports a capital gain of _____ for the sale of the Bantam Place Property.

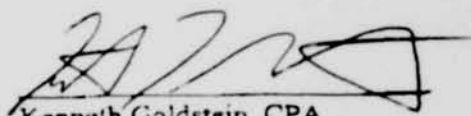
¹ The tax return indicates that the address for the property is 1427 Bantam Road. However, the address is actually 1427 Bantam Place.

Affidavit of Kenneth Goldstein, CPA

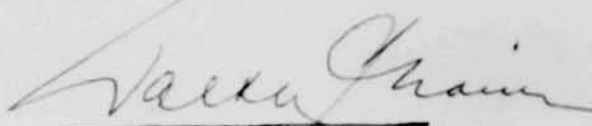
Page 2

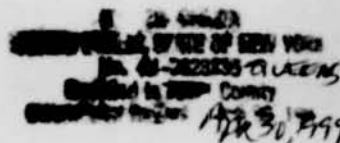
6. At no time did I inform Grant Lally that even though income from the sale of the Bantam Place Property was received in 1994, it was not necessary to pay tax on any capital gain derived from that sale, or report such gain, until filing his 1995 income tax return. More generally, at no time from 1994 to the present did I advise Grant Lally that if proceeds from the sale of real property are received over a period of more than one year, he could defer paying taxes on any gain that may result and/or defer reporting it, until the sale was complete. In addition, at no time from 1994 to the present, did I advise Grant Lally that he could rely on "income averaging" or any other concept to defer reporting a capital gain. In fact, it is my understanding that the concept of "income averaging" was repealed from the Internal Revenue Code and pertinent regulations in the early to mid 1980s.

Further the affiant sayeth not.


Kenneth Goldstein, CPA

Subscribed and sworn to before me, on this 14 day
of MAY 1997


Notary Public


NOTARY PUBLIC, STATE OF NEW YORK
JAN. 40-262030-01 LICENS
Qualified in New York County
Commission Expires APR 30, 1999

98043884562

MAY 12 11 27 AM '97

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Lally for Congress)	MUR 4128
and Bruce Cozzens, as treasurer)	MUR 4362
Grant M. Lally)	
Lawrence Lally)	
Ute Lally)	

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

Grant Lally ran for Congress in 1994 and again in 1996. His authorized committee is Lally for Congress ("Lally campaign"). MUR 4128 involves loans reportedly made by Grant Lally to aid his 1994 campaign, but which appear to have come from other sources. MUR 4362 involves the alleged failure of Grant Lally to timely file his 1996 statement of candidacy, and the Lally campaign's failure to file accurate an disclosure report.

On January 29-31, 1997, this Office deposed four persons in connection with the above-cited matters. Although the depositions included several questions related to MUR 4362, they focused primarily on the activities at issue in MUR 4128. The deposition transcripts were received on February 25, 1997. In March and April, this Office sought and finally obtained additional information from the Respondents, most of which relates to MUR 4128. During that same time frame, we were in contact with various witnesses regarding activities at issue in MUR 4128. This Office has reviewed the substantial evidence adduced, including voluminous documents. Moreover, this Office has begun drafting General Counsel's Briefs.

Subsequent to the depositions, Grant Lally and the Lally campaign requested preprobable cause conciliation with respect to MUR 4362. See Attachment. However, they have not requested conciliation in MUR 4128. As noted, this Office is nearly ready to send the Briefs in

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MUR 4128. Thus, to attempt preprobable cause conciliate in MUR 4362 would mean that either these two cases would be resolved separately or that we would delay sending the Briefs in MUR 4128. Given that both of these matters involve some of the same respondents, it would be best to resolve them together. Moreover, the violations in MUR 4128 are far more serious and the issues are more complex. Thus, it would be inappropriate to delay MUR 4128 until the outcome of conciliation in MUR 4362. Instead, this Office will include the issues in MUR 4362 and MUR 4128 in combined General Counsel's Briefs. Accordingly, this Office recommends that the Commission deny the request to enter into preprobable cause conciliation in MUR 4362.

II. **RECOMMENDATIONS**

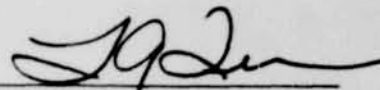
1. Deny the request of Grant Lally and Lally for Congress and Bruce Cozzens, as treasurer to enter into preprobable cause conciliation in MUR 4362.

2. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

5/9/97
Date

BY:


Lois G. Lerner
Associate General Counsel

Attachment

Letter from Lawrence Lally, Esquire

Staff Assigned: Xavier K. McDonnell

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress and Bruce) MUR 4128
Cozzens, as treasurer;)
Grant M. Lally;) MUR 4362
Lawrence Lally;)
Ute Lally.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on May 15, 1997, the Commission decided by a vote of 5-0 to take the following actions in MURs 4128 and 4362:

1. Deny the request of Grant Lally and Lally for Congress and Bruce Cozzens, as treasurer, to enter into preprobable cause conciliation in MUR 4362.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated May 9, 1997.

Commissioners Aikens, Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

5-15-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Mon., May 12, 1997 11:27 a.m.
Circulated to the Commission: Mon., May 12, 1997 4:00 p.m.
Deadline for vote: Thurs., May 15, 1997 4:00 p.m.

bjr



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

June 23, 1997

VIA FAX

John Ciampoli, Esquire
1461 Franklin Ave.
Garden City, New York 11530

RE: MUR 4362 & MUR 4128

Dear Mr. Ciampoli

This is to confirm in writing that the Commission has determined not to enter into preprobable cause council with respect to MUR 4362. As I have also previously informed your secretary, this Office will shortly provide you with the General Counsel's Briefs addressing the issues in both MUR 4128 and 4362. If you have any questions, I can be reached at (202) 219-3400.

Sincerely,

A handwritten signature in dark ink, appearing to read "X. McDonnell", is written over the typed name.

Xavier K. McDonnell
Attorney

cc: Lawrence M. Lally, Esquire
220 Old Country Road
Mineola, New York 11501

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 21 2 44 PM '97

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8533

July 15, 1997

CERTIFIED MAIL - RETURN RECEIPT

General Counsel
Federal Election Commission
999 "E" Street, NW
Washington, D.C. 20463

Re: MUR #4128 and MUR #4362

Dear Sir:

Pursuant to Part III, Section 111.18 C.F.R., the undersigned hereby requests a conciliation conference relative to the above-referenced proceedings pending before the Federal Election Commission.

Very truly yours,


GRANT M. LALLY

GML:las

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

RECEIVED
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COMMISSION
SECRETARIAT

Jul 22 1 39 PM '97

SENSITIVE

July 22, 1997

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

BY: Lois G. Lerner *LL*
Associate General Counsel

SUBJECT: Shorter Voting Deadline for General Counsel's Report in MUR 4128 & MUR 4362

Pursuant to the Circulated Vote Provisions of Directive 52, the Office of the General Counsel is circulating the attached report on a 24 Hour Tally Vote basis, so as to prevent delay in sending General Counsel's Briefs in these matters which are now complete and ready for mailing.

Attachment

Staff Assigned: Xavier McDonnell

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress)
and Bruce Cozzens, as treasurer) MUR 4128
Grant M. Lally) MUR 4362
Lawrence M. Lally)
Ute Lally)

GENERAL COUNSEL'S REPORT

I. BACKGROUND

MUR 4128 and MUR 4362 both involve Lally for Congress ("Lally campaign") and Grant M. Lally ("candidate"). MUR 4128 is a complex matter involving the receipt of over \$300,000 in contributions in connection with the candidate's 1994 Congressional campaign. The Commission found reason to believe that the candidate and the Lally campaign violated Section 441a(f) by accepting excessive contributions and that Lawrence and Ute Lally violated Section 441a by making such contributions.

MUR 4362 involves Grant Lally's failure to file his 1996 Statement of Candidacy and some other minor reporting violations. Counsel for the candidate and the Lally campaign previously submitted a request for conciliation in MUR 4362 (but not MUR 4128), which was denied by the Commission on May 15, 1997. Thereafter, counsel for the respondents was notified in writing of the Commission's decision not to enter into preprobable cause conciliation in MUR 4362, and that his clients would be receiving General Counsel's Briefs addressing the issues in both MUR 4128 and MUR 4362.

This Office has completed its investigations in MUR 4128 and MUR 4362, and General Counsel's Briefs addressing the many issues in both matters are now prepared and ready to be mailed. In the Briefs, which will be distributed to the Commission shortly, this Office concludes

that the violations by the candidate, the Lally campaign and Lawrence and Ute Lally in MUR 4128 were knowing and willful.

On July 15, 1997, the candidate submitted another request for preprobable cause conciliation, this time with respect to MUR 4128 as well as MUR 4362. See Attachment 1. This request was made by the candidate only, and so it does not pertain to the Lally campaign, or Lawrence or Ute Lally. In addition, although the candidate is represented by two separate counsel in this matter, neither appears to have been included in the distribution of this request. As noted, the General Counsel's Briefs in this matter, which address all of the allegations against all of these respondents, are now complete and ready to be mailed. These Briefs will afford the respondents the opportunity to respond to the knowing and willful recommendations in MUR 4128. In light of the above, this Office recommends that the Commission deny the candidate's request for preprobable cause conciliation in MUR 4128 and MUR 4362. This Office shall notify the candidate of the Commission's decision in the cover letter that will accompany the Briefs.

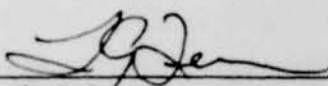
II. RECOMMENDATIONS

1. Deny the request of Grant M. Lally for preprobable cause conciliation in MUR 4128 and MUR 4362.
2. Approve the appropriate letter.

Lawrence M. Noble
General Counsel

7/22/97
Date

BY:


Lois G. Lerner
Associate General Counsel

Staff Assigned: Xavier K. McDonnell

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress and Bruce) MURs 4128 and
Cozzens, as treasurer;) 4362
Grant M. Lally;)
Lawrence M. Lally;)
Ute Lally.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on July 24, 1997, the Commission decided by a vote of 4-0 to take the following actions in MURs 4128 and 4362:

1. Deny the request of Grant M. Lally for preprobable cause conciliation in MUR 4128 and MUR 4362.
2. Approve the appropriate letter, as recommended in the General Counsel's Report dated July 22, 1997.

Commissioners Aikens, Elliott, McDonald, and Thomas voted affirmatively for the decision; Commissioner McGarry did not cast a vote.

Attest:

7-24-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Tues., July 22, 1997 1:39 p.m.
Circulated to the Commission: Tues., July 22, 1997 4:00 p.m.
Deadline for vote: Wed., July 23, 1997 4:00 p.m.

bjr



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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COMMISSION
SECRETARIAT

JUL 24 1 02 PM '97

John Ciampoli, Esquire
1461 Franklin Ave.
Garden City, New York 11530

July 24, 1997

SENSITIVE

RE: MUR 4362 & MUR 4128
Grant M. Lally
Lally for Congress and
Bruce Cozzens, as treasurer
Lawrence M. Lally
Ute Wolff Lally

Dear Mr. Ciampoli:

Based on the complaint in MUR 4128, filed on November 3, 1994, an amendment filed on August 3, 1995, and information supplied by your clients, the Commission, on May 16, 1996, found that there was reason to believe that Grant M. Lally violated 2 U.S.C. § 441a(f), that Lally for Congress and its treasurer, violated 2 U.S.C. §§ 441a(f) and 434(b) and that Lawrence M. Lally and Ute Wolff Lally violated 2 U.S.C. § 441a(a)(1)(A).

Based on the complaint in MUR 4362, filed on May 14, 1996, and information supplied by your clients, the Commission found reason to believe that Grant M. Lally violated 2 U.S.C. 432(e) and that Lally for Congress and its treasurer violated 2 U.S.C. § 434(a) and (b).

On July 24, 1997, the Commission denied Grant M. Lally's request for probable cause conciliation, which was received on July 21, 1997. With respect to MUR 4128, after considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that Grant M. Lally knowingly and willfully violated 2 U.S.C. § 441a(f), that Lally for Congress and its treasurer, knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434 and that Lawrence M. Lally and Ute Wolff Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A). This Office is also prepared to recommend that the Commission find probable cause to believe that the violations in MUR 4362 occurred.

The Commission may or may not approve the General Counsel's recommendations. Submitted for your review are General Counsel's Briefs stating the position of the General Counsel on the legal and factual issues of these matters. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission briefs (ten copies if possible) stating your position on the issues and replying to the General Counsel's Briefs. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's Briefs and any brief which you may submit will be considered by the Commission

before proceeding to a vote of whether there is probable cause to believe violations have occurred.

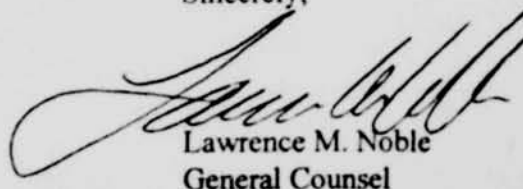
If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

Pursuant to your earlier request for copies of your clients' deposition transcripts, you may contact the court reporter Michelle Cox at (516) 489-5224. Ms. Cox will be away until August 4, 1997. During that time, you may obtain the transcripts from Ron Tolken at (516) 587-7819.

A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90 days, to settle this matter through a conciliation agreement.

Should you have any questions, please contact Xavier K. McDonnell, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosure
Briefs

cc: Lawrence M. Lally, Esquire
Lally and Lally, Esquires
220 Old Country Road
Mineola, New York 11501

98043684573

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Grant M. Lally)	
Lally for Congress)	MUR 4128
Bruce Cozzens, as treasurer)	MUR 4362
)	

GENERAL COUNSEL'S BRIEF

I. BACKGROUND

Grant M. Lally (the "candidate") ran for Congress in New York's Fifth Congressional district in 1994 and 1996. Lally for Congress ("Lally campaign") was Grant Lally's authorized campaign committee during both of those election bids. MUR 4128 was generated by complaint alleging that loans reportedly made from Grant M. Lally's personal funds to the Lally campaign during 1994 were derived from other sources. On May 16, 1996, the Commission found reason to believe that Grant Lally violated 2 U.S.C. § 441a(f), and that the Lally campaign violated 2 U.S.C. §§ 441a(f) and 434(b).

MUR 4362 was generated by a complaint alleging that the candidate failed to timely file his statement of candidacy for the 1996 electoral cycle. On December 3, 1996, the Commission found reason to believe that the candidate violated 2 U.S.C. § 432(e). At the same time, the Commission found reason to believe that the Lally campaign and its treasurer violated 2 U.S.C. § 434(a) and (b) in connection with MUR 4362.

After completing its investigations in these matters, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that the candidate knowingly and willfully violated 2 U.S.C. § 441a(f) with respect to MUR 4128 and that he violated 2 U.S.C. § 432(e) with respect to MUR 4362. In addition, the General Counsel will recommend that the Commission find probable cause to believe that the Lally campaign and its treasurer knowingly

and willfully violated 2 U.S.C. §§ 441a(f) and 434 with respect to MUR 4128 and that it violated 2 U.S.C. § 434 in connection with MUR 4362.

II. **MUR 4128**

A. **OVERVIEW**

During 1994, Grant Lally reported making loans totaling \$319,991 to the Lally campaign. The loans were used in connection with the primary election on September 13, 1994, and the general election on November 8, 1994. In response to inquiries from the Reports Analysis Division ("RAD") about the source of the loans, in 1994 and again in 1995, Lawrence Lally, then treasurer of the Lally campaign, asserted that the loans in question "were not secured from any lending institution, but rather from Grant M. Lally's own personal funds." See letters of Lawrence M. Lally, as treasurer, to RAD, dated September 14, 1994 and February 8, 1995.¹ However, the investigation has shown that most of the \$319,991 loaned to the Lally campaign did not come from the candidate's "personal funds." Those funds were actually derived from other sources: bank accounts of the candidate's parents; bank loans obtained by the candidate's parents; and an unexplained stream of checks and transfers from the checking account of Lally and Lally, Esquires ("law firm").

On May 16, 1996, the Commission issued Subpoenas for documents and Orders for Written Answers to the candidate and the Lally campaign. Despite numerous attempts to obtain compliance, the respondents failed to adequately respond to the Commission's Subpoenas and Orders. Thus, on July 16, 1996, the Commission authorized the Office of the General Counsel to institute a civil suit in

¹ RAD's letter to Lawrence Lally, dated August 30, 1994, informed the Lally campaign that it "is important to note that 'personal funds' is strictly defined" and directed the campaign to 11 C.F.R. § 110.10, the regulation which defines "personal funds." RAD's letter also explained that if the funds were borrowed from a lending institution, such must be disclosed. As the Brief concludes below, even after receiving and responding to RAD's letter of August 30, 1994, the candidate continued to loan the Lally campaign money from sources other than personal funds without reporting it as such.

U.S. District Court. From July through October of 1996, in more than 22 separate submissions, the respondents produced by piecemeal the documents required by the Commission's Subpoena of May 16. In October of 1996, after the Commission had been assured that all the documents in respondents' possession had been produced, no suit was filed.

The candidate's deposition took place on January 29, 1997, and in two further submissions in March and April 1997, the candidate offered additional explanations for the source of funds that he received from the law firm and produced documents that he previously averred did not exist. This Brief examines the many statements and submissions made and concludes that candidate funded a significant portion of his 1994 congressional campaign via excessive contributions from family members far beyond the permissible limits.

B. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended ("FECA" or the "Act") limits the amount that persons may contribute to any candidate or his or her authorized political committee. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C. § 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a). The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments, bequests to the candidate; income from trusts established before candidacy; income from trusts established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to

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candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F.R. § 110.10(b)(1) and (2). The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election. 2 U.S.C. § 431(8)(A)(i). Any candidate who receives a contribution, or any loan for use in connection with the campaign of such candidate for election, shall be considered as having received the contribution or loan as an agent of the authorized committee of such candidate. 2 U.S.C. § 432(e)(2). The treasurer of a political committee is required to file disclosure reports, and such reports must disclose the identification of each person who makes a loan to that committee. 2 U.S.C. § 434(a)(1) and 434(b)(3)(E).

The FECA includes the term "partnership" within the definition of a "person." 2 U.S.C. § 431(11). The Commission's regulations provide that a contribution by a partnership shall be attributed to the partnership and to each partner. 11 C.F.R. § 110.1(e). Such attribution shall either be in direct proportion to each partner's share of the partnership profits or by agreement of the partners, as long as only the profits to the attributed partner are reduced and such profits are reduced in proportion to the contribution attributed to them.

C. \$116,000 RECEIVED FROM LAWRENCE AND UTE LALLY

i. Facts

From May through October, 1994, the candidate's father Lawrence Lally issued checks and transferred funds to his son Grant Lally, totaling \$116,000. Deposition of Grant Lally, dated January 29, 1997, at pages 40-41, 86-87 ("Grant Lally Depo"); Deposition of Lawrence M. Lally, dated January 30, 1997, at pages 23-27 ("Lawrence Lally Depo"). Specifically, Lawrence Lally issued to Grant a \$25,000 check on May 3, 1994, a \$48,000 check on May 21, 1994, and a \$30,000 check on October 19, 1994. Lawrence Lally also authorized a \$13,000 transfer to Grant Lally's personal

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account on October 24, 1994. All of the funds were subsequently loaned by Grant Lally to the Lally campaign. The candidate claims that these payments were for real property purchased from him by Lawrence Lally.

Documents obtained from the New York City Department of Finance show that on March 15, 1993, Grant Lally paid \$40,000 for a 2/3 interest in real property located at 1527 Bantam Place, Bronx, New York ("Bantam Place" or "property").² Grant Lally claims that the \$116,000 that he received from Lawrence Lally in 1994 was for the purchase of Grant's 2/3 interest in Bantam Place. Grant Lally Depo. at pages 40-41, 86-87. Grant and Lawrence Lally testified that there was no written contract for the alleged 1994 sale of Grant's 2/3 interest in Bantam Place. Grant Lally Depo. at page 49; Lawrence Lally Depo at page 30. The checks and check registers related to the \$116,000 at issue do not indicate the purpose of these payments. In support of the claim that Grant Lally sold his 2/3 interest in Bantam Place to Lawrence Lally in 1994, the candidate produced a deed. The deed is dated May 24, 1994, and is signed by Grant Lally. The deed is not notarized and was never recorded. Grant Lally Depo. at page 59; Lawrence Lally Depo at page 34. The candidate did not pay state or city transfer taxes for the alleged 1994 conveyance, and he did not pay tax on the capital gain which he received from the alleged 1994 sale.

According to public documents and an official title search conducted in 1995, Grant Lally retained his 2/3 interest in Bantam Place until October 26, 1995, when the property was sold to Winsome Brown and Boyd Farquarson, husband and wife.

² The persons from whom Grant Lally purchased that 2/3 interest found it difficult to find a willing purchaser because the owner of the remaining 1/3 interest, the sellers' estranged brother James Pavlo, resided on the property and refused to sell. Grant Lally Depo at 41-42. After purchasing Bantam Place, Grant Lally filed a partition action against James Pavlo in an attempt to force Pavlo to sell his 1/3 interest in the property. Grant Lally Depo at 42-43. However, throughout 1993-94, Mr. Pavlo refused to sell Bantam Place, which had been his parents' home and his life long residence. On April 15, 1995, Mr. Pavlo finally sold his 1/3 interest to the candidate's father, Lawrence Lally.

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ii. Analysis

The facts at hand belie the claim that the \$116,000 which the candidate received from his father and used in connection with his 1994 campaign was for the sale of his 2/3 interest in Bantam Place. First of all, there is no independent documentation to support the claim that such a sale of his interest ever occurred. Specifically, there was no written contract for the sale, and even the checks and check registers for the payments do not contain any indication that they were related to Bantam Place. The deed that the candidate produced was not notarized; there is no indication that it was signed in the presence of a witness; and it was never even recorded. Indeed, Lawrence Lally would not even state with any degree of certainty that he was provided with the deed in May of 1994, when he gave Grant the first two payments totaling \$73,000. L. Lally Depo. at page 36.³

³ Grant Lally testified that the "deed was executed--it appears to have been executed on May 24, 1994 the date I executed it; on or about that date." Grant Lally Depo. at page 48. In response to questions about the deed, Lawrence Lally testified as follows:

Q: When was this deed given to you?

A: Probably on that date, May 24. It could have been given to me on that date. I don't have any independent recollection as to when I specifically got it.

Q: Do you know when this deed was created? []

A: I don't recall exactly.

Q: Do you know who created this deed?

A: Grant probably did. Sure.

Q: Were you involved in creating it as well?

A: I don't recall. I don't recall.

L. Lally Depo. at pages 28-29. Later, when attempting to explain why the deed was never recorded, Lawrence Lally testified:

Q: ... the deed was given to you in May of '94 correct?

A: I don't know if it was given to me, I don't know if it was given to me in May of 1994. It was given to me subsequent to May of '94. Grant may have prepared that and it was given to me subsequently. I don't recall, Mr. McDonnell, when I got the deed.

L. Lally Depo. at 35-36.

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Unlike every other conveyance of any interests in Bantam Place from 1987 to present, there is no evidence on file with the local authorities substantiating that such a conveyance occurred. In addition, no state and city taxes were paid on the alleged 1994 transfer, as required under New York law.⁴ Furthermore, public documents as well as a 1995 title search indicate that Grant Lally retained his 2/3 interest in Bantam Place until October 26, 1995, at which time it was sold to third party purchasers in an arms length transaction. Thus, the documents related to the 1995 transaction directly contradict the contention that there was a bona fide sale of Grant's 2/3 interest in Bantam Place during 1994.

The claim that the \$116,000 was for the 1994 sale of Bantam Place is further undermined by the fact that the candidate did not pay any federal income tax related to the sale,

The law clearly requires that income be included for the taxable year in which it is received by the taxpayer. See 26 United States Code § 451. The candidate paid tax on the capital gain for Bantam Place in connection with his 1995 return, which was not filed until October 15, 1996, almost exactly one year after Bantam Place was sold to a third party and after the investigation in this matter was underway. The candidate has failed to offer a credible explanation for the reason why he did not pay capital gains tax with his 1994 return, the year in which he received the \$116,000.⁵ In addition, although by the time Grant Lally

⁴ New York State imposes a transfer tax on each conveyance of real property or interest therein when the consideration exceeds \$500. N.Y. Tax Law, Art. 31, § 1402. Section 1404(a) imposes the duty to pay that tax on the Grantor, in this case the candidate. New York City imposes its own transfer tax. See N.Y.C. Admin. Code, Title II, §§ 46-1.0.

⁵ The candidate claims that the gain was not reported until 1995 because he received another \$2,000 payment on the property in 1995. Grant Lally Depo. at 83. When asked for documentation of such payment after his deposition, the candidate produced a copy of a \$10,140 check, which, according to the real estate closing documents, was his 6% brokerage fee for the sale of Bantam Place. The candidate acknowledged that he assisted in trying to sell the property. Grant Lally Depo. at 66. According to the settlement attorney for that sale, 6% is the fee most often received for brokers within that jurisdiction. The brokerage fee was "earned income" and not part of the sale price for Bantam

filed his 1994 Ethics in Government Act ("EIGA") statement in September of 1994, he had already received \$73,000 from the alleged sale of Bantam Place and had loaned that money to his campaign, he failed to disclose the receipt of any income from the sale of Bantam Place on that statement. In short, the candidate's failure to pay capital gains tax with his 1994 tax return and his failure to report the receipt of income related to the alleged sale of Bantam Place on his 1994 EIGA statement is further evidence that there was no bona fide sale of Bantam Place in 1994.⁶

Other factors further call into question the validity of the candidate's claim. Lawrence Lally testified that his purchase of Grant's interest in Bantam Place "was a good deal." L. Lally Depo. at page 23. However, if the \$116,000 had been for Bantam Place, then Lawrence Lally would have paid over three times the amount that Grant had paid just thirteen months earlier.⁷ Yet there is nothing which suggests that the value of the property increased at all during that time frame. To the contrary, in May of 1994, just as in March of 1993 when Grant Lally purchased Bantam Place, the property

Place. Moreover, even if the \$2,000 was actually part of the sales price, the tax on the portion of the gain related to the \$116,000 was payable and reportable with the 1994 return, the year in which such gain was realized. See 26 U.S.C. § 451.

During his deposition, the candidate averred that his accountant advised him that because the gain was "spread over two years, it was income averaging" and thus he did not need to pay tax on the gain until 1995. Grant Lally Depo. at pages 84-85. However, the accountant who prepared his 1994 and 1995 tax returns has averred that he was not informed that the Respondent received any income from the sale of real property during 1994 and that Grant Lally first informed him about the sale of Bantam Place when he was preparing the 1995 tax return in October of 1996. The tax preparer indicated that from 1994-97, he did not advise the candidate that he could defer taxes on any gain from the sale of real property until it was complete or rely on "income averaging," a concept that was repealed years before the transactions at issue.

⁶ We further note that the candidate's 1996 EIGA statement does not disclose his receipt of income in 1995 for the sale of Bantam Place (the 1996 EIGA statement required disclosure of all earned and unearned income for 1995 as well as 1996). Thus, the candidate did not report his receipt of any income related to the sale of Bantam Place on his EIGA statements covering the time frame from 1994-1996.

⁷ Even the first two of Lawrence Lally's payments in May of 1994 totaled \$73,000, which was almost twice as much as Grant paid for his 2/3 interest in Bantam Place just the year before.

was encumbered, see *supra* footnote 2. Thus, the marketability and value of Bantam Place remained diminished. See e.g. *Santisi v. Parente*, 633 N.Y.S. 2d 194, 220 A.D. 2d 737 (1995) (Appraisal was deemed meaningless because it failed to consider that property was no longer encumbered).⁸ In addition, Grant Lally testified that no improvements were made on the property from the time he purchased it in 1993 until the alleged sale to his father in 1994. Grant Lally Depo. at page 44.

The source of the money used to pay Grant Lally the \$116,000, and the timing of the payments, also cast doubt on the claim that it was related to a bona fide sale of Bantam Place. Most of the money used for the alleged purchase of Bantam Place came from banks in the form of loans to Lawrence and Ute Lally that were supposedly obtained for other purposes. Part of the money came in the form of a \$48,000 check, dated May 21, 1994, that was derived from a line of credit taken by the candidate's parents just in time for the candidate to make a \$100,000 loan to his campaign. The collateral which secured that line of credit was the primary residence of the candidate's parents. A letter from the lending institution indicates that it was a home improvement loan.⁹ A \$56,000 line of credit was obtained by Lawrence Lally just in time to provide the candidate with the \$43,000 that the latter loaned to his campaign shortly before the general election. According to a letter from that lending institution, the \$56,000 was a business line of credit taken by Lawrence Lally d/b/a Lally and Lally, Esquires, not for use in Grant Lally's campaign. In addition, the \$43,000 derived from the

⁸ As noted, in April of 1995, the partition action finally forced or convinced Mr. Pavlo to sell his 1/3 interest. See footnote 2. Thus, when Brown and Farquarson purchased Bantam Place on October 26, 1995, the property was no longer encumbered and they acquired a complete (100%) ownership interest for \$169,000.

⁹ Although the letter from the bank stated that the loan was for home improvement, Lawrence Lally denied it. L. Lally Depo. at 33. This Office requested additional documentation, but Lawrence Lally claimed that he had none. He also informed this Office that he wrote to the bank to obtain further information, but it never responded. L. Lally Depo. at page 45. Lawrence Lally agreed to provide a copy of his letter to the bank requesting the information, but he never did.

business loan was transferred to Grant Lally in two payments, one of which was within a \$14,598.91 transfer provided to the campaign just in time to cover a committee overdraft of that precise amount.¹⁰

In summary, rather than a purchase of real property for investment purposes, the facts at hand indicate that these payments totaling \$116,000 were part of a concerted effort to obtain funds from whatever sources were available to the candidate's parents to meet the candidate's needs and goals at various critical points during the campaign.¹¹ Such funds constituted an excessive contribution that was accepted by the candidate and the Lally campaign and misreported by the Lally campaign and its treasurer, in violation of 2 U.S.C. §§ 441a(f) and 434.

D. \$18,000 PAYMENT RECEIVED FROM LAWRENCE AND UTE LALLY

i. Facts

By check dated May 4, 1994, Ute Wolff Lally provided the candidate with \$18,000 which was used in connection with a \$100,000 loan that he reportedly made to the Lally campaign on May 24, 1994. A document produced by the respondents indicates that in 1990 the candidate paid \$12,000 for a 1966 Corvette ("Corvette"). From 1990 through 1995, the Corvette was registered to Lawrence Lally. According to the respondent, the Corvette was in Lawrence Lally's name "for insurance

¹⁰ On October 21, 1994, the Lally campaign's account was overdrawn by \$14,498.91. On October 24, 1994, \$14,498.91 was transferred from the law firm account, to Grant Lally's personal account and then to the Lally campaign's account.

¹¹ The proceeds from the bona fide 1995 sale of Bantam Place were deposited in Lawrence Lally's "Real Property Account." Lawrence and Grant Lally testified that they did not recall Grant Lally receiving any portion of the proceeds. Grant Lally Depo. at pages 78-79; Lawrence Lally Depo. at pages 53-54. It is unclear whether Grant Lally has an interest in the Real Property Account. However, even if Grant does not have an interest in that account, and/or did not receive any of those proceeds, at a minimum, the \$116,000 he received from his father constituted an "advance," or a "loan" provided to the candidate until the property was marketable. Whether the \$116,000, or any portion thereof, was an "advance" a "loan" or a "gift" it was still a "contribution," and thus subject to the FECA's limitations.

purposes." In his submission of June 28, 1996, Grant Lally averred that the \$18,000 at issue was paid by Ute Lally for the purchase of the Corvette. Although Mrs. Lally is the only signatory on the account from which the \$18,000 was drawn, she testified that the funds in that account belonged to both her and her husband, Lawrence Lally. See transcript of deposition of Ute Wolff Lally, dated January 31, 1997 (Ute Lally Depo.) at page 9. Lawrence Lally also testified that, although the account was only in his wife's name, the funds in the account were shared. Lawrence Lally Depo. at page 59. Lawrence Lally further stated that he asked his wife to issue the \$18,000 check "because she had money in her account." *Id.* at 61.

There was no written contract setting out the terms of the alleged 1994 sale of the Corvette. There were also no documents evidencing any change in title or registration for the vehicle, or evidence that any sales tax was paid in connection with the alleged 1994 sale. In fact, as with the alleged sale of Bantam Place, there are no documents whatsoever evidencing that the sale occurred (other than Ute Lally's \$18,000 check, which contains no information regarding the purpose of that check).

On August 30, 1995, the Corvette was sold to Dr. Michael Adornato for \$16,000, \$2,000 more than candidate allegedly received for the car in 1994. Lawrence Lally Depo. at page 61. According to Dr. Adornato, when he inquired about the vehicle he was informed by Lawrence Lally that it belonged to his son Grant Lally. Dr. Adornato also avers that he was told by Lawrence Lally that Grant would negotiate the sale price, which he did. When purchasing the vehicle, Dr. Adornato issued two checks to "Grant" Lally for \$8,000. The two checks totaling \$16,000 from Dr. Adornato appear to have been endorsed by Grant Lally and Lawrence Lally, and then deposited into the account of Lally and Lally, Esquires.

ii. Analysis

The candidate's claim that the \$18,000 was for the sale of the 1966 Corvette is without support. Although a document produced by the respondents indicates that the candidate paid \$12,000 for the Corvette in 1990, title to the car was in Lawrence Lally's name and it was registered to him alone from 1990-95. Thus, it is questionable whether the candidate even had a bona fide ownership interest in the Corvette during 1994, the year when he claims he sold it to his parents for \$18,000.

More importantly, assuming that the candidate had an interest in the Corvette, there is no independent documentary evidence that he sold that car in 1994 or that the \$18,000 was related to such sale. Indeed, there is evidence which contradicts the claim that there was a bona fide sale of the Corvette in 1994. When the car was sold in 1995, the purchaser was informed by Lawrence Lally that Grant Lally was the owner, and that the latter would discuss the price. Moreover, the purchaser issued the two checks totaling \$16,000 to Grant Lally. In short, whether the \$18,000 was a "gift" provided to Grant that was unrelated to the Corvette, or an "advance" which equaled \$2,000 more than the \$16,000 that he repaid his parents over one year later when he was able to sell the Corvette, it was a "contribution" under the Act, it exceeded the limitations of the Act and it was accepted and misreported by the Lally campaign and its treasurer, in violation of 2 U.S.C. §§ 441a(f) and 434.

E. PAYMENTS ISSUED FROM THE ACCOUNT OF LALLY AND LALLY, ESQUIRES.

During 1994, Grant Lally received 21 payments from Lally and Lally, Esq. ("the law firm"). These funds were provided to the candidate in a stream of checks and transfers totaling \$179,891. Of that amount, \$102,891 is claimed to have been the candidate's 1994 law firm income. In response to several requests for an explanation for the purposes of the payments which equal the difference between the \$178,891 which the candidate received in 1994 and his reported income, he has made assertions that conflict with his earlier testimony and has produced documents that he has previously

testified did not exist. We first analyze the candidate's claimed 1994 law firm income and then the payments that make up the discrepancy between such income and the law firm payments that he received.

1. Law Firm Income

a. Facts

During 1994 Grant and Lawrence Lally were the only attorneys employed by Lally and Lally, Esquires. The total law firm income for 1994 was approximately \$206,000. The candidate claims that \$74,491 of the loans that he reportedly made to the Lally campaign were derived from his 1994 law firm income. According to the candidate's 1994 tax return, his 1994 income from the law firm was \$102,891. In contrast, the candidate's 1993 law firm income was \$59,062, and his 1995 income was only \$34,500.¹²

Grant Lally's law firm income was not paid in regular amounts or intervals. Thus, there was no regular draw taken. In the weeks leading up to the 1994 primary and/or general election alone, Lawrence Lally authorized law firm payments to the candidate totaling \$63,488 as follows:

August 26, 1994	\$ 7,000
September 6, 1994	\$ 6,000
September 9, 1994	\$ 6,000
September 14, 1994	\$10,000
September 15, 1994	\$10,000
October 12, 1994	\$12,890
October 14, 1994	\$10,000
October 24, 1994	\$ 1,598

To ascertain the basis of Grant Lally's portion of the law firm's total 1994 income, this Office subpoenaed law firm invoices, partnership agreements and budgets. The candidate only produced documents related to several cases, claimed that no such documents existed with respect to most of

¹² The respondents claim that the law firm's total income for 1993 was \$100,097, and in 1995 it was \$92,564.

the other cases or that they were privileged. Those very few invoices that were produced did not delineate whether Grant or Lawrence Lally had provided the services referred to therein. The only document indicating that any of the funds in question were at least designated for Grant was the inclusion of a client's name on a \$20,000 check dated May 10, 1994.

During his deposition, Grant Lally claimed that the manner in which fees were divided between himself and his father was determined on a "very ad hoc" basis. Grant Lally Depo. at page 119. He indicated that when "the fee came in, we took a look at the case, the work, and who brought the case in." *Id.* at page 120. He stated that there was no set "ten point procedure" regarding the division of any proceeds. *Id.* In fact, he claimed he was unable to state the amount he personally received from any particular case. With the exception of the aforementioned \$20,000 check on which a client's name appeared, he was even unable to inform this Office to which clients or cases any of the checks he received were related.

Lawrence Lally testified that he issued the checks at issue to Grant and would decide what portion of the law firm expenses Grant would pay. Lawrence Lally Depo. at pages 105-107. He testified that firm expenses were deducted from Grant's law firm proceeds as "funds were available" and bills were pending. *Id.* at page 106. He further testified that there was no formula for determining what portion of the expenses Grant would pay. *Id.*

Rather than producing law firm invoices or other documents disclosing who provided the legal services rendered, the candidate provided a statement signed by Lawrence Lally, dated July 31, 1996, setting forth a list of the law firm clients and the amount each client paid to the law firm in 1994. The candidate also produced a signed statement from his father indicating that Grant Lally "performed essentially all the legal work" for 13 cases, and "substantial services" for 13 other cases. In addition, the candidate produced affidavits from law firm clients that contained statements such as "I paid my

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attorney Grant M. Lally" a specific fee, that the client had "retained Grant M. Lally" or that he was the "principal attorney" that the client "dealt with."

b. Analysis

The weight of the evidence at hand indicates that the \$102,891 received by Grant Lally from the law firm during 1994 included funds that did not constitute bona fide law firm income, and that such funds were provided by Lawrence Lally to assist the candidate in his 1994 Congressional campaign. We begin by noting that Grant Lally's 1994 income of \$102,891 was approximately 74% greater than his 1993 income, and 198% greater than his 1995 income.¹³ The candidate's 1994 law firm income is so disproportionate to what he made in the prior and subsequent years that it alone raises questions.

Second, in the weeks leading up to the primary and general elections there was a dramatic increase in the frequency and amounts of the law firm payments claimed to have been for law firm income. Specifically, in the sixty day period beginning on August 26 and ending on October 24, 1994, the candidate received \$63,488 from the law firm that is alleged to have been for income. That was approximately 52% of his claimed total reported income for 1994.¹⁴ During the same period, the number of payments increased substantially as the intervals between such payments decreased: \$7,000 on August 26, \$6,000 on September 6, \$6,000 on September 9, \$10,000 on September 14, \$10,000 on September 15, \$12,890 on October 12, \$10,000 on October 14, and \$1,598.91 on

¹³ Grant Lally also received a large proportion of the law firm's 1994 income. While the law firm received approximate total receipts of \$206,000, even after deducting only rent and the secretary's salary, the 1994 law firm's net income was \$176,264. As the candidate received almost \$102,891, his net salary was approximately 71% of the firm's.

¹⁴ In addition to the \$63,488 discussed above, during that same time frame the law firm account was used to make two additional payments to the candidate, totaling \$43,000, that are alleged to have been part of the purchase price for Bantam Place.

October 24, 1994. It appears that all of these payments from the law firm were used in connection with loans that the candidate reportedly made to the Committee, most often in those precise amounts and on the same days on which they were received.

Third, the timing and amounts of some of these law firm payments suggests that they were based upon the specific needs of the campaign rather than on the law firm's net income or services performed by the candidate. For instance, Grant Lally received a \$12,890 check from the law firm on October 12, 1994, which was deposited in the campaign's account that day. Also on that day, the Lally campaign issued a certified check in the amount of \$12,890 to Multi-Media, one of its campaign's consultants. As noted *supra* at page 10, on October 21, 1994, the campaign's account was overdrawn by \$14,598.91. Three days later the candidate's father authorized a \$14,598.91 transfer from the law firm account to Grant Lally's personal account, and which was then transferred to the Lally campaign's account.¹⁵ On September 6, 1994, the Lally campaign's account was overdrawn by \$9,256.67. The next day Grant Lally deposited \$25,000 in the Lally campaign's account, which, according to Grant Lally's response, was derived from law firm income. On September 13, 1994, a Lally campaign check in the amount of \$11,027.05, which had been issued to Forrest Communications on September 8, was returned for insufficient funds. Two law firm checks in the amount of \$10,000 each were directly deposited in the Lally campaign's account on September 14 and 15, 1994. Thus, the \$11,027.05 check cleared when re-deposited on September 16, 1994.

Fourth, the responses claim that Grant Lally handled all estate cases, which were the source of the vast majority of the law firm's 1994 income. Yet there is public information which casts doubt on that claim, particularly with respect to *In Re* _____ which yielded \$46,730,

¹⁵ While \$13,000 of that amount is claimed to be from the sale of Bantam Place, *see supra* page 5, the remaining \$1,598.91 is claimed to be for legal services provided by Grant Lally.

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Lawrence Lally testified that Grant performed the services for that estate case, and all profits went to the latter. Lawrence Lally Depo. at pages 132-134. However, court records indicate that Lawrence Lally was the attorney of record for that case. In addition, Lawrence Lally himself testified that he met with the client, _____, a number of times, because "elderly people have more confidence in older attorneys." Lawrence Lally Depo. at page 132. And Grant Lally testified that one of the factors that determines the amount of the fee received is who generates the client, and the depositions made clear that the candidate did not do so in the _____ case. Grant Lally Depo. at page 119; Lawrence Lally Depo. at page 130. In addition, court records for two other estate cases claimed to have been handled by the candidate also contain documents submitted by Lawrence Lally. (*In Re* _____ and *In Re* _____). Moreover, Lawrence Lally had been an attorney for over 30 years at that time, while Grant had only been practicing for approximately ten years. Lawrence Lally Depo. at page 13. The assertion that it was Lawrence Lally's usual practice to receive no fee or next to no fee for cases in which he was involved is simply not credible.

Finally, no documentation has been produced setting forth the basis of the payments which the candidate received from the law firm in 1994.¹⁶ Neither the candidate nor Lawrence Lally, the latter who issued the law firm payments at issue, were able to offer an explanation for the basis for such payments. Even when presented with copies of the law firm checks at issue at their depositions, the candidate and Lawrence Lally would not state how those fees were determined or even what cases

¹⁶ The signed statements from the law firm's clients may be offered as proof of the law firm's receipt of specific funds and that Grant Lally was involved in those particular cases. However, those statements do not in any way establish what portion of the law firm fees Grant Lally was entitled to receive during 1994 for services he may have rendered.

such payments were for. With one exception, even the checks themselves do not indicate which case or cases were related to these payments.¹⁷

The foregoing facts belie the candidate's claim that all of the \$102,891 he received from the law firm in 1994 was bona fide law firm income. The law firm payments to Grant Lally which did not constitute his bona fide income and that were loaned to his campaign constituted a contribution from Lawrence Lally. If, as is claimed, the law firm is a bona fide partnership, then the payments would constitute a contribution from it as well. See 11 C.F.R. § 110.1(e).¹⁸ In any event, Lawrence Lally and the law firm were prohibited from contributing in excess of \$1,000 to each election in which Grant Lally was a candidate, or \$2,000 in total. *Id.* Through these numerous payments to the candidate, Lawrence Lally and the law firm made contributions far in excess of that amount, which Grant Lally and the Lally campaign accepted and misreported, in violation of 2 U.S.C. §§ 441a(f) and 434.

¹⁷ In refusing to provide documentation, the candidate cited the attorney-client privilege and an opinion from his county ethics board. However, law firm invoices containing the amount of fees, the identity of clients and a general description of services are not protected by the attorney-client privilege. See *Vingelli v. United States*, 992 F. 2d 449 (1st Cir. 1993); *Colton v. United States*, 306 F.2d 633, 637-38 (2d Cir. 1992), *cert. denied*, 371 U.S. 951 (1963). In addition, prior to making this claim the candidate had already revealed the identity of his clients and how much they allegedly paid, and, moreover, his clients have signed affidavits drafted by the candidate that disclose that services were provided and indicate the amounts paid. As such clients had already provided such information, they have waived any privilege that may have existed with respect to the limited information sought by the Commission's Subpoena.

¹⁸ The respondents have asserted that the law firm is a partnership. Under New York law, a partnership is "an association of two or more persons to carry on as co-owners a business for profit." 39 N.Y. Partnership Law § 10. The respondents assert that there are no partnership agreements. In addition, they have stated that no federal partnership tax returns are filed. Thus, the law firm does not appear to be a partnership for federal tax purposes.

2. Additional Law Firm Payments

a. Overview

Regarding the discrepancy between the candidate's reported 1994 law firm income of \$102,891 and the \$179,891 he actually received during 1994, as discussed *supra* at pages 4-10, he claims that \$43,000 was for the sale of Bantam Place. With respect to the remaining amount, this Office made attempts to obtain some explanation for the discrepancy in July of 1996 and in January and February of 1997.¹⁹ It was not until a letter dated March 12, 1997, that the candidate finally offered his explanation; claiming that \$10,000 of the difference was for Lawrence Lally's purchase of the candidate's interest in stock and that \$23,000 of the difference was part of the "pay off" of debt which his parents owed to his grandparents. However, as discussed in more detail below, the candidate's 1997 explanation directly conflicts with statements he made under oath in 1996.²⁰

b. Facts

On his 1994 EIGA statement, Grant Lally indicated that he had an interest in a corporation identified as Museum Source, Ltd. ("Museum Source"), and that he was President of that corporation. In response to the portion of the Commission's interrogatories of May 16, 1996, regarding his interest

¹⁹ This Office first raised the issue about the disparity between Grant Lally's reported income and the amount which he received from the law firm in a letter to him dated July 31, 1996. During the candidate's deposition on January 29, 1997, this Office provided him with copies of all the checks and asked if he could explain the disparity. However, he indicated that he would need to review his "books." Grant Lally Depo. at 158. Thus, additional requests were made by this Office via letters dated February 5 and 24, 1997.

²⁰ As explained in the text at pages 4-5, 20-24, the respondents claimed that the difference between the \$179,891 he received from the law firm in 1994 and his income of \$102,891 can be attributed to the proceeds from Bantam Place (\$43,000), sale of stock (\$10,000) and debt payment (\$23,000). However, this totals only \$178,891. The respondents have not explained the additional \$1,000 that makes up the difference.

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in Museum Source, the candidate indicated that he owned 160 shares in that corporation and stated that the market value of its assets was \$15,000. The 1996 interrogatories explicitly asked the candidate whether any of his shares in Museum Source were sold or transferred at any time during 1993-1994, and asked for the identity of all purchasers or recipients of such shares. The Commission also subpoenaed all documents related to any such sales or transfers of stock in Museum Source. In his response dated June 28, 1996, Grant Lally swore that "no" shares of his stock in Museum Source were sold during 1993-1994. Although the candidate produced the corporate bylaws, articles of incorporation and minutes from the initial meeting of the board of directors, no documents related to any sale or transfer of stock were produced in 1996.

Then, after this Office repeatedly raised the issue about the discrepancy between the amount of funds he received from the law firm and his reported income, the respondents submitted a letter dated March 12, 1997, claiming that \$10,000 of the difference was for Lawrence Lally's purchase of the candidate's interest in Museum Source. By letter dated March 19, 1997, this Office sought documentation in support of the alleged sale of the stock. On April 2, 1997, the respondents produced a copy of an undated stock certificate signed by the candidate which indicated that Lawrence Lally owned 160 shares of stock in the corporation.

Regarding the \$23,000 claimed to be for debt payment, the investigation has shown that Lawrence and Ute Lally owed to the candidate's grandparents, Kurt and Margaret Schurm. The candidate's parents used the funds to purchase or improve real property. In 1992 and 1993, the Schurms conveyed a 1/3 interest in that debt to the candidate. In response to the Commission's Subpoenas related to such debt, the candidate produced checks indicating that each month the candidate's parents paid a portion of the debt directly to the Schurms. The payments to the Schurms totaled per month and came from Lawrence Lally's "Real Property Account."

Although the Commission's Subpoena, dated May 16, 1996, requested all documents related to mortgages or debts owed to Grant Lally, the initial response only contained the documents through which the candidate was granted the 1/3 interest in his parent's debt and the documents evidencing the initial loans from the Schurms. As the documents produced were limited and did not explain the basis of the transactions, this Office made a follow-up request by letter dated July 23, 1996, seeking "documents related to the sale or mortgaging of personal or real property ... i.e., payment(s) received from Lawrence or Ute Lally" and "any other document related to such mortgages." The letter of July 23 sought from the debtors, Lawrence and Ute Lally, checks issued by them "to Grant Lally or others (Schurms) for such debt throughout the applicable time frame." In response, the candidate produced copies of two cashier's checks dated October 21, 1994, totaling \$87,357, that were issued to him by the Schurms.²¹ In response to the Commission's follow-up requests for documentation, the candidate's sworn response stated that there were "no 'documents.' The transaction was between family members." Regarding the request made to Lawrence and Ute Lally for documents related to payments for such debt or mortgages, Lawrence Lally, who is acting as the candidate's co-counsel in this matter, stated: "checks to Grant Lally-None."

In contrast to the above statements, the respondents' letter of March 12, 1997, claims that \$23,000 of the funds provided by the law firm were payment for debt owed by the candidate's parents. In addition, in an April 2, 1997 response to a request for documentation in support of his

²¹ The candidate liquidated most of his 1/3 interest in that debt to finance his 1994 campaign. Specifically, just prior to the 1994 general election, he received \$87,357 from his grandparents as "partial satisfaction" of his interest in his parents' debt. A total of \$81,500 of that amount was loaned to his campaign. Although the candidate has not provided any documentation setting forth the terms related to his receipt of these funds in 1994 and claims that none exist, the documents in which he was granted the interest in the debt were provided and they appear valid, i.e., they are notarized and dated. Those documents were executed in 1992 and 1993, prior to when Grant Lally began running for Congress. Thus, this Office concludes that the \$81,500 appears to have constituted "personal funds."

claim about the \$23,000, the respondents produced a copy of a "Payoff Letter," dated December 7, 1994, signed by himself. The "Payoff Letter" acknowledges the candidate's receipt of the \$23,000 as partial payment for the debt owed by his parents.

b. Analysis

The candidate initially averred that no shares of stock in Museum Source were sold at any time during 1993-1994. Then, after the documents produced in response to the Commission Subpoena disclosed a large difference between his asserted law firm income for 1994 and the amount he actually received, the candidate, without explanation, claimed the opposite, directly contradicted his testimony and produced a document that had been previously explicitly subpoenaed but that was not produced. In any event, the candidate has failed to offer any credible or independent evidence in support of his claim that he sold the Museum Source stock in 1994. The stock certificate, the only piece of evidence produced, is not dated, is not signed by the Secretary-Treasurer of the corporation and does not contain the corporate seal, as required by the corporation's Articles of Incorporation. There is also no evidence that the issuance of the stock was entered on the corporation's books, which is also required by the Articles of Incorporation.²²

With respect to the \$23,000 in law firm payments, the candidate's most recent claim similarly conflicts with prior sworn submissions. Although the candidate has produced a document claimed to be a "Payoff Letter" for the \$23,000 received from his parents, in his 1996 response to explicit requests for any such documents, he stated under oath that there were "no 'documents'" asserting that "the transaction was between family members." In addition, Lawrence Lally's 1996 response to

²² The corporate documents reveal that Grant Lally purchased his 120 shares for \$60 in 1990. As the candidate claims that the \$10,000 was for the 1994 sale of the 160 shares, it would appear that he would have had a capital gain from the alleged 1994 sale. However, Grant Lally's 1994 tax return does not report any capital gains at all.

requests for such documents was "checks to Grant Lally-None." Lawrence Lally's response indicated that neither he nor Mrs. Lally made any direct payments to the candidate for the debt during 1994. Yet the response submitted in March of 1997 claims the opposite; that during 1994 they provided the candidate with \$23,000 for the alleged debt via checks drawn on the law firm account. The candidate has also failed to offer any credible or independent evidence in support of the claim that the \$23,000 in payments at issue were for the debt. The "Payoff Letter" was signed only by the candidate himself, was not notarized and not signed in the presence of any witness.²³

Finally, given that despite explicit requests in May and July 1996, the Stock Certificate and the "Payoff Letter" were not produced until March of 1997, after the candidate's deposition, it is unclear when they were created. In fact, despite two requests, the candidate could not even identify which of the 21 law firm payments at issue was for the alleged \$10,000 sale of the stock or for the alleged debt payment totaling \$23,000. Instead, the candidate indicates that the \$10,000 "[c]heck was issued in Fall of 1994--specific date not recorded," and with respect to the alleged debt payoff of \$23,000, that the "specific dates not recorded." Thus, the facts at hand suggest that the documents produced in March 1997 may have been created in a post hoc attempt to support the candidate's assertions about the disparity between his reported income and the amount that he actually received.

The funds at issue provided in the form of law firm checks, totaling \$33,000, constituted "contributions" to Grant Lally's 1994 Congressional campaign. As we concluded above with respect

²³ Other documents produced demonstrate that it was Lawrence and Ute Lally's practice to provide much smaller payments by checks issued directly to the Schurms from the "Real Property Account." Here, without explanation, it is claimed that the candidate was directly provided with an amount that was far in excess of what was usually paid each month and that equaled a substantial portion of the total debt owed. And unlike the checks issued to the Schurms for such debt, the payments to the candidate were not issued from the "Real Property" account. Rather, the \$23,000 was derived from the law firm account. In addition, there is no evidence that the other owners of the interest, Kurt and Margaret Schurm, consented to or were even informed that this \$23,000 was provided directly to the candidate.

to the purported law firm income, these funds were contributed by Lawrence Lally through the law firm, and accepted by Grant Lally and the Lally campaign in violation of 2 U.S.C. § 441a(f). These contributions were also either misreported by the Lally campaign and its treasurer, or not reported at all in violation of 2 U.S.C. § 434.

F. PAYMENTS TO TERESA WHITE

Teresa White was reported to have been the Lally campaign's manager in the Spring of 1994. Ms. White asserts that during 1994 she performed services for the campaign. Ms. White indicates that she received payment for her services and that such payments were issued from the account of Lally and Lally, Esquires. The Lally campaign's 1994 disclosure reports did not disclose any payments to Ms. White.

In response to the Commission's investigation, the respondents produced three checks from the account of Lally and Lally that had been issued to Teresa White: \$600 on March 10, 1994, \$2,000 on April 16, 1994 and \$1,000 on May 5, 1994. They also produced a letter from Ms. White, dated March 22, 1994, setting forth various campaign services she would perform as manager of the Lally campaign.

The \$3,600 paid to Ms. White from the law firm account was made on behalf of the Lally campaign and was thus a contribution to the candidate and his campaign. The payments appear to have been the initial start up costs for the campaign. They also constitute the first contributions made to the Lally campaign, and the beginning of many law firm payments made on behalf of the candidate. Yet these payments made to Teresa White from law firm funds were never reported on the Lally campaign's disclosure reports.

As previously discussed, Lawrence Lally and the law firm were only permitted to contribute \$1,000 towards each election in which the candidate was involved, or \$2,000 in total. The payments

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to Ms. White, totaling \$3,600, were in excess of the limitations of the Act and were not reported in violation of 2 U.S.C. §§ 441a(f) and 434.

G. KNOWING AND WILLFUL NATURE OF VIOLATIONS

The Act explicitly provides that the Commission may find that violations are knowing and willful. 2 U.S.C. § 437g. The knowing and willful standard requires knowledge that one is violating the law. *Federal Election Commission v. John A. Dramei for Congress Committee*, 640 F. Supp. 985 (D. N.J. 1986). A knowing and willful violation may be established by "proof that the defendant acted deliberately and with knowledge that the representation was false." *United States v. Hopkins*, 916 F.2d 207, 214 (5th Cir. 1990). An inference of a knowing and willful violation may be drawn "from the defendant's elaborate scheme for disguising" their actions and that they "deliberately conveyed information they knew to be false to the Federal Election Commission." *Id.* at 214-215. "It has long been recognized that 'efforts at concealment [may] be reasonably explainable only in terms of motivation to evade' lawful obligations." *Id.* at 214, citing *Ingram v. United States*, 360 U.S. 672, 679 (1959).

The evidence adduced throughout this investigation demonstrates that the violations by the candidate and the Lally campaign were knowing and willful. First, the respondents' efforts to conceal the true source of the payments at issue are evident by the manner in which such payments were funneled through the candidate's account into the Lally campaign. For example, in May of 1994, three checks, totaling \$91,000, were deposited in the candidate's personal account which, either immediately upon receipt or within a short time frame, were transferred to the Lally campaign account, i.e., payments totaling \$25,000 and \$48,000 claimed to be for Bantam Place and \$18,000 claimed to be for the Corvette. Similarly, many of the law firm payments and a subsequent line of credit taken by Lawrence Lally, then treasurer, were similarly passed through the candidate's account

to the Lally campaign, i.e., \$12,890 on October 12, \$30,000 on October 19, \$14,598 on October 24, 1994.

Second, the evidence at hand indicates that the candidate and Lawrence Lally, both of whom are attorneys, were aware of the contribution limitations and that such limitations applied here. The respondents' awareness of the Act's limitations is evident from the elaborate scheme they devised in an attempt to legitimize these payments, e.g., the claim that payments from Lawrence Lally eventually totaling \$116,000, received in various unexplained amounts during several key points in the campaign, were for the sale of Bantam Place and the claim that \$18,000 received by the candidate in May of 1994 was for the sale of a Corvette.

Moreover, in August of 1994, after observing the first of the alleged candidate loans, the Commission explicitly informed the Lally campaign in writing that "personal funds" are "strictly defined" and directed it to the definition of personal funds at 11 C.F.R. § 110.10. Yet even after receiving and responding to the Commission's letter, the Lally campaign went on accepting the payments in question. Indeed, in October of 1994, Lawrence Lally d/b/a Lally and Lally, Esquires, took a second line of credit totaling \$43,000, that was used by the Lally campaign. The respondents thus acted in knowing disregard of the Commission's written notice.

Further questions are raised by the respondents' failure to inform lenders of the true purpose of bank loans used to fund the campaign. When applying for a line of credit in May of 1994, Lawrence and Ute Lally did not inform the bank that the funds were to be used for Grant Lally's candidacy. Instead, the bank was informed that this line of credit was a "home improvement loan." Yet within days of receipt, \$48,000 of the funds borrowed from that bank was provided to the campaign. Similarly, the bank that supplied the respondents with \$43,000 in October of 1994, was informed that

the funds were to be used for a "business loan" for the law firm of Lally and Lally, Esquires. Upon receipt, however, these funds were almost immediately provided to the candidate and his campaign.

Finally, the knowing and willful nature of these violations is evident by the history of document production in this case. At the outset of the investigation, the respondents strenuously resisted compliance with the Commission's Subpoenas and Orders of May 16, 1996, which were aimed at determining the sources of the loans in question. After numerous unsuccessful attempts to obtain compliance, on July 16, 1996, the Commission authorized this Office to file a civil suit in the United States District Court. In October of 1996, after this Office was assured by the respondents that they had produced all responsive documents, the Commission determined not to file suit. After depositions under oath conducted in January of 1997 failed to explain certain previously discussed discrepancies, the respondents submitted written responses that directly contradicted their earlier sworn written statements. See discussion at pages 21-26. Moreover, the respondents produced documents, some of which are undated, that they had previously claimed did not exist, i.e., Museum Source stock certificate for \$10,000, debt "Pay off" letter for \$23,000. *Id.* The evidence also suggests that the deed that is claimed to have been related to the 1994 sale of Bantam Place was created in response to the Commission's inquiries. *Id.* at pages 6-7. In addition, the candidate's testimony regarding his failure to pay capital gains tax for Bantam Place in the year the \$116,000 was received was directly contradicted by the accountant who prepared his taxes. *Id.* at page 7, fn. 5. In short, in an effort to hide the true source of the money which funded Grant Lally's 1994 House campaign, the respondents first resisted compliance with the Commission's discovery and later submitted information contradicting previous responses submitted under oath and produced documents that they had previously averred did not exist and that appear to have been created after

the fact. Thus, the knowing and willful nature of these violations can be inferred from the respondents' efforts to impede if not obstruct this investigation.

In light of the above, the Office of the General Counsel recommends that the Commission find probable cause to believe that Grant Lally, Lally for Congress and its treasurer, knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434.

III. MUR 4362

A. Applicable Law

The FECA requires each candidate for Federal office (other than the nominee for the office of Vice President) to designate in writing his or her authorized campaign committee. 2 U.S.C. § 432(e)(1). Such designation shall be made no later than 15 days after becoming a "candidate." *Id.* See also 11 C.F.R. § 101.1. The Act defines a candidate as an individual who seeks nomination for election, or election, to Federal office, and an individual is deemed to be a candidate if, inter alia, such individual has received contributions aggregating in excess of \$5,000 or has made expenditures aggregating in excess of \$5,000. 2 U.S.C. § 431(2)(A).

A contribution that is not designated in writing for a particular election is made for the next election for Federal office held after such contribution is made. 11 C.F.R. § 110.1(b)(2)(ii). A candidate and his or her political committee may accept contributions made after the date of the election if such contributions are designated in writing by the contributor for that election and if such contributions do not exceed the adjusted amount of net debts outstanding on the date the contribution is received. 11 C.F.R. § 110.1(b)(3)(iii). A contribution is considered redesignated if it meets the requirements set forth in 11 C.F.R. § 110.1(b)(5)(ii), i.e., it is signed by the contributor, is obtained within sixty days of a contribution's receipt. If a contribution is redesignated by a contributor, the

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treasurer must report the redesignation in a memo entry on Schedule A of the report covering the period in which the redesignation is received. 11 C.F.R. § 104.8(d)(2).

The Act requires that each disclosure report filed state the amount and nature of outstanding debts and obligations owed by or to such political committee. 2 U.S.C. § 434(b)(8). Debts and obligations must be continuously reported until extinguished. 11 C.F.R. § 104.11(a). Debts in excess of \$500 must be reported as of the date on which they are incurred, except that any obligation incurred for rent, salary or other regularly reoccurring administrative expense shall not be reported as a debt before the payment due date. 11 C.F.R. § 104.11(b).

B. Factual and Legal Analysis

i. Facts

Grant Lally filed his Statement of Candidacy for his 1996 bid for Congress on June 3, 1996. During 1995, Lally for Congress received \$19,681 in contributions; \$8,211 during the first six months and \$11,470 during the second six months. The Lally campaign states that \$14,259 of the \$19,681 received in 1995 was "used for the purposes of retiring debts and obligations of the [C]committee and maintaining the operations of the Committee so that efforts at debt reduction could be sustained." Specifically, the Lally campaign states that during 1995 it paid 1994 debt totaling \$13,208, and that it spent \$1,051 to raise funds to pay that debt. However, the campaign's 1995 reports did not indicate that the contributions received were made to retire 1994 debt. The Lally campaign's reports also show that as of April 3, 1996, two months prior to when the candidate's Statement of Candidacy was filed, the Committee had expended \$5,639 during 1996 alone.

The Committee's 1995 Year End Report omitted \$3,065 that it previously reported that it owed to N.S. Pedersen Co. In response to a request for information from RAD, the Committee's treasurer wrote that [a]fter reviewing our records, we found that this debt never existed, and was mistakenly

reported." The Lally campaign also reported making three payments totaling \$4,578 to Thomas Ballau for "consulting fees" during 1995.

ii. Analysis

The information at hand indicates that Grant Lally qualified as a "candidate" under Section 432(e)(1) well before he filed his Statement of Candidacy on June 3, 1996. The Committee's reports disclose that it accepted \$19,681 in contributions during 1995. Although the Committee now claims that a large portion of those contributions were used to pay 1994 debt, there is no evidence that written designations were obtained for those contributions. Such written designations were required for contributions to be accepted for 1994 debt. See 11 C.F.R. § 110.1(b)(3)(ii) and (iii). Moreover, all contributions received after the 1994 election cycle that were not designated in writing by contributors for 1994 debt retirement within 60 days were considered to have been made with respect to the next election, in this case the 1996 primary. See 11 C.F.R. § 110.1(b)(2)(ii). Thus, by mid-1995 the Lally campaign had accepted contributions in excess of \$5,000 for the 1996 election cycle. As Grant Lally did not file his Statement of Candidacy until June 3, 1996, it appears that he violated Section 432(e)(1).

The Lally campaign's reports also disclose that during 1996 it spent in excess of \$5,000 more than 30 days before Grant Lally filed his Statement of Candidacy on June 3, 1996. As noted, by April 3, 1996, two months prior to when the Statement was filed, it had spent in excess of \$5,000.

The information at hand also indicated that the Lally campaign filed inaccurate disclosure reports and failed to report debt as required. The Committee had reported a debt of \$3,065 to N.S. Pedersen Co. for "printing," but later omitted it and acknowledge that such debt "never existed, and was mistakenly reported." The Lally campaign and its treasurer have thus violated

2 U.S.C. § 434 by filing inaccurate disclosure reports. The Lally campaign claims that the three payments totaling \$4,578 made to Thomas Ballau for "consulting fees" during 1995 was actually incurred in connection with the 1994 election. Yet such debt to Mr. Ballau was never reported at any time during 1994. Thus, the Lally campaign and its treasurer have violated 2 U.S.C. § 434 by failing to report such debt when required.

In light of the evidence at hand, the Office of the General Counsel concludes that there is probable cause to believe that Grant M. Lally violated 2 U.S.C. § 432(e) by failing to timely file his statement of candidacy and that Lally for Congress and Bruce Cozzens, as treasurer, violated 2 U.S.C. § 434.

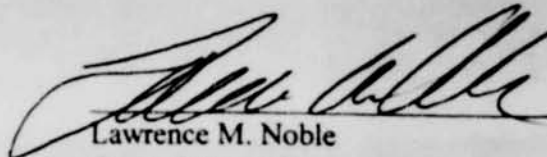
IV. RECOMMENDATIONS

1. Find probable cause to believe that Grant M. Lally knowingly and willfully violated 2 U.S.C. § 441a(f) with respect to MUR 4128.
2. Find probable cause to believe that Lally for Congress and Bruce Cozzens, as treasurer, knowingly and willfully violated 2 U.S.C. § 441a(f) and 2 U.S.C. § 434 with respect to MUR 4128.
3. Find probable cause to believe that Grant M. Lally violated 2 U.S.C. § 432(e) with respect to MUR 4362.
4. Find probable cause to believe that Lally for Congress and Bruce Cozzens, as treasurer, violated 2 U.S.C. § 434 with respect to MUR 4362.

Date

7/24/97

Lawrence M. Noble
General Counsel



BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
)
Lawrence Lally) MUR 4128
Ute Wolff Lally)

GENERAL COUNSEL'S BRIEF

1. **BACKGROUND**

Grant M. Lally (the "candidate") ran for Congress in New York's Fifth Congressional district in 1994. Lally for Congress ("Lally campaign") was Grant Lally's authorized campaign committee. Lawrence and Ute Wolff Lally are the candidate's parents. On May 16, 1996, the Commission found reason to believe that Lawrence and Ute Wolff Lally violated 2 U.S.C. § 441a(a)(1)(A).

During 1994, Grant Lally reported making loans totaling \$319,991 to the Lally campaign. The loans were used in connection with the primary election on September 13, 1994, and the general election on November 8, 1994. The investigation has shown that of the \$319,991 loaned to the Lally campaign, most did not come from the candidate's "personal funds. Those funds were actually derived from other sources: bank accounts of the candidate's parents; bank loans obtained by the candidate's parents; and an unexplained stream of checks and transfers from Lally and Lally, Esquires (the "law firm").¹

¹ In response to inquiries from the Reports Analysis Division ("RAD") about the source of the loans, in 1994 and again in 1995, Lawrence Lally, then treasurer of the Lally campaign, asserted that the loans in question were "from Grant M. Lally's own personal funds." See letters of Lawrence M. Lally, as treasurer, to RAD, dated September 14, 1994 and February 8, 1995. RAD's letter to Lawrence Lally, dated August 30, 1994, informed the Lally campaign that it "is important to note that 'personal funds' is strictly defined" and directed the campaign to 11 C.F.R. § 110.10, the regulation which defines "personal funds."

On May 16, 1996, the Commission issued Subpoenas for documents and Orders for Written Answers to Lawrence and Ute Lally. Despite numerous attempts to obtain compliance, the respondents failed to adequately respond to the Commission's Subpoenas and Orders. Thus, on July 16, 1996, the Commission authorized the Office of the General Counsel to institute a civil suit in U.S. District Court. From July through October of 1996, the respondents produced by piecemeal the documents required by the Commission's Subpoena of May 16. In October of 1996, after the Commission had been assured that all the documents in the respondents' possession had been produced, no suit was filed.

The respondents' depositions took place on January 30-31, 1997, and in two further submissions in March and April 1997, Lawrence Lally offered additional explanations for the source of funds that were provided to the candidate from the law firm account. Mr. Lally also produced documents that he previously averred did not exist. This Brief examines the many statements and submissions made and concludes that Lawrence and Ute Wolff Lally and the law firm funded a significant portion of the candidate's 1994 congressional campaign. Accordingly, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that these respondents knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended ("FECA" or the "Act") limits the amount that persons may contribute to any candidate or his or her authorized political committee. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations at Section 441a. 2 U.S.C.

§ 441a(f). Candidates for Congress may make unlimited expenditures from their "personal funds." 11 C.F.R. § 110.10(a). The Commission's regulations define "personal funds" as: (1) "any assets which, under the applicable state law at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either: (i) legal and rightful title, or (ii) an equitable interest"; or (2) salary or other earned income from bona fide employment, dividends and proceeds from the sale of the candidate's stocks or other investments, bequests to the candidate; income from trusts established before candidacy; income from trusts established after candidacy of which the candidate is a beneficiary; gifts of a personal nature which had been customarily received prior to candidacy; proceeds from lotteries and similar legal games of chance. 11 C.F. R.

§ 110.10(b)(1) and (2). The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election. 2 U.S.C. § 431(8)(A)(i).

The FECA includes the term "partnership" within the definition of a "person."

2 U.S.C. § 431(11). The Commission's regulations provide that a contribution by a partnership shall be attributed to the partnership and to each partner. 11 C.F.R. § 110.1(e). Such attribution shall either be in direct proportion to each partner's share of the partnership profits or by agreement of the partners, as long as only the profits to the attributed partner are reduced and such profits are reduced in proportion to the contribution attributed to them.

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III. FACTUAL AND LEGAL ANALYSIS

A. \$116,000 PROVIDED BY LAWRENCE AND UTE LALLY

i. Facts

From May through October, 1994, Lawrence Lally issued checks and transferred funds to his son Grant Lally, totaling \$116,000. Deposition of Grant Lally, dated January 29, 1997, at pages 40-41, 86-87 ("Grant Lally Depo"); Deposition of Lawrence M. Lally, dated January 30, 1997, at pages 23-27 ("Lawrence Lally Depo"). Specifically, Lawrence Lally issued to Grant a \$25,000 check on May 3, 1994, a \$48,000 check on May 21, 1994, and a \$30,000 check on October 19, 1994. Lawrence Lally also authorized a \$13,000 transfer to Grant Lally's personal account on October 24, 1994. All of the funds were subsequently loaned by Grant Lally to the Lally campaign. The respondent Lawrence Lally claims that these payments were for real property purchased from the candidate.

Documents obtained from the New York City Department of Finance show that on March 15, 1993, Grant Lally paid \$40,000 for a 2/3 interest in real property located at 1527 Bantam Place, Bronx, New York ("Bantam Place" or "property").² Grant Lally claims that the \$116,000 that he received from Lawrence Lally in 1994 was for the purchase of Grant's 2/3 interest in Bantam Place. Grant Lally Depo. at pages 40-41, 86-87. Grant and Lawrence

² The persons from whom Grant Lally purchased that 2/3 interest found it difficult to find a willing purchaser because the owner of the remaining 1/3 interest, the sellers' estranged brother James Pavlo, resided on the property and refused to sell. Grant Lally Depo at 41-42. After purchasing Bantam Place, Grant Lally filed a partition action against James Pavlo in an attempt to force Pavlo to sell his 1/3 interest in the property. Grant Lally Depo at 42-43. However, throughout 1993-94, Mr. Pavlo refused to sell Bantam Place, which had been his parents' home and his life long residence. On April 15, 1995, Mr. Pavlo finally sold his 1/3 interest to the candidate's father, Lawrence Lally.

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Lally testified that there was no written contract for the alleged 1994 sale of Grant's 2/3 interest in Bantam Place. Grant Lally Depo. at page 49; Lawrence Lally Depo at page 30. The checks and check registers related to the \$116,000 at issue do not indicate the purpose of these payments. In support of the claim that Grant Lally sold his 2/3 interest in Bantam Place to Lawrence Lally in 1994, the candidate produced a deed. The deed is dated May 24, 1994, and is signed by Grant Lally. The deed is not notarized and was never recorded. Grant Lally Depo. at page 59; Lawrence Lally Depo at page 34. The investigation has shown that at least \$88,000 of the funds came in the form of bank loans or lines of credit: \$48,000 was borrowed by Lawrence and Ute Lally using their primary residence as collateral, and \$43,000 was borrowed by Lawrence Lally purportedly as a law firm business loan.

The candidate did not pay state or city transfer taxes for the alleged 1994 conveyance, and he did not pay tax on the capital gain which he received from the alleged 1994 sale on his federal income tax return for that year. According to public documents and an official title search conducted in 1995, Grant Lally retained his 2/3 interest in Bantam Place until October 26, 1995, when the property was sold to Winsome Brown and Boyd Farquarson, husband and wife.

ii. Analysis

The facts at hand belie the claim that the \$116,000 which was provided to the candidate and used in connection with his 1994 campaign was for the sale of his 2/3 interest in Bantam Place. First of all, there is no independent documentation to support the claim that such a sale of his interest ever occurred. Specifically, there was no written contract for the sale, and even the checks and check registers for the payments do not contain any indication that they were related to Bantam Place. The deed produced was not notarized; there is no indication that it

was signed in the presence of a witness; and it was never even recorded. Indeed, Lawrence Lally would not even state with any degree of certainty that he was provided with the deed in May of 1994, when he gave Grant the first two payments totaling \$73,000. L. Lally Depo. at page 36.³

Unlike every other conveyance of any interests in Bantam Place from 1987 to present, there is no evidence on file with the local authorities substantiating that such a conveyance occurred. In addition, no state and city taxes were paid on the alleged 1994 transfer, as required under New York law.⁴ Furthermore, public documents as well as a 1995 title search

³ Grant Lally testified that the "deed was executed--it appears to have been executed on May 24, 1994 the date I executed it; on or about that date." Grant Lally Depo. at page 48. In response to questions about the deed, Lawrence Lally testified as follows:

Q: When was this deed given to you?

A: Probably on that date, May 24. It could have been given to me on that date. I don't have any independent recollection as to when I specifically got it.

Q: Do you know when this deed was created? []

A: I don't recall exactly.

Q: Do you know who created this deed?

A: Grant probably did. Sure.

Q: Were you involved in creating it as well?

A: I don't recall. I don't recall.

L. Lally Depo. at pages 28-29. Later, when attempting to explain why the deed was never recorded, Lawrence Lally testified:

Q: ... the deed was given to you in May of '94 correct?

A: I don't know if it was given to me, I don't know if it was given to me in May of 1994. It was given to me subsequent to May of '94. Grant may have prepared that and it was given to me subsequently. I don't recall, Mr. McDonnell, when I got the deed.

L. Lally Depo. at 35-36.

⁴ New York State imposes a transfer tax on each conveyance of real property or interest therein when the consideration exceeds \$500. N.Y. Tax Law, Art. 31, § 1402. Section 1404(a)

indicate that Grant Lally retained his 2/3 interest in Bantam Place until October 26, 1995, at which time it was sold to third party purchasers in an arms length transaction. Thus, the documents related to the 1995 transaction directly contradict the contention that there was a bona fide sale of Grant's 2/3 interest in Bantam Place during 1994.

The claim that the \$116,000 was for the 1994 sale of Bantam Place is further undermined by the fact that the candidate did not pay any federal income tax related to the sale, The law clearly requires that income be included for the taxable year in which it is received by the taxpayer. See 26 United States Code § 451. The candidate paid tax on the capital gain for Bantam Place in connection with his 1995 return, which was not filed until October 15, 1996, almost exactly one year after Bantam Place was sold to a third party and after the investigation in this matter was underway. The candidate has failed to offer a credible explanation for the reason why he did not pay capital gains tax with his 1994 return, the year in which he received the \$116,000.⁵ In addition, although by the time Grant Lally filed his

imposes the duty to pay that tax on the Grantor, in this case the candidate. New York City imposes its own transfer tax. See N.Y.C. Admin. Code, Title II, §§ 46-1.0.

⁵ The candidate claims that the gain was not reported until 1995 because he received another \$2,000 payment on the property in 1995. Grant Lally Depo. at 83. When asked for documentation of such payment after his deposition, the candidate produced a copy of a \$10,140 check, which, according to the real estate closing documents, was his 6% brokerage fee for the sale of Bantam Place. The candidate acknowledged that he assisted in trying to sell the property. Grant Lally Depo. at 66. According to the settlement attorney for that sale, 6% is the fee most often received for brokers within that jurisdiction. The brokerage fee was "earned income" and not part of the sale price for Bantam Place. Moreover, even if the \$2,000 was actually part of the sales price, the tax on the portion of the gain related to the \$116,000 was payable and reportable with the 1994 return, the year in which such gain was realized. See 26 U.S.C. § 451.

During his deposition, the candidate averred that his accountant advised him that because the gain was "spread over two years, it was income averaging" and thus he did not need to pay

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1994 Ethics in Government Act ("EIGA") statement in September of 1994, he had already received \$73,000 from the alleged sale of Bantam Place and had loaned that money to his campaign, he failed to disclose the receipt of any income from the sale of Bantam Place on that statement. In short, the candidate's failure to pay capital gains tax with his 1994 tax return and his failure to report the receipt of income related to the alleged sale of Bantam Place on his 1994 EIGA statement is further evidence that there was no bona fide sale of Bantam Place in 1994.⁶

Other factors further call into question the validity of the candidate's claim. Lawrence Lally testified that his purchase of Grant's interest in Bantam Place "was a good deal." L. Lally Depo. at page 23. Yet, if the \$116,000 was for Bantam Place, then Lawrence paid over three times the amount that Grant had paid just thirteen months earlier.⁷ There is nothing which suggests that the value of the property increased at all during that time frame. To the contrary, in May of 1994, just as in March of 1993 when Grant Lally purchased Bantam

tax on the gain until 1995. Grant Lally Depo. at pages 84-85. However, the accountant who prepared his 1994 and 1995 tax returns has averred that he was not informed that the Respondent received any income from the sale of real property during 1994 and that Grant Lally first informed him about the sale of Bantam Place when he was preparing the 1995 tax return in October of 1996. The tax preparer indicated that from 1994-97, he did not advise the candidate that he could defer taxes on any gain from the sale of real property until it was complete or rely on "income averaging," a concept that was repealed years before the transactions at issue.

⁶ We further note that the candidate's 1996 EIGA statement does not disclose his receipt of income in 1995 for the sale of Bantam Place (the 1996 EIGA statement required disclosure of all earned and unearned income for 1995 as well as 1996). Thus, the candidate did not report his receipt of any income related to the sale of Bantam Place on his EIGA statements covering the time frame from 1994-1996.

⁷ Even the first two of Lawrence Lally's payments in May of 1994 totaled \$73,000, which was almost twice as much as Grant paid for his 2/3 interest in Bantam Place just the year before.

Place, the property was encumbered, see *supra* footnote 2. Thus, the marketability and value of Bantam Place remained diminished. See e.g. Santisi v. Parente, 633 N.Y.S. 2d 194, 220 A.D. 2d 737 (1995) (Appraisal was deemed meaningless because it failed to consider that property was no longer encumbered).⁸ In addition, Grant Lally testified that no improvements were made on the property from the time he purchased it in 1993 until the alleged sale to his father in 1994. Grant Lally Depo. at page 44.

The source of the money used to pay Grant Lally the \$116,000, and the timing of the payments, also cast doubt on the claim that it was related to a bona fide sale of Bantam Place. Most of the money used for the alleged purchase of Bantam Place came from banks in the form of loans. Part of the money came in the form of a \$48,000 check, dated May 21, 1994, that was derived from a line of credit taken by Lawrence and Ute Wolff Lally just in time for the candidate to make a \$100,000 loan to his campaign. The collateral which secured that line of credit was the primary residence of the candidate's parents. A letter from the lending institution which made the loan indicates that it was a home improvement loan.⁹ A \$56,000 line of credit was obtained by Lawrence Lally just in time to provide the candidate with the \$43,000 that the latter loaned to his campaign shortly before the general election. According

⁸ As noted, in April of 1995, the partition action finally forced or convinced Mr. Pavlo to sell his 1/3 interest. See footnote 2. Thus, when Brown and Farquarson purchased Bantam Place on October 26, 1995, the property was no longer encumbered and they acquired a complete (100%) ownership interest for \$169,000.

⁹ Although the letter from the bank stated that the loan was for home improvement, Lawrence Lally denied it. L. Lally Depo. at 33. This Office requested additional documentation, but Lawrence Lally claimed that he had none. He also informed this Office that he wrote to the bank to obtain further information, but it never responded. L. Lally Depo. at page 45. Lawrence Lally agreed to provide a copy of his letter to the bank requesting the information, but he never did.

to a letter from that lending institution, the \$56,000 was a business line of credit taken by Lawrence Lally d/b/a/ Lally and Lally, Esquires. In addition, the \$43,000 derived from the business loan was transferred to Grant Lally in two payments, one of which was within a \$14,598.91 transfer provided to the campaign just in time to cover a committee overdraft of that precise amount.¹⁰

In summary, rather than a purchase of real property for investment purposes, the facts at hand indicate that these payments totaling \$116,000 were part of a concerted effort to obtain funds from whatever sources were available to meet the candidate's needs and goals at various critical points during the campaign.¹¹ Although Lawrence Lally was involved in contributing the entire \$116,000, Ute Wolff Lally's role appears limited to the \$43,000 provided to the campaign that was obtained through the line of credit she obtained along with her husband. In any event, there is evidence that both Lawrence and Ute Wolff Lally made contributions in excess of their permissible limits, in violation of Section 441a(a)(1)(A).

¹⁰ On October 21, 1994, the Lally campaign's account was overdrawn by \$14,498.91. On October 24, 1994, \$14,498.91 was transferred from the law firm account, to Grant Lally's personal account and then to the Lally campaign's account.

¹¹ The proceeds from the bona fide 1995 sale of Bantam Place were deposited in Lawrence Lally's "Real Property Account." Lawrence and Grant Lally testified that they did not recall Grant Lally receiving any portion of the proceeds. Grant Lally Depo. at pages 78-79; Lawrence Lally Depo. at pages 53-54. It is unclear whether Grant Lally has an interest in the Real Property Account. However, even if Grant does not have an interest in that account, and/or did not receive any of those proceeds, at a minimum, the \$116,000 he received from his father constituted an "advance," or a "loan" provided to the candidate until the property was marketable. Whether the \$116,000, or any portion thereof, was an "advance" a "loan" or a "gift" it was still a "contribution," and thus subject to the FECA's limitations.

B. \$18,000 PAYMENT PROVIDED BY LAWRENCE AND UTE LALLY**i. Facts**

By check dated May 4, 1994, Ute Wolff Lally provided the candidate with \$18,000 which was used in connection with a \$100,000 loan that he reportedly made to the Lally campaign on May 24, 1994. A document produced by the respondents indicates that on April 3, 1990, the candidate paid \$12,000 for a 1966 Corvette ("Corvette"). However, from 1990 through 1995, the Corvette was registered to Lawrence Lally. According to Lawrence Lally, the Corvette was registered to him "for insurance purposes." In his submission of June 28, 1996, Grant Lally averred that the \$18,000 was paid by Ute Lally for the purchase of the Corvette. Although Mrs. Lally is the only signatory on the account from which the \$18,000 was drawn, she testified that the funds in that account belonged to both her and her husband, Lawrence Lally. See transcript of deposition of Ute Wolff Lally, dated January 31, 1997 (Ute Lally Depo.) at page 9. Lawrence Lally also testified that, although the account was only in his wife's name, the funds in the account were shared. Lawrence Lally Depo. at page 59. Lawrence Lally further stated that he asked his wife to issue the \$18,000 check "because she had money in her account." *Id.* at 61.

There was no written contract setting out the terms of the alleged 1994 sale of the Corvette. There were also no documents evidencing any change in title or registration for the vehicle, or evidence that any sales tax was paid in connection with the alleged 1994 sale. In fact, as with the alleged sale of Bantam Place, there are no documents whatsoever evidencing that the sale occurred (other than Ute Lally's \$18,000 check, which contains no information regarding the purpose of that check).

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On August 30, 1995, the Corvette was sold to Dr. Michael Adornato for \$16,000, \$2,000 more than candidate allegedly received for the car in 1994. Lawrence Lally Depo. at page 61. According to Dr. Adornato, when he inquired about the vehicle he was informed by Lawrence Lally that it belonged to his son Grant Lally. Dr. Adornato also avers that he was told by Lawrence Lally that Grant would negotiate the sale price, which he did. When purchasing the vehicle, Dr. Adornato issued two checks to "Grant" Lally for \$8,000. The two checks totaling \$16,000 from Dr. Adornato appear to have been endorsed by Grant Lally and Lawrence Lally, and then deposited into the account of Lally and Lally, Esquires.

ii. Analysis

The claim that the \$18,000 was for the sale of the 1966 Corvette is without support. Although a document produced by the respondents indicates that the candidate paid \$12,000 for the Corvette in 1990, title to the car was in Lawrence Lally's name and it was registered to him alone from 1990-95. Thus, it is questionable whether the candidate even had a bona fide ownership interest in the Corvette during 1994, the year when his parents claim they purchased it for \$18,000.

More importantly, assuming that the candidate had an interest in the Corvette, there is no independent documentary evidence that he sold that car in 1994 or that the \$18,000 was related to such sale. Indeed, there is evidence which contradicts the claim that there was a bona fide sale of the Corvette in 1994. When the car was sold in 1995, the purchaser was informed by Lawrence Lally that Grant Lally was the owner, and that the latter would discuss the price. Moreover, the purchaser issued the two checks totaling \$16,000 to Grant Lally. In short, whether the \$18,000 was a "gift" provided to Grant that was unrelated to the Corvette,

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or an "advance" which equaled \$2,000 more than the \$16,000 that he repaid his parents over one year later when he was able to sell the Corvette, it was a "contribution" under the Act and it exceeded the limitations of the Act. As Lawrence and Ute Wolff Lally made that contribution, they have exceeded the Act's contribution limitations, in violation of Section 441a(a)(1)(A).

C. PAYMENTS ISSUED FROM THE ACCOUNT OF LALLY AND LALLY, ESQUIRES.

During 1994, the law firm provided Grant Lally with 21 payments. These payments were provided to the candidate in a stream of checks and transfers totaling \$179,891. Of that amount, \$102,891 is claimed to have been the candidate's 1994 law firm income. In response to several requests for an explanation for the purposes of the payments which equal the difference between the \$178,891 which the candidate received in 1994 and his reported income, the respondents have made assertions that conflict with earlier testimony and have produced documents that they have previously testified did not exist. We first analyze the candidate's claimed 1994 law firm income and then the payments that make up the discrepancy between such income and the law firm payments that he received.

1. Law Firm Income

a. Facts

During 1994, Grant and Lawrence Lally were the only attorneys employed by the law firm. The total law firm income for 1994 was approximately \$206,000. The respondent Lawrence Lally claims that \$74,491 of the loans that the candidate reportedly made to the Lally campaign were derived from his 1994 law firm income. According to the candidate's

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1994 tax return, his 1994 income from the law firm was \$102,891. In contrast, the candidate's 1993 law firm income was \$59,062, and his 1995 income was only \$34,500.¹²

Grant Lally's law firm income was not paid in regular amounts or intervals. Thus, there was no regular draw taken. In the weeks leading up to the 1994 primary and/or general election alone, Lawrence Lally authorized law firm payments to the candidate totaling \$63,488 as follows:

August 26, 1994	\$ 7,000
September 6, 1994	\$ 6,000
September 9, 1994	\$ 6,000
September 14, 1994	\$10,000
September 15, 1994	\$10,000
October 12, 1994	\$12,890
October 14, 1994	\$10,000
October 24, 1994	\$ 1,598

To ascertain the basis of Grant Lally's portion of the law firm's total 1994 income, this Office subpoenaed law firm invoices, partnership agreements and budgets. The respondent Lawrence Lally only produced documents related to several cases, claimed that no such documents existed with respect to most of the other cases or that they were privileged. Those very few invoices that were produced did not delineate whether Grant or Lawrence Lally had provided the services referred to therein. The only document indicating that any of the funds in question were at least designated for the candidate was the inclusion of a client's name on a \$20,000 check dated May 10, 1994.

During his deposition, Grant Lally claimed that the manner in which fees were divided between himself and his father was determined on a "very ad hoc" basis. Grant Lally Depo. at

¹² The respondents claim that the law firm's total income for 1993 was \$100,097, and in 1995 it was \$92,564.

page 119. He indicated that when "the fee came in, we took a look at the case, the work, and who brought the case in." *Id.* at page 120. He stated that there was no set "ten point procedure" regarding the division of any proceeds. *Id.* In fact, he claimed he was unable to state the amount he personally received from any particular case. With the exception of the aforementioned \$20,000 check on which a client's name appeared, he was even unable to inform this Office to which clients or cases any of the checks he received were related.

Lawrence Lally testified that he issued the checks at issue to Grant and would decide what portion of the law firm expenses Grant would pay. Lawrence Lally Depo. at pages 105-107. He testified that firm expenses were deducted from Grant's law firm proceeds as "funds were available" and bills were pending. *Id.* at page 106. He further testified that there was no formula for determining what portion of the expenses Grant would pay. *Id.*

Rather than producing law firm invoices or other documents disclosing who provided the legal services rendered, the respondents provided a statement signed by Lawrence Lally, dated July 31, 1996, setting forth a list of the law firm clients and the amount each client paid to the law firm in 1994. They also produced a signed statement from Lawrence Lally indicating that Grant Lally "performed essentially all the legal work" for 13 cases, and "substantial services" for 13 other cases. In addition, they produced affidavits from law firm clients that contained statements such as "I paid my attorney Grant M. Lally" a specific fee, that the client had "retained Grant M. Lally" or that he was the "principal attorney" that the client "dealt with."

b. Analysis

The weight of the evidence at hand indicates that the \$102,891 included funds that did not constitute the candidate's bona fide law firm income, and that such funds were provided

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by Lawrence Lally to assist the candidate in his 1994 Congressional campaign. We begin by noting that Grant Lally's 1994 income of \$102,891 was approximately 74% greater than his 1993 income, and 198% greater than his 1995 income.¹³ The candidate's 1994 law firm income is so disproportionate to what he made in the prior and subsequent years that it alone raises questions.

Second, in the weeks leading up to the primary and general elections there was a dramatic increase in the frequency and amounts of the law firm payments claimed to have been for law firm income. Specifically, in the sixty day period beginning on August 26 and ending on October 24, 1994, the law firm provided the candidate with \$63,488 that is alleged to have been for income. That was approximately 52% of his claimed total reported income for 1994.¹⁴ During the same period, the number of payments increased substantially as the intervals between such payments decreased: \$7,000 on August 26, \$6,000 on September 6, \$6,000 on September 9, \$10,000 on September 14, \$10,000 on September 15, \$12,890 on October 12, \$10,000 on October 14, and \$1,598.91 on October 24, 1994. It appears that all of these payments from the law firm were used in connection with loans that the candidate reportedly made to the Committee, most often in those precise amounts and on the same days on which they were received.

¹³ Grant Lally also received a large proportion of the law firm's 1994 income. While the law firm received approximate total receipts of \$206,000, even after deducting only rent and the secretary's salary, the 1994 law firm's net income was \$176,264. As the candidate received almost \$102,891, his net salary was approximately 71% of the firm's.

¹⁴ In addition to the \$63,488 discussed above, during that same time frame the law firm account was used to make two additional payments to the candidate, totaling \$43,000, that are alleged to have been part of the purchase price for Bantam Place.

Third, the timing and amounts of some of these law firm payments suggest that they were based upon the specific needs of the campaign rather than on the law firm's net income or services performed by the candidate. For instance, Grant Lally received a \$12,890 check from the law firm on October 12, 1994, which was deposited in the campaign's account that day. Also on that day, the Lally campaign issued a certified check in the amount of \$12,890 to Multi-Media, one of its campaign's consultants. As noted *supra* at page 10, on October 21, 1994, the campaign's account was overdrawn by \$14,598.91. Three days later Lawrence Lally authorized a \$14,598.91 transfer from the law firm account to Grant Lally's personal account, which was then transferred to the Lally campaign's account.¹⁵ On September 6, 1994, the Lally campaign's account was overdrawn by \$9,256.67. The next day Grant Lally deposited \$25,000 in the Lally campaign's account. On September 13, 1994, a Lally campaign check in the amount of \$11,027.05, which had been issued to Forrest Communications on September 8, was returned for insufficient funds. Two law firm checks in the amount of \$10,000 each were directly deposited in the Lally campaign's account on September 14 and 15, 1994. Thus, the \$11,027.05 check cleared when re-deposited on September 16, 1994.

Fourth, the responses claim that Grant Lally handled all estate cases, which were the source of the vast majority of the law firm's 1994 income. Yet there is public information which casts doubt on that claim, particularly with respect to *In Re* _____ which yielded \$46,730, the largest fee received by the law firm in 1994. Lawrence Lally testified that Grant

¹⁵ While \$13,000 of that amount is claimed to be from the sale of Bantam Place, see *supra* page 4, the remaining \$1,598.91 is claimed to be for legal services provided by Grant Lally.

performed the services for that estate case, and all profits went to the latter. Lawrence Lally Depo. at pages 132-134. However, court records indicate that Lawrence Lally was the attorney of record for that case. In addition, Lawrence Lally himself testified that he met with the client, _____, a number of times, because "elderly people have more confidence in older attorneys." Lawrence Lally Depo. at page 132. And Grant Lally testified that one of the factors that determines the amount of the fee received is who generates the client, and the depositions made clear that the candidate did not do so in the _____ case. Grant Lally Depo. at page 119; Lawrence Lally Depo. at page 130. In addition, court records for two other estate cases claimed to have been handled by the candidate also contain documents submitted by Lawrence Lally. (*In Re* _____ and *In Re* _____). Moreover, Lawrence Lally had been an attorney for over 30 years at that time, while Grant had only been practicing for approximately ten years. Lawrence Lally Depo. at page 13. The assertion that it was Lawrence Lally's usual practice to receive no fee or next to no fee for cases in which he was involved is simply not credible.

Finally, no documentation has been produced setting forth the basis of the payments which the law firm provided to the candidate during 1994.¹⁶ Neither the candidate nor Lawrence Lally, the latter who issued the law firm payments at issue, were able to offer an explanation for the basis for such payments. Even when presented with copies of the law firm checks at issue at their depositions, the candidate and Lawrence Lally would not state how those fees were determined or even what cases such payments were for. With one exception,

¹⁶ The signed statements from the law firm's clients may be offered as proof of the law firm's receipt of specific funds and that Grant Lally was involved in those particular cases. However, those statements do not in any way establish what portion of the law firm fees Grant Lally was entitled to receive during 1994 for services he may have rendered.

even the checks themselves do not indicate which case or cases were related to these payments.¹⁷

The foregoing facts belie the claim that all of the \$102,891 which the law firm provided to the candidate during 1994 was bona fide law firm income. The law firm payments to Grant Lally which did not constitute his bona fide income and that were loaned to his campaign were a contribution from Lawrence Lally. If, as is claimed, the law firm is a partnership, the payments would constitute a contribution from it as well.¹⁸ In any event, under the Act Lawrence Lally and the law firm were prohibited from contributing in excess of \$1,000 to each election in which Grant Lally was a candidate, or \$2,000 in total. Through these numerous payments to the candidate, Lawrence Lally and the law firm made contributions far in excess of that amount, in violation of Section 441a(a)(1)(A).

¹⁷ In refusing to provide documentation, the respondent Lawrence Lally had cited the attorney-client privilege and an opinion from his county ethics board. However, law firm invoices containing the amount of fees, the identity of clients and a general description of services are not protected by the attorney-client privilege. See *Vingelli v. United States*, 992 F.2d 449 (1st Cir. 1993); *Colton v. United States*, 306 F.2d 633, 637-38 (2d Cir. 1992), cert. denied, 371 U.S. 951 (1963). In addition, prior to making this claim the candidate had already revealed the identity of his clients and how much they allegedly paid, and, moreover, his clients have signed affidavits drafted by the candidate that disclose that services were provided and indicate the amounts paid. As such clients had already provided such information, they have waived any privilege that may have existed with respect to the limited information sought by the Commission's Subpoena.

¹⁸ The respondent Lawrence Lally has asserted that the law firm is a partnership. Under New York law, a partnership is "an association of two or more persons to carry on as co-owners a business for profit." 39 N.Y. Partnership Law § 10. Lawrence Lally has claimed that the law firm does not have any partnership agreement. The law firm does not file a federal income tax return and thus does not appear to be a partnership for federal income tax purposes.

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2. **Additional Law Firm Payments**

a. **Overview**

Regarding the discrepancy between the candidate's reported 1994 law firm income of \$102,891 and the \$179,891 he actually received during 1994, as discussed *supra* at pages 4-11, he claims that \$43,000 was for the sale of Bantam Place. With respect to the remaining amount, this Office made attempts to obtain some explanation for the discrepancy in July of 1996 and in January and February of 1997.¹⁹ It was not until a letter dated March 12, 1997, that the respondent finally offered an explanation; claiming that \$10,000 of the difference was for Lawrence Lally's purchase of the candidate's interest in stock and that \$23,000 of the difference was part of the "pay off" of debt which Lawrence and Ute Wolff Lally owed to his grandparents. However, as discussed in more detail below, the 1997 explanation directly conflicts with statements made under oath in 1996.²⁰

b. **Facts**

On his 1994 EIGA statement, Grant Lally indicated that he had an interest in a corporation identified as Museum Source, Ltd. ("Museum Source"), and that he was President

¹⁹ This Office first raised the issue about the disparity between Grant Lally's reported income and the amount which he received from the law firm in a letter to him dated July 31, 1996. During the candidate's deposition on January 29, 1997, this Office provided him with copies of all the checks and asked if he could explain the disparity. However, he indicated that he would need to review his "books." Grant Lally Depo. at 158. Thus, additional requests were made by this Office via letters dated February 5 and 24, 1997.

²⁰ As explained in the text above, the respondent has claimed that the difference between the \$179,891 the candidate received from the law firm in 1994 and his income of \$102,891 can be attributed to the proceeds from Bantam Place (\$43,000), sale of stock (\$10,000) and debt payment (\$23,000). See pages 4-5, and 21-24. However, this totals only \$178,891. The respondents have not explained the additional \$1,000 that makes up the difference.

of that corporation. In response to the portion of the Commission's interrogatories of May 16, 1996, regarding his interest in Museum Source, the candidate indicated that he owned 160 shares in that corporation and stated that the market value of its assets was \$15,000. The 1996 interrogatories explicitly asked the candidate whether any of his shares in Museum Source were sold or transferred at any time during 1993-1994, and asked for the identity of all purchasers or recipients of such shares. The Commission also subpoenaed all documents related to any such sales or transfers of stock in Museum Source. In his response dated June 28, 1996, Grant Lally swore that "no" shares of his stock in Museum Source were sold during 1993-1994. Although the candidate produced the corporate bylaws, articles of incorporation and minutes from the initial meeting of the board of directors, no documents related to any sale or transfer of stock were produced in 1996.

Then, after this Office repeatedly raised the issue about the discrepancy between the amount of funds he received from the law firm and his reported income, Lawrence Lally submitted a letter dated March 12, 1997, claiming that \$10,000 of the difference was for his purchase of the candidate's interest in Museum Source. By letter dated March 19, 1997, this Office sought documentation in support of the alleged sale of the stock. On April 2, 1997, the respondents produced a copy of an undated stock certificate signed by the candidate which indicated that Lawrence Lally owned 160 shares of stock in the corporation.

Regarding the \$23,000 claimed to be for debt payment, the investigation has shown that Lawrence and Ute Lally owed to the candidate's grandparents, Kurt and Margaret Schurm. The candidate's parents used the funds to purchase or improve real property. In 1992 and 1993, the Schurms conveyed a 1/3 interest in that debt to the candidate. In response

to the Commission's Subpoenas related to such debt, the candidate produced checks indicating that each month the candidate's parents paid a portion of the debt directly to the Schurms. The payments to the Schurms totaled _____ per month and came from Lawrence Lally's "Real Property Account."

Although the Commission's Subpoena, dated May 16, 1996, requested all documents related to mortgages or debts owed to Grant Lally, the initial response only contained the documents through which the candidate was granted the 1/3 interest in his parent's debt and the documents evidencing the initial loans from the Schurms. As the documents produced were limited and did not explain the basis of the transactions, this Office made a follow-up request by letter dated July 23, 1996 to Grant Lally seeking "documents related to the sale or mortgaging of personal or real property ... i.e., payment(s) received from Lawrence or Ute Lally" and "any other document related to such mortgages." The letter of July 23 sought from the respondent-debtors, Lawrence and Ute Lally, checks issued to "to Grant Lally or others (Schurms) for such debt throughout the applicable time frame." In response, the candidate produced copies of two cashier's checks dated October 21, 1994, totaling \$87,357, that were issued to him by the Schurms.²¹ The candidate's sworn response stated that there were "no 'documents.' The transaction was between family members." Regarding the request made to

²¹ The candidate liquidated most of his 1/3 interest in that debt to finance his 1994 campaign. Specifically, just prior to the 1994 general election, he received \$87,357 from his grandparents as "partial satisfaction" of his interest in his parents' debt. A total of \$81,500 of that amount was loaned to his campaign. Although the candidate has not provided any documentation setting forth the terms related to his receipt of these funds in 1994 and claims that none exist, the documents in which he was granted the interest in the debt were provided and they appear valid, i.e., they are notarized and dated. Those documents were executed in 1992 and 1993, prior to when Grant Lally began running for Congress. Thus, this Office concludes that the \$81,500 appears to have constituted "personal funds."

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Lawrence and Ute Lally for documents related to payments for such debt or mortgages,

Lawrence Lally stated: "checks to Grant Lally-None."

In contrast to the above statements, the letter of March 12, 1997, claims that \$23,000 of the funds provided by the law firm were payment for debt owed by the candidate's parents. In addition, in an April 2, 1997 response to a request for documentation in support of the claim about the \$23,000, Lawrence Lally produced a copy of a "Payoff Letter," dated December 7, 1994, signed by the candidate. The "Payoff Letter" acknowledges the candidate's receipt of the \$23,000 as partial payment for the debt owed by his parents.

b. Analysis

The candidate, who has been represented by Lawrence Lally since the complaint in this matter was filed, initially averred that no shares of stock in Museum Source were sold at any time during 1993-1994. Then, after the documents produced in response to the Commission Subpoena disclosed a large difference between his asserted law firm income for 1994 and the amount the candidate actually received, Lawrence Lally, without explanation, claimed the opposite, directly contradicted prior testimony and produced a document that had been previously explicitly subpoenaed but was not produced. In any event, Lawrence Lally has failed to offer any credible or independent evidence in support of the claim that he purchased the Museum Source stock in 1994. The stock certificate, the only piece of evidence produced, is not dated, is not signed by the Secretary-Treasurer of the corporation and does not contain the corporate seal, as required by the corporation's Articles of Incorporation. There is also no evidence that the issuance of the stock was entered on the corporation's books, which is also required by the Articles of Incorporation.

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With respect to the \$23,000 in law firm payments, the most recent claim similarly conflicts with prior sworn submissions. Although the respondents have produced a document claimed to be a "Payoff Letter" for the \$23,000, in his 1996 response to explicit requests for any such documents, the candidate previously stated under oath that there were "no 'documents'" asserting that "the transaction was between family members." Moreover, in response to the Commission's initial request for any documents relating to any payments made to the candidate by Lawrence or Ute Wolff Lally for debt, no evidence of the \$23,000 payment was produced, and the alleged transaction was not disclosed. In response to a written follow-up request for such documentation on July 23, 1996, Lawrence Lally submitted a sworn response on his and Ute Lally's behalf stating that "Checks to Grant Lally-None." Yet the response submitted in March of 1997 claims the opposite; that during 1994 Lawrence and Ute Wolff Lally provided the candidate with \$23,000 for the alleged debt via checks drawn on the law firm account. The respondents have also failed to offer any credible or independent evidence in support of the claim that the \$23,000 was for the debt. The "Payoff Letter" was signed only by the candidate himself, was not notarized and not signed in the presence of any witness.²²

²² Other documents produced demonstrate that it was Lawrence and Ute Lally's practice to provide much smaller payments by checks issued directly to the Schurms from the "Real Property Account." Here, without explanation, it is claimed that the candidate was directly provided with an amount that was far in excess of what was usually paid each month and that equaled a substantial portion of the total debt owed. And unlike the checks issued to the Schurms for such debt, the payments to the candidate were not issued from the "Real Property" account. Rather, the \$23,000 was derived from the law firm account. In addition, there is no evidence that the other owners of the interest, Kurt and Margaret Schurm, consented to or were even informed that this \$23,000 was provided directly to the candidate.

Finally, given that despite explicit requests in May and July 1996, the Stock Certificate and the "Payoff Letter" were not produced until March of 1997, after the respondents' depositions, it is unclear when they were created. In fact, despite two requests, Lawrence Lally could not even identify which of the 21 law firm payments at issue was for the alleged \$10,000 sale of the stock or for the alleged debt payment totaling \$23,000. Instead, he indicated that the \$10,000 "[c]heck was issued in Fall of 1994--specific date not recorded," and with respect to the alleged debt payoff of \$23,000, that the "specific dates not recorded." Thus, the facts at hand suggest that the documents provided in March 1997 may have been created in a post hoc attempt to support the claims about the disparity between the candidate's reported income and the amount that he actually received.

The funds at issue provided in the form of law firm checks, totaling \$33,000, constituted excessive "contributions" to Grant Lally's 1994 Congressional campaign. These funds were contributed by Lawrence Lally and the law firm, in violation of Section 441a(a)(1)(A).

D. KNOWING AND WILLFUL NATURE OF THE VIOLATIONS

The Act explicitly provides that the Commission may find that violations are knowing and willful. 2 U.S.C. § 437g. The knowing and willful standard requires knowledge that one is violating the law. *Federal Election Commission v. John A. Dramesi for Congress Committee*, 640 F. Supp. 985 (D. N.J. 1986). A knowing and willful violation may be established by "proof that the defendant acted deliberately and with knowledge that the representation was false." *United States v. Hopkins*, 916 F.2d 207, 214 (5th Cir. 1990). An inference of a knowing and willful violation may be drawn "from the defendant's elaborate scheme for disguising" their actions and that they "deliberately conveyed information they

knew to be false to the Federal Election Commission." *Id.* at 214-215. "It has long been recognized that 'efforts at concealment [may] be reasonably explainable only in terms of motivation to evade' lawful obligations." *Id.* at 214, citing *Ingram v. United States*, 360 U.S. 672, 679 (1959).

The evidence adduced throughout this investigation demonstrates that the violations by the respondents were knowing and willful. First, Lawrence Lally's efforts to conceal the true source of the payments at issue are evident by the manner in which such payments were funneled through the candidate's account into the Lally campaign. For example, in May of 1994, Lawrence Lally issued, or requested the issuance of, three checks, totaling \$91,000, that were deposited in the candidate's personal account that, either immediately upon receipt or within a short time frame, were transferred to the Lally campaign account, i.e., payments totaling \$25,000 and \$48,000 claimed to be for Bantam Place and \$18,000 claimed to be for the Corvette. Similarly, many of the law firm payments issued by Lawrence Lally, and a subsequent line of credit he obtained, were similarly passed through the candidate's account to the Lally campaign account, i.e., \$12,890 on October 12, \$30,000 on October 19, \$14,598 on October 24, 1994.

Second, the evidence at hand indicates that Lawrence and Ute Lally, both of whom are attorneys, were aware of the contribution limitations and that such limitations applied here. The respondents' awareness of the Act's limitations is evident from the elaborate scheme devised in an attempt to legitimize these payments, e.g., the claim that payments from Lawrence Lally eventually totaling \$116,000, received in various unexplained amounts during

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several key points in the campaign, were for the sale of Bantam Place and the claim that \$18,000 received by the candidate in May of 1994 was for the sale of a Corvette.

Moreover, in August of 1994, after observing the first of the alleged candidate loans, the Commission explicitly informed Lawrence Lally in writing that "personal funds" are "strictly defined" and directed him to the definition of personal funds at 11 C.F.R. § 110.10. Yet even after receiving and responding to the Commission's letter, Lawrence Lally went on making the payments now at issue. Indeed, it was in October of 1994, after receiving the Commission's letter, that Lawrence Lally d/b/a Lally and Lally, Esquires, took a second line of credit, \$43,000 of which was provided to the Lally campaign. Lawrence Lally thus acted in knowing disregard of the Commission's written notice.²³

Further questions are raised by the respondents' failure to inform lenders of the true purpose of the bank loans used to fund the campaign. When applying for a line of credit in May of 1994, Lawrence and Ute Lally did not inform the bank that the funds were to be used for Grant Lally's candidacy. Instead, they informed the bank that this line of credit was a "home improvement loan." Yet within days of receipt, \$48,000 of the funds borrowed from that bank was provided to the campaign. Similarly, the bank from which the \$43,000 for the campaign was obtained in October of 1994, was informed that the funds were to be used for a "business loan" for the law firm of Lally and Lally, Esquires. Upon receipt, however, these funds were almost immediately provided to the candidate and his campaign.

²³ Lawrence Lally also asserted to the Commission that the funds reported as candidate loans were "not secured from any lending institution." However, as noted, \$91,000 was obtained from lending institutions.

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Finally, the knowing and willful nature of these violations is evident by the history of document production in this case. At the outset of the investigation, the respondents strenuously resisted compliance with the Commission's Subpoenas and Orders of May 16, 1996, which were aimed at determining the sources of the loans in question. After numerous unsuccessful attempts to obtain compliance, on July 16, 1996, the Commission authorized this Office to file a civil suit in the United States District Court. In October of 1996, after this Office was assured by the respondents that they had produced all responsive documents, the Commission determined not to file suit. After depositions under oath conducted in January of 1997 failed to explain certain previously discussed discrepancies, the respondents submitted written responses that directly contradicted their earlier sworn written statements. Moreover, the respondents produced documents that they had previously claimed did not exist, i.e., Museum Source stock certificate for \$10,000, debt "Pay off" letter for \$23,000. *Id.* In short, in an effort to hide the true source of the money which funded Grant Lally's 1994 House campaign, the respondents first resisted compliance with the Commission's discovery and later submitted information and documents which contradicted prior sworn responses. Thus, the knowing and willful nature of these violations can be inferred from the efforts taken to impede if not obstruct this investigation.

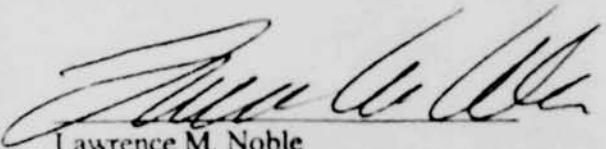
In light of the above, the Office of the General Counsel recommends that the Commission find probable cause to believe that Lawrence M. Lally, Lally and Lally, Esquires and Ute Wolff Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).

III. **RECOMMENDATIONS**

1. Find probable cause to believe that Lawrence M. Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).
2. Find probable cause to believe that Ute Wolff Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).
3. Find probable cause to believe that Lally and Lally, Esquires knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).

Date

7/24/97


Lawrence M. Noble
General Counsel

9 8 0 4 3 8 4 6 3 3

PATTON BOGGS, L.L.P.
2550 M STREET, N.W.
WASHINGTON, D.C. 20037-1350
(202) 457-6000
FACSIMILE (202) 457-6315

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

AUG 11 10 24 AM '97

WRITER'S DIRECT DIAL

(202) 457-6405

August 9, 1997

VIA FACSIMILE AND HAND-DELIVERY

Xavier K. McDonnell, Esquire
Office of the General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MURs 4128 and 4362

Dear Mr. McDonnell:

Enclosed please find executed forms designating me counsel of record to the Lally for Congress Committee and its treasurer (a Form 1 replacing Bruce Cozzens as treasurer has previously been filed with the Commission), Grant M. Lally, Lawrence M. Lally and Ute Wolff Lally in the above-captioned matters.

By this letter, we hereby request on respondents' behalf an extension in which to respond to the General Counsel's briefs recommending a finding of probable cause. We note the denial of the respondents' request for preprobable cause conciliation and the fact that the General Counsel is recommending that some of the violations be found knowing and willful.

This extension is necessary for a combination of reasons. I have only recently been retained in this matter. The General Counsel's recommendations demonstrate the severity with which your office regards the matter. The record in the case is unusually voluminous, the respondents have not yet been able to obtain transcripts of the depositions taken in this matter, and the issues appear to be unusually complex and fact-driven. I will be also be out of town for the next two weeks and (as the Commission knows) face an unusually heavy schedule for the remainder of this month and September.

Accordingly, we request an extension of 45 days from the original due date so that we may become sufficiently familiar with this matter to file the necessary responses. The

PATTON BOGGS, L.L.P.

Xavier K. McDonnell, Esq.

August 9, 1997

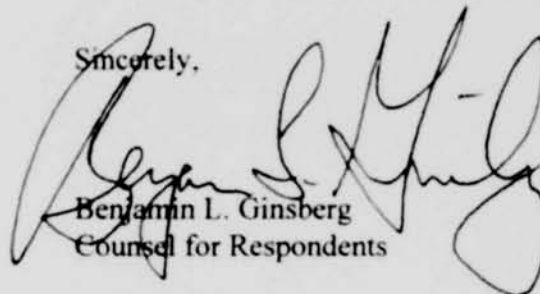
Page 2

Commission's letters were received on July 29, 1997. Accordingly we propose that the respondents' replies be due at the Commission on September 29, 1997.

While we believe the posture of this case demonstrates that is not the ordinary case before the Commission, if the Office of General Counsel decides it cannot grant the requested extension, we ask that you submit it to the Commission.

Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin L. Ginsberg", is written over the typed name and title.

Benjamin L. Ginsberg
Counsel for Respondents

Attachments

STATEMENT OF DESIGNATION OF COUNSEL

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

AUG 11 10 24 AM '97

MUR 4362,4128

NAME OF COUNSEL: Benjamin L. Ginsberg

ADDRESS: Ration Boggs, L.L.P.

2552 M Street, N.W.

Washington, D.C. 20037

TELEPHONE: (202) 457-5405

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

8/5/97
Date

[Signature]
Signature

RESPONDENT'S NAME: Lally for Congress and Bruce Cozzens, as Treasurer

ADDRESS: _____

HOME PHONE: _____

BUSINESS PHONE: _____

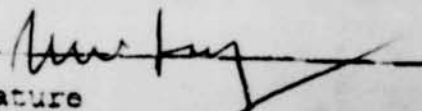
RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSELSTATEMENT OF DESIGNATION OF COUNSEL

AUG 11 10 24 AM '97

MUR 4362,4128

NAME OF COUNSEL: Benjamin L. GinsbergADDRESS: Patton Boggs, L.L.P.2550 M Street, N.W.Washington, D.C. 20037TELEPHONE: (202) 457-6405

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

8/6/97
Date
SignatureRESPONDENT'S NAME: Ute Wolff Ially

ADDRESS: _____

HOME PHONE: _____

BUSINESS PHONE: _____

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RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

STATEMENT OF DESIGNATION OF COUNSEL

Aug 11 10 24 AM '97

MUR 4362,4128

NAME OF COUNSEL:

Benjamin L. Ginsberg

ADDRESS:

Patton Boggs, L.L.P.2550 M Street, N.W.Washington, D.C. 20037

TELEPHONE:

(202) 457-6405

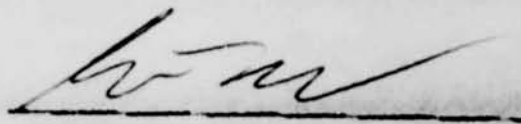
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The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

Date

8/5/97

Signature



RESPONDENT'S NAME:

Grant M. Lally

ADDRESS:

HOME PHONE:

BUSINESS PHONE:

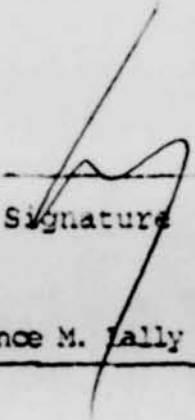
RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSELSTATEMENT OF DESIGNATION OF COUNSEL

AUG 11 10 24 AM '97

MUR 4362,4128

NAME OF COUNSEL: Benjamin L. GinsbergADDRESS: Patton Boggs, L.L.P.2550 M Street, N.W.Washington, D.C. 20037TELEPHONE: (202) 457-6405

The above-named individual is hereby designated as my
counsel and is authorized to receive any notifications and other
communications from the Commission and to act on my behalf before
the Commission.

8/6/97
Date
SignatureRESPONDENT'S NAME: Lawrence M. Jally

ADDRESS: _____

HOME PHONE: _____

BUSINESS PHONE: _____



FEDERAL ELECTION COMMISSION
Washington, DC 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

AUG 12 2 06 PM '97

August 12, 1997

SENSITIVE

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

BY: Lois G. Lerner *LL*
Associate General Counsel

SUBJECT: Shorter Voting Deadline for General Counsel's Memo in MUR 4128 & MUR 4362

Pursuant to the Circulated Vote Provisions of Directive 52, the Office of the General Counsel is circulating the attached memo on a 24 Hour Tally Vote basis.

9804388464C



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 12, 1997

MEMORANDUM

TO: The Commission

From: Lawrence M. Noble
General Counsel

BY: Lois G. Lerner *LS*
Associate General Counsel

SUBJECT: MURs 4128 and 4362
Request for Extension of Time

On July 24, 1997, this Office sent General Counsel's Briefs to Lally for Congress and its treasurer, Grant M. Lally, Lawrence Lally and Ute Lally. The letter accompanying the General Counsel's Briefs informed the respondents that their response briefs were due within 15 days and that any requests for an extension must be submitted five days prior to the due date. On July 29, 1997, counsel to whom the Briefs were sent, who had represented these respondents for over a year including throughout their depositions, called this Office acknowledging receipt of the Briefs. The respondents' briefs were thus due on August 13, 1997. During that phone call, counsel also indicated that he would be requesting an extension and this Office reminded him that such a request must be made in writing.

On August 11, 1997, just two days before the due date, this Office received the attached letter indicating that the respondents had designated new counsel to represent them in these matters. Attachment 1. This new counsel requests an additional 45 days, or until September 29, 1997, to submit a response. In seeking this request, counsel asserts that he has only recently been retained in these matters, the record is unusually voluminous, an inability to obtain deposition transcripts, that he will be out of town for two weeks and that he has a heavy schedule. *Id.*

This Office recommends that the Commission deny the respondents' request for an additional 45 days, or a total of two months, to submit their reply briefs. Instead, this Office recommends that the Commission grant the respondents 30 days in addition to the 15 days they already have had, to submit their response briefs. First, after having had been represented by prior counsel for well over a year and throughout their depositions, respondents have chosen to obtain new counsel and to inform this Office of that change just two days before the due date. Second, when respondents' new counsel chose to represent them in this matter he was fully aware of the posture of this case and of the timeline for responding to the Briefs. Third, contrary to respondents' representations, according to the court reporter, the deposition transcripts were sent

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MURs 4128 and 4362
Memorandum to the Commission
Page 2

to the respondents via Federal Express on August 5, 1997, before this extension request was even made. Finally, granting a 30 day extension will permit this Office to more expeditiously resolve this 1994 election cycle case.

In light of the above, this Office recommends that the Commission deny the respondents' 45 day extension request, but instead grant the respondents an additional 30 days which will provide them with ample time to prepare their response briefs. Thus, the response briefs would not be due until September 12, 1997.

RECOMMENDATIONS

1. Deny the respondents' request for an additional 45 days to submit their reply briefs in MURs 4128 and 4362.
2. Grant the respondents 30 additional days or until September 12, 1997 to submit their reply briefs in MURs 4128 and 4362.
3. Approve the appropriate letter.

Staff Assigned: Xavier K. McDonnell

Attachments

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Lally for Congress and Grant M. Lally,) MURs 4128 and
as treasurer;) 4362
Lawrence Lally;)
Ute Lally.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on August 13, 1997, the Commission decided by a vote of 5-0 to take the following actions in MURs 4128 and 4362:

1. Deny the respondents' request for an additional 45 days to submit their reply briefs in MURs 4128 and 4362.
2. Grant the respondents 30 additional days or until September 12, 1997 to submit their reply briefs in MURs 4128 and 4362.
3. Approve the appropriate letter, as recommended in the General Counsel's Memorandum dated August 12, 1997.

Commissioners Aikens, Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision.

Attest:

8-13-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Tues., August 12, 1997 2:06 p.m.
Circulated to the Commission: Tues., August 12, 1997 4:00 p.m.
Deadline for vote: Wed., August 13, 1997 4:00 p.m.

bjr



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

August 13, 1997

Benjamin L. Ginsberg, Esquire
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

RE: MURs 4128 and 4362
Grant M. Lally
Lally for Congress
Lawrence M. Lally
Ute Wolf Lally

Dear Mr Ginsberg :

This is in response to your letter dated August 9, 1997 and received on August 11, 1997, requesting an extension of 45 days to respond to the General Counsel's Briefs in the above-captioned matters. After considering the circumstances presented in your letter, on August 13 1997, the Commission denied that request. However, the Commission granted your clients an additional 30 days, or until September 12, 1997, to submit their response. Accordingly, your response is due by the close of business on September 12, 1997.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Xavier K. McDonnell
Attorney

98043864644



Received

AUG 19 1997

Patton Boggs, L.L.P.

August 15, 1997

Benjamin Ginsberg, Esq.
Patton Boggs, L.L.P.
2550 M Street, N.W.
Washington, D.C. 20037

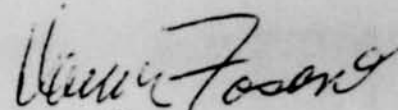
Dear Ben:

Enclosed please find the Amended Statement of Organization Form reflecting myself as Treasurer for Lally for Congress Committee.

Please be advised that my term as treasurer commenced on November 26, 1996 and continuing.

If you have any questions, please feel free to contact me at (516) 741-2666.

Sincerely,


Dawn Fasano

STATEMENT OF ORGANIZATION

(See reverse side for instructions)

(a) NAME OF COMMITTEE IN FULL: LALLY FOR CONGRESS (Check if name is changed)

(b) Number and Street Address: 220 Old Country Road (Check if address is changed)

(c) City, State and ZIP Code: Mineola New York 11501

2 DATE: 11/26/96

3 FEC IDENTIFICATION NUMBER: C00295253

4 IS THIS STATEMENT AN AMENDMENT? ☒ YES ☐ NO

5 TYPE OF COMMITTEE (Check one)

- ☒ (a) This committee is a principal campaign committee. (Complete the candidate information below.)
- ☐ (b) This committee is an authorized committee and is NOT a principal campaign committee. (Complete the candidate information below.)

Name of Candidate	Candidate Party Affiliation	Office Sought	State/District
GRANT M. LALLY	Republican	U.S. Congress	N.Y. 5

- ☐ (c) This committee supports/opposes only one candidate, _____ and is NOT an authorized committee. (Name of candidate)
- ☐ (d) This committee is a _____ committee of the _____ Party. (National, State or subordinate) (Democratic, Republican, etc.)
- ☐ (e) This committee is a separate segregated fund.
- ☐ (f) This committee supports/opposes more than one Federal candidate and is NOT a separate segregated fund or a party committee.

Name of Any Connected Organization or Affiliated Committee	Mailing Address and ZIP Code	Relationship

Type of Connected Organization

- ☐ Corporation ☐ Corporation w/o Capital Stock ☐ Labor Organization ☐ Membership Organization ☐ Trade Association ☐ Cooperative

7. Custodian of Records: Identify by name, address (phone number -- optional) and position of the person in possession of committee books and records.

Full Name	Mailing Address	Title or Position
DAWN FASANO	220 Old Country Road Mineola, New York 11501	Treasurer

8. Treasurer: List the name and address (phone number -- optional) of the treasurer of the committee, and the name and address of any designated agent (e.g., assistant treasurer).

Full Name	Mailing Address	Title or Position
DAWN FASANO	220 Old Country Road Mineola, New York 11501	Treasurer

9. Banks or Other Depositories: List all banks or other depositories in which the committee deposits funds, holds accounts, rents safety deposit boxes or maintains funds.

Name of Bank, Depository, etc.	Mailing Address and ZIP Code

I certify that I have examined this Statement and to the best of my knowledge and belief it is true, correct and complete.

TYPE OR PRINT NAME OF TREASURER

SIGNATURE OF TREASURER

DATE

DAWN FASANO

Dawn Fasano

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Statement to the penalties of 2 U.S.C. 8437g. ANY CHANGE IN INFORMATION SHOULD BE REPORTED WITHIN 10 DAYS.

For further information contact:
Federal Election Commission
Toll-free 800-424-9530
Local 202-375-3120

FEC FORM 1
(revised 4/87)



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

VIA FAX AND FIRST CLASS MAIL

August 27, 1997

Benjamin L. Ginsberg, Esquire
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

RE: MURs 4128 and 4362
Lally for Congress, and
Dawn Fasano, as treasurer

Dear Mr Ginsberg:

On July 24, 1997, John Ciampoli, Esquire, was provided with a General Counsel's Brief in the above-captioned matters. On August 9, 1997, the respondents designated you as counsel in these matters, and a letter received by you on August 21, 1997, indicates that Lally for Congress amended its Statement of Organization to change its treasurer. Enclosed is an additional copy of the General Counsel's Brief, dated July 24, 1997, for the new treasurer. Consistent with the Commission's treasurer policy, this Office will make probable cause recommendations against Ms. Fasano, as treasurer.

As indicated in our correspondence of August 13, 1997, your response to the General Counsel's Briefs is due by the close of business on September 12, 1997. If you have any questions, please contact me at (202) 219-3400.

Sincerely,

A handwritten signature in black ink, reading "Xavier K. McDonnell". The signature is written in a cursive, flowing style.

Xavier K. McDonnell
Attorney

General Counsel's Brief

PATTON BOGGS, L.L.P.
2550 M STREET, N.W.
WASHINGTON, D.C. 20037-1350
(202) 457-6000
FACSIMILE (202) 457-6315

ORIGINAL

September 12, 1997

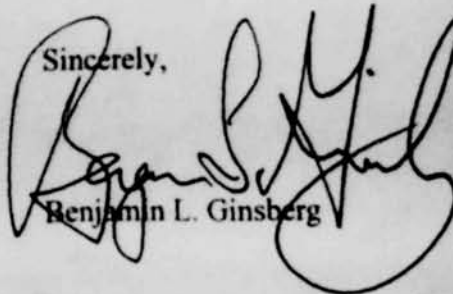
Xavier K. McDonnell, Esquire
General Counsel's Office
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4128, MUR 4362

Dear Mr. McDonnell:

We are filing herewith Respondents' Brief in Opposition to Office of General Counsel's Recommendation to Find Probable Cause for the above referenced MURs. If you have any questions, do not hesitate to call me at (202) 457-6405.

Sincerely,



Benjamin L. Ginsberg

BLG/jmt

Enclosure

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SEP 15 12:00 PM '97

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Grant M. Lally)	MUR 4128
Lally for Congress, Dawn Fasano,)	MUR 4362
as treasurer)	
Lawrence Lally)	
Ute Wolff Lally)	

**RESPONDENTS' BRIEF IN OPPOSITION TO OFFICE OF GENERAL COUNSEL'S
RECOMMENDATION TO FIND PROBABLE CAUSE¹**

I. INTRODUCTION

Despite the factual record before it, the Office of General Counsel has recommended findings of knowing and willful violations of the Federal Election Campaign Act ("the Act") against Grant M. Lally, his campaign committee, his father and his mother. Lally, a candidate in 1994 and 1996 in New York's 5th congressional district,² is partners with his semi-retired father in a two-person law firm. It is a family business, and the Lallys have enjoyed success over the years.

As a challenger to a well-entrenched incumbent in 1994, Grant Lally acted to bring as much of his personal resources into the campaign as he could. To accomplish that, he used his earnings from the law firm as well as investments he had made over the years. Many of his assets were tied to the family law firm and many of his investments were made with members of

¹ The General Counsel has filed two separate briefs relating to these Matters. As the briefs are duplicative, Respondents are submitting one response. The two briefs submitted by the General Counsel will be hereinafter referred to as "First General Counsel's Br." (concerning, *inter alia*, Grant Lally) and "Second General Counsel's Br." (concerning, *inter alia*, Lawrence Lally).

² Mr. Lally has no intention of again running for elected office.

his family. As a result, liquidating them involved, by necessity, other members of his family. The General Counsel's brief sees this as an illegal scheme to fund a campaign. Rather, a dispassionate review of the facts demonstrates that each and every dollar questioned by the General Counsel was legitimately an asset of Grant Lally's, for which he had received fair market value.

Because in several instances the purchaser was his father, the General Counsel's brief insinuates something improper about the transaction. The Commission's Regulations, however, do not disqualify family transactions. Instead, the test is whether the candidate had legal title or an equitable title to the asset and whether the candidate received fair market value for the real or personal property when it was sold. See 11 C.F.R. § 110.10.

The legality and propriety of the transactions at issue is established by a fair reading of the record. This is the Respondents' first detailed point-by-point discussion of the charges. It shows that while record-keeping of a family's investments and two-person law firm may not have been those of a major publicly-traded corporation -- the standard the General Counsel's brief apparently sees -- all the transactions questioned here are permissible under the Act and the Commission's Regulations.

As this response, and an objective review by the Commission, will show, there are, at most, minor violations of the Act, and certainly nothing that warrants a knowing and willful violation. Respondents also urge the Commission to bear in mind that Mr. Lally has always relied on volunteers. He had never before sought public office, and his campaign was small and under-staffed, and not experienced in congressional campaigns. Accordingly, Respondents respectfully request that the Commission find no probable cause and vote to dismiss this matter.

II. THE ALLEGATIONS

The allegations center around whether the sources of \$319,991 the candidate loaned to his campaign were permissible under the Act. This Brief demonstrates that the sources for all the loans were assets to which the candidate had a legal right of access to or control over and to which he had either a legal and rightful title or an equitable interest. The sources for these loans fall into three categories -- (1) purchases of \$116,000 worth of real property from Grant Lally by his parents, Lawrence and Ute Wolff Lally; (2) \$18,000 involving the sale of a car from the candidate to the candidate's parents; and (3) \$102,891 received by the candidate as his compensation from his two-person law firm.

Despite evidence to the contrary, the General Counsel's Brief states that, rather than Grant Lally's personal funds, the funds were from Lally's parents, bank loans obtained by his parents, and "an unexplained stream of checks and transfers" from the two-person law firm. The truth, as demonstrated herein, is that Grant Lally possessed assets for which he received market value.^{3/} In some instances, the purchaser was his father and/or mother and, in some instances, his parents did borrow funds to do so. But there is no prohibition on parents or family members being the purchasers and there is no prohibition barring purchasers of assets from borrowing funds for such transactions. Violations would occur only if the candidate did not own or have an equitable interest in the asset sold, or if the sale was in excess of fair market value.

In each instance questioned, Grant Lally did own the asset and the sale was for fair market value. It is here that the General Counsel's Brief falls.^{4/}

^{3/} Indeed, his Ethics in Government Act statement filed in August of 1994 establishes that Grant Lally's personal assets far exceeded the amount loaned to the campaign.

^{4/} The General Counsel's Brief also makes much of disputes over responses to the Commission's Subpoenas and Orders. There are two sides to this dispute -- Mr. Lally maintains that overzealous requests and unrealistic

III. LEGAL ANALYSIS

Section 110.10(a) of the Commission's Regulations states that candidates for federal office may make unlimited expenditures from "personal funds" to aid their candidacies. Personal funds are defined in 11 C.F.R. § 110.10(b) as:

(1) Any assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either:

(i) Legal and rightful title, or

(ii) An equitable interest.

(2) Salary and other earned income from bona fide employment.

For purposes of this section, the Commission has recognized that personal funds include:

(1) any assets which, under applicable state law, the candidate had either legal and rightful title to or an equitable interest in at the time he or she became a candidate; (2) salary and other earned income from bona fide employment; (3) dividends and proceeds from the sale of a candidate's stocks or other investments; (4) bequests to the candidate; (5) income from trusts established before candidacy; (6) income from trusts established by bequest after candidacy of which the candidate is the beneficiary; (7) gifts of a personal nature which had been customarily received prior to candidacy; or (8) proceeds from lotteries and similar legal games of chance. First General Counsel's Report at 3; *see also, e.g.*, MUR 4208, Matters Referred from the Final Audit Report on Bennett for Senate at 5 (describing the scope of section 110.10).

The Commission's previous examinations of federal candidates who receive payments from their law partnerships during campaigns also confirm the legitimacy of the payments from

expectations led to the problems. While this dispute is irrelevant as to whether violations of the Act occurred, Respondents ask the Commission to bear in mind that this is a family operation that stipulates to not keeping the very formalistic records demanded by the General Counsel's office in the course of its investigation.

Lally and Lally, Esquires, among others, to Grant Lally.³² The payments to Grant Lally are based on the manner in which he has always received payments from the firm during his 10 years of practice.

The funds challenged by the Commission in this matter fall under this definition. Mr. Lally had legal and rightful title, or an equitable interest, in those assets he sold to produce funds, which in turn he loaned to his campaign. The other funds are his compensation from the two-person law firm he was in with his father. While the purchaser of some of the assets may have been other members of his family, that is not relevant under this Regulation. The test is whether Mr. Lally had the title or an equitable interest under New York law. As shown below, he did.

The Commission's Explanation and Justification accompanying a 1983 change to the Regulation stipulates that the term "equitable interest" applies to "an ownership or pecuniary interest that is not one of legal title" and that an equitable interest must be "linked with 'legal right of access to or control over.'" 48 Fed. Reg. 19020 (1983). This definition and explanation fits Mr. Lally's situation since section 110.10 plainly states that "personal funds" are any assets which the candidate has control over and an equitable interest in. That is true for all the funds involved here.

³² In Advisory Opinion ("AO") 1978-6, 1 Fed. Elec. Camp. Fin. Guide (CCH) ¶ 5300 (1978), the Commission states that "compensation paid . . . [to an individual by his partnership] is not a contribution within the meaning of the Act insofar as it is paid according to the same compensation scheme followed . . . [by that individual and the partnership] prior to the onset of . . . [his] candidacy." In AO 1979-58, 1 Fed. Elec. Camp. Fin. Guide (CCH) ¶ 5465 (1979), the Commission found that there was no in-kind contribution from the partnership where a senior partner of a law firm donated his time to a campaign and spent less hours on firm work without any reduction in his income from the firm. Furthermore, the Commission placed no emphasis on the billable hours or other services provided by a partner in determining his compensation. The Commission merely focused on the candidate as an owner of the firm.

The General Counsel's Brief makes much of the fact that Mr. Lally obtained these funds from his parents, at what the Brief terms "key times" in the campaign. However, in other MURs, the Commission has not worried about the timing of a loan repayment as long as the asset was legitimately the candidate's. Specifically, in MUR 4314, the Commission found no reason to believe that a candidate had violated the Act when funds he loaned to his state campaigns were repaid in the midst of his federal election campaign. According to the General Counsel's report, there was no violation since the loan itself was legitimate -- in other words, the candidate did own the asset. Since he did own the asset, it could be repaid and placed in his federal account. As the General Counsel's Report in MUR 4314 states: "The repayment appears accelerated or made specifically for the candidate to use these funds for his federal campaign. Although this may give the appearance of wrongful conduct, this appears not to be a violation of the federal election laws." In other words, the issue is whether the asset is legitimately the candidate's.

IV. DISCUSSION

A. The \$116,000 Received From Lawrence Lally⁶ Was Payment for Real Property Purchased From Candidate Grant Lally, and Thus Was the Candidate's Personal Funds.

The General Counsel takes issue with \$116,000 received by Candidate Grant Lally for his sale of real property (the "property" or "Bantam Place"), asserting that such proceeds were not

⁶ The General Counsel incorrectly states that the \$116,000 was "received from Lawrence and Ute Lally." First General Counsel's Br. at 4; Second General Counsel's Br. at 4. Nowhere does the General Counsel offer any proof that Ute Lally provided to Candidate Grant Lally the \$116,000. Instead, the General Counsel merely alleges that "[p]art of the money came in the form of a \$48,000 check . . . that was derived from a line of credit taken by the candidate's parents . . . secured . . . [by] the primary residence of the candidate's parents." First General Counsel's Br. at 9; Second General Counsel's Br. at 9. Since Ute Wolff Lally is a sitting judge in New York (and thus ethically prohibited from participating in partisan politics), her husband handled all of the finances and she was unaware of the land purchase. Ex. 1 (Ute Lally Depo. at 16-18). In short, Ute Wolff Lally "was not actively involved in the campaign." Ex. 2 (Lawrence Lally Depo. at 68). Regrettably, this is but the first of several examples of overreaching, misstatement and omission apparently thrown in to justify the allegations of a knowing and willful violation of the Act.

his personal funds as defined by 11 C.F.R. § 110.10(b), and thus could not be loaned to the campaign. Despite the uncontroverted facts in the record, and without citing any direct evidence to the contrary, the General Counsel's brief concludes that "these payments totaling \$116,000 were part of a concerted effort to obtain funds from whatever sources were available to the candidate's parents to meet the candidate's needs and goals at various critical points during the campaign." First General Counsel's Br. at 10; Second General Counsel's Br. at 10. Ignoring the facts cited below, the General Counsel's Brief patches together questionable inferences and mere speculation to assert that "[t]he facts at hand belie the claim that the \$116,000 which the candidate received from his father and used in connection with his 1994 campaign was for the sale of his 2/3 interest in Bantam Place." First General Counsel's Br. at 6; Second General Counsel's Br. at 5. Specifically, the General Counsel relies on: (1) an alleged lack of "independent" supporting documentation; (2) the allegation that candidate did not pay federal income tax on the sale; (3) an unfounded assertion that the purchase price for the real property was somehow questionable; and (4) statements questioning the "source of the money used" and the "timing of the payments." First General Counsel's Br. at 7-10; Second General Counsel's Br. at 7-10. As discussed more fully below, these unsupported suspicions cannot overcome the fact that the funds in question were personal funds of Candidate Grant Lally which he lawfully loaned the campaign.

Indeed the following facts, ignored or glossed over as inconvenient in the General Counsel's brief, establish that the money at issue was Grant Lally's personal funds:

- Grant Lally purchased a 2/3 interest in the property in 1993, and paid real property taxes and other expenses on the property. Ex. 2 (Lawrence Lally Depo. at 24-25).

- Grant Lally commenced a partition action to acquire the remaining 1/3 interest. Ex. 2 (Lawrence Lally Depo. at 34-35).
- The property had been appraised at \$200,000. Ex. 2 (Lawrence Lally Depo. at 25).
- In May of 1994, Grant Lally orally agreed to sell his 2/3 interest to his father, Lawrence Lally, for \$118,000. Ex. 2 (Lawrence Lally Depo. at 24, 30-31, 36).
- In May of 1994, Grant Lally executed a deed for the property to Lawrence Lally. Ex. 2 (Lawrence Lally Depo. at 27-28, 29); Ex. 4 (May 24, 1994 Deed).
- In May of 1994, Lawrence Lally paid to Grant Lally \$73,000, nearly 2/3 of the total purchase price. Ex. 2 (Lawrence Lally Depo. at 23); Ex. 5 (May 3 & 21, 1994 Checks). Less than six months later, Lawrence Lally paid to Grant Lally nearly all of the remaining balance. Ex. 6 (Response by Grant Lally to Questions Submitted).
- Grant Lally did not officially become a candidate for Congress until obtaining the number of signatures required by New York law in June of 1994, which was subsequent to the sale of the property. Ex. 3 (Grant Lally Depo. at 22).
- The total purchase price, \$118,000, was significantly less than 2/3 of the appraised value of the property. Ex. 2 (Lawrence Lally Depo. at 25).
- Grant Lally reported and paid tax on the capital gain which resulted from his sale. Ex. 3 (Grant Lally Depo. at 80); First General Counsel's Br. at 7; Second General Counsel's Br. at 7.
- Lawrence Lally acquired the remaining (and still encumbered) 1/3 interest in 1995 for \$25,000 (Grant Lally had acquired his encumbered 2/3 interest for \$40,000). Ex. 2 (Lawrence Lally Depo. at 39).

- Thus, Lawrence Lally expended a total of \$143,000 to acquire all interests in the property. Ex. 2 (Lawrence Lally Depo. at 25, 39).
- The property was sold in 1995 for \$169,000. Ex. 2 (Lawrence Lally Depo. at 25).
- The \$26,000 profit was kept by Lawrence Lally. Ex. 2 (Lawrence Lally Depo. at 54-55).

Thus, the funds at issue were Grant Lally's personal funds. As demonstrated herein, the theory of the General Counsel's Brief cannot overcome this factual record.

1. The General Counsel's assertion concerning the nonexistence of "independent documentation" is of no import.

To establish a "concerted" conspiracy, the General Counsel's brief cites a few tangential facts, none of which actually raise any question relevant to the validity of the sale of the property. For example, because it is uncontroverted that Grant Lally orally agreed to sell the property to Lawrence Lally, the General Counsel's observation concerning the absence of a written contract is of no consequence. See Ex. 2 (Lawrence Lally Depo. at 24, 30-31, 36). Nor is the statement that "the checks and check registers for the payments do not contain any indication that they were related to Bantam Place," First General Counsel's Br. at 6 and Second General Counsel's Br. at 5, relevant, since the General Counsel's brief fails to explain what significance it might have.

Equally tangential are the General Counsel's mention of the lack of notarization of the deed, the lack of an indication that it was signed in the presence of a witness, and that the deed went unrecorded. Instead, what is material (and undisputed) is that a deed exists, signed by Candidate Grant Lally,²¹ which establishes that the sale occurred in May 1994.²² Ex. 4 (May 24,

²¹ Perhaps to overcome this shortcoming, the General Counsel's brief mischaracterizes the testimony of both Grant and Lawrence Lally. See First General Counsel's Br. at 6 and Second General Counsel's Brief at 6 ("Indeed, Lawrence Lally would not even state with any degree of certainty that he was provided with the

1994 Deed). Lawrence Lally paid to Grant Lally nearly two-thirds of the purchase price in May of 1994, and due to the unavailability of the remaining funds to Lawrence Lally, most of the remainder of the purchase price was paid less than six months later. Ex. 2 (Lawrence Lally Depo. at 30); Ex. 6 (Response by Grant Lally to Questions Submitted).

As for the "public records" upon which the General Counsel's brief has heavily relied (and which the General Counsel claims "directly contradict" the Candidate's "contention"), none raise a dispute as to the existence of the agreement and sale of the property. For example, specious on its face is the General Counsel's brief's assertion that "[u]nlike every other conveyance of any interest in Bantam Place from 1987 to present, there is no evidence on file with the local authorities substantiating that such a conveyance occurred." First General Counsel's Br. at 7; Second General Counsel's Br. at 6. At the threshold, the temporal nature of the allegation (*i.e.*, "from 1987 to the present") badly misses the mark, since Grant Lally did not have an interest in the property "from 1987 to the present," having purchased his interest in 1993.² Ex. 2 (Lawrence Lally Depo. at 24-25). Indeed, both Grant and Lawrence Lally offered virtually identical accounts as to why the May 1994 deed was not recorded, and as to the

deed in May of 1994 . . ."). Contrary to the General Counsel's misleading hyperbole, Lawrence Lally merely conceded that he "couldn't recall . . . when [he] got the deed," Ex. 2 (Lawrence Lally Depo. at 36), although he did state that he "probably" received the deed on May 24, 1994, the date of the deed. Ex. 2 (Lawrence Lally Depo. at 28). Undisputed (and muddled in a footnote by the General Counsel) is the Candidate's uncontradicted testimony that the "deed was executed -- it appears to have been executed on May 24, 1994 the date I executed it; on or about that date." Ex. 3 (Grant Lally Depo. at 48) (emphasis added).

¹ Indeed, such a written instrument, when unrebutted, establishes a transfer of the property. Under New York law, a signed written instrument constitutes sufficient probative evidence to establish a transfer of the property against any claim by either party. See N.Y. General Obligations Law § 5-701.

² Equally unpersuasive and overreaching is the assertion that "no state and city taxes were paid on the alleged 1994 transfer, as required under New York law." First General Counsel's Br. at 7; Second General Counsel's Br. at 6. Regardless of the accuracy of this statement, such a failure, if any, hardly establishes a violation of federal election law, let alone a knowing and willful violation.

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circumstances surrounding the October 26, 1995 subsequent sale of the property.^{19/} See Ex. 2 (Lawrence Lally Depo. at 34-35); Ex. 3 (Grant Lally Depo. at 54-55, 57-58) (both explaining that Grant Lally's name was included on the deed in an abundance of caution by the purchasers to ensure a clean title, and ensure that he had relinquished all rights in the property). Thus, the General Counsel's assertion concerning a lack of documentation is without merit.

2. The General Counsel's assertion concerning a failure to pay income tax is both misleading and incorrect: the sale of real property does not yield "income," and Candidate Grant Lally paid capital gains tax.

A fundamental lack of understanding apparently lies behind the General Counsel's brief's statements that "the candidate did not pay any federal income tax related to the sale,

....," First General Counsel's Br. at 7; Second General Counsel's Br. at 7, and that the Candidate "failed to disclose the receipt of any income from the sale of Bantam Place" on his 1994 Ethics in Government Act statement. However, it is axiomatic that the profitable sale of real estate yields a capital gain, not earned income. See generally 26 U.S.C. § 1221 *et seq.* Thus, the fact that Candidate Grant Lally failed to pay tax on or report income is of no import since he obtained no "income" from the sale.

The General Counsel concedes, as he must, that "[t]he candidate paid tax on the capital gain for Bantam Place" First General Counsel's Br. at 7; Second General Counsel's Br. at 7; see also Grant Lally Depo. at 80. The General Counsel takes issue with the timing of the

^{19/} In a linguistic sleight of hand, the General Counsel states: "[P]ublic documents as well as a 1995 title search indicate that Grant Lally retained his 2/3 interest in Bantam Place until October 26, 1995, at which time it was sold to third party purchasers in an arms length transaction." First General Counsel's Br. at 7; Second General Counsel's Br. at 6-7. By using the elusive passive voice (i.e., "it was sold"), the General Counsel has created the erroneous inference that Grant Lally sold the property in 1995. In fact, it is undisputed that the proceeds from the 1995 sale were deposited into the account of Lawrence Lally. First General Counsel's Br. at 10 n.11; Second General Counsel's Br. at 10 n.11. ("The proceeds from the bona fide 1995 sale of Bantam Place were deposited in Lawrence Lally's 'Real Property Account.'").

Lally), in that the \$118,000 purchase price was allegedly too high, as "Lawrence Lally would have paid over three times the amount that Grant had paid just thirteen months earlier." First General Counsel's Br. at 8; Second General Counsel's Br. at 8.

Notwithstanding this specious verbiage, Candidate Grant Lally acquired a two-thirds interest in the property in 1993 for \$40,000. Ex. 3 (Grant Lally Depo. at 42). His father subsequently acquired the remaining one-third interest in 1995 for \$25,000. Ex. 2 (Lawrence Lally Depo. at 32). Prior to the sale at issue, the Candidate paid real property taxes and expenses (receipts from which were produced to the General Counsel), and commenced an action in partition to compel a sale by the one-third owner, Mr. Pavlo. Ex. 2 (Lawrence Lally Depo. at 34-35). The property (unencumbered) had been appraised at \$200,000. Ex. 2 (Lawrence Lally Depo. at 25). The Candidate then sold his two-thirds interest in the property to his father for an amount just less than two-thirds of the appraisals, \$118,000 (a figure arrived at by reducing the recent sale prices of comparable property by one-third). Ex. 3 (Grant Lally Depo. at 45).

Thus, Lawrence Lally expended a total of \$143,000 to acquire a property worth approximately \$200,000. Ex. 2 (Lawrence Lally Depo. at 25, 39). He then sold the property to a disinterested third party for \$169,000, earning a \$26,000 profit. Ex. 2 (Lawrence Lally Depo. at 25). Further, as the General Counsel concedes, these proceeds "were deposited in Lawrence Lally's 'Real Property Account.'"^{12/} First General Counsel's Br. at 10 n.11; Second General Counsel's Br. at 10 n.11. Hence, none of the "factors" relied upon by Counsel are probative.^{13/}

^{12/} The General Counsel again infers by way of the elusive passive voice that Grant Lally sold the property not during May 1994, but instead in October 1995. See First General Counsel's Br. at 5 and Second General Counsel's Br. at 5. ("the property was sold . . ."). Such an inference is inaccurate. Although Grant Lally's name was included in the final documentation of sale, both he and Lawrence Lally explained that Grant Lally's name was included as a precautionary measure to ensure a clean title, and to relinquish all rights that he may have had. See Ex. 3 (Grant Lally Depo. at 34-35); Ex. 2 (Lawrence Lally Depo. at 34-35).

^{13/} The General Counsel also cites *Santisi v. Parente*, 633 N.Y.S. 2d 194, 220 A.D.2d 737 (1995), a case which

4. Contrary to the General Counsel's assertion, the source of the money and the timing of the payments support the Candidate's position.

At the threshold, the General Counsel's Brief concedes that the sources of the money and the timing of the payments merely "cast doubt" on the Candidate's claim, which is a far cry from establishing a knowing and willful violation. However, far from even casting "doubt" on the Candidate's claim, the facts cited by the General Counsel's brief are either tangential, meaningless, or support Grant Lally. The General Counsel's Brief takes issue with the following: (1) a \$48,000 check dated May 21, 1994, derived from a line of credit taken by Lawrence and Ute Lally, secured by their primary residence;¹⁴ and (2) a \$56,000 line of credit obtained by Lawrence Lally, which the General Counsel's Brief somehow ties to the \$43,000 Grant Lally loaned his campaign in October of 1994.¹⁵

Notwithstanding the sinister motive attributed by the General Counsel's brief to Lawrence Lally's securing of loans to purchase real estate from his son, the money paid to Candidate Grant Lally was money that was already owed to him (thereby making it personal funds), a point noticeably absent from Counsel's analysis. Also missing is the fact that Candidate Grant Lally had no knowledge of his father's loans. Ex. 3 (Grant Lally Depo. at 72-73). Instead, the General Counsel's brief bypasses these and other dispositive facts by questioning the manner in which

has no bearing on the issue at hand, and incorrectly states that the "marketability and value of Bantam Place remained diminished." First General Counsel's Br. at 9; Second General Counsel's Br. at 9. It goes without saying that a mere encumbrance does not render a property unmarketable.

¹⁴ This check was made payable to "G. Lally," and not Lally for Congress or the like. Ex. 5 (May 3 & 21, 1994 Checks).

¹⁵ The General Counsel asserts that one of the two payments totaling \$43,000 "was within a \$14,598.91 transfer provided to the campaign just in time to cover a committee overdraft of that precise amount." First General Counsel's Br. at 10; Second General Counsel's Br. at 10. Of course, the General Counsel fails to mention that this was money already owed to Grant Lally, and thus constituted money in which he had either a right of access or an equitable interest. See 11 C.F.R. § 110.10(b).

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Lawrence Lally (and not Candidate Grant Lally) acquired the funds. Such an exercise misses the mark. The General Counsel's brief sees the generic boilerplate in bank forms (i.e., "home improvement loan," "business line of credit") as evidence of a conspiracy, ignoring the uncontradicted testimony of Lawrence Lally concerning the purpose of the loans. See Ex. 2 (Lawrence Lally Depo. at 32 (explaining that despite the boilerplate, it was "really a regular secured loan . . . [giving] them a mortgage")) and Lawrence Lally Depo. at 44); see also Ex. 7 (May 19 & October 14, 1994 Loan Documentation). Simply put, the Commission's regulations do not prohibit securing loans to acquire real estate.

The General Counsel also inferentially takes issue with the timing of these payments, by inclusion of the undefined cliché "just in time." The General Counsel's brief fails, however, to offer any temporal support for this assertion, instead stating that "a line of credit [was] taken by the candidate's parents just in time for the candidate to make a \$100,000 loan to his campaign." There is no federal, state or local law or regulation which requires a candidate to place \$100,000 in a campaign account prior to running for office; hence, the General Counsel's "just in time" reference remains a mystery. Instead, Candidate Grant Lally was merely attempting to liquidate those assets so as to be able to loan their value to his then-infant campaign.

Equally meritless is the allegation concerning an overdraft, where a \$14,598.91 payment was allegedly made "just in time" to cover an overdraft. See First General Counsel's Br. at 10; Second General Counsel's Br. at 10. First, the money did not come "just in time" as claimed by the General Counsel's brief, since the overdraft had already occurred (thereby dispelling any argument concerning a "concerted" effort to knowingly and willfully violate the law). Second, the General Counsel's presentation allows for the inference that Respondents make the dubious

claim that the entire \$14,598.91, to the penny, was given in consideration for the sale of the property. In reality, only \$13,000 of that amount was for the property. The remainder was from the Candidate's personal savings, in the form of law firm income. As discussed below, because the Candidate had either a right of access or an equitable interest in these funds (as illustrated by the fact that he was able to draw precisely the amount of funds needed), such funds were personal and, therefore, could be loaned to the campaign.

Only by focusing on technical and generic jargon used in loan documents completed not by the Candidate, but instead by his father, can the General Counsel's brief claim unlawful conduct. In so doing, the General Counsel's brief ignores the threshold undisputed fact that the money at issue constituted personal funds of Candidate Grant Lally.

B. The \$18,000 Received From Lawrence and Ute Lally Was For a 1966 Corvette Sold to Them By Candidate Grant Lally.

The General Counsel takes issue with \$18,000 paid to Grant Lally by his parents for his restored 1966 Corvette, which was eventually resold for virtually the same price to a disinterested third party. The following facts cannot be reasonably disputed:

- In 1990, Candidate Grant Lally paid \$12,000 for a 1966 Corvette. Ex. 3 (Grant Lally Depo. at 88).
- While he owned the Corvette, it was completely restored and rehabilitated. In so doing, Grant Lally invested hundreds of hours and thousands of dollars in repairs. Ex. 3 (Grant Lally Depo. at 91). Such repair bills were made out to Grant Lally. Ex. 17 (Repair Bills to Grant Lally for 1966 Corvette).

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- From 1990 through 1994, the Corvette was Grant Lally's main vehicle, and he kept it where he lived. Ex. 3 (Grant Lally's Depo. at 88-89); Ex. 2 (Lawrence Lally Depo. at 61).
 - For insurance purposes, all cars owned by members of the Lally family were registered in Lawrence Lally's name. Ex. 2 (Lawrence Lally Depo. at 64); Ex. 8 (Response by Lawrence Lally to Demand of 7/31/96).
 - In the winter of 1994, Grant Lally bought a jeep. Ex. 3 (Grant Lally Depo. at 90).
 - Grant Lally decided to sell the restored 1966 Corvette because he wanted to raise some money for his own use. Ex. 3 (Grant Lally Depo. at 89).
 - Candidate Grant Lally agreed to sell his restored Corvette for \$18,000 to his parents. Ex. 2 (Lawrence Lally Depo. at 58-59).
 - On May 4, 1994, at the request of Lawrence Lally, Ute Wolff Lally issued a check payable to Grant Lally for the purchase of the Corvette. Ex. 3 (Grant Lally Depo. at 88); Ex. 2 (Lawrence Lally Depo. at 59).
 - This May 4, 1994 check was drawn from an account containing funds jointly owned by Ute and Lawrence Lally. Ex. 2 (Lawrence Lally Depo. at 59).
 - After Grant Lally sold the Corvette, the car was put in his parents' garage. Essentially, he stopped using the car and taking care of it. Ex. 3 (Grant Lally Depo. at 89, 91); Ex. 2 (Lawrence Lally Depo. at 60). Lawrence Lally occasionally used the car. Ex. 2 (Lawrence Lally Depo. at 61). A woman who knew Grant Lally as of May of 1994, and who Lally began to date in the fall of 1994, never saw Grant Lally drive the car. Ex. 9 (Fasano Depo. at 41, 43).

- In 1995, Lawrence Lally decided to sell the car. His asking price was approximately \$18,500 - \$19,000. Ex. 2 (Lawrence Lally Depo. at 60).
- Soon thereafter, the Corvette was sold to Dr. Adornato for \$16,000. Ex. 2 (Lawrence Lally Depo. at 60).
- During the discussion surrounding the sale, Lawrence Lally was not able to answer all the questions asked about the car. Lawrence Lally informed the purchaser that it had been his son's car, and had Grant Lally and the purchaser discuss the technical questions regarding the car. Ex. 2 (Lawrence Lally Depo. at 62-63).
- Lawrence Lally handled all of the transactions for the ultimate disposition of the car. Ex. 3 (Grant Lally Depo. at 94).
- A bill of sale dated August 30, 1995 for the Corvette lists Lawrence Lally as a party to the transaction, and is signed by Lawrence Lally. Grant Lally is not referenced as a party, nor did Grant Lally sign the bill of sale. Ex. 3 (Grant Lally Depo. at 98-99); Ex. 10 (August 30, 1995 Bill of Sale).
- Candidate Grant Lally did not profit from the 1995 sale of the car. Ex. 3 (Grant Lally Depo. at 96); Ex. 2 (Lawrence Lally Depo. at 66).

Despite these facts in the record, the General Counsel's brief asserts that "[t]he candidate's claim that the \$18,000 was for the sale of the 1966 Corvette is without support." First General Counsel's Br. at 12; Second General Counsel's Br. at 12. Notwithstanding the indisputable facts, the General Counsel's brief even goes so far as to question whether Grant Lally owned the car in the first place. See First General Counsel's Br. at 12; Second General Counsel's Br. at 12-13. The Candidate's purchase of the car is documented, he invested time and money into its

restoration, the car was his primary vehicle, and he kept the car where he lived. See Ex. 3 (Grant Lally Depo. at 88-89, 91). In fact, such repair bills were supplied to the General Counsel, and all were made out to Grant Lally. See Ex. 17 (Repair Bills to Grant Lally for 1966 Corvette).

The General Counsel's brief (employing the previously unrecognized standard of proof described as "independent documentary evidence") amazingly states that there is no such evidence supporting the fact that Candidate Grant Lally sold the car for \$18,000. See First General Counsel's Br. at 12; Second General Counsel's Br. at 12. This "independent documentary evidence" is tangential, at best. The General Counsel has not (and cannot) dispute that there was an agreement for the sale of the car, and such agreement is temporally connected to the tendering of the \$18,000 check. See Ex. 3 (Grant Lally Depo. at 88); Ex. 2 (Lawrence Lally Depo. at 58-59). Unfortunately, instead of letting the record speak for itself, the General Counsel resorts to asserting that "evidence" exists which "contradicts" the Candidate's claim, and then misrepresents that "evidence." See First General Counsel's Br. at 12; Second General Counsel's Br. at 12. For example, the General Counsel states that "the purchaser was informed by Lawrence Lally that Grant Lally was the owner" First General Counsel's Br. at 12; Second General Counsel's Br. at 12. Grant Lally was the owner of the Corvette (past tense), until he sold the car to his parents in 1994.¹⁶ This sort of distortion is regrettable, especially when it becomes the basis for seeking a finding of knowing and willful violations.

As for the checks at issue, the mistake of the purchaser (not making the checks payable to Lawrence Lally) cannot be imputed to the Lallys.¹⁷ The essential fact is that the funds paid for

¹⁶ The initial showing of the car was conducted by Lawrence Lally, and only when technical information was necessary did the candidate's father suggest that the purchaser speak with the Candidate. Ex. 2 (Lawrence Lally Depo. at 62-63, 94).

¹⁷ In fact, also indicative of the purchaser's mistake and/or lack of clarity as to who owned the car is the fact that

the car in 1995 all went to Lawrence Lally, and Grant Lally did not profit from that sale. *See* Ex. 3 (Grant Lally Depo. at 96); Ex. 2 (Lawrence Lally Depo. at 66). Thus, the record shows that the \$18,000 was payment to Lawrence Lally for the restored 1966 Corvette.

C. The Payments Issued From the Account of Lally and Lally, Esquires, Was Income Earned By Grant Lally for Services Already Provided.

The General Counsel's brief makes much of a series of payments made to Candidate Grant Lally from his law firm, Lally and Lally, Esquires. These payments were owed to the Candidate for legal services already rendered and then paid for by clients of the firm. The General Counsel's brief, however, takes issue, and asserts that the funds were not bona fide income, relying primarily on the lack of record-keeping by the two-person law firm.

Specifically, the General Counsel's brief disputes \$74,491 loaned to the campaign by Candidate Grant Lally, asserting that it was not bona fide income derived from his two-person law firm, but instead was a contribution from Lawrence Lally, among others. *See* First General Counsel's Br. at 13, 18; Second General Counsel's Br. at 13-14, 19. Nonetheless, the General Counsel's brief also concedes at the threshold that at least a portion of the money received by the Candidate from Lally and Lally, Esquires was legitimate income. *See* First General Counsel's Br. at 15 (money received merely "included" funds that did not constitute income), 18 (not "all" of the funds were income); *see also* Second General Counsel's Br. at 15-16, 19. The General Counsel's brief also inferentially concedes that the evidence is not conclusive, and instead can merely state that "[t]he weight of the evidence at hand indicates" that the funds received included non-income. First General Counsel's Br. at 15; Second General Counsel's Br. at 15-16.

one of the two checks was made payable to "Grant Lilley." Ex. 11 (August 30, 1995 Check to Grant Lilley).

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In fact, although not stated succinctly (for obvious reason), the General Counsel's brief cannot say with any degree of certainty how much or how little, if any, of the \$74,491 loaned to the campaign was not income. Instead, the General Counsel's brief takes issue not only with the \$74,491 actually loaned to the campaign, but also with the Candidate's total income for 1994 of \$102,891. Not only is such a focus misleading, it treads into the area of how a law firm (especially a two-person law firm) distributes its income, an area that would appear to be outside the scope of the Act. The General Counsel's brief offers five "facts" in support of its overreaching conspiracy theory: (1) the alleged "disproportionate" nature of Grant Lally's 1994 income; (2) the alleged "dramatic" increase in the number and amount of payments; (3) the timing of these payments; (4) "public information" concerning the operations of the law firm; and (5) the alleged failure to produce documents.

To reach its conclusions, the General Counsel's brief overlooks a series of facts from the record which all demonstrate that the money in question was personal funds, earned for legal services already rendered by Candidate Grant Lally. It is undisputed that:

- Lally and Lally, Esquires is a two-person firm, consisting of Lawrence Lally and his son Grant Lally. Ex. 2 (Lawrence Lally Depo. at 93-94).
- Lawrence Lally handles all finances for the law firm. Ex. 2 (Lawrence Lally Depo. at 106-07).
- The funds received by the firm for services rendered are not earmarked, or otherwise documented. Instead, the funds are simply deposited into the firm bank account, and thus pooled. See First General Counsel's Br. at 13-14; Second General Counsel's Br. at 13-15.

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- The process by which Lawrence and Grant Lally divide the funds is ad hoc, and not subject to any set procedure or formula. Ex. 3 (Grant Lally Depo. at 14); Ex. 2 (Lawrence Lally Depo. at 106); First General Counsel's Br. at 14; Second General Counsel's Br. at 14.
 - The law firm's total income for 1994 was approximately \$206,000. First General Counsel's Br. at 13; Second General Counsel's Br. at 13.
 - The law firm received a payment by check in the late summer/early fall of 1994, in the amount of \$46,730, for services rendered. First General Counsel's Br. at 16-17; Second General Counsel's Br. at 17; Ex. 12 (August 26, 1994 Invoice to
 - Grant Lally's total income from the law firm for 1994 was \$102,891. First General Counsel's Br. at 13; Second General Counsel's Br. at 13-14.
 - Grant Lally's law firm income was never paid in regular amounts or intervals. First General Counsel's Br. at 13; Second General Counsel's Br. at 14.
 - Money received from the law firm which constituted bona fide income would be considered the personal funds of Grant Lally. Accordingly, Lally could dispose of those funds as he wished. See 11 C.F.R. § 110.10(b).

Again, the theories of the General Counsel's brief cannot overcome the factual record.

I. Contrary to the General Counsel's assertions, the Candidate's law firm income is not disproportionate to what was earned in prior and subsequent years.

The General Counsel's brief makes much of a comparison between the Candidate's annual incomes, concluding that "[t]he candidate's law firm income is so disproportionate to what he made in the prior and subsequent years that it alone raises questions." First General Counsel's

Br. at 15; Second General Counsel's Br. at 16. Such an analysis is both misleading and incomplete.

As an initial matter, the General Counsel's brief seems incredulous that a law firm's income could fluctuate from year to year. As a practical matter, that is a fact of life for virtually every private law firm. Specifically, aside from the fact that only a portion of the Candidate's 1994 income was loaned to the campaign, the General Counsel's brief compares only the income from year to year, ignoring other critical factors. Although the Candidate's 1993 law firm income was \$59,062, and his 1995 law firm income was \$34,500, the General Counsel's unspoken inference that the Candidate's 1994 income represented an anomaly is dispelled when compared to the total income of the firm: 1993 -- \$100,097 (Candidate received 59 percent of this amount); 1994 -- \$206,000 (Candidate received 49.9 of this amount); and 1995 -- \$92,564 (Candidate received 37.3 percent of this amount). See First General Counsel's Br. at 13 n.12; Second General Counsel's Br. at 14 n.12. Thus, the alleged fluctuation in income corresponds to the difference in the firm's annual income and the firm's good faith determination on who did what work for which client who paid during that particular year.

More importantly, the total firm income for 1994 was \$206,000. Of this, Grant Lally (one of two members/partners in the firm) received \$102,891, less than one half of the firm's income, hardly "a large proportion" as suggested by the General Counsel. First General Counsel's Br. at 15 n.13; Second General Counsel's Br. at 16 n.13. Furthermore, to the extent that the law firm's (and accordingly Grant Lally's) income increased in 1994, such an increase was due to the receipt by the firm of a \$46,730 fee for an estate case, a fact which is not disputed by the General Counsel. First General Counsel's Br. at 16-17; Second General Counsel's Br. at

17-18. Similarly, because Grant Lally did not perform his usual array of legal services for part of 1994 (as he was running for Congress), his 1995 income suffered accordingly, a fact overlooked by the General Counsel's brief. Ex. 2 (Lawrence Lally Depo. at 111). Thus, the General Counsel's "questions" are easily answered when all facts are considered, not just those which support a preordained conclusion.

2. Contrary to the General Counsel's assertions, the payments made to the Candidate prior to the election were from funds that had been received for services rendered.

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The General Counsel's brief's assertion concerning "a dramatic increase in the frequency and amounts of the law firm payments" is devoid of context, and omits critical facts. First General Counsel's Br. at 15; Second General Counsel's Br. at 16. The General Counsel "specifically" focuses on an arbitrary sixty-day period beginning on August 26 and ending on October 24, 1994, when the Candidate received \$64,488 from his law firm. First General Counsel's Br. at 15; Second General Counsel's Br. at 16. Ignored by the General Counsel is the undisputed fact that the firm had received a check dated August 26, 1994 in the amount of \$46,730 for services provided primarily by Grant Lally. See First General Counsel's Br. at 16-17; Second General Counsel's Br. at 17-18 (taking issue with Grant Lally's involvement in the case of "which yielded the \$46,730, the largest fee received by the law firm in 1994"). Also receiving a superficial gloss by the General Counsel is the fact that Grant Lally performed virtually all the legal work on that matter, as sworn to by the client

Also ignored by the General Counsel's brief is the frequency of other payments received by Grant Lally. The General Counsel sees as suspect Grant Lally's receipt of one payment in

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August, four payments in September, and three payments in October. First General Counsel's Br. at 13; Second General Counsel's Br. 14. However, in February (prior to his campaign's commencement), the Candidate received three payments, and in March, another three payments. Ex. 14 (Checks to Grant Lally from Lally and Lally, Esquires, 1994). In June, the Candidate received nothing. *Id.* In fact, in March alone, the candidate received a total of \$19,400. *Id.* Thus, both the frequency and amount of payments were consistently inconsistent throughout the year, a point conceded by the General Counsel. See First General Counsel's Br. at 13 and Second General Counsel's Br. at 14 ("Grant Lally's law firm income was not paid in regular amounts or intervals."). Indeed, this is the way private law firm compensation works; it is not evidence of a conspiracy to evade the campaign finance laws.

In fact, the General Counsel's brief implicitly concedes that he cannot establish that the payments received during the arbitrary time period were even loaned to the campaign. First General Counsel Br. at 16 and Second General Counsel's Br. at 16 ("It appears that all of these payments . . . were used in connection with loans . . .") (emphasis added). Certainly, a charge of a knowing and willful violation must be based on more than mere conjecture. See 2 U.S.C. § 437g(a)(5)(C) (requiring probable cause to determine whether there is a knowing and willful violation). Ultimately, whether or not the Candidate received 52 percent of his total income or not during an arbitrary time period misses the point: namely, that the money received by Grant Lally was earned for services already rendered, making it personal funds which could be loaned to the campaign as he pleased.

3. Contrary to the General Counsel's assertion, the timing and amounts of the payments do not "suggest" anything improper.

Continuing its speculation, the General Counsel's brief states: "[T]he timing and amounts of some of these law firm payments suggests that they were based upon the specific needs of the campaign" First General Counsel's Br. at 16; Second General Counsel's Br. at 17. At the threshold, the General Counsel's brief once again concedes that the evidence supporting its knowing and willful charge is inconclusive; that is, it merely "suggests" not even impropriety, but instead that the payments were based on the specific needs of the campaign. The Commission's regulations do not prohibit a candidate from loaning his own personal funds based on the needs of the campaign. See 11 C.F.R. § 110.10(a). Thus, the General Counsel's brief's whole argument is of no import.¹⁸

Furthermore, the timing and the amount of the payments is of no consequence given the nature of the law firm Lally and Lally, Esquires. It is undisputed that: (1) it is a two-person firm; (2) that detailed records are not kept in the ordinary course of business; (3) that the funds are allocated on an ad hoc basis by Lawrence Lally; (4) that due to the ad hoc system, it is virtually impossible to trace the genesis of funds with certainty; and (5) that due to the nature of the law practice, funds ebb and flow into the firm unpredictably. See generally Ex. 2 (Lawrence Lally Depo. 98-107). It is unreasonable for the General Counsel to insist on detailed records where none exist and none are required. It is unreasonable for the General Counsel to question

¹⁸ Symptomatic are the General Counsel's brief's errors in discussing the issue. For example, it states, without citation: "Two law firm checks in the amount of \$10,000 each were directly deposited in the Lally campaign's account on September 14 and 15, 1994." First General Counsel's Br. at 16; Second General Counsel's Br. at 17. However, the checks themselves are made payable to "Grant Lally," and not "Lally for Congress" or the like. Ex. 14 (Checks to Grant Lally from Lally and Lally, Esquires, 1994). Furthermore, the statement of accounts for the Lally for Congress account for the month of September does not reflect such a "direct deposit" on either day. Instead, it reflects two personal deposits made on September 15, 1994, in the amounts of \$10,000 and \$10,800. Ex. 15 (September 1994 Lally for Congress Bank Statement).

the practices of a two-person law firm in the fashion here. And it is wrong to charge such individuals with knowing and willful violations of the federal election laws based on speculation and inference. Ultimately, the timing and amount of payment is not supportive of the General Counsel's position.

4. Contrary to the General Counsel's brief's assertion, "public information" does not undercut the fact that the money in question was personal funds of the Candidate.

Delving deeply into the workings of a private law firm, the General Counsel's brief takes issue with Grant Lally's involvement in certain cases within the law firm. At the threshold, it is beyond the scope of its authority and knowledge for the General Counsel's Brief to judge how the day-to-day business of a two-person law firm is conducted. Further, the General Counsel again acknowledges the infirmities of a knowing and willful charge, as the General Counsel's "public information" merely "casts doubt" on "the claim that Grant Lally handled all estate cases, which were the source of the vast majority of the law firm's 1994 income." First General Counsel's Br. at 16; Second General Counsel's Br. at 17. Merely casting doubt is a far cry from establishing a knowing and willful violation.

The "public information" referenced is nothing more than the New York Surrogate's Court files for a handful of cases. The General Counsel's brief cites one matter in which Lawrence Lally was the attorney of record (in a case that was opened in 1987, Ex. 2 (Lawrence Lally Depo. at 131)), and which Lawrence Lally candidly admitted that he met with the client because "elderly people have more confidence in older attorney's." First General Counsel's Br. at 17; Second General Counsel's Br. at 18. However, the General Counsel's brief fails in the rush to judgment to ascertain if the \$46,730 received represented the entire fee (it did not; an additional

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\$24,000 was paid to the firm), or whether Lawrence Lally had been paid for his time (in fact, he was). As for the General Counsel's assertion concerning "one of the factors that determines the amount of the fee received is who generates the client," First General Counsel's Br. at 17 and Second General Counsel's Br. at 18, this ignores the indisputable fact that this client was "generated" not even by Lawrence Lally, but instead by the Candidate's mother, Ute Wolff Lally, while a member of the firm, and prior to her ascension to the bench. Ex. 2 (Lawrence Lally Depo. at 130). Ultimately, the General Counsel's brief is unable to meet its burden of producing any evidence establishing that Grant Lally did not provide services for which he was paid, or vice versa.

The General Counsel's arguments concerning who was counsel of record, and who signed court filings is specious. One need look no further than the General Counsel's own brief for an illustration. The investigation was conducted by Xavier McDonnell, Esq., who is employed by the Commission's General Counsel's Office. However, the General Counsel's brief is signed by Lawrence M. Noble, the General Counsel. Thus, such practices are common in the practice of law, and not reflective of time spent. Ultimately, the General Counsel's argument is meritless and certainly not sufficient to find a violation of the Act or Regulations.

5. Contrary to the General Counsel's assertion that "no documentation" was produced which sets forth the basis of the payments made to the candidate, the documents produced by Respondents are legion.

Somehow, the General Counsel's brief states that "no documentation has been produced setting forth the basis of the payments which the candidate received from the law firm in 1994." First General Counsel's Br. at 17; Second General Counsel's Br. at 18. Such an assertion is incredible since affidavits from Lally and Lally clients indicating that Candidate Grant Lally

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performed legal services and the amount of fees paid have been submitted to the General Counsel and have long been part of the record. Ex. 16 (Lally and Lally, Esquires' Billing Statements, Invoices, Client Affidavits, Etc.). Once again, the General Counsel is attempting to impute a sinister motive to an otherwise successful two-man law firm simply because it does not keep books detailed enough for the General Counsel. It is unreasonable to expect a two-person law firm to produce billing records equivalent to a national mega-law firm, equipped with in-house bookkeeping and accounting services. Such records are certainly not required, and certainly their absence cannot be used as evidence of a violation, or conspiracy. The signed statements from the law firm's clients may be offered as proof of the law firm's receipt of specific funds and that Grant Lally was involved in those particular cases." First General Counsel's Br. at 17 n.16; Second General Counsel's Br. at 18 n.16.

The General Counsel's brief unwittingly confesses the absurdity of its argument with the statement: "Neither the candidate nor Lawrence Lally, the latter who issued the law firm payments at issue, were able to offer an explanation for the basis for such payments." First General Counsel's Br. at 17; Second General Counsel's Br. at 18. Both did offer an explanation: that the funds were for legal services rendered, which clients had paid for. It is the General Counsel's brief which is now unable to offer an explanation as to why this is somehow unlawful. Merely because the money received by the firm was not earmarked, and instead was placed into the firm account, is of no significance. Nor is the brief's dissertation on the attorney-client privilege. See First General Counsel's Br. at 18 n.17; Second General Counsel's Br. at 19 n.17. Equally preposterous is the General Counsel's inference that somehow Lally and Lally, Esquires is not even a partnership. First General Counsel's Br. at 18 n.18; Second General Counsel's Br.

at 19 n.18. Is the General Counsel's brief asserting that the law firm of Lally and Lally, Esquires was created as part of a concerted plan, opening its doors and obtaining clients merely to throw the General Counsel off course? Ultimately, the inclusion of such innate minutia in a brief charging a knowing and willful violation could not be a better example of why the overreaching charges in the General Counsel's brief must fail.¹⁹

C. The Additional Law Firm Payments Were For the Purchase of the Candidate's Interest In a Business and For Debt Repayment.

1. Candidate Grant Lally sold his interest in Museum Source to Lawrence Lally in 1994.

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The transaction questioned in the General Counsel's brief centers around the now-dormant Museum Source, a company founded by Grant Lally which manufactured and sold original sculptural pieces from 1990 through 1992. The Candidate sold his interest in the business to Lawrence Lally in 1994 for \$10,000. Although referred to as a sale of stock in the General Counsel's brief, the transaction primarily concerned the acquisition of assets of the company, particularly sculptures, latex molds, plaster and plasterline castings, inventory, as well as business and customer lists. These assets were delivered and in the possession of Lawrence Lally in 1994.

The General Counsel's brief erroneously states that "the candidate has failed to offer any credible or independent evidence in support of his claim that he sold the Museum Source stock in 1994." First General Counsel's Br. at 22; Second General Counsel's Br. at 23. In fact, there is a stock certificate which indicates that Lawrence Lally is the owner of the company, a fact which

¹⁹ Because, *inter alia*, the money at issue constituted personal funds, the General Counsel's brief's litany of charges on respective pages 18 and 19 are also without merit, as such loans were in fact reported. See First General Counsel's Br. at 18; General Counsel's Br. at 19.

the General Counsel's brief concedes, yet quickly dismisses. Even assuming *arguendo* that the certificate does not comply with the corporate Articles of Incorporation, such non-compliance does not equate to a knowing and willful violation of the federal election laws. Nor does an alleged failure to pay tax on a \$400 gain, as alluded to in a General Counsel's brief footnote. See First General Counsel's Br. at 22 n.22. Instead, such alleged non-compliance is understandable and reasonable, given that the company was dormant, and in essence had ceased doing business. Thus, the funds at issue qualify as personal funds.

2. The \$23,000 was a partial payment for debt acknowledged in the General Counsel's brief owed to Grant Lally.

The General Counsel's brief asserts that the funds at issue were not tendered as a debt payment due to what the General Counsel perceives to be inconsistent statements by the Candidate. See First General Counsel's Br. at 20-24; Second General Counsel's Brief at 21-25. The General Counsel's concern is misplaced, given that other pertinent undisputed facts support the Candidate's position. The following facts are undisputed:

- Lawrence and Ute Wolff Lally owed to the Candidate's grandparents, Kurt and Margaret Schurm. First General Counsel's Br. at 20; Second General Counsel's Br. at 21.
- During 1992 and 1993, the Schurms conveyed to the Candidate a 1/3 interest in that debt. First General Counsel's Br. at 20; Second General Counsel's Br. at 21.
- The Candidate received two cashier's checks dated October 21, 1994, totaling \$87,357, issued to him by the Schurms. First General Counsel's Br. at 21; Second General Counsel's Br. at 27.

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- Grant Lally's loaning of some \$81,500 of that money to the campaign was legal and proper. First General Counsel's Br. at 21 n.21; Second General Counsel's Br. at 22 n.21.
 - Lawrence and Ute Lally owed Grant Lally money for this debt. First General Counsel's Br. at 21 n.21; Second General Counsel's Br. at 22 n. 21.
 - Grant Lally received \$23,000 from Lawrence Lally in 1994. First General Counsel's Br. at 22; Second General Counsel's Br. at 23.
 - Grant Lally produced a copy of a "Payoff Letter," dated December 7, 1994, signed by himself, which acknowledged the Candidate's receipt of the \$23,000 as partial payment for the debt owed by his parents. First General Counsel's Br. at 22; Second General Counsel's Br. at 23.

Thus, Grant Lally received funds to which he was entitled from his parents. Such funds, accordingly, are personal funds, and could be disposed of in any manner that Grant Lally saw fit. See 11 C.F.R. § 110.10.

D. The \$3,800 Payment to Theresa White Was For Consulting Services Performed Prior to Grant Lally's Campaign for Congress.

The General Counsel's brief takes issue with \$3,800 paid to Teresa White in the winter and spring of 1994, asserting that the payment "was made on behalf of the Lally campaign and was thus a contribution to the candidate and his campaign." First General Counsel's Br. at 24. This is incorrect, since the payments at issue were made prior to Grant Lally deciding to run for Congress. In fact, the General Counsel's brief concedes as much, stating only that "[t]he payments appear to have been the initial start up costs for the campaign." First General Counsel's Br. at 24 (emphasis added). In reality, the funds were tendered when Grant Lally was

just examining the possibility of running for one of several possible offices, both federal and State.

Furthermore, Ms. White was retained as an attorney by Lally and Lally, Esquires, and performed legal research. Ex. 9 (Fasano Depo. at 17); Ex. 2 (Lawrence Lally Depo. at 140-41). Although the future position of campaign manager was discussed (as evidenced by her letter cited in the General Counsel's brief), she was never the campaign manager. See Ex. 9 (Fasano Depo. at 29). In fact, her "services" (she abandoned the candidate even prior to the campaign getting underway)²⁰ were paid for before the Lally for Congress Committee was established and before Grant Lally declared his candidacy for the U.S. Congress. Thus, this expense cannot even be categorized as testing-the-waters, and the General Counsel certainly cannot establish a knowing and willful violation.

E. Even Assuming Arguendo That Respondents Violated the Act, Such Violation Was Neither Knowing nor Willful.

The facts as presented in the General Counsel's brief hardly establish the existence of an "elaborate scheme for disguising" unlawful conduct. See First General Counsel's Br. at 25 and Second First General Counsel's Br. at 25 (*citing United States v. Hopkins*, 916 F.2d 207, 214-15 (5th Cir. 1990)). Instead, what is apparent is a overarching desire by the Respondents to use the personal funds of a candidate to fund a campaign within the scope of the Act. Instead of seeing

²⁰ In fact, Ms. White suggested that she would knowingly disregard New York law concerning petitions in that she considered using individuals who were not registered Republicans within the district, in direct contravention of the law. Ex. 9 (Fasano Depo. at 24-25). Further, after abandoning the campaign, she made untrue statements that the Candidate was "a mouth piece of David Dinkens in the City [the former Democrat mayor of New York City]." Ex. 2 (Lawrence Lally Depo. at 146). Other untrue accusations made by Ms. White included the claim that the Candidate had a Swiss bank account totaling \$100,000. Ex. 2 (Lawrence Lally Depo. at 147). The later accusation apparently is what prompted the Democratic Congressional Campaign Committee to file the complaint which was the genesis of the instant matter.

what is clearly an effort by Candidate Grant Lally to liquidate his already existing assets to utilize his own personal funds, the General Counsel's brief paints a conspiracy involving the Candidate's father and law partner, seizing on the lack of records kept by their family law firm to draw unwarranted conclusions.

For example, the General Counsel asserts that "the respondents' efforts to conceal the true source of the payments at issue are evident by the manner in which such payments were funneled through the candidate's account into the Lally campaign." First General Counsel's Br. at 25; Second General Counsel's Br. at 26. As discussed more fully above, the "true source" of the funds was fees already earned for services rendered by the Candidate in his law practice. What is characterized by the General Counsel as "funneling" is further evidence that the Candidate desired to ensure the use of personal funds, the genesis of which would be his own account. Such a method was employed even when the Candidate wished to utilize his earnings immediately.

The General Counsel's brief also places some significance on the fact that both the Candidate and Lawrence Lally are attorneys, and thus were aware of the contribution limitations. Of course, merely being an attorney does not *ipso facto* establish knowledge of federal election law (if it did, the Commission would have very little to do). Somehow, the General Counsel's brief attempts to link the alleged "elaborate scheme" to this supposed knowledge. The attempt is meritless.

The General Counsel's brief also emphasizes that the campaign was "informed in writing that 'personal funds' are 'strictly defined' and directed it to the definition of personal funds at 11 C.F.R. § 110.10. First General Counsel's Br. at 26; Second General Counsel's Br. at 27.

Regardless of whether "strictly defined" or not, Candidate Grant Lally complied with that section, as the money that he loaned the campaign was either his own assets, to which he had a legal right of access or control over (and either rightful title to or an equitable interest in), or his earnings and income from the law firm. The Commission's August 1994 letter to the campaign merely reinforced the method already being employed.

Curiously, the General Counsel in his brief regarding MUR 4128 and 4362 (concerning Grant M. Lally and Lally for Congress), refers to "the respondents' failure to inform lenders of the true purpose of bank loans used to fund the campaign." First General Counsel's Br. at 26; Second General Counsel's Br. at 27. The General Counsel's brief then discusses loans taken by Lawrence Lally. However, nowhere is the assertion that any respondent (Grant Lally or the campaign) secured loans. In any event, as discussed above, these funds were not "used for Grant Lally's candidacy," First General Counsel's Br. at 26 and Second General Counsel's Br. at 27, but instead were used by Lawrence Lally.

Finally, the General Counsel's brief claims that "the knowing and willful nature of these violations is evident by the history of document production in this case." First General Counsel's Br. at 27; Second General Counsel's Br. at 28. Of course, there is little in the way of admissible evidence supporting his charge. What the General Counsel's brief fails to mention is that Respondents did produce documents. Ultimately, the General Counsel was able to acquire the information sought, and never sought to compel further production.^{21/}

^{21/} These accusations against the Respondents are particularly vexing given the Commission's attorney's own conduct in this matter. For example, when asked where the General Counsel's office had acquired a document that was being used as an exhibit in the deposition of Grant Lally, the Commission's attorney refused to even make so much as an offer of proof as to the authenticity or foundation for the document. See Ex. 3 (Grant Lally Depo. at 99). In fact, during that same exchange, the Commission's attorney all but conceded that the exhibit as presented to the witness had apparently been re-assembled by Counsel, thereby creating a misleading exhibit. See Ex. 3 (Grant Lally Depo. at 100-102). When asked if Respondents could

F. MUR 4362.

The General Counsel's brief also takes issue with approximately \$19,000 raised by the campaign to retire debt incurred during the 1994 campaign, asserting that these funds were not properly designated as such. First General Counsel's Br. at 30. The General Counsel also takes issue with the date upon which Grant Lally qualified as a candidate, disputing the date of June 3, 1996 (the day Lally's Statement of Candidacy was filed), alleging that the campaign thus spent in excess of \$5,000 prior to that date. What the General Counsel's brief fails to mention is that amended reports were filed, accurately reflecting the funds in question.

The brief also asserts that "the Lally campaign filed inaccurate disclosure reports and failed to report a debt as required." First General Counsel's Br. at 30. In fact, due to clerical error, the campaign's 1994 end of year report listed approximately \$1,200 in debt owed to Pederson & Co., when in fact no such debt existed. The individual who assisted in the preparation of the report, Dawn Fasano, erroneously assumed that a document that she reviewed was a bill. Ex. 9 (Fasano Depo. at 56, 58-59); Ex. 3 (Grant Lally Depo. at 168). Ms. Fasano was merely a volunteer, who had not previously served as a treasurer to a campaign. Ex. 9 (Fasano Depo. at 5-8, 11). She learned of her error when she called the vendor, and was informed that nothing was owed. *Id.* Accordingly, amended reports were filed with the Commission, reflecting the fact that nothing was owed to Pederson & Co. As the General Counsel now agrees, the campaign "later omitted it and acknowledge[d] that such debt 'never existed, and was mistakenly reported.'" First General Counsel's Br. at 30.

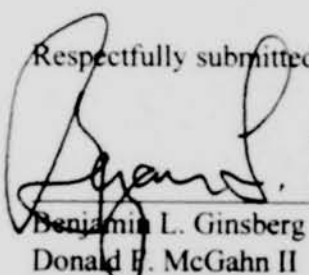
receive a copy of an exhibit that was being used in the deposition, the General Counsel's office informed Respondents that such a document was confidential, and that it would not be provided. See Ex. 3 (Grant Lally Depo. at 103). Hence, the unfortunate cause of the tension surrounding document production in this case was caused by actions on both sides.

As for the allegation that "debt to Mr. Ballau was never reported at any time during 1994," First General Counsel's Br. at 31, it is undisputed that Mr. Ballau did not submit an invoice or other bill until 1995. Ex. 9 (Fasano Depo. at 57); Ex. 2 (Lawrence Lally Depo. at 148). Even assuming *arguendo* that the debt accrued during 1994 (which is questionable), amended reports were filed accurately reflecting the debt owed by the campaign.

V. CONCLUSION

For the foregoing reasons, Respondents respectfully request that the Commission vote to find no probable cause in this matter.

Respectfully submitted,


Benjamin L. Ginsberg
Donald E. McGahn II
Jennifer L. Schettewi
Patton Boggs, L.L.P.
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-6000

ATTORNEYS FOR RESPONDENTS

Dated: September 15, 1997

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Grant M. Lally)	MUR 4128
Lally for Congress, Dawn Fasano,)	MUR 4362
as treasurer)	
Lawrence Lally)	
Ute Wolff Lally)	

RESPONDENTS' EXHIBITS

1. Excerpts of the Honorable Ute Wolff Lally's Deposition
2. Excerpts of Lawrence Lally's Deposition
3. Excerpts of Grant Lally's Deposition
4. May 24, 1994 Deed
5. May 3 & 21, 1994 Checks
6. Response by Grant Lally to Questions Submitted
7. May 19, 1994 & October 14, 1994 Loan Documentation
8. Response by Lawrence Lally to Demand of July 31, 1996
9. Excerpts of Dawn Fasano's Deposition
10. August 30, 1995 Bill of Sale
11. August 30, 1995 Check to Grant Lilley
12. August 26, 1994 Invoice to Kaiser
13. Affidavit of Kaiser
14. Checks to Grant Lally from Lally and Lally, Esquires, 1994
15. September 1994 Lally for Congress Bank Statement
16. Lally and Lally, Esquires' Billing Records, Invoices, Client Affidavits, Etc.
17. Repair Bills to Grant Lally for 1966 Corvette

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EXHIBIT 1

EXCERPTS OF THE HONORABLE UTE WOLFF LALLY'S DEPOSITION
(cited as "Ute Lally Depo. at ____")

-----X

BEFORE THE FEDERAL ELECTION COMMISSION:

IN THE MATTERS UNDER REVIEW OF

4128 and 4362

-----X

825 East Gate Boulevard
Garden City, New York

January 31, 1997
9:30 A.M.

DEPOSITION of THE HONORABLE UTE W. LALLY, the
witness herein, taken pursuant to 2, USC, 431(d), and
held at the above time and place before Michele Cox,
a Registered Professional Reporter and Notary Public
of the State of New York.

1

UTE LALLY

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2

are pretty much -- you weren't expecting to get any money back from your husband like half the money or anything?

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5

A No, it's not my account. It's our

6

account.

7

Q You didn't distinguish your money and his

8

money going into the account?

9

A Absolutely not.

10

Q I would like to introduce another exhibit

11

for you, Exhibit D. Take a look over that document.

12

Especially just look at the first page and the fifth

13

and sixth page and the seventh page.

14

(Exhibit D was introduced.)

15

A Okay.

16

Q First, can I direct you to page number

17

five, five and six? Can you identify this document?

18

A Well, I can only tell you what I see here.

19

I don't recall it.

20

Q Okay. How about page number seven?

21

A Again, other than what I have here?

22

Q Do you recall your husband and yourself

23

taking out a mortgage on your property, home

24

improvement mortgage or any kind of mortgage in 1994?

25

A Well, this would indicate that we did. I

1

UTE LALLY

17

2

don't specifically recall it because my husband

3

handled all the finances.

4

Q Would he have told you that he was taking

5

out a mortgage?

6

A I am sure I knew about it.

7

Q At the time?

8

A But at the moment I can't recall. I

9

couldn't recall the amount other than what I see

10

here.

11

Q How many times have you taken a mortgage

12

on the property?

13

A I can't tell you that.

14

Q Do you recall what this mortgage was for?

15

A No.

16

Q What the money was for?

17

A I don't know.

18

Q What it was used for?

19

A I don't know.

20

Q Did your husband ever indicate that he

21

wanted to give Grant any money?

22

A No.

23

Q What about did he ever indicate he wanted

24

to buy some property in the Bronx?

25

A No.

1

UTE LALLY

18

2

Q Do you know anything about your son owning property in the Bronx?

3

4

A I know he owned some. I don't know where. I don't know.

5

6

Q Did you know that he sold it?

7

A Yes.

8

Q How did you learn that?

9

A From conversation which I overheard.

10

Q What did you hear?

11

A I can't remember.

12

Q So, normally, your husband handles all the finances in the house?

13

14

A That's correct.

15

Q You don't have any part of that?

16

A No.

17

Q Are you able to borrow money yourself without --

18

19

A I have never tried. I would assume I can.

20

Q But you would have been the one who -- you would have signed these checks?

21

22

A Well, my name is on there, so I assume I would have endorsed it. I don't recall it.

23

24

Q So you don't have any recollection of having a conversation with Grant about the purchase

25

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EXHIBIT 2
EXCERPTS OF LAWRENCE LALLY'S DEPOSITION
(cited as "Lawrence Lally Depo. at ____")

1
2 BEFORE THE
3 FEDERAL ELECTION COMMISSION
4

5 -----X

6 IN THE MATTER

7 OF

8 MATTER UNDER REVIEW

S E A L E D

9 4128

10 4362

11 GRANT M. LALLY,

12 -----X

13 Deposition of LAWRENCE M. LALLY,
14 taken by The Federal Election Commission, held
15 at 825 East Gate Boulevard, Garden City, New
16 York 11530, on January 30, 1997, at 9:30
17 a.m., pursuant to Subpoena, before Ronald
18 Elliot Tolkin, a Notary Public within and for
19 the State of New York.

20

21 oOo

22

23

24

25

1 LAWRENCE M. LALLY - MC DONNELL

2 again to Grant Lally.

3 Q. By you?

4 A. By me.

5 Q. The date of those checks?

6 A. Check 301 is May 3 and check 303 is

7 May 21.

8 Q. Both 1994?

9 A. Both 1994.

10 Q. Can you tell me what these checks
11 were for?

12 A. Yes. I acquired, started to
13 acquire Grant's interest in a piece of
14 property on Bantam Place in the Bronx.

15 Q. These checks are for that?

16 A. Yes.

17 Q. What made you decide to purchase
18 that property?

19 A. Grant was-- he needed money and
20 consequently real estate is not an asset that
21 you can dispose of quickly. So you have to
22 find a buyer for it. I was a buyer for it.

23 Q. Why did you buy it?

24 A. Why did I buy it? Because it was a
25 good deal.

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1 LAWRENCE M. LALLY - MC DONNELL

2 Q. How much did you pay for the
3 property?

4 A. All in all I think it was about
5 \$118,000. There is another figure of 116 or
6 118. I am trying to resolve that.

7 Q. How long did Grant own this
8 property for? Do you recall what year you
9 purchased it?

10 A. He bought it probably in 1992, I
11 think. Please don't hold me to it. I don't
12 know. Again, if you have a document, I'd
13 appreciate it.

14 MR. MC DONNELL: I have a document
15 here.

16 MR. CIAMPOLI: You should have it.

17 A. Whether it is 1990 or 1991 or 1992,
18 I don't know. He purchased it.

19 Q. I will introduce Exhibit D. I ask
20 you to turn to page five. At the top of page
21 five, can you determine the date there?

22 A. This is March 15, 1993.

23 Q. Do you know the amount that Mr.
24 Lally, Grant Lally paid for the property in
25 1993?

1 LAWRENCE M. LALLY - MC DONNELL

2 A. \$40,000. That is for an interest
3 in the property.

4 Q. A two thirds interest, is that
5 correct?

6 A. That's right.

7 Q. How did you arrive at the price
8 that you paid for the property?

9 A. The fair market value of the
10 property.

11 Q. How did you determine the fair
12 market value?

13 A. There were real estate appraisals
14 on it for \$200,000. It was subsequently sold
15 for 1-- I forgot the sales price.

16 MR. MC DONNELL: It is in this
17 exhibit.

18 THE WITNESS: Do you have that Mr.
19 McDonnell?

20 MR. MC DONNELL: I am sorry. It
21 should be page-- it is the deed. I'm not sure
22 if the price is included on this?

23 A. I think it was \$169,000. I don't
24 see it here. That is my recollection, but
25 that is an approximation.

1 LAWRENCE M. LALLY - MC DONNELL

2 A. When you say a contract, was there
3 a written contract?

4 Q. Any kind of a contract?

5 A. Just an oral understanding.

6 Q. There was never a written contract?

7 A. Never. I am sorry, my voice was
8 dropping off.

9 Q. When was the oral contract made?

10 A. That would have been made probably
11 in May. That was the time, according to the
12 Exhibit C, the check was given. That is when
13 it was given.

14 Q. At that time, was the price agreed
15 to? The price that you were going to pay for
16 the property?

17 A. The point is he was looking to
18 dispose of his two third interest, but I
19 didn't have all of the funds available at that
20 point in time. This was one of a series or
21 two of a series of checks.

22 Q. I understand that. I am trying to
23 find out was there a price agreed to at this
24 time in May?

25 A. I think it was ostensibly agreed

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1 LAWRENCE M. LALLY - MC DONNELL

2 to, yes. I don't think it has any
3 relationship to-- let me just see-- to the
4 ultimate sales price.

5 Q. You say the ultimate sales price?

6 A. The 169. That would be a nice way
7 of doing it. That is not the way that it was
8 done.

9 Q. What exactly do you mean by that?

10 A. If someone has a one third interest
11 and a two thirds interest, then you say fine,
12 now here's a sale to a third party. You've
13 got \$170,000 and you just take one third and
14 two thirds. This was not done that way. He
15 did this and completed this in May.

16 Q. This is a different transaction
17 from the sale in '95?

18 A. Which transaction?

19 Q. The '94 transaction?

20 A. Absolutely.

21 Q. All right?

22 A. Absolutely. What I am saying is,
23 if you have the benefit of time, if you have
24 the benefit of time then you can say fine.
25 There is a third person that is willing to buy

1 LAWRENCE M. LALLY - MC DONNELL
2 the property. I had a one third interest in
3 the property. Grant had a two thirds interest
4 in the property. He could have held onto the
5 two thirds interest to 1995, but that was not
6 the case. I purchased it. I acquired his
7 interest.

8 Q. You acquired your two thirds
9 interest prior to the one third interest that
10 you acquired, right?

11 A. Yes.

12 Q. How did you come up with the funds
13 to give Grant these checks, these two checks
14 on the first page of Exhibit C?

15 A. Mr. McDonnell, if you have
16 something to help me on that, I'd appreciate
17 it.

18 Q. Turn to pages five through seven.

19 A. Five through seven?

20 Q. That might refresh your
21 recollection.

22 A. Some of the funds I can see I took
23 a loan out.

24 Q. What kind of loan was that?

25 A. That was termed a home improvement

1 LAWRENCE M. LALLY - MC DONNELL

2 for and your wife also signed for this loan?

3 A. The loan, yes.

4 Q. When was the loan paid back? Was
5 it paid back?

6 A. It was paid back, but I don't know
7 the date. If you leave an insert, we'll
8 insert as to when it was paid back.

9 MR. MC DONNELL: We will do that.

10 INSERT:

11 -----

12 -----

13 Q. Turn to page number seven of that
14 document to verify the check that you would
15 have received?

16 A. Yes.

17 Q. You've testified that the deed was
18 not recorded for your purchase of Bantam Place
19 from Grant, correct?

20 A. That is correct.

21 Q. Can you tell me why it was not
22 recorded?

23 A. Several reasons.

24 Q. Okay.

25 A. Number one, there was pending

1 LAWRENCE M. LALLY - MC DONNELL

2 litigation with respect-- there was
3 litigation, let's put it that way. That would
4 be pending with respect to-- no, there wasn't
5 at that time. Let me just reflect now.
6 Backing into this point in time, I had a
7 conversation with the title company rep, the
8 title company representative, when we were
9 talking about the closing and I had the deed
10 and I was going to deliver the deed for
11 recording. The suggestion was don't record it
12 because it would certainly never appear on the
13 records in time for the closing.

14 Q. You're talking about what closing
15 now?

16 A. The closing with Brown.

17 Q. The October '95 closing?

18 A. Because of the recording delays.

19 Q. I mean prior to that time when you
20 purchased the property in May, the deed was
21 given to you in May of '94 correct?

22 A. I don't know if it was given to me,
23 I don't know if it was given to me in May of
24 '94. It was given to me subsequent to May of
25 '94. Grant may have prepared that and it was

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1 LAWRENCE M. LALLY - MC DONNELL

2 given to me subsequently. I don't recall, Mr.
3 McDonnell, when I got the deed.

4 Q. Was it in 1994?

5 A. Yes.

6 Q. It could have been after 1994?

7 A. It could have been in 1994.

8 Q. It could have been in 1995, you're
9 saying?

10 A. Could it have been 1995? I doubt
11 if it was in 1995. No, it would have been in
12 1994. When in 1994, I don't recall.

13 Q. Whenever you received it, even when
14 the transaction occurred, you believe they
15 occurred in May of '94 that the contract was
16 entered into?

17 A. We orally agreed in May of 1994,
18 yes.

19 Q. So, no deed was filed for the
20 transfer of the property at all, right? For
21 that transfer?

22 A. No deed? No. No deed was filed
23 for the two thirds transfer because, again,
24 litigation was commenced. I don't remember
25 when.

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. I was asking a question if you have
3 ever asked someone not to substitute a party?

4 A. I don't recall ever having done
5 that.

6 Q. Never having done that?

7 A. No.

8 Q. Did the defendant in the action
9 know Mr. Pavlo? Did he know that there was a
10 change in the parties?

11 A. His attorney knew.

12 Q. What was his attorney's name?

13 A. I don't recall his name. I forgot
14 his name. Robert Pacht.

15 Q. Was he notified when the contract--

16 A. He knew that I had acquired Grant's
17 interest, yes.

18 Q. Did he know during the partition
19 action?

20 A. During the partition action, yes.

21 Q. In 1995 you acquired the other one
22 third interest from Mr. Pavlo?

23 A. Yes. I think the litigation was
24 pending in 1994.

25 Q. Yes. But in 1995, you purchased

1 LAWRENCE M. LALLY - MC DONNELL

2 recall, no. I don't think so. It was my
3 money. He received \$10,140.

4 Q. In your response at your Exhibit
5 R--

6 A. Yes.

7 Q. At page four, I think it is.

8 A. Exhibit R?

9 Q. Exhibit R.

10 A. Four?

11 Q. Page four, section small (a), Roman
12 numeral IV, there are five payments listed
13 there and the last one is 10/26/95?

14 A. This is Grant's, but go ahead.

15 Q. Yes.

16 A. Right. Go ahead.

17 Q. 10/26/95. That is the date of the
18 closing?

19 A. The closing, okay.

20 Q. It appears from that there might
21 have been some money given to Grant for the
22 property because this response is in response
23 to a question about payments made for the
24 property. So do you know--

25 A. I don't know what the question

1 LAWRENCE M. LALLY - MC DONNELL

2 was. Do you have the question?

3 Q. I do have the question somewhere,
4 but we were referring to this?

5 A. Payments received for the property,
6 yes.

7 MR. MC DONNELL: I will get the
8 question.

9 (Whereupon Mr. McDonnell searches
10 for a document.)

11 Off the record.

12 (Off the record discussion took
13 place.)

14 Q. I think it must be this question,
15 was sold or mortgaged to make the loan.

16 A. There?

17 Q. I think it is the response to this
18 question.

19 (Indicating.)

20 A. I hate to speculate. These are the
21 dates that we covered as far as the checks are
22 concerned and then the final brokerage on
23 10/26/95.

24 Q. You are saying the final brokerage
25 is the payment that is referred to on

1 LAWRENCE M. LALLY - MC DONNELL

2 the whole overall sale. I will not use your
3 words. You have to accept mine or obtain a
4 ruling.

5 MR. MC DONNELL: That is okay. We
6 will respond.

7 THE WITNESS: You can't put words
8 in my mouth.

9 MR. MC DONNELL: I am trying to get
10 a picture. I am not getting a clear picture.

11 THE WITNESS: I thought I've given
12 you a clear picture. I don't want to spar
13 with you on this.

14 Q. Let's move now and talk about a
15 check for \$18,000 that Grant received from Ute
16 Lally. Are you familiar with that?

17 A. Yes.

18 Q. Can you tell me what that is for?

19 A. That was to acquire Grant's
20 Corvette.

21 Q. Would you like to see a copy of the
22 check, Exhibit H?

23 A. Yes.

24 Q. Can you tell me how that sale came
25 about?

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1 LAWRENCE M. LALLY - MC DONNELL

2 A. Yes. Grant needed money, and he
3 was trying to sell his automobile. I acquired
4 it from him. It is as simple as that.

5 Q. Was it you or Ute that acquired it?

6 A. It is my wife's check, but our
7 account.

8 Q. A joint account?

9 A. It is not a joint account. It is
10 an individual account but joint money.

11 Q. Did you ask her to write this check
12 out?

13 A. I did.

14 Q. Did you tell her the purpose of the
15 check?

16 A. I'm sure, to acquire Grant's
17 Corvette.

18 Q. What made you decide to purchase
19 this car?

20 A. What made me decide to purchase the
21 car?

22 Q. Yes.

23 A. I purchased the car, but the car
24 was worth it.

25 Q. What made you decide at that point

1 LAWRENCE M. LALLY - MC DONNELL

2 in time to purchase it?

3 A. It was a very nice automobile and
4 it was worth \$18,000.

5 Q. Then subsequently that car was
6 sold?

7 A. Later on, yes.

8 Q. About a year later?

9 A. About a year later.

10 Q. How much did you get for it at that
11 time?

12 A. \$16,000.

13 Q. You took a loss of \$2,000?

14 A. I took a loss of \$2,000. Yes.

15 Q. How much did you ask for the car
16 when you sold it?

17 A. I don't know whether it was \$18,500
18 or \$19,000. Somewhere in there.

19 Q. At the time of this transaction in
20 May of '94, was Grant using the Corvette?

21 A. Certainly not afterwards. I
22 don't--no. As a matter of fact, he didn't use
23 it before. I think I even agreed to-- let's
24 leave it like that. It was on or about that
25 date but I think a week or so before it might

1 LAWRENCE M. LALLY - MC DONNELL

2 have been that I discussed my problem and this
3 check was given. It was in that time frame.

4 Q. Prior to that time did he use that
5 car?

6 A. Oh, yes, he used it.

7 Q. What did he do after that time? He
8 never used it again?

9 A. I can't say he never drove it after
10 that time. As far as my recollection is
11 concerned, I don't know.

12 Q. Where was the car after that time?

13 A. It was in my garage.

14 Q. Did you use it?

15 A. Occasionally.

16 Q. Did your wife use it at all?

17 A. No, not at all. Definitely not at
18 all.

19 Q. Why was the check written from your
20 wife's account?

21 A. Because she had money in her
22 account.

23 Q. When it came time to sell the car,
24 who was involved in that?

25 A. I was.

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1 LAWRENCE M. LALLY - MC DONNELL

2 Q. You were involved?

3 A. Yes.

4 Q. What kind of things did you do, how
5 did you go about selling the car?

6 A. Advertising.

7 Q. Did you show the car?

8 A. Sure. As a matter of fact, the
9 fellow who bought it I showed it to him. I
10 gave him as much as I could and let him drive
11 it. Then he came back and he was interested
12 and asked further questions.

13 Q. You answered all the questions?

14 A. No, I wasn't able to answer all the
15 questions. That is where my son-- because I
16 told him it was Grant's car. Consequently, he
17 spoke to Grant about it. That is it. That is
18 why I surmise the checks were made out to
19 Grant because he was certainly not told to
20 make the checks out to Grant. I am
21 volunteering that. But I was the one who
22 spoke to the young man. I was the one who
23 showed him the car. I was the one who let him
24 drive the car. I think if you contact him, he
25 can tell you all that. I was the one who took

1 LAWRENCE M. LALLY - MC DONNELL

2 him to the garage to take the spare engine out
3 of the garage. I was there with respect to
4 giving him the hard top.

5 Q. Grant had dealings with him as
6 well?

7 A. Grant answered questions for him
8 relative to the car. Grant had the individual
9 knowledge about the car.

10 Q. You were both there?

11 A. No, we were not both there
12 initially, only afterwards.

13 Q. Who was there initially?

14 A. I was.

15 Q. You were there initially?

16 A. I was.

17 Q. You met with him?

18 A. Yes, indeed.

19 MR. MC DONNELL: Let's introduce
20 Exhibit J.

21 (So marked Exhibit J.)

22 Who negotiated the sale of the car
23 on your side?

24 A. I think I am not sure, sir, of the
25 ultimate because I discussed the price with

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. You think you deposited it in the
3 law firm account?

4 A. Yes. It's certainly in the Fleet
5 Bank account. It's one of the two accounts.
6 It's either in the real property account,
7 which I would have logically put into the
8 business account.

9 Q. Did Grant receive any portion of
10 the funds from this?

11 A. No.

12 Q. Would you be able to establish that
13 by producing your checking account statements?

14 A. Produce my checking account
15 statements to prove that Grant didn't receive
16 a portion of it?

17 Q. Right.

18 A. He didn't receive a portion of it.
19 That is what it is going to show. You want me
20 to check?

21 Q. Yes.

22 A. I will be happy to check the
23 account just to confirm what I said.

24 MR. MC DONNELL: Yes.

25 Q. I would like to turn now to the

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. Was it prior to the receipt?

3 A. I don't remember.

4 Q. Do you remember talking to Grant,
5 did you talk to Grant at all about the
6 possibility of acquiring this money from his
7 grandparents?

8 A. No. Did I?

9 Q. Prior to the time that he received
10 it?

11 A. No. To the best of my knowledge, I
12 didn't.

13 Q. Did your wife have any knowledge of
14 that?

15 A. No. She has no knowledge. She
16 didn't participate. She was not actively
17 involved in the campaign.

18 Q. I am talking about the receipt of
19 this money?

20 A. She wouldn't know.

21 Q. The Schurms, are those her parents?

22 A. Those are her parents.

23 Q. You said you don't think at the
24 time the money was sent that either you or
25 Mrs. Lally knew about Grant's request for this

1 LAWRENCE M. LALLY - MC DONNELL

2 A. That is why I hesitated.

3 Q. When you originally started Lally
4 and Lally, who were the persons involved in
5 that?

6 A. My wife and I.

7 Q. When did your wife cease being
8 involved in the law firm?

9 A. 1985.

10 Q. That is when she-- what did she do
11 at this point?

12 A. She went on the bench.

13 Q. In 1985, were you alone in the firm
14 at that point after your wife left you, left
15 the law firm?

16 A. I don't remember when Grant came
17 into the firm. It was upon graduation from
18 law school, whatever year that was. I don't
19 remember.

20 Q. Was it like the late 80's?

21 A. I don't know. You are going back
22 now 12 years. I don't remember what the
23 situation was. I know my wife was on the
24 bench in 1985.

25 Q. Were you working in the firm alone

1 LAWRENCE M. LALLY - MC DONNELL

2 or did you have other people there with you?

3 A. You know I don't remember-- no, I
4 didn't have anyone else at the firm. You mean
5 anyone other than Grant?

6 Q. Did you have any other attorneys
7 there? Did you work alone for a while?

8 A. I don't remember. What year was
9 Grant's graduation from law school? Because
10 he worked in the firm during the vacation time
11 and upon graduation from law school he came
12 in, whatever year that was.

13 Q. Yes.

14 MR. CIAMPOLI: You want to leave a
15 blank and we will fill it in. We will go
16 check the diploma on the wall?

17 A. I don't want to guess.

18 Q. Did you work alone for a number of
19 years?

20 A. I don't know. Twelve years ago? I
21 don't know.

22 MR. CIAMPOLI: Off the record.

23 (Off the record discussion took
24 place.)

25 Q. You really weren't alone?

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. Those are your primary?

3 A. That is it.

4 Q. You don't handle any criminal?

5 A. I don't handle criminal cases any
6 more. I might have handled some then. I did
7 when I was much younger but no more.

8 Q. As far as the areas of practice for
9 the firm in 1993 and 1994, what were you
10 doing?

11 A. General.

12 Q. And today, is it the same?

13 A. It is still general except that I
14 am not taking any more negligence cases.

15 Q. No?

16 A. It is just not worth it.

17 MR. MC DONNELL: People would be
18 surprised to hear that.

19 THE WITNESS: I don't do it
20 anymore.

21 Q. Going back to 1993 and 1994, can
22 you describe the arrangement you had as far as
23 the division of labor and the case load
24 between yourself and Grant?

25 A. It would depend upon the type of

1 LAWRENCE M. LALLY - MC DONNELL

2 case that it was. I already provided you with
3 the areas which Grant handled.

4 Q. Yes?

5 A. That would be--

6 Q. When a case came in, would you then
7 decide who was going to be the primary
8 attorney handling it?

9 A. Well, if it was a typical real
10 estate transaction, a piece of property, I
11 probably would handle that. Matrimonials we
12 both handled. Estates Grant handled
13 exclusively. What else is there?

14 Q. Commercial?

15 A. Commercials, generally Grant.

16 Q. Would Grant be involved in tort
17 cases at all, negligence work?

18 A. To a limited degree. I know it
19 came up yesterday with respect to testimony in
20 one case.

21 Q. Yes?

22 A. There was a matrimonial as well.

23 Q. He generally didn't get into the
24 tort?

25 A. He generally didn't get into the

1 LAWRENCE M. LALLY - MC DONNELL

2 tort. Covering cases, he might have done
3 EBT's.

4 Q. EBT's?

5 A. Examination Before Trials. What we
6 are doing today. He would have taken care of
7 things like that.

8 Q. Tort cases?

9 A. He would have taken care of things
10 like that.

11 Q. He wouldn't have appeared in Court
12 for tort cases, I mean?

13 A. Generally not.

14 Q. Would he appear in Court for other
15 cases?

16 A. Sir, I am saying he might appear in
17 Court. I am not there all of the time. He is
18 there. He covers the cases as needed.

19 Q. So he is pretty much involved in
20 all of the cases that you have there?

21 A. Yes.

22 Q. Or he was at that point?

23 A. Yes.

24 Q. Did you ever have a business plan?

25 A. No. Don't let the laughter shake

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1 LAWRENCE M. LALLY - MC DONNELL

2 the record.

3 Q. Did you ever consider having a
4 partnership agreement?

5 A. No.

6 Q. Did you ever have a budget? Did
7 you ever do a budget?

8 A. No. None of these things.

9 Q. Did you ever discuss the
10 possibility of doing any?

11 A. No.

12 Q. What about the expenses? Can you
13 tell me how that worked? How did you handle
14 the expenses for the law firm?

15 A. As they accrued, we paid them.

16 Q. You would be in charge of paying
17 all of the expenses?

18 A. Yes. Am I responsible for writing
19 up all the checks? Yes, I am responsible for
20 writing up all the checks.

21 Q. What were the expenses that the
22 firm had, generally speaking?

23 A. Then, as today, as of many times
24 the secretary, the copy machine.

25 Q. Right?

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. How do you work that out?

3 A. It is \$1,100 a month. That is what
4 it is.

5 Q. Did you pay that every month
6 regularly or did you pay when you have the
7 funds?

8 A. Yes.

9 Q. Which part?

10 A. It is handled as you have funds.

11 Q. In 1994, if we go through this we
12 will be able to determine if you paid any
13 rent?

14 A. I couldn't tell you. My rent was
15 allocated rent. It is very loose.

16 Q. What about the secretarial
17 services?

18 A. You pay a secretary weekly.

19 Q. How much do you normally pay?

20 A. I can tell you what the exact sum
21 is. It is \$364 a week.

22 Q. That is the current salary?

23 A. That is what she gets in the pay
24 check but it is probably \$400 a week.

25 Q. That is the net?

1 LAWRENCE M. LALLY - MC DONNELL

2 A. Yes. Don't you have that?

3 Q. I don't have that but I do have in
4 Exhibit Q, which I believe that you have--

5 A. Um hum.

6 Q. I see a payment on January 4th for
7 \$318.70 and on January 11th another payment
8 for \$318.70?

9 A. That is the amount then.

10 Q. That is the possible weekly
11 expenses?

12 A. Yes.

13 Q. Were there any other regular
14 expenses that you have that are substantial
15 like that or something more than, like \$100 a
16 month?

17 A. I can't recall.

18 Q. As far as you allocate the portion
19 of the expenses between yourself and Grant?

20 A. Well, allocation--

21 Q. Does Grant allocate any portion of
22 the expenses for the firm?

23 A. He pays certain things. He pays
24 certain things. What it is, I know what bills
25 I pay. I don't know what bills he pays.

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. He pays them himself?

3 A. He pays some bills himself, right.

4 Q. I am talking about the
5 administration of the building. Does he pay a
6 portion of the salary? Does he pay a portion
7 for the secretary?

8 A. It comes out of this account. It
9 comes out of the account. We are both
10 contributing to the account.

11 Q. How do you contribute to the
12 account?

13 A. We contribution to the account by
14 bringing in fees.

15 Q. You take a portion of that out for
16 the expenses, regular expenses?

17 A. In other words, as he generates
18 income, there is a certain factor left in the
19 account.

20 Q. Is that a set factor?

21 A. It is not a set factor.

22 Q. Who decides?

23 A. I would just look at the books.

24 Q. What would it be based upon? The
25 need of the firm or based upon--

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1 LAWRENCE M. LALLY - MC DONNELL

2 A. You would look at it from the
3 standpoint of funds available, look at it from
4 the standpoint of bills pending. We can look
5 at it in that case.

6 Q. That was the same in '93, '94 and
7 '95? The same all along?

8 A. The same.

9 Q. There is no formula today that you
10 use?

11 A. No.

12 Q. Did you normally discuss with Grant
13 what portion of the payments received that he
14 would receive something from that would go
15 towards the expenses?

16 A. No.

17 Q. You would just decide?

18 A. Yes.

19 Q. Did he ever ask you what is the
20 difference between this and that?

21 A. No.

22 Q. Would you say you are the boss as
23 far as where the money goes?

24 A. Would I say that I am the one that
25 writes the checks? Yes.

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. You are the one who decides?

3 A. I make an evaluation and I act
4 accordingly.

5 Q. That has been the same all along?

6 A. The same all along.

7 Q. Does the law firm have any other
8 account, you are saying you have this account,
9 the checking account which is Exhibit Q. You
10 have an IOLA account. Any other accounts?

11 A. The law firm account and the IOLA
12 account. That is it.

13 Q. As far as the IOLA account, were
14 the checks that clients gave that Grant
15 handled, would they also be put into this IOLA
16 account under Lawrence M. Lally?

17 A. Yes.

18 Q. He didn't have a separate IOLA
19 account for himself?

20 A. No.

21 MR. MC DONNELL: I am about ready
22 to break myself.

23 (Whereupon a recess was taken at
24 11:50 a.m.)

25 (Time 12:08 p.m.)

1 LAWRENCE M. LALLY - MC DONNELL

2 totalled that at all?

3 A. No, I haven't.

4 Q. Would that seem about correct to
5 you?

6 A. That seems about right.

7 Q. What was the law firm income in
8 1995, the year after this?

9 A. I don't recall. I don't remember
10 what the income was for 1995. It would have
11 been less than that. That is for the entire
12 year 1994 with one person for most of the year
13 out of the office.

14 Q. That would have been Grant working
15 on the campaign?

16 A. When he was working on the
17 campaign. He would have been out of the
18 office, right.

19 Q. Would you have some documentation
20 that shows the amount that he gave, that the
21 law firm received in 1995? Would you have
22 something like that?

23 A. I would. Is it relevant?

24 Q. I think it is relevant and I will
25 explain it in a minute if you'd like?

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. Yes.

3 A. I don't know. I am just trying to
4 put things in perspective.

5 Q. Right. I just wanted to be sure
6 about that deposit, that it wasn't taken?

7 A. It was not a loan.

8 Q. Or money that you gave to Grant?

9 A. No. Definitely not.

10 Q. Let's talk about the \$46,000 check
11 that came in from the Estate. That was
12 the estate, you worked on that a number of
13 years before or it was worked on for a number
14 of years by the firm?

15 A. Yes.

16 Q. Who first brought in the client in
17 that case?

18 A. That would have been probably,
19 probably my wife's contact. She wasn't, she
20 was with the firm but she knew the

21 Q. Did you know the as well
22 back then?

23 A. Not that well.

24 Q. How did she know them?

25 A. Through organizations.

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. When did you first begin working on
3 the estate case?

4 A. I don't have an independent
5 recollection at this time. I did supply you
6 with something.

7 Q. You provided me with something. I
8 will not introduce this. I am just going to
9 give you a copy of this. Just look it over.

10 (Handing to the witness.)

11 A. Okay.

12 Q. Look through it and see the dates?

13 A. Let's see the file.

14 Q. Check the date, if you can?

15 A. The date of death was 12/16/87.

16 Q. That case is going back a number of
17 years before the payment was made, correct?

18 A. Yes. Yes, indeed.

19 Q. When you first began working on
20 that case, you meaning the firm, was that
21 something that was assigned to Grant?

22 A. Grant worked on this, yes.

23 Q. What was your work on this?

24 A. My work would have been speaking
25 with the client from time-to-time. She was an

1 LAWRENCE M. LALLY - MC DONNELL
2 McDonnell.

3 Q. Did you say that you are going to
4 try to provide us with the total law firm
5 income for the years '93 and '95?

6 A. '93?

7 MR. CIAMPOLI: You asked for 1995.
8 We said we would talk about its relevancy. I
9 think you asked for 1995. I don't know about
10 1993. Hold on.

11 THE WITNESS: It was just 1993. It
12 was only one year.

13 MR. CIAMPOLI: I think it was only
14 1995.

15 Q. Let's go to what we discussed
16 earlier, Theresa White. Do you remember
17 Theresa White being involved in the campaign?

18 A. I remember Theresa White being
19 involved as an attorney, yes.

20 Q. How was she involved as an
21 attorney?

22 A. She was essentially retained to
23 examine compliance, make contacts in Suffolk
24 County with respect to just exploring both
25 State and Federal Regs, potentially.

1 LAWRENCE M. LALLY - MC DONNELL

2 Q. She would be exploring what Regs?

3 A. The Regs in district--

4 Q. The regulations?

5 A. The regulations.

6 Q. About how to go about filing?

7 A. Everything and being in

8 compliance. That was her involvement.

9 Q. She was retained by the firm?

10 A. That is right.

11 Q. This was a firm expense to look
12 into?

13 A. It was. That is right.

14 Q. Did you have some sort of an
15 agreement with her?

16 A. She was going to do this and she
17 was given a \$2,000 retainer. She subsequently
18 received another \$1,000.

19 Q. Another \$1,000?

20 A. A total of \$3,000 and she
21 disappeared.

22 Q. She disappeared?

23 A. That is right.

24 Q. Did she give you an invoice for her
25 services?

1 LAWRENCE M. LALLY - MC DONNELL

2 day why she left.

3 Q. Did he ever discuss with her any of
4 the reasons?

5 A. No.

6 Q. Were you displeased with her?

7 A. No. She was a nice girl.

8 Q. Were there problems with anyone
9 else in the campaign, such as Dawn, that had a
10 problem with her?

11 A. I don't know. I certainly had a
12 nice relationship with her. Some of the
13 things, and I really don't want to get into
14 what she did subsequently, which was very
15 disappointing to me.

16 Q. Which is what?

17 A. Making statements that Grant was a
18 mouth piece of David Dinkens in the City, the
19 former Mayor of the City of New York.

20 MR. CIAMPOLI: Off the record.

21 (Off the record discussion took
22 place.)

23 Q. Do you have any idea why she might
24 have done that?

25 A. I don't know, sir. I think

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1 LAWRENCE M. LALLY - MC DONNELL

2 probably what it was is that she probably made
3 it up. She had a falling out with the County
4 Legislator in Suffolk County that Grant ran
5 against in a primary. I understand that there
6 was a make up session later. They kissed and
7 made up, and she just took and turned the
8 tables 180 degrees and started to shoot at
9 Grant. She made allegations about Grant
10 having a Swiss bank account with \$100,000 in
11 it. You've got all the records. You've gone
12 over it so carefully with a fine tooth comb.
13 It is absurd. But that is the type of
14 allegation to injure him in his campaign. Why
15 she did it, I don't know.

16 Q. Let's talk back Mr. Ballau, the
17 campaign manager during the '94 campaign.

18 A. Yes. '94, right.

19 Q. Did you have a contract with him?

20 A. There was no contract. I had no
21 contract with him.

22 Q. I would like to show you some
23 reports. I will not give them for the record,
24 but I will show them to you. Look at this
25 one. This is your year end report for 1994.

1 LAWRENCE M. LALLY - MC DONNELL

2 If you look at sort of the years, there is the
3 last page, page ten of the 1994 year end
4 report. There is a list of the debts and
5 obligations?

6 A. Yes.

7 Q. There is no indication that Mr.
8 Ballau is owed any money at that time, but
9 there is an indication that M.S. Pederson and
10 Company being owed a debt of \$3,065. That is
11 a report signed by you, right?

12 A. Yes.

13 Q. Then if we go to 1995, the mid year
14 report. This is also your signature, correct?

15 A. Yes.

16 Q. There are two payments made to
17 Thomas Ballau. One was on January 20, 1995
18 for \$1,000 and one on June 20th, 1995 for
19 \$2,000. Did Mr. Ballau provide you with
20 services during 1995?

21 A. No.

22 Q. Was this a prior debt then?

23 A. Let me say this. He didn't submit
24 anything until 1995.

25 Q. He did submit something to you

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EXHIBIT 3
EXCERPTS OF GRANT LALLY'S DEPOSITION
(cited as "Grant Lally Depo. at ____")

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BEFORE THE FEDERAL ELECTION COMMISSION:

IN THE MATTERS UNDER REVIEW OF

4128 and 4362

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825 East Gate Boulevard
Garden City, New York

January 29, 1997
10:20 A.M.

DEPOSITION of GRANT M. LALLY, the witness
herein, taken pursuant to 2, USC, 431(d), and held at
the above time and place before Michele Cox, a
Registered Professional Reporter and Notary Public of
the State of New York followed by Ronald Elliot
Tolkin, a stenotype reporter and Notary Public within
and for the State of New York.

1 GRANT LALLY-MC DONNELL

2 campaign? Did you go over the debts that were
3 owed to different vendors as opposed to
4 yourself?

5 A. There were a number of debts
6 outstanding at that point.

7 Q. Was there a debt that you owed to
8 Mr. Ballau?

9 A. I know that there was a debt owed
10 to Mr. Ballau.

11 Q. Were you involved in the reporting
12 at all, the filing the FEC reports?

13 A. No.

14 Q. Did you ever review the reports?

15 A. Generally not, I don't believe,
16 before they were filed. It was generally done
17 by a couple of people who worked on that.

18 Q. Who were they?

19 A. My father was treasurer at that
20 period, so he signed it. Dawn Fasano helped
21 prepare the reports. Her mother was a
22 volunteer on the campaign. She did a good
23 portion of the work of preparing the reports.
24 Beyond that, I don't know.

25 Q. How did you come to occupy the

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through -- I guess initially through Hofstra. She was at Hofstra University.

Q And did she come to your office and meet with you during that period?

A She did, yeah.

Q What was her function?

A Her function was, you know, again she -- there was no -- roles were not defined at that point. She was supportive. She encouraged me to run. She had -- she knew a lot of people out in Suffolk County. I know she had spoken to some folks out there about getting involved. But she really wasn't involved much in the campaign because she ended up not, you know, not -- she broke off and wasn't involved after a point.

Q But prior to that time?

A She had been supportive. She had been encouraging.

Q Was there any agreement to pay her?

A I am not sure I -- actually, no. I don't believe there was.

Q Did you pay her? Did the campaign pay her?

A The campaign did not, no.

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2 any firm decision to run really until petitions went
3 out and circulated.

4 Q When was that?

5 A June of '94, you know, crossed the
6 Rubicon. Here in New York State until early July,
7 that's when you make -- you have to make a firm
8 decision one way or another when you are going to
9 run. When you file your petitions for candidacy,
10 prior to that you are not a candidate for anything
11 cognizable under New York State law.

12 I was approached by party leaders through
13 June of '94, as early as July of '94. Some people
14 were supportive and some people encouraged me not to
15 run, others encouraging me to run for other offices.
16 I was approached periodically and asked to run for
17 State Assembly which is a lower house.

18 Q Say from January or whenever, you hadn't
19 given me a month when you first started taking the
20 steps towards running, through May, how much time
21 would you put in per week?

22 A Per week? January nothing, really none at
23 all; February, I would say nothing really, not at
24 all. I hadn't made any plans to run at that point.
25 March, I don't think I put any time in in March. I

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2 variance, I wanted my name to be placed back on the
3 deed, to be put on the deed as it should have been,
4 in order to 1) monitor the litigation, to intervene
5 as an interested party, as a neighboring land owner,
6 and having my brother's name on the deed, not my name
7 only, the deed served as an obstacle to serve as an
8 interested land owner.

9 Q This deed was properly recorded and the
10 tax was paid on it? Does it look that way to you?

11 A I believe so.

12 Q Please look at this document and tell me.

13 A This appears to be a record from the
14 Nassau County Clerk's office attached to a copy of
15 the deed.

16 Q And the tax was paid on the deed?

17 A I believe so, yeah.

18 Q Does it appear from the first page? It
19 says it was paid.

20 A It appears to be, yes.

21 Q Let's move on then to back to Exhibit C.

22 (Exhibit C was introduced.)

23 A Which are the two checks --

24 Q And other documents.

25 By the way, what happened with that

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litigation?

A The litigation was -- it was resolved and actually the parcel was sold to a subsequent purchaser, actually sold to my parents. They are actually the owners of that neighboring parcel of land.

Q Where was that litigation? What court was it in?

A I never became a party to it because of the -- this thing was settled. But I assume it was in Nassau Supreme Court.

Q Do you know the names of any of the parties involved?

A I believe -- again, my parents -- no, I don't know specifically. No.

Q You said something about your parents?

A I don't want to speculate. If I don't know something, I don't want to say something under oath.

Q Were you parents involved in that?

A They were certainly interested in it.

Q Were they involved in the litigation?

A I don't know offhand. I was not involved in the litigation. I do not know that.

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purchase.

Q Do you recall the price or you said you don't?

A I believe the purchase price was \$40,000.

Q What made you believe it was a good value?

A Because the market values in the neighborhood was considerably higher than that.

Q And what was your plan for the property?

A My plan was to acquire the remaining one-third interest pursuant to a partition action and then to restore the property which had been -- become run down and then resell the property.

Q How were you going to go about the petition action?

A By filing a partition -- partition action.

Q Sorry.

A -- pursuant to New York State Law in Supreme Court and proceeding with a partition action to secure a sale of the property or to attempt to negotiate a purchase of the remaining one-third interest.

Q What was the basis for the partition?

A Partition action is based on -- when multiple parties have an interest in a piece of real

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but ultimately I did use the funds acquired by the sale of the property for the campaign.

Q Did you attempt to market the property?

A No, I didn't advertise it.

Q How did you come to sell it to Lawrence Lally?

A I spoke to -- at one point communicated -- I don't have any specific recollection of specific conversations, but at one point, I know that we had we communicated about selling my interest in the property to him.

Q What was his reaction?

A I don't have any specific recollection other than we ultimately proceeded with the sale of the property.

Q How did you arrive at the price?

A By estimating the fair market value of the property given the recent sale prices of similar properties in the neighborhood and estimating the -- reducing that by one-third reflecting my two-third interest in the property.

Q Right, okay.

What was the final sale price, do you recall?

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me, I don't have a specific recollection of what --

MR. CIAMPOLI: You have the deed. You want to introduce it?

MR. McDONNELL: Yeah, I will introduce the deed.

Q I would like to introduce Exhibit D. You can look that over and let me know when you are finished.

(Exhibit D was introduced.)

A That's correct.

Q Could you describe that for us?

A This is a deed issued from myself into to Lawrence Lally's name for the sale of -- I don't know if the address?

Q 1527?

A Bantam Place in Baychester, New York.

Q Do you know when this deed was executed?

A This deed was executed -- it appears to have been executed on May 24, 1994 the date I executed it; on or about that date.

Q That's your signature?

A Yes.

Q This signature is yours?

A It appears to be my signature.

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A This is a person -- I don't want, at this point without researching it further, I don't want to give you legal definitions on anything.

Q But commonly, have you worked in real estate before?

A Yes.

Q And your understanding is if you read a document like this where the owner of the first part --

A The party of the first part is any person who has requested to relinquish any right they might have whether they have rights or not.

Q Why were you made a party to this?

A I was made a party to this -- I was not -- I was not involved in the negotiations. I was made a party, my understanding was, because they wanted my name on this deed, also.

Q Why was that?

A They wanted it in order to avoid having to register the additional deed between myself and my father.

Q So that additional deed was not registered?

A That was not filed.

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Q It wasn't filed?

A That's correct. That's my understanding.

Q Well, I asked you a few minutes ago if it was filed. You said you didn't know.

A It was my understanding when I executed this -- I don't know for a fact whether it has been since filed, although at the time this was executed that I was asked to execute this because at this point, they did not wish to file the other deed.

Q Who did not wish to file?

A The purchasers.

Q Why would they file the other deed?

A I was not involved in the negotiations. I do not know. All I know is I was asked to relinquish any possible rights I might have.

Q Your understanding is the prior owners for a deed between your father --

A And myself --

MR. CIAMPOLI: I lost that question.

I did want to say one thing with regard to your question asking him if he knew. Again, we are all playing lawyers here. You're trying to inquire whether he did have direct knowledge whether or not the deed was filed or not.

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Q Right?

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A I, at that time, had signed the document that we have been discussing to relinquish any possible rights I might have in the property.

6

7

Q What else? What other role did you have in the property?

8

9

A I don't recall at this point having --

10

Q Did you attend the closing?

11

A I don't recall.

12

13

Q Did you ever discuss with your father at that point the deed was not filed, correct, between '94 and '95?

14

15

A I don't know that, but that's -- it's my belief it was not filed.

16

17

Q And what was that based upon, that belief?

18

19

20

A Specifically, I don't recall any specific conversation. It was my general sense and that at that point, it was not filed and because of the ongoing litigation --

21

22

Q "Because of the ongoing litigation"? Can you explain that for me?

23

24

25

A Certainly. I was a party at that point to a suit, a partition action, for the property. If I had transferred or relinquished my rights in the

1
2 property, it would have resulted in the initiation of
3 a new action. That was my understanding as to why
4 that deed was not at that time recorded.

5 Q When did you first learn of that
6 information?

7 A I have no idea. That was something that
8 had been discussed. I don't have a specific
9 recollection of, particular dates.

10 Q A general recollection?

11 A During the period in question. That's
12 about all -- that's all I can say.

13 Q When did that litigation end?

14 A The litigation ended, I believe ended in
15 April or May. It ended at whatever time my father
16 acquired the one-third interest.

17 Q April of '95?

18 A If that was the date, yeah.

19 Q You want to go back and look at -- let's
20 go back and look at Exhibit E. Again, we will check
21 it.

22 Turn to page 10 or 11, 11.

23 A Sure.

24 Q See the date? What date do you see?

25 A It's actually very blurred on this, April

1 GRANT LALLY-MC DONNELL

2 Q. It says deposit below that?

3 A. Yes, it does.

4 Q. \$49,580?

5 A. That is what it looks like.

6 Q. Do you have any idea what the
7 source of those funds are?

8 A. \$49,580?

9 Q. Yes.

10 A. I have no idea.

11 Q. Will you turn to page five?

12 A. Yes.

13 Q. Can you identify that?

14 A. Page five?

15 Q. Right.

16 A. No, I have never seen this document
17 before.

18 Q. Can you describe what it is? What
19 it purports to be?

20 A. Again, it appears to be a Home
21 Federal Savings Bank home improvement loan
22 notice of right to cancel.

23 Q. Any consumer's name?

24 A. Consumer's name Lawrence M. Lally
25 and Ute Wolff Lally.

1 GRANT LALLY-MC DONNELL

2 Q. Will you turn to page seven?

3 A. Okay.

4 Q. Can you identify that?

5 A. Again--

6 Q. You've never seen that before?

7 A. I have never seen that before. I
8 have never seen it. It appears to be a check
9 issued to Lawrence Lally in the sum of
10 \$49,580.

11 Q. The date?

12 A. 5/19/95.

13 Q. Do you know anything about your
14 parents obtaining a home improvement loan back
15 in 1994?

16 A. No.

17 Q. Did you ever discuss it with them?

18 A. No.

19 Q. That they might obtain a home
20 improvement loan?

21 A. I did not discuss their finances
22 with them.

23 Q. You never discussed their finances
24 with them?

25 A. No. Certainly I didn't discuss

1 GRANT LALLY-MC DONNELL

2 it.

3 Q. And you sold the two thirds
4 interest when, in 1994?

5 A. 1994.

6 Q. For \$116,000?

7 A. \$118,000.

8 Q. Actually, there's a little
9 discrepancy in that. I think the checks add
10 up to 116?

11 A. I don't recall.

12 Q. You said 118, but the checks we
13 have add up to 116. That is one thing I was
14 going to get to later. Close enough. What
15 was the gain on that property?

16 A. The gain on the property would have
17 been, would have been approximately \$80,000
18 less expenditures that I made during the
19 course of the year for the partition action
20 and other expenses for the property.

21 Q. Was that reported? Did you report
22 the capital gain on your income tax?

23 A. Yes.

24 Q. What year was it reported?

25 A. 1995.

1 GRANT LALLY-MC DONNELL

2 that response?

3 MR. MC DONNELL: July 19th.

4 Q. Go through it and look for all the
5 ones, A-2 we have \$73,000, right?

6 A. That is right.

7 Q. A-9 is \$30,000?

8 A. I am not sure that is the right
9 place to look though. There is a different
10 section that I dealt with here. 10/26/95.
11 There was a final payment on that. That is
12 page four. That details the payments. The
13 section that you were looking at were the
14 loans that were made to the campaign. That
15 wouldn't necessarily reflect monies that I
16 received on the sale of the property.

17 Q. It was received 10/26? These other
18 ones add up to \$116,000.

19 A. Offhand I don't know. It doesn't
20 indicate here on this.

21 Q. Did you talk to your accountant in
22 1994?

23 A. I talk to him when I prepare taxes.

24 Q. Was this an installment sale?

25 A. This was-- I am not an accountant

1 GRANT LALLY-MC DONNELL

2 Q. Let's turn now to the check that
3 you produced marking it as Exhibit I. It is a
4 check for \$18,000?

5 A. Yes.

6 Q. Made out to you in 5/4/94?

7 A. Yes.

8 Q. Do you recall what this check was
9 for?

10 A. It was for the sale of my car.

11 Q. Which car was that?

12 A. It was a 1966 Corvette.

13 Q. Do you recall when you purchased
14 that?

15 A. I purchased that in 1990.

16 Q. How much did you pay for it?

17 A. I believe it was \$12,000, the
18 purchase price.

19 Q. In 1994 prior to the sale, did you
20 use that car?

21 A. Yes. It was my main vehicle.

22 Q. After the sale?

23 A. I didn't use it at all.

24 Q. What happened to it then?

25 A. It was garaged. My parents, they

1 GRANT LALLY-MC DONNELL

2 had it in the garage and there it sat.

3 Q. Where was it prior to that time?

4 Where did you keep it?

5 A. I kept it and I used it everyday,

6 so I had it with me in the driveway.

7 Q. Where you lived?

8 A. Where I lived.

9 Q. You didn't keep it in that garage?

10 A. No.

11 Q. How many miles were on it when you

12 sold it, do you have any idea?

13 A. I think the odometer had flipped

14 over about three or four times. I think it

15 show around 100,000 miles, but I think it had

16 a 99,000 mile meter. My suspicion is that

17 over the 30 years of its existence it had seen

18 a few miles.

19 Q. Why did you sell it at that time?

20 A. I sold it at that time-- I was

21 actually meaning to sell it for awhile. At

22 that time I sold it because I wanted to raise

23 some money.

24 Q. For what?

25 A. My own use and ultimately I put

1 GRANT LALLY-MC DONNELL

2 some of it into the campaign.

3 Q. Did you market the car before you
4 sold it?

5 A. No. I didn't advertise it, no.

6 Q. When did you first discuss it with
7 your mother?

8 A. Actually, I didn't discuss it with
9 her. I discussed it with my father. I don't
10 have a specific recollection but it was
11 approximately during that time.

12 Q. Whose idea was it to sell it?

13 A. I think it was-- I don't
14 specifically recall whose idea it was
15 initially, but I had meant to sell it for
16 quite a while.

17 Q. Why did you want to sell it?

18 A. Have you ever driven a convertible
19 in the middle of summer and been stuck in the
20 Midtown Tunnel with the engine dead?

21 Q. What did you buy after that?

22 A. I bought a jeep. I actually bought
23 it in the winter of '94, but the car was a lot
24 of trouble.

25 Q. Was it?

1 GRANT LALLY-MC DONNELL

2 A. Yes. It was a lovely car.

3 Q. You sold it to your mother for
4 \$4,000 or more?

5 A. There was a lot of work put into
6 it. It had been totally restored and
7 rehabilitated. I put hundreds and hundred of
8 hours in and thousands and thousands of
9 dollars in repairs. Everything was done on
10 the car. It was totally restored.

11 Q. Did you take care of it after your
12 mother purchased it?

13 A. No. It had been garaged. I didn't
14 have much dealings with it. It was there. I
15 saw it occasionally when I went by the house.

16 Q. You never drove it after that?

17 A. If I drove it, it was once or
18 twice. I certainly didn't use it on anything
19 like a regular basis. At most it was once or
20 twice.

21 Q. Did anyone else use it?

22 A. I don't know. I don't recall if it
23 was used. It was garaged at this point.

24 Q. Did your mother use it?

25 A. I don't know.

1 GRANT LALLY-MC DONNELL

2 Q. Who handled the transactions?

3 A. My father handled all of the
4 transactions for the ultimate disposition.

5 Q. He met with the seller?

6 A. I believe so.

7 Q. I mean the purchaser.

8 A. Yes.

9 Q. Did you receive a check from the
10 seller?

11 A. I don't know. I believe he
12 received it.

13 Q. What happened with the proceeds
14 from the sale?

15 A. I don't know.

16 Q. I will show you Exhibit K?
17 (Handing to the witness.)

18 A. Okay.

19 Q. Can you identify these documents?

20 A. Again, I cannot identify them
21 because I have not seen them before. Some of
22 them are letters to you.

23 Q. The first page, the first and
24 second page, can you identify those?

25 A. The first page appears to be a

98043684755

1 GRANT LALLY-MC DONNELL

2 A. The one on page two.

3 Q. The one on page two?

4 A. The one on page two would appear to
5 be-- would not appear to be my signature. The
6 one on page one looks like my signature but I
7 am not going-- I will go that far. It looks
8 like these were endorsed over to Grant Lally.

9 Q. You don't recall receiving these
10 checks?

11 A. As I said, I recall. I believe I
12 met with the guy who purchased the car.

13 Q. Right.

14 A. When it was going on because I was
15 helping to show the car, but specifically I
16 don't recall receiving certain checks.

17 Q. Do you recall receiving any checks
18 from him?

19 A. No.

20 Q. Do you recall--

21 A. I remember showing the car. I
22 remember him coming by to pick documents up.
23 I believe my father was there. I don't recall
24 beyond that.

25 Q. Your father was there at what

1 GRANT LALLY-MC DONNELL

2 document that you produced?

3 MR. MC DONNELL: Yes.

4 MR. CIAMPOLI: Page five.

5 MR. MC DONNELL: Yes.

6 MR. CIAMPOLI: Can you tell me

7 where you obtained the bill of sale?

8 MR. MC DONNELL: I am not sure why
9 are you asking me that.

10 MR. CIAMPOLI: Is it associated
11 with this letter by Michael Adornato? Is it
12 one document? Was this document one document
13 sent to the FEC with this attached bill of
14 sale?

15 MR. MC DONNELL: I don't recall
16 whether it was produced at that time.

17 MR. CIAMPOLI: Did you get it from
18 Michael Adornato?

19 MR. MC DONNELL: I am a little
20 hesitant to answer your question. I am not on
21 deposition here.

22 MR. CIAMPOLI: I understand.
23 Obviously, this is all one exhibit.

24 MR. MC DONNELL: Right, and it is
25 not explained to you here.

1 GRANT LALLY-MC DONNELL

2 MR. CIAMPOLI: The fact is that it
3 is an assemblage of documents. My next
4 question would be did the checks come with the
5 letter from Dr. Adornato as well as the bill
6 of sale?

7 MR. L. LALLY: Right.

8 MR. CIAMPOLI: I am trying to
9 figure out for me and it could be a misleading
10 package as it were or misleading to package
11 these together. It just strikes me as very
12 curious. The bill of sale is not clocked in
13 with the time stamp from the FEC, however,
14 this letter is.

15 MR. MC DONNELL: We don't time
16 clock every page of the document.

17 MR. CIAMPOLI: I understand. That
18 is why it occurs to me, and obviously the
19 copies of checks I don't know if you obtained
20 these by subpoena from the bank or you
21 obtained them from Dr. Adornato, and they are
22 not time clocked into the FEC, yet you
23 assembled it as one package.

24 MR. MC DONNELL: Right. I don't
25 want you to believe that it was assembled in

1 GRANT LALLY-MC DONNELL

2 one package, that it was at the same time or
3 by the same person.

4 MR. CIAMPOLI: You understand
5 whence my questioning is going in this because
6 it strikes me as unusual to have a letter
7 signed by someone, and it would appear that is
8 the same person that signed both this and the
9 letter and the bill of sale.

10 MR. MC DONNELL: Right.

11 MR. CIAMPOLI: The documents are
12 contradictory on their face.

13 MR. MC DONNELL: I am not sure that
14 I agree with that though.

15 MR. CIAMPOLI: Obviously.

16 THE WITNESS: It was signed by
17 someone else.

18 MR. CIAMPOLI: It is my conclusion.

19 THE WITNESS: You have something
20 signed here by Michael Adornato and a bill of
21 sale from Lawrence Lally and you've got an
22 attached sheet saying something very
23 different.

24 MR. L. LALLY: Two checks from Dr.
25 Adornato countersigned by Lawrence M. Lally.

1 GRANT LALLY-MC DONNELL

2 MR. CIAMPOLI: You are looking to
3 create a picture and what I am suggesting is
4 the packaging of the documents together could
5 be misleading. It caused me some hesitation.

6 MR. MC DONNELL: At the end of page
7 five it explains two checks received and it
8 tells who they are made out to. It says Grant
9 Lally. One says Grant Lally and the bill is
10 signed by Lawrence Lally. Is that what you
11 are getting at?

12 THE WITNESS: At best, if these are
13 my signatures, they are endorsed. I don't see
14 what this is probative of.

15 MR. CIAMPOLI: I understand what
16 direction you are going with it and I,
17 obviously, I go in an entirely different
18 direction with it.

19 MR. MC DONNELL: Yes.

20 MR. CIAMPOLI: My suggestion with
21 regard to these documents is that half of
22 nothing is still nothing.

23 MR. MC DONNELL: You are entitled
24 to that. We are not here for that today.

25 MR. CIAMPOLI: Part of what I

9 8 0 4 3 8 8 4 7 6 1

EXHIBIT 4

MAY 24, 1994 DEED

THIS INDENTURE, made the 24 day of May, nineteen hundred and ninety-four
BETWEEN GRANT M. LALLY, residing at 345 Harbor Drive
Centre Island, New York 11771

party of the first part, and LAWRENCE M. LALLY, residing at 345 Centre Island
Road, Centre Island, New York 11771

party of the second part.

WITNESSETH, that the party of the first part, in consideration of Ten Dollars and other valuable consideration paid by the party of the second part, does hereby grant and release unto the party of the second part, the heirs or successors and assigns of the party of the second part forever,

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough and County of Bronx, City and State of New York, bounded and described as follows: BEGINNING at a point on the northerly side of Bantam Place distance 61.85 feet westerly from the corner formed by the intersection of the westerly side of Woodhull Avenue with the northerly side of Bantam Place; running thence Northerly at right angles to Bantam Place, 55.51 feet; thence Northwesterly on a line forming an exterior angle with the last course of 197 degrees 11 minutes 58 seconds, a distance of 36.10 feet to a point distant 44.67 feet westerly from the westerly side of Woodhull Avenue as measured along a line forming an angle of 72 degrees 48 minutes 02 seconds on its northerly side with the westerly side of Woodhull Avenue; thence Westerly along the westerly prolongation of said line 20.4 feet to a point distant 90 feet northerly from the northerly side of Bantam Place measured on a line drawn at right angles thereto; thence Southerly at right angles to the northerly side of Bantam Place and part of the distance through a party wall 90 feet to the northerly side of Bantam Place, and; thence Easterly along the northerly side of Bantam Place 31.12 feet to the point or place of BEGINNING.

The Seller warrants and represents that he is conveying a two-third (2/3) percent interest in said premises to the Purchaser herein.

SAID PREMISES being known as and by 1527 Bantam Place, Bronx, New York.

BEING AND INTENDED TO BE the premises conveyed to the grantor herein by Deed dated March 15, 1993 and recorded in the Office of the City Register, Bronx, County.

TOGETHER with all right, title and interest, if any, of the party of the first part in and to any streets and rights abutting the above described premises to the center lines thereof; TOGETHER with the appurtenances and all the estate and rights of the party of the first part in and to said premises; TO HAVE AND TO HOLD the premises herein granted unto the party of the second part, the heirs or successors and assigns of the party of the second part forever.

section: 16
book: 4534
pg: 74

AND the party of the first part covenants that the party of the first part has not done or suffered anything whereby the said premises have been encumbered in any way whatever, except as aforesaid.

AND the party of the first part, in compliance with Section 13 of the Lien Law, covenants that the party of the first part will receive the consideration for this conveyance and will hold the right to receive such consideration as a trust fund to be applied first for the purpose of paying the cost of the improvement and will apply the same first to the payment of the cost of the improvement before using any part of the total of the same for any other purpose.

The word "parties" shall be construed as if it read "parties" whenever the sense of this indenture so requires.

IN WITNESS WHEREOF, the party of the first part has duly executed this deed the day and year first above written.

IN PRESENCE OF:

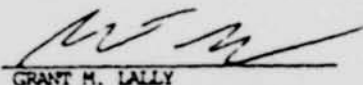

GRANT M. LALLY

Exhibit #

E

9 8 0 4 3 8 8 4 7 6 3

EXHIBIT 6

RESPONSE BY GRANT LALLY TO QUESTIONS SUBMITTED

GENTILE and CIAMPOLI
ATTORNEYS AND COUNSELLORS AT LAW

JUL 19 2 15 PM '96

GLEN JEREMIAH GENTILE
JOHN N. CIAMPOLI
OF COUNSEL
HARLAN WITTENSTEIN

MAIN OFFICE
1461 FRANKLIN AVENUE
GARDEN CITY, NEW YORK 11530
(516) 799-2041

NEW YORK CITY OFFICE
POST OFFICE BOX 204
BROOKLYN, NEW YORK 11209
(718) 748-0017

STATE CAPITAL OFFICE
1881 WOOD TERRACE
ALBANY, NEW YORK 12243
X00038038
518 758 2845

June 30, 1996

Xavier Mc Donnell, Esq.
Federal Election Commission
999 E Street NW
Washington, D.C. 20463

RE: MUR 4128

PLEASE RESPOND TO:

Dear Mr. McDonnell:

We have been retained by Candidate Grant M. Lally and the Lally campaign committee in connection with the above referenced matter.

Enclosed herewith please find the response of the committee's treasurer, Lawrence Lally, and candidate Grant Lally to the requests for documents and questions posed by the Commission. The two affidavits are attached to a single set of exhibits to which they refer.

On behalf of our clients, we would respectfully request an opportunity to conference this matter with counsel for the commission. Additional documents are being retrieved by our clients and will be forwarded when available. Designation of counsel will also come under separate cover.

It is our hope that the affidavits submitted, together with the documentation we have and will produce, should resolve any remaining questions the Commission may have. Please advise the undersigned of any further inquiries you might have. Please bear with us during the days ahead as we will be actively engaged in the New York State ballot access process for several clients, which carries with it short statutes of limitations and heavy work loads.

Thank you for your consideration.

Very truly yours,

GENTILE and CIAMPOLI

BY: 

Exhibit # R

RECEIVED
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20535

GRANT M. LALLY, ESQ., being duly sworn, deposes and says
that the following are answers to questions submitted:

- A. (1) Primary #1 - 5/5/94
- \$1,000.00
- Source - personal savings
- (2) Primary #2 - 5/24/94
- \$100,000.00
- Sources to Grant M. Lally ("GML")
(a) \$73,000. paid from Lawrence M. Lally ("LML")
toward purchase of 1527 Bantam Place, Bronx,
N.Y. property
(b) \$18,000. paid by Ute W. Lally ("UWL") for
purchase of 1966 Corvette
(c) \$9,000. paid from personal savings
- (3) Primary #3 - 6/30/94
- \$25,000.00
- Sources to GML
(a) \$25,000. from personal savings (income
from Lally & Lally, Esqs., law firm)
- (4) Primary #4 - 9/9/94
- \$6,000.00
- Sources to GML
(a) \$6,000. from personal savings (income
from Lally & Lally, Esqs., law firm)
- (5) General #1 - 9/14/94
- \$10,000.00
- Source to GML
(a) \$10,000.00 from personal savings (income
from Lally & Lally, Esqs., law firm)
- (6) General #2 - 9/15/94
- \$10,000.00
- Source to GML
(a) \$10,000. from personal savings (income
from Lally & Lally, Esqs., law firm)
- (7) General #3 - 9/30/94
- \$5,000.00
- Source to GML
(a) \$5,000. from personal savings (income
from Lally & Lally, Esqs., law firm)

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8
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4
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6
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- (8) General #4 - 10/10/94
 - \$12,890.00
 - Source to GML
 - (a) \$12,890. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (9) General #5 - 10/19/94
 - \$30,000.00
 - Source to GML
 - (a) \$30,000. from LML toward purchase of 1527 Bantam Place, Bronx, N.Y. property
 - (10) General #6 - 10/20/94
 - \$49,500.00
 - Source to GML
 - (a) \$49,500.00 from partial satisfaction of indebtedness from Margaret & Kurt Schurm (grandparents)
 - (11) General #7 - 10/24/94
 - \$14,598.00
 - Source to GML
 - (a) \$13,000. from LML toward purchase of 1527 Bantam Place, Bronx, N.Y. property;
 - (b) \$1,598. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (12) General #8 - 11/1/94
 - \$32,000.00
 - Source to GML
 - (a) \$32,000. from partial satisfaction of indebtedness from Margaret & Kurt Schurm (grandparents)
 - (13) General #9 - 11/7/94
 - \$20,000.00
 - Source to GML
 - (a) \$20,000. from Dean Witter - liquidation of stock account
 - (14) General #10 - 11/29/94
 - \$4,003.00
 - Source to GML
 - (a) \$4,003. from personal savings (income from Lally & Lally, Esqs., law firm)
 - (a) (i) Sales
 - (a) Real Property
 - 1527 Bantam Place, Bronx, N.Y. - sold to Lawrence M. Lally for \$118,000.
 - (b) 1966 Corvette automobile - sold to Ute W. Lally for \$18,000.

(c) Dean Witter stock brokerage account
[REDACTED] - liquidation of
stocks (\$26,204.29)

(d) Sale of Interest in Mortgage Indebtedness
\$88,356.52

(ii) See (i) above

(iii) Grant M. Lally

(iv) (a) Above on 5/5/94; 5/21/94; 10/19/94; 10/24/94 and
10/26/95

(b) Above on 5/4/94

(c) See annexed stock transfer certificates

(d) Above on 10/20/94

(v) Not applicable

(b) See (a) (i) above

(i) See (a) (i) above

(ii) See (a) (i) above

(iii) See (a) (i) above

(c) 1527 Bantam Place, Bronx, N.Y.

(i) Lawrence M. Lally

(ii) \$118,000.00

(iii) Final Sale 10/26/95

(2) (a) 1527 Bantam Place, Bronx, N.Y.
- acquired 3/15/93

(b) 1966 Corvette automobile
- acquired March, 1990

(c) See annexed stock transfer certificates
from Dean Witter account

(d) Interest in Mortgage Indebtedness
- acquired 4/15/92 and 3/26/93

(3) See attached

B. (1) (a) Bantam Place property sold - see (A) above

(b) Bantam Place - see (A) above
Harbor Drive - acquired 1984

(c) Both properties purchased

(d) Bantam Place - Preston Pavlo and Ann Pennesi

9304384767

Harbor Drive - Philip Hirshak

(e) Bantam Place - James Pavlo
Harbor Drive - Craig Lally

(f) Bantam Place - 1993-1995
Harbor Drive - 1984-present

(g) Market value

(h) See attached

(2) New York Corporations

(a) L. Lally Enterprises - 200 shares
Museum Source, Ltd. - 160 shares
Galway Trading Co. - 100 shares

(b) L. Lally Enterprises - \$150,000.
(market value of assets)

Museum Source, Ltd. - \$15,000.
(market value of assets)

Galway Trading Co. - \$15,000.
(market value of assets)

(c) NO

(d) N/A

(e) L. Lally Enterprises - \$15,000.
Museum Source, Ltd. - none
Galway Trading Co. - none

(f) L. Lally Enterprises - Board Grant M. Lally,
Lawrence M. Lally

Museum Source, Ltd. - Board Grant M. Lally,
Richard Sperazza, Genevieve Overholzer

Galway Trading Co. - Grant M. Lally, Benjamin
Frankel

(3) See attached

C. (i) Indebtedness of \$341,670.

(ii) Lawrence M. Lally and Ute W. Lally

(iii) None

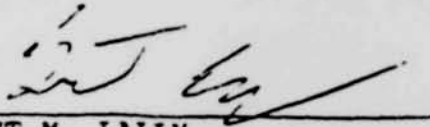
(iv) N/A

(v) 4/15/92 and 3/26/93

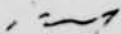
(vi) See attached

D. Employment Income

- (i) Receipts based upon work performed, fees paid, business generated
- (ii) \$102,892.00
- (iii) None
- (iv) See attached


GRANT M. LALLY

Sworn to before me this
28th day of June, 1996



Notary Public

LAWRENCE M. LALLY
Notary Public, State of New York
No 02-LA2236465
Qualified in Nassau County • 7
Commission Expires May 31, 19__

98043884769

98043884770

EXHIBIT 7

MAY 19, 1994 & OCTOBER 14, 1994 LOAN DOCUMENTATION

9 5 0 4 3 8 8 4 7 7 1

EXHIBIT 8

RESPONSE BY LAWRENCE LALLY TO DEMAND OF JULY 31, 1996

RESPONSE TO DEMAND OF 7/31/96

LAWRENCE M. LALLY, ESQ., being duly sworn, deposes and says:

BANK STATEMENTS:

See Bank Statements enclosed.

BANTAM PLACE PROPERTY:

See Contract of Sale of property from Lally to Farquharson enclosed. Copies of checks previously provided. Checks received on sale of Farquharson are not in possession of seller.

AUTOMOBILE SALE:

Title in the name of Lawrence M. Lally for insurance purposes. All vehicles of family members were registered in this manner. Copy of check enclosed.

LAW FIRM INCOME:

Wife Lally does not practice law with Lally & Lally, consequently she has no knowledge of Grant Lally's compensation. Grant Lally's compensation is based upon ongoing firm work.

Date	Client	Am't
1/14/94		\$1500.
		100
1/19		950
2/7		982
2/9		300
		15,992
2/15		2,399.
		200
2/16		750
2/16		4,640
3/4		1,000.
		300
3/9		220
3/10		6,585.
		150.
		75
3/14		600
3/15		140.
		950

— wire (copy attached)

— part of 2740. deposit, (balance withheld)

FROM :

PHONE NO. :

SEP. 24 1950 03:55PM P07

3/22

750.)

3/28

8,170.)

3/31

20,190.)

4/5

230.)

4/8

130.)

4/25

300.)

515.)

50.)

210.)

750.)

572.)

4/29

5/9

21,530.)

300.)

100.)

95.)

272.)

5/13

5/16

5/18

6/8

1,000.)

100.)

300.)

189.)

100.)

380.)

6/15

6/16

6/23

7/5

7/6

1,655.)

95.)

750.)

200.)

300.)

2,110.)

7/8

7/14

7/15

7/18

7/20

200.)

610.)

500.)

750.)

972.)

3,400.)

1,000.)

2,125.)

8,545.)

7/22

8/8

100.)

20.)

300.)

1,550.)

8/10

8/31

9/6

9/8

9/15

9/19

9/28

695.)

46,730.)

300.)

1,150.)

2,119.)

200.)

100.)

750.)

2,550.)

10/5

1,964.)

4,000.)

300.)

75

side of 2241. deposit (balance unilaterally paid)

part of 3886. deposit (balance unilaterally paid)

part of 1595 deposit (balance from Money Market Account)

part of 2400. deposit (balance unilaterally paid)

part of 2241. deposit. (" " " ")

FROM :

PHONE NO. :

SEP. 24 1990 03:59PM P00


10/7
10/2075
6,833
870
60
750

11/4

200
30011/17
11/26500 — part of 1050 deposit (balance withdrawn)
50012/2
12/56,000
750 + 300 (Stresser) = 1050 deposit12/9
12/20400
6,830
575
50

All matrimonial files containing pleadings, motions, judgments, etc. in New York State are not subject to public inspection. Retainer agreements are mandatory and are part of the court's file and can only be disclosed to the parties, the court and their attorneys. Rules of the Appellate Division, 2nd Dept., control same.

Please advise as to which documents evidencing transfers into Lally for Congress account you wish reproduced since this documentation was previously provided to you. Please advise as to which checks you wish reproduced as same was likewise previously provided to you.


 LAWRENCE R. LALLY

Sworn to before me this
2nd day of August, 1996


 NOTARY PUBLIC

GREGORY J. MASON
 NOTARY PUBLIC State of New York
 No. 41-4878964
 Qualifies in Queens County 9/6
 Commission Expires October 20, 1997

98043884774

EXHIBIT 9
EXCERPTS OF DAWN FASANO'S DEPOSITION
(cited as "Fasano Depo. at ____")

90043004775

-----X

BEFORE THE FEDERAL ELECTION COMMISSION:

IN THE MATTERS UNDER REVIEW OF

4128 and 4362

-----X

825 East Gate Boulevard
Garden City, New York

January 31, 1997
2:32 P.M.

DEPOSITION of DAWN FASANO, the witness herein,
taken pursuant to 2, USC, 431(d), and held at the
above time and place before Michele Cox, a Registered
Professional Reporter and Notary Public of the State
of New York.

1

2

Q New York?

3

A Law School.

4

Q New York Law School.

5

And do you work at all?

6

A No.

7

Q From the time of college to present, could

8

you tell me some of the jobs that you have had?

9

A I went to graduate school.

10

Q In chronological order?

11

A I went to graduate school in '92 I guess.

12

I worked for State Assembly. I don't remember the

13

dates, I think it was '91 maybe. I am not sure about

14

that. And the Park's Department in '93.

15

Q Park's Department for the state?

16

A City.

17

Q Of New York?

18

A Yes.

19

Q What kind of work did you do for the

20

Park's Department?

21

A Just an analyst.

22

Q Analyst of?

23

A The title is called analyst.

24

Q What does it entail?

25

A Policy, policy analyses. You do various

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budget analyses. Things like that.

Q Budget analyses for the city?

A No, for the agency. I think that's it.

You are asking me -- I would have to see a resume. I didn't expect this one.

Q Okay. And then political?

A Do you want a resume?

Q Sure. You can provide it if you like.

A Then just a lot of political work, but it wasn't work. It was not paid.

Q None of the political work was paid?

A Right.

Q Who did you work for for political work?

A Both parties, Democratic and Republican parties.

Q The state, city?

A State, city, obviously Congress, local races, towns.

Q Local you mean Long Island?

A That's right and New York City, both.

Q Who are some of the candidates you worked for?

A Jim Wrynn for Assembly in '90, it was a Democratic candidate. He ran in the 25th A.D.

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DAWN FASANO

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Mort Hillman, he was an assemblyman. I

guess that would be his re-election of '91 but he

lost. It would be -- he lost his election. I never

went back to the Assembly in '92. He ran -- he was

the Democratic candidate in the 26th.

MR. CIAMPOLI: Off the record.

(Discussion held off the record.)

A Then there was a city counsel race, Howard Weiss. He's dead now. He's dead. I think, and then -- what is Gresser's husband? The woman who worked for --

MR. CIAMPOLI: Off the record.

(Discussion held off the record.)

A I think it's Harold Gresser. He was running -- I think he was doing a primary. I was involved with the race.

Q Okay.

A Then there is just -- I can go through -- there is a whole bunch. There is a series of races. Obviously, Grant Lally's race. Then you have town Republican races in Long Island and a whole mess of things and Brooklyn, too.

Q Were you employed in 1993?

A Employed? I guess I was working for the

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Park's Department.

Q When did you leave the Park's Department, any idea? Was it '93?

A It was '94, very early January.

Q January of '94?

A February, February. I think it was February. I left when my father became ill.

Q That was in January of '94?

A February, around there, late January early February something. It's a long time ago.

Q That's close enough.

When did you get involved in the Lally campaign, the first Lally campaign?

A When did I get involved in the campaign?

Q Right.

A I guess May, but, yeah, about May maybe April, May.

Q How did you get involved in that particular campaign?

A Well, there is a difference from when I met Grant and when the campaign started. There is a difference there.

Q When did you meet Grant?

A I met Grant in March.

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DAWN FASANO

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suggestions about the volunteers, but I personally
did not give them the work. I may have supplied some
other person that was kind of in charge, going over
to them saying you do this and that.

6

No, I wouldn't say I really dealt with
volunteers. I dealt with the field offices.

8

Q What was your position?

9

A I was a volunteer.

10

Q You didn't have a title?

11

A No, no.

12

Q You said you did some kind of fundraising.

13

What type of fundraising did you do?

14

A Raising money.

15

Q Tell us about what you did.

16

A Called -- telephones, wrote letters, put

17

invitations together.

18

Q For events?

19

A Right.

20

Q How did you get the information for people

21

that you called?

22

A Personal friends, Grant's, and we would

23

compile lists. They could be friends, business

24

associates of Grant, personal friends.

25

Q Of yours?

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A Sure. They may have been between -- I don't necessarily know Grant was involved in all those.

Q Who would have been involved?

A Tom Ballau, myself, Brian LeClair, the like.

Q Let's step back to when you first started with the campaign.

Who were some of the key people involved in the campaign at that point?

A Going how far back?

Q When you first came on?

A When I first came on, Theresa White, myself, Beth Faughnan, but she was just a volunteer.

Q Beth was just a volunteer?

A Everyone was a volunteer basically. There were no --

Q Theresa was a volunteer at that time?

A Theresa White she was doing legal research as I recall.

Q That's what you thought back then?

A That's what I recall.

Q She wasn't involved in the campaign activities?

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this.

Q Between you and Grant?

A Between me and Grant. There were really no real conversations except why. You kind of go through your mind and say what could be the reasons.

Now, I may have not really even had -- I don't recall any indepth conversation with Grant about that. But I did have conversations with Theresa prior to that.

Q Tell me about those then.

A Sure. One of the things with Theresa White is that during the petition process one of the projects we had to do, being we were in primary, was compile a list of people to carry petitions for us. They had to be registered Republicans. And Theresa White had stated to me, "Well, it's very hard to find these people."

I said, "Well, let's see if we can find ten people to carry. That will help."

A few days went by, maybe a day or two. We had the conversation again, and Theresa had expressed to me that "Well, I am having a hard time finding these people, so I -- we can get people, but they are not necessarily registered Republicans

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within the district."

And I was very opposed to that and just questioned her political policies and at that point, I think things started to change within the office.

Q And did you go to Grant with that information?

A No, I did not.

Q You told her you didn't think it was a wise decision?

A I said, "No way." We would not do something like that. That would not be the policy of this campaign.

Q What was her reaction?

A You know, I don't really -- what's the reaction. Probably -- I think a reaction was really realizing maybe somebody like that -- something like that should not have been said to me. I can't verbally express the kind of -- it was more of a reaction on her.

Q You don't remember her saying anything?

A No, I don't. I don't really -- kind of one of those things you just -- let's move on.

Q So she dropped that, she didn't pursue that?

1
2 that she had filed criminal charges against him. She
3 hated him. She just down outright hated him.

4 Then later on, you find out it's kind of
5 odd, she is talking to him much later. The whole
6 thing was very odd. You kind of felt secure where
7 she was coming from and what she was saying. There
8 were times when she was vindictive and spiteful.

9 From my reaction to the whole situation,
10 it became a very distant relationship because of a
11 lack of -- I questioned her political -- I am looking
12 for a word.

13 Q Wisdom?

14 A Political honesty and her -- I am having a
15 lack of wording.

16 Q Before you said that she, that Theresa,
17 primarily worked on the legal work you thought?

18 A That's what she had said to me.

19 Q She was doing that?

20 A She was doing legal, some legal research.

21 Q She never represented she was the campaign
22 manager?

23 A No, no. I think she may have wanted to be
24 but she wasn't.

25 Q Did Grant ever say to you that -- talk to

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for instance?

A No. It was never at the campaign -- I mean, I have seen it, but I have never --

Q When have you seen it?

A I don't know that. It's a long time ago.

Q Where was it when you saw it?

A Probably at his house.

Q Did you ever see him driving it?

A No.

Q Did you ever drive in it, ever ride in it?

A I don't recall that, no. I don't think so.

Q Did you ever drive it yourself?

A No.

Q At the time when you first met him though, do you recall if he told you he owned a Corvette previously?

A No.

Q Do you still talk to Grant today?

A Yes.

Q Are you dating Grant?

A Yes.

Q I am just establishing the basis for the fact you have communication with him.

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Q I asked for the present first, and I think it is relevant to the -- I think if somebody is dating someone, they are very apt to discuss cars they owned, personal transactions or as somebody in the campaign, you wouldn't necessarily do so.

A Married people tend to discuss personal transactions and personal property owned.

Q I think it's like a continuum.

A The period you were questioning is when I met Grant did I know he had a car.

Q I think I --

A I never discussed his car. I had no recollection of ever discussing anything about a car for a very long period of time. There was just never a period of question.

Q I asked before and I will ask again: When did you first start dating Grant?

A Late maybe fall.

Q Of '94?

A Of '94. And I would not call that really -- that was just -- I don't even know if I would really call it dating at that point.

So now you are talking about my personal relationship. We were friends for a very long time.

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the year end report for that year?

3

A In '94, was I involved in filing the year

4

end report? Yes, probably. This is --

5

Q Here is the year-end report for '94.

6

A Okay.

7

Q If you look through here.

8

MR. CIAMPOLI: Off the record.

9

(Discussion held off the record.)

10

MR. CIAMPOLI: This is the '94 year end.

11

A Okay.

12

Q Here are a list of all the debts and

13

obligations.

14

A Okay.

15

Q If you look through here, you will see Mr.

16

Ballau's -- no debt is reported for Mr. Ballau.

17

A Correct.

18

Q First time it appears is in the '95 one of

19

the -- payments were made?

20

A Correct.

21

Q I was asking, do you know about this?

22

A I wasn't aware that was a debt. That's

23

why.

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Q Did you personally deal with that

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corporation? Mr. Ballau -- that consultant, as far

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as -- you worked with him during the campaign as far as the payment of invoices?

A There was no invoices.

Q During the campaign, were you involved in reviewing invoices and requesting that money be paid to Mr. Ballau?

A No.

Q Did Mr. Lally handle that?

A There was no invoices.

Q Did he send you a bill at any time?

A There was no invoices, nothing.

Q Do you know when this bill was paid, how you became informed the money was owed?

A Yeah, I was -- we were told that Tom said that he had some money owed to him.

Q Who is "we"?

A Grant, Lawrence Lally.

Q They were told?

A Probably. I really can't -- I can't tell you how they were told about the -- Tom did not call me. I can say that.

Q There was no written invoice?

A No, I know that for a fact. There is nothing there.

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Q He didn't write a letter saying you owe this to me?

A No, to the best of my knowledge.

Q Then there is also on this, there is a bill reported to NS Pederson Company a bill of 3,065.40?

A Yes.

Q Do you recall --

A I do.

Q -- reporting that?

A I do.

Q That's in the '95 year-end report which I think was the first one signed. The debt is no longer reported?

A That's correct.

Q And subsequently, you submitted this letter in response to a question by the Reports Analysis Division?

A That's correct.

Q Do you recognize that letter?

A I do.

Q Can you tell us what that's all about?

A The debt was mistakenly reported. It was never a debt.

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Q It was reported?

3

A It was.

4

Q Any idea why it was reported?

5

A If I recall, I looked at something that I

6

thought was a bill, outstanding bill, in fact, it was

7

not.

8

Q Did you call the vendor to find out

9

whether --

10

A I did call. I don't recall who I spoke

11

to, but we did check the account and there was

12

nothing owed.

13

Q Do you know if they gave anything to you

14

in writing or they were just saying you didn't owe

15

any money?

16

A Our relationships with them was very

17

informal. So I had called Nick immediately.

18

Q The reports analyst with the FEC?

19

A Yes, and said to Nick the reason I took

20

this off, I mistakenly reported it. I think he sent

21

me a letter. I said what do you want me to do about

22

this. He said just send me a letter about this. I

23

spoke to Nick a lot, probably every report, probably

24

every report.

25

Most of my questions came directly right

90043884791

98043884792

EXHIBIT 10

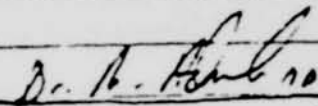
AUGUST 30, 1995 BILL OF SALE

Bill of Sale

Sold to Michael Adornato of 715
E. Walnut St., Long Beach, NY, and 1966
Corvette Convertible, NYS Registration # NY-1318
for the sum of \$16,000 - , as is, including,
hardtop, car cover, and 327 engine block

Aug 30, 1975


Lawrence M. Lally


Michael Adornato

Two checks received:

07 [redacted] to "Grant Lilley" for
\$8,000 -

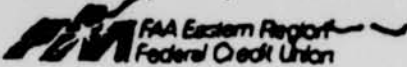
1003 to Grant Lilley for \$8,000 -

90043884794

EXHIBIT 11

AUGUST 30, 1995 CHECK TO GRANT LILLEY

IT'S YOUR CREDIT UNION

SAVE AND BORROW
07 04023
 SHMT CHECK WITHDRAWAL VOUCHER
 FAA EASTERN REGION FEDERAL CU

08/30/95 01:27 PM 10719 7 159 RLM BR:07

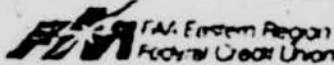
 AMT: -8000.00 FROM SHARE
 ADORNATO/MICHAEL

EFF DT:08/30/95 704024

MEMB FEES: .00 BAL: 25.00

SIGNATURE _____

PLEASE RETURN THIS RECEIPT UNTIL YOU RECEIVE YOUR NEXT MONTHLY/QUARTERLY STATEMENT


 Federal Building, 18 Kennedy International Airport
 Jamaica, New York 11430
 Telephone: (718) 995-0000

 EMPIRE CORPORATE - 29-8171/2213
 FEDERAL CREDIT UNION
 ALBANY, NY

07 04023

08/30/95

PAY

 PAY TO THE ORDER OF
 8,000.00dols 00cts

18,000.00

TO THE ORDER OF

BRANT LILLEY

NOT VALID AFTER 90 DAYS

COPY NOT NEGOTIABLE

 U.P. OF FINANCE
 3

98043889796

EXHIBIT 15

SEPTEMBER 1994 LALLY FOR CONGRESS BANK STATEMENT

9382-612387

STATEMENT DATE
09/30/94If you have any
questions, contact
our Answer Center
1-800-331-8884LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

68 ENCLOSED ITEMS

CHECKING	BEGINNING BALANCE	DEPOSITS, OTHER CREDITS	CHECKS, WITHDRAWALS, OTHER DEBITS	INTEREST PAID	ACCOUNT ACTIVITY & OTHER FEES	ENDING BALANCE
9382-612387	23354.50	68662.05	95011.90	.00	.00	2995.35

ACCOUNT NO. 9382-612387 BUSINESS REGULAR CHECKING

PERIOD 09/01/94 THROUGH 09/30/94

TAX IDENTIFICATION NUMBER 11-3208039

ANSWER CENTER ACCESS CODE 2314

- DEBITS AND CREDITS -

DATE	DEBITS (-)	CREDITS (+)	DESCRIPTION
09-06		965.00	PERSONAL DEPOSIT
09-07		970.00	PERSONAL DEPOSIT
09-07		25,000.00	PERSONAL DEPOSIT
09-09		6,350.00	PERSONAL DEPOSIT
09-13		11,027.05	EFFECTIVE DATE 9-12-94 RETURNED CHECK
09-15		10,000.00	PERSONAL DEPOSIT
09-15		10,800.00	PERSONAL DEPOSIT
09-19		200.00	PERSONAL DEPOSIT
09-20		1,000.00	PERSONAL DEPOSIT
09-28		700.00	PERSONAL DEPOSIT
09-28		1,650.00	PERSONAL DEPOSIT

STATEMENT DATE
09/30/94If you have any
questions, contact
our Answer Center
1-800-331-8884LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

CCOUNT NO. 9382-612387

CONTINUED

PERIOD 09/01/94 THROUGH 09/30/94

- CHECKS POSTED -			- CHECKS POSTED -			- CHECKS POSTED -		
DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT	DATE	CHECK NO.	AMOUNT
09-01	1119	20.59	09-06	✓ 1174	190.00	09-16	OK 1196*	11,027.05
09-08	1120	26.00	09-19	✓ 1175	240.00	✓ 09-19	1197	225.00
09-09	1121	475.00	09-07	✓ 1176	3,799.00	✓ 09-13	LC 1198	770.35
09-13	1137*	17.00	09-06	✓ 1177	1,801.00	✓ 09-14	1204*	75.00
09-01	1143*	1,939.20	09-07	✓ 1178	372.00	✓ 09-26	1206*	40.00
09-01	1144	550.55	09-06	✓ 1179	217.00	✓ 09-13	1207	290.00
09-07	1151*	35.00	09-07	✓ 1180	850.64	✓ 09-13	1208	40.00
09-07	1154*	40.49	09-09	✓ 1181	2,320.00	✓ 09-12	1209	500.00
09-07	1155	17.19	09-14	✓ 1182	100.00	✓ 09-16	1210	200.16
09-12	1156	28.84	09-08	✓ 1183	132.50	✓ 09-19	1211	256.00
09-12	1157	48.50	09-08	✓ 1184	132.50	✓ 09-23	1212	113.18
09-09	1158	43.40	09-12	✓ 1185	343.00	✓ 09-23	1213	400.00
09-14	1159	87.00	09-08	✓ 1186	290.00	✓ 09-26	1214	40.00
09-02	1162*	1,740.00	09-09	✓ 1187	250.00	✓ 09-27	1215	174.15
09-02	1163	1,443.25	09-12	✓ 1188	3,497.46	✓ 09-28	1217*	598.25
09-06	1164	500.58	09-12	✓ 1189	3,390.63	✓ 09-29	1218	351.00
09-01	1165	355.00	09-14	✓ 1190	6,897.54	✓ 09-27	1219	1,822.80
09-01	1166	810.00	09-09	✓ 1191	1,582.98	✓ 09-27	1220	539.00
09-08	1167	1,000.00	09-26	✓ 1192	200.00	✓ 09-26	1221	208.00
09-16	1168	500.00	09-08	✓ 1193	35.00	✓ 09-30	1224*	4,800.00
09-13	1170*	180.00	09-12	✓ 1194	355.00	✓ 09-30	1225	75.00
09-06	1172*	23,809.00	09-08	✓ 1195	150.93	✓ 09-30	1226	415.29
09-06	1173	200.00	09-12	OK 1196	11,027.05	✓ 09-30	1227	10.85

* DENOTES SEQUENCE BREAK

- DAILY BALANCE SUMMARY -

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
09-01	19,679.16	09-08	9,832.08	09-14	5,109.620D
09-02	16,495.91	09-09	11,510.70	09-15	15,690.38
09-06	9,256.670D	09-12	7,679.780D	09-16	3,963.17
09-07	11,599.01	09-13	2,049.92	09-19	3,442.17

STATEMENT DATE
09/30/94

*If you have any
questions, contact
our Answer Center
1-800-331-8884*

LALLY FOR CONGRESS
220 OLD COUNTRY RD
MINEOLA NY 11501

CY

ACCOUNT NO. 9382-612387 CONTINUED PERIOD 09/01/94 THROUGH 09/30/94

- DAILY BALANCE SUMMARY -

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
09-20	4,442.17	09-27	905.04	09-29	2,305.79
09-23	3,928.99	09-28	2,656.79	09-30	2,995.350D
09-26	3,440.99				

938261238799

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EXHIBIT 17

REPAIR BILLS TO GRANT LALLY FOR 1966 CORVETTE



Franklin Ave. & 7th St., Garden City, NY 11530
 Telephone: (516) 248-1166
 TYS Repair Shop No. R 1300794

Order

and 4/11/70

66 CORVETTE
 DATE & MILEAGE
 WHEN THIS SERVICE
 WAS AUTHORIZED
 2/15/70

21573
 1000 MILE SERVICE
 1000 MILE SERVICE

ITEM	QUANTITY	UNIT PRICE	TOTAL PRICE	REMARKS
LUBRICATION	1	5.00	5.00	
MOTOR OIL	1	12.50	12.50	
FILTER SERVICE	1	10.00	10.00	
TRANSMISSION	1	33.75	33.75	
WHEEL SERVICE	1	8.00	8.00	
EMISSIONS	1	5.00	5.00	
BRAKE SERVICE	1	15.00	15.00	
COOLING	1	28.00	28.00	
AIR CONDITION	1	17.00	17.00	
BATTERY	1	28.00	28.00	
TUNE UP	1	60.00	60.00	
		8.00	8.00	
		273.45	273.45	

*6.00 labor on wiring for service
 & repair shorts.*
6.00 labor on 1000 MILE SERVICE.
the car had parts

[Handwritten signature]

ESTIMATED COST	273.45	EST. BY	[Signature]
The services and repairs shown above including parts are hereby authorized. The estimated cost is acceptable to the undersigned.			
Customer's Signature: _____ Date: _____			
Technician's Signature: _____ Date: _____			

CUSTOMER'S COPY



MOPAK SERVICE CENTER INC.
Franklin & 7th St., Garden City, NY 11530
Telephone: (516) 248-1166
NYS Repair Shop No. R 1300794

repair
order

No. 22101

66 CHEV OL-240
DATE & PLEASE
WHEN THIS SERVICE
WAS AUTHORIZED
4/4/90
90925
YOUR NEAREST INSPECTION
& REPAIR SERVICE
90925

Unit 2/10/90

8/10/90
1/4.00
10.95
20.00
14.00
14.90
15.00
8.99
9090
500.00
5985
4.50
28.50
85.96
137.65
115.30
6.00
24.00
26.00
41.00
46.04
45.98
85.96
1493.37

ITEMS	QUANTITY	UNIT PRICE	TOTAL PRICE
LUBRICATION	1	10.95	10.95
MOTOR OIL	1	20.00	20.00
FILTER SERVICE	1	14.00	14.00
TRANSMISSION	1	14.90	14.90
WHEEL SERVICE	1	15.00	15.00
EMISSIONS	1	8.99	8.99
BRAKE SERVICE	1	9090	9090
COOLING	1	500.00	500.00
AIR CONDITION	1	5985	5985
BATTERY	1	4.50	4.50
TUNE UP	1	28.50	28.50
CHASSIS	1	85.96	85.96
STEERING	1	137.65	137.65
SALES TAX	1	115.30	115.30
LABOR	1	6.00	6.00
SPARK PLUGS	1	24.00	24.00
FLUIDS	1	26.00	26.00
PAINTS	1	41.00	41.00
WAX	1	46.04	46.04
WASH	1	45.98	45.98
TOTAL	1	85.96	85.96

1493.37

CUSTOMER'S COPY

NOV 0 1992

4/27 92

NAME

Garrett

ADDRESS

PHONE

CASH		PAID OUT		OTHER	
DATE		DESCRIPTION		AMOUNT	
1	Black	1	Taken	24.91	
1	Sevin 100	1	100	26.90	
1	SACK 24	1	Spider	44.00	
				337.91	

Call to 25000
+ 25000

RECEIVED

POSTED

INVOICE

98043364303

9 8 0 4 3 8 4 8 0 4

Grant Hall
SIS Center
SIS Center

[illegible]

RECEIVED BY

POSTER

NO REFUND WITHOUT THIS INVOICE

DATE IN	DATE OUT	VEHICLE IDENTIFICATION NO.	YEAR	MAKE	MODEL
2/1/92	2/16/92	NX11515		HEV	CONVERTIBLE
ALL PARTS ARE NEW EXCEPT AS NOTED		NAME	LICENSE NO.	WRITTEN BY	
PART NO.	DESCRIPTION	PRICE	DELIVERY DATE	LABOR	
4	1/2" 1/2" Screws	2.00			
1	1/2" 1/2" Screws	2.00			
1	1/2" 1/2" Screws	75			
1	1/2" 1/2" Screws	8.50			
		VERTELAND 195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		LICENSE NO. L-5 750 DELIVERY DATE REG. PHONE BUS. PHONE TIME PROMISED STATE REPAIR SHOP REGISTRATION NO.	
		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		LUBRICATE <input type="checkbox"/> LUBRICATED OIL <input type="checkbox"/> CHANGE OF FILTER/CART <input type="checkbox"/> SERVICE AIR CLEANER <input type="checkbox"/> SERVICE TRANSE <input type="checkbox"/> BALANCE <input type="checkbox"/> TUNE UP <input type="checkbox"/> BRAKE <input type="checkbox"/> STEERING <input type="checkbox"/> SAFETY <input type="checkbox"/>	
		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841	
		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841	
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		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841	
		195 C Sunrise Highway AMITYVILLE, N.Y. 11701 516-843-8841		195 C Sunrise Highway	

98043084806

SOUND VIEW MOTORS
 27 E. BROADWAY
 BAYVILLE, N.J. 08008
 MERCEDES-BENZ (516) 626-1251 F-1301180



NAME <i>E. J. JONES</i>	CUSTOMER'S ORDER NO.	DATE <i>1/4/91</i>
ADDRESS <i>1000 10th St</i>	PHONE <i>922-2202</i>	PROBABLE
CITY <i>Bayville, NY</i>	ORDER WRITTEN BY	AN
YEAR, MAKE, MODEL <i>88 JAGUAR</i>	SERIAL NUMBER	PL
	MOTOR NUMBER	
	LICENSE NUMBER	
	ODOMETER <i>77,252</i>	

DESCRIPTION OF WORK	AMOUNT
LUBRICATION <input type="checkbox"/> CHANGE OIL <input type="checkbox"/> OIL FILTER <input type="checkbox"/> TUNE UP <input type="checkbox"/>	
TRANSMISSION <input type="checkbox"/> DIFFERENTIAL <input type="checkbox"/> WASH <input type="checkbox"/> POLISH <input type="checkbox"/>	
CHANGED MOTOR OIL & OIL FILTER	
LUBRICATED CHASSIS & STEERING	
REPLACED BROKEN SPEEDOMETER CABLE	
FLUSHED BRAKE MASTER CYLINDER & BLEED SYSTEM	
REPLACED DISCONNECTED WIRE ON BRAKE LIGHT SWITCH	
TOTAL PARTS <i>3.100</i>	

MAY BE CONTINUED ON OTHER SIDE

ACCESSORIES	LITERS/GALS. OF GAS @	TOTAL LABOR <i>75.00</i>
	LITERS/GALS. OF OIL @ <i>15.00</i>	TOTAL PARTS <i>3.100</i>
	KG/LBS. OF GREASE @ <i>5.00</i>	ACCESSORIES
	<i>2.00</i>	GAL. OIL AND GREASE

It is recommended that the above work be done along with the following items to insure proper operation of the vehicle:

1. Check and adjust tire pressure to recommended level.

2. Check and adjust brake pedal free play.

3. Check and adjust steering wheel free play.

4. Check and adjust engine oil level.

5. Check and adjust engine coolant level.

6. Check and adjust engine air filter.

7. Check and adjust engine spark plug gap.

8. Check and adjust engine timing.

9. Check and adjust engine belt tension.

10. Check and adjust engine valve clearance.

CUSTOMER'S SIGNATURE

Thank You

TOTAL ACCESSORIES

93043884009

1	Oil Filter	8.00
1	Air Filter	10.00
1	Ignition Points	2.00
1	Valve Cover	5.00
	Engine Wash & Lube	20.00

Handwritten signature
5/1/91

NAME GRANT LALLY	CUSTOMER'S ORDER NO.	DATE 5/1/91
ADDRESS CENTRE ISLAND	PHONE	PROPOSED
CITY OSTON BAY NV	ORDER WRITTEN BY	A.M. P.M.
YEAR, MAKE AND MODEL 66 GREY CONVERTIBLE	SERIAL NUMBER	LICENSE NUMBER
VEHICLE NUMBER	COUNTRY	TERMS

DESCRIPTION OF WORK		AMOUNT
LUBRICATION <input type="checkbox"/>	CHANGE OIL <input type="checkbox"/>	OIL FILTER <input type="checkbox"/>
TRANSMISSION <input type="checkbox"/>	DIFFERENTIAL <input type="checkbox"/>	WASH <input type="checkbox"/>
		POLISH <input type="checkbox"/>
TUNE UP MOTOR REPAIRED SPARK PLUGS, POINTS - CONDENSER. SET DUELL & VALVE TIMING. CHAMBERS & ADJUSTED CARBURETOR. REPAIRED AIR FILTER. CHANGED MOTOR OIL & OIL FILTER. LUBRICATED CHASSIS.		

MAY BE CONTINUED ON OTHER SIDE

TOTAL PARTS **78.00**

ACCESSORIES	LITERS/GALS. OF GAS @	TOTAL LABOR
	LITERS/QTS. OF OIL @	TOTAL PARTS
	KG/LBS. OF GREASE @	ACCESSORIES
		GAL. OIL AND GREASE

WE warrant the workmanship of our work for a period of 90 days from the date of completion of the work. This warranty does not cover parts which are worn out or damaged by accident, misuse, or neglect. The dealer is not responsible for the condition of the vehicle at the time of delivery.

OUTSIDE REPAIR

190.00

15.00

TOTAL **205.00**



MOBIL SERVICE CENTER INC.
 7th Ave. & 7th St., Garden City, NY 11530
 Telephone: (516) 248-1166
 NYS Repair Shop No. R 1300794

Repair order

Good 24

66 CHEV **CRS 750**

DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED: **10/19/90** **92298**

DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED: **10/19/90** **92298**

741

PART CODE	DESCRIPTION	PRICE	SERVICES	CAR SERVICE ORDER
	<i>Eng oil change</i>	<i>5.50</i>	LUBRICATION	<input checked="" type="checkbox"/>
	<i>oil filter</i>	<i>1.30</i>	MOTOR OIL	<input checked="" type="checkbox"/>
		<i>10.95</i>	FILTER SERVICE	<input checked="" type="checkbox"/>
			TRANSMISSION	<input checked="" type="checkbox"/>
			WHEEL SERVICE	<input checked="" type="checkbox"/>
	<i>8 shock absorbers</i>	<i>24.60</i>	SHOCKS	<input checked="" type="checkbox"/>
	<i>Q.A. Cap</i>	<i>14.95</i>	WAX SERVICE	<input checked="" type="checkbox"/>
	<i>Wash</i>	<i>6.95</i>	COOLING	<input checked="" type="checkbox"/>
	<i>Wash & Cond</i>	<i>6.95</i>	AIR CONDITION	<input checked="" type="checkbox"/>
	<i>Wash & Cond</i>	<i>14.95</i>	BATTERY	<input checked="" type="checkbox"/>
	<i>Wash & Cond</i>	<i>8.95</i>	TUNE UP	<input checked="" type="checkbox"/>
	<i>Wash & Cond</i>	<i>18.95</i>		
	<i>Wash & Cond</i>	<i>118.25</i>		

*Run Best
 Gas mileage Best*

[Signature]

TOTAL PARTS

ESTIMATOR: **COB** PARTS: **COB** TOTAL: **118.25**

The services and repairs shown above & charging parts are hereby authorized. The estimated cost is acceptable to the undersigned.

Signature: **COB**

118.25

CUSTOMER'S COPY



NYS Repair Shop No. R 1300794

repair
order:

92278

2nd May

CUSTOMER'S COPY



NEW YORK STATE
ETHICS COMMISSION
FOR THE
UNIFIED COURT SYSTEM

25 BEAVER STREET, Room 875
NEW YORK, NEW YORK 10004
(212) 428-2899
FAX (212) 428-2896

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

OCT 6 2 50 PM '97

HON. THOMAS E. MERCURE
CHAIRMAN

PROF. DAVID B. FILVAROFF

CHARLOTTE MOSES FISCHMAN, Esq.

HON. GEORGE BUNDY SMITH

DEAN CAROL L. ZIEGLER

October 3, 1997

JANICE HOWARD, Esq.
EXECUTIVE DIRECTOR

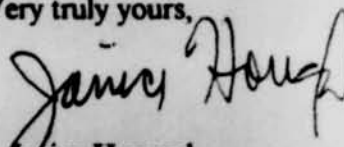
Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington D.C. 20463
Attention: Xavier K. McDonnell, Esq.

Re: MUR 4128

Dear Mr. McDonnell:

Enclosed please find Judge Lally's 1994 and 1995 financial disclosure statements, prepared for public inspection.

Very truly yours,


Janice Howard
Executive Director

JH/mdb
Encs.
MCDONNELL LTR

State of New York
ETHICS COMMISSION FOR THE UNIFIED COURT SYSTEM
 80 Centre St./New York, NY 10013/Room 570

Annual Statement of Financial Disclosure: For calendar year 1994

1. NAME
 Ute W. Lally

2. (a) JOB TITLE
 District Court Judge

(b) CURRENT WORK ADDRESS
 99 Main St. Hempstead, NY 11550

(c) CURRENT WORK TELEPHONE NUMBER
 (516) 572-2101

3. (a) MARITAL STATUS
 N IF MARRIED, PLEASE GIVE SPOUSE'S FULL NAME
 (INCLUDING MAIDEN NAME WHERE APPLICABLE)
 Laurence M. Lally

(b) LIST THE NAMES OF ALL UNEMANCIPATED CHILDREN

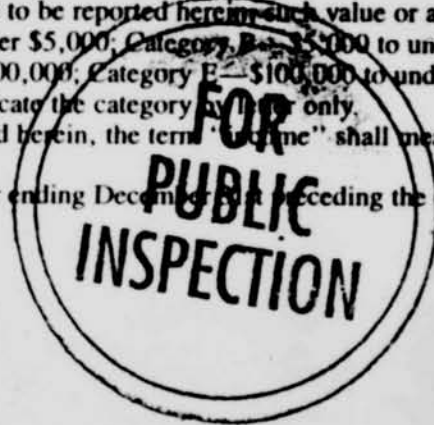
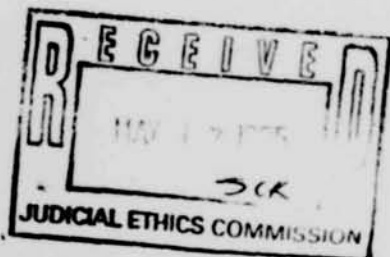
Answer each of the following questions completely, with respect to calendar year 1994, unless another period or date is otherwise specified. If additional space is needed, attach additional pages.

Whenever a "value" or "amount" is required to be reported herein, such value or amount shall be reported as being within one of the following Categories: Category A—under \$5,000; Category B—\$5,000 to under \$20,000; Category C—\$20,000 to under \$60,000; Category D—\$60,000 to under \$100,000; Category E—\$100,000 to under \$250,000; and Category F—\$250,000 or over. A reporting individual shall indicate the category only.

Whenever "income" is required to be reported herein, the term "income" shall mean the aggregate net income before taxes from the source identified.

The term "calendar year" shall mean the year ending December 31st preceding the date of filing of the annual statement.

UCS-956 (10/90)



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U.W. Zally

4. (a) List any office, trusteeship, directorship, partnership, or position of any nature whether compensated or not, held by the reporting individual with any firm, corporation, association, partnership, or other organization other than the State of New York. Include compensated honorary positions; do NOT list membership or uncompensated honorary positions. If the listed entity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☐ NONEPOSITIONORGANIZATIONSTATE OR
LOCAL AGENCY

Director

American Red Cross

Nassau County Chapter

4. (b) List any office, trusteeship, directorship, partnership, or position of any nature whether compensated or not, held by the spouse or unemancipated child of the reporting individual, with any firm, corporation, association, partnership, or other organization other than the State of New York. Include compensated honorary positions; do NOT list membership or uncompensated honorary positions. If the listed entity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☒ NONESPOUSE OR CHILDPOSITIONORGANIZATIONSTATE OR
LOCAL AGENCY

U W holly

5. (a) List the name, address and description of any occupation, employment (other than the employment listed under Item 2 above), trade, business or profession engaged in by the reporting individual. If such activity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☒ NONE
POSITION
NAME AND ADDRESS
OF ORGANIZATION
DESCRIPTION
STATE OR
LOCAL AGENCY

5. (b) If the spouse or unemancipated child of the reporting individual was engaged in any occupation, employment, trade, business or profession which activity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name, address and description of such occupation, employment, trade, business or profession and the name of any such agency.

☐ NONE
SPOUSE OR CHILDPOSITION
NAME AND ADDRESS
OF ORGANIZATION
STATE OR
LOCAL AGENCY

Spouse

Attorney

private practice

UWhally

6. List any interest, in EXCESS of \$1,000, held by the reporting individual, such individual's spouse or unemancipated child, or partnership of which any such person is a member, or corporation, 10% or more of the stock of which is owned or controlled by any such person, whether vested or contingent, in any contract made or executed by a state or local agency and include the name of the entity which holds such interest and the relationship of the reporting individual or such individual's spouse or such child to such entity and the interest in such contract. Do NOT include bonds and notes. Do NOT list any interest in any such contract on which final payment has been made and all obligations under the contract except for guarantees and warranties have been performed, provided, however, that such an interest must be listed if there has been an ongoing dispute during the calendar year for which this statement is filed with respect to any such guarantees or warranties.

☒ NONESELF, SPOUSE
OR CHILDENTITY WHICH HELD
INTEREST IN CONTRACTRELATIONSHIP TO ENTITY
& INTEREST IN CONTRACTCONTRACTING STATE
OR LOCAL AGENCY

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7. List any position the reporting individual held as an officer of any political party or political organization, as a member of any political party committee, or as a political district leader. The term "party" shall have the same meaning as "party" in the election law. The term "political organization" means any party or independent body as defined in the election law or any organization that is affiliated with or a subsidiary of a party or independent body.

☒ NONE

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VALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

9 1 0 0 0 0 0 0 0 6

Wally

8. (a) If the reporting individual practices law, works as a real estate broker or agent licensed by the department of state, or practices a profession licensed by the department of education, give a general description of the principal subject areas of matters undertaken by such individual. Additionally, if such an individual practices with a firm or corporation and is a partner or shareholder of the firm or corporation, give a general description of principal subject areas of matters undertaken by such firm or corporation. Do NOT list the names of the individual clients, customers or patients. If the reporting individual is licensed to practice law, is a licensed real estate broker or agent, or is licensed by the department of education, but did not actually engage in such work or practice, so indicate.

☒ NONE

8. (b) List the name, principal address and general description or the nature of the business activity of any entity in which the reporting individual or such individual's spouse had an investment in excess of \$1,000 excluding investments in securities and interests in real property.

☐ NONE

Spouse Wally & Wally, Esqs. - Practice of Law

UWZally

9. List each source of gifts, EXCLUDING campaign contributions, in EXCESS of \$1,000, received during the reporting period for which this statement is filed by the reporting individual or such individual's spouse or unemancipated child from the same donor, EXCLUDING gifts from a relative. INCLUDE the name and address of the donor. The term "gifts" does not include reimbursements, which term is defined in Item 10. Indicate the value and nature of each such gift.

☒ NONESELF, SPOUSE
OR CHILDNAME OF DONORADDRESSNATURE OF GIFT

10. Identify and briefly describe the source of any reimbursements for expenditures, EXCLUDING campaign expenditures and expenditures in connection with official duties reimbursed by the state, in EXCESS of \$1,000 from each such source. For purposes of this item, the term "reimbursements" shall mean any travel-related expenses provided by nongovernmental sources and for activities related to the reporting individual's official duties such as, speaking engagements, conferences, or factfinding events. The term "reimbursement" does NOT include gifts reported under Item 9.

☒ NONESOURCEDESCRIPTIONVALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$40,000
D-\$40,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

W U Kelly

11. List the identity and value, if reasonably ascertainable, of each interest in a trust, estate or other beneficial interest, including retirement plans other than retirement plans of the State of New York or the City of New York, and deferred compensation plans (e.g., 401, 403b, 457, etc.) established in accordance with the Internal Revenue Code, in which the REPORTING INDIVIDUAL held a beneficial interest in EXCESS of \$1,000 at any time during the preceding year. Do NOT report interests in a trust, estate or other beneficial interest established by or for, or the estate of, a relative.

☒ NONE**IDENTITY (INCLUDING BANK/FINANCIAL INSTITUTION)**

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*The value of such interest shall be reported only if reasonably ascertainable.

12. (a) Describe the terms of, and the parties to, any contract, promise or other agreement between the reporting individual and any person, firm, or corporation with respect to the employment of such individual after leaving office or position (other than a leave of absence).

☒ NONE

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**VALUE/AMOUNT
CATEGORIES****A-UNDER \$5,000**
B-\$5,000 to under \$20,000**C-\$20,000 to under \$60,000**
D-\$60,000 to under \$100,000**E-\$100,000 to under \$250,000**
F-\$250,000 or over

6 1 8 8 8 8 7 0 0 6

12. (b) Describe the parties to and the terms of any agreement providing for continuation of payments or benefits to the REPORTING INDIVIDUAL in EXCESS of \$1,000 from a prior employer OTHER THAN the State. (This includes interests in or contributions to a pension fund, profit-sharing plan, or life or health insurance; buy-out agreements; severance payments; etc.)

☒ NONE

13. List below the nature and amount of any income in EXCESS of \$1,000 from EACH SOURCE for the reporting individual and such individual's spouse for the taxable year last occurring prior to the date of filing. Nature of income includes, but is not limited to, all income (other than that received from the employment listed under item 2 above) from compensated employment whether public or private, directorships and other fiduciary positions, contractual arrangements, teaching income, partnerships, honorariums, lecture fees, consultant fees, bank and bond interest, dividends, income derived from a trust, real estate rents, and recognized gains from the sale or exchange of real or other property. Employment income includes income from employment received by your spouse. Income from a business or profession and real estate rents shall be reported with the source identified by the building address in case of real estate rents and otherwise by the name of the entity and not by the name of the individual customers, clients or tenants, with the aggregate net income before taxes for each building address or entity. The receipt of maintenance received in connection with a matrimonial action, alimony and child support payments shall not be listed.

☐ NONE

SELF/SPOUSE	SOURCE (Identify Bank/Financial Institution/Issuing Entity)	NATURE
Self	85 Fairview, Oceanside, NY	Rent
Self	15 Jefferson, Lynbrook, NY	Rent
Joint	220 Old Country Rd., Mineola, NY	Rent
Spouse	1 Raymond Ct., Garden City, NY	Rent
Self	270 Jay St., Brooklyn, NY	Rent
Spouse	clients	Law Practice
Spouse	22 Franklin Ave., Bayville, NY	Cap. Gain

VALUE/AMOUNT
CATEGORIES

A-UNDER \$5,000
B-\$5,000 to under \$20,000

C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000

E-\$100,000 to under \$250,000
F-\$250,000 or over

0 2 8 1 8 8 5 7 0 8 6

14. List the sources of any deferred income (not retirement income) in EXCESS of \$1,000 from each source to be paid to the reporting individual following the close of the calendar year for which this disclosure statement is filed, other than deferred compensation reported in Item 11 hereinabove. Deferred income derived from the practice of a profession shall be listed in the aggregate and shall identify as the source, the name of the firm, corporation, partnership or association through which the income was derived, but shall not identify individual clients.

☒ NONE

SOURCE

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15. List each assignment of income in EXCESS of \$1,000, and each transfer other than to a relative during the reporting period for which this statement is filed for less than fair consideration of an interest in a trust, estate or other beneficial interest, securities or real property, by the reporting individual, in excess of \$1,000, which would otherwise be required to be reported herein and is not or has not been so reported.

☒ NONE

ITEM ASSIGNED
OR TRANSFERRED

ASSIGNED OR
TRANSFERRED TO

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.....

VALUE/AMOUNT
CATEGORIES



A-UNDER \$5,000
B-\$5,000 to under \$20,000

C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000

E-\$100,000 to under \$250,000
F-\$250,000 or over

1 2 3 4 5 6 7 8 9

16. List below the type and market value of securities held by the reporting individual or such individual's spouse from each issuing entity in EXCESS of \$1,000 at the close of the taxable year last occurring prior to the date of filing, including the name of the issuing entity exclusive of securities held by the reporting individual issued by a professional corporation. Whenever an interest in securities exists through a beneficial interest in a trust, the securities held in such trust shall be listed ONLY IF the reporting individual has knowledge thereof except where the reporting individual or the reporting individual's spouse has transferred assets to such trust for his or her benefit in which event such securities shall be listed unless they are not ascertainable by the reporting individual because the trustee is under an obligation or has been instructed in writing not to disclose the contents of the trust to the reporting individual. Securities of which the reporting individual or the reporting individual's spouse is the owner of record but in which such individual or the reporting individual's spouse has no beneficial interest shall not be listed. Indicate percentage of ownership ONLY if the reporting person or the reporting person's spouse holds more than five percent (5%) of the stock of a corporation in which the stock is publicly traded or more than ten percent (10%) of the stock of a corporation in which the stock is NOT publicly traded. Also list securities owned for investment purposes by a corporation more than 50 percent (50%) of the stock of which is owned or controlled by the reporting individual or such individual's spouse. For the purpose of this item, the term "securities" shall mean mutual funds, bonds, mortgages, notes, obligations, warrants and stocks of any class, investment interests in limited or general partnerships and certificates of deposits (CDs) and such other evidences of indebtedness and certificates of interest as are usually referred to as securities. The market value for such securities shall be reported only if reasonably ascertainable and shall not be reported if the security is an interest in a general partnership that was listed in Item 8(b) or if the security is corporate stock, NOT publicly traded, in a trade or business of a reporting individual or a reporting individual's spouse.

☒ NONESELF/
SPOUSE

ISSUING ENTITY

TYPE OF
SECURITYPERCENTAGE OF CORPORATE STOCK
OWNED OR CONTROLLED(If more than 5% of publicly traded stock,
or more than 10% of stock not publicly
traded, is held)VALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

2284884006

17. List below the location, size, general nature, acquisition date, market value and percentage of ownership of any real property in which any vested or contingent interest in EXCESS of \$1,000 is held by the reporting individual or the reporting individual's spouse. Also list real property owned for investment purposes by a corporation more than 50 percent (50%) of the stock of which is owned or controlled by the reporting individual or such individual's spouse. Do NOT list any real property which is the primary or secondary personal residence of the reporting individual or the reporting individual's spouse, except where there is a co-owner who is other than a relative.

☐ NONE

SELF SPOUSE CORPORATION	LOCATION*	SIZE	GENERAL NATURE	ACQUISITION DATE	PERCENTAGE OF OWNERSHIP
Joint	220 Old Country Rd Mineola, N.Y.	2 Story	Office Bldg.	1980	100
Self	55 Fairview Ave. Roseland, N.Y.	2 Fam	Residence	1978	100
Self	15 Jefferson Ave. Lynbrook, N.Y.	2 Fam	Residence	1978	100
Self	270 Jay St. Brooklyn, N.Y.	Coop	Studio	1986	100
Spouse	1 Raymond Ct. Garden City, N.Y.	1 Fam	Residence	1987	100

*Including number, street, town and state.

18. List below all notes and accounts receivable, other than from goods or services sold, held by the reporting individual at the close of the taxable year last occurring prior to the date of filing and other debts owed to such individual at the close of the taxable year last occurring prior to the date of filing, in EXCESS of \$1,000, including the name of the debtor, type of obligation, date due and the nature of the collateral securing payment of each, if any, excluding securities reported in Item 16 hereinabove. Debts, notes and accounts receivable owed to the individual by a relative shall not be reported.

☒ NONE

NAME OF DEBTOR

TYPE OF OBLIGATION, DATE DUE,
AND NATURE OF COLLATERAL, IF ANY

VALUE/AMOUNT
CATEGORIES



A-UNDER \$5,000
B-\$5,000 to under \$20,000

C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000

E-\$100,000 to under \$250,000
F-\$250,000 or over

0 2 0 1 0 0 2 7 0 0 6

19. List below all liabilities of the reporting individual and such individual's spouse in EXCESS of \$5,000 as of the date of filing of this statement, other than liabilities to a relative. DO NOT list liabilities incurred by, or guarantees made by, the reporting individual or such individual's spouse or by any proprietorship, partnership or corporation in which the reporting individual or such individual's spouse has an interest, when incurred or made in the ordinary course of the trade, business or professional practice of the reporting individual or such individual's spouse. Include the name of the creditor and any collateral pledged by such individual to secure payment of any such liability. A reporting individual shall not list any obligation to pay maintenance in connection with a matrimonial action, alimony or child support payments. Any loan issued in the ordinary course of business by a financial institution to finance educational costs, the cost of home purchase or improvements for a primary or secondary residence, or purchase of a personally owned motor vehicle, household furniture or appliances shall be excluded. If any such reportable liability has been guaranteed by any third person, list the liability and name the guarantor.

☒ NONENAME OF CREDITOR
OR GUARANTORTYPE OF LIABILITY AND
COLLATERAL, IF ANYVALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

The requirements of law relating to the reporting of financial interests are in the public interest and no adverse inference of unethical or illegal conduct or behavior will be drawn merely from compliance with these requirements.

XUllhally
Signature of Reporting Individual5/12/95
Date (month/day/year)

State of New York
ETHICS COMMISSION FOR THE UNIFIED COURT SYSTEM
 80 Centre Street/New York, NY 10013/Room 570

Annual Statement of Financial Disclosure: For calendar year 1995

1. NAME

Ute W. Lally

2. (a) JOB TITLE

Justice, Supreme Court

(b) CURRENT WORK ADDRESS

100 Supreme Court Drive, Mineola, NY 11501

(c) CURRENT WORK TELEPHONE NUMBER

(516) 571-2872

3. (a) MARITAL STATUS

M

IF MARRIED, PLEASE GIVE SPOUSE'S FULL NAME
(INCLUDING MAIDEN NAME WHERE APPLICABLE)

Lawrence M. Lally

(b) LIST THE NAMES OF ALL UNEMANCIPATED CHILDREN

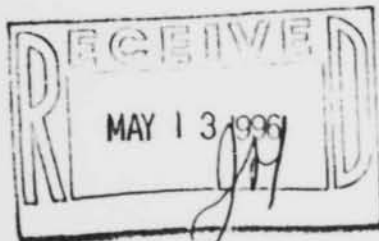
Answer each of the following questions completely, with respect to calendar year 1995, unless another period or date is otherwise specified. If additional space is needed, attach additional pages.

Whenever a "value" or "amount" is required to be reported herein, such value or amount shall be reported as being within one of the following Categories: Category A—under \$5,000; Category B—\$5,000 to under \$20,000; Category C—\$20,000 to under \$60,000; Category D—\$60,000 to under \$100,000; Category E—\$100,000 to under \$250,000; and Category F—\$250,000 or over. A reporting individual shall indicate the category by letter only.

Whenever "income" is required to be reported herein, "income" shall mean the aggregate net income before taxes from the source identified.

The term "calendar year" shall mean the year ending on December 31st preceding the date of filing of the annual statement.

UCS-956 (10/90)



9 5 0 4 3 8 4 8 2 5

W.W. Lally

4. (a) List any office, trusteeship, directorship, partnership, or position of any nature whether compensated or not, held by the reporting individual with any firm, corporation, association, partnership, or other organization other than the State of New York. Include compensated honorary positions; do NOT list membership or uncompensated honorary positions. If the listed entity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☐ NONE
POSITIONORGANIZATIONSTATE OR
LOCAL AGENCY

Board Member

American Red Cross

Nassau County Chapter

4. (b) List any office, trusteeship, directorship, partnership, or position of any nature whether compensated or not, held by the spouse or unemancipated child of the reporting individual, with any firm, corporation, association, partnership, or other organization other than the State of New York. Include compensated honorary positions; do NOT list membership or uncompensated honorary positions. If the listed entity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☒ NONE
SPOUSE OR CHILDPOSITIONORGANIZATIONSTATE OR
LOCAL AGENCY

UW Lally

5. (a) List the name, address and description of any occupation, employment (other than the employment listed under Item 2 above), trade, business or profession engaged in by the reporting individual. If such activity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name of any such agency.

☒ NONEPOSITIONNAME AND ADDRESS
OF ORGANIZATIONDESCRIPTIONSTATE OR
LOCAL AGENCY

5. (b) If the spouse or unemancipated child of the reporting individual was engaged in any occupation, employment, trade, business or profession which activity was licensed by any state or local agency, was regulated by any state regulatory agency or local agency, or, as a regular and significant part of the business or activity of said entity, did business with, or had matters other than ministerial matters before, any state or local agency, list the name, address and description of such occupation, employment, trade, business or profession and the name of any such agency.

☐ NONESPOUSE OR CHILDPOSITIONNAME AND ADDRESS
OF ORGANIZATIONSTATE OR
LOCAL AGENCY

Spouse

Attorney

private practice

6. List any interest, in EXCESS of \$1,000, held by the reporting individual, such individual's spouse or unemancipated child, or partnership of which any such person is a member, or corporation, 10% or more of the stock of which is owned or controlled by any such person, whether vested or contingent, in any contract made or executed by a state or local agency and include the name of the entity which holds such interest and the relationship of the reporting individual or such individual's spouse or such child to such entity and the interest in such contract. Do NOT include bonds and notes. Do NOT list any interest in any such contract on which final payment has been made and all obligations under the contract except for guarantees and warranties have been performed, provided, however, that such an interest must be listed if there has been an ongoing dispute during the calendar year for which this statement is filed with respect to any such guarantees or warranties.

☒ NONE

**SELF, SPOUSE
OR CHILD**

**ENTITY WHICH HELD
INTEREST IN CONTRACT****RELATIONSHIP TO ENTITY
& INTEREST IN CONTRACT**

CONTRACTING STATE
OR LOCAL AGENCY

7. List any position the reporting individual held as an officer of any political party or political organization, as a member of any political party committee, or as a political district leader. The term "party" shall have the same meaning as "party" in the election law. The term "political organization" means any party or independent body as defined in the election law or any organization that is affiliated with or a subsidiary of a party or independent body.

☒ NONE

**VALUE/AMOUNT
CATEGORIES**

A—UNDER \$5,000
B—\$5,000 to under \$20,000

C—\$20,000 to under \$60,000
D—\$60,000 to under \$100,000

E—\$100,000 to under \$250,000
F—\$250,000 or over

U.W. Zally

8. (a) If the reporting individual practices law, works as a real estate broker or agent licensed by the department of state, or practices a profession licensed by the department of education, give a general description of the principal subject areas of matters undertaken by such individual. Additionally, if such an individual practices with a firm or corporation and is a partner or shareholder of the firm or corporation, give a general description of principal subject areas of matters undertaken by such firm or corporation. Do NOT list the names of the individual clients, customers or patients. If the reporting individual is licensed to practice law, is a licensed real estate broker or agent, or is licensed by the department of education, but did not actually engage in such work or practice, so indicate.

☒ NONE

8. (b) List the name, principal address and general description or the nature of the business activity of any entity in which the reporting individual or such individual's spouse had an investment in excess of \$1,000 excluding investments in securities and interests in real property.

☒ NONE

NAME: _____

9. List each source of gifts, EXCLUDING campaign contributions, in EXCESS of \$1,000, received during the reporting period for which this statement is filed by the reporting individual or such individual's spouse or unemancipated child from the same donor, EXCLUDING gifts from a relative. INCLUDE the name and address of the donor. The term "gifts" does not include reimbursements, which term is defined in Item 10. Indicate the value and nature of each such gift.

☒ **NONE**

**SELF, SPOUSE
OR CHILD**

NAME OF DONOR

ADDRESS

NATURE OF GIFT

10. Identify and briefly describe the source of any reimbursements for expenditures, EXCLUDING campaign expenditures and expenditures in connection with official duties reimbursed by the state, in EXCESS of \$1,000 from each such source. For purposes of this item, the term "reimbursements" shall mean any travel-related expenses provided by nongovernmental sources and for activities related to the reporting individual's official duties such as, speaking engagements, conferences, or factfinding events. The term "reimbursement" does NOT include gifts reported under Item 9.

☒ NONE

SOURCE

DESCRIPTION

VALUE/AMOUNT CATEGORIES

A-UNDER \$5,000
B-\$5,000 to under \$20,000

C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000

E-\$100,000 to under \$250,000
F-\$250,000 or over

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U W hally

11. List the identity and value, if reasonably ascertainable, of each interest in a trust, estate or other beneficial interest, including retirement plans other than retirement plans of the State of New York or the City of New York, and deferred compensation plans (e.g., 401, 403b, 457, etc.) established in accordance with the Internal Revenue Code, in which the REPORTING INDIVIDUAL held a beneficial interest in EXCESS of \$1,000 at any time during the preceding year. Do NOT report interests in a trust, estate or other beneficial interest established by or for, or the estate of, a relative.

☒ NONE

IDENTITY (INCLUDING BANK/FINANCIAL INSTITUTION)

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*The value of such interest shall be reported only if reasonably ascertainable.

12. (a) Describe the terms of, and the parties to, any contract, promise or other agreement between the reporting individual and any person, firm, or corporation with respect to the employment of such individual after leaving office or position (other than a leave of absence).

☒ NONE

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VALUE/AMOUNT
CATEGORIES



A-UNDER \$5,000
B-\$5,000 to under \$20,000

C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000

E-\$100,000 to under \$250,000
F-\$250,000 or over

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U. W. Lally

12. (b) Describe the parties to and the terms of any agreement providing for continuation of payments or benefits to the REPORTING INDIVIDUAL in EXCESS of \$1,000 from a prior employer OTHER THAN the State. (This includes interests in or contributions to a pension fund, profit-sharing plan, or life or health insurance; buy-out agreements; severance payments; etc.)

☒ NONE

13. List below the nature and amount of any income in EXCESS of \$1,000 from EACH SOURCE for the reporting individual and such individual's spouse for the taxable year last occurring prior to the date of filing. **YOU MUST REPORT EMPLOYMENT INCOME IN EXCESS OF \$1,000 EARNED BY YOU AND YOUR SPOUSE.** Nature of income includes, but is not limited to, all income **EARNED BY YOU AND YOUR SPOUSE** (other than that received by you from the employment listed under item 2 above) from compensated employment whether public or private, directorships and other fiduciary positions, contractual arrangements, teaching income, partnerships, honorariums, lecture fees, consultant fees, bank and bond interest, dividends, income derived from a trust, real estate rents, and recognized gains from the sale or exchange of real or other property. Income from a business or profession and real estate rents shall be reported with the source identified by the building address in case of real estate rents and otherwise by the name of the entity and not by the name of the individual customers, clients or tenants, with the aggregate net income before taxes for each building address or entity. The receipt of maintenance received in connection with a matrimonial action, alimony and child support payments shall not be listed.

☐ NONE

SELF/SPOUSE

SOURCE (Identify Bank/Financial Institution/Issuing Entity)

NATURE

Self	85 Fairview, Oceanside, N.Y.	Rent
Self	15 Jefferson, Lynbrook, N.Y.	Rent
Joint	220 Old Country Rd. Mineola, N.Y.	Rent
Spouse	1 Raymond Ct., Garden City, N.Y.	Rent
Self	270 Jay St., Brooklyn, N.Y.	Rent
Spouse	clients	Law Practice

VALUE/AMOUNT
CATEGORIES

A—UNDER \$5,000
B—\$5,000 to under \$20,000

C—\$20,000 to under \$60,000
D—\$60,000 to under \$100,000

E—\$100,000 to under \$250,000
F—\$250,000 or greater

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U W Kelly

14. List the sources of any deferred income (not retirement income) in EXCESS of \$1,000 from each source to be paid to the reporting individual following the close of the calendar year for which this disclosure statement is filed, other than deferred compensation reported in Item 11 hereinabove. Deferred income derived from the practice of a profession shall be listed in the aggregate and shall identify as the source, the name of the firm, corporation, partnership or association through which the income was derived, but shall not identify individual clients.

☒ NONESOURCE

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15. List each assignment of income in EXCESS of \$1,000, and each transfer other than to a relative during the reporting period for which this statement is filed for less than fair consideration of an interest in a trust, estate or other beneficial interest, securities or real property, by the reporting individual, in excess of \$1,000, which would otherwise be required to be reported herein and is not or has not been so reported.

☒ NONEITEM ASSIGNED
OR TRANSFERREDASSIGNED OR
TRANSFERRED TO

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VALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

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u w lally

16. List below the type and market value of securities held by the reporting individual or such individual's spouse from each issuing entity in EXCESS of \$1,000 at the close of the taxable year last occurring prior to the date of filing, including the name of the issuing entity exclusive of securities held by the reporting individual issued by a professional corporation. Whenever an interest in securities exists through a beneficial interest in a trust, the securities held in such trust shall be listed ONLY IF the reporting individual has knowledge thereof except where the reporting individual or the reporting individual's spouse has transferred assets to such trust for his or her benefit in which event such securities shall be listed unless they are not ascertainable by the reporting individual because the trustee is under an obligation or has been instructed in writing not to disclose the contents of the trust to the reporting individual. Securities of which the reporting individual or the reporting individual's spouse is the owner of record but in which such individual or the reporting individual's spouse has no beneficial interest shall not be listed. Indicate percentage of ownership ONLY if the reporting person or the reporting person's spouse holds more than five percent (5%) of the stock of a corporation in which the stock is publicly traded or more than ten percent (10%) of the stock of a corporation in which the stock is NOT publicly traded. Also list securities owned for investment purposes by a corporation more than 50 percent (50%) of the stock of which is owned or controlled by the reporting individual or such individual's spouse. For the purpose of this item, the term "securities" shall mean mutual funds, bonds, mortgages, notes, obligations, warrants and stocks of any class, investment interests in limited or general partnerships and certificates of deposits (CDs) and such other evidences of indebtedness and certificates of interest as are usually referred to as securities. The market value for such securities shall be reported only if reasonably ascertainable and shall not be reported if the security is an interest in a general partnership that was listed in Item 8(b) or if the security is corporate stock, NOT publicly traded, in a trade or business of a reporting individual or a reporting individual's spouse.

☒ NONESELF/
SPOUSE

ISSUING ENTITY

TYPE OF
SECURITYPERCENTAGE OF CORPORATE STOCK
OWNED OR CONTROLLED(If more than 5% of publicly traded stock,
or more than 10% of stock not publicly
traded, is held)VALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

7 8 9 0 1 2 3 4 5 6

17. List below the location, size, general nature, acquisition date, market value and percentage of ownership of any real property in which any vested or contingent interest in EXCESS of \$1,000 is held by the reporting individual or the reporting individual's spouse. Also list real property owned for investment purposes by a corporation more than 50 percent (50%) of the stock of which is owned or controlled by the reporting individual or such individual's spouse. Do NOT list any real property which is the primary or secondary personal residence of the reporting individual or the reporting individual's spouse, except where there is a co-owner who is other than a relative.

☐ NONE

SELF/SPOUSE CORPORATION	LOCATION*	SIZE	GENERAL NATURE	ACQUISITION DATE	PERCENTAGE OF OWNERSHIP
Joint	220 Old Country Rd Merrick, NY	2 Story	Office Bldg	1980	100
Self	85 Fairview Ave Greenside, N.Y.	2 Fam.	Residence	1978	100
Self	15 Jefferson Ave Lynbrook, NY	2 Fam	Residence	1978	100
Self	270 Jay St Brooklyn, NY	Coop	Studio	1986	100
Spouse	1 Raymond Ct Garden City, N.Y	1 Fam	Residence	1987	100

*Including number, street, town and state.

18. List below all notes and accounts receivable, other than from goods or services sold, held by the reporting individual at the close of the taxable year last occurring prior to the date of filing and other debts owed to such individual at the close of the taxable year last occurring prior to the date of filing, in EXCESS of \$1,000, including the name of the debtor, type of obligation, date due and the nature of the collateral securing payment of each, if any, excluding securities reported in Item 16 hereinabove. Debts, notes and accounts receivable owed to the individual by a relative shall not be reported.

☒ NONE

NAME OF DEBTOR

TYPE OF OBLIGATION, DATE DUE,
AND NATURE OF COLLATERAL, IF ANY

VALUE/AMOUNT
CATEGORIES

A—UNDER \$5,000
B—\$5,000 to under \$20,000

C—\$20,000 to under \$60,000
D—\$60,000 to under \$100,000

E—\$100,000 to under \$250,000
F—\$250,000 or over

19. List below all liabilities of the reporting individual and such individual's spouse in EXCESS of \$5,000 as of the date of filing of this statement, other than liabilities to a relative. DO NOT list liabilities incurred by, or guarantees made by, the reporting individual or such individual's spouse or by any proprietorship, partnership or corporation in which the reporting individual or such individual's spouse has an interest, when incurred or made in the ordinary course of the trade, business or professional practice of the reporting individual or such individual's spouse. Include the name of the creditor and any collateral pledged by such individual to secure payment of any such liability. A reporting individual shall not list any obligation to pay maintenance in connection with a matrimonial action, alimony or child support payments. Any loan issued in the ordinary course of business by a financial institution to finance educational costs, the cost of home purchase or improvements for a primary or secondary residence, or purchase of a personally owned motor vehicle, household furniture or appliances shall be excluded. If any such reportable liability has been guaranteed by any third person, list the liability and name the guarantor.

☒ NONENAME OF CREDITOR
OR GUARANTORTYPE OF LIABILITY AND
COLLATERAL, IF ANYVALUE/AMOUNT
CATEGORIESA-UNDER \$5,000
B-\$5,000 to under \$20,000C-\$20,000 to under \$60,000
D-\$60,000 to under \$100,000E-\$100,000 to under \$250,000
F-\$250,000 or over

The requirements of law relating to the reporting of financial interests are in the public interest and no adverse inference of unethical or illegal conduct or behavior will be drawn merely from compliance with these requirements.

X

Signature of Reporting Individual

5/6/96

Date (month/day/year)

BEFORE THE FEDERAL ELECTION COMMISSION

Nov 5 2 36 PM '97

In the Matter of)
)
)
Lally for Congress)
and Dawn Fasano, as treasurer) MUR 4128
Grant M. Lally) MUR 4362
Lawrence M. Lally)
Ute W. Lally)

SENSITIVE

GENERAL COUNSEL'S REPORT

I. **BACKGROUND**

On July 24, 1997, this Office sent General Counsel's Briefs to former Candidate Grant M. Lally ("Candidate") and Lally for Congress and its treasurer ("Lally campaign," "campaign" or "Committee"), Lawrence Lally, Ute Lally, and Lally and Lally, Esquires ("law firm").¹ See General Counsel's Briefs ("GC Brief" or "Brief"), dated July 24, 1997. The Brief recommends that the Commission find probable cause to believe that Grant Lally and the Lally campaign knowingly and willfully violated 2 U.S.C. § 441a(f) by accepting excessive contributions, reported as candidate loans, in connection with the Candidate's 1994 Congressional campaign, and that Lawrence Lally, Ute Lally and the law firm knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A) by making such contributions.

The Brief also includes an analysis of activities at issue in MUR 4362, and recommends that the Commission find probable cause to believe that Grant Lally violated 2 U.S.C. § 432(e) and that the Lally campaign violated 2 U.S.C. § 434(b) in connection with that matter.

¹ Two Briefs were sent to the Respondents; one to the Candidate and Committee and the other to Lawrence and Ute Lally and the law firm. The analyses of MUR 4128 in both Briefs is essentially the same. Thus, to simplify, all references in this Report are only to the Brief sent to the Candidate and the Committee.

The Respondents submitted a Brief ("Respondents' Brief" or "Response Brief") on September 12, 1997, admitting "at most, minor violations," and requesting that the Commission find no probable cause and dismiss these matters. Attachment 1 at 2.

II. DISCUSSION OF RESPONSE BRIEF

A. MUR 4128

1. Overview

During 1994, the Candidate reported loaning the Lally campaign \$319,991, claiming it was derived from personal funds. In fact, as the General Counsel's Brief, which is incorporated herein by reference, describes in detail, most of the \$319,991 in loans that funded Grant Lally's 1994 Congressional campaign was derived from sources other than "personal funds." In their Response Brief, the Respondents raise numerous points and arguments, but they do not contest the most critical factual conclusions made in the GC Brief. They do not dispute that during 1994 the Candidate received \$116,000 from Lawrence Lally, and although they maintain that it was for the sale of his 2/3 interest in unencumbered real estate ("Bantam Place"), they do not deny that such amount was over three times what the Candidate paid for his interest in that property just the year before. Nor do they deny that the Candidate failed to report or pay capital gains tax related to Bantam Place on his federal tax return for 1994, the year he received the \$116,000, that no transfer tax was paid for the alleged sale (as required by New York state and city) and that there is publicly verifiable documentation indicating that the Candidate actually sold his interest in 1995 to a third party in an arms length transaction.

There is also no dispute that, although the Candidate received an \$18,000 payment from Lawrence and Ute Lally in May of 1994, and the Respondents alleged it was for the sale of his 1966 Corvette ("Corvette"), there is no contemporaneous documentation evidencing that

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transaction, and taxes were not paid on that alleged sale, as required in the state of New York. In addition, the Respondents do not contest that the Candidate received a stream of payments from the law firm account totaling \$179,892, some of which is claimed to have been for law firm income (\$102,892), though there are no business records or other documentation explaining the basis of such payments or income. Nor do the Respondents dispute that \$76,000 of the \$179,892 received by the Candidate from the law firm in 1994 is alleged to be for transactions totally unrelated to the law firm, indicating that funds flowed freely through the law firm to meet the needs of the campaign. Most notably, the Response Brief does not address the conclusion in the GC Brief that the Respondents have submitted answers and documents claimed to be related to \$33,000 of the law firm funds received in 1994, which contradict their earlier testimony, casting doubt on their credibility. GC Brief at 22-23.

In their Response Brief, the Respondents minimize, mischaracterize and ignore the evidence gathered through the investigation and set forth in the GC Brief. The Respondents for the most part concede that they lack documentary evidence in support of their explanations. They argue, however, that this lack of documentation is attributable to the simple failure of "record-keeping of a family's investments and two person law firm," and should not negatively impact the Commission's consideration of their assertions. Response Brief at 2.

The transactions which the Respondents claim were used to finance Grant Lally's Congressional campaign involved transfers of interests in both real and personal property. The alleged transactions involved hundreds of thousands of dollars. In addition, Grant, Lawrence and Ute Lally are attorneys, and thus keenly aware of the importance of committing such complicated, significant and legally binding financial transactions to writing. Yet, the

Respondents claim, they entered into such transactions in the midst of, and for the purpose of funding, a Congressional campaign without creating any evidence to substantiate that they ever occurred.² In addition, although such transactions would trigger various tax requirements, there is no evidence that such obligations were met. In light of all the above, the Respondents' claims that these transactions occurred are not credible.

2. \$116,000 Received by the Candidate

The Response Brief's discussion of the \$116,000 received by the Candidate in May and October of 1994, offers nothing to refute the overwhelming evidence that it constituted an excessive contribution to the Lally campaign. First, the Respondents do not deny that although the Candidate purchased his encumbered 2/3 interest in Bantam Place for \$40,000 in 1993, he assertedly received \$116,000 for that interest in 1994 though it was still encumbered.³

Second, there was no documentation which set out the purchase price, and the payments were received at times and in amounts indicating that, rather than a prearranged purchase, the funds were provided as needed by the campaign: \$25,000 on May 3 and \$48,000 on May 21 from the account of Lawrence Lally with \$48,000 obtained through a home improvement loan taken by Lawrence and Ute Lally, \$30,000 on October 19 and \$13,000 on October 24, 1994, both

² There is overwhelming evidence that the Respondents planned on using such payments to fund the campaign from the time that they were made; bank records and the Candidate's initial response indicate that almost all of the payments were quickly deposited in and passed through the Candidate's or law firm account and into the Lally campaign's account. Attachment 9 at 10-11.

³ The Respondents fail to adequately address the conclusion in the GC Brief that since Bantam Place was encumbered during 1994 its marketability was diminished at that time, and that therefore the \$116,000 allegedly provided for the Candidate's interest was far in excess of its 1994 market value. See Response Brief at fn. 12.

taken by Lawrence and Ute Lally, \$30,000 on October 19 and \$13,000 on October 24, 1994, both payments which were obtained through a business loan taken by the law firm. Attachment 2. In fact, Lawrence Lally even testified that the alleged purchase price was only "ostensibly" agreed to in May of 1994. Attachment 11 at 8 (Deposition of L. Lally at 30-31). All the payments, totaling \$116,000, were loaned to the campaign within days of the Candidate's receipt. Attachment 3; attachment 9 at 10-11.

Third, despite their substantial experience as attorneys, the Respondents claim that they entered into this complicated financial transaction that raised \$116,000 for the campaign, and that was quickly deposited into the campaign account as needed, first for start up funds and then for the heat of the general election, without creating a single piece of independently verifiable documentary evidence connecting such funds to the alleged sale of Bantam Place. Thus, they concede that there is no document that sets out the sales price for the alleged 1994 sale or any of its terms. Moreover, there is not even so much as a single reference to the alleged sale on any of the numerous checks issued for the alleged purchase, or in the corresponding check register. Attachment 2 at 1, 2 and 7; Attachment 10 at 31. The sole document upon which the Respondents rely is an un-notarized and unrecorded deed, signed only by the Candidate and which lacks even the signature of a single witness. Attachment 4.⁴ Indeed, while the Respondents claim that filing the deed for Bantam Place was not necessary due to their

⁴ The Respondents contest the conclusion in the GC Brief that it is unclear when the deed for the alleged 1994 conveyance of the candidate's 2/3 interest in Bantam Place was executed. Response Brief at p. n. 7. The fact remains that while the Candidate would only say that "it appears to have been executed on May 24," Lawrence Lally would not state with any degree of certainty when the deed was created or when he received it, and he stated at one point that it was given to him "subsequent to May of '94." GC Brief at 6, n. 3; attachment 11 at 2, 7-8 (Deposition of G. Lally at 48; Deposition of L. Lally at 28-32).

relationship, on May 6, 1994, within the same time frame, they duly recorded a "correction deed" for property located in Oyster Bay, New York that had been in the name of the Candidate's brother, but which the "correction deed" states belongs to the Candidate. Attachment 5.

Fourth, information from several independent sources contradicts the Respondents' claim that there was a bona fide sale of Bantam Place in 1994.⁵ According to the New York City Department of Finance, the Candidate owned the 2/3 interest in Bantam Place until October of 1995. Attachment 6 at 9-10. Moreover, an official title search performed by Stewart Title and its attorneys also indicates that the Candidate possessed title to an undivided interest in 2/3 of Bantam Place through October 26, 1995 when it was conveyed to a third party in an arms length transaction. Attachment 6 at 3-7. These documents, fully executed by independent third parties, are evidence that the Candidate never sold his 2/3 interest to Lawrence Lally in 1994 as claimed.

We further note that if there had been a bona fide transfer of the Candidate's interest in Bantam Place during 1994, then he was also obliged to pay transfer taxes to the state and city. See GC Brief at p. 7, n. 4. Rather than asserting that the taxes were in fact paid, Counsel argues that the failure "if any" to pay such taxes does not establish a violation of the FECA. Response

⁵ Throughout their Brief, the Respondents make unsupported allegations, focus on irrelevant issues and misquote the GC Brief. See e.g. Response Brief at 10-12, 15-16, fn. 10, 12 and 13. For example, the GC Brief states that the alleged 1994 conveyance of Bantam Place is the only conveyance of Bantam Place from 1987 to the present for which there is no documentation on the public record. GC Brief at 7. The Respondents claim that this fact is "specious on its face," but offer nothing to support that charge. Response Brief at 10. They also argue that the focus on 1987-present "badly misses the mark" because the Candidate did not acquire his interest until 1993. *Id.* The rather obvious point, however, is that although various persons owned the property during the time frame beginning in 1987 through the present, the only conveyance that was not recorded was the one that the Respondents claim occurred in 1994. With respect to this point, it is irrelevant whether or not the Candidate had an ownership interest in the property during the entire time frame cited in the GC Brief.

Brief at 10, n. 9. Contrary to the Respondent's assertions, the absence of these tax payments refutes the claim that there was a bona fide sale in 1994, and raises questions about the Candidate's credibility. In addition, unlike with the alleged sale of Bantam Place, state and city taxes were paid on the 1994 transfer of the Oyster Bay property to the Candidate from his brother. See Attachment 5.

Finally, and perhaps most significantly, if there had been a sale of Bantam Place in 1994, then the Candidate should have reported a capital gain and paid tax related to it with his 1994 federal income tax return. The Respondents finally and reluctantly acknowledge that although the Candidate received \$116,000 in 1994, purportedly for property that he paid \$40,000 for just the year before, he did not report or pay tax on any capital gain for the alleged sale until October of 1996, well after this investigation was underway. Attachment 7 at 3-15, 22.⁶

The Respondents minimize the significance of the Candidate's failure to pay the tax when due. To begin with, the Candidate's failure to pay the tax with his 1994 return directly challenges the substance of the claim that the funds were for the sale of Bantam Place. If the \$116,000 had actually been for the purchase of Bantam Place as claimed, it is not credible that

⁶ The Respondents' assertion that the "profitable sale of real estate yields a capital gain, not earned income" misconstrues the analysis in the GC Brief. Response Brief at 11. Income can be earned or unearned, and a capital gain is unearned income. See 26 U.S.C. § 61(a)(3)(defining "income" as including "'gains' derived from dealings in property"). Contrary to the Respondents' suggestion, the GC Brief never states that the alleged sale of Bantam Place would have yielded earned income, only that it would yield income. GC Brief at 7-8. Similarly, the EIGA statement requires reporting of both earned income and unearned income, and a subsection for reporting unearned income includes, among other things, a specific place for "capital gains" as well as "other." See Attachment 7 at 28. While Grant Lally's 1994 EIGA statement identified Bantam Place as an asset valued at between \$100,001 and \$ 250,000, and by the time he filed that statement in September of 1994, he had already received \$73,000, allegedly from the sale of Bantam Place, he did not indicate that he received any unearned income for Bantam Place, instead indicating that he received "none." See Attachment 7 at 28.

the Candidate would not be cognizant that the receipt of such funds would have tax ramifications during 1994, the year received, particularly as the total amount assertedly received from the property in 1994, \$116,000, exceeds the \$102,892 that he received from the law firm during 1994 that he claims was for law firm income.

Moreover, the Candidate's testimony about his failure to report and pay tax in 1994 on the capital gain raises questions about his veracity. The Candidate testified that he had "spoken to [his] accountant and he suggested that I file it [tax return related to the alleged sale of Bantam Place] in 1995," and that the accountant advised him that he could rely on "income averaging" to defer paying tax in 1994. Attachment 11 at 3 (G. Lally Depo. at 83, 85). However, in a sworn statement, the accountant who prepared the Candidate's tax returns for 1994-96, Kenneth Goldstein, CPA, directly and unequivocally contradicts the Candidate on this point. Attachment 7 at 1-2. According to Mr. Goldstein, the Candidate did not inform him about the sale of Bantam Place in 1994 or even 1995. *Id.* at 1. Rather, Mr. Goldstein also testified that he first learned of the alleged sale of Bantam Place in October 1996, and thus the capital gains tax for that sale was included with the Candidate's 1995 return. *Id.* Further, Mr. Goldstein denied ever advising the Candidate that he could defer taxes from any gain based upon "income averaging," a law he avers was repealed many years prior to this transaction. *Id.* at 2.

In short, Lawrence and Ute Lally provided the Candidate with \$116,000 in four payments; two in May of 1994 when the campaign was starting up, and two in late October of 1994, just prior to the general election. The \$116,000 was provided freely to the Candidate as needed, and the Respondents' contentions about Bantam Place are an attempt to take those payments outside the definition of contribution. Yet even assuming *arguendo* that the \$116,000

had any relationship at all to Bantam Place, it would have nevertheless been an "advance" on the Candidate's 2/3 interest in that property. With a partition suit pending and Bantam Place encumbered, it would have been difficult to find any purchaser at that time, let alone one who would be willing to pay over three times the amount which the Candidate did just the year before. Thus, even under Respondents' arguments, the Candidate received far in excess of the 1994 market price for Bantam Place, and the funds provided were an excessive "contribution" to the Candidate and the Lally campaign from Lawrence and Ute Lally.

3. \$18,000 Received from Ute and Lawrence Lally

As noted in the GC Brief, Ute Lally issued an \$18,000 check to Grant Lally on May 4, 1994. Attachment 8 at 1. Some portion of the \$18,000 is alleged to have also belonged to Lawrence Lally. The \$18,000 was used by the Candidate to make the \$100,000 loan to the campaign on May 24, 1994. Attachment 9 at 10. The Response Brief claims, again without offering any documentation, that the \$18,000 check was related to the sale of the Candidate's 1966 Corvette and in fact argues that "[t]he General Counsel has not (and cannot) dispute that there was an agreement for the sale of the car....". Response Brief at 19. Despite the fact that the \$18,000 was used shortly after receipt to help fund the significant May 24th loan to the Candidate's primary campaign, there is no evidence linking the check to the alleged car sale. Nor is there any other evidence that such a sale occurred, i.e., notation on the check, change in title, insurance, registration. Additionally, if the \$18,000 had been for the Corvette and there was a bona fide sale in 1994, the Respondents Lawrence and Ute would have been required to pay sales tax in connection with that sale. However, there is no record that such tax was paid.

Moreover, when the car was sold in 1995, over a year later, the purchaser, Dr. Adornato, issued the payments to the Candidate, and the funds were deposited in the law firm account in which the Candidate had an interest. Attachment 8 at 2 and 4. Thus, it appears that, in the very least, the \$18,000 was an "advance" provided to the Candidate in 1994 until he was able to market and sell the car to a bona fide purchaser the following year.⁷

4. Law Firm Payments

The law firm is a two person partnership consisting of the Candidate and Lawrence Lally. As set forth in the GC Brief, during 1994 the Candidate received 21 checks or payments from the law firm account totaling \$179,892. Attachment 10. Of that amount, the Candidate's alleged law firm income was \$102,892. Attachment 7 at 6. A total of \$43,000 of the remaining amount was the previously discussed law firm business loan, alleged to be for the sale of Bantam Place. Attachment 2 at 6-8; Attachment 9 at 11. As for the remaining \$34,000 of the \$178,892 paid by the law firm, as discussed in more detail below, despite repeated requests, the Respondents failed for many months to explain the purpose of such payments. Attachment 9 at 6, 13, 19, 24-30, 34. When the Respondents finally offered an explanation regarding \$33,000 of that amount, they contradicted prior sworn statements. See GC Brief at 22-23; Attachment 9 at 37-38, 41-44.

The evidence obtained contradicts the Respondents' claims about the Candidate's 1994 law firm income. The Respondents characterize the Commission's requests for some

⁷ The Respondents assert that Dr. Adornato only stated that Grant Lally "was" (past tense) the owner of the car. Response Brief at 19. However, Dr. Adornato averred that in August of 1995, he was informed by Lawrence Lally that the car "belonged to his son Grant." Attachment 8 at 5. Contrary to the Respondents' assertions, Dr. Adornato's affidavit does not indicate that he was informed that the car formerly belonged to Grant. Rather, Dr. Adornato was informed that Grant Lally owned the car in 1995, at the time of his purchase. That is, no doubt, why both checks were issued to Grant, not Lawrence. *Id.* at 2 and 4.

documentation that might support the Candidate's claim that these payments were for bona fide income as an unreasonable intrusion into the workings of the law firm, stating that their records were not "detailed enough for the General Counsel" or "equivalent to a national mega-law firm." Response Brief at 29.⁸ However, it is not that the Respondents' documents were not detailed enough, it is that, despite the fact that most of these law firm payments were made in the midst of the election and were most often simultaneously loaned to the campaign, they have failed to produce any credible or probative evidence to explain the bases of the Candidate's 1994 law firm income of \$102,892.⁹ Only one of the 21 law firm checks issued to the Candidate during 1994 indicates the purpose of the payment, i.e., the name of the client involved. Attachment 10 at 3. Indeed, the Respondents have failed to even explain which of the remaining 20 checks were for alleged law firm income of \$102,892 and which were for other payments unrelated to the law firm business totaling at least \$33,000.

The Respondents claim that they do not have documents, such as law firm invoices or internal memoranda or notes, showing the number of hours that Grant Lally worked on the cases

⁸ The Respondents contend that questions about how the law firm distributes its income fall outside the scope of the Act. Response Brief at 21. As the Candidate and Lawrence Lally chose to use the law firm account as the source of this Congressional campaign, it is disingenuous for them to now claim that the Commission cannot examine and evaluate the payments made from that source. Indeed, the two Advisory Opinions ("AO's) which the Respondents themselves cite discuss partnership agreements and the distribution of law firm income in some detail. See *infra* footnote 13 for a discussion of AO's 1978-6 and 1978-58.

⁹ Respondents cite MUR 4314 for the proposition that an accelerated repayment of a loan, or the rapid liquidation of an asset, is not evidence of a violation, even if done in the midst of a campaign. Although that is clearly accurate, as the Respondents themselves recognize, the reason there was no violation in that matter because the "loan itself was legitimate." Response Brief at 6. In contrast, for the numerous reasons provided in the Brief and this Report, here the transactions were not legitimate, and the relationship between the timing of the payments and the Candidate loans and needs is just one of the factors that has bolster that conclusion.

for which he was paid. Nor, they claim, is there other contemporaneous documentation showing that he was entitled to receive that law firm income. Without such documentation, it is unclear how the Respondents were even able to determine the Candidate's 1994 law firm income for state and federal tax purposes. When, during their depositions, this Office sought some basis for the timing and amounts of these 20 payments, Respondents only explanation was that it was done on an "ad hoc" basis as Lawrence Lally deemed appropriate. Attachment 11 at 5 and 14 (G. Lally Deposition at 119, L. Lally Deposition at 105-106.)¹⁰

Public court documents reveal that Lawrence Lally, the senior partner with over 35 years experience, was involved in several estate cases which make up \$92,362 of the law firm's total 1994 income of \$206,000; In re In Re and In Re

Throughout the investigation and at their depositions Grant and Lawrence Lally claimed that the Grant was entitled to receive, and did receive, essentially all the fees received for such estate cases. Attachment 11 at 15-16. As discussed in the GC Brief, however, there is nothing which suggests that the Candidate was entitled to receive the entire fee for the estate cases, and independent evidence, i.e. court records, that contradict that claim.¹¹

¹⁰ The Respondents have produced some affidavits signed by clients, which they contend are sufficient to support their claim that the Candidate was entitled to the funds that he received. See e.g. Attachment 12. As noted in the GC Brief, at most these affidavits establish that the law firm received the funds in question during 1994, but they do not support the claim that Grant Lally was entitled to receive \$102,892. See GC Brief at 17, n. 16.

¹¹ The Respondents misstate the substance of the affidavit produced by claiming that she swore that Grant Lally "performed virtually all the legal work on that matter." Response Brief at 24. Instead, that affidavit merely states that she had "dealings over the course of several years with the law firm of Lally and Lally, Esqs." and had "met with both members of that firm who worked on my case." Attachment 12 at 1.

In their Response Brief, the Respondents now attempt to retreat from that position, and claim that Grant did not receive the entire \$46,730 collected by the law firm in 1994 for the case. Response Brief at pages 27-28. This assertion, however, is in conflict with Lawrence Lally's deposition testimony and earlier statements. For example, when questioned at different times during his deposition, Lawrence Lally claimed that Grant was entitled to receive and did receive the entire fee in the case:

Q: The understanding was that [Grant] would just take the entire fee?

A: He runs with the ball in the entire case.

Q: [Grant] takes the entire fee?

A: He works on the entire case and handles it.

Q: The \$46,000 payment, any profits from that after paying out your expenses, would have gone entirely to Grant?

A: Yes

Attachment 11 at 15-16 (L. Lally Depo. at page 132-134).

The Respondents' assertions about the Candidate's law firm income conflict with the evidence at hand. Although they claim, and the Candidate's 1994 tax return indicates, that he received

Id. Yet

the Candidate's sworn statement to the Commission's initial Subpoena and Order indicates that he loaned his campaign \$74,491 in 1994 from "income" at the law firm. Attachment 9 at 10-11. Bank records indicate that the funds from which the Candidate made such payments to the campaign were provided by the law firm in 1994. Thus, if the Candidate's 1994 federal income

tax return is accurate, his law firm income was not sizable enough for him to loan \$74,491 to his campaign, as he claimed in his sworn statement to the Commission.¹²

What is most revealing of the manner in which law firm funds were used for the campaign as deemed necessary, and which directly undercuts the credibility of Grant, Lawrence and Ute Lally, are the facts related to payments made to the Candidate during 1994 from the law firm account. See *supra* p. p. 11-12. During 1994, the Candidate received \$179,892 in law firm checks signed by Lawrence Lally. However, the Candidate's reported 1994 law firm income was only \$102,892. As the GC Brief describes in detail, after the Respondents were repeatedly questioned about the difference between the Candidate's income and the law firm payments they finally offered an explanation regarding \$33,000 of that amount; that \$10,000 was for Lawrence Lally's purchase of stock in Museum Source, and that \$23,000 was for debt owed by Lawrence and Ute Lally. See Attachment 9 at 24-26, 29-30 and 34. The explanation, however, directly contradicted prior sworn statements. Attachment 9 at 13, 22 and 28. Specifically, in response to a Commission Order issued the previous year, the Candidate averred that no Museum Source

¹² The Respondents rely on Advisory Opinions ("AO") 1978-6 [CCH ¶ 5300] for the proposition that compensation by a law firm is not a "contribution" if paid according to the same compensation scheme in effect prior to candidacy, and AO 1978-58 [CCH ¶ 5465] for the proposition that the Commission placed no emphasis on billable hours for an attorney/candidate or other services provided by a law partner in determining the candidate's compensation. Respondents' reliance on these opinions is misplaced. In AO 1978-6, the Commission did focus on the number of billable hours the candidate worked, and concluded that if his salary did not decrease though his time providing legal services did, a "contribution" would result. In addition, both the Opinion and request made clear that the partnership had a detailed compensation agreement. In AO 1978-58, the requester only sought to volunteer his time for a Presidential campaign; he was not loaning alleged law firm proceeds to his own campaign. Although the Commission approved the law firm partner's request to volunteer for the campaign and recognized that his salary was not based on billable hours, that law firm had a policy which set out explicit factors which formed the bases for compensation. Here, in contrast, there was no policy, other than to disburse funds "ad hoc."

stock was sold in 1994, and Lawrence and Ute Lally had previously represented that they did not provide the Candidate with any checks for loan payments during 1994. See GC Brief at 22-23; Attachment 9 at 13 and 28.

It was only after still another written request from this Office, that documents related to the alleged payments totaling \$33,000 were first produced, including an undated stock certificate indicating that Lawrence Lally owned the stock in Museum Source¹³ and an alleged "payoff letter" regarding \$23,000 paid by Lawrence and Ute Lally. Attachment 9 at 37, 41-44. Most significantly, the Response Brief never addresses these contradictory statements or the failure to produce documentation sought by Subpoenas and their representations that such documents did not exist. The Response Brief, therefore, does nothing to rehabilitate the credibility of those Respondents to whom the Commission's Subpoenas and Orders were addressed: Grant Lally, Lawrence Lally and Ute Lally. The Respondents' actions with respect to the \$33,000 raise a serious credibility issue, casting doubt upon their claims regarding all the other payments in question as well.

In addition, despite being questioned on several occasions, the Respondents have been unable, or unwilling, to inform the Commission which of the 21 law firm payments made to Grant Lally during 1994 even relate to the \$33,000. Thus, the \$33,000 is completely indistinguishable from the alleged stream of law firm income. The failure to distinguish between the alleged sale of the stock and loan payments and alleged law firm income is further evidence

¹³ The Respondents do not contest that capital gains tax was not paid on the gain that the Candidate would have realized in connection with the alleged 1994 sale of stock in Museum Source if it were in fact a bona fide transaction.

that the law firm payments were not bona fide income, but rather that the Respondents used the law firm account to fund the Lally campaign as needed.

5. Payments to Teresa White

Teresa White was reported to have been the Grant Lally's campaign's manager in the Spring of 1994, and she was paid by the law firm for her services. The Lally campaign did not report any contributions from the law firm related to payment for her services. After questioning the Respondents about Ms. White's services at their depositions, they acknowledged that the law firm paid \$3,800 to her during 1994 and produced copies of the payment checks. Attachment 13 at 1. Respondents, however, assert that Ms. White was hired as an attorney for the law firm and the payments were made before Grant Lally decided to run for Congress, and thus were not "contributions" from the law firm. Response Brief at 32-33.

The Respondents' assertions conflict with their testimony and documentary evidence. Although Lawrence Lally initially asserted that Ms. White's service was for the law firm, he finally acknowledged that "[u]ltimately, it would have been for the campaign, yes." Attachment 11 at 19 (Depo. of L. Lally Depo at 145). Ms. White asserts that she was hired to assist the campaign, and a letter from her to the Candidate, dated March 22, 1994, and produced by the Respondents themselves, supports that assertion. Attachment 13 at 2-7.¹⁴ By May of 1994, the Candidate opened the campaign account and funded it with \$100,000. Attachment 3 at 1. Thus, at that point, he was a "candidate" under the FECA, and even if he had been merely "testing the waters" prior to that time, once he became a candidate, the payments to Ms. White were

¹⁴ The letter, which pre-dates the payment of most of the funds at issue, focuses entirely on a proposal that she be hired as campaign manager and provide traditional campaign services, i.e., "day to day operations of all campaign headquarters." Attachment 13 at 2-3.

"contributions" and should have been reported. See 2 U.S. C. § 431(2) and 11 C.F.R.

100.7(b)(1)(If an individual becomes a candidate, the funds received are contributions subject to the reporting requirements); see also AO 1985-40 (once becoming a candidate, in-kind contributions must also be reported). Thus, the payments to Ms. White constitute an unreported and excessive contribution to the Lally campaign. Moreover, these payments are further evidence that the law firm account was used as needed to fund the Lally campaign without regard to the Act's contribution limitations and reporting requirements.

6. Knowing and Willful Nature of the Violations

The Respondents offer nothing which conflicts with the evidence establishing that the funds flowed freely to the campaign from Lawrence and Ute Lally in knowing and willful violation of the Act. Although the Response Brief sets forth a number of reasons why the Respondents believe that the violations were not knowing and willful, they all lack merit. First, they contend that the Candidate's funneling the funds through his own account before near immediate deposit in the campaign account was the result of a desire to "ensure the use of personal funds." Response Brief at page 34. Simply depositing funds derived from others through a candidate's personal account does not make such funds "personal" as it does not change the fact that they came from others. In this case, from the sum of the evidence adduced, including the claims about the alleged transactions at issue, the lack of documentation, the apparent post hoc creation of documents and the inconsistent testimony, it is more reasonable to infer that the Respondents passed the funds through the Candidate's account in attempt to make them appear "clean."

Second, the Respondents take issue with the conclusion that the knowing and willful nature of the violations can be inferred from the fact that the Candidate, Lawrence and Ute Lally are all members of the legal profession, and that they are aware of the contribution limitations. They assert that merely being an attorney does not "ipso facto" establish knowledge of federal election law. Response Brief at 34. As previously discussed, the failure of these experienced attorneys to create documentation and/or even notations on checks/check registers setting forth the bases of payments used as the major financial source of this Congressional campaign is itself evidence of an intent to conceal the true purpose of such payments and reveals an awareness of the statute's contribution limitations. Even if any of the payments were related to the sale of assets, as claimed, the failure to create documentation and to comply with tax requirements is similarly evidence of an intent to conceal the terms of the transactions.

Third, the Respondents argue that the evidence that Lawrence Lally, then treasurer of the Lally campaign, and Ute Lally obtained loans for purposes other than what they informed the lending institutions does not show that the violations were knowing and willful. Response Brief at 35. They do this by again contesting that the loans were actually taken to fund the campaign, claiming that they were taken to purchase the 2/3 interest in Bantam Place. Yet, as we have already shown, there was no bona fide sale of Bantam Place in 1994, and even if there had been, the payment was an "advance" and the price paid for the Candidate's encumbered interest was excessive.

Moreover, if the loans had actually been for the purchase of Bantam Place, it is unclear why the Respondents did not inform the banks on their loan applications, rather than asserting that they were for other purposes, i.e., home improvement, business loan. Indeed, the bank

applications were yet another place in which there would have been a record of the alleged Bantam Place real estate transaction, if there had been a bona fide sale. In any event, the Respondents have essentially acknowledged that the home improvement loan, which yielded \$48,000, was obtained to fund the campaign when they claim in the Response Brief that other than signing the loan documents, Ute Lally was not involved in obtaining it because she is prohibited from participating in "partisan politics." Response Brief at 6 n. 6 (emphasis added).

Fourth, the Respondents dispute that the history of document production in this matter demonstrates their knowledge that the violations were knowing and willful, mistakenly claiming that there is little in the way of admissible evidence supporting this charge. In making this assertion, the Response Brief ignores that the Respondents provided answers and produced documents that directly contradict earlier signed and sworn statements.

The Response Brief offers nothing to refute the conclusion that the law firm's account and funds were used to meet the needs of the campaign, in knowing and willful violation of the Act. It is true that because the Respondents have not produced any documentation establishing that Grant Lally was entitled to the amount of income that he received, it is not possible to determine which of the 20 of the 21 payments from the law firm may have been for bona fide law firm income. However, simply because some of the payments made to the Candidate during 1994 may have been for bona fide income does not mean that most or all of them were legitimate. Indeed, the Respondents' failure to create and maintain (or produce in response to the Commission's Subpoenas) ordinary business documents and tax records related to their payments that funded Grant Lally's campaign leaves them unable to credibly explain or demonstrate that any of the payments were legitimate.

In a footnote, Respondents argue that there is no evidence that Ute Lally was involved in obtaining the \$48,000 that was provided to the Candidate on May 21 and which was part of the \$100,00 contributed to the campaign on May 24, 1994. Response Brief at 6, n. 6. Bank documents obtained during the investigation indicate that Judge Lally, along with her husband Lawrence, applied for and received the loan from Home Federal Savings. A check evidencing the loan, totaling \$49,580 and dated May 19, 1994, was issued to her and Lawrence Lally. Attachment 2 at 3-5. The proceeds of that loan were the source of the funds provided to the Candidate by check dated May 21, 1994, which was deposited in the Candidate's account and was part of the \$100,000 loan made to the Lally campaign on May 24, 1994. Attachment 2 at 1; Attachment 9 at 10. Thus, despite their assertions, Ute Lally, along with Lawrence Lally, provided the \$48,000 which resulted in the contribution in question.

Although Judge Lally claimed not to have any knowledge regarding the purpose of the loan, given the amount of the loan, her financial stake in such a loan and her own knowledge of the law, that claim is simply not credible. Moreover, while Judge Lally claimed that her husband handled all the finances, under New York State law, a judge must annually disclose any interests in real estate with a value in excess \$1,000, held by such judge or his or her spouse during any time within the calendar year. Thus, Judge Lally had an affirmative duty to report any real estate holdings such as Bantam Place. However, while Judge Lally's 1994 and 1995 financial statements disclose various real estate investment properties held by her husband and/or herself, and she signed the documents for the loan that funded the alleged purchase of Bantam Place, neither of those financial statements disclose any interest in Bantam Place. Attachment 14 at 2-3, 5-6. The failure to report the interest in Bantam Place is

further evidence that there was no bona fide purchase, and that the violation was knowing and willful. In addition, there is no dispute that Judge Lally issued the \$18,000 check to the Candidate which was also used by him to loan the campaign \$100,000 on May 24, 1994,

In summary, there was a concerted and deliberate attempt to disguise the illegality of the numerous payments made to the campaign by Lawrence Lally, Ute Lally and the law firm, and to pass them off as legitimate business transactions. However, even assuming *arguendo* that some of the payments were related to the Candidate's interest in Bantam Place and the automobile, such payments would constitute illegal contributions in the form of an "advance" or "loan" and in the case of the real property, for an amount far in excess of its 1994 market value. Moreover, even under this assumption, the failure to create (or produce during this investigation) documentation or notations on checks used to finance this Congressional campaign, the funneling of the funds through the Candidate's account, the omission to report and pay taxes that would have disclosed the terms of the transactions, and finally the contradictory testimony from the Respondents and production of documents that they previously testified did not exist, all show the Respondents' attempt to conceal the facts and terms related to the payments, and provide a compelling inference that the violations were knowing and willful. See United States v. Hopkins, 916 F.2d 207, 214-15 (5th Cir. 1990).

For the foregoing reasons, this Office recommends that the Commission find probable cause to believe that Grant Lally knowingly and willfully violated 2 U.S.C. § 441a(f), and that Lawrence M. Lally, Ute W. Lally and Lally and Lally, Esquires, knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A). This Office also recommends that the Commission find probable cause to believe that Lally for Congress knowingly and willfully violated

2 U.S.C. §§ 441a(f) and 434(b) and that Dawn Fasano, treasurer of the Lally campaign, violated 2 U.S.C. §§ 441a(f) and 434(b).¹⁵

B. MUR 4362

MUR 4362 involves the Candidate's failure to timely file his statement of candidacy for 1996, and various reporting errors by the Lally campaign. The Respondents Grant Lally and the Lally campaign acknowledge the reporting errors, but dispute filing an untimely Statement of Candidacy, claiming that they have corrected the violation by amending their reports. As noted in the GC Brief, during 1995 the Lally campaign accepted contributions totaling \$19,681. The campaign's disclosure reports did not indicate that such contributions were for 1994 debt retirement, but the Lally campaign claimed they were used for that purpose. There is no indication that the Respondents obtained written statements from the contributors within 60 days of receipt designating the contributions to 1994 debt payment, as is required for contributions received after an election cycle. See 11 C.F.R. § 110.1(b). Thus, such contributions are considered to be for the next election cycle, and, as Grant Lally accepted contributions in excess of \$5,000 for the 1996 election cycle during 1995, and did not file his Statement of Candidacy until June of 1996, he has violated 2 U.S.C. § 432(e). Contrary to the Respondents' suggestion, simply amending the disclosure reports does not correct this violation. Response Brief at 36. Thus, this Office recommends that the Commission find

¹⁵ Because Ms. Fasano was not the treasurer at the time in question, this Office does not recommend that the Commission find probable cause to believe that the violations by her were knowing and willful.

probable cause to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1), and that the Lally campaign and its treasurer violated 2 U.S.C. § 434(b).

III. DISCUSSION OF PROBABLE CAUSE CONCILIATION

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IV. RECOMMENDATIONS

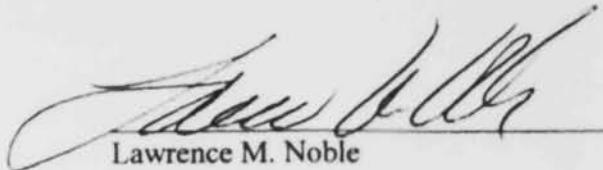
1. Find probable cause to believe that Grant M. Lally knowingly and willfully violated 2 U.S.C. § 441a(f).
2. Find probable cause to believe that Lawrence M. Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).
3. Find probable cause to believe that Ute W. Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).
4. Find probable cause to believe that Lally and Lally, Esquires knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A).
5. Find probable cause to believe that Lally for Congress knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434(b).
6. Find probable cause to believe that Grant M. Lally violated 2 U. S.C. § 432(e).
7. Find probable cause to believe that Dawn M. Fasano, as treasurer of Lally for Congress, violated 2 U.S.C. §§ 441a(f) and 434(b).
8. Approve the attached conciliation agreement.

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9. Approve the appropriate letter.

Date

11/5/97



Lawrence M. Noble
General Counsel

Attachments:

1. Response Brief
2. Checks and documents related to \$116,000 in payments
3. Checks evidencing alleged candidate loans to committee
4. Alleged deed for Bantam Place (unrecorded and un-notarized)
5. Recorded and notarized deed for the 1994 conveyance of Candidate's Oyster Bay property
6. Documents related to Candidate's 1995 sale of Bantam Place
7. Affidavit of K. Goldstein, CPA
8. Documents related to 1995 sale of Corvette
9. Subpoenas and responses related to \$33,000
10. Law firm checks to Grant Lally totaling \$179,892
11. Deposition transcripts from Grant and Lawrence Lally (excerpts)
12. Affidavits for law firm clients
13. Documents from Teresa White
14. Ute Lally financial disclosure statements (1994 and 1995)
15. Conciliation Agreement


Staff Assigned: Xavier K. McDonnell



FEDERAL ELECTION COMMISSION
Washington, DC 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/LISA DAVIS 
COMMISSION SECRETARY

DATE: NOVEMBER 12, 1997

SUBJECT: MUR 4128/4362 - General Counsel's Report

The above-captioned document was circulated to the Commission
on Thursday, November 06, 1997.

Objection(s) have been received from the Commissioner(s) as
indicated by the name(s) checked below:

Commissioner Aikens	—
Commissioner Elliott	—
Commissioner McDonald	—
Commissioner McGarry	—
Commissioner Thomas	<u>XXX</u>

This matter will be placed on the meeting agenda for

Tuesday, December 02, 1997.

Please notify us who will represent your Division before the Commission on this
matter.

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 4128 AND MUR 4362
Lally for Congress)
and Dawn Fasano, as treasurer;)
Grant M. Lally;)
Lawrence M. Lally;)
Ute W. Lally)

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the
Federal Election Commission executive session on December 2,
1997, do hereby certify that the Commission decided by a
vote of 4-1 to take the following actions with respect to
MUR 4128 and MUR 4362:

1. Find probable cause to believe that
Grant M. Lally knowingly and willfully
violated 2 U.S.C. § 441a(f).
2. Find probable cause to believe that
Lawrence M. Lally knowingly and
willfully violated 2 U.S.C.
§ 441a(a)(1)(A).
3. Find probable cause to believe that
Ute W. Lally knowingly and willfully
violated 2 U.S.C. § 441a(a)(1)(A).
4. Find probable cause to believe that
Lally and Lally, Esquires knowingly
and willfully violated 2 U.S.C.
§ 441a(a)(1)(A).

(continued)

Federal Election Commission
Certification for MUR 4128
AND MUR 4361
December 2, 1997

Page 2

5. Find probable cause to believe that Lally for Congress knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434(b).
6. Find probable cause to believe that Grant M. Lally violated 2 U.S.C. § 432(e).
7. Find probable cause to believe that Dawn M. Fasano, as treasurer of Lally for Congress, violated 2 U.S.C. §§ 441a(f) and 434(b).
8. Approve the conciliation agreement attached to the General Counsel's November 5, 1997 report.
9. Approve the appropriate letter as recommended in the General Counsel's November 5, 1997 report.

Commissioners Elliott, McDonald, McGarry, and Thomas voted affirmatively for the decision; Commissioner Aikens dissented.

Attest:

12-3-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission



FEDERAL ELECTION COMMISSION
Washington, DC 20463

December 4, 1997

VIA HAND DELIVERY

Benjamin L. Ginsberg, Esquire
Patton, Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

RE: MUR 4128 & MUR 4362
Grant M. Lally
Lally for Congress and
Dawn Fasano, as treasurer
Lawrence M. Lally
Ute Wolff Lally
Lally & Lally, Esquires

Dear Mr. Ginsberg:

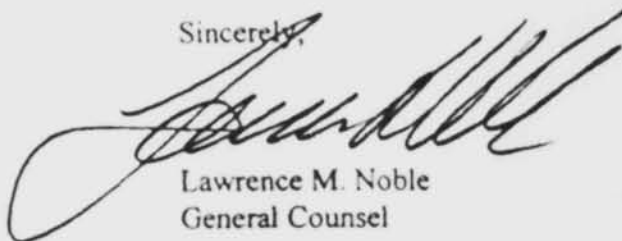
After considering the analysis in the General Counsel's Brief and the arguments in the Response Brief which you submitted on behalf of your clients in the above-captioned matter, on December 2, 1997, the Federal Election Commission made probable cause findings in MURs 4128 and 4362. Specifically, in MUR 4128 the Commission found that there is probable cause to believe that Grant M. Lally knowingly and willfully violated 2 U.S.C. § 441a(f), that Lally for Congress knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434 and that Lawrence M. Lally, Ute Wolff Lally and Lally and Lally, Esquires knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A). The Commission also found probable cause to believe that Dawn Fasano, treasurer of Lally for Congress, violated 2 U.S.C. §§ 441a(f) and 434. With respect to MUR 4362, the Commission found probable cause to believe Grant Lally violated 2 U.S.C. § 432(e) and that Lally for Congress and its treasurer violated 2 U.S.C. § 434(b).

The Commission has a duty to attempt to correct such violations for a period of at least 30 days and no more than 90 days by informal methods of conference, conciliation, and persuasion, and by entering into a conciliation agreement with a respondent. If we are unable to reach an agreement after 30 days, the Commission may institute a civil suit in United States District Court and seek payment of a civil penalty.

Enclosed is a conciliation agreement that the Commission has approved in settlement of this matter. If you agree with the provisions of the enclosed agreement, please sign and return it, along with the civil penalty, to the Commission within ten days. I will then recommend that the Commission accept the agreement. Please make the check for the civil penalty payable to the Federal Election Commission.

If you have any questions or suggestions for changes in the enclosed conciliation agreement, or if you wish to arrange a meeting in connection with a mutually satisfactory conciliation agreement, please contact Xavier K. McDonnell, the attorney assigned to this matter, at (202) 219-3400.

Sincerely,



Lawrence M. Noble
General Counsel

Enclosure
Conciliation Agreement

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

VIA FAX and FIRST CLASS MAIL

Benjamin L. Ginsberg, Esquire
Patton, Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

December 19, 1997

RE: MUR 4128 & MUR 4362
Grant M. Lally
Lally for Congress and
Dawn Fasano, as treasurer
Lawrence M. Lally
Ute Wolff Lally
Lally & Lally, Esquires

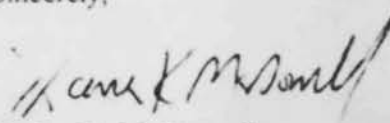
Dear Mr. Ginsberg:

On December 4, 1997, you were notified that the Federal Election Commission found probable cause to believe that your clients in the above-captioned matters violated various provisions of the Federal Election Campaign Act of 1976, as amended. On the same date, you were sent a conciliation agreement offered by the Commission in settlement of this matter.

It has now been 15 days since you were notified of the Commission's findings and were presented with the proposed agreement, and we have not received any response from you. Please note that pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), the conciliation period in this matter may not extend for more than 90 days, but may cease after 30 days. If your clients wish to conciliate these matters, they should respond to the Commission's proposal so that we might begin negotiations.

If you wish to reach me by telephone, I can be reached at (202) 219-3400.

Sincerely,


Xavier K. McDonnell
Attorney

BEFORE THE FEDERAL ELECTION COMMISSION

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

MAR 26 11 52 AM '98

SENSITIVE

In the Matter of)
)
)
Lally for Congress)
and Dawn Fasano, as treasurer) MUR 4128
Grant M. Lally) MUR 4362
Lawrence M. Lally)
Ute W. Lally)

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On March 12, 1998, the Commission approved a counterproposal in the above-captioned matters for Grant M. Lally, Lally for Congress and its treasurer ("Lally campaign"), Lawrence Lally, Ute Lally, and Lally and Lally, Esquires ("law firm") ("Respondents"). The Commission also determined to give the Respondents ten days to submit an acceptable agreement. Attached for the Commission's consideration is a signed agreement which this Office recommends that the Commission accept. Attachment 1.

II. CONCILIATION DISCUSSION

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There were three additional respondents notified of the complaint in this matter: Tri County of Huntington, Inc., Tom Ballau and Craig Lally. The Commission found reason to believe that Tri-County of Huntington, Inc., violated Section 441b(a) by making a corporate contribution to the Lally campaign in the form of office space. The investigation revealed that Tri-County is bankrupt, and although a response was filed on behalf of the corporation by Lawrence Lally as counsel, it left unresolved whether a corporate contribution was made. In any event, this Office recommends that the Commission take no further action against Tri-County of Huntington, Inc. Regarding Tom Ballau and Craig Lally, the Commission did not make findings against them, and like the other respondents, they will be notified of the closure of these matters. In light of all the above, this Office recommends that the Commission close the files in MUR 4128 and 4362.


III. RECOMMENDATIONS

1. Accept the attached conciliation agreement.

2. Take no further action against Tri-County of Huntington, Inc.
3. Approve the appropriate letters.
4. Close the files in MUR 4128 and MUR 4362

Lawrence M. Noble
General Counsel

3/25/98
Date


Lois G. Lerner
Associate General Counsel

Staff Assigned: Xavier K. McDonnell

Attachment:

Signed conciliation agreement

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MURs 4128 & 4362
Lally for Congress)
and Dawn Fasano, as treasurer;)
Grant M. Lally;)
Lawrence M. Lally;)
Ute W. Lally.)

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on March 31, 1998, the Commission decided by a vote of 5-0 to take the following actions in MURs 4128 & 4362:

1. Accept the attached conciliation agreement, as recommended in the General Counsel's Report dated March 25, 1998.
2. Take no further action against Tri-County of Huntington, Inc.
3. Approve the appropriate letters as recommended in the General Counsel's Report dated March 25, 1998.

(continued)

4. Close the file in MUR 4128 and MUR 4362.

Commissioners Aikens, Elliott, McDonald, McGarry, and
Thomas voted affirmatively for the decision.

Attest:

3-31-98
Date

Mary H. Dove
for Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Thur., March 26, 1998 11:52 a.m.
Circulated to the Commission: Thur., March 26, 1998 4:00 p.m.
Deadline for vote: Tues., March 31, 1998 4:00 p.m.

vfv

90043364073



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 1, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert Bauer, Esquire
Perkins Coie
607 Fourteenth St, NW
Washington, DC 20005

RE. MUR 4128
Grant Lally
Lally for Congress *et al*

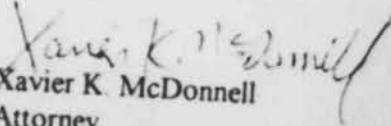
Dear Mr. Bauer:

This is in reference to the complaint which you filed with the Federal Election Commission on behalf of the Democratic Congressional Campaign Committee on November 3, 1994 and an amendment filed on August 4, 1995, concerning Grant Lally, Lally for Congress and its treasurer, *et al*.

After conducting an investigation in this matter, the Commission found that there was probable cause to believe that violations occurred, some knowingly and willfully. On March 31, 1998, a conciliation agreement signed by the respondents was accepted by the Commission, thereby concluding the matter. Accordingly, the Commission closed the file in this matter. A copy of this agreement is enclosed for your information. Please note that the agreement includes MUR 4362, another matter involving some of these respondents which is also closed.

If you have any questions, please contact me at (202) 694-1650.

Sincerely,


Xavier K. McDonnell
Attorney

Enclosure
Conciliation Agreement



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 1, 1998

VIA HAND DELIVERY

Benjamin L. Ginsberg, Esquire
Donald F. McGahn II, Esquire
Patton, Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

RE: MUR 4128 & MUR 4362
Lally for Congress, *et al*

Dear Messrs. Ginsberg and McGahn:

On March 31, 1998, the Federal Election Commission accepted the signed conciliation agreement submitted on your clients' behalf in settlement of violations of 2 U.S.C. § 441a, 434 and 432(e), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). Also note that the Commission did not take any action, or took no further action, against other respondents in MUR 4128--Craig Lally, campaign manager Tom Ballau and Tri-County of Huntington (the latter who was represented by Lawrence Lally). Accordingly, the file has been closed in these matters as to all respondents.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and these matters are now public. In addition, although the complete files must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the files may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt. Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B). The enclosed conciliation agreement, however, will become a part of the public record.

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the initial payment on the civil penalty is due within 5 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 694-1650.

Sincerely,

Xavier K. McDonnell
Xavier K. McDonnell
Attorney

Enclosure
Conciliation Agreement

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Grant M. Lally) MUR 4128
Lally for Congress) MUR 4362
Dawn Fasano, as treasurer)
Lawrence M. Lally)
Ute W. Lally)
Lally and Lally, Esquires)

CONCILIATION AGREEMENT

These matters were initiated by complaints filed by the Democratic Congressional Campaign Committee and Claudia Doliner, Chet Szarejko and Emily Rose DeGregorio, and by the Federal Election Commission in the normal course of carrying out its supervisory duties. 2 U.S.C. § 437g(a)(2). In MUR 4128, the Commission has found probable cause to believe that Grant M. Lally knowingly and willfully violated 2 U.S.C. § 441a(f), that Lally for Congress knowingly and willfully violated 2 U.S.C. §§ 441a(f) and 434(b), that Dawn Fasano, as treasurer of Lally for Congress, violated 2 U.S.C. §§ 441a(f) and 434(b) and that Lawrence M. Lally, Ute W. Lally and Lally and Lally, Esquires, knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A). In MUR 4362, the Commission found probable cause to believe that Grant M. Lally violated 2 U.S.C. § 432(e) and that Lally for Congress and Dawn Fasano, as treasurer, violated 2 U.S.C. § 434(b).

NOW, THEREFORE, the Commission and the above-identified respondents ("Respondents"), having duly entered into conciliation pursuant to 2 U.S.C. § 437g(a)(4)(A)(i), do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding.

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. That Respondents, to avoid the expense of litigation, enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Grant Lally ("candidate") was a candidate in New York's Fifth Congressional district in 1994 and 1996. Lawrence M. Lally is the candidate's father. Ute W. Lally is the candidate's mother.

2. Lally for Congress ("Lally campaign") is the candidate's authorized campaign committee.

3. Dawn Fasano is treasurer of Lally for Congress. From May 24, 1994 through November 1, 1995, Lawrence M. Lally was the treasurer of Lally for Congress.

4. The candidate and Lawrence M. Lally are partners in the two-member, family law firm of Lally and Lally Esquires ("law firm").

5. The Federal Election Campaign Act of 1971, as amended (the "Act" or the "FECA") limits the amount that persons may contribute to any candidate or his or her authorized political committee. 2 U.S.C. § 441a(a)(1)(A). Candidates and political committees are prohibited from knowingly accepting contributions in excess of the limitations of Section 441a. 2 U.S.C. § 441a(f).

6. The term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purposes of influencing a federal election. 2 U.S.C. § 431(8)(A)(i).

7. Each political committee and treasurer must file disclosure reports, and such reports must disclose the identification of each person who makes a loan to that committee. 2 U.S.C. §§ 434(a)(1) and 434(b)(3)(E). Each disclosure report filed must state the amount and nature of outstanding debts and obligations owed by or to that political committee. 2 U.S.C. § 434(b)(8). Debts and obligations must be continuously reported until extinguished. 11 C.F.R. § 104.11(a). Debts in excess of \$500 must be reported as of the date on which they are incurred, except that any obligation incurred for rent, salary, or other regularly reoccurring administrative expense, shall not be reported as a debt before the payment due date. 11 C.F.R. § 104.11(b).

8. The knowing and willful standard requires knowledge that one is violating the law. *Federal Election Commission v. John A. Dramesi for Congress Committee*, 640 F. Supp. 985 (D. N.J. 1986).

9. Grant Lally ran in the 1994 Primary election for New York's Fifth Congressional District held on September 13, 1994, and in the General election held on November 8, 1994.

10. During 1994, Grant Lally reported making loans totaling \$319,991 to the Lally campaign.

11. From May through October, 1994, Lawrence Lally issued checks and transferred funds to the candidate, totaling \$116,000. Specifically, Lawrence Lally issued to the candidate a \$25,000 check on May 3, 1994, a \$48,000 check on May 21, 1994, and a \$30,000 check on October 19, 1994. Lawrence Lally also authorized a \$13,000 transfer to Grant Lally's personal

account on October 24, 1994. All of the payments were provided to the candidate within days of receipt and then deposited in the account of the Lally campaign. The Lally campaign reported the source of the loans as the candidate's "personal funds." Such funds were contributions to the candidate and the Lally campaign from Lawrence Lally which exceeded the limitations of the Act.

12. On May 4, 1994, Lawrence Lally authorized payment of \$18,000 to the candidate from an account in which Ute Lally had an interest. The \$18,000 was part of the \$100,000 the candidate reportedly loaned to the Lally campaign on May 24, 1994, and reported as a loan from the candidate's "personal funds." The \$18,000 payment was a contribution to the candidate which exceeded the limitations of the Act.

13. During 1994, the candidate received payments totaling \$136,892 from the law firm. At least \$74,491 of the amount received by the candidate from the law firm during 1994 was loaned to the campaign, and reported as deriving from the candidate's "personal funds." Such funds were a contribution to Grant Lally and the Lally campaign from Lawrence Lally which exceeded the limitations of the Act.

14. Documents obtained from the public record and/or produced by the respondents indicate that the candidate purchased a 2/3 interest in real property located at 1527 Bantam Place in the Bronx, New York ("Bantam Place property"). The Respondents contend that the payments totaling \$116,000 referenced in paragraph 11 were for Lawrence Lally's purchase of Grant Lally's 2/3 interest in the Bantam Place property. The Respondents also contend that the \$18,000 referenced in paragraph 12 was for Lawrence Lally's purchase of Grant Lally's Corvette.

15. The evidence adduced throughout investigation demonstrates that the violations by Lawrence Lally and Lally for Congress in MUR 4128 were knowing and willful. The knowing and wilful nature of these violations is evidenced by the funneling of payments through the candidate's account, the failure to create documents and/or any notations related to the payments and the submission of contradictory and inaccurate information to the Commission.

16. The FECA requires each candidate for Federal office (other than the nominee for the office of Vice President) to designate in writing his or her authorized campaign committee. 2 U.S.C. § 432 (e)(1). Such designation shall be made no later than 15 days after becoming a "candidate." *Id.* See also 11 C.F.R. § 101.1. The Act defines a candidate as an individual who seeks nomination for election, or election, to Federal office, and an individual is deemed to be a candidate if, *inter alia*, such individual has received contributions aggregating in excess of \$5,000 or has made expenditures aggregating in excess of \$5,000. 2 U.S.C. § 431(2)(A).

17. Grant Lally filed his Statement of Candidacy for his 1996 bid for Congress on June 3, 1996. During 1995, Lally for Congress received \$19,681 in contributions; \$8,211 during the first six months and \$11,470 during the second six months. As Grant Lally accepted contributions in excess of \$5,000 by 1995, but did not file his Statement of Candidacy until June 3, 1996, he violated Section 432(e).

18. During 1994 and 1995, the Lally campaign reported a debt of \$3,065 to N.S. Pedersen Co. for "printing," but later omitted it and acknowledged that such debt "never existed, and was mistakenly reported." During 1995, the Lally campaign reported payments totaling \$4,578 to Thomas Ballau for "consulting fees." Such debt was incurred in connection with the

1994 election, but it was never reported at any time during 1994. Thus, the Lally campaign and its treasurer have filed inaccurate disclosure reports.

V. 1. Lally for Congress knowingly and willfully violated 2 U.S.C. § 441a(f) by accepting contributions that exceeded the limitations of the Act and 2 U.S.C. § 434(b) by reporting loans as if they were derived from the candidate's personal funds when they were actually contributions from other persons and by failing to report payments for in-kind services for the Lally campaign.

2. Lawrence M. Lally knowingly and willfully violated 2 U.S.C. § 441a(a)(1)(A) by making contributions that exceeded the limitations of the Act.

3. Grant M. Lally violated 2 U.S.C. § 441a(f) by accepting contributions that exceeded the limitations of FECA.

4. Dawn Fasano, treasurer of the Lally campaign, violated 2 U.S.C. § 441a(f) by accepting contributions that exceeded the limitations of the FECA and 2 U.S.C. § 434(b) by reporting loans as if they were derived from the candidate's personal funds when they were actually contributions from other persons.

5. Grant M. Lally violated 2 U.S.C. § 432(e) by failing to timely file his Statement of Candidacy.

6. Lally for Congress and Dawn Fasano, as treasurer, violated 2 U.S.C. § 434(b) by failing to accurately disclose debts incurred in connection with the 1994 election cycle.

VI. 1. Respondents will pay a civil penalty to the Federal Election Commission in the amount of Two Hundred Eighty Thousand Dollars (\$280,000.00) pursuant to 2 U.S.C.

§ 437g(a)(5)(A), and payable as follows: \$20,000, payable within 5 days of the effective date of this Agreement; and the remaining balance within 180 days of the effective date of this Agreement.

2. Respondents will amend their reports so as to properly disclose the source of all loans and other contributions at issue in MUR 4128 and all debts at issue in MUR 4362.

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.

IX. Respondents shall have no more than 180 days from the date this agreement becomes effective to comply with Section VI (1) of this agreement and no more than 30 days to comply with Section VI (2) of this agreement and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lawrence M. Noble
General Counsel

BY:

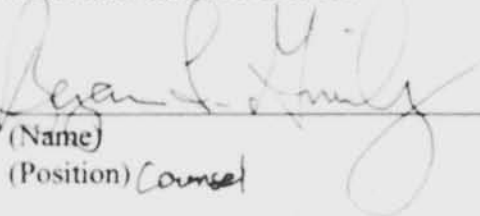


Lois G. Lerner
Associate General Counsel

Date

4/1/98

FOR THE RESPONDENTS



(Name)
(Position) Counsel

Date

March 24, 1998



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

REC'D
OFFICE

APR 8 10 31 AM '98

April 7, 1998

TWO WAY MEMORANDUM

TO: OGC Docket
FROM: Rosa E. Swinton
Accounting Technician
SUBJECT: Account Determination for Funds Received

We recently received a check from **Lawrence M. Lally**, check number **4940**, dated **April 3, 1998**, for the amount of, **\$20,000.00**. A copy of the check and any correspondence is being forwarded. Please indicate below which account the funds should be deposited and give the MUR/Case number and name associated with the deposit.

=====

TO: Rosa E. Swinton
Accounting Technician
Leslie D. Brown
Disbursing Technician
FROM: OGC Docket
SUBJECT: Disposition of Funds Received

In reference to the above check in the amount of \$20,000.00, the MUR/Case number is 4128 / 4362 and in the name of Lawrence Lally. Place this deposit in the account indicated below:

- ☒ Budget Clearing Account (OGC), 95F3875.16
☐ Civil Penalties Account, 95-1099.160
☐ Other: _____

Kim Stevens
Signature

4-8-98
Date

FILED

1-32/210

DATE	AMOUNT
------	--------

DATE	AMOUNT
------	--------

REAL PROPERTY ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, L.I. NY 11501

Federal Election Commission

DATE 4/3/98

\$ 20,000.00

Twenty Thousand and 00/100

DOLLARS 

29914	Mineola Office
Mineola	New York 11501



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

THIS IS THE END OF MUR # 4128

DATE FILMED 6/12/98 CAMERA NO. 2

CAMERAMAN EES

9
8
0
4
3
0
6
1
8
8
6



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 9/14/98

✓ Microfilm

 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4128

98043895061



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

September 10, 1998

TO: Richard Pullen
Accounting Officer

THROUGH: Lois G. Lerner *LGL* by *AAS*
Associate General Counsel

FROM: Xavier McDonnell
Attorney, Enforcement Team II

SUBJECT: Non-Negotiated Witness Fee Checks in connection with MURs 4128 and 4362

Please do not reissue witness fee checks to the below listed respondents because the respondents never negotiated the checks and the one-year time period to negotiate such checks has expired. The checks issued were as follows:

<u>Name</u>	<u>Check No.</u>	<u>Date</u>	<u>Amount of Check</u>
Grant Lally	2036 99282158	Feb. 18, 1997	\$40.00
Lawrence Lally	2036 99282159	Feb. 18, 1997	\$40.00
Ute Lally	2036 99282160	Feb. 18, 1997	\$40.00
Dawn Fasano	2036 99282161	Feb. 18, 1997	\$40.00

930435062



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 9/23/98

✓ Microfilm

 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4128

98043895063

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
880 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2888

FACSIMILE NUMBER
(516) 742-3500

September 14, 1998

Federal Election Commission
Washington, D.C. 20463

Re: MUR 4128 & MUR 4362
Lally for Congress, et al

Gentlemen:

Enclosed you will find a check in the sum of Two Hundred Sixty Thousand (\$260,000.00) Dollars, representing the second and final installment in the settlement of the above referenced matter

Please forward a general release to the undersigned releasing all parties named in the above review.

Very truly yours,

LAWRENCE M. LALLY

LML/gf
cc: Benjamin Ginsburg, Esq.

O'REILLY MARSH & CORTESELLI PC
ATTORNEY TRUST ACCOUNT
ASTORIA MORTGAGES
1000 FRANKLIN AVE.
GARDEN CITY, NY 11530-2910

1891

1-7281/2214

PAY
TO THE
ORDER OF Federal Election Commission

DATE 9/18/98

Two Hundred Sixty Thousand and xx/100---


\$ 260,000.00

ASTORIA
FEDERAL SAVINGS
1000 FRANKLIN AVENUE
GARDEN CITY, NY 11530

DOLLARS

☐ Security Features
Present
Check on Back

FOR Lally



O'REILLY, MARSH & CORTESELLI P.C.

ATTORNEYS AT LAW

1000 FRANKLIN AVENUE - 8RD FLOOR

GARDEN CITY, NEW YORK 11530

(516) 741-1818

PHILIP J. O'REILLY
JAMES G. MARSH
KAREN P. CORTESELLI

RICHARD P. KIRBY
ARTHUR T. WALSH
MICHAEL C. MAYER

FEDERAL
COMMISSION

SEP 22 11 05 AM '98

COUNSEL
ROBERT J. JORDAN

ALSO ADMITTED IN NEW JERSEY

Certified Mail
Return Receipt Requested
September 18, 1998

Federal Election Commission
Washington, D.C. 20463

RE: Lally for Congress, et al.
MUR 4128 & MUR 4362

Dear Sir/Madam:

Enclosed please find a bank check in the amount of \$260,000.00 representing payment made by the borrower to pay off the balance regarding the above referenced matter.

If you should have any questions regarding this matter, please contact Karen P. Corteselli, Esq. or the undersigned.

Very truly yours,



Donna Tuozzo
Paralegal

SEP 22 2 05 PM '98

98043895065



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 22 1998

TWO WAY MEMORANDUM

TO: OGC Docket
FROM: Rosa E. Swinton
Accounting Technician
SUBJECT: Account Determination for Funds Received

We recently received a check from **O'Reilly Marsh & Corteselli PC**, check number **1891**, dated **September 18, 1998**, for the amount of, **\$260,000.00**. A copy of the check and any correspondence is being forwarded. Please indicate below which account the funds should be deposited and give the MUR/Case number and name associated with the deposit.

=====

TO: Rosa E. Swinton
Accounting Technician
FROM: OGC Docket
SUBJECT: Disposition of Funds Received

In reference to the above check in the amount of \$260,000.00, the MUR/Case number is 4128/43162 and in the name of Lally for Congress. Place this deposit in the account indicated below:

- ☐ Budget Clearing Account (OGC), 95F3875.16
☒ Civil Penalties Account, 95-1099.160
☐ Other: _____

Kim A. Stevens
Signature

9-23-98
Date

98043895066



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 11/24/58

✓ Microfilm

 Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4128

98043902139

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

CLOSED

FACSIMILE NUMBER
(516) 742-8533

November 19, 1998

Mr. Lawrence Nobel, Chairman
Federal Election Commission
Washington, D.C. 20463

Re: MUR 4128 & MUR 4362
Lally for Congress, et al


Dear Mr. Nobel:

On September 18, 1998 a bank check in the sum of Two Hundred Sixty Thousand (\$260,000.00) Dollars was forwarded to your office in full settlement and satisfaction of the above referenced matter.

To date, I have not received a general release from your agency in accordance with the cover letter which accompanied the check. A copy of that letter is enclosed.

Your attention to this matter will be appreciated.

Very truly yours,


LAWRENCE M. LALLY

LML/gf
enc:

98043902140

LALLY AND LALLY

ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8533

September 14, 1998

Federal Election Commission
Washington, D.C. 20463

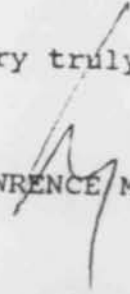
Re: MUR 4128 & MUR 4362
Lally for Congress, et al

Gentlemen:

Enclosed you will find a check in the sum of Two Hundred Sixty Thousand (\$260,000.00) Dollars, representing the second and final installment in the settlement of the above referenced matter

Please forward a general release to the undersigned releasing all parties named in the above review.

Very truly yours,


LAWRENCE M. LALLY

LML/gf
cc: Benjamin Ginsburg, Esq.

98043902141



FEDERAL ELECTION COMMISSION
Washington, DC 20463

VIA FAX AND FIRST CLASS MAIL

November 24, 1998

Benjamin L. Ginsberg, Esq.
Donald P. McGahn, II
Patton Boggs, L.L.P.
2550 M Street, N.W.
Washington, D.C. 20037-1350

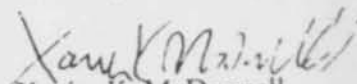
RE: MURs 4128 and 4362
Grant M. Lally,
Lawrence M. Lally, et al.

Dear Mr. Ginsberg and McGahn:

As you know, this Office received the \$260,000 payment from your clients on September 22, 1998. Since that time, we have had several discussions with your office regarding the amendments necessary for Lally for Congress's disclosure reports to comply with the terms of the conciliation agreement. On November 18, 1998, your clients submitted further amendments to their disclosure reports. Accordingly, this is to inform you that your clients have now complied with the terms of the conciliation agreement in settlement of these matters.

Should you have any questions, please feel free to contact me at (202) 694-1650.

Sincerely,


Xavier K. McDonnell
Attorney

98043902142