FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

THIS IS THE BEGINNING OF MUR # 4362

DATE FILMED 6/12/98 CAMERA NO. 2

CAMERAMAN EES

9304450887

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

MAY 14 9 00 AM '96

MUR 4362

May 9, 1996

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: Violation by Grant Lally of the Federal Election Campaign Act of 1971, as Amended, for Failing to Register as a Candidate in 1995

Dear Mr. Noble:

This is to notify you of a possible violation of the Federal Election Campaign Act of 1971, as amended, ("FECA") by Grant Lally. Grant Lally unsuccessfully ran as a challenger for the congressional seat in New York's Fifth District in 1994. He also qualified as a candidate in 1995 under FECA. However, he failed to file a statement of candidacy during that year.

I. Applicable Statutory and Regulatory Provisions

Under FECA, a person must file a statement of candidacy with the Federal Election Commission ("FEC") designating his or her principal campaign committee no later than fifteen days after becoming a candidate. 2 U.S.C. § 432(e)(1). A "candidate" is defined as any person who receives contributions in excess of $5,000 or makes expenditures in excess of $5,000 for the purpose of seeking a nomination or election to federal office. 2 U.S.C. § 431(2)(A).

II. Grant Lally Qualified under the FECA as a Candidate by June 30, 1995

According to the enclosed reports that Grant Lally filed with the FEC, his campaign received $8,211 in contributions between January 1 and June 30, 1995 but only used $2,630 of those contributions to retire debt or obligations from the 1994 election. Moreover, there is no indication that any of those contributions were designated for debt retirement. Therefore, he received at least $5,581 in contributions by June 30, 1995 for his next election campaign thereby exceeding the $5,000 threshold for becoming a candidate under FECA.

In the second half of 1995, Grant Lally received an additional $11,470 in contributions and apparently did not pay any more of his 1994 debt. Moreover, there is no indication that any of those contributions were designated for debt retirement. Thus, according to Grant Lally's FEC reports, the total amount of contributions he received during that year for his next election was at least $17,051.

III. Grant Lally Failed to Register a Principal Campaign Committee

As described above, Grant Lally qualified as a candidate under FECA at the latest by June 30, 1995 because his campaign received more than $5,000 in contributions in the first half of 1995. Consequently, he should have filed a statement of candidacy with the FEC designating a principal campaign committee at the latest by July 15, 1995, fifteen days after becoming a candidate under FECA. However, he has not made any such filing to date for 1995. Thus, Mr. Lally's failure to file a statement of candidacy is a violation of FECA.

Therefore, I request that the FEC investigate this matter and take appropriate action.

Sincerely,

Claudia Doliner

Claudia Doliner
14 Andover Road
Port Washington, NY
11050
516-767-1128

This has been sworn
to me this 9 day of
May 1996

Notary

JOAN TURCO KEANE
Notary Public, State of New York
No. 4674961-Nassau County
Term Expires: 12/31/96

Chet Szarejko

Chet Szarejko
252-36 63rd Avenue
Little Neck, NY 11362
718-428-4369

This has been sworn
to me this 9 day of
May, 1996

Notary

LINDA BOHORN
Notary Public
No. 4[illegible]
Qualified in Nassau County
Certificate Filed in Queens County
Commission Expires October 31, 19[illegible]7

[illegible] BOHORN
[illegible] County
[illegible] Queens County
[illegible] October 31, 19[illegible]

Emily Rose DeGregorio
14 Bob-O-Link Lane
Northport, NY 11768-3305
tel. 516-757-7077

This has been sworn
to me this 9 day of
May, 1996

Notary

PATRICIA MAHER
Notary Public, State of New York
No. 01MA4839284
Qualified in Nassau County
Commission Expires December 31, 1997

9 0 0 4 3 5 8 4 8 9 1

REPORT OF RECEIPTS AND DISBURSEMENTS

For An Authorized Committee
(Summary Page)

HAND DELIVERED

RECEIVED
OFFICE OF RECORDS & REGISTRATION
95 OCT -5 PM 12:26
OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (In full): Lally For Congress

ADDRESS (number and street) ☐ Check if different than previously reported: 220 Old Country Rd.

CITY, STATE and ZIP CODE: Mineola NY 11501

STATE/DISTRICT: NY/05

2. FEC IDENTIFICATION NUMBER: C00295253 (164880)

3. IS THIS REPORT AN AMENDMENT? ☐ YES ☒ NO

4. TYPE OF REPORT

- ☐ April 15 Quarterly Report
- ☐ July 15 Quarterly Report
- ☐ October 15 Quarterly Report
- ☐ January 31 Year End Report
- ☒ July 31 Mid-Year Report (Non-election Year Only)
- ☐ Twelfth day report preceding _____ (Type of Election) election on _____ in the State of _____
- ☐ Thirtieth day report following the General Election on _____ in the State of _____
- ☐ Termination Report

This report contains activity for ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

SUMMARY

		COLUMN A This Period	COLUMN B Calendar Year-to-Date
5.	Covering Period 1-1-95 through 6-30-95		
6.	Net Contributions (other than loans)		
	(a) Total Contributions (other than loans) (from Line 11(e))	8211.00	127,912.64
	(b) Total Contribution Refunds (from Line 20(d))	—	2,000.00
	(c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a))	8211.00	129,912.64
7.	Net Operating Expenditures		
	(a) Total Operating Expenditures (from Line 17)	6506.66	446,327.00
	(b) Total Offsets to Operating Expenditures (from Line 14)	1108.65	4,424.73
	(c) Net Operating Expenditures (subtract Line 7(b) from 7(a))	5398.01	441,902.27
8.	Cash on Hand at Close of Reporting Period (from Line 27)	4003.72	
9.	Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D)	—	
10.	Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D)	336,533.87	

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer: Lawrence Lally

Signature of Treasurer: [signature]

Date: 7/28/95

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g.

FEC FORM 3
(Revised 4/87)

DETAILED SUMMARY PAGE

of Receipts and Disbursements

(Page 2, FEC FORM 3)

Name of Committee (in full): Lally For Congress

Report Covering the Period: From 1-1-95 To 6-30-95

I. RECEIPTS	COLUMN A Total This Period	COLUMN B Calendar Year-To-Date	
11. CONTRIBUTIONS (other than loans) FROM			
(a) Individuals/Persons Other Than Political Committees			
(i) Itemized (use Schedule A)	$1,000.00		11(a)
(ii) Unitemized	$6,711.00		11(a)
(iii) Total of contributions from individuals	$7711.00	95,062.64	11(a)
(b) Political Party Committees	$500.00	14550.00	11(b)
(c) Other Political Committees (such as PACs)	—	18300.00	11(c)
(d) The Candidate	—	—	11(d)
(e) TOTAL CONTRIBUTIONS (other than loans)(add 11(a)(iii), (b), (c) and (d))	$8211.00	127,912.64	11(e)
12. TRANSFERS FROM OTHER AUTHORIZED COMMITTEES	—	—	12
13. LOANS			
(a) Made or Guaranteed by the Candidate	—	319,992.35	13(a)
(b) All Other Loans	—	—	13(b)
(c) TOTAL LOANS (add 13(a) and (b))	—	319,992.35	13(c)
14. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	$1,108.65	4424.73	14
15. OTHER RECEIPTS (Dividends, Interest, etc.)	—	—	15
16. TOTAL RECEIPTS (add 11(e), 12, 13(c), 14 and 15)	$9319.65	452,329.72	16
II. DISBURSEMENTS			
17. OPERATING EXPENDITURES	$6506.66	446,327.00	17
18. TRANSFERS TO OTHER AUTHORIZED COMMITTEES	—	—	18
19. LOAN REPAYMENTS			
(a) Of Loans Made or Guaranteed by the Candidate	—	—	19(a)
(b) Of All Other Loans	—	—	19(b)
(c) TOTAL LOAN REPAYMENTS (add 19(a) and (b))	—	—	19(c)
20. REFUNDS OF CONTRIBUTIONS TO			
(a) Individuals/Persons Other Than Political Committees	—	2000.00	20(a)
(b) Political Party Committees	—	—	20(b)
(c) Other Political Committees (such as PACs)	—	—	20(c)
(d) TOTAL CONTRIBUTION REFUNDS (add 20(a), (b) and (c))	—	2000.00	20(d)
21. OTHER DISBURSEMENTS	—	—	21
22. TOTAL DISBURSEMENTS (add 17, 18, 19(c), 20(d) and 21)	$6506.66	448,327.00	22

III. CASH SUMMARY

23. CASH ON HAND AT BEGINNING OF REPORTING PERIOD	$ 1,189.73	23
24. TOTAL RECEIPTS THIS PERIOD (from Line 16)	$ 9319.65	24
25. SUBTOTAL (add Line 23 and Line 24)	$ 10,509.38	25
26. TOTAL DISBURSEMENTS THIS PERIOD (from Line 22)	$ 6506.66	26
27. CASH ON HAND AT CLOSE OF THE REPORTING PERIOD (subtract Line 26 from 25)	$ 4,003.72	27

SCHEDULE A **ITEMIZED RECEIPTS**

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER 11(a)(i)

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

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
A. Jon Santemma, 120 Mineola Blvd., Mineola, NY 11501 — Receipt For: [ ] Primary [X] General [ ] Other (specify)	Self. / Attorney — Aggregate Year-to-Date $ 1750.00	6-14-95	$500.00
B. David Mack, 370 W. Passaic St., Rochelle Pk, NJ 07662 — Receipt For: [ ] Primary [X] General [ ] Other (specify)	Self / Businessman — Aggregate Year-to-Date $ 1500.00	6-14-95	$500.00
C. Full Name, Mailing Address and ZIP Code — Receipt For: [ ] Primary [ ] General [ ] Other (specify)	Name of Employer / Occupation — Aggregate Year-to-Date $		
D. Full Name, Mailing Address and ZIP Code — Receipt For: [ ] Primary [ ] General [ ] Other (specify)	Name of Employer / Occupation — Aggregate Year-to-Date $		
E. Full Name, Mailing Address and ZIP Code — Receipt For: [ ] Primary [ ] General [ ] Other (specify)	Name of Employer / Occupation — Aggregate Year-to-Date $		
F. Full Name, Mailing Address and ZIP Code — Receipt For: [ ] Primary [ ] General [ ] Other (specify)	Name of Employer / Occupation — Aggregate Year-to-Date $		
G. Full Name, Mailing Address and ZIP Code — Receipt For: [ ] Primary [ ] General [ ] Other (specify)	Name of Employer / Occupation — Aggregate Year-to-Date $		

SUBTOTAL of Receipts This Page (optional) .....

TOTAL This Period (last page this line number only) $1000.00

SCHEDULE A

ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE | | OF | |

FOR LINE NUMBER: 11(b)

Contributions from Political Comm.

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	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Citizens for Tully		2-6-95	$500.00
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $ 500.00		
B. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		
C. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		
D. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		
E. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		
F. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		
G. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date > $		

SUBTOTAL of Receipts This Page (optional) .....

TOTAL This Period (last page this line number only) $500.00

SCHEDULE A — ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE ___ OF ___

FOR LINE NUMBER 14

OFFSETS TO OPERATING EXPENDITURES

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

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
A. Nynex, New York, NY Receipt For: ☐ Primary ☑ General ☐ Other (specify)	Refund - Telephone Aggregate Year-to-Date $ 160.83	1-1-95	$ 160.83
B. Lilco - Hicksville, New York Receipt For: ☐ Primary ☑ General ☐ Other (specify)	Refund - Electric Aggregate Year-to-Date $ 543.29	1-27-95	$ 543.29
C. Copyrite Rep., 207C Broadway, Hnta. Sta., NY 11748 Receipt For: ☐ Primary ☑ General ☐ Other (specify)	Refund - Rental Aggregate Year-to-Date $ 404.53	1-30-95	$404.53
D. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Name of Employer / Occupation Aggregate Year-to-Date $	Date (month, day, year)	Amount of Each Receipt this Period
E. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Name of Employer / Occupation Aggregate Year-to-Date $	Date (month, day, year)	Amount of Each Receipt this Period
F. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Name of Employer / Occupation Aggregate Year-to-Date $	Date (month, day, year)	Amount of Each Receipt this Period
G. Full Name, Mailing Address and ZIP Code Receipt For: ☐ Primary ☐ General ☐ Other (specify)	Name of Employer / Occupation Aggregate Year-to-Date $	Date (month, day, year)	Amount of Each Receipt this Period

SUBTOTAL of Receipts This Page (optional) .....

TOTAL This Period (last page this line number only) [illegible]

SCHEDULE B **ITEMIZED DISBURSEMENTS**

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER 17

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
L.I. Catholic 99 N. Village Ave. Rockville Ctr, NY 11570	Advertisement Disbursement for: [ ] Primary [X] General [ ] Other (specify)	1-25-95	$1575.00
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Thomas Ballau 14 Albert Ct. Staten Isl, NY 10303	Consult. Fee Disbursement for: [ ] Primary [X] General [ ] Other (specify)	1-20-95 6-20-95	$1,000.00 $2,000.00
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Anton Newspaper 132 E. 2nd St. Mineola, NY 11501	ADS Disbursement for: [ ] Primary [X] General [ ] Other (specify)	3-21-95 6-15-95	$550.00 505.00
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Staples Glen Cove, NY.	Office Supplies Disbursement for: [ ] Primary [X] General [ ] Other (specify)	4-5-95	$57.97
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Kinko's Stewart Ave. Garden City, NY	Copies Disbursement for: [ ] Primary [X] General [ ] Other (specify)	4-5-95	$156.24
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
AAA Stamp & Seal. Co. 26-20 Jackson Ave. LIC, NY 11101	Rubber Stamp Disbursement for: [ ] Primary [ ] General [ ] Other (specify)	4-17-95	$25.98
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Gourmet on the Go	Caterer. Disbursement for: [ ] Primary [X] General [ ] Other (specify)	5-15-95	$400.00
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Anton Community News 132 E 2nd St Mineola, NY 11501	AD Subscription Disbursement for: [ ] Primary [X] General [ ] Other (specify)	6-15-95 6-19-95	$60.00 30.00
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month, day, year)	Amount of Each Disbursement This Period
Printing Plus Merrick Road Seaford, NY	Stationery Disbursement for: [ ] Primary [X] General [ ] Other (specify)	6-26-95	$146.47

SUBTOTAL of Disbursements This Page (optional) .....

TOTAL This Period (last page this line number only) $6,506.66

4-09145

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 Election: X Primary General Other (specify)	$1,000.00	-0-	$1,000.00 (Personal Funds)

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 Election: X Primary General Other (specify)	$100,000.00	-0-	$100,000.00 (Personal Funds)

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.

SCHEDULE C
(Revised 3/80)

LOANS

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	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 Election: x Primary General Other (specify)	$25,000.00	-0-	$25,000.00 (Personal Funds)

Terms: Date Incurred 6/30/94 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 Election: x Primary General Other (specify)	$6,000.00	-0-	$6,000.00 (Personal Funds)

Terms: Date Incurred 9/9/94 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)	$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

1. 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 Election Primary X General Other (specify)	$10,000.00	-0-	$10,000.00 (Personal Funds)

Terms Date Incurred 9/14/94 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 Election Primary X General Other (specify)	$10,000.00	-0-	$10,000.00 (Personal Funds)

Terms Date Incurred 9/15/94 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)	$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.

SCHEDULE C
Revised 3/80

LOANS

Page 4 of 8 for LINE NUMBER 13
(Use separate schedule for each numbered line)

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 Election Primary x General Other (specify)	$5,000.00	-0-	$5,000.00 (Personal Funds)

Terms Date Incurred 9/30/94 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 Election Primary x General Other (specify)	$12,890.00	-0-	$12,890.00 (Personal Funds)

Terms Date Incurred 10/12/94 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)	$17,890.00
TOTALS This Period (last page in this line only)	

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

SCHEDULE C
(Revised 3/80)

LOANS

Page 5 of 8
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	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Election: Primary General Other (specify)			
Terms: Date Incurred ____ 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 Election: Primary X General Other (specify)	$30,000.00	-0-	$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)	

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	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 Election: Primary X General Other (specify)	$14,598.91	-0-	$14,598.91 (Personal Funds)

Terms: Date Incurred 10/24/94 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 Election: Primary X General Other (specify)	$49,500.00	-0-	$49,500.00 (Personal Funds)

Terms: Date Incurred 10/20/94 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)	$64,098.91
TOTALS This Period (last page in this line only)	

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	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 Election Primary X General Other (specify)	$32,000.00	-0-	$32,000.00 (Personal Funds)

Terms Date Incurred 11/1/94 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 Election Primary X General Other (specify)	$20,000.00	-0-	$20,000.00 (Personal Funds)

Terms Date Incurred 11/7/94 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)	$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	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 Election Primary X General Other (specify)	$4,003.44	-0-	$4,003.44 (Personal Funds)
Terms Date Incurred 11/29/94 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
Election Primary General Other (specify)			
Terms Date Incurred ____ Date Due ____ Interest Rate ____ % (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)	$4,003.44
TOTALS This Period (last page in this line only)	$319,992.35

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

SCHEDULE D
(Revised 3/80)

DEBTS AND OBLIGATIONS
Excluding Loans

Page 1 of 2 for
LINE NUMBER 1D
(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
A. Full Name, Mailing Address and ZIP Code of Debtor or Creditor Lawrence M. Lally 220 Old Country Rd. 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 News. 135 Liberty Ave. Mineola, NY 11501	1,055.00	-0-	1,055.00	-0-
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 Ave. Rockville Ctr. NY 11570	1575.00	-0-	1575.00	-0-
Nature of Debt (Purpose): Advertising				
1) SUBTOTALS This Period This Page (optional)				11,651.52
2) TOTALS This Period (last page in this line only)				
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)				

4-88145

SCHEDULE D
(Revised 3/80)

DEBTS AND OBLIGATIONS
Excluding Loans

Page 2 of 2
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 Lally + Lally NASSAU Bldg. 220 OLD COUNTRY Rd. Mineola NY 11501	4,890	-0-	-0-	4,890.00
Nature of Debt (Purpose): Legal Services				
B. Full Name, Mailing Address and ZIP Code of Debtor or Creditor				
Nature of Debt (Purpose)				
C. Full Name, Mailing Address and ZIP Code of Debtor or Creditor				
Nature of Debt (Purpose)				
D. Full Name, Mailing Address and ZIP Code of Debtor or Creditor				
Nature of Debt (Purpose)				
E. Full Name, Mailing Address and ZIP Code of Debtor or Creditor				
Nature of Debt (Purpose)				
F. Full Name, Mailing Address and ZIP Code of Debtor or Creditor				
Nature of Debt (Purpose)				

1) SUBTOTALS This Period This Page (optional)	4,890.00
2) TOTALS This Period (last page in this line only)	16,541.52
3) TOTAL OUTSTANDING LOANS from Schedule C (last page only)	319,992.35
4) ADD 2) and 3) and carry forward to appropriate line of Summary Page (last page only)	336,533.87

REPORT OF RECEIPTS AND EXPENDITURES

RECEIVED FEDERAL ELECTION COMMISSION 1995

1. NAME OF COMMITTEE

Larry Fox Committee

ADDRESS (Number and Street) ☐ Check if different from previously reported

220 Old Country Road

CITY, STATE and ZIP CODE — STATE/DISTRICT

Hicksville, New York 11501 — NY/05

2. FEC IDENTIFICATION NUMBER

C00 293233

3. IS THIS REPORT AN AMENDMENT? ☐ YES ☒ NO

USE FEC MAILING LABEL

TYPE OR PRINT

4. TYPE OF REPORT

- ☐ April 15 Quarterly Report
- ☐ July 15 Quarterly Report
- ☐ October 15 Quarterly Report
- ☒ January 31 Year End Report
- ☐ July 31 Mid-Year Report (Non-election Year Only)
- ☐ Twelfth day report preceding election on — Year of Election — in the State of
- ☐ Thirtieth day report following the General Election on — in the State of
- ☐ Termination Report

This report contains activity for: ☐ Primary Election ☐ General Election ☐ Special Election ☐ Runoff Election

SUMMARY

5. Covering Period 7/1/95 through 12/31/95

	COLUMN A Total Period	COLUMN B Calendar Year-to-Date
6. Net Contributions (other than loans)		
a. Total Contributions (other than loans) (from Line 11(h))	$ 11,470.00	$ 19,681.00
b. Total Contribution Refunds (from Line 20(d))	-0-	-0-
c. Net Contributions (other than loans) (subtract Line 6b from 6a)	$ 11,470.00	$ 19,681.00
7. Net Operating Expenditures		
a. Total Operating Expenditures (from Line 17)	$ 8,081.94	$ 14,588.60
b. Total Offsets to Operating Expenditures (from Line 19)	-0-	1,108.65
c. Net Operating Expenditures (subtract Line 7b from 7a)	$ 8,081.94	$ 13,479.95
8. Cash on Hand at Close of Reporting Period (from Line 27)	[illegible]	
Debts and Obligations Owed TO the Committee (from 12 or on Schedule C and/or Schedule D)		
Debts and Obligations Owed BY the Committee (from 21 or on Schedule C and/or Schedule D)		

For further information contact: Federal Election Commission, 999 E Street, NW, Washington, D.C. 20463, (800) 424-9530

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer: David M. Zaman

Signature of Treasurer: [signature]

Date: 1/10/96

FEC FORM 3 (Revised 4/87)

0 5 0 1 9 0 2 1 8

DETAILED SUMMARY PAGE

of Receipts and Disbursements

(Page 2 of Form 3)

Name of Committee (in full)

[illegible] 87th CONGRESS

Report Covering the Period

From 7/1/87 to 12/31/87

I. RECEIPTS	COLUMN A Total This Period	COLUMN B Calendar Year-To-Date
11. CONTRIBUTIONS (other than loans) from:		
(a) Individuals/Persons Other Than Political Committees		
(i) Itemized (see Schedule A)	$ 11,[illegible]00.00	
(ii) Unitemized	$ [illegible]70.00	
(iii) Total of contributions from individuals	$ 11,[illegible]	
(b) Political Party Committees	-0-	
(c) Other Political Committees (such as PACs)	-0-	
(d) The Candidate	-0-	
(e) TOTAL CONTRIBUTIONS (other than loans) (11(a)(iii) (b) (c) and (d))	$ [illegible]	$ [illegible]
12. TRANSFERS FROM OTHER AUTHORIZED COMMITTEES	-0-	
13. LOANS		
(a) Made or Guaranteed by the Candidate	-0-	
(b) All Other Loans	-0-	
(c) TOTAL LOANS (add 13(a) and (b))	-0-	
14. OFFSETS TO OPERATING EXPENDITURES (Refunds, Rebates, etc.)	-0-	
15. OTHER RECEIPTS (Dividends, Interest, etc.)	-0-	
16. TOTAL RECEIPTS (add 11(e), 12, 13(c), 14 and 15)	$ [illegible]	$ [illegible]
II. DISBURSEMENTS		
17. OPERATING EXPENDITURES	$ [illegible]	$ [illegible]
18. TRANSFERS TO OTHER AUTHORIZED COMMITTEES	-0-	-0-
19. LOAN REPAYMENTS		
(a) Of Loans Made or Guaranteed by the Candidate	-0-	-0-
(b) Of All Other Loans	-0-	-0-
(c) TOTAL LOAN REPAYMENTS (add 19(a) and (b))	-0-	-0-
20. REFUNDS OF CONTRIBUTIONS TO:		
(a) Individuals/Persons Other Than Political Committees	-0-	-0-
(b) Political Party Committees	-0-	-0-
(c) Other Political Committees (such as PACs)	-0-	-0-
(d) TOTAL CONTRIBUTION REFUNDS (add 20(a), (b) and (c))	-0-	-0-
21. OTHER DISBURSEMENTS	-0-	-0-
22. TOTAL DISBURSEMENTS (add 17, 18, 19(c), 20(d) and 21)	$ [illegible]	$ [illegible]

III. CASH SUMMARY	
23. CASH ON HAND AT BEGINNING OF REPORTING PERIOD	
24. TOTAL RECEIPTS THIS PERIOD (line 16)	
25. SUBTOTAL (add 23 and 24)	
26. TOTAL DISBURSEMENTS THIS PERIOD (line 22)	
27. CASH ON HAND AT CLOSE OF REPORTING PERIOD (line 25 minus line 26)	

0 0 0 1 5 9 0 2 1 9

SCHEDULE A ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE 1 OF 2

FOR LINE NUMBER(S) M(6)(A)

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	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Dawn Fasano 15 Westview Road Eatons Neck, NY 11768	Self Consultant	9/12/95	$1,000.00
Receipt for: X Primary X General ☐ Other (specify)	Aggregate Year-to-Date $ 1,000.00		
B. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Marie Mastrandrea 202 Oakland Avenue Deer Pk, NY 11729	Housewife	9/25/95	$1,000.00
Receipt for: X Primary X General ☐ Other (specify)			
C. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Alan Stau[illegible] 253 Washington Ave. Brooklyn, NY 11205	Self Programmer	[illegible]	[illegible]
Receipt for: X Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date $ 1,200.00		
D. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Louis Cofane, Jr. 83 Webb AVenue No. Patchogue, NY 11772	Tiden Brakes Owner	12/29/95	$1,000.00
Receipt for: X Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date $ 1,000.00		
E. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Laura M. Cofane 83 Webb Avenue No. Patchogue, NY 11772	Housewife	12/29/95	$1,0[illegible]
Receipt for: X Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date $ [illegible]		
F. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Frances [illegible] [illegible] Oakland Avenue Deer Pk.	[illegible]	[illegible]	[illegible]
Receipt for: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date $ [illegible]		
G. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount of Each Receipt this Period
Louis Cofan[illegible] [illegible] Oakland Avenue Deer Pk			
Receipt for: ☐ Primary ☐ General ☐ Other (specify)	Aggregate Year-to-Date $ [illegible]		

SUBTOTAL

TOTAL

9 5 0 1 9 2 1 0

SCHEDULE A — ITEMIZED RECEIPTS

PAGE 2 OF 2

FOR LINE NUMBER 11(a)(i)

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NAME OF COMMITTEE (In Full)

Lally For Congress

Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month day year)	Amount of Each Receipt This Period
Dave Fasano 15 Westview Road Eastons Neck, NY 11768	Self Consultant	12/12/95	$1,000.00
Marie Mastrandrea 202 Oakland Avenue Deer Pk., NY 11729	Housewife	12/15/95	$1,000.00
Carol Franz 25-19 36th Avenue L.I.C., NY 11106	Housewife	[illegible]	$1,[illegible]
Charles Franz 25-19 36th Avenue L.I.C., NY 11106	Retired	12/30/95	$1,000.00
SUBTOTAL			

SCHEDULE B — ITEMIZED DISBURSEMENTS

Use separate schedules for each category of the Detailed Summary Page

PAGE 1 OF 1

FOR LINE NUMBER: 17

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 C00295253

A. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
Thomas Ballau 14 Albert Ct. Staten Island, NY 10303	Consulting Fee	[illegible]	[illegible]
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
NYS Task Force on Demographic Research & Reapportionment 250 Broadway NY, NY 10007	Research Material	[illegible]	[illegible]
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
The Leader Box 208 Locust Valley, New York	News Subscription	[illegible]	[illegible]
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
NYNEX New York, New York	Telephone	[illegible] 10/5/85	[illegible] [illegible]
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
Queens Publishing Corp. 41-02 Bell Blvd. Bayside, NY 11361	News Subscription	[illegible]	[illegible]
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
U.S. Postal Service Mineola Post Office Mineola, NY 11501	Postage	[illegible]	[illegible]
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
Walgreen Queens, New York	[illegible]	[illegible]	[illegible]
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
[illegible] Plaza [illegible] Ocean Avenue Amityville, NY [illegible]	[illegible]	[illegible]	[illegible]
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (M/D/Y)	Amount of Each Disbursement This Period
Atlantic Publishing [illegible]	[illegible]	[illegible]	[illegible]

Subtotal [illegible]

Total [illegible]

SCHEDULE B

Use separate schedules for each category of the Detailed Summary Page	PAGE 2 OF 2
	FOR LINE NUMBER 17

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
Queens Tribune 174-15 Horace Harding Expwy Fresh Meadows, NY	News Subscription Disbursement for ☐ Primary ☐ General ☐ Other (specify)	10/3/[illegible]	$ [illegible]
B. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
Huntington News 185 Main Street Huntington, NY	News Subscription Disbursement for ☐ Primary ☐ General ☐ Other (specify)	10/[illegible]	$ 20.00
C. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
NYNEX New York, New York	Telephone Disbursement for ☐ Primary ☐ General ☐ Other (specify)	[illegible]	
D. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
Polaroid New York 1560 Broadway New York, NY 10036	Mailing Disbursement for ☐ Primary ☐ General ☐ Other (specify)	[illegible]	
E. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
Cable Vision Woodbury, NY	Cable Network Disbursement for ☐ Primary ☐ General ☐ Other (specify)	[illegible]	
F. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
	Disbursement for ☐ Primary ☐ General ☐ Other (specify)		
G. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
	Disbursement for ☐ Primary ☐ General ☐ Other (specify)		
H. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
	Disbursement for ☐ Primary ☐ General ☐ Other (specify)		
I. Full Name, Mailing Address and ZIP Code	Purpose of Disbursement	Date (month day year)	Amount of Each Disbursement This Period
	Disbursement for ☐ Primary ☐ General ☐ Other (specify)		

SUBTOTAL of Disbursements This Page (optional) $

TOTAL [illegible] $

SCHEDULE C

Revised 3/89

LOANS

Loans Made or Guaranteed by Candidate

Name of Committee (in Full)

Lally For Congress C00329383

A. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Endorser X Primary General Other (specify) Terms Date Incurred 3/8/94 Date Due ____ Interest Rate 0 Secured	$1,000.00	0	$1,000.00 Personal Funds

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 Lender Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Endorser X Primary General Other (specify) Terms Date Incurred 5/24/94 Date Due ____ Interest Rate ____ Secured	$100,000.00		

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 $

C. $ This Period This Page (optional)

D. $ This Period (last page in this line only)

Carry outstanding balance only to LINE 6, Schedule B, for this line, if no Schedule D, carry here ...

0 5 0 1 9 0 0 2 1 4

LOANS

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Lender 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 Bank Primary Guarantor Other (specify)	$25,000.00	0	$25,000.00 Personal Funds

Terms Date Incurred 6/30/94 Date Due _____ Interest Rate 0 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 Lender 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 Bank Primary Guarantor Other (specify)	$6,000.00	0	$6,000.00 Personal

Terms Date Incurred 9/9/94 Date Due _____ Interest Rate 0 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 $	

SCHEDULE C

Revised 2/94

LOANS

Name of Committee (in Full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Outstanding Payments To Date	Amount Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	$10,000.00	-0-	$10,000.00 Personal Funds

Secured ☐ Endorser ☐ Guarantor ☐ Other (specify) ☐

Terms: Date Incurred 9/14/94 Date Due _____ Interest Rate 0 Period _____

List All Endorsers or Guarantors (if any) in Item 8

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

B. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Outstanding Payments To Date	Amount Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	$10,000.00		

Secured ☐ Endorser ☐ Guarantor ☐ Other (specify) ☐

Terms: Date Incurred 9/15/94 Date Due _____ Interest Rate 0 Period _____

List All Endorsers or Guarantors (if any) in Item 8

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

[illegible]

[illegible]

[illegible]

SCHEDULE C

LOANS

Lolly For Congress

A. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lolly 345 Harbor Drive Oyster Bay, NY 11771	$5,000.00	-0	$5,000.00 (Personal Funds)

Terms: Date Incurred 3/30/94 Date Due: Interest Rate: 0 Secured: Security:

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

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

B. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
Grant M. Lolly 345 Harbor Drive Oyster Bay, NY 11771	$12,890.00		(Personal Funds)

Terms: Date Incurred 10/12/94 Date Due: Interest Rate: Secured: Security:

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

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

Page 4 of 8 Pages

Total This Page (optional)

Total This Period (last page of this period only)

Carry outstanding balance only to Line 8 of Summary Page of this Schedule

SCHEDULE C
Revised 3/89

LOANS

Name of Committee (in full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Lender Endorser	Original Amount of Loan	Outstanding Payments To Date	Balance Outstanding at Close of This Period
Endorser Primary Secondary Other (specify)			
Terms Date Incurred ____ Date Due ____ Interest Rate ____ 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 Lender Endorser	Original Amount of Loan	Outstanding Payments To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771	$30,000.00	-0-	$30,000.00 Personal Funds
Endorser Primary X Secondary Other (specify)			
Terms Date Incurred 10/19/94 Date Due ____ Interest Rate -0- 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 $	

9 5 0 1 9 0 0 2 1 3

SCHEDULE C

LOANS

Lally For Congress

Grant M. Lally
345 Harbor Drive
Oyster Bay, NY 11771

Original Amount of Loan: $14,598

Date Incurred: 10/24/94

Grant M. Lally
345 Harbor Drive
Oyster Bay, NY 11771

Original Amount of Loan: $49,500

Date Incurred: 10/20/94

SCHEDULE C
Revised 3/89

LOANS

Page 7 of 8
FEC NUMBER 13a

Name of Committee (Filer)
Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election Primary Runoff Other (specify)	$32,000.00	-0-	$32,000.00 Personal Funds

Terms Date Incurred 11/1/96 Date Due _____ Interest Rate 0 Secured Secured

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

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

B. Full Name, Mailing Address and ZIP Code of Lender Source	Original Amount of Loan	Cumulative Payments To Date	Balance Outstanding at Close of This Period
Grant M. Lally 345 Harbor Drive Oyster Bay, NY 11771 Election Primary Runoff Other (specify)	$20,000.00	-0-	$20,000.00 Personal Funds

Terms Date Incurred 11/7/96 Date Due _____ Interest Rate 0 Secured Secured

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

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

Total This Page (optional)

Total all pages of this schedule

Carry outstanding balance only to Line 8, Schedule D for this page and the Schedule D last page of this schedule.

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SCHEDULE C

Revised 3/85

LOANS

Name of Committee (in full)

Lally For Congress

A. Full Name, Mailing Address and ZIP Code of Lender Source

Grant M. Lally
345 Harbor Drive
Oyster Bay, NY 11771

Original Amount of Loan: $4,003 44

Cumulative Payment To Date:

Balance Outstanding at Close of This Period: $4 44

Election: Primary General Other (specify)

Terms: Date Incurred [illegible] Date Due: Interest Rate: Secured:

List All Endorsers or Guarantors (if any) in 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 Lender Source

Original Amount of Loan:

Cumulative Payment To Date:

Balance Outstanding at Close of This Period:

Election: Primary General Other (specify)

Terms: Date Incurred: Date Due: Interest Rate: Secured:

List All Endorsers or Guarantors (if any) in 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 $

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8 5 0 1 2 0 2 1 1

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 17, 1996

Emily Rose DeGregorio
14 Bob-O-Link Lane
Northport, NY 11768-3305

RE: MUR 4362

Dear Ms. DeGregorio:

This letter acknowledges receipt on May 14, 1996, of your complaint 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 4362. 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,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure
Procedures

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 17, 1996

Chet Szarejko
252-36 63rd Avenue
Little Neck, NY 11362

RE: MUR 4362

Dear Mr. Szarejko:

This letter acknowledges receipt on May 14, 1996, of your complaint 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 4362. 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,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure
Procedures

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 17, 1996

Claudia Doliner
14 Andover Road
Port Washington, NY 11050

RE: MUR 4362

Dear Ms. Doliner:

This letter acknowledges receipt on May 14, 1996, of your complaint 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 4362. 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,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure
Procedures

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 17, 1996

Grant M. Lally
345 Harbor Drive
Oyster Bay, NY 11771

RE: MUR 4362

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 4362. 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,

Colleen T. Sealander, Attorney
Central Enforcement Docket

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

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL COUNSEL

GENTILE and CIAMPOLI

ATTORNEYS AND COUNSELLORS AT LAW

JUL 19 2 16 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
[redacted]
518 758 1845

PLEASE RESPOND TO: Main Office

June 30, 1996

Colleen T. Sealander, Esq.
Federal Election Commission
999 E Street NW
Washington, D.C. 20463

RE: MUR 4362

Dear Ms. Sealander:

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 to the allegations in the complaint.

On behalf of our client, we would want to put forth an offer to amend the subject filings to reflect the attribution of expenditures to the appropriate campaign cycle.

We would greatly appreciate the guidance of your agency in determining whether the filings made by the committee during the 1996 calendar year are being considered by the commission, with a new treasurer, Bruce Cozzens, Esq., as made by a new committee or continued filings by the 1994 campaign committee for the current (1996) campaign cycle.

It is our belief that the affidavit submitted, together with appropriate amendments, should resolve any remaining questions raised by the complaint. 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: _____

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

JUL 19 2 16 PM '96

DAWN M. FASANO, being duly sworn, deposes and says under the penalties of perjury:

1. That she is the Treasurer of the Lally for Congress Committee, for the period of time question.

2. That she has reviewed the complaint in MUR 4362 and the relevant disclosure filings mentioned therein.

3. The funds raised by the Lally for Congress Committee for the period in question were used for the purposes of retiring debt and obligations of the committee and maintaining the operations of the Committee so that efforts at debt reduction could be sustained.

4. The obligations and debts of the Committee retired by the funds raised were as follows:

Thomas Ballau	$ 1,578.00
John Plant	$ 500.00
Prime NY	$ 5,500.00
Long Is. Catholic	$ 1,575,00
Thomas Ballau	$ 1,000.00
	$ 2,000.00
Anton Newspaper	$ 550.00
	$ 505.00
TOTAL	$13,208.00

5. The costs associated with fundraising/debt retirement activities were as follows:

Nynex	$ 7.93
	$ 20.90
	$ 131.39
	$ 104.24
Staples	$ 57.97
Kinkos	$ 156.24
AAA Stamp	$ 25.98
Gourmet on the Go	$ 400.00
Printing Plus	$ 146.47
TOTAL	$1,051.12

6. The total amount allegedly received by the Lally Committee was $19,681. ($8,211. + $11,470.)

7. The aggregate amount of debt retirement and associated costs was $14,259.12 with $7,391.78 in cash remaining on hand.

8. The aggregate amount of monies relates to debt retirement and associated activities as well as cash on hand was $21,650.90. This amount exceeds the amount raised and undermines the allegation that $5,000 was raised for the 1996 campaign.

9. The Committee has requested attribution letters from all donors upon learning of this problem. A copy has been attached.

10. The Committee is in the process of amending its filings to attribute expenditures to the 1994 campaign.

Dawn M. Fasano
DAWN M. FASANO

Sworn to before me this
28th day of June, 1996

Notary Public
Lawrence M. Lally
Notary Public
State of New York
02-LA2236465
Nassau Co. Exp. 5/30/97

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 4362
DATE COMPLAINT FILED: May 14, 1996
DATE OF NOTIFICATION: May 17, 1996
DATE ACTIVATED: July 19, 1996

STAFF MEMBER: Xavier K. McDonnell

SOURCE: Complaint

RESPONDENTS: Grant M. Lally
Lally for Congress and
Bruce Cozzens, as treasurer

RELEVANT STATUTES: 2 U.S.C. § 434(b)(8)
2 U.S.C. § 432(e)(1)
11 C.F.R. § 431(2)
11 C.F.R. § 104.11

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

The complainants Claudia Doliner, Chet Szarejko and Emily Rose DeGregorio allege that Grant Lally, a 1994 and 1996 New York 5th district Congressional candidate, violated 2 U.S.C. § 432(e)(1) by failing to timely file his statement of candidacy for the 1996 electoral cycle. The candidate and Lally for Congress ("Lally campaign" or "Committee") have filed a response denying the allegations. See Response, received on July 19, 1996 ("Response").

II. FACTUAL AND LEGAL ANALYSIS

A. Applicable Law

The Federal Election Campaign Act of 1971, as amended, (the "Act") 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). 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).

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 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).

B. Background/Summary of Complaint and Responses

Grant Lally ran for Congress in New York's 5th Congressional district in 1994. In its first report after the 1994 election cycle, the Committee reported 1994 election cycle debts totaling $334,273, almost all of which was owed to the candidate himself. See Attachment 1 at 1 and MUR 4128. The Committee's 1994 non-candidate debt, totaling $14,281, was owed to various vendors: $5,686 to Prime New York, $3,065 to N.S. Pedersen, $2,400 to Lawrence Lally, $1,575 to L.I. Catholic, $1,055 to Anton Newspapers, and $500 to John Plant. Attachment 1 at 1 and 2.

In 1995, the Committee received $19,681 in contributions; $8,211 during the first six months and $11,470 during the second six months. Attachment 1 at 4-5, 10-11. The Committee's reports did not indicate that the $19,681 in contributions received were for 1994 debt retirement. During 1995, the Committee reported paying off $8,630 of the $14,281 that had been reported as non-candidate debt on its 1994 reports. Specifically, it reported paying Prime New York $5,500,[2] Long Island Catholic $1,575, Anton Newspapers $1,055 and John Plant $500. Attachment 1 at 8, 9 and 16. Although the Committee's 1995 Year End Report continued to include a $2,400 debt owed to Lawrence Lally, it omitted the $3,065 owed to N.S. Pedersen Co. Id. at 16. In response to a request for information from the Reports Analysis Division, the

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[2] The Committee's reports do not explain the difference in the $5,686 debt owed to Prime New York and the $5,500 it actually paid.

Committee 's treasurer wrote that [a]fter reviewing our records, we found that this debt never existed, and was mistakenly reported." Attachment 1 at 3.

Grant Lally filed his Statement of Candidacy on June 3, 1996, after he was notified of this complaint. According to the complainants, since only a portion of the $19,681 in contributions received by the Committee during 1995 was used to retire debt from Grant Lally's 1994 campaign, Grant Lally should have filed his Statement of Candidacy for the 1996 election cycle in 1995. See Complaint received on May 14, 1996, at page 2. As Mr. Lally did not file his 1996 Statement until June 3, 1996, complainants allege he has violated 2 U.S.C. § 432(e)(1).

The Respondents submitted an affidavit from Dawn Fasano, the treasurer of the Lally campaign during the time in question. See Response. Ms. Fasano avers that the contributions received during 1995 were either used for the purpose of retiring 1994 debt or not used at all. The Committee acknowledges that its 1995 reports did not indicate that the contributions were made to retire 1994 debt. Although these contributions were received after the 1994 election cycle, it does not appear that the Committee obtained written designations for them. Such written designations would be required for contributions to be accepted for 1994 debt. See 11 C.F.R. § 110.1(b)(3)(ii) and (iii). The former treasurer avers that the Committee "has requested attribution letters from all donors upon learning of the problem." Response at page 3. The former treasurer used the word "attribution," but she appears to have meant "designation" or "redesignation." See 11 C.F.R. § 110.1(b)(k)(3) and (5).[3] The Committee claims it will amend

[3] We note that our review of disclosure reports shows that these 1995 contributors had not already given the maximum amount towards the 1994 election cycle.

its reports to properly disclose what election the contributions were given for, but to date there is no indication that it has done so.

The Committee states that $14,259 of the $19,681 raised in 1995 was "used for the purposes of retiring debts and obligations of the [C]ommittee and maintaining the operations of the Committee so that efforts at debt reduction could be sustained." Response at page 2. 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. Id. at 2-3. Included in the $13,208, however, are three payments totaling $4,578 that had not been reported as 1994 debt. Those three payments were paid to Thomas Ballau for "consulting fees" as follows: $1,000 on January 1, 1995, $2,000 on June 20, 1995 and $1,578 on July 11, 1995. Attachment 1 at 9 and 14. As for the remaining portion of the contributions received by Lally for Congress during 1995, which amounted to $5,422, the Committee asserts that none of those funds were spent. The Committee thus argues that since none of the $19,681 in contributions received during 1995 was spent on 1996 electoral activities, they should not count towards Grant Lally's 1996 candidacy threshold.

The Lally campaign's reports show that during the first six months of 1996 it made expenditures totaling $16,076, most of which were for consulting services, office supplies, telephones and advertising. As the attached chart shows, 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. See Attachment 2.

C. Analysis

The information at hand raises questions concerning whether 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 $19,281 in contributions during 1995. Although the Committee now claims that a large portion of those contributions were used to pay 1994 debt, it did not report them as being designated for such debt. In fact, the Committee's response suggests that it is only now obtaining written designations for such contributions. Such written designations were required for contributions to have been accepted for the 1994 election cycle after that cycle. See 11 C.F.R. § 110.1(b)(3)(iii). Moreover, all contributions received after the 1994 election cycle that were not designated in writing by contributors for 1994 debt retirement 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, the evidence at hand suggests that by mid-1995, the Lally campaign had accepted contributions in excess of $5,000 for the 1996 election cycle.[4] As Grant Lally did not file his Statement of Candidacy until June 3, 1996, it appears that he violated Section 432(e)(1).

The Committee asserts that the contributions that it received during 1995 should not count towards the candidacy threshold because they were either spent paying off 1994 debt or were not spent at all. Yet the statute clearly provides that the candidacy threshold is triggered by either the receipt of contributions in excess of $5,000 or by the making of expenditures in excess of $5,000. See 2 U.S.C. § 431(2)(A). The Committee's receipt of $19,681 in contributions that

[4] Because $7,711 of the $8,211 in contributions received by the Committee during the first half of 1995 were unitemized, it is not possible to determine exactly when the threshold was reached. It is clear, however, that the threshold was reach by mid July, 1995, fifteen days after the last date covered by the 1995 Mid Year Report.

appear to have been for the next election cycle was therefore itself sufficient to trigger the Section 431(2)(A) contribution threshold.[5]

The Lally campaign's reports and response suggest that during 1995-96 it may have also spent in excess of $5,000 on 1996 electoral activity. The spending involved was undertaken well before Grant Lally filed his Statement of Candidacy on June 3, 1996. To begin with, the Committee made three payments totaling $4,578 to Thomas Ballau for "consulting fees" during 1995. Although the Committee's response suggests that the $4,578 was for 1994 debt, such debt to Mr. Ballau was never reported at any time during 1994. Nor have the respondents provided any independent evidence that this was 1994 debt, i.e., invoices, correspondence, etc. In addition, even the 1995 reports which disclosed such payments did not indicate that they were for a previously owed debt. If the payments made to Mr. Ballau, or any portion thereof, were for 1996 electoral activity, they would count towards Mr. Lally's Section 431(2)(A) spending threshold for candidacy. Moreover, when such payments are aggregated with those made by the Lally campaign in 1996, Grant Lally's expenditures exceeded $5,000 by February 7, 1996, almost four months prior to when Mr. Lally's Statement of Candidacy was filed. See Attachment 2. In any event, the Lally campaign's 1996 reports themselves indicate that by April 3, 1996, two months prior to when the Statement was filed, it had spent in excess of $5,000. Id.[6]

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[5] Even excluding the amount of those 1995 contributions assertedley spent paying 1994 debt, the Committee still accepted $5,422 during 1995, which would count towards the candidate's 1996 Section 431(2)(A) threshold and by itself trigger the candidacy reporting requirement.

[6] We note that during 1996 the Committee raised over $35,000 in contributions designated for the 1994 election cycle. It is currently unclear what portion of the expenditures made in 1996 were for the purpose of raising such contributions.

Third, there is additional information at hand which suggests that Mr. Lally may have been a candidate well before he filed his Statement of Candidacy. Specifically, a February 24, 1996 news article stated that Grant Lally "has been named" by county "leaders" to "oppose Ackerman again." See Attachment 3. In addition, a March 12, 1996 news editorial referred to Grant Lally as the "Republican Congressional candidate." Id.

Finally, the Lally campaign appears to have filed inaccurate information on its 1994 Year End and 1995 Mid Year Reports. As noted, the Committee had reported a debt of $3,065 to N.S. Pedersen Co. for "printing." Attachment 1 at 2. That debt was later omitted, and in response to a request from the Reports Analysis Division, the Committee claimed that the "debt never existed, and was mistakenly reported." Attachment 1 at 3. If this explanation is correct, it would appear that the Lally campaign and its treasurer violated 2 U.S.C. § 434(a) by filing inaccurate disclosure reports. In addition, if the services rendered by Mr. Ballau for which he received $4,578 in 1995 were for 1994 rather than for 1996 election-related activity, as the Committee's response suggests, then the Lally campaign may have violated 2 U.S.C. § 434(b)(8) by failing to report such debt when required.[7]

In light of the foregoing information and unanswered questions and given that there is already an ongoing investigation involving this same candidate and Committee which will make possible resolving these issues with a limited amount of additional resources, see MUR 4128, this Office recommends that the Commission find reason to believe that Grant M. Lally violated

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[7] The debt was reported as a "consulting fee" rather than as salary and, as noted, was paid on January 20, June 20, and July 11, 1995. Thus, even if the payments were for 1994 activity, they do not appear to have been a regularly reoccurring administrative expense that might be permitted to be reported on the payment due date. See 11 C.F.R. § 104.11.

2 U.S.C. § 432(e)(1) 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(a) by inaccurately reporting debt and 2 U.S.C. § 434(b)(8) by failing to report debt.

III. RECOMMENDATIONS

1. Find reason to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1).

2. Find reason to believe that Lally for Congress and Bruce Cozzens, as treasurer, violated 2 U.S.C. §§ 434(a) and 434(b)(8).

3. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

11/26/96
Date

BY: Lois G. Lerner
Associate General Counsel

Attachments
1. Disclosure reports
2. Chart
3. News Articles
4. Factual and Legal Analysis

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Grant M. Lally;	)	MUR 4362
Lally for Congress and Bruce	)	
Cozzens, as treasurer.	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on December 3, 1996, the Commission decided by a vote of 5-0 to take the following actions in MUR 4362:

1. Find reason to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1).

2. Find reason to believe that Lally for Congress and Bruce Cozzens, as treasurer, violated 2 U.S.C. §§ 434(a) and 434(b)(8).

3. Approve the appropriate letters, as recommended in the General Counsel's Report dated November 26, 1996.

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

Attest:

12-4-96
Date

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

Received in the Secretariat: Tues., Nov. 26, 1996 2:39 p.m.
Circulated to the Commission: Wed., Nov. 27, 1996 11:00 a.m.
Deadline for vote: Tues., Dec. 03, 1996 4:00 p.m.

mwd

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.

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

Lee Ann Eliott
Chairman

Enclosures:

Factual and Legal Analysis
Subpoenas

cc: Lally and Lally, Esquires
220 Old Country Road
Mineola, New York 11501

9 3 0 4 5 5 6 4 9 4 1

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

MUR: 4362

RESPONDENTS: Grant M. Lally
Lally for Congress and
Bruce Cozzens, as treasurer

I. GENERATION OF MATTER

The complainants Claudia Doliner, Chet Szarejko and Emily Rose DeGregorio allege that Grant Lally, a 1994 and 1996 New York 5th district Congressional candidate, violated 2 U.S.C. § 432(e)(1) by failing to timely file his statement of candidacy for the 1996 electoral cycle. The candidate and Lally for Congress ("Lally campaign" or "Committee") have filed a response denying the allegations.

II. APPLICABLE LAW

The Federal Election Campaign Act of 1971, as amended, (the "Act") 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). 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).

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 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).

III. SUMMARY OF COMPLAINT AND RESPONSES

In its first report after the 1994 election cycle, the Committee reported 1994 election cycle debts totaling $334,273. Of that amount, it reported non-candidate debt, totaling $14,281, that was owed to various vendors: $5,686 to Prime New York, $3,065 to N.S. Pedersen, $2,400 to Lawrence Lally, $1,575 to L.I. Catholic, $1,055 to Anton Newspapers, and $500 to John Plant.

During 1995, the Committee received $19,681 in contributions; $8,211 in the first six months and $11,470 during the second six months. The Committee's reports did not indicate

that the $19,681 in contributions received were for 1994 debt retirement. During 1995, the Committee reported paying off $8,630 of the $14,281 that had been reported as non-candidate debt on its 1994 reports. Specifically, it reported paying Prime New York $5,500,[1] Long Island Catholic $1,575, Anton Newspapers $1,055 and John Plant $500. Although the Committee's 1995 Year End Report continued to include a $2,400 debt owed to Lawrence Lally, it omitted the $3,065 owed to N.S. Pedersen Co. In response to a request for information from the Reports Analysis Division, the Committee 's treasurer wrote that [a]fter reviewing our records, we found that this debt never existed, and was mistakenly reported."

According to the complainants, since only a portion of the $19,681 in contributions received by the Committee during 1995 was used to retire debt from Grant Lally's 1994 campaign, Grant Lally should have filed his Statement of Candidacy for the 1996 election cycle in 1995. As Mr. Lally did not file his 1996 Statement until June 3, 1996, complainants allege he has violated 2 U.S.C. § 432(e)(1).

The Respondents submitted an affidavit from Dawn Fasano, the treasurer of the Lally campaign during the time in question. Ms. Fasano avers that the contributions received during 1995 were either used for the purpose of retiring 1994 debt or not used at all. The Committee acknowledges that its 1995 reports did not indicate that the contributions were made to retire 1994 debt. The former treasurer avers that the Committee "has requested attribution letters from all donors upon learning of the problem." Although the treasurer used the word "attribution" she appears to have meant "designation" or "redesignation." See 11 C.F.R. § 110.1(b)(k)(3) and (5).

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[1] The Committee's reports do not explain the difference in the $5,686 debt owed to Prime New York and the $5,500 it actually paid.

The Committee claims it will amend its reports to properly disclose what election the contributions were given for, but to date there is no indication that it has done so.

The Committee states that $14,259 of the $19,681 raised in 1995 was "used for the purposes of retiring debts and obligations of the [C]ommittee 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. Included in the $13,208, however, are three payments totaling $4,578 that had not been reported as 1994 debt. Those three payments were paid to Thomas Ballau for "consulting fees" as follows: $1,000 on January 1, 1995, $2,000 on June 20, 1995 and $1,578 on July 11, 1995. As for the remaining portion of the contributions received by Lally for Congress during 1995, which amounted to $5,422, the Committee asserts that none of those funds were spent. The Committee thus argues that since none of the $19,681 in contributions received during 1995 was spent on 1996 electoral activities, they should not count towards Grant Lally's 1996 candidacy threshold.

The Lally campaign's reports show that during the first six months of 1996 it made expenditures totaling $16,076, most of which were for consulting services, office supplies, telephones and advertising. As the attached chart shows, 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.

IV. ANALYSIS

The information at hand raises questions concerning whether 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 $19,281 in contributions during 1995. Although the Committee now claims that a large portion of those contributions were used to pay 1994 debt, it did not report them as being designated for such debt. In fact, the response suggests that the contributors had not designated in writing that their contributions by used for 1994 debt. Such written designations were required for such contributions to have been accepted at that time for the 1994 election cycle. See 11 C.F.R. § 110.1(b)(3)(iii). Under the Commission's regulations, all contributions received after the 1994 election cycle that were not designated in writing by contributors for 1994 debt retirement were considered to have been made with respect to the next election, in this case the 1996 primary. Thus, the evidence at hand suggests that 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 Committee asserts that the contributions that it received during 1995 should not count towards the candidacy threshold because they were either spent paying off 1994 debt or were not spent at all. Yet the statute clearly provides that the candidacy threshold is triggered by either the receipt of contributions in excess of $5,000 or by the making of expenditures in excess of $5,000. See 2 U.S.C. § 431(2)(A). Thus, the Committee's receipt of $19,681 in contributions that appear to have been for the next election cycle was itself sufficient to trigger the Section 431(2)(A) contribution threshold.[2]

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[2] Even excluding the amount of those 1995 contributions assertedley spent paying 1994 debt, the Committee still accepted $5,422 during 1995, which would count towards the candidate's 1996 Section 431(2)(A) threshold and by itself trigger the candidacy reporting requirement.

The Lally campaign's reports and response suggest that during 1995-96 it may have also spent in excess of $5,000 on 1996 electoral activity. The spending involved was undertaken well before Grant Lally filed his Statement of Candidacy on June 3, 1996. To begin with, the Committee made three payments totaling $4,578 to Thomas Ballau for "consulting fees" during 1995. Although the Committee's response suggests that the $4,578 was for 1994 debt, such debt to Mr. Ballau was never reported at any time during 1994. Nor have the respondents provided any independent evidence of the debt, i.e., invoices, correspondence, etc. In addition, even the 1995 reports which disclosed such payments did not indicate that they were for a previously owed debt. If the payments made to Mr. Ballau, or any portion thereof, were for 1996 electoral activity, they would count towards Mr. Lally's Section 431(2)(A) spending threshold for candidacy. Moreover, when such payments are aggregated with those made by the Lally campaign in early 1996, the Committee appears to have spent in excess of $5,000 by February 7, 1996, almost four months prior to when Mr. Lally's Statement of Candidacy was filed. In any event, the Lally campaign's 1996 reports themselves indicate that by April 3, 1996, two months prior to when the Statement was filed, it had spent in excess of $5,000.

Third, there is additional information at hand which suggests that Mr. Lally may have been a candidate well before he filed his Statement of Candidacy. Specifically, a February 24, 1996 news article stated that Grant Lally "has been named" by county "leaders" to "oppose Ackerman again." See Attachment. In addition, a March 12, 1996 news editorial referred to Grant Lally as the "Republican Congressional candidate." Id.

Finally, the Lally campaign appears to have filed inaccurate information on its 1994 Year End and 1995 Mid Year Reports. As noted, the Committee had reported a debt of $3,065 to N.S.

Pedersen Co. for "printing." That debt was later omitted, and in response to a request from the Reports Analysis Division, the Committee claimed that the "debt never existed, and was mistakenly reported." If this explanation is correct, it would appear that the Lally campaign and its treasurer violated 2 U.S.C. § 434(a) by filing inaccurate disclosure reports. In addition, if the services rendered by Mr. Ballau for which he received $4,578 in 1995 were for 1994 rather than for 1996 election-related activity, as the Committee's response suggests, then the Lally campaign may have violated 2 U.S.C. § 434(b)(8) by failing to report such debt when required.

In light of the foregoing information, there is reason to believe that Grant M. Lally violated 2 U.S.C. § 432(e)(1) 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(a) by inaccurately reporting debt and 2 U.S.C. § 434(b)(8) by failing to report debt.

12-30-96

LALLY AND LALLY
ATTORNEYS AT LAW
THE NASSAU BUILDING
920 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501
(516) 741-0666
FACSIMILE NUMBER
(516) 748-0600

December 23, 1996

Xavier McDonnell, Esq.
Federal Election Commission
Office of the General Council
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR #4128 & MUR #4362

Dec 23 5 1996

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.

RECEIVED
FEDERAL ELECTION
COMMISSION

BEFORE THE FEDERAL ELECTION COMMISSION

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.

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

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Lally for Congress and Bruce Cozzens, as treasurer;	)	MURs 4128 & 4362
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

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 K McDonnell

Xavier McDonnell

cc: John Ciampoli, Esq.

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,

Deborah L. Rice

Deborah L. Rice
Paralegal

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

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

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

Xavier K. McDonnell
Attorney

Enclosure

Designation of Counsel form

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 15-51/030 P 506,452,832

Check No.

02 18 97 77 PHILADELPHIA, PA 2036 99282161
260961 05 DAWN FASANO 95350001

Pay to the order of DAWN FASANO F E C WASH DC

$****40.00

VOID AFTER ONE YEAR

PO NO 7AW024 WITNESS FEE

⑈2036⑈ ⑆000000518⑆ 99282161⑈ 030297

DAWN FASANO
2529 36th Avenue
Astoria, N.Y. 11106

March 7, 1997

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 [illegible]
HAUPPAUGE, NEW YORK 11788
516 265-[illegible]
FAX 516 265-[illegible]

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 neccessary to effectively run the campaign as well as the time off from my law practice, the following is a proposed compensation schedule

Dates	Retainer
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

TERESA A. WHITE
ATTORNEY AT LAW
[illegible] TEXAS MEMORIAL HIGHWAY
SUITE [illegible]
BAYTOWN, TEXAS [illegible]
[illegible]
FAX [illegible]

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

Teresa A. White

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

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.

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT. THIS INSTRUMENT SHOULD BE USED BY LAWYERS ONLY.

THIS INDENTURE, made the 27 day of May, nineteen hundred and [illegible]

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 Plac 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 Norterly 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

STATE OF [redacted] YORK, COUNTY OF ss:

On the [redacted] day of , 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 [redacted] YORK, COUNTY OF ss:

On the [redacted] 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 ss:

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 h name thereto by like order

STATE OF NEW YORK, COUNTY OF ss:

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 h name as witness thereto.

Bargain and Sale Deed

WITH COVENANT AGAINST GRANTOR'S ACTS

TITLE NO.

GRANT M. LALLY

TO

LAWRENCE M. LALLY

SECTION 16
BLOCK 4534
LOT 74
COUNTY [redacted] Bronx

Recorded At Request of
First American Title Insurance Company of New York

RETURN BY MAIL TO:

LALLY & LALLY, ESQS.
220 Old Country Road
Mineola, New York

Zip No. 11501

STANDARD FORM OF NEW YORK BOARD OF TITLE UNDERWRITERS
Distributed by
First American Title Insurance Company of New York

RESERVE THIS SPACE FOR USE OF RECORDING OFFICE

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

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

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

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: [signature]
Lois G. Lerner
Associate General Counsel

Attachment

Letter from Lawrence Lally, Esquire

Staff Assigned: Xavier K. McDonnell

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 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,

Xavier K. McDonnell
Attorney

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

LALLY AND LALLY
ATTORNEYS AT LAW
THE NASSAU BUILDING
220 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501
(516) 741-2666
FACSIMILE NUMBER
(516) 742-6533

JUL 21 2 ... '97

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

FEDERAL ELECTION COMMISSION
SECRETARIAT

JUL 22 1 35 P.M. '97

FEDERAL ELECTION COMMISSION
Washington, DC 20463

SENSITIVE

July 22, 1997

MEMORANDUM

TO: The Commission

FROM: Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
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

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 Cozzens, as treasurer;	)	MURs 4128 and 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

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 preprobable 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

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

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[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

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. <u>$116,000 RECEIVED FROM LAWRENCE AND UTE LALLY</u>

i. <u>Facts</u>

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

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.

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[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.

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]

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[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.

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

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[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

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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' 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

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[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

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[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

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[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 porti n 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

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

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[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,

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[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.

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

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[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.

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[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

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[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.

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

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[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 subpoened 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

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[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

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[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

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. 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 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

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.

7/24/97
Date

Lawrence M. Noble
General Counsel

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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 extention 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 transcrips 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

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,

Benjamin L. Ginsberg
Counsel for Respondents

Attachments

STATEMENT OF DESIGNATION OF COUNSEL

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 6408

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

RESPONDENT'S NAME: Lally for Congress and Bruce Owens, as Treasurer

ADDRESS:

HOME PHONE:

BUSINESS PHONE:

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.

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TELEPHONE: (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

Signature

RESPONDENT'S NAME: Ute Wolff Lally

ADDRESS:

HOME PHONE:

BUSINESS PHONE:

STATEMENT OF DESIGNATION OF COUNSEL

MUR 4362,4128

NAME OF COUNSEL: Benjamin L. Ginsberg

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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.

8/6/97

Date

Signature

RESPONDENT'S NAME: Grace M. Lilly

ADDRESS:

HOME PHONE:

BUSINESS PHONE:

STATEMENT OF DESIGNATION OF COUNSEL

AUG 11 12 21 PM '97

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2550 M Street, N.W.

Washington, D.C. 20037

TELEPHONE: (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

Signature

RESPONDENT'S NAME: Lawrence M. Kelly

ADDRESS:

HOME PHONE:

BUSINESS PHONE:

Aug 12 2 03 PM '97

FEDERAL ELECTION COMMISSION
Washington, DC 20463

August 12, 1997 **SENSITIVE**

MEMORANDUM

TO The Commission

FROM Lawrence M Noble
General Counsel

BY Lois G Lerner
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

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 12, 1997

MEMORANDUM

TO The Commission

From Lawrence M. Noble
General Counsel

BY Lois G. Lerner
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

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

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Lally for Congress and Grant M. Lally, as treasurer;	)	MURs 4128 and 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

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,

Xavier K. McDonnell

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

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 CAUSE[1]

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 any 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.[2] 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.

[2] 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 Lally* 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

* 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,[2] which establishes that the sale occurred in May 1994.[8] Ex. 4 (May 24,

[2] 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.[8] 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 muddied 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).

8 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.

9 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.

circumstances surrounding the October 26, 1995 subsequent sale of the property.[10] *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

[10] In a linguistical 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.'").

payment, stating that such tax was not paid until the following year's tax return, and that "[t]he candidate has failed to offer a credible explanation for the reason why he did not pay capital gains tax with his 1994 return . . . ." First General Counsel's Br. at 7; Second General Counsel's Br. at 7. The General Counsel then obfuscates the proffered explanation in a multi-paragraphed footnote. *See* First General Counsel's Br. at 7-8 n.5; Second General Counsel's Br. at 7-8 n.5. Contrary to the General Counsel's assertions, Candidate Grant Lally reported and paid tax on the gain the following year due to his reliance on what he reasonably believed to be the advice of his accountant.[11]

Whether the Candidate was correct or not for federal income tax purposes is of no consequence under federal election law. The General Counsel's argument does not change the fact that Grant Lally orally agreed to sell his interest in the property to Lawrence Lally, that the sale took place, that Lawrence Lally tendered checks for that purchase, and that the money thus became the Candidate's personal funds.

3. The General Counsel's reliance on "other factors" to question the purchase is misplaced, as evidenced by the amount paid by a disinterested third party in 1995.

At the threshold, the General Counsel's brief concedes that the "other factors" relied upon merely "question the validity" of the sale; such factors do not establish or otherwise prove a violation of the Act, let alone establish a knowing and willful violation. *See* First General Counsel's Br. at 8; Second General Counsel's Br. at 8. For example, the General Counsel's Brief's cryptically asserts that the purchase was not a "good deal" (as described by Lawrence

[11] Because he received the final payment of $2,000 from Lawrence Lally in 1995, he did not pay until that year. Ex. 3 (Grant Lally Depo. at 84).

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).

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).

- 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 car 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 <u>was</u> 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).

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.

- 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.

1. 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.

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

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

$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

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.

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.

- 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
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Jennifer L. Schettewi
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2550 M Street, N.W.
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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

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.

are pretty much -- you weren't expecting to get any money back from your husband like half the money or anything?

A No, it's not my account. It's our account.

Q You didn't distinguish your money and his money going into the account?

A Absolutely not.

Q I would like to introduce another exhibit for you, Exhibit D. Take a look over that document. Especially just look at the first page and the fifth and sixth page and the seventh page.

(Exhibit D was introduced.)

A Okay.

Q First, can I direct you to page number five, five and six? Can you identify this document?

A Well, I can only tell you what I see here. I don't recall it.

Q Okay. How about page number seven?

A Again, other than what I have here?

Q Do you recall your husband and yourself taking out a mortgage on your property, home improvement mortgage or any kind of mortgage in 1994?

A Well, this would indicate that we did. I

don't specifically recall it because my husband handled all the finances.

Q Would he have told you that he was taking out a mortgage?

A I am sure I knew about it.

Q At the time?

A But at the moment I can't recall. I couldn't recall the amount other than what I see here.

Q How many times have you taken a mortgage on the property?

A I can't tell you that.

Q Do you recall what this mortgage was for?

A No.

Q What the money was for?

A I don't know.

Q What it was used for?

A I don't know.

Q Did your husband ever indicate that he wanted to give Grant any money?

A No.

Q What about did he ever indicate he wanted to buy some property in the Bronx?

A No.

Q Do you know anything about your son owning property in the Bronx?

A I know he owned some. I don't know where. I don't know.

Q Did you know that he sold it?

A Yes.

Q How did you learn that?

A From conversation which I overheard.

Q What did you hear?

A I can't remember.

Q So, normally, your husband handles all the finances in the house?

A That's correct.

Q You don't have any part of that?

A No.

Q Are you able to borrow money yourself without --

A I have never tried. I would assume I can.

Q But you would have been the one who -- you would have signed these checks?

A Well, my name is on there, so I assume I would have endorsed it. I don't recall it.

Q So you don't have any recollection of having a conversation with Grant about the purchase

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

again to Grant Lally.

Q. By you?

A. By me.

Q. The date of those checks?

A. Check 301 is May 3 and check 303 is May 21.

Q. Both 1994?

A. Both 1994.

Q. Can you tell me what these checks were for?

A. Yes. I acquired, started to acquire Grant's interest in a piece of property on Bantam Place in the Bronx.

Q. These checks are for that?

A. Yes.

Q. What made you decide to purchase that property?

A. Grant was-- he needed money and consequently real estate is not an asset that you can dispose of quickly. So you have to find a buyer for it. I was a buyer for it.

Q. Why did you buy it?

A. Why did I buy it? Because it was a good deal.

LAWRENCE M. LALLY - MC DONNELL

Q. How much did you pay for the property?

A. All in all I think it was about $118,000. There is another figure of 116 or 118. I am trying to resolve that.

Q. How long did Grant own this property for? Do you recall what year you purchased it?

A. He bought it probably in 1992, I think. Please don't hold me to it. I don't know. Again, if you have a document, I'd appreciate it.

MR. MC DONNELL: I have a document here.

MR. CIAMPOLI: You should have it.

A. Whether it is 1990 or 1991 or 1992, I don't know. He purchased it.

Q. I will introduce Exhibit D. I ask you to turn to page five. At the top of page five, can you determine the date there?

A. This is March 15, 1993.

Q. Do you know the amount that Mr. Lally, Grant Lally paid for the property in 1993?

A. $40,000. That is for an interest in the property.

Q. A two thirds interest, is that correct?

A. That's right.

Q. How did you arrive at the price that you paid for the property?

A. The fair market value of the property.

Q. How did you determine the fair market value?

A. There were real estate appraisals on it for $200,000. It was subsequently sold for 1-- I forgot the sales price.

MR. MC DONNELL: It is in this exhibit.

THE WITNESS: Do you have that Mr. McDonnell?

MR. MC DONNELL: I am sorry. It should be page-- it is the deed. I'm not sure if the price is included on this?

A. I think it was $169,000. I don't see it here. That is my recollection, but that is an approximation.

A. When you say a contract, was there a written contract?

Q. Any kind of a contract?

A. Just an oral understanding.

Q. There was never a written contract?

A. Never. I am sorry, my voice was dropping off.

Q. When was the oral contract made?

A. That would have been made probably in May. That was the time, according to the Exhibit C, the check was given. That is when it was given.

Q. At that time, was the price agreed to? The price that you were going to pay for the property?

A. The point is he was looking to dispose of his two third interest, but I didn't have all of the funds available at that point in time. This was one of a series or two of a series of checks.

Q. I understand that. I am trying to find out was there a price agreed to at this time in May?

A. I think it was ostensively agreed

to, yes. I don't think it has any relationship to-- let me just see-- to the ultimate sales price.

Q. You say the ultimate sales price?

A. The 169. That would be a nice way of doing it. That is not the way that it was done.

Q. What exactly do you mean by that?

A. If someone has a one third interest and a two thirds interest, then you say fine, now here's a sale to a third party. You've got $170,000 and you just take one third and two thirds. This was not done that way. He did this and completed this in May.

Q. This is a different transaction from the sale in '95?

A. Which transaction?

Q. The '94 transaction?

A. Absolutely.

Q. All right?

A. Absolutely. What I am saying is, if you have the benefit of time, if you have the benefit of time then you can say fine. There is a third person that is willing to buy

the property. I had a one third interest in the property. Grant had a two thirds interest in the property. He could have held onto the two thirds interest to 1995, but that was not the case. I purchased it. I acquired his interest.

Q. You acquired your two thirds interest prior to the one third interest that you acquired, right?

A. Yes.

Q. How did you come up with the funds to give Grant these checks, these two checks on the first page of Exhibit C?

A. Mr. McDonnell, if you have something to help me on that, I'd appreciate it.

Q. Turn to pages five through seven.

A. Five through seven?

Q. That might refresh your recollection.

A. Some of the funds I can see I took a loan out.

Q. What kind of loan was that?

A. That was termed a home improvement

for and your wife also signed for this loan?

A. The loan, yes.

Q. When was the loan paid back? Was it paid back?

A. It was paid back, but I don't know the date. If you leave an insert, we'll insert as to when it was paid back.

MR. MC DONNELL: We will do that.

INSERT:

Q. Turn to page number seven of that document to verify the check that you would have received?

A. Yes.

Q. You've testified that the deed was not recorded for your purchase of Bantam Place from Grant, correct?

A. That is correct.

Q. Can you tell me why it was not recorded?

A. Several reasons.

Q. Okay.

A. Number one, there was pending

litigation with respect-- there was litigation, let's put it that way. That would be pending with respect to-- no, there wasn't at that time. Let me just reflect now. Backing into this point in time, I had a conversation with the title company rep, the title company representative, when we were talking about the closing and I had the deed and I was going to deliver the deed for recording. The suggestion was don't record it because it would certainly never appear on the records in time for the closing.

Q. You're talking about what closing now?

A. The closing with Brown.

Q. The October '95 closing?

A. Because of the recording delays.

Q. I mean prior to that time when you purchased the property in May, 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 '94. 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.

Q. Was it in 1994?

A. Yes.

Q. It could have been after 1994?

A. It could have been in 1994.

Q. It could have been in 1995, you're saying?

A. Could it have been 1995? I doubt if it was in 1995. No, it would have been in 1994. When in 1994, I don't recall.

Q. Whenever you received it, even when the transaction occurred, you believe they occurred in May of '94 that the contract was entered into?

A. We orally agreed in May of 1994, yes.

Q. So, no deed was filed for the transfer of the property at all, right? For that transfer?

A. No deed? No. No deed was filed for the two thirds transfer because, again, litigation was commenced. I don't remember when.

Q. I was asking a question if you have ever asked someone not to substitute a party?

A. I don't recall ever having done that.

Q. Never having done that?

A. No.

Q. Did the defendant in the action know Mr. Pavlo? Did he know that there was a change in the parties?

A. His attorney knew.

Q. What was his attorney's name?

A. I don't recall his name. I forgot his name. Robert Pacht.

Q. Was he notified when the contract--

A. He knew that I had acquired Grant's interest, yes.

Q. Did he know during the partition action?

A. During the partition action, yes.

Q. In 1995 you acquired the other one third interest from Mr. Pavlo?

A. Yes. I think the litigation was pending in 1994.

Q. Yes. But in 1995, you purchased

recall, no. I don't think so. It was my money. He received $10,140.

Q. In your response at your Exhibit R--

A. Yes.

Q. At page four, I think it is.

A. Exhibit R?

Q. Exhibit R.

A. Four?

Q. Page four, section small (a), Roman numeral IV, there are five payments listed there and the last one is 10/26/95?

A. This is Grant's, but go ahead.

Q. Yes.

A. Right. Go ahead.

Q. 10/26/95. That is the date of the closing?

A. The closing, okay.

Q. It appears from that there might have been some money given to Grant for the property because this response is in response to a question about payments made for the property. So do you know--

A. I don't know what the question

was. Do you have the question?

Q. I do have the question somewhere, but we were referring to this?

A. Payments received for the property, yes.

MR. MC DONNELL: I will get the question.

(Whereupon Mr. McDonnell searches for a document.)

Off the record.

(Off the record discussion took place.)

Q. I think it must be this question, was sold or mortgaged to make the loan.

A. There?

Q. I think it is the response to this question.

(Indicating.)

A. I hate to speculate. These are the dates that we covered as far as the checks are concerned and then the final brokerage on 10/26/95.

Q. You are saying the final brokerage is the payment that is referred to on

the whole overall sale. I will not use your words. You have to accept mine or obtain a ruling.

MR. MC DONNELL: That is okay. We will respond.

THE WITNESS: You can't put words in my mouth.

MR. MC DONNELL: I am trying to get a picture. I am not getting a clear picture.

THE WITNESS: I thought I've given you a clear picture. I don't want to spar with you on this.

Q. Let's move now and talk about a check for $18,000 that Grant received from Ute Lally. Are you familiar with that?

A. Yes.

Q. Can you tell me what that is for?

A. That was to acquire Grant's Corvette.

Q. Would you like to see a copy of the check, Exhibit H?

A. Yes.

Q. Can you tell me how that sale came about?

A. Yes. Grant needed money, and he was trying to sell his automobile. I acquired it from him. It is as simple as that.

Q. Was it you or Ute that acquired it?

A. It is my wife's check, but our account.

Q. A joint account?

A. It is not a joint account. It is an individual account but joint money.

Q. Did you ask her to write this check out?

A. I did.

Q. Did you tell her the purpose of the check?

A. I'm sure, to acquire Grant's Corvette.

Q. What made you decide to purchase this car?

A. What made me decide to purchase the car?

Q. Yes.

A. I purchased the car, but the car was worth it.

Q. What made you decide at that point

in time to purchase it?

A. It was a very nice automobile and it was worth $18,000.

Q. Then subsequently that car was sold?

A. Later on, yes.

Q. About a year later?

A. About a year later.

Q. How much did you get for it at that time?

A. $16,000.

Q. You took a loss of $2,000?

A. I took a loss of $2,000. Yes.

Q. How much did you ask for the car when you sold it?

A. I don't know whether it was $18,500 or $19,000. Somewhere in there.

Q. At the time of this transaction in May of '94, was Grant using the Corvette?

A. Certainly not afterwards. I don't--no. As a matter of fact, he didn't use it before. I think I even agreed to-- let's leave it like that. It was on or about that date but I think a week or so before it might

have been that I discussed my problem and this check was given. It was in that time frame.

Q. Prior to that time did he use that car?

A. Oh, yes, he used it.

Q. What did he do after that time? He never used it again?

A. I can't say he never drove it after that time. As far as my recollection is concerned, I don't know.

Q. Where was the car after that time?

A. It was in my garage.

Q. Did you use it?

A. Occasionally.

Q. Did your wife use it at all?

A. No, not at all. Definitely not at all.

Q. Why was the check written from your wife's account?

A. Because she had money in her account.

Q. When it came time to sell the car, who was involved in that?

A. I was.

Q. You were involved?

A. Yes.

Q. What kind of things did you do, how did you go about selling the car?

A. Advertising.

Q. Did you show the car?

A. Sure. As a matter of fact, the fellow who bought it I showed it to him. I gave him as much as I could and let him drive it. Then he came back and he was interested and asked further questions.

Q. You answered all the questions?

A. No, I wasn't able to answer all the questions. That is where my son-- because I told him it was Grant's car. Consequently, he spoke to Grant about it. That is it. That is why I surmise the checks were made out to Grant because he was certainly not told to make the checks out to Grant. I am volunteering that. But I was the one who spoke to the young man. I was the one who showed him the car. I was the one who let him drive the car. I think if you contact him, he can tell you all that. I was the one who took

him to the garage to take the spare engine out of the garage. I was there with respect to giving him the hard top.

Q. Grant had dealings with him as well?

A. Grant answered questions for him relative to the car. Grant had the individual knowledge about the car.

Q. You were both there?

A. No, we were not both there initially, only afterwards.

Q. Who was there initially?

A. I was.

Q. You were there initially?

A. I was.

Q. You met with him?

A. Yes, indeed.

MR. MC DONNELL: Let's introduce Exhibit J.

(So marked Exhibit J.)

Who negotiated the sale of the car on your side?

A. I think I am not sure, sir, of the ultimate because I discussed the price with

LAWRENCE M. LALLY - MC DONNELL

Q. You think you deposited it in the law firm account?

A. Yes. It's certainly in the Fleet Bank account. It's one of the two accounts. It's either in the real property account, which I would have logically put into the business account.

Q. Did Grant receive any portion of the funds from this?

A. No.

Q. Would you be able to establish that by producing your checking account statements?

A. Produce my checking account statements to prove that Grant didn't receive a portion of it?

Q. Right.

A. He didn't receive a portion of it. That is what it is going to show. You want me to check?

Q. Yes.

A. I will be happy to check the account just to confirm what I said.

MR. MC DONNELL: Yes.

Q. I would like to turn now to the

Q. Was it prior to the receipt?

A. I don't remember.

Q. Do you remember talking to Grant, did you talk to Grant at all about the possibility of acquiring this money from his grandparents?

A. No. Did I?

Q. Prior to the time that he received it?

A. No. To the best of my knowledge, I didn't.

Q. Did your wife have any knowledge of that?

A. No. She has no knowledge. She didn't participate. She was not actively involved in the campaign.

Q. I am talking about the receipt of this money?

A. She wouldn't know.

Q. The Schurms, are those her parents?

A. Those are her parents.

Q. You said you don't think at the time the money was sent that either you or Mrs. Lally knew about Grant's request for this

A. That is why I hesitated.

Q. When you originally started Lally and Lally, who were the persons involved in that?

A. My wife and I.

Q. When did your wife cease being involved in the law firm?

A. 1985.

Q. That is when she-- what did she do at this point?

A. She went on the bench.

Q. In 1985, were you alone in the firm at that point after your wife left you, left the law firm?

A. I don't remember when Grant came into the firm. It was upon graduation from law school, whatever year that was. I don't remember.

Q. Was it like the late 80's?

A. I don't know. You are going back now 12 years. I don't remember what the situation was. I know my wife was on the bench in 1985.

Q. Were you working in the firm alone

or did you have other people there with you?

A. You know I don't remember-- no, I didn't have anyone else at the firm. You mean anyone other than Grant?

Q. Did you have any other attorneys there? Did you work alone for a while?

A. I don't remember. What year was Grant's graduation from law school? Because he worked in the firm during the vacation time and upon graduation from law school he came in, whatever year that was.

Q. Yes.

MR. CIAMPOLI: You want to leave a blank and we will fill it in. We will go check the diploma on the wall?

A. I don't want to guess.

Q. Did you work alone for a number of years?

A. I don't know. Twelve years ago? I don't know.

MR. CIAMPOLI: Off the record.

(Off the record discussion took place.)

Q. You really weren't alone?

Q. Those are your primary?

A. That is it.

Q. You don't handle any criminal?

A. I don't handle criminal cases any more. I might have handled some then. I did when I was much younger but no more.

Q. As far as the areas of practice for the firm in 1993 and 1994, what were you doing?

A. General.

Q. And today, is it the same?

A. It is still general except that I am not taking any more negligence cases.

Q. No?

A. It is just not worth it.

MR. MC DONNELL: People would be surprised to hear that.

THE WITNESS: I don't do it anymore.

Q. Going back to 1993 and 1994, can you describe the arrangement you had as far as the division of labor and the case load between yourself and Grant?

A. It would depend upon the type of

case that it was. I already provided you with the areas which Grant handled.

Q. Yes?

A. That would be--

Q. When a case came in, would you then decide who was going to be the primary attorney handling it?

A. Well, if it was a typical real estate transaction, a piece of property, I probably would handle that. Matrimonials we both handled. Estates Grant handled exclusively. What else is there?

Q. Commercial?

A. Commercials, generally Grant.

Q. Would Grant be involved in tort cases at all, negligence work?

A. To a limited degree. I know it came up yesterday with respect to testimony in one case.

Q. Yes?

A. There was a matrimonial as well.

Q. He generally didn't get into the tort?

A. He generally didn't get into the

tort. Covering cases, he might have done EBT's.

Q. EBT's?

A. Examination Before Trials. What we are doing today. He would have taken care of things like that.

Q. Tort cases?

A. He would have taken care of things like that.

Q. He wouldn't have appeared in Court for tort cases, I mean?

A. Generally not.

Q. Would he appear in Court for other cases?

A. Sir, I am saying he might appear in Court. I am not there all of the time. He is there. He covers the cases as needed.

Q. So he is pretty much involved in all of the cases that you have there?

A. Yes.

Q. Or he was at that point?

A. Yes.

Q. Did you ever have a business plan?

A. No. Don't let the laughter shake

the record.

Q. Did you ever consider having a partnership agreement?

A. No.

Q. Did you ever have a budget? Did you ever do a budget?

A. No. None of these things.

Q. Did you ever discuss the possibility of doing any?

A. No.

Q. What about the expenses? Can you tell me how that worked? How did you handle the expenses for the law firm?

A. As they accrued, we paid them.

Q. You would be in charge of paying all of the expenses?

A. Yes. Am I responsible for writing up all the checks? Yes, I am responsible for writing up all the checks.

Q. What were the expenses that the firm had, generally speaking?

A. Then, as today, as of many times the secretary, the copy machine.

Q. Right?

LAWRENCE M. LALLY - MC DONNELL

Q. How do you work that out?

A. It is $1,100 a month. That is what it is.

Q. Did you pay that every month regularly or did you pay when you have the funds?

A. Yes.

Q. Which part?

A. It is handled as you have funds.

Q. In 1994, if we go through this we will be able to determine if you paid any rent?

A. I couldn't tell you. My rent was allocated rent. It is very loose.

Q. What about the secretarial services?

A. You pay a secretary weekly.

Q. How much do you normally pay?

A. I can tell you what the exact sum is. It is $364 a week.

Q. That is the current salary?

A. That is what she gets in the pay check but it is probably $400 a week.

Q. That is the net?

A. Yes. Don't you have that?

Q. I don't have that but I do have in Exhibit Q, which I believe that you have--

A. Um hum.

Q. I see a payment on January 4th for $318.70 and on January 11th another payment for $318.70?

A. That is the amount then.

Q. That is the possible weekly expenses?

A. Yes.

Q. Were there any other regular expenses that you have that are substantial like that or something more than, like $100 a month?

A. I can't recall.

Q. As far as you allocate the portion of the expenses between yourself and Grant?

A. Well, allocation--

Q. Does Grant allocate any portion of the expenses for the firm?

A. He pays certain things. He pays certain things. What it is, I know what bills I pay. I don't know what bills he pays.

Q. He pays them himself?

A. He pays some bills himself, right.

Q. I am talking about the administration of the building. Does he pay a portion of the salary? Does he pay a portion for the secretary?

A. It comes out of this account. It comes out of the account. We are both contributing to the account.

Q. How do you contribute to the account?

A. We contribution to the account by bringing in fees.

Q. You take a portion of that out for the expenses, regular expenses?

A. In other words, as he generates income, there is a certain factor left in the account.

Q. Is that a set factor?

A. It is not a set factor.

Q. Who decides?

A. I would just look at the books.

Q. What would it be based upon? The need of the firm or based upon--

A. You would look at it from the standpoint of funds available, look at it from the standpoint of bills pending. We can look at it in that case.

Q. That was the same in '93, '94 and '95? The same all along?

A. The same.

Q. There is no formula today that you use?

A. No.

Q. Did you normally discuss with Grant what portion of the payments received that he would receive something from that would go towards the expenses?

A. No.

Q. You would just decide?

A. Yes.

Q. Did he ever ask you what is the difference between this and that?

A. No.

Q. Would you say you are the boss as far as where the money goes?

A. Would I say that I am the one that writes the checks? Yes.

LAWRENCE M. LALLY - MC DONNELL

Q. You are the one who decides?

A. I make an evaluation and I act accordingly.

Q. That has been the same all along?

A. The same all along.

Q. Does the law firm have any other account, you are saying you have this account, the checking account which is Exhibit Q. You have an IOLA account. Any other accounts?

A. The law firm account and the IOLA account. That is it.

Q. As far as the IOLA account, were the checks that clients gave that Grant handled, would they also be put into this IOLA account under Lawrence M. Lally?

A. Yes.

Q. He didn't have a separate IOLA account for himself?

A. No.

MR. MC DONNELL: I am about ready to break myself.

(Whereupon a recess was taken at 11:50 a.m.)

(Time 12:08 p.m.)

totalled that at all?

A. No, I haven't.

Q. Would that seem about correct to you?

A. That seems about right.

Q. What was the law firm income in 1995, the year after this?

A. I don't recall. I don't remember what the income was for 1995. It would have been less than that. That is for the entire year 1994 with one person for most of the year out of the office.

Q. That would have been Grant working on the campaign?

A. When he was working on the campaign. He would have been out of the office, right.

Q. Would you have some documentation that shows the amount that he gave, that the law firm received in 1995? Would you have something like that?

A. I would. Is it relevant?

Q. I think it is relevant and I will explain it in a minute if you'd like?

Q. Yes.

A. I don't know. I am just trying to put things in perspective.

Q. Right. I just wanted to be sure about that deposit, that it wasn't taken?

A. It was not a loan.

Q. Or money that you gave to Grant?

A. No. Definitely not.

Q. Let's talk about the $46,000 check that came in from the Estate. That was the estate, you worked on that a number of years before or it was worked on for a number of years by the firm?

A. Yes.

Q. Who first brought in the client in that case?

A. That would have been probably, probably my wife's contact. She wasn't, she was with the firm but she knew the

Q. Did you know the as well back then?

A. Not that well.

Q. How did she know them?

A. Through organizations.

LAWRENCE M. LALLY - MC DONNELL

Q. When did you first begin working on the estate case?

A. I don't have an independent recollection at this time. I did supply you with something.

Q. You provided me with something. I will not introduce this. I am just going to give you a copy of this. Just look it over.

(Handing to the witness.)

A. Okay.

Q. Look through it and see the dates?

A. Let's see the file.

Q. Check the date, if you can?

A. The date of death was 12/16/87.

Q. That case is going back a number of years before the payment was made, correct?

A. Yes. Yes, indeed.

Q. When you first began working on that case, you meaning the firm, was that something that was assigned to Grant?

A. Grant worked on this, yes.

Q. What was your work on this?

A. My work would have been speaking with the client from time-to-time. She was an

McDonnell.

Q. Did you say that you are going to try to provide us with the total law firm income for the years '93 and '95?

A. '93?

MR. CIAMPOLI: You asked for 1995. We said we would talk about its relevancy. I think you asked for 1995. I don't know about 1993. Hold on.

THE WITNESS: It was just 1993. It was only one year.

MR. CIAMPOLI: I think it was only 1995.

Q. Let's go to what we discussed earlier, Theresa White. Do you remember Theresa White being involved in the campaign?

A. I remember Theresa White being involved as an attorney, yes.

Q. How was she involved as an attorney?

A. She was essentially retained to examine compliance, make contacts in Suffolk County with respect to just exploring both State and Federal Regs, potentially.

Q. She would be exploring what Regs?

A. The Regs in district--

Q. The regulations?

A. The regulations.

Q. About how to go about filing?

A. Everything and being in compliance. That was her involvement.

Q. She was retained by the firm?

A. That is right.

Q. This was a firm expense to look into?

A. It was. That is right.

Q. Did you have some sort of an agreement with her?

A. She was going to do this and she was given a $2,000 retainer. She subsequently received another $1,000.

Q. Another $1,000?

A. A total of $3,000 and she disappeared.

Q. She disappeared?

A. That is right.

Q. Did she give you an invoice for her services?

day why she left.

Q. Did he ever discuss with her any of the reasons?

A. No.

Q. Were you displeased with her?

A. No. She was a nice girl.

Q. Were there problems with anyone else in the campaign, such as Dawn, that had a problem with her?

A. I don't know. I certainly had a nice relationship with her. Some of the things, and I really don't want to get into what she did subsequently, which was very disappointing to me.

Q. Which is what?

A. Making statements that Grant was a mouth piece of David Dinkens in the City, the former Mayor of the City of New York.

MR. CIAMPOLI: Off the record.

(Off the record discussion took place.)

Q. Do you have any idea why she might have done that?

A. I don't know, sir. I think

probably what it was is that she probably made it up. She had a falling out with the County Legislator in Suffolk County that Grant ran against in a primary. I understand that there was a make up session later. They kissed and made up, and she just took and turned the tables 180 degrees and started to shoot at Grant. She made allegations about Grant having a Swiss bank account with $100,000 in it. You've got all the records. You've gone over it so carefully with a fine tooth comb. It is absurd. But that is the type of allegation to injure him in his campaign. Why she did it, I don't know.

Q. Let's talk back Mr. Ballau, the campaign manager during the '94 campaign.

A. Yes. '94, right.

Q. Did you have a contract with him?

A. There was no contract. I had no contract with him.

Q. I would like to show you some reports. I will not give them for the record, but I will show them to you. Look at this one. This is your year end report for 1994.

LAWRENCE M. LALLY - MC DONNELL

If you look at sort of the years, there is the last page, page ten of the 1994 year end report. There is a list of the debts and obligations?

A. Yes.

Q. There is no indication that Mr. Ballau is owed any money at that time, but there is an indication that M.S. Pederson and Company being owed a debt of $3,065. That is a report signed by you, right?

A. Yes.

Q. Then if we go to 1995, the mid year report. This is also your signature, correct?

A. Yes.

Q. There are two payments made to Thomas Ballau. One was on January 20, 1995 for $1,000 and one on June 20th, 1995 for $2,000. Did Mr. Ballau provide you with services during 1995?

A. No.

Q. Was this a prior debt then?

A. Let me say this. He didn't submit anything until 1995.

Q. He did submit something to you

EXHIBIT 3

EXCERPTS OF GRANT LALLY'S DEPOSITION
(cited as "Grant 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 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.

campaign? Did you go over the debts that were owed to different vendors as opposed to yourself?

A. There were a number of debts outstanding at that point.

Q. Was there a debt that you owed to Mr. Ballau?

A. I know that there was a debt owed to Mr. Ballau.

Q. Were you involved in the reporting at all, the filing the FEC reports?

A. No.

Q. Did you ever review the reports?

A. Generally not, I don't believe, before they were filed. It was generally done by a couple of people who worked on that.

Q. Who were they?

A. My father was treasurer at that period, so he signed it. Dawn Fasano helped prepare the reports. Her mother was a volunteer on the campaign. She did a good portion of the work of preparing the reports. Beyond that, I don't know.

Q. How did you come to occupy the

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.

any firm decision to run really until petitions went out and circulated.

Q When was that?

A June of '94, you know, crossed the Rubicon. Here in New York State until early July, that's when you make -- you have to make a firm decision one way or another when you are going to run. When you file your petitions for candidacy, prior to that you are not a candidate for anything cognizable under New York State law.

I was approached by party leaders through June of '94, as early as July of '94. Some people were supportive and some people encouraged me not to run, others encouraging me to run for other offices. I was approached periodically and asked to run for State Assembly which is a lower house.

Q Say from January or whenever, you hadn't given me a month when you first started taking the steps towards running, through May, how much time would you put in per week?

A Per week? January nothing, really none at all; February, I would say nothing really, not at all. I hadn't made any plans to run at that point. March, I don't think I put any time in in March. I

variance, I wanted my name to be placed back on the deed, to be put on the deed as it should have been, in order to 1) monitor the litigation, to intervene as an interested party, as a neighboring land owner, and having my brother's name on the deed, not my name only, the deed served as an obstacle to serve as an interested land owner.

Q This deed was properly recorded and the tax was paid on it? Does it look that way to you?

A I believe so.

Q Please look at this document and tell me.

A This appears to be a record from the Nassau County Clerk's office attached to a copy of the deed.

Q And the tax was paid on the deed?

A I believe so, yeah.

Q Does it appear from the first page? It says it was paid.

A It appears to be, yes.

Q Let's move on then to back to Exhibit C.

(Exhibit C was introduced.)

A Which are the two checks --

Q And other documents.

By the way, what happened with that

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.

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

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?

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.

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.

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.

Q Right?

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.

Q What else? What other role did you have in the property?

A I don't recall at this point having --

Q Did you attend the closing?

A I don't recall.

Q Did you ever discuss with your father at that point the deed was not filed, correct, between '94 and '95?

A I don't know that, but that's -- it's my belief it was not filed.

Q And what was that based upon, that belief?

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 --

Q "Because of the ongoing litigation"? Can you explain that for me?

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

property, it would have resulted in the initiation of a new action. That was my understanding as to why that deed was not at that time recorded.

Q When did you first learn of that information?

A I have no idea. That was something that had been discussed. I don't have a specific recollection of, particular dates.

Q A general recollection?

A During the period in question. That's about all -- that's all I can say.

Q When did that litigation end?

A The litigation ended, I believe ended in April or May. It ended at whatever time my father acquired the one-third interest.

Q April of '95?

A If that was the date, yeah.

Q You want to go back and look at -- let's go back and look at Exhibit E. Again, we will check it.

Turn to page 10 or 11, 11.

A Sure.

Q See the date? What date do you see?

A It's actually very blurred on this, April

GRANT LALLY-MC DONNELL

Q. It says deposit below that?

A. Yes, it does.

Q. $49,580?

A. That is what it looks like.

Q. Do you have any idea what the source of those funds are?

A. $49,580?

Q. Yes.

A. I have no idea.

Q. Will you turn to page five?

A. Yes.

Q. Can you identify that?

A. Page five?

Q. Right.

A. No, I have never seen this document before.

Q. Can you describe what it is? What it purports to be?

A. Again, it appears to be a Home Federal Savings Bank home improvement loan notice of right to cancel.

Q. Any consumer's name?

A. Consumer's name Lawrence M. Lally and Ute Wolff Lally.

GRANT LALLY-MC DONNELL

Q. Will you turn to page seven?

A. Okay.

Q. Can you identify that?

A. Again--

Q. You've never seen that before?

A. I have never seen that before. I have never seen it. It appears to be a check issued to Lawrence Lally in the sum of $49,580.

Q. The date?

A. 5/19/95.

Q. Do you know anything about your parents obtaining a home improvement loan back in 1994?

A. No.

Q. Did you ever discuss it with them?

A. No.

Q. That they might obtain a home improvement loan?

A. I did not discuss their finances with them.

Q. You never discussed their finances with them?

A. No. Certainly I didn't discuss

it.

Q. And you sold the two thirds interest when, in 1994?

A. 1994.

Q. For $116,000?

A. $118,000.

Q. Actually, there's a little discrepancy in that. I think the checks add up to 116?

A. I don't recall.

Q. You said 118, but the checks we have add up to 116. That is one thing I was going to get to later. Close enough. What was the gain on that property?

A. The gain on the property would have been, would have been approximately $80,000 less expenditures that I made during the course of the year for the partition action and other expenses for the property.

Q. Was that reported? Did you report the capital gain on your income tax?

A. Yes.

Q. What year was it reported?

A. 1995.

that response?

MR. MC DONNELL: July 19th.

Q. Go through it and look for all the ones, A-2 we have $73,000, right?

A. That is right.

Q. A-9 is $30,000?

A. I am not sure that is the right place to look though. There is a different section that I dealt with here. 10/26/95. There was a final payment on that. That is page four. That details the payments. The section that you were looking at were the loans that were made to the campaign. That wouldn't necessarily reflect monies that I received on the sale of the property.

Q. It was received 10/26? These other ones add up to $116,000.

A. Offhand I don't know. It doesn't indicate here on this.

Q. Did you talk to your accountant in 1994?

A. I talk to him when I prepare taxes.

Q. Was this an installment sale?

A. This was-- I am not an accountant

GRANT LALLY-MC DONNELL

Q. Let's turn now to the check that you produced marking it as Exhibit I. It is check for $18,000?

A. Yes.

Q. Made out to you in 5/4/94?

A. Yes.

Q. Do you recall what this check was for?

A. It was for the sale of my car.

Q. Which car was that?

A. It was a 1966 Corvette.

Q. Do you recall when you purchased that?

A. I purchased that in 1990.

Q. How much did you pay for it?

A. I believe it was $12,000, the purchase price.

Q. In 1994 prior to the sale, did you use that car?

A. Yes. It was my main vehicle.

Q. After the sale?

A. I didn't use it at all.

Q. What happened to it then?

A. It was garaged. My parents, they

GRANT LALLY-MC DONNELL

had it in the garage and there it sat.

Q. Where was it prior to that time? Where did you keep it?

A. I kept it and I used it everyday, so I had it with me in the driveway.

Q. Where you lived?

A. Where I lived.

Q. You didn't keep it in that garage?

A. No.

Q. How many miles were on it when you sold it, do you have any idea?

A. I think the odometer had flipped over about three or four times. I think it show around 100,000 miles, but I think it had a 99,000 mile meter. My suspicion is that over the 30 years of its existence it had seen a few miles.

Q. Why did you sell it at that time?

A. I sold it at that time-- I was actually meaning to sell it for awhile. At that time I sold it because I wanted to raise some money.

Q. For what?

A. My own use and ultimately I put

some of it into the campaign.

Q. Did you market the car before you sold it?

A. No. I didn't advertise it, no.

Q. When did you first discuss it with your mother?

A. Actually, I didn't discuss it with her. I discussed it with my father. I don't have a specific recollection but it was approximately during that time.

Q. Whose idea was it to sell it?

A. I think it was-- I don't specifically recall whose idea it was initially, but I had meant to sell it for quite a while.

Q. Why did you want to sell it?

A. Have you ever driven a convertible in the middle of summer and been stuck in the Midtown Tunnel with the engine dead?

Q. What did you buy after that?

A. I bought a jeep. I actually bought it in the winter of '94, but the car was a lot of trouble.

Q. Was it?

GRANT LALLY-MC DONNELL

A. Yes. It was a lovely car.

Q. You sold it to your mother for $4,000 or more?

A. There was a lot of work put into it. It had been totally restored and rehabilitated. I put hundreds and hundred of hours in and thousands and thousands of dollars in repairs. Everything was done on the car. It was totally restored.

Q. Did you take care of it after your mother purchased it?

A. No. It had been garaged. I didn't have much dealings with it. It was there. I saw it occasionally when I went by the house.

Q. You never drove it after that?

A. If I drove it, it was once or twice. I certainly didn't use it on anything like a regular basis. At most it was once or twice.

Q. Did anyone else use it?

A. I don't know. I don't recall if it was used. It was garaged at this point.

Q. Did your mother use it?

A. I don't know.

GRANT LALLY-MC DONNELL

Q. Who handled the transactions?

A. My father handled all of the transactions for the ultimate disposition.

Q. He met with the seller?

A. I believe so.

Q. I mean the purchaser.

A. Yes.

Q. Did you receive a check from the seller?

A. I don't know. I believe he received it.

Q. What happened with the proceeds from the sale?

A. I don't know.

Q. I will show you Exhibit K?

(Handing to the witness.)

A. Okay.

Q. Can you identify these documents?

A. Again, I cannot identify them because I have not seen them before. Some of them are letters to you.

Q. The first page, the first and second page, can you identify those?

A. The first page appears to be a

A. The one on page two.

Q. The one on page two?

A. The one on page two would appear to be-- would not appear to be my signature. The one on page one looks like my signature but I am not going-- I will go that far. It looks like these were endorsed over to Grant Lally.

Q. You don't recall receiving these checks?

A. As I said, I recall. I believe I met with the guy who purchased the car.

Q. Right.

A. When it was going on because I was helping to show the car, but specifically I don't recall receiving certain checks.

Q. Do you recall receiving any checks from him?

A. No.

Q. Do you recall--

A. I remember showing the car. I remember him coming by to pick documents up. I believe my father was there. I don't recall beyond that.

Q. Your father was there at what

document that you produced?

MR. MC DONNELL: Yes.

MR. CIAMPOLI: Page five.

MR. MC DONNELL: Yes.

MR. CIAMPOLI: Can you tell me where you obtained the bill of sale?

MR. MC DONNELL: I am not sure why are you asking me that.

MR. CIAMPOLI: Is it associated with this letter by Michael Adornato? Is it one document? Was this document one document sent to the FEC with this attached bill of sale?

MR. MC DONNELL: I don't recall whether it was produced at that time.

MR. CIAMPOLI: Did you get it from Michael Adornato?

MR. MC DONNELL: I am a little hesitant to answer your question. I am not on deposition here.

MR. CIAMPOLI: I understand. Obviously, this is all one exhibit.

MR. MC DONNELL: Right, and it is not explained to you here.

GRANT LALLY-MC DONNELL

MR. CIAMPOLI: The fact is that it is an assemblage of documents. My next question would be did the checks come with the letter from Dr. Adornato as well as the bill of sale?

MR. L. LALLY: Right.

MR. CIAMPOLI: I am trying to figure out for me and it could be a misleading package as it were or misleading to package these together. It just strikes me as very curious. The bill of sale is not clocked in with the time stamp from the FEC, however, this letter is.

MR. MC DONNELL: We don't time clock every page of the document.

MR. CIAMPOLI: I understand. That is why it occurs to me, and obviously the copies of checks I don't know if you obtained these by subpoena from the bank or you obtained them from Dr. Adornato, and they are not time clocked into the FEC, yet you assembled it as one package.

MR. MC DONNELL: Right. I don't want you to believe that it was assembled in

GRANT LALLY-MC DONNELL

one package, that it was at the same time or by the same person.

MR. CIAMPOLI: You understand whence my questioning is going in this because it strikes me as unusual to have a letter signed by someone, and it would appear that is the same person that signed both this and the letter and the bill of sale.

MR. MC DONNELL: Right.

MR. CIAMPOLI: The documents are contradictory on their face.

MR. MC DONNELL: I am not sure that I agree with that though.

MR. CIAMPOLI: Obviously.

THE WITNESS: It was signed by someone else.

MR. CIAMPOLI: It is my conclusion.

THE WITNESS: You have something signed here by Michael Adornato and a bill of sale from Lawrence Lally and you've got an attached sheet saying something very different.

MR. L. LALLY: Two checks from Dr. Adornato countersigned by Lawrence M. Lally.

GRANT LALLY-MC DONNELL

MR. CIAMPOLI: You are looking to create a picture and what I am suggesting is the packaging of the documents together could be misleading. It caused me some hesitation.

MR. MC DONNELL: At the end of page five it explains two checks received and it tells who they are made out to. It says Grant Lally. One says Grant Lally and the bill is signed by Lawrence Lally. Is that what you are getting at?

THE WITNESS: At best, if these are my signatures, they are endorsed. I don't see what this is probative of.

MR. CIAMPOLI: I understand what direction you are going with it and I, obviously, I go in an entirely different direction with it.

MR. MC DONNELL: Yes.

MR. CIAMPOLI: My suggestion with regard to these documents is that half of nothing is still nothing.

MR. MC DONNELL: You are entitled to that. We are not here for that today.

MR. CIAMPOLI: Part of what I

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 Pl 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 Norterly 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 minute 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 angle to the northerly side of Bantam Place and part of the distance through a party wa 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 whatsoever, 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

Exhibit # E

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) 739-2041

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

STATE CAPITAL OFFICE
[redacted]
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: _____

Exhibit # R

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)

(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) (1) 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

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

(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-LA7238465
Qualified in Nassau County
Commission Expires May 31, 19__

EXHIBIT 7

MAY 19, 1994 & OCTOBER 14, 1994 LOAN DOCUMENTATION

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:

Mrs. 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	Amt.
1/24/96		$1500.
		100
1/26		950
2/2		982 — wire (Copy attached)
2/5		300
		15,992
2/22		2,399.
		200
2/26		750
2/28		4,646
3/4		1,000.
		300
3/9		220
3/10		6,585.
		150.
		75
3/14		600 — part of 2746. deposited, (balance DW Lally, partial)
3/15		140.
		950

Exhibit # P

FROM : PHONE NO. : SEP. 24 1990 03:5[illegible]T: P07

3/22	750.	
	8,170	
3/25	20,190	
3/31	230	
	130	
4/5	300	
4/8	515	
4/25	50.	
	210.	part of 3241. deposit (balance [illegible]
	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	part of 3886. deposit (balance [illegible]
6/23	95	part of 1595 deposit (balance from [illegible])
7/5	750.	
7/6	200	
	300.	
	2,110	
7/8	200	part of 2400. deposit (balance [illegible]
7/14	610	part of 2841. deposit (" " " "
7/21	500	
7/28	750	
7/20	972.	
	3,400.	
	1,000	
7/22	2,125	
	8,565	
8/6	100	
	20.	
	300	
8/10	1,550	
8/31	695	
9/6	46,730	
9/8	300	
9/25	1,150	
	2,119	
9/19	200	
9/28	100	
	750.	
	2,550	
10/5	1,964	
	4,000.	
	300.	

	75
10/7	6,833
10/20	870
	60
	750
11/4	200
	300
11/17	500 — part of 3050 deposit (balance UW Lally payment)
11/26	500
12/2	6,000
12/5	750 + 300 Stuesselin = 1050 deposit
	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. 41-4876964
Qualified in Queens County
Commission Expires October 30, 1997

EXHIBIT 9

EXCERPTS OF DAWN FASANO'S DEPOSITION
(cited as "Fasano 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
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.

Q New York?

A Law School.

Q New York Law School.

And do you work at all?

A No.

Q From the time of college to present, could you tell me some of the jobs that you have had?

A I went to graduate school.

Q In chronological order?

A I went to graduate school in '92 I guess. I worked for State Assembly. I don't remember the dates, I think it was '91 maybe. I am not sure about that. And the Park's Department in '93.

Q Park's Department for the state?

A City.

Q Of New York?

A Yes.

Q What kind of work did you do for the Park's Department?

A Just an analyst.

Q Analyst of?

A The title is called analyst.

Q What does it entail?

A Policy, policy analyses. You do various

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.

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

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.

3

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.

No, I wouldn't say I really dealt with volunteers. I dealt with the field offices.

Q What was your position?

A I was a volunteer.

Q You didn't have a title?

A No, no.

Q You said you did some kind of fundraising. What type of fundraising did you do?

A Raising money.

Q Tell us about what you did.

A Called -- telephones, wrote letters, put invitations together.

Q For events?

A Right.

Q How did you get the information for people that you called?

A Personal friends, Grant's, and we would compile lists. They could be friends, business associates of Grant, personal friends.

Q Of yours?

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?

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

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?

that she had filed criminal charges against him. She hated him. She just down outright hated him.

Then later on, you find out it's kind of odd, she is talking to him much later. The whole thing was very odd. You kind of felt secure where she was coming from and what she was saying. There were times when she was vindictive and spiteful.

From my reaction to the whole situation, it became a very distant relationship because of a lack of -- I questioned her political -- I am looking for a word.

Q Wisdom?

A Political honesty and her -- I am having a lack of wording.

Q Before you said that she, that Theresa, primarily worked on the legal work you thought?

A That's what she had said to me.

Q She was doing that?

A She was doing legal, some legal research.

Q She never represented she was the campaign manager?

A No, no. I think she may have wanted to be but she wasn't.

Q Did Grant ever say to you that -- talk to

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.

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.

the year end report for that year?

A In '94, was I involved in filing the year end report? Yes, probably. This is --

Q Here is the year-end report for '94.

A Okay.

Q If you look through here.

MR. CIAMPOLI: Off the record.

(Discussion held off the record.)

MR. CIAMPOLI: This is the '94 year end.

A Okay.

Q Here are a list of all the debts and obligations.

A Okay.

Q If you look through here, you will see Mr. Ballau's -- no debt is reported for Mr. Ballau.

A Correct.

Q First time it appears is in the '95 one of the -- payments were made?

A Correct.

Q I was asking, do you know about this?

A I wasn't aware that was a debt. That's why.

Q Did you personally deal with that corporation? Mr. Ballau -- that consultant, as far

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.

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.

Q It was reported?

A It was.

Q Any idea why it was reported?

A If I recall, I looked at something that I thought was a bill, outstanding bill, in fact, it was not.

Q Did you call the vendor to find out whether --

A I did call. I don't recall who I spoke to, but we did check the account and there was nothing owed.

Q Do you know if they gave anything to you in writing or they were just saying you didn't owe any money?

A Our relationships with them was very informal. So I had called Nick immediately.

Q The reports analyst with the FEC?

A Yes, and said to Nick the reason I took this off, I mistakenly reported it. I think he sent me a letter. I said what do you want me to do about this. He said just send me a letter about this. I spoke to Nick a lot, probably every report, probably every report.

Most of my questions came directly right

EXHIBIT 10

AUGUST 30, 1995 BILL OF SALE

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, 1925

Lawrence M. Lally

Michael Adornato

Two checks received:

07[redacted] to "Grant Lilley" for $8,000 -

1003 to Grant Lally for $8,000 -

EXHIBIT 11

AUGUST 30, 1995 CHECK TO GRANT LILLEY

IT'S YOUR CREDIT UNION

SAVE AND BORROW
07 04023

FAA Eastern Region
Federal Credit Union

SHMI CHECK WITHDRAWAL VOUCHER 08/30/95 01:27 PM 10719 7 159 RLM BR:07
FAA EASTERN REGION FEDERAL CU
[redacted] 0 ADORNATO/MICHAEL EFF DT:08/30/95 704024
AMT: -8000.00 FROM SHARE
MEMB FEES: .00 BAL: 25.00

SIGNATURE _____

PLEASE RETAIN THIS RECEIPT UNTIL YOU RECEIVE YOUR MONTHLY/QUARTERLY STATEMENT

FAA Eastern Region
Federal Credit Union

Federal Building, JF Kennedy International Airport
Jamaica, New York 11430
Telephone No. 718 995-[redacted]

EMPIRE CORPORATE FEDERAL CREDIT UNION
ALBANY NY
21-6171/2213

07 04023

08/30/95

PAY

FAA-FCU EASTERN REGION $8,000dols 00cts

$8,000.00

TO THE ORDER OF

BRANT LILLEY

NOT VALID AFTER 90 DAYS

COPY NOT NEGOTIABLE

[redacted]

V.P. OF FINANCE

EXHIBIT 15

SEPTEMBER 1994 LALLY FOR CONGRESS BANK STATEMENT

Fleet Bank STATEMENT OF ACCOUNTS

9382-612387

STATEMENT DATE
09/30/94

If you have any questions, contact our Answer Center
1-800-331-8894

LALLY 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

Notice: See reverse side for important information

Exhibit # CC

Fleet Bank

STATEMENT OF ACCOUNTS

9382-612387

STATEMENT DATE
09/30/94

If you have any questions, contact our Answer Center
1-800-331-8894

LALLY 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 -

DATE	CHECK NO.	AMOUNT
09-01	1119	20.59
09-08	1120	26.00
09-09	1121	475.00
09-13	1137*	17.00
09-01	1143*	1,939.20
09-01	1144	550.55
09-07	1151*	35.00
09-07	1154*	40.49
09-07	1155	17.19
09-12	1156	28.84
09-12	1157	48.50
09-09	1158	43.40
09-14	1159	87.00
09-02	1162*	1,740.00
09-02	1163	1,443.25
09-06	1164	500.58
09-01	1165	355.00
09-01	1166	810.00
09-08	1167	1,000.00
09-16	1168	500.00
09-13	1170*	180.00
09-06	1172*	23,809.00
09-06	1173	200.00

- CHECKS POSTED -

DATE	CHECK NO.	AMOUNT
09-06	1174	190.00
09-19	1175	240.00
09-07	1176	3,799.00
09-06	1177	1,801.00
09-07	1178	372.00
09-06	1179	217.00
09-07	1180	850.64
09-09	1181	2,320.00
09-14	1182	100.00
09-08	1183	132.50
09-08	1184	132.50
09-12	1185	343.00
09-08	1186	290.00
09-09	1187	250.00
09-12	1188	3,497.46
09-12	1189	3,390.63
09-14	1190	6,897.54
09-09	1191	1,582.98
09-26	1192	200.00
09-08	1193	35.00
09-12	1194	355.00
09-08	1195	150.93
09-12	1196	11,027.05

- CHECKS POSTED -

DATE	CHECK NO.	AMOUNT
09-16	1196*	11,027.05
09-19	1197	225.00
09-13	1198	770.35
09-14	1204*	75.00
09-26	1206*	40.00
09-13	1207	290.00
09-13	1208	40.00
09-12	1209	500.00
09-16	1210	200.16
09-19	1211	256.00
09-23	1212	113.18
09-23	1213	400.00
09-26	1214	40.00
09-27	1215	174.15
09-28	1217*	598.25
09-29	1218	351.00
09-27	1219	1,822.80
09-27	1220	539.00
09-26	1221	208.00
09-30	1224*	4,800.00
09-30	1225	75.00
09-30	1226	415.29
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	5,109.62OD
09-02	16,495.91	09-09	11,510.70	09-15	15,690.38
09-06	9,256.67OD	09-12	7,679.78OD	09-16	3,963.17
09-07	11,599.01	09-13	2,049.92	09-19	3,442.17

Notice See reverse side for important information

50% Recycled Paper
10% Post Consumer Waste

9382-612387

STATEMENT DATE
09/30/94

If you have any questions, contact our Answer Center
1-800-331-6884

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	2,995.35OD
09-26	3,440.99				

EXHIBIT 17

REPAIR BILLS TO GRANT LALLY FOR 1966 CORVETTE

Franklin Ave. & 7th St., Garden City, NY 11530
Telephone (516) 248-1166
U.S. Repair Shop No. R 1300794

Order

Corolla

6-6-CHECK
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED

L-15 ...
YOUR INSTRUCTIONS & SUGGESTED SERVICE

	5.00	LUBRICATION
	[illegible]	MOTOR OIL
	[illegible]	FILTER SERVICE
		TRANSMISSION
		WHEEL SERVICE
		EMISSIONS
	[illegible]	BRAKE SERVICE
	[illegible]	COOLING
	[illegible]	AIR CONDITION
	15.00	BATTERY
	28.00	TUNE UP
	14.00	
	25.00	
	60.00	
	8.00	
	$ 273.11	

Estimate on wiring for [illegible] & repair sheets.

Estimate on [illegible] [illegible] and [illegible] parts

TOTAL PARTS

ESTIMATED COST

REVISED COST

X

X

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.

66 Chevr | OLV240
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED | YOUR NEW INSPECTION & MAINTENANCE SERVICE
4/4/90 | 90925 | 90925

Starting Bulb	5.00
	5.00
	16.00
	10.95
Wheel Nuts	20.00
Gauge Panel	14.00
4522	14.00
4530	14.00
Battery	89.95
for H.C. Hoses	90.00
	500.00
	69.85
	4.50
	28.50
Clutch	85.96
Hose L/SIDE	137.65
Grease	15.30
Cleaner	6.00
Spark Plugs	24.00
Oil Filter Lube	26.00
Ignition Wire set	40.00
Dist Cap + Rotor	46.04
Points + Cond.	45.04
	85.96
	1493.21

CAR SERVICE ORDER

LUBRICATION	
MOTOR OIL	
FILTER SERVICE	
TRANSMISSION	
WHEEL SERVICE	
EMISSIONS	
BRAKE SERVICE	
COOLING	
AIR CONDITION	
BATTERY	
TUNE UP	

Drips.
Check alt.
Check hoses (Intro)
Check Battery + (New) Cables (Intro)
Check Exhaust leak (Intro)
Intro on Hard + Engine Job
Intro on Universal Job

$ 2175.21

CUSTOMER'S COPY

4/27 92

Grant

CASH				PAID OUT	OTHER

QUANT	PART NO		PRICE	AMOUNT
1	Black [illegible]	[illegible]		24 91
1	Seven 100 [illegible]			269 00
1	SACW 24 [illegible]			44 00
				337 91
	[illegible]	[illegible]	Rep	25000
	Total			

INVOICE

N 0 21

PAID OUT | OTHER

PRICE | AMOUNT

QUANT

NO REFUND WITHOUT THIS INVOICE

DATE IN	DATE OUT	VEHICLE IDENTIFICATION No.	YEAR	MAKE	MODEL
2/1/92	2/6/92	[illegible]		[illegible]	[illegible]

ALL PARTS ARE NEW EXCEPT AS NOTED

QUAN.	PART NO./DESCRIPTION	PRICE	
	[illegible]		
	[illegible]	2	[illegible]
	Seal		75
1	Collar	3	50
	OTS. ENGINE OIL @		
	LBS. GREASE @		

NAME: [illegible]

ADDRESS: [illegible]

CITY/STATE: [illegible]

VETTELANE
185 C Sunrise Highway
AMITYVILLE, N.Y. 11701
516-[illegible]

LICENSE NO.: [illegible]

DELIVERY DATE

REG. PHONE

BUS. PHONE

TIME PROMISED: A.M. P.M.

STATE REPAIR SHOP REGISTRATION NO.

WRITTEN BY

LUBRICATE ☐
CHANGE OIL ☐
CHANGE OIL FILTER CART ☐
SERVICE AIR CLEANER ☐
SERVICE TRANS. ☐
BALANCE ☐

LABOR

[illegible]

TERMS: ALL REPAIRS ARE CASH OR CERTIFIED CHECK DAILY.

I hereby authorize the repair work herein set forth to be done by you, together with the furnishing by you of the necessary parts and other material for such repair, and agree that you are not responsible for any delays caused by unavailability or delayed availability of parts or material for any reason; that you neither assume nor authorize any other person to assume for you 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 above vehicle on streets, highways or elsewhere for the purpose of testing and/or inspecting such vehicle.

A DAILY STORAGE FEE WILL BE CHARGED IF THE VEHICLE IS NOT PICKED UP WITHIN 24 HOURS AFTER YOU HAVE BEEN NOTIFIED WORK HAS BEEN COMPLETED.

DAILY STORAGE CHARGE $

SIGNATURE ACKNOWLEDGES RECEIPT OF COPY HEREOF

TEAR DOWN FOR ESTIMATE

X _____

PRE-INSPECTION ESTIMATE
PARTS, MATERIAL & LABOR $ _____

WARRANTY INFORMATION

These repairs are covered by a Limited Warranty, Labor and Parts for _____ Days or _____ Miles, whichever comes first. Warranty Repairs to be performed at Sell-[illegible] Business. Sell-[illegible]

		AMOUNT
	LABOR MECH.	
	PARTS MECH.	
	LABOR BODY	
	PARTS BODY	
	SUBLET	
	OIL & GREASE	

[illegible] COUNTY MOTORS
[illegible]
[illegible]
MERCEDES-BENZ (916) 62-125, F-130118

NAME		CUSTOMER'S ORDER NO.	DATE
ADDRESS		PHONE	PROMISE
CITY		ORDER WRITTEN BY	
YEAR MAKE MODEL	SERIAL NUMBER	LICENSE NUMBER	TERMS
	MOTOR NUMBER	ODOMETER	

DESCRIPTION OF WORK	AMOUNT
LUBRICATION ☐ CHANGE OIL ☐ OIL FILTER ☐ TUNE UP ☐	
TRANSMISSION ☐ DIFFERENTIAL ☐ WASH ☐ POLISH ☐	
CHANGED MOTOR OIL & OIL FILTER.	
LUBRICATED CHASSIS & STEERING.	
[illegible] BROKEN SPEEDOMETER CABLE.	
FLUSHED BRAKE MASTER CYLINDER & BLED SYSTEM.	
[illegible] DISCONNECTED WIRE ON BRAKE LIGHT SWITCH.	

MAY BE CONTINUED ON OTHER SIDE

TOTAL PARTS [illegible]

ACCESSORIES			
	LITERS/GALS OF GAS @		TOTAL LABOR 75 00
	LITERS/GALS OF OIL @	15 00	TOTAL PARTS [illegible]
	KG/LBS OF GREASE @	[illegible]	ACCESSORIES
		[illegible]	GAS, OIL AND GREASE
			OUTSIDE REPAIRS

DATE | VEHICLE IDENTIFICATION | MILES

PRICE

NAME

ADDRESS

CITY/STATE

VETTELAND
105 C Sunrise Highway
LAKEVILLE, N.Y. 11701
LICENSE NO. 8041

TIME PROMISED A.M. P.M.

STATE REPAIR SHOP REGISTRATION NO.

LABOR

RANK

SEAL & OIL TRANS.

BALANCE WHEELS

ROTATE TIRES

SUSPENSION CONTROL SERVICE

P.O. NO. SUBLET REPAIRS

QTS. ENGINE OIL @

LBS. GREASE @

TERMS: 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 furnishing by you of the necessary parts and other material for such repair, and agree: that you are not responsible for any delays caused by unavailability or delayed availability of parts or material for any reason; that you neither possess nor authorize any other person to assume for you 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 above 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 48 HOURS AFTER YOU HAVE BEEN NOTIFIED WORK HAS BEEN COMPLETED.

DAILY STORAGE CHARGE $

TEAR DOWN FOR ESTIMATE ONLY

CUSTOMER ACKNOWLEDGES RECEIPT OF COPY HEREOF

ESTIMATE OF ESTIMATE

MATERIAL LABOR $

WARRANTY INFORMATION

These repairs are covered by a Limited Warranty, Labor and Parts for ____ Days or ____ Miles, whichever comes first. Warranty Repairs to be performed at Service Department of Business. Sublet repairs

	LABOR MECH	-
	PARTS MECH	-
	LABOR BODY	-
	PARTS BODY	-
	SUBLET	-
	TOTAL GREASE	-

PART NO. DESCRIPTION

NAME

ADDRESS

CITY/STATE ZIP

VETTELAND
195 C Sunrise Highway
AMITYVILLE, N.Y. 11701
516 NO 9-

REF. PHONE

BUS. PHONE

TIME PROMISED A.M. P.M.

STATE REPAIR SHOP REGISTRATION NO.

CHANGE OIL AND AIR CLEANER

SERVICE TRANS.

BALANCE WHEELS

ROTATE TIRES

INSTRUCTIONS

P.O. NO. SUBLET REPAIRS

QTS. ENGINE OIL

LBS. GREASE

TERMS: 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 furnishing by you of the necessary parts and other material for such repair, and agree that you are not responsible for any delays caused by unavailability or delayed availability of parts or material for any reason; that you neither assume nor authorize any other person to assume for you 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 above vehicle on streets, highways or elsewhere for the purpose of testing and/or inspecting such vehicle.

A DAILY STORAGE FEE WILL BE CHARGED IF THE VEHICLE IS NOT PICKED UP WITHIN 24 HOURS AFTER YOU HAVE BEEN NOTIFIED WORK HAS BEEN COMPLETED.

DAILY STORAGE CHARGE $

CONSUMER ACKNOWLEDGED NOTIFICATION

TEAR DOWN FOR ESTIMATE ONLY

PRE-INSPECTION ESTIMATE

PARTS, MATERIAL & LABOR

WARRANTY INFORMATION

These repairs are covered by a limited Warranty, Labor and Parts for _____ Days 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

	AMOUNT
LABOR MECH.	
PARTS MECH.	
LABOR BODY	
PARTS BODY	
SUBLET	
OIL & GREASE	

ATTENTION

	[illegible]	[illegible]
	[illegible]	7.00
	[illegible]	2.50
1	OIL FILTER	3.00
1	AIR FILTER	10.00
1	ISOPROPYL DISTILLED	2.00
1	FUEL CLEANER	5.00
	SULFINE WASH & WAX	20.00

NAME: GRANT LAILY
ADDRESS: CENTRE ISLAND
CITY: OYSTER BAY N.Y.
YR. MAKE & MODEL: 66 GREY CORVETTE
SERIAL NUMBER:
INSPECTION NUMBER:
CUSTOMER'S ORDER NO.:
PHONE:
ORDER WRITTEN BY:
LICENSE NUMBER:
DATE: 7/11/91
PROMISED: A.M. P.M.
TERMS:
DATE: 5/28

DESCRIPTION OF WORK	AMOUNT
LUBRICATION ☐ CHANGE OIL ☐ OIL FILTER ☐ TUNE UP ☐	
TRANSMISSION ☐ DIFFERENTIAL ☐ WASH ☐ POLISH ☐	
TUNE UP MOTOR REPLACED SPARK PLUGS, POINTS & CONDENSOR. SET DWELL & IGNITION TIMING. CLEANED & ADJUSTED CARBURETOR. REPLACED AIR FILTER CHANGED MOTOR OIL & OIL FILTER. LUBRICATED CHASSIS.	

Paid 5/7/91

MAY BE CONTINUED ON OTHER SIDE

TOTAL PARTS 78.60

ACCESSORIES			
LITERS/GALS. OF GAS @		TOTAL LABOR	50.00
LITERS/QTS. OF OIL @	15.00	TOTAL PARTS	78.60
KG/LBS. OF GREASE @	5.00	ACCESSORIES	
	20.00	GAL. OIL AND GREASE	20.00

TEXACO

MORAK SERVICE CENTER INC.
Fra[illegible] Ave. & 7th St., Garden City, NY 1153[illegible]
Telephone: (516) 248-1166
NYS Repair Shop No. R 1300794

Repair order
No. [illegible]

66 Chevr	485750
DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED	
10/19/70	
97,278	97,278

Gas tag

CAR SERVICE ORDER

Tag		5.00
oil change		3.00
oil filter		1.95
5 spark plugs		24.60
Gas Cap		14.95
[illegible]		6.95
[illegible]		6.95
[illegible] & Cond		14.95
[illegible]		8.95
[illegible]		18.95
		118.25

SERVICE	
LUBRICATION	
MOTOR OIL	
FILTER SERVICE	
TRANSMISSION	
WHEEL SERVICE	
CUSHIONS	
BRAKE SERVICE	
COOLING	
AIR CONDITION	
BATTERY	
TUNE UP	

Rear Brd
Back mileage Brd

TOTAL PARTS

ESTIMATED COST

PROVIDED COST

CUSTOMER'S COPY

MOPAK SERVICE CENTER INC.

Franklin Ave. & 7th St., Garden City, NY 115

Telephone: (516) 248-1166

NYS Repair Shop No. R 1300794

Repair Order:

DATE & MILEAGE WHEN THIS SERVICE WAS AUTHORIZED	DATE & MILEAGE WHEN THIS SERVICE WAS COMPLETED
10/11/91 93278	93278

CAR SERVICE ORDER

LUBRICATION		
MOTOR OIL		
FILTER SERVICE		
TRANSMISSION		
WHEEL SERVICE		
EMISSIONS		
BRAKE SERVICE		
COOLING		
AIR CONDITION		
BATTERY		
TUNE UP		

TOTAL PARTS

X

X

CUSTOMER'S COPY

FE

BEFORE THE FEDERAL ELECTION COMMISSION

Nov 3 2 30 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.

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[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

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 assertedley 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

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[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

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[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

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[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

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[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

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[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

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[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]

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[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

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[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 Source[13] 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

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[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

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[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

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.

9. Approve the appropriate letter.

11/5/97
Date

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	**XXX**

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)

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

9804380217

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

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT
MAR 26 11 52 AM '99

SENSITIVE

BEFORE THE FEDERAL ELECTION COMMISSION

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

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

9 8 0 4 3 0 0 5 2 2 4

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)

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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 W. 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

9804303224

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 1, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Claudia Doliner
14 Andover Road
Port Washington, NY 11050

RE: MUR 4362
Grant Lally *et al*

Dear Ms. Doliner:

This is in reference to the complaint which you filed with the Federal Election Commission on May 14, 1996 concerning Grant Lally, *et al*.

After conducting an investigation in this matter, the Commission found that there was probable cause to believe that violations occurred. 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 4128, 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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chet Szarejko
252-36 63rd Avenue
Little Neck, NY 11362

RE: MUR 4362
Grant Lally *et al*

Dear Mr. Szarejko:

This is in reference to the complaint which you filed with the Federal Election Commission on May 14, 1996 concerning Grant Lally, *et al*.

After conducting an investigation in this matter, the Commission found that there was probable cause to believe that violations occurred. 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 4128, 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

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Emily Rose DeGregorio
14 Bob-O-Link Lane
Northport, NY 11768-3305

RE: MUR 4362
Grant Lally *et al*

Dear Ms. DeGregorio

This is in reference to the complaint which you filed with the Federal Election Commission on May 14, 1996 concerning Grant Lally, *et al*

After conducting an investigation in this matter, the Commission found that there was probable cause to believe that violations occurred. 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 4128, 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
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: _____ 4/1/98
Lois G. Lerner
Associate General Counsel

Date

FOR THE RESPONDENTS

_____ March 24, 1998
(Name)
(Position) Counsel

Date

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

APR 8 10 32 AM '98

CLOSED

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 a 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: _____

Signature

4-8-98
Date

4940

THIS CHECK IS DELIVERED FOR PAYMENT ON THE FOLLOWING ACCOUNTS			
DATE		AMOUNT	
MUR	4128		
	4362		
TOTAL OF INVOICES			
LESS ____ % DISCOUNT			
LESS			
TOTAL DEDUCTIONS			
AMOUNT OF CHECK			

LAWRENCE M. LALLY
REAL PROPERTY ACCOUNT
220 OLD COUNTRY ROAD
MINEOLA, L.I., NY 11501

1-32/210

DATE 4/3/98

PAY TO THE ORDER OF Federal Election Commission $ 20,000.00

Twenty Thousand and 00/100 DOLLARS

Fleet
299/4 Mineola, New York Mineola Office 11501

FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

THIS IS THE END OF MUR # 4362

DATE FILMED 6/12/98 CAMERA NO. 2

CAMERAMAN EES

9 0 0 4 3 3 0 5 2 3 7

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 9/14/98

✓ Microfilm

_____ Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4362

9804389500 67

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:

Name	Check No.	Date	Amount of Check
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

98043895068

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 9/23/98

✓ Microfilm

_____ Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4362

9804389 5069

LALLY AND LALLY
ATTORNEYS AT LAW
THE NASSAU BUILDING
990 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501

(516) 741-2666

FACSIMILE NUMBER
(516) 746-8500

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.

9804389507C

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

$ 260,000.00

Two Thundred Sixty Thousand and xx/100---

DOLLARS

ASTORIA FEDERAL SAVINGS
1000 FRANKLIN AVENUE
GARDEN CITY, NY 11530

FOR Lally

[redacted]

O'REILLY, MARSH & CORTESELLI P.C.
ATTORNEYS AT LAW
1600 FRANKLIN AVENUE · 3RD 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*

COUNSEL
ROBERT J. JORDAN

*ALSO ADMITTED IN NEW JERSEY

RECEIVED
FEDERAL ELECTION
COMMISSION MAIL ROOM
SEP 22 11 05 AM '98

Party's Accounting _____
Payment Due _____

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

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
SEP 22 12 34 PM '98

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

Donna Tuozzo
Paralegal

RECEIVED
FEDERAL ELECTION
COMMISSION
ACCOUNTING OFFICE
SEP 22 2 09 PM '98

98043895071

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 a 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: _____

Signature

9-23-98
Date

93043895072

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Date: 11/24/98

✓ Microfilm

_____ Press

THE ATTACHED MATERIAL IS BEING ADDED TO CLOSED MUR 4362

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

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8530

CLOSED

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:

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

(516) 741-2666

FACSIMILE NUMBER
(516) 742-8530

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.

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