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REPORT
98-1169

IN THE MATTER OF REPRESENTATIVE GERALDINE A. FERRARO

REPORT

OF THE

COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

together with

DISSENTING VIEWS



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COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

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LETTER OF SUBMITTAL

DECEMBER 4, 1984.

Hon. THOMAS P. O'NEILL, Jr.,
The Speaker, House of Representatives, Washington, DC.

DEAR MR. SPEAKER: By direction of the Committee on Standards of Official Conduct, I herewith submit the attached report "In The Matter of Representative Geraldine A. Ferraro."

Sincerely,

LOUIS STOKES,
Chairman.

(iii)

CONTENTS

Sec.		Page
I.	Introduction.....	1
II.	The Washington Legal Foundation's Complaint.....	4
III.	Representative Ferraro's Statement in Response to the WLF Complaint.....	5
IV.	Results of Investigation.....	7
V.	Review of Legal Issues.....	20
VI.	Summary of Precedents	26
VII.	Conclusion.....	28

APPENDIXES

A.	Title I of the Ethics in Government Act of 1978.....	31
B.	House Rule XLIV	46
C.	Sampling of News Articles from Mid-July	47
D.	Complaint by the Washington Legal Foundation Against Representative Geraldine A. Ferraro	51
E.	Committee Rule 9	113
F.	Supplemental Evidence in Support of Complaint	114
G.	Letter dated September 12, 1984, to Representative Geraldine A. Ferraro from Chairman Stokes and Ranking Minority Member Spence.....	131
H.	Statement of Representative Geraldine A. Ferraro Respecting the Allegations of the Complaint of the Washington Legal Foundation with Two Volumes of Appendixes.....	133
I.	Excerpts from Select Committee Report.....	790
J.	Committee Rule 17	794

I. INTRODUCTION

This Committee is authorized under the Rules of the House of Representatives (Rule X, clause 4(e)(2)(IB)), to investigate, in accordance with Committee Rules of Procedure, any alleged violation, by a Member, officer or employee of the House, of the Code of Official Conduct (Rule XLIII). In addition, alleged violations of any law, rule, regulation or other standard of conduct applicable to the conduct of such Member, officer or employee in the performance of his duties or the discharge of his responsibilities are within the Committee's jurisdiction.

Title I of the Ethics in Government Act of 1978 (2 U.S.C. 701 et seq.) (see App. A) and Rule XLIV of the Rules of the House of Representatives (see App. B) require Members, officers, and certain employees of the U.S. House of Representatives to file a Financial Disclosure Statement with the Clerk of the House of Representatives on an annual basis. Reportable financial interests include income, gifts, reimbursements, holdings, liabilities, transactions, positions, and agreements. The reporting individual is also required to include information concerning his or her spouse and dependent children in most sections of the disclosure statement. However, in certain limited circumstances, the statute provides an exemption from disclosure in the case of truly independent financial interests of a spouse or dependent child.

On July 12, 1984, Congresswoman Geraldine A. Ferraro, a Member of the House of Representatives from the 9th District of the State of New York since 1978, was chosen to be the Vice Presidential running mate to Walter Mondale, the Democratic nominee for President in 1984. Press stories immediately began to appear alleging discrepancies in the financial disclosure filings of Representative Ferraro. (see App. C)

News accounts from the *Wall Street Journal*, *New York Times*, *Washington Post* and the *Washington Times* called attention to the fact that Representative Ferraro had disclosed her position as an officer in her husband's business while at the same time claiming the exemption from reporting the holdings, liabilities, and transactions of her spouse and dependent children.

On August 7, 1984, the Committee on Standards of Official Conduct (the "Committee") received a complaint against Representative Ferraro (the "Respondent") from the Washington Legal Foundation ("WLF" and "Complainant"), a non-profit public interest law firm. The complaint requested the Committee "to investigate possible falsification, misrepresentations, and omissions made by Congresswoman Ferraro in her financial disclosure reports filed for the years 1978 through 1983 with respect to her holdings as well as those of her husband and children." (see App. D)

The Committee's Rules of Procedure have provisions for the panel to undertake an investigation upon receipt of a complaint

transmitted to the Committee by a Member of the House. The Committee may also initiate an investigation upon receipt of a complaint directly from an individual not a Member of the House if such complaint, which is otherwise in proper form, has been submitted to not less than three Members of the House who have refused, in writing, to transmit the complaint to the Committee. (see App. E)

On behalf of the WLF, the Executive Legal Director submitted an Affidavit to the Committee certifying that the complaint had been submitted to three Members of the House who had declined in writing to transmit the complaint to the Committee. The Committee Chairman requested verification from the three Members and, on August 16, 1984, the Committee staff determined that the manner of the complaint's transmittal was proper and that approximately six of the allegations presented in the complaint were in compliance with clause 4(e)(2)(B) of Rule X of the Rules of the House of Representatives and Rule 9 of the Committee Rules of Procedure. Members of the Committee were notified on August 16, 1984 that a properly transmitted complaint had been filed.

On September 11, 1984, the WLF delivered to the Committee office a document entitled "Supplemental Evidence in Support of Complaint" and requested that the newly-submitted material be considered in support of the original complaint filed against Representative Ferraro. (see App. F) While the Supplement did not conform with Committee Rules as to its form and manner of transmittal, it was determined by the staff that it should be incorporated into the original complaint and presented to the Committee. (Section V(B))

The Committee met in Executive Session on September 12, 1984, and by unanimous vote of the twelve Members, agreed to the following resolution:

Whereas, a properly filed complaint has been put before the Committee on Standards of Official Conduct alleging violations of House Rule XLIV (Financial Disclosure) by Representative Geraldine A. Ferraro,

Now therefore be it Resolved, that the Committee determines pursuant to Committee Rule 10(b) that violations alleged in the complaint are within the jurisdiction of the Committee and merit further inquiry, and

Be it further Resolved, that this Committee conduct an inquiry pursuant to Committee Rule 11(a) to determine whether such violations have occurred, and that Representative Ferraro and the Washington Legal Foundation be immediately notified of this action.

By letter of September 12, 1984, signed by the Chairman and Ranking Minority Member, Representative Ferraro and her counsel were advised of the Committee's action. (see App. G) Representative Ferraro was also advised of her right "to present to the Committee, orally or in writing, a statement respecting the allegations with respect to which the inquiry is being held." (Committee Rule 11(a)(2)(A))

On September 14, 1984, the Committee staff met with the attorneys for Representative Ferraro and were advised that a written

response to each one of the allegations contained in the WLF complaint would be submitted to the Committee on or before the September 21, 1984 deadline established by the Committee. The staff was further advised that the Respondent would cooperate with the Committee and would be responsive to the Committee during the preliminary inquiry.

Chairman Louis Stokes called a meeting of the Committee for September 21, 1984, on which date counsel for the Respondent made a request for a 10-day extension of time for Representative Ferraro to submit her written statement. The extension, until October 1, 1984, was unanimously agreed to by the Committee.

This inquiry, it should be noted, was unique in several respects. The Respondent was actively engaged in a campaign for the office of Vice President of the United States and the issue of her financial status became a prominent one in the campaign. Congress was scheduled to adjourn *sine die* on or about October 4, 1984, and thereafter, Members of the Committee would be returning to their respective congressional districts. If Committee and/or House action would be required, time considerations became paramount. Pressure was being exerted by the public and the media to expedite the preliminary inquiry and dispose of the matter before the national elections, and if not, prior to adjournment of Congress. Chairman Stokes and Representative Floyd Spence, the Committee's Ranking Minority Member, had made clear when responding to press questions on September 12, 1984, that the Committee would proceed according to its Rules, affording all due process to the Respondent consistent with those Rules, and that the staff had been directed to conduct a thorough and professional investigation.

Pursuant to the Committee's action of September 21, 1984, Representative Ferraro submitted a statement "respecting the allegations of the complaint of the Washington Legal Foundation" on October 1, 1984. (see App. H) The statement, together with two volumes of exhibits, addresses each of the allegations contained in the complaint, with particular attention being given to the exemption from disclosure of spouse and dependent children's holdings, liabilities and transactions on the Financial Disclosure Statement. (An analysis of her interpretation and use of the exemption is presented in Section V(D) of this report.)

A meeting of the Committee was held on October 5, 1984, to review the allegations in the complaint and consider the extent to which the Respondent had addressed them. During this meeting, the Committee resolved that the staff should "use its best efforts" to ascertain the identity of the holdings, transactions, and liabilities of John Zaccaro, the Respondent's husband. Two factors established the foundation for the passage of this resolution. First, the Committee was aware that Representative Ferraro's claim to the exemption from disclosure of her husband's financial resources was the subject of much controversy. Second, since the WLF failed to properly allege violations relevant to the Congresswoman's claim to the exemption, the Committee needed to authorize an inquiry of the matter. Thus, pursuant to this resolution, the staff was instructed to broaden the scope of its inquiry into the financial interests of John Zaccaro as they relate to relevant disclosure of Representative Ferraro.

The following three sections of this report contain an analysis of the Washington Legal Foundation's allegations (Section II), the Respondent's submissions in response to those allegations (Section III), and the Committee's independent investigatory procedures (Section IV).

II. THE WASHINGTON LEGAL FOUNDATION'S COMPLAINT

The WLF's complaint and its supplement request the Committee to investigate possible falsification, misrepresentations and omissions made by the Respondent in her Financial Disclosure Statements filed for the years 1978 through 1983. As explained in Section V(A) of this report, the staff of the Committee did not determine that every violation alleged in the complaint complied with Committee Rules requiring specificity of the facts which relate to the allegation. A summary of the allegations which were found to be in proper form are listed below.

(1) The Respondent under reported the amount of capital gain she received on the sale of her one-half interest in property located at 231-235 Centre Street.

(2) The Respondent sold a half interest in a mortgage at 124-126 Bowery Street in October, 1978 for the sum of \$30,000, but failed to report the receipt of any interest income from this mortgage during 1978.

(3) The Respondent failed to identify all of her savings accounts in 1978.

(4) A discrepancy appears on the Respondent's 1982 disclosure statement because she listed the value of her interest in the Dreyfus Liquid Assets Fund to be between \$0.01 and \$5,000, while she received "dividends" from the fund which were listed as being between \$1,000 and \$2,000.

(5) Upon amending her 1982 Financial Disclosure Statement, Representative Ferraro changed the identify of the source of a \$500 honorarium from the "Washington Caucus" to "Akin, Gump, Strauss, Hauer & Feld". The WLF complaint asks which group was the source of the honorarium and whether there was actually a second honorarium.

(6) The Respondent reported purchasing bonds for \$60,000 on her 1983 Financial Disclosure Statement while reporting that she had received income in the form of interest on these bonds in the \$50,000 to \$100,000 range.

(7) The Congresswoman failed to disclose in her 1978 disclosure report the capital gain of \$58,646 she received on the sale of JEB Realty in 1978, the interest she received from JEB Realty of \$876, and the transaction on liquidating the company.

(8) The Respondent failed to disclose \$2,962 in income she received from P. Zaccaro Co., Inc. on her 1981 Financial Disclosure Statement.

(9) The Respondent failed to list as an asset the amounts owed to her by her campaign committee since 1978. The amounts ranged from \$170,000 in 1978 to approximately \$50,000 in 1984.

(10) Representative Ferraro failed to disclose in her 1978 through 1983 statements her ownership of four lots on Fire Island, New York, held solely in her name and valued by her in her Vice-Presi-

dential Financial Disclosure Report filed with the Federal Elections Commission on August 20, 1984 in the \$100,000 to \$250,000 range. The WLF asserts that these lots were held for investment purposes and, therefore, should have been reported.

(11) The Respondent, in her disclosure report filed with the F.E.C., identified herself as a Director since May, 1971 and Vice President since November, 1973 in her husband's company. Yet, in her House Financial Disclosure Statements, she reported her position as Secretary and/or Treasurer.

(12) The Respondent failed to list her positions with at least eight other corporations or organizations for the respective reporting periods.

III. REPRESENTATIVE FERRARO'S STATEMENT IN RESPONSE TO THE WLF COMPLAINT

The Respondent was advised of her right to submit a statement respecting the allegations in the WLF complaint in a letter of September 12, 1984, sent by the Committee's Chairman and Ranking Minority Member. On October 1, 1984, the Respondent's attorneys submitted a statement on her behalf.

In her statement, Representative Ferraro asserts that her Financial Disclosure Statements for the years 1978 through 1983 contain inadvertent and nonwillful mistakes, a fact which she has publicly acknowledged. Accordingly, the issue to be answered by the Committee's preliminary inquiry, the Congresswoman argues, was whether the acknowledged and now corrected mistakes should be treated as actionable violations of House Rule XLIV.

The Respondent's statement can be divided into three sections. In the introductory section, Representative Ferraro discusses her financial disclosures to date, including her separate and joint federal tax returns for the years 1978 through 1983. The introduction also states that at a press conference held on August 21, 1984, the Congresswoman committed herself to correcting any mistakes in her Financial Disclosure Statements that should come to light during the preparation of her Vice-Presidential Financial Disclosure Report. Indeed, amendments to her Financial Disclosure Statements were filed on October 1, 1984, with the Clerk of the House of Representatives.

The second section of her statement asserts that Representative Ferraro reasonably and correctly asserted the spouse and dependent child exemption in each of her Financial Disclosure Statements. The Respondent states that her disclosure statements did not include information regarding the assets, holdings, liabilities or property transactions of either her spouse or dependent children because such information was largely unknown to her. She further states that she, herself, made the year-to-year decision to claim the exemption by relying on her interpretation of the applicable instructions attached to the disclosure forms. She neither sought nor obtained legal advice in that connection.

In the third section of the statement, the Respondent contends that she made no willful errors, omissions or misrepresentations in her disclosure forms for the years 1978 through 1983. Specifically,

she responds to the WLF allegations regarding her errors and omissions as follows:

1. Allegation: Under reported capital gain from sale of Centre Street Property.

Response: The Respondent asserts that she (1) acquired her one-half interest in 231 Centre Street on January 12, 1978; (2) purchased the property, along with the owner of the other one-half interest, Melro Company, for \$175,000 on May 1, 1978; and (3) sold her one-half interest to Melro Company on October 5, 1978. When the Respondent disclosed the sale of the property on her 1978 disclosure form, she understated her capital gain on the sale, listing the value as Category V, \$15,000 to \$50,000. Her gain was \$68,439, and the proper category of value for the gain was Category VI, reflecting the range of \$50,000 to \$100,000. An amendment to her 1978 disclosure, relevant to this capital gain, was made on October 1, 1984.

2. Allegation: Failed to disclose interest income from mortgage on Bowery Street property.

Response: The Respondent did not receive any interest income from her 50 percent ownership of the mortgage on 124-126 Bowery Street during 1978, and, therefore, had no such interest to report on her Financial Disclosure Statement.

3. Allegation: Failed to disclose savings accounts.

Response: The Respondent reports that a \$15,000 loan from the First Women's Bank of New York in 1978 was unsecured and carried an interest rate of 11.58 percent. She did not use any collateral for the loan, therefore, did not fail to report any savings account used for that purpose. A second loan in 1978 for \$25,000 was collateralized with a joint savings account at the East River Savings Bank. The Respondent acknowledges that she failed to report this savings account in Section III as an "interest in property" of Category III value in the \$15,000 to \$50,000 range. An amendment to her 1978 disclosure was made on October 1, 1984.

4. Allegation: Discrepancy appears with regard to Dreyfus Liquid Asset Fund.

Response: Representative Ferraro states that she received dividends in the Category C range, \$2,501 to \$5,000, from the Dreyfus Fund and that her holding in the Fund was in the Category C range, \$15,001 to \$50,000. Appropriate amendments to her disclosure form were made on October 1, 1984.

5. Allegation: Failed to disclose proper source of honorarium.

Response: The \$500 honorarium received from the Washington Caucus in 1982 was listed on a subsequently amended 1982 disclosure form as coming from Akin, Gump, Strauss, Hauer & Feld. The Respondent asserts that there was only one honorarium received in connection with the speech. The source of the honorarium was the Washington Caucus with which one of the partners in Akin, Gump, Strauss, Hauer & Feld was a participant.

6. Allegation: Discrepancy in amount of interest from and value of bonds.

Response: Respondent contends that during 1983, she received interest on the bonds in the range of \$2,501 to \$5,000. Her form incorrectly listed Category F when the proper category was C. On Octo-

ber 1, 1984, an amendment to her disclosure report to this effect was made.

7. Allegation: Failed to disclose financial interests and transactions associated with JEB Realty.

Response: Respondent states that the WLF complaint is correct in alleging that interest income of \$876 from JEB Realty was omitted from the report, a capital gain of \$61,259 was understated, and the transaction of JEB Realty's liquidation was omitted from her 1978 disclosure form. The Respondent amended her 1978 disclosure form to reflect this interest income, capital gain and transaction.

8. Allegation: Failed to disclose income from P. Zaccaro Co., Inc.

Response: Representative Ferraro admits that she failed to disclose \$732 in dividend income from P. Zaccaro Co., Inc. in 1980, and \$2,962 in 1981. On October 1, 1984, amendments to her disclosure reports were made.

9. Allegation: Failed to disclose amounts owed by her campaign committee.

Response: The Respondent contends there was no failure to report amounts owed to her by her campaign committee because the financial disclosure requirements do not call for reporting of the balance due on a non-interest bearing loan.

10. Allegation: Failed to disclose Fire Island property.

Response: The Respondent contends that the four lots she owns on Fire Island do not have to be disclosed because they are part of her personal residence and have never been considered income-producing property.

11. Allegation: Misreported positions held in P. Zaccaro Co., Inc.

Response: The Respondent's Financial Disclosure Statements for the years 1978 through 1983 should have revealed that she became a "director" in 1971 and "vice president" in 1973 of her husband's company, P. Zaccaro Co., Inc., rather than "officer" in 1978 and "secretary" and/or "treasurer" in other years. The Respondent amended her disclosure forms on October 1, 1984, to reflect the correct information.

12. Allegation: Failed to disclose other positions held in various organizations and corporations.

Response: The Respondent asserts that she has never held any position in Freann Corporation. She does acknowledge, however, that at various times during 1978 through 1983 she served on the boards or advisory committees of seven educational or cultural organizations. These positions were inadvertently omitted from the disclosure reports. Appropriate amendments were made on October 1, 1984.

IV. SUMMARY OF INVESTIGATIVE EFFORTS AND RESULTS

This section includes a summary of information discovered and received in relation to the Ferraro inquiry. The manner in which this information is presented reveals the nature of the investigative activity that gave rise to its discovery or receipt.

The objective of the Committee staff during its investigative efforts was to obtain information that would either confirm or deny the truth of the allegations made by the WLF complaint. In addition, the staff searched for information, pursuant to the Commit-

tee's resolution of October 5, 1984, concerning the financial interests of John Zaccaro and Representative Ferraro's relationship to Mr. Zaccaro's interests.

More than fifty sources of information were examined by the staff in its investigation. The majority of this information was voluntarily provided by Representative Ferraro and her husband in an effort to cooperate with the Committee's inquiry. In this regard, the Congresswoman's attorneys were accommodating and diligent.

The names of several companies are mentioned periodically in the following pages. In order to clarify the relationship these organizations had to Representative Ferraro and her husband, the following overview is provided:

1. P. Zaccaro Co., Inc.: John Zaccaro owns two of a total of three shares in this company. Representative Ferraro owns the third share.

Frajo Associates, Inc.: John Zaccaro owns approximately one-third of Frajo's interest. His mother holds the remaining two-thirds interest.

3. Freann Realty Corporation: John Zaccaro received a salary from this company during a two year period and was an officer and director. However, the staff has no evidence showing ownership of Freann by Mr. Zaccaro or Representative Ferraro.

4. First Grand Company: According to Representative Ferraro's attorneys, this company is a partnership between Melro, a proprietorship of Manny Lerman, and Frajo, each owning 50 percent.

5. Second Grand Company: Representative Ferraro's attorneys have informed staff that this company is a partnership between Melro and John Zaccaro, each owning 50 percent.

A. FINANCIAL DISCLOSURE STATEMENTS—ORIGINAL AND AMENDMENTS

The Committee staff compared Representative Ferraro's Financial Disclosure Statements from 1978 through 1983 with her October 1, 1984 amendments for the same six years.

1. For the six years in question, amendments were made to correct categories of value, in some cases this resulted in an increase of such categories. For example, her 1979 holdings in Ridgewood Savings Bank were changed from Category B to Category C.

2. Amendments were also made under Section VI—Positions. In 1978, the change was from officer of P. Zaccaro & Son Company to Director and Vice President; in 1981 and 1982, a change was from Secretary and Treasurer of P. Zaccaro Co., Inc. to Director and Vice President. On the 1983 amendment she amended Section VI by including positions held in various non-profit organizations.

3. In the 1984 amendments, it was reported for the first time that John Zaccaro was a real estate broker and was paid a salary by P. Zaccaro Co., Inc.

4. The amendments for all six years reported that Geraldine Ferraro owned one-third of P. Zaccaro Co., Inc., and John Zaccaro owned two-thirds of P. Zaccaro Co., Inc., both valued at Category B. This was previously reported as common stock, one share, P. Zaccaro Co., Inc., category of value B.

5. In her original 1978 Financial Disclosure Statement, Section I(B) indicates there was a capital gain from the sale of property

valued at Category V. The amended 1978 Financial Disclosure Statement discloses two capital gains: (1) capital gain from the liquidation of JEB Realty Corporation, Category VI; and (2) capital gain from sale of 231-35 Centre Street, Category VI. The JEB Realty Corporation income was not disclosed in the original Financial Disclosure Statement, but was disclosed in the amended form. Furthermore, the amendment included the liquidation of JEB Realty Corporation under the transaction section. This was a new disclosure.

6. The amendment for each year included savings accounts in the names of the children that had not been previously disclosed.

7. For the years 1980 through 1983, there were amendments concerning honoraria, reimbursements for travel and lodging expenses, and gifts that had not been previously reported.

8. An amendment was made to Section V, Transactions, for 1982 that identified the purchase of Troy, New York New Public Housing bonds on May 3, 1982. Representative Ferraro reports that the bonds were then given to her mother.

9. Amendments were made to Section III, Holdings, that listed savings accounts not previously disclosed. Those amendments include East River Savings and Ridgewood Savings accounts in 1978.

NOTE.—The amendments disclosed no holdings, liabilities or transactions of Representative Ferraro's husband for the year 1978 through 1983, other than his two-thirds ownership in P. Zaccaro Co., Inc., and his salaries from P. Zaccaro Co., Inc., Freann Realty Corporation, and Frajo Associates, Inc.

Conclusion

The Congresswoman's original 1978 through 1983 Financial Disclosure Statements contain numerous errors and omissions. The amended filing reflected approximately 98 changes, some significant, ranging from a failure to report a capital gain with the category of value \$15,000-\$50,000, to the omission of her position as a board member on a cultural organization. Many of the amendments correspond to the allegations mentioned in the previous chapter involving the WLF complaint.

B. CAMPAIGN RECORDS OF COMMITTEE TO ELECT GERALDINE FERRARO TO CONGRESS

The campaign records of the Committee to Elect Garaldine Ferraro were reviewed for the years 1978 through 1984.

Included in these records was evidence of loans made to the campaign by John Zaccaro, which involved funds from the accounts of the three Zaccaro children, Donna, John, Jr. and Laura, and the repayment of such loans. Evidence of the loan made by Representative Ferraro to the Committee and its repayment also was discovered.

Conclusion

These records indicate that the financial interests of John Zaccaro and the Congresswoman's dependent children had a beneficial impact on Representative Ferraro's election efforts.

C. REPRESENTATIVE FERRARO AND JOHN ZACCARO'S 1978-1983 INCOME
TAX RETURNS

The 1978 joint tax return of Representative Ferraro and her husband and the 1979 through 1983 separate returns of both individuals were examined by Committee staff. Listed are those items which do not appear in her original Financial Disclosure Statements. Tax returns containing no information relevant to financial disclosures are not mentioned.

1. 1978 joint return

Liquidation of and capital gain from JEB Realty, Inc., partly owned by Representative Ferraro.

The sale of and capital gains from two properties held by John Zaccaro—48-50 Hester Street and 16 East 92nd Street.

Savings accounts in which the aggregate amount of interest received is over \$4,000.

2. 1981 separate return of Representative Ferraro

Income from P. Zaccaro Co., Inc. in the amount of \$2,962.

3. 1979 separate return of John Zaccaro

Interest income of \$1,303 from an East River Savings account.

A Freann Realty Corporation salary of \$5,000 paid to John Zaccaro.

Capital gain from sale of 353 Broome Street.

Rent and royalty income from 353 Broome Street.

4. 1980 separate return of John Zaccaro

A Freann Realty Corporation salary of \$5,000 paid to John Zaccaro.

Interest from an East River Savings account.

Capital gain from installment sale of 353 Broome Street.

A long term capital gain from partnership in Second Grand Company.

5. 1981 separate return of John Zaccaro

Capital gain from installment sale of 353 Broome Street.

Interest income from East River Savings account.

Income from Second Grand Company partnership.

A loss on a \$15,430 loan to Zelsam Corporation.

A loss on sale of Caribou Corporation stock.

6. 1982 separate return of John Zaccaro

Interest income of \$194 from East River Savings account.

Loss of sale of Caribou Corporation stock, purchase valued at \$1,841.

Capital loss from Second Grand Company partnership.

7. 1983 separate return of John Zaccaro

Interest income from two bank accounts—Citibank and East River Savings Bank.

Capital gain from 527-29 Canal Street.

Income from Second Grand Company partnership.

Conclusion

A comparison between the income tax returns filed by Representative Ferraro and John Zaccaro for the years 1978 through 1983 and the Congresswoman's Financial Disclosure Statements for the same period of time reveals several discrepancies. Three items appearing in the returns and not included in the Respondent's original disclosure reports have since been included in her October 1, 1984 disclosure amendments. Other information listed above concerns the financial interests of John Zaccaro which the Congresswoman maintains is exempt from disclosure.

D. VICE-PRESIDENTIAL CANDIDATE FINANCIAL DISCLOSURE REPORT

On August 20, 1984, Representative Ferraro filed a Financial Disclosure Report, officially referred to as form "SF 278", with the Federal Elections Commission as a result of her nomination to be Vice-President by the Democratic Party. Information provided in this report but not disclosed in her original 1983 Financial Disclosure Statement with the House is outlined below.

This report was difficult to evaluate because it encompasses a time period from January 1, 1983 to July 31, 1984. It is not possible, in many instances, to distinguish whether a reported item refers to a 1983 financial interest or a 1984 financial interest. Thus, an item reported in the Vice-Presidential disclosure but not reported in the Respondent's 1983 Financial Disclosure Statement may not have been required to be disclosed in 1983 because it was an interest acquired in 1984. The staff, in the exercise of caution, has resolved this difficulty by assuming such items to be 1984 interests. This assumption pertains, however, to only those items which cannot be identified as to the year of receipt or ownership.

(1) Income

\$38,504.00 received by John Zaccaro from Second Grand Company during 1983.

Interest income and capital gains (\$15,000 to \$50,000 category) on sale of 527 Canal Street received by John Zaccaro.

(2) Reimbursements

Travel and lodging expenses for Representative Ferraro totalling \$4,275.00 during 1983.

(3) Holdings

Jointly held residence at Forest Hills, New York.

Jointly held residence at Fire Island, New York.

Jointly held residence at St. Croix, Virgin Islands.

Non-interest demand loan from Frajo Associates, Inc. to Representative Ferraro—\$15,000-\$50,000 category (this could be a loan to Frajo in 1984 for Frajo's purchase of a St. Croix Condominium).

John Zaccaro's two-thirds (two shares) holding in P. Zaccaro Company, Inc.

John Zaccaro's 30.55% ownership in Frajo Associates, Inc.

John Zaccaro's one-half ownership in Second Grand Company.

John Zaccaro's one-third interest in real property at 527 Canal Street, New York, New York, during 1983.

Frajo Associates, Inc. ownership in 69 Bank Street Condominium.

P. Zaccaro Company, Inc. two loans receivable from John DeLorenzo during 1983, categories of value being \$15,000 to \$50,000 and \$50,000 to \$100,000.

First mortgage obligation of Second Grand Company on two properties in which it has interest.

Five East River Savings accounts: Two in the name of Laura Zaccaro; three in the name of John Zaccaro, Jr.

Four mortgages held by John Zaccaro, Jr. and Laura Zaccaro.

(4) Liabilities

John Zaccaro unsecured demand loan from Max Isaacs received in 1983—\$15,000 to \$50,000 category.

P. Zaccaro Company, Inc. obligation to Estate of Alice Phelan—Category F. value—\$50,000 to \$100,000.

Unsecured demand loan at prime rate from Max Isaacs—\$50,000 to \$100,000 category of value—to P. Zaccaro Co., Inc.

Periodic cash advances to John Zaccaro from Frajo Associates, Inc. from 1978 through 1983, totalling between \$100,000 and \$250,000.

(5) Transactions

John Zaccaro's purchase and sale of real property at 527 Canal Street, New York, New York, during 1983.

Frajo Associates, Inc. purchase of condominium located at 60 Bank Street, New York, New York, during 1983.

(6) Positions

Seven positions held by Representative Ferraro. These positions were held in organizations that were either cultural or educational. Some of these positions were held during various years from 1980 to 1983.

E. SAVINGS AND CHECKING ACCOUNTS

The Committee staff examined eight checking accounts and twenty-one savings accounts. This examination was intended to provide some indication of whether Representative Ferraro met the three standards for spousal exemption. The review of these accounts was also intended to help the staff discover any holdings, transactions and liabilities of John Zaccaro.

1. Representative Ferraro's sergeant at arms checking account

Representative Ferraro's congressional salary is deposited directly into this account. Therefore, any other checking account, either joint or separate, would have its source of deposits elsewhere. The account reflects regular payments on only two credit cards, rent, utilities, travel and meals associated with the Congresswoman's life in Washington, D.C. The credit cards appear to be in Representative Ferraro's name only and, therefore, are separate from those cards paid from a Citibank joint checking account by Mr. Zaccaro (see next heading). On only two occasions since the account was opened has Representative Ferraro written checks to her husband (\$500 in June, 1982 and \$100 in January, 1983). Representative Fer-

raro pays her own obligation to the Internal Revenue Service and New York State Department of Revenue through this account. There is no indication that Representative Ferraro makes payments from her Sergeant at Arms account for car expenses, mortgage payments, property taxes for the Forest Hill home, Fire Island vacation home and its adjoining property, or the St. Croix condominium.

2. Zaccaro joint checking account

This account was kept at Citibank for "John A. or Gerldine Zaccaro." The staff examined the account statements for the years 1978 through 1983. Several items, however, were missing from the bank statements. The staff obtained no deposit slips and, thus, expended considerable effort in matching deposit amounts with checks written to Mr. Zaccaro from all of his business and personal sources of income. The staff also discovered a great number of checks missing from the statements. Specifically, the number of checks missing for the six year period was 463. Although there appears to be no overall pattern to explain the absence of certain checks, there are some checks with similar amounts that seem to be repeatedly missing each month. These checks could include mortgage payments on both the Forest Hills residence and the Fire Island house and adjoining property. A fair percentage of the missing checks are for sums in excess of \$1,000 and up to a high of \$22,078.35.

Despite the absence of numerous checks, there is some information available to the Committee. While Mr. Zaccaro's signature appears regularly on the account, Representative Ferraro also signs checks from the account. The account pays for all the maintenance and expenses required for the two New York residences. There are also payments made to over fifteen different credit cards, including gasoline companies, department stores, and national credit cards (Visa, American Express, etc.). The joint account also pays for the children's education, vacations, and grocery expenses. There are also automobile loan repayments, insurance payments for both Representative Ferraro and Mr. Zaccaro and loans to the Ferraro for Congress Committee. Furthermore, the account indicates checks payable to the Queens County Democratic Organization and the New York State for Representative Ferraro's motor vehicle registration and checks signed by Representative Ferraro for cash.

Another important aspect in the staff's review is the record of deposits made to this joint account. As stated in the previous heading, Representative Ferraro's salary was deposited directly to her Sergeant at Arms account. However, there is clear evidence that Mr. Zaccaro deposited his salary, loans, and profit distribution from P. Zaccaro Company, Inc., his salary from Freann Realty Corporation, and his salary and advance from Frajo Associates, Inc. in the Citibank joint account which in turn was used for the various aforementioned expenses. The Committee has also discovered the Mr. Zaccaro received two loans from Jack Selger, a New York accountant, for \$47,500 and \$10,000 in July, 1980 and April of 1981 respectively, and deposited them in the joint account.

3. John Zaccaro's personal checking account at National Bank of North America

Mr. Zaccaro's personal bank account at NBNA was opened in January of 1983 with a \$75,000 deposit. The initial deposit came from fees earned by Mr. Zaccaro as a Trustee in Bankruptcy. The staff found payments made to several of the same charge accounts paid from the Citibank joint checking account. Mr. Zaccaro's mortgage and condominium fee payments for the jointly-owned condominium in St. Croix were made from this account. There are also several transfers from this account to the Citibank joint checking account.

4. Joint checking account at Merchants Bank of New York

In 1983 a joint checking account was opened at Merchants Bank. The account was used to pay credit cards, mortgage and maintenance on the St. Croix condominium, insurance on the children, and a reduction of a loan at Citibank. There are also several checks made payable to John Zaccaro which were then deposited in the Citibank joint account.

5. Mr. Zaccaro's personal savings account

The savings account at East River Savings Bank for John Zaccaro did not provide the staff with any information beyond the fact that there were only two deposits, \$69,000 in 1978 and \$104,916.67 in 1980. The \$69,000 deposit represents repayment of an improper campaign contribution to Representative Ferraro. The account has had numerous withdrawals until its closing in August 1984. The account had over \$5,000 at year end from 1978 through 1982.

6. Joint savings account

The joint savings account at East River Savings has been in existence since 1971 and does not offer any information to assist the Committee in its inquiry.

7. Ten savings accounts

There are a total of ten custodial or trust accounts at the East River Savings Bank for each of the three children that existed at some point in time between 1978 and 1983. John Zaccaro serves as custodian or trustee for each account. The deposits and withdrawals were, except in rare instances, for like amounts for each child. A \$5,000 withdrawal from three accounts in July of 1978 appeared to be part of an improper loan to the Ferraro for Congress Committee. Most of these accounts had a year end balance of over \$5,000.

8. Three savings accounts

At Ridgewood Savings Bank there are three accounts, one for each child, with Geraldine Zaccaro as custodian. These accounts also had \$5,000 withdrawals in July, 1978 and could be part of the improper loan to the Ferraro Campaign Committee. There was a \$7,000 deposit made to each account in October 1978. All deposits and withdrawals were for equal amounts. The accounts were closed in September of 1981 and had an accumulated value of \$5,000 or more from 1978 through 1980.

9. Frajo Associates, Inc. checking account

The staff reviewed the Citibank checking account of Frajo Associates, Inc. for the years 1978 through 1983. There was particular interest in determining what properties were owned by Frajo, whether Mr. Zaccaro received income from these properties, and what was done with that income. The account showed Frajo paying real estate taxes on the following pieces of property: (1) 218 Lafayette Street, (2) 49 Market Street, (3) 1-3 Mott Street also known as 120-3-5 Worth Street and (4) 68-70 Spring Street. The account also showed Frajo mortgage payments to an individual for the 68-70 Spring Street property from February 25, 1978 to May 25, 1983 and to a machinery company for the 218 Lafayette Street property for the years 1978-1982 (this mortgage was actually executed in either 1970 or 1971). Frajo also makes payments to the Zaccaro children for interest on a mortgage they held on 218 Lafayette Street. Three mortgages owned by the children are paid from the Frajo company.

Frajo made several payments to John Zaccaro (including a \$50,000 check on September 1, 1978 and \$15,000 check on May 24, 1979 that were deposited in the joint checking account at Citibank). The \$50,000 payment was used in connection with the loan to the Ferraro for Congress Campaign committee.

Since the deposit slips to the Frajo account were not included in the bank statements, the staff had difficulty determining the source of the deposits. However, it is clear that Frajo owned at least four different properties and received continuous deposits that helped pay the mortgages and taxes on these properties, as well as salary and cash advances to Mr. Zaccaro. The classification of a cash advance as a loan, dividend or salary is a question which has an impact on reporting requirements of Representative Ferraro.

10. First Grand Co. checking account

A First Grand Co. checking account at the National Bank of North America from 1978-1983 was used primarily for the payment of rent on a suite at 161 E. 42d Street, a mortgage on 124-26 Bowery Street, and occasional checks to Frajo Associates, Inc. However, the checks to Frajo appear to not have been deposited in Frajo's account. The checking account also shows that for the last year of Representative Ferraro's ownership interest in 124-26 Bowery Street, she received one interest payment covering an entire year. This property is the focus of the WLF allegation that the Congresswomen failed to report interest earned on the mortgage.

11. P. Zaccaro Co., Inc. checking account

P. Zaccaro Co. Inc. maintained a checking account at Manufacturers Hanover Bank & Trust from 1978 to 1983. The account indicates that P. Zaccaro Co., Inc. rents its building on 218 Lafayette from Frajo Associates, Inc. Also from this account are loans and salary made to John Zaccaro, profit distribution to both John and Geraldine Zaccaro, insurance premiums for Geraldine Zaccaro, both car rental and car leasing expenses and loans made to Zelsam Corporation.

12. P. Zaccaro Co., Inc. checking account

The checking account at Citibank of P. Zaccaro Company, Inc. has more checks written against it than the Manufacturer's Hanover account. The account is primarily used for the real estate management business of P. Zaccaro Co., Inc. There were two separate checks paid from P. Zaccaro to John Zaccaro as conservator of Alice V. Phelan's Estate for more than \$28,000 and \$22,000, respectively. Also there is a check made payable to Mr. Zaccaro for payment on account for 1-3 Mott Street that was deposited into the Zaccaro personal joint checking account at Citibank.

13. Wright Patman Credit Union account

This account, in the name of Geraldine Ferraro, was opened in 1981. From that time to the end of 1983, most of the deposits to this account were from Representative Ferraro's Sergeant at Arms account, usually in the amount of approximately \$1,000. The most noticeable item was a \$25,000 withdrawal on July 27, 1981 which coincides with the opening of the Dreyfus Liquid Assets Fund for \$25,000. The account never had a balance of more than \$30,000.

14. Savings accounts in trust for Antionetta Ferraro

An account at Ridgewood Savings Bank listed as "Geraldine Zaccaro in trust for Antionetta Ferraro", had a balance of \$3,640.62 on December 29, 1978, and as of 1984 had a balance of \$1,541.49. Another account, had a deposit of \$12,000 on April 6, 1978 and had a year end balance over \$10,000 from 1978 through 1981. The account was closed in 1982.

15. Three East River savings accounts

John Zaccaro, in response to inquiries made by the F.E.C. concerning his financial holdings, stated that in February, 1979, he held a joint savings account with his mother. The staff requested information on this account to determine whether it was reportable on Representative Ferraro's Financial Disclosure Statements.

One account, in the name of Rosina Vacca and John Zaccaro, was opened in April, 1974 with an amount over \$34,000. A second account in the name of John Zaccaro and Rosina Vacca was opened on February 15, 1974 with a \$35,000 deposit. Finally, another account in the name of John Zaccaro and Rosina Vacca, was opened on April 18, 1978 with \$47,450.45 which had been transferred from yet another account. None of these accounts appear on Representative Ferraro's disclosure forms.

16. Three East River Savings Bank loans

The Committee staff requested identification of all loans taken out in the name of Representative Ferraro and/or her spouse because of unidentified loan payments written on their joint Citibank checking account.

A loan in the name of John Zaccaro was made on October 18, 1978, with a savings account held by himself and his mother as collateral. The loan was for \$31,000. There were two small payments made on this loan during 1979 and, on April 15, 1980, the balance of the loan was paid in the amount of \$30,984.37 using funds from

the same savings account. This liability was never reported on any of Representative Ferraro's Financial Disclosure Statements.

A second loan was in the name of John Zaccaro for \$30,000. There were some payments made on the loan during 1979 and 1980, with a final payment of \$28,129.94 made on April 15, 1981, using funds from a John Zaccaro and Rosina Vacca savings account used as collateral.

Another loan in the name of John Zaccaro for \$50,000 was taken out on August 29, 1978. This third loan had a balance of \$48,429.70 which was paid off on April 15, 1980, with funds withdrawn from a savings account held by Mr. Zaccaro and his mother.

F. TAX FILINGS

The 1978 through 1983 Federal income tax returns for P. Zaccaro Co., Inc., the 1980 through 1983 returns of First Grand Co., and the 1980 through 1983 returns of Frajo Associates, Inc. were provided by Representative Ferraro's attorneys. Some tax filings for the Zaccaro children for the years 1978 through 1983 were reviewed by staff.

In its 1980 through 1983 filings, Frajo took a depreciation for property at 1-3 Mott Street, 218 Lafayette Street, 68-70 Spring Street and 49 Market Street. The Frajo filings also identify loans/cash advances receivable of an amount exceeding \$83,000 in 1980 and \$96,000 in 1981. Frajo also purchased a condominium at 69 Bank Street in 1983. It is the staff's belief that 69 Bank Street is also the address of the oldest Zaccaro daughter. The tax returns showed no indication that any income is derived from that property. Also, Mr. Zaccaro received a salary of \$10,000 in both 1980 and 1981 from Frajo.

The tax filings for P. Zaccaro Company, Inc. confirm Mr. Zaccaro's full time employment and two-thirds ownership of the company. He also received a salary from P. Zaccaro for each of the six years Representative Ferraro was a Member of Congress. The tax filings for 1982 disclose on Schedule K-1 that Representative Ferraro performed part time work for the corporation, with no compensation.

G. FRAJO ASSOCIATES PROPERTY

Records indicate that Frajo Associates, Inc. purchased property at 68-70 Spring Street from the Deimprovement Corporation on March 20, 1972 for the price of \$82,000. Records also indicate a mortgage note from Frajo Associates, Inc. to American Savings & Loan Association dated December 13, 1983 for \$350,000 on property at 1-3 Mott Street. This property is jointly owned by China Mott Associates and Frajo Associates, Inc. Also, Frajo received one-half interest in a mortgage on property located at 185 Lafayette Street. Frajo was assigned the one-half interest by M.P.S. Realty, the sole holder of the mortgage.

From the property records examined, it was learned that Frajo owned, and the Zaccaro children held the mortgage on, property at 85 Christie Street from 1972 to the present. Also, Frajo owned 68-70 Spring Street from 1972 to 1983.

H. DREYFUS LIQUID ASSETS FUND

The staff investigated this account in an attempt to identify the funds used to open and maintain the account and to trace any withdrawal that would identify any holding of Representative Ferraro and her spouse. Furthermore, WLF also questioned the amount of interest reportedly received from this fund by Representative Ferraro.

This is a joint account in the names of Geraldine Ferraro and John Zaccaro, opened on August 25, 1981, with a \$25,000 deposit. On January 29, 1983, there was a \$25,000 withdrawal. This money was used to purchase the MAC Bonds reported by the Respondent. The account had only two other significant transactions (\$4,000 withdrawal on November 16, 1981; \$3,000 deposit on January 16, 1982). The source of the \$25,000 was the withdrawal of the same amount from Representative Ferraro's Wright Patman Credit Union account on July 27, 1981. The Dreyfus Fund was reported on Representative Ferraro's 1978 through 1983 Financial Disclosure Statements.

I. CHEMICAL BANK LOAN

On May 12, 1977, John Zaccaro borrowed \$12,632.76 from Chemical Bank of New York. It appears that in 1978 this would have been a liability of more than \$10,000 and, therefore, a possible reportable item on Representative Ferraro's Financial Disclosure Statement. This loan was in the name of John Zaccaro, and Representative Ferraro's name does not appear on any of the documents. This loan was made for the purchase of a boat used at the Fire Island vacation home.

J. DEMAND NOTE FROM MAX ISAACS

Representative Ferraro's attorneys informed the staff that on December 23, 1983, John Zaccaro borrowed \$20,000 from Max Isaacs with a demand note dated December 27, 1983, at 11.50 percent interest. This loan was reported on Representative Ferraro's Vice-Presidential disclosure form. The \$20,000 was deposited in the joint checking account of Representative Ferraro and Mr. Zaccaro at Merchants Bank of New York. This same account was used to pay charge cards, reduce a Citibank loan, and pay maintenance fees on the jointly owned St. Croix condominium.

K. SECOND GRAND—MELRO PARTNERSHIP

Records indicate that a partnership was formed on May 1, 1978, between Second Grand Company, partly owned by John Zaccaro, and Melro Company. This partnership acquired 200 Lafayette Street on August 4, 1980, for \$670,000. John Zaccaro paid \$12,500 towards the deposit. The 200 Lafayette Street property was never reported as a holding and the rental payments were never reported as income on Representative Ferraro's Financial Disclosure Statements. The property was rented to Star Publishers and others, so it produced income for the partnership. Mr Zaccaro did receive income from Second Grand Company in 1983 of over \$38,000, however, the income for any other years is not known, (in 1982 he sustained a loss) since

the Committee never received its bank statements, tax filings or ledgers. Representative Ferraro's name does not appear on any of the documents.

L. FREANN REALTY CORPORATION

WLF alleged that Representative Ferraro held a position in this corporation which she failed to report. Therefore, the staff examined Freann Realty Corporation documents to evaluate this allegation.

Documents obtained from New York City Corporation Records department reveal that Freann Realty Corporation was incorporated on April 17, 1965, at which time the incorporators were Fred W. Henche and John Zaccaro. The corporation filed a Certificate of Dissolution on August 15, 1980, at which time Rosina Vacca was listed as President and Director. John Zaccaro was listed as Secretary-Treasurer and Director, and Geraldine Ferraro was listed as Director.

Furthermore, mortgage records concerning 46 Delancey Street, New York, N.Y., disclose that on February 20, 1973, Geraldine Ferraro signed a mortgage paper for Freann Realty Corp. in which she indicated her position as Secretary of Freann Realty Corporation. This document was recorded on February 23, 1973. Representative Ferraro did not disclose her position with this corporation on her 1980 Financial Disclosure Statement. It is not known if she was an officer of Freann for the years 1978 and 1979.

M. BOWERY SAVINGS BANK

During the previously described investigation of the bank accounts of Representative Ferraro and John Zaccaro, a deposit of \$75,000 into Mr. Zaccaro's personal account with National Bank of North America was discovered. The staff could not determine the source of the money. Representative Ferraro's attorneys provided a copy of a letter and a check from Bowery Savings Bank for \$75,000 to John Zaccaro. The letter, dated January 6, 1983 from Jack Ralston, Bowery Savings Bank, to John Zaccaro, states: "Pursuant to the notice of motion dated November 22, 1982 submitted to the Bankruptcy Court by your attorney and with the approval of the Bank's counsel, I enclose a bank check made payable to John A. Zaccaro in the amount of \$75,000 representing payment in full of your statutory commission of services rendered as trustee of the estate of Jewel Terrace Corporation." No disclosure of this commission is made in Representative Ferraro's 1983 financial statement.

N. CITIBANK LOAN

Representative Ferraro's attorneys informed the staff that a loan for \$10,000 was obtained in 1982 from Citibank in the name of John Zaccaro. The loan balance never exceeded \$3,000 in 1983.

O. TITLE SEARCHES

The Committee requested the staff to search for records that would identify holdings of Representative Ferraro's spouse. In this

regard, a document search disclosed the following properties in which Frajo Associates, Inc. had interests.

- (1) 49 Market Street.
- (2) 69 Bank Street.
- (3) 218 Lafayette Street.
- (4) 1-3 Mott Street (a.k.a. 201-3-5 Worth Street).
- (5) Block 3, Lot 1 of District 0503, Section 2 located on Fire Island, New York.
- (6) 185 Lafayette Street.

A document search disclosed the following properties in which Freann Realty, Inc. had interest.

- (1) 354 Bowery Street.
- (2) 270 Bowery Street (a.k.a. 254-56 Elizabeth Street).
- (3) 46 Delancy Street.

A document search disclosed the following property in which P. Zaccaro Company, Inc. had an interest.

- (1) 86-96 Kenmare Street (a.k.a. 187-189 Mulberry).

One additional property was the subject of a record search. The following information was obtained pertaining to 231-35 Centre Street (a.k.a. 158-62 Grand Street).

Representative Ferraro discloses ownership of one-half of this property on her 1978 Financial Disclosure Statement and on her 1978 joint tax return. The sale, during 1978, of this property is also disclosed. New York City real estate records indicate that this property was purchased on May 1, 1978 by the Polarob Realty Corp. The only recorded document in N.Y. City regarding Representative Ferraro's relationship to this property is an indenture filed on a N.Y. State Bargain & Deed form dated November 4, 1978, wherein Representative Ferraro assigned her one-half ownership to Melro Company. The staff has received no documentation from the Respondent that demonstrates the purchase of this property. Attorneys for the Respondent have identified check #5164 in the amount of \$11,697.50, drawn on her joint Citibank checking account in May 1978, as the form of partial payment for the property. Committee staff was told that the balance of the downpayment came from Representative Ferraro's Citibank checking account. Staff was not provided with either of these checks.

Furthermore, the Committee staff reviewed the text of a letter dated November 15, 1978, from John Zaccaro to Manny Lerman which states: "In connection with the real estate enterprises which we have undertaken in the past, there is an obligation flowing to you with respect to 231 Centre Street, N.Y., N.Y. Accordingly, I agree that the Frajo Realty Corp. share in 230 Grand Street (a.k.a. 124-26 Bowery) shall be conveyed to you forthwith by deed held in escrow by Murry Kalich for a period of 4 months pending settlement of our accounts." This letter contains both the signature of John Zaccaro and Manny Lerman.

V. REVIEW OF LEGAL ISSUES

A. COMMITTEE RULE 9 (a) —SPECIFICITY OF AN ALLEGED VIOLATION

The allegations in the WLF complaint can be separated into two categories. One category includes allegations specific in nature.

These allegations identify the particular items that were either misreported or omitted. For example, it is alleged that Representative Ferraro failed to disclose on her 1978 statement the income received from the liquidation of JEB Realty Corp. This allegation, and several others like it, specifies the item not reported and the year in which it should have been reported.

The other category of allegations includes those who are non-specific in their form. This list of allegations would contain those which simply offer accusations of impropriety, but which do not inform the reader of any specific facts. An example of this type of allegation would be that Representative Ferraro failed to disclose on her 1978 through 1983 statements information relating to her husband's financial holdings. Offering no information as to what financial interests her husband held, this allegation assigns an unlimited scope to the investigative staff.

The issue in the Ferraro investigation is whether the latter category of allegations are in compliance with Committee Rules concerning the proper form of a complaint. Committee Rule 9(a) requires that the facts alleged to give rise to the violation must be set forth in simple, concise, and direct statements. (see App. E)

According to Committee Rule 10(a)(3), a complaint shall be filed with the Committee only after the staff has reviewed the complaint and determined that it complies with Rule 9. Thus, any allegation not conforming with the requirements of Rule 9 would not be the subject of further consideration by the Committee.

A primary purpose of Rule 9 is to insure that a complaint has sufficient detail and merit to establish a potential basis for Committee inquiry. This is why subparagraph 4 of Rule 9(a) requires specific facts constituting a violation. Without such facts, the Committee is faced with an unlimited investigative scope, and is unable to determine what amount of information will satisfy the breadth of the allegation.

Furthermore, to not require the specific facts giving rise to an allegation would establish an unacceptable policy. For example, a complaint alleging that a Member failed to disclose all outside income received during a three year period would require the Committee to examine nearly every aspect of the Member's life in that period of time to insure that no possible income remained undiscovered. Such a complaint, however vague concerning the facts of a violation, could trigger an unfocused investigation into a Member's personal affairs. It is important to note that the Committee may determine on its own initiative to conduct such inquiries. The point of concern, however, is whether the Committee should establish rules which would *require* them to take such actions.

As previously stated, a portion of the WLF allegations are non-specific. These allegations charge that Representative Ferraro failed to disclose for a period of six years the holdings, liabilities, and transactions of her husband and dependent children. Because the WLF complaint is virtually unlimited in its scope, the staff determined, in light of the above interpretation of the Committee Rules, that only the specific allegations in the WLF complaint were in compliance with Rule 9(a).

B. AMENDING A COMPLAINT

On September 11, 1984, the WLF submitted a document to the Committee entitled "Supplemental Evidence in Support of Complaint." The most significant aspect of this document is the presentation of many new allegations concerning items omitted from Representative Ferraro's disclosure statements. It is clear from the language in the document that the WLF intended the document to be a supplement to the original complaint filed on August 16, 1984. Indeed, the following day, September 12, 1984, the Committee voted unanimously to conduct a preliminary inquiry concerning the allegations in the WLF's complaint and supplement.

It should be noted, however, that the WLF's supplement, standing alone, does not comply with Committee Rules regarding proper form. Instead, the WLF apparently assumed that the original complaint's compliance with the rules was sufficient for purposes of the supplement. This assumption raises the issue of when—up to what point in time—may a complaint be amended or supplemented.

Committee Rule 10(b) states that the Committee must determine whether a violation alleged in a complaint is within the jurisdiction of the Committee and whether it merits further inquiry before a preliminary inquiry can be commenced. If allegations against a Member are not given consideration at a meeting of the Committee held pursuant to Rule 10(b), such allegations may not be the subject of a formal Committee inquiry. While the Committee Rules are silent on the question, it is reasonable to conclude that any amendment or supplement to a complaint already evaluated by the Committee in a Rule 10(b) meeting, should not be considered as part of the original complaint because the allegations in the amendment have not been subject to the scrutiny exercised in a Rule 10(b) meeting. Instead, such amendment or supplement must be treated as a new complaint and be subject, therefore, to the proper form requirements of Rule 9.

C. AMENDING PREVIOUSLY FILED FINANCIAL DISCLOSURE STATEMENTS

The practice of amending disclosure statements is not directly addressed in the Ethics in Government Act ("EIGA") or in any Rules of the House of Representatives. One provision in EIGA, Section 105(a) of Title I, charges the Committee with the responsibility of establishing procedures for the review of disclosure statements in order to determine whether such statements are filed in a timely manner, are complete, and are in proper form. The Committee is also assigned the duty of informing the reporting individual of any failure to satisfy such filing requirements, and of directing the individual to take corrective action. Accordingly, the Committee staff notifies many Members each year of apparent oversights in their disclosure statements.

A Rule of the House of Representatives which has some relevance to this issue is Rule XLIV. (see App. B) Requiring the Clerk of the House to compile all disclosure statements of Members sent to him within the period beginning on January 1 and ending on May 15 and to have them printed as a House document by July 1, Rule XLIV has the effect of increasing public availability of the

statements. Amendments to disclosure statements filed after May 15 but shortly before July 1 are included within the House document. The reason for including such amendments is that they are not new statements. They are additions to statements that have, in general, been timely filed.

As previously stated, it is not uncommon for the Committee staff to contact a Member, after reviewing his disclosure statement, and advise him to make certain corrections. Typically, a Member will fail to include dates upon which honoraria were received or to complete a section which was inadvertently overlooked. In addition, several Members discover information unknown to them at the time their statements were initially filed. These Members usually submit amendments on their own initiative.

A common characteristic of the above described corrective actions is that the Members act in a spirit of good faith. Respecting the intention of EIGA to provide certain financial information to the public, such Members are generally interested in making full disclosure. Their amendments are submitted under no threat of disciplinary action by the House. Rather, their actions are of a voluntary nature evidencing their good faith.

In considering when a Member loses this presumption of good faith, it would be unfair to assume in all cases that a Member against whom a complaint has been filed may no longer act in good faith. Such an assumption would not fit in the case of a complaint submitted immediately after a Member has filed his statement, before he has an opportunity to make necessary corrections at the request of the Committee staff.

This is not the case, however, when a Member is the subject of a properly filed complaint *and* the Committee has voted to conduct a preliminary inquiry. Such a Member is faced with the threat of disciplinary action. Given the timetables established in the Committee rules, the accused Member, who wishes to demonstrate his good faith, would have sufficient opportunity to make the necessary corrections *before* the Committee met to consider the complaint. Once an inquiry has begun, the spirit of good faith, which serves as the foundation of the Committee policy of accepting disclosure amendments, no longer can be said to exist. Were the Committee to hold otherwise, Members could fail to make complete disclosure and then provide missing information only after the Committee has initiated investigative measures. The Member would furnish the missing information with the confidence that no negative consequences would be forthcoming.

Clearly, the above conclusions apply to Representative Ferraro matter. The WLF provided the Congresswoman with a copy of their complaint on or about August 7, 1984. Furthermore, the fact of the complaint's filing was the subject of wide spread media attention. The Committee initiated its preliminary inquiry on September 12, 1984. Yet, it was not until October 1, 1984, that she submitted amended statements relative to the last six years. If Representative Ferraro wanted to demonstrate a good faith concern for making complete disclosure, the time to amend was immediately after she had notice that her statements may have contained errors and omissions. That notice came on or about August 7, 1984. By waiting until October 1, 1984, when she was the subject of a disciplinary

inquiry, the Congresswoman's intentions were not characterized with a beneficial presumption.

D. THE EXEMPTION FOR SPOUSE AND DEPENDENT CHILDREN DISCLOSURE

A matter of primary focus in the Ferraro inquiry concerns the proper interpretation and application of the so-called exemption for spouse and dependent children disclosure. The exemption, comprising section 102(d)(1)(D) of EIGA, provides that a Member is *not* required to disclose the following information:

. . . items (i) which the reporting individual certifies represent the spouse's or dependent child's sole financial interest or responsibility and which the reporting individual has no knowledge of, (ii) which are not in any way, past or present, derived from the income, assets, or activities of the reporting individual, and (iii) from which the reporting individual neither derives, nor expects to derive, any financial or economic benefit.

The three standards found within the exemption are often referred to as the "knowledge test", the "independence test", and the "benefit test" respectively. A Member must satisfy *all three tests* before excluding an item from his disclosure form. In addition, the disclosure form requires a Member to acknowledge (at part VIII, Question A) that an item has not been disclosed because the Member meets the three standards for exemption.

The specific issue is whether a Member is required to disclose the financial interests of her spouse when the Member is generally unfamiliar with the spouse's financial interests. Stated differently, the question is whether the exemption can be successfully claimed by a Member who declares that she and her husband live separate professional lives, but admits that they do not live completely separate financial lives.

Representative Ferraro argues in her statement submitted to the Committee on October 1, 1984, that the Committee has misinterpreted the purpose of the exemption and, thus, has incorrectly instructed Members as to its application. In addition, she asserts that in light of the practice of other Members during the six year period that she has been a Member of the House, it would be unfair to single her out on the issue of spousal disclosure.

The Congresswoman's assertion that the Committee has misinterpreted the purpose of the exemption centers on the notion that the exemption was intended to be available to Members with "working marriages". Since the issue of spousal disclosure in the case of broken marriages is specifically addressed in another section of the statute, Representative Ferraro concludes that the exemption was drafted with successful marriages in mind. Thus, it would frustrate the purpose of the exemption to interpret any of the three tests so broadly that few, if any, married Members could avail themselves of it. To construe the exemption as the Committee has done, the Congresswoman observes, would require Members and their spouses "to have separate refrigerators".

It is important to note that Representative Ferraro does *not* insist that she does not derive any benefit from her husband's financial

interests. In fact, she argues just the opposite. The Congresswoman states that her benefit ". . . flowed from a pool of resources created by her spouse's business activities . . .", and that ". . . collectively they (her husband's financial interests) had a favorable net result which was beneficial to her . . ." (see App. H). She offers this assertion to further her claim that she is so unaware of the specific financial interests of her husband that she does not know from which items she derives a benefit.

In response to Representative Ferraro's interpretation, the Committee staff examined the policy of the Committee regarding the exemption and reviewed the statute's legislative history. While the staff may agree that the meaning of the exemption is far from clear, it cannot agree with Representative Ferraro's assertions. Significant documentation exists which indicates that the exemption was not intended to apply to most marriages. It is only under rare circumstances, as will be discussed below, that the exemption is available.

The spouse and dependent exemption as originally passed by the House contained a two-part test instead of the present three-part test. The "knowledge test" was not included in the House version of EIGA until the House-Senate conference committee met. Despite this difference, the comments found in the Select Committee on Ethics' report on Title I of EIGA are quite informative. The language of the "benefit test" was the same at the time of the Select Committee's comments as it was for each of the years in which Representative Ferraro filed a disclosure statement. The Select Committee offered the following remarks:

The committee believes that in all but the most unusual of circumstances, the assets, debts and holdings of a spouse or dependent would be shared by or potentially accrue to the benefit of the reporting individual. The legislation, therefore, requires that such interests be disclosed *unless* the reporting individual certifies that the interests were obtained and are held independently of the reporting individual, and that the reporting individual neither derives nor expects to derive, any benefit from those independent interests. This benefit test should be interpreted very broadly. For example, the committee tabled an amendment which would have changed the exemption to read ". . . neither derives, nor expects to derive, *other than through inheritance* . . . any benefit . . ." (emphasis added). Thus, the potential receipt of benefit from interests held by a spouse or dependent should be construed quite liberally. These disclosure requirements do not preclude the possibility that in a given situation, the business or family arrangement would be such that certain spouse or dependent holdings would not have to be reported. As a general principle, however, it is the intent of the bill that holdings of a spouse and dependent should be fully reported. (See App. I)

The comments of the Select Committee speak for themselves. The Committee staff simply notes that in the six years since those words were written, there have been no instructions of a contrary

nature concerning the exemption. The disclosure form used each year quoted the actual language of the exemption. The form employed from 1978 through 1983 provided additional instructions, stating, "In general, the reporting individual is required to include financial information concerning his or her spouse or dependent children. Moreover, in certain limited circumstances, the truly independent financial interests of a spouse or dependent would be exempt from disclosure." In addition, in 1980 the Committee made available an instruction booklet which described in considerable detail how the exemption should be applied. The "benefit test" was explained as follows:

The "benefit test" that must be met should be interpreted very broadly. This standard for exemption requires that the reporting individual "neither derives, nor expects to derive, any financial or economic benefit from the item." The individual would benefit if income from the holdings of a spouse or dependent was used, for example, for vacations, the education of dependents, the maintenance of a home, etc. In addition, the potential receipt of benefit from interests held by the spouse or dependent would apply if the reporting individual had the possibility of an inheritance from the interest. Thus, the benefit test should be constructed quite liberally.

In light of the above quotations, the staff must recommend that the Committee concludes that Representative Ferraro's interpretation of the statute is not correct. As to the application of the exemption to the particular facts of Mr. Zaccaro's financial interests, the staff offers recommended conclusions on that matter in the final section of this report.

Nevertheless, the staff does not suggest that the Committee should not recognize that the exemption was subject to a degree of ambiguity. Despite the staff's contention that the Congresswoman has misinterpreted the exemption, the practice of Members in this area has encouraged confusion regarding the exemption's meaning. Several Members have apparently claimed the exemption under circumstances similar to Representative Ferraro's. To the extent of the similarities, the practice of other Members has some mitigating effect on Representative Ferraro's impropriety.

VI. SUMMARY OF PRECEDENTS

The Committee has considered several questions in the course of the Ferraro inquiry which are of a precedential value. A list of perhaps the most significant issues and determinations would include the following (listed in chronological order):

1. VERIFICATION OF REFUSAL TO TRANSMIT

Upon receipt of the WLF complaint, the Committee staff immediately proceeded to obtain verification of the assertion in the complaint that three Members had refused in writing to transmit the complaint to the Committee. A written request was delivered to each of the three Members asking for their verification. Each pro-

vided such verification in writing within a short period of time after receipt of the Committee's request.

2. SPECIFICITY OF FACTS ALLEGED IN WLF COMPLAINT

As discussed previously in this report, several of the allegations in the WLF complaint failed to allege the specific facts which gave rise to the alleged violation. The Committee staff determined that these allegations did not comply with Committee Rule 9(a)(3) and, therefore, did not merit the staff's approval for filing purposes.

3. AMENDMENTS TO COMPLAINT

The WLF submitted a supplement to their original complaint on September 11, 1984. Since the Committee had not met prior to this submission to determine whether the complaint was within the Committee's jurisdiction and merited further inquiry, the Committee considered the supplement as part of the original complaint. The Committee's decision regarding the status of the supplement would have been different if it had been submitted after the Committee voted to initiate a preliminary inquiry.

4. THE EFFECT OF AMENDMENTS TO DISCLOSURE STATEMENTS

A discussion of this issue is provided in the preceding section of this report. While the Committee staff has concluded that amendments to previously filed Financial Disclosure Statements may or should not result in the dismissal of disciplinary procedures, the amendments may have some mitigating effect on the resolution of the matter if other circumstances reveal the presence of good faith by the Member.

5. SCOPE OF AN INVESTIGATION

The scope of the Ferraro inquiry was broadened by the Committee to include an investigation into the holdings, liabilities and transactions of John Zaccaro, Representative Ferraro's husband. The focus of this additional inquiry was to determine whether items in those categories should have been reported in the Congresswoman's disclosure statements. The increased scope of the Ferraro inquiry was a result of the failure of the WLF complaint to properly allege violations concerning the financial interests of Mr. Zaccaro. The Committee determined that the matter of Mr. Zaccaro's financial interests and Representative Ferraro's relationship to those interests was of central importance to the question whether the Congresswoman properly claimed the exemption.

6. THE INTERPRETATION OF THE DISCLOSURE EXEMPTION

The Committee staff has concluded, after a review of the legislative history of the exemption and in light of the Committee's consistent advisory policy regarding the exemption's application, that the exemption can be successfully claimed in rare circumstances. The broad impact of the "benefit test" significantly limits the availability of the exemption. This issue has undergone a rather lengthy analysis in the preceding section of this report.

VII. CONCLUSION

The staff of the Committee suggests that two conclusions can be drawn from the investigation conducted. Both conclusions are clearly supported by the records, materials and documentation summarized in section IV of this report, and by the admissions and assertions offered by Representative Ferraro in her statement of October 1, 1984, and by the amendments to her 1978 through 1983 Financial Disclosure Statements.

The two conclusions are:

1. Representative Ferraro either failed to disclose or incorrectly disclosed a significant number of items relevant to her total financial concerns. As a result, approximately ten of the allegations in the WLF complaint are sustained.

2. Representative Ferraro did not meet the three standards necessary for claiming the exemption from disclosure of her husband's financial interests. Her inability to successfully claim the exemption centers on the benefit she has received from her husband's financial activities. The preceding pages of this report identify many items which would be characterized as the financial interests of John Zaccaro. Maintenance of the Forest Hills home, education of the children, and the purchase of vacation properties are three examples of expenses covered with John Zaccaro's financial resources.

While the Committee rules provide for the issuance of a Statement of Alleged Violation at the conclusion of a preliminary inquiry, the number of days remaining before the start of the 99th Congress, are too few for disposition of the complaint under regular Committee procedures. Nevertheless, in order to reach a disposition on the WLF complaint and the inquiry ordered by the Committee on October 5, 1984 concerning the financial interests of John Zaccaro and the use of the exemption, the Committee accepts the staff's recommended conclusions at this stage of the inquiry and its view of an appropriate action.

Before accepting such conclusions, the Committee wishes to weigh at least two considerations which reflect favorably on Representative Ferraro's position in the matter relating to the WLF complaint. First, no information received by the Committee staff in the course of its investigation indicates a deceptive intent on the part of Representative Ferraro. Instead, all facts point to error, oversight, and misinterpretation as the reason for the incomplete disclosures. Second, the Congresswoman has amended her 1978 through 1983 disclosure statements to include nearly all of the information originally omitted or misreported. While these amendments do not cure the alleged violations of House Rule XLIV (as concluded in section V of this report), the fact of their filing may indicate the Congresswoman's willingness to make full disclosure.

In light of the staff's findings, the Committee is faced with the question of determining the appropriate action. The Committee's consideration regarding the proper disposition is primarily for the benefit of the historical record since the full House of Representatives is unable to take formal action as a result of its adjournment *sine die*. Nevertheless, the Committee can determine what action it

would have recommended to the House had the latter body been available for deliberations.

The staff recommends, therefore, that the Committee conclude with regard to the errors and omissions alleged in the WLF complaint, that Representative Ferraro has committed violations of House Rule XLIV constituting a technical violation. A technical violation is a determination made available to the Committee pursuant to Committee Rule 17(c)(2). It carries no recommendation for action when a report of such a finding is made to the House. (see App. J)

With regard to the non-disclosure of John Zaccaro's financial interests, the staff recommends that the Committee forego the assignment of appropriate action. Unlike her response to the various errors and omissions alleged in the WLF complaint, Representative Ferraro has not admitted that she should have disclosed information pertaining to her husband's financial interests. While the staff has confidence in the results of its analysis on this issue, the question, as it relates to Representative Ferraro, has not undergone examination in a disciplinary hearing. Therefore, the Committee's designation of an appropriate action for such non-disclosure may be premature.

Furthermore, notwithstanding the staff's suggested conclusions that Representative Ferraro misinterpreted and improperly claimed the exemption for disclosure, the exemption's proper use is clouded with some amount of ambiguity. The Ferraro matter has provided the opportunity for the Committee to clarify the meaning of the exemption, and put all Members on notice of its proper use.

This report was approved by the Committee on Standards of Official Conduct on December 3, 1984, by a vote of 12 yeas, 2 nays.

**STATEMENT UNDER RULE XI CLAUSE 2 (1)(3)(A) OF THE RULES OF THE
HOUSE OF REPRESENTATIVES**

The Committee made no special oversight findings on this report.

DISSENTING VIEWS OF REPRESENTATIVE HANK BROWN

The Committee has acknowledged the staff's conclusion that Representative Ferraro improperly claimed the exemption in failing to disclose her husband's financial interests. In fairness to all concerned, I would prefer that the Committee proceed with a hearing on this portion of the accusations during the month remaining in the 98th Congress.

The law requires the disclosure of Representative Ferraro's spouse's financial interests. Such disclosure of John Zaccaro's financial interest has not been made. To conclude the Committee's work without requesting this disclosure or even scheduling hearings on the subject does not do justice to our responsibilities under the law.

In The Matter of Representative George V. Hansen the Committee was moved to action in spite of the Member's contention that his spouse was not required to disclose her financial interests. While Representative Ferraro has amended her own financial information, the information relating to her spouse's financial disclosure has not been completed. The Committee should not establish a double standard by inaction.

HANK BROWN.

APPENDIX A

2 U.S.C. sec. 701 et seq.

PUBLIC LAW 95-521, 95TH CONGRESS, AS AMENDED BY PUBLIC LAW
96-19

TITLE I—LEGISLATIVE PERSONNEL FINANCIAL DISCLOSURE REQUIREMENTS

COVERAGE

SEC. 101. (a) Each Member in office on May 15 of a calendar year shall file on or before May 15 of that calendar year a report containing the information as described in section 102(a).

(b)(1) Any individual who is an officer or employee of the legislative branch described in subsection (e) during any calendar year and performs the duties of his position or office for a period in excess of sixty days in that calendar year shall file on or before May 15 of the succeeding year a report containing the information described in section 102(a) if such individual is or will be such an officer or employee on such May 15.

(2) Any individual whose employment as an officer or employee described in subsection (e) is terminated in any calendar year may be required—

(A) under the rules of the House of Representatives, if such individual would, but for such termination, file a report with the Clerk pursuant to section 103(a), or

(B) under the rules of the Senate, if such individual would, but for such termination, file a report with the Secretary pursuant to section 102(b),

to file a financial disclosure report covering (i) that part of such calendar year during which such individual was employed as such an officer or employee, and (ii) the preceding calendar year if the report required by paragraph (1) covering that calendar year has not been filed.

(c) Within thirty days of assuming the position of an officer or employee described in subsection (e), an individual other than an individual who was employed in the legislative branch immediately before he assumed such position, shall file a report containing the information as described in section 102(b) unless the individual has left another position described in subsection (e) within thirty days prior to assuming his new position. The provisions of the preceding sentence shall not apply to an individual who, as determined by the designated committee of the Senate or the designated committee of the House, as appropriate, is not reasonably expected to perform the duties of his office or position for more than sixty days in a calendar year, except that if he performs the duties of his office

or position for more than sixty days in a calendar year, the report required by the preceding sentence shall be filed within fifteen days of the sixtieth day. This subsection shall take effect on January 1, 1979.

(d) Within thirty days of becoming a candidate in a calendar year for any election for the office of Member, or on or before May 15 of that calendar year, which ever is later, but in no event later than seven days prior to the election, and on or before May 15 of each successive year the individual continues to be a candidate, an individual shall file a report containing the information as described in section 102(b). Notwithstanding the preceding sentence, in any calendar year in which an individual continues to be a candidate for any office but all elections for such office relating to such candidacy were held in prior calendar years, such individual need not file a report unless he becomes a candidate for another vacancy in that office or another office during that year.

(e) The officers and employees referred to in subsections (b) and (c) are—

(1) each officer or employee of the legislative branch who is compensated at a rate equal to or in excess of the annual rate of basic pay in effect for grade GS-16 of the General Schedule; and

(2) at least one principal assistant designated for purposes of this section by each Member who does not have an employee compensated at a rate equal to or in excess of the annual rate of basic pay in effect for grade GS-16 of the General Schedule.

For the purposes of this title, the legislative branch includes the Architect of the Capitol, the Botanic Gardens, the Congressional Budget Office, the Cost Accounting Standards Board, the General Accounting Office, the Government Printing Office, the Library of Congress, the Office of the Attending Physician, National Commission on Air Quality, and the Office of Technology Assessment.

(f) Reasonable extensions of time for filing any report may be granted by the designated committee of the Senate with respect to those filing with the Secretary and by the designated committee of the House of Representatives with respect to those filing with the Clerk but in no event may the extension granted to a Member or candidate result in a required report being filed later than seven days prior to an election involving the Member or candidate. If the day on which a report is required to be filed falls on a weekend or holiday, the report may be filed on the next business day.

(g) Notwithstanding the dates specified in subsection (d) of this section, an individual who is a candidate in calendar year 1978 shall file the report required by such subsection not later than November 1, 1978, except that a candidate for the Senate who has filed a report as of such date pursuant to the rules of the Senate need not file the report required by section (d) of this section.

(h) The designated committee of the House of Representatives, or the designated committee of the Senate, as the case may be, may grant a publicly available request for a waiver of any reporting requirement under this section for an individual who is expected to perform or has performed the duties of his office or position for less than one hundred and thirty days in a calendar year, but only if such committee determines that—

(1) such individual is not a full-time employee of the Government,

(2) such individual is able to provide services specially needed by the Government,

(3) it is likely that the individual's outside employment or financial interests will create a conflict of interest, and

(4) public financial disclosure by such individual is not necessary in the circumstances.

CONTENTS OF REPORTS

SEC. 102. (a) Each report filed pursuant to subsections (a) and (b) of section 101 shall include a full and complete statement with respect to the following:

(1)(A) The source, type, and amount of value of income (other than income referred to in subparagraph (B) from any source (other than from current employment by the United States Government), and the source, date, and amount of honoraria from any source, received during the preceding calendar year, aggregating \$100 or more in value.

(B) The source and type of income which consists of dividends, interest, rent, and capital gains, received during the preceding calendar year which exceeds \$100 in amount or value, and an indication of which of the following categories the amount or value of such item of income is within:

- (i) not more than \$1,000,
- (ii) greater than \$1,000 but not more than \$2,500,
- (iii) greater than \$2,500 but not more than \$5,000,
- (iv) greater than \$5,000 but not more than \$15,000,
- (v) greater than \$15,000 but not more than \$50,000,
- (vi) greater than \$50,000 but not more than \$100,000, or
- (vii) greater than \$100,000.

(2)(A) The identity of the source and a brief description of any gifts of transportation, lodging, food, or entertainment aggregating \$250 or more in value received from any source other than a relative of the reporting individual during the preceding calendar year, except that any food, lodging, or entertainment received as personal hospitality of any individual need not be reported, and any gift with a fair market value of \$35 or less need not be aggregated for purposes of this subparagraph.

(B) The identity of the source, a brief description, and the value of all gifts other than transportation, lodging, food, or entertainment aggregating \$100 or more in value received from any source other than a relative of the reporting individual during the preceding calendar year, except that any gift with a fair market value of \$35 or less need not be aggregated for purposes of this subparagraph.

(C) The identity of the source and a brief description or reimbursements received from any source aggregating \$250 or more in value and received during the preceding calendar year.

(D) In an unusual case, a gift need not be aggregated under subparagraph (A) or (B) if a publicly available request for a waiver is granted.

(3) The identity and category of value of any interest in property held during the preceding calendar year in a trade or business, or for investment or the production of income, which has a fair market value which exceeds \$1,000 as of the close of the preceding calendar year, excluding any personal liability owed to the reporting individual by a relative or any deposits aggregating \$5,000 or less in a personal savings account. For purposes of this paragraph, a personal savings account shall include any certificate of deposit or any other form of deposit in a bank, savings and loan association, credit union, or similar financial institution.

(4) The identity and category of value of the total liabilities owed to any creditor other than a relative which exceed \$10,000 at any time during the preceding calendar year, excluding—

(A) any mortgage secured by real property which is a personal residence of the reporting individual or his spouse;

(B) any loan secured by a personal motor vehicle, household furniture, or appliances, which loan does not exceed the purchase price of the item which secures it.

With respect to revolving charge accounts, only those with an outstanding liability which exceeds \$10,000 as of the close of the preceding calendar year need be reported under this paragraph.

(5) Except as provided in this paragraph, a brief description, the date, and category of value of any purchase, sale, or exchange during the preceding calendar year which exceeds \$1,000—

(A) in real property, other than property used solely as a personal residence of the reporting individual or his spouse; or

(B) in stocks, bonds, commodities futures, and other forms of securities.

Reporting is not required under this paragraph of any transaction solely by and between the reporting individual, his spouse, or dependent children.

(6) The identity of all positions held on or before the date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, employee or consultant of any corporation, company, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution other than the United States. This paragraph shall not require the reporting of positions held in any religious, social, fraternal, or political entity and positions solely of an honorary nature.

(7) A description of the date, parties to, and terms of any agreement or arrangement with respect to (A) future employment; (B) a leave of absence during the period of the reporting individual's Government service; (C) continuation of payments by a former employer other than the United States Government; and (D) continuing participation in an employee welfare or benefit plan maintained by a former employer.

(b) Each report filed pursuant to subsections (c) and (d) of section 101 shall include a full and complete statement with respect to the information required by—

(1) paragraph (1) of subsection (a) for the year of filing and the preceding calendar year,

(2) paragraphs (3) and (4) of subsection (a) as of the date specified in the report but which is less than thirty-one days before the filing date, and

(3) paragraph (6) and, in the case of reports filed under section 101(c), paragraph (7) of subsection (a) as of the filing date but for periods described in such paragraphs.

(c)(1) The categories for reporting the amount of value or the items covered in paragraphs (3), (4) and (5) of subsection (a) are as follows:

(A) not more than \$5,000;

(B) greater than \$5,000 but not more than \$15,000;

(C) greater than \$15,000 but not more than \$50,000;

(D) greater than \$50,000 but not more than \$100,000;

(E) greater than \$100,000 but not more than \$250,000; and

(F) greater than \$250,000.

(2) For the purposes of paragraph (3) of subsection (a) if the current value of an interest in real property (or an interest in a real estate partnership) is not ascertainable without an appraisal, an individual may list (A) the date of purchase and the purchase price of the interest in the real property, or (B) the assessed value of the real property for tax purposes, adjusted to reflect the market value of the property used for the assessment if the assessed value is computed at less than 100 percent of such market value, but such individual shall include in his report a full and complete description of the method used to determine such assessed value, instead of specifying a category of value pursuant to paragraph (1) of this subsection. If the current value of any other item required to be reported under paragraph (3) of subsection (a) is not ascertainable without an appraisal, such individual may list the book value of a corporation whose stock is not publicly traded, the net worth of a business partnership, the equity value of an individually owned business, or with respect to other holdings, any recognized indication of value, but such individual shall include in his report a full and complete description of the method used in determining such value. In lieu of any value referred to in the preceding sentence, an individual may list the assessed value of the item for tax purposes, adjusted to reflect the market value of the item used for the assessment if the assessed value is computed at less than 100 percent of such market value, but a full and complete description of the method used in determining such assessed value shall be included in the report.

(d)(1) Except as provided in the last sentence of this paragraph, each report shall also contain information listed in paragraphs (1) through (5) of subsection (a) respecting the spouse or dependent child of the reporting individuals as follows:

(A) The source of items of earned income earned by a spouse from any person which exceed \$1,000 and, with respect to a spouse or dependent child, all information required to be reported in subsection (a)(1)(B) with respect to income derived

from any asset held by the spouse or dependent child and reported pursuant to paragraph (3). With respect to earned income, if the spouse is self-employed in business or a profession, only the nature of such business or profession need be reported.

(B) In the case of any gifts received by a spouse which are not received totally independent of the spouse's relationship to the reporting individual, the identity of the source and a brief description of gifts of transportation, lodging, food, or entertainment and a brief description and the value of other gifts.

(C) In the case of any reimbursements received by a spouse which are not received totally independent of the spouse's relationship to the reporting individual, the identity of the source and a brief description of each such reimbursement.

(D) In the case of items described in paragraphs (3) through (5), all information required to be reported under these paragraphs other than items (i) which the reporting individual certifies represent the spouse's or dependent child's sole financial interest or responsibility and which the reporting individual has no knowledge of, (ii) which are not in any way, past or present, derived from the income, assets, or activities of the reporting individual, and (iii) from which the reporting individual neither derives, nor expects to derive, any financial or economic benefit.

Each report referred to in subsection (b) of this section shall, with respect to the spouse and dependent child of the reporting individual, only contain information listed in paragraphs (1), (3), and (4) of subsection (a), as specified in this paragraph.

(2) No report shall be required with respect to a spouse living separate and apart from the reporting individual with the intention of terminating the marriage or providing for permanent separation; or with respect to any income or obligations of an individual arising from the dissolution of his marriage or the permanent separation from his spouse.

(e)(1) Except as provided in paragraph (2), each reporting individual shall report the information required to be reported pursuant to subsections (a) and (b) of this section with respect to the holdings of and the income from a trust or other financial arrangement from which income is received by, or with respect to which a beneficial interest in principal or income is held by, such individual, his spouse, or any dependent child.

(2) A reporting individual need not report the holdings of or the source of income from any of the holdings of—

(A) any qualified blind trust (as defined in paragraph (3)); or
(B) a trust—

(i) which was not created directly by such individual, his spouse, or any dependent child, and

(ii) the holdings or sources of income of which such individual, his spouse, and any dependent child have no knowledge of,

but such individual shall report the category of the amount of income received by him, his spouse, or any dependent child from the trust under subsection (a)(1)(B) of this section.

(3) For purposes of this subsection, the term "qualified blind trust" includes any trust in which a reporting individual, his spouse, or any dependent child has a beneficial interest in the principal or income, and which meets the following requirements:

(A) The trustee of the trust is a financial institution, an attorney, a certified public accountant, a broker, or an investment adviser, who (in the case of a financial institution or investment company, any officer or employee involved in the management or control of the trust who)—

(i) is independent of and unassociated with any interested party so that the trustee cannot be controlled or influenced in the administration of the trust by any interested party;

(ii) is not or has not been an employee of any interested party, or any organization affiliated with any interested party and is not a partner of, or involved in any joint venture or other investment with, any interested party, and

(iii) is not a relative of any interested party.

(B) Any asset transferred to the trust by an interested party is free of any restriction with respect to its transfer or sale unless such restriction is expressly approved by the supervising ethics office of the reporting individual.

(C) The trust instrument which establishes the trust provides that—

(i) except to the extent provided in subparagraph (B) of this paragraph, the trustee in the exercise of his authority and discretion to manage and control the assets of the trust shall not consult or notify any interested party;

(ii) the trust shall not contain any asset the holding of which by an interested party is prohibited by any law or regulation;

(iii) the trustee shall promptly notify the reporting individual and his supervising ethics office when the holdings of any particular asset transferred to the trust by any interested party are disposed of or when the value of such holding is less than \$1,000;

(iv) the trust tax return shall be prepared by the trustee or his designee, and such return and any information relating thereto (other than the trust income summarized in appropriate categories necessary to complete an interested party's tax return), shall not be disclosed to any interested party;

(v) an interested party shall not receive any report on the holdings and sources of income of the trust, except a report at the end of each calendar quarter with respect to the total cash value of the interest of the interested party in the trust or the net income or loss of the trust or any reports necessary to enable the interested party to complete an individual tax return required by law or to provide the information required by subsection (a)(1)(B) of this section but such report shall not identify any asset or holding;

(vi) except for communications which solely consist of requests for distributions of cash or other unspecified assets

of the trust, there shall be no direct or indirect communication between the trustee and an interested party with respect to the trust unless such communication is in writing and unless it relates only (I) to the general financial interest and needs of the interested party (including, but not limited to, an interest in maximizing income or long-term capital gain), (II) to the notification of the trustee of a law or regulation subsequently applicable to the reporting individual which prohibits the interested party from holding an asset, which notification directs that the asset not be held by the trust, or (III) to directions to the trustee to sell all of an asset initially placed in the trust by an interested party which in the determination of the reporting individual creates a conflict of interest or the appearance thereof due to the subsequent assumption of duties by the reporting individual (but nothing herein shall require any such direction); and

(vii) the interested parties shall make no effort to obtain information with respect to the holdings of the trust, including obtaining a copy of any trust tax return filed or any information relating thereto except as otherwise provided in this subsection.

(d) The proposed trust instrument and the proposed trustee is approved by the reporting individual's supervising ethics office.

For purposes of this subsection "interested party" means a reporting individual, his spouse, and any dependent child if the reporting individual, his spouse, or dependent child has a beneficial interest in the principal or income of a qualified blind trust; "broker" has the meaning set forth in section 3(a)(4) of the Securities and Exchange Act of 1934 (15 U.S.C. 78c(a)(4)); "investment adviser" includes any investment adviser who, as determined under regulations prescribed by the supervising ethics office, is generally involved in his role as such an adviser in the management or control of trusts; and "supervising ethics office" means the designated committee of the House of Representatives for those who file the reports required by this title with the Clerk and the designated committee of the Senate for those who file the reports required by this title with the Secretary.

(4) An asset placed in a trust by an interested party shall be considered a financial interest of the reporting individual for the purposes of section 208 of title 18, United States Code, and any other conflict of interest statutes or regulations of the Federal Government, until such time as the reporting individual is notified by the trustee that such asset has been disposed of, or has a value of less than \$1,000.

(5)(A) The reporting individual shall, within thirty days after a qualified blind trust is approved by his supervising ethics office, file with such office a copy of—

(i) the executed trust instrument of such trust (other than those provisions which relate to the testamentary disposition of the trust assets), and

(ii) a list of the assets which were transferred to such trust, including the category of value of each asset as determined under subsection (c)(1) of this section.

(B) The reporting individual shall, within thirty days of transferring an asset (other than cash) to a previously established qualified blind trust, notify his supervising ethics office of the identity of each such asset and the category of value of each asset as determined under subsection (c)(1) of this section.

(C) Within thirty days of the dissolution of a qualified blind trust, a reporting individual shall—

- (i) notify his supervising ethics office of such dissolution, and
- (ii) file with such office a copy of a list of the assets of the trust at the time of such dissolution and the category of value under subsection (c) of this subsection of each such asset.

(D) Documents filed under subparagraphs (A), (B), and (C) of this paragraph and the lists provided by the trustees of assets placed in the trust by an interested party which have been sold shall be made available to the public in the same manner as a report is made available under section 104, and the provisions of that section shall apply with respect to such documents and lists.

(E) A copy of each written communication with respect to the trust under paragraph (3)(C)(vi) shall be filed by the person initiating the communication with the reporting individual's supervising ethics office within five days of the date of the communication.

(6)(A) A trustee of a qualified blind trust shall not knowingly or negligently (i) disclose any information to an interested party with respect to such trust that may not be disclosed under paragraph (3) of this subsection; (ii) acquire any holding the ownership of which is prohibited by the trust instrument; (iii) solicit advice from any interested party with respect to such trust, which solicitation is prohibited by paragraph (3) of this subsection or the trust agreement; or (iv) fail to file any document required by this subsection.

(B) A reporting individual shall not knowingly or negligently (i) solicit or receive any information with respect to a qualified blind trust of which he is an interested party that may not be disclosed under paragraph (3)(C) of this subsection or (ii) fail to file any document required by this subsection.

(C)(i) The Attorney General may bring a civil action in any appropriate United States Court against any individual who knowingly and willfully violates the provisions of subparagraph (A) or (B) of this paragraph. The court in which such action is brought may assess against such individual a civil penalty in any amount not to exceed \$5,000.

(ii) The Attorney General may bring a civil action in any appropriate United States District Court against any individual who negligently violates the provisions of subparagraph (A) or (B) of this paragraph. The court in which such action is brought may assess against such individual a civil penalty in any amount not to exceed \$1,000.

(7) Any trust which is in existence prior to the date of the enactment of this Act shall be considered a qualified blind trust if—

- (A) the supervising ethics office determines that the trust was a good faith effort to establish a blind trust;

(B) the previous trust instrument is amended, or if such trust instrument does not by its terms permit amendment, all parties to the trust instrument, including the reporting individual and the trustee agree in writing that the trust shall be administered in accordance with the requirements of paragraph (3)(C) and a trustee is (or has been) appointed who meets the requirements of paragraph (3); and

(C) a copy of the trust instrument (except testamentary provisions), a list of the assets previously transferred to the trust by an interested party and the category of value of each such asset at the time it was placed in the trust, and a list of assets previously placed in the trust by an interested party which have been sold are filed and made available to the public as provided under paragraph (5) of this subsection.

(f) Political campaign funds, including campaign receipts and expenditures, need not be included in any report filed pursuant to this title.

(g) A report filed pursuant to subsection (a) or (b) of section 101 need not contain the information described in subparagraphs (A), (B), and (C) of subsection (a)(2) with respect to gifts and reimbursements received in a period when the reporting individual was not a Member or an officer or employee of the Federal Government.

FILING OF REPORTS; DUTIES OF CLERK AND SECRETARY

SEC. 103. (a) The reports required by section 101 of Representatives, Delegates to Congress, the Resident Commissioner from Puerto Rico, officers and employees of the House, candidates seeking election to the House, and officers and employees of the Architect of the Capitol, the Botanic Gardens, the Congressional Budget Office, the Government Printing Office, and the Library of Congress shall be filed with the Clerk.

(b) The reports required by section 101 of Senators, officers and employees of the Senate, candidates seeking election to the Senate, and officers and employees of the General Accounting Office, the Cost Accounting Standards Board, the Office of Technology Assessment, National Commission on Air Quality, and the Office of the Attending Physician shall be filed with the Secretary.

(c) A copy of each report filed by a Member or an individual who is a candidate for the office of Member shall be sent by the Clerk or Secretary, as the case may be, to the appropriate State officer as designated in accordance with section 316(a) of the Federal Election Campaign Act of 1971 (2 U.S.C. 439(a)) of the State represented by the Member or in which the individual is a candidate, as the case may be, within the seven-day period beginning the day that the report is filed with the Clerk or Secretary.

(d)(1) A copy of each report filed under this title with the Clerk shall be sent by the Clerk to the designated committee of the House of Representatives within the seven-day period beginning the day that the report is filed.

(2) A copy of each report filed with the Secretary shall be sent by the Secretary to the designated committee of the Senate.

(e) In carrying out their responsibilities under this title, the Clerk and the Secretary shall avail themselves of the assistance of

the Federal Election Commission. The Commission shall make available to the Clerk and the Secretary on a regular basis a complete list of names and addresses of all candidates registered with the Commission, and shall cooperate and coordinate its candidate information and notification program with the Clerk and the Secretary to the greatest extent possible.

(f) In order to carry out their responsibilities under this title, the designated committee of the House of Representatives, and the designated committee of the Senate, shall develop reporting forms and may promulgate rules and regulations.

ACCESSIBILITY OF REPORTS

SEC. 104. (a) Except as provided in the second sentence of this subsection, within fifteen calendar days after a report is filed with the Clerk under this title the Clerk shall make such report available for public inspection at reasonable hours. With respect to reports required to be filed by May 15 of any year, such reports shall be made available for public inspection within fifteen calendar days after May 15 of such year. A copy of any such report shall be provided by the Clerk to any person upon request.

(b) Except as provided in the second sentence of this subsection, within fifteen days after a report filed with the Secretary under this title, the Secretary shall make such report available for public inspection at reasonable hours. With respect to reports required to be filed by May 15 of any year, such reports shall be made available for public inspection within fifteen calendar days after May 15 of such year. A copy of any such report shall be provided by the Secretary to any person upon request.

(c)(1) Notwithstanding subsections (a) and (b), a report may not be made available under this section to any person nor may any copy thereof be provided under this section to any person except upon a written application by such person stating—

- (A) that person's name, occupation, and address;
- (B) the name and address of any other person or organization on whose behalf the inspection or copy is requested; and
- (C) that such person is aware of the prohibitions on the obtaining or use of the report.

Any such application shall be made available to the public throughout the period during which the report is made available to the public.

(2) Any person requesting a copy of a report may be required to pay a reasonable fee to cover the cost of reproduction or mailing of such report, excluding any salary of any employee involved in such reproduction or mailing. A copy of such report may be furnished without charge or at a reduced charge if it is determined by the Clerk or Secretary that waiver or reduction of the fee is in the public interest because furnishing the information may be considered as primarily benefiting the public.

(d) Any report filed under this title with the Clerk or Secretary shall be available to the public for a period of six years after receipt of the report. After such six-year period the report shall be destroyed unless needed in an ongoing investigation, except that in the case of an individual who filed the report pursuant to section

101(d) and was not subsequently elected, such reports shall be destroyed one year after the individual is no longer a candidate for election to the office of Member unless needed in an ongoing investigation.

(e)(1) It shall be unlawful for any person to obtain or use a report—

- (A) for any unlawful purpose;
- (B) for any commercial purpose other than by news and communications media for dissemination to the general public;
- (C) for determining or establishing the credit rating of any individual; or
- (D) for use, directly or indirectly, in the solicitation of money for any political, charitable, or other purpose.

(2) The Attorney General may bring a civil action against any person who obtains or uses a report for any purpose prohibited in paragraph (1). The court in which such action is brought may assess against such person a penalty in any amount not to exceed \$5,000. Such remedy shall be in addition to any other remedy available under statutory or common law.

REVIEW AND COMPLIANCE PROCEDURES

SEC. 105. (a) The designated committee of the House of Representatives and the designated committee of the Senate shall establish procedures for the review of reports sent to them under section 103(d)(1) and section 103(d)(2) to determine whether the reports are filed in a timely manner, are complete, and are in proper form. In the event a determination is made that a report is not so filed, the appropriate committee shall so inform the reporting individual and direct him to take all necessary corrective action.

(b) In order to carry out their responsibilities under this title the designated committee of the House of Representatives and the designated committee of the Senate, have power, within their respective jurisdictions, to render any advisory opinion interpreting this title, in writing, to persons covered by this title. Notwithstanding any other provisions of law, the individual to whom a public advisory opinion is rendered in accordance with this subsection, and any other individual covered by this title who is involved in a fact situation which is indistinguishable in all material aspects, and who, after the issuance of the advisory opinion, acts in good faith in accordance with the provisions and findings of such advisory opinion shall not, as a result of such act, be subject to any sanction provided in this title.

FAILURE TO FILE OR FALSIFYING REPORTS

SEC. 106. The Attorney General may bring a civil action in any appropriate United States district court against any individual who knowingly and willfully falsifies or who knowingly and willfully fails to file or report any information that such individual is required to report pursuant to section 102. The court in which such action is brought may assess against such individual a civil penalty in any amount not to exceed \$5,000. No action may be brought under this section against any individual with respect to a report

filed by such individual in calendar year 1978 pursuant to section 101(d).

DEFINITIONS

SEC. 107. For the purposes of this title, the term—

(1) "income" means all income from whatever source derived, including but not limited to the following items: compensation for services, including fees, commissions, and similar items; gross income derived from business (and net income if the individual elects to include it); gains derived from dealings in property; interest; rents; royalties; dividends; annuities; income from life insurance and endowment contracts; pensions; income from discharge of indebtedness; distributive share of partnership income; and income from an interest in an estate or trust;

(2) "relative" means an individual who is related to the reporting individual, as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, first cousin, nephew, niece, husband, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, or who is the grandfather or grandmother of the spouse of the reporting individual, and shall be deemed to include the fiance or fiancee of the reporting individual;

(3) "gift" means a payment, advance, forbearance, rendering, or deposit of money, or any thing of value, unless consideration of equal or greater value is received by the donor, but does not include—

(A) bequest and other forms of inheritance;

(B) suitable mementos of a function honoring the reporting individual;

(C) food, lodging, transportation, and entertainment provided by State and local governments, or political subdivisions thereof, by a foreign government within a foreign country, or by the United States Government;

(D) food and beverages consumed at banquets, receptions, or similar events;

(E) consumable products provided by home-State businesses to a Member's office for distribution; or

(F) communications to the offices of a reporting individual including subscriptions to newspapers and periodicals;

(4) "honoraria" has the meaning given such term in the Federal Election Campaign Act of 1971;

(5) "value" means a good faith estimate of the dollar value if the exact value is neither known nor easily obtainable by the reporting individual;

(6) "personal hospitality of any individual" means hospitality extended for a nonbusiness purpose by an individual, not a corporation or organization, at the personal residence of that individual or his family or on property or facilities owned by that individual or his family;

(7) "dependent child" means, when used with respect to any reporting individual, any individual who is a son, daughter, stepson, or stepdaughter and who—

(A) is unmarried and under age 21 and is living in the household of such reporting individual; or

(B) is a dependent of such reporting individual within the meaning of section 152 of the Internal Revenue Code of 1954;

(8) "reimbursement" means any payment or other thing of value received by the reporting individual, other than gifts, to cover travel-related expenses of such individual other than those which are—

(A) provided by the United States Government, the District of Columbia, or any State or political subdivision thereof;

(B) required to be reported by the reporting individual under section 7342 of title 5, United States Code; or

(C) required to be reported under section 304 of the Federal Election Campaign Act of 1971 (2 U.S.C. 434);

(9) "candidate" means an individual, other than a Member, who seeks nomination for election, or election, to the Congress whether or not such individual is elected, and for purposes of this paragraph, an individual shall be deemed to seek nomination for election, or election, (A) if he has taken the action necessary under the law of a State to qualify himself for nomination for election, or election, or (B) if he or his principal campaign committee has taken action to register or file campaign reports required by section 304(a) of the Federal Election Campaign Act of 1971 (2 U.S.C. 434(a));

(10) "Clerk" means the Clerk of the House of Representatives;

(11) "Secretary" means the Secretary of the Senate;

(12) "Member" means a United States Senator, a Representative in Congress, a Delegate to Congress, or the Resident Commissioner from Puerto Rico;

(13) "election" means (A) a general, special, primary, or runoff election, or (B) a convention or caucus of a political party which has authority to nominate a candidate;

(14) "officer or employee of the House" means any individual, other than a Member, whose compensation is disbursed by the Clerk;

(15) "officer or employee of the Senate" means an individual, other than a Senator or the Vice President, whose compensation is disbursed by the Secretary; and

(16) "designated committee of the House of Representatives" and "designated committee of the Senate" means the committee of the House or Senate, as the case may be, assigned responsibility for administering the reporting requirements of this title.

OTHER LAWS

SEC. 108. The provisions added by this title, and the regulations issued thereunder, shall supersede and preempt any State or local

law with respect to financial disclosure by reason of holding the office of Member or candidacy for Federal office or employment by the United States Government.

GENERAL ACCOUNTING OFFICE STUDY

SEC. 109. (a) Before November 30, 1980, and regularly thereafter, the Comptroller General of the United States shall conduct a study to determine whether this title is being carried out effectively and whether timely and accurate reports are being filed by individuals subject to this title.

(b) Within thirty days after completion of the study, the Comptroller General shall transmit a report to each House of Congress containing a detailed statement of his findings and conclusions, together with his recommendations for such legislative and administrative actions as he deems appropriate. The first such study shall include the Comptroller General's findings and recommendations on the feasibility and potential need for a requirement that systematic random audits be conducted of financial disclosure reports filed under this title, including a thorough discussion of the type and nature of audits that might be conducted; the personnel and other costs of audits; the value of an audit to Members, the appropriate House and Senate committees, and the public; and, if conducted whether a governmental or nongovernmental unit should perform the audits, and under whose supervision.

APPENDIX B

RULE XLIV

FINANCIAL DISCLOSURE

1. A copy of each report filed with the Clerk under Title I of the Ethics in Government Act of 1978 shall be sent by the Clerk within the seven-day period beginning the date on which the report is filed to the Committee on Standards of Official Conduct. By July 1 of each year, the Clerk shall compile all such reports sent to him by Members within the period beginning on January 1 and ending on May 15 of each year and have them printed as a House document, which document shall be made available to the public.

2. For the purposes of this rule, the provisions of Title I of the Ethics in Government Act of 1978 shall be deemed to be a rule of the House as it pertains to Members, officers, and employees of the House of Representatives.

APPENDIX C

THE WASHINGTON TIMES

Monday, July 16, 1984

(FRONT PAGE)

Hansen says double standard used by Justice Department in his case

By George Archibald
THE WASHINGTON TIMES

Rep. George Hansen, R-Idaho, facing a prison term and a House reprimand for failing to disclose his wife's financial dealings on congressional ethics reports, yesterday accused the Justice Department and Democratic leaders of a double standard for ignoring similar violations by Rep. Geraldine A. Ferraro, D-N.Y.

The New York congresswoman, chosen by Walter Mondale to be his vice presidential running-mate, has not reported — on the congressional ethics reports mandated by law — her husband's assets, liabilities and property transactions even though she served as secretary and treasurer of his real estate development company during her three House terms.

Mrs. Ferraro also owns stock in the multi-million dollar Manhattan firm just across the East River from the borough of Queens that she represents in Congress, The Washington Times reported last week.

HANSEN

From page 1A

dine Ferraro was fined \$500 for accepting the loans and for disobeying a federal election requirement to report a \$50,000 loan within 48 hours.

The committee's lawyer informed the FEC on Feb. 9, 1979, that the improper contributions had been fully repaid the previous October, before Mrs. Ferraro's general election victory to the House seat she still holds. Mrs. Ferraro either sold or transferred some property to cover her husband's loans, it was reported.

However, an aide to Mrs. Ferraro in Washington told The Times last week that "there may be a residual [of the loans] that has not been retired." Mrs. Ferraro's latest 1984 congressional campaign report, filed this month with the FEC, indicates that the campaign committee has not repaid more than \$50,000 of the six-year-old debt.

In a conciliation agreement he signed with the FEC, Mr. Zaccaro acknowledged that his loans

"They're trying to make a criminal out of me and a vice president out of her," said Mr. Hansen, a seven-term Republican who was convicted in April of filing incomplete financial disclosure statements with the House.

Mr. Hansen faces up to 15 months in prison and \$40,000 in fines because he did not report his wife's silver transactions on the commodities market and a personal loan she received to help cover previous commodities losses. He has appealed the felony conviction, but faces a House reprimand for the verdict when Congress returns from its summer recess.

The Idaho lawmaker, who is fighting an uphill battle for re-election because of damaging publicity about his case, went on the offensive against his critics over the weekend by citing the "identical track record" of Mrs. Ferraro.

Nine years ago, Mr. Hansen was fined \$2,000 in a criminal case brought by the Federal Election Commission because he was late in filing a campaign contributions report and reported contributions

of \$2,150 on the wrong form.

Mrs. Ferraro's campaign committee and her husband, John A. Zaccaro, were jointly fined \$750 in a civil settlement with the FEC after Mr. Zaccaro gave \$110,000 in illegal loans to her 1978 primary campaign.

The loans, made to help finance Mrs. Ferraro's first successful race for federal office, exceeded the legal limit of \$1,000 on contributions from individuals, including family members.

Some of the money was taken from savings accounts of Mrs. Ferraro's minor children, for whom Mr. Zaccaro was the trustee, according to FEC documents.

The contributions "were incorrectly attributed to the children rather than John Zaccaro or Geraldine Zaccaro," since the children did not exclusively own and control the funds or decide voluntarily to make the loans, the FEC ruled.

Mr. Zaccaro was fined \$250 for exceeding the legal contribution and the Committee to Elect Geraldine

see HANSEN, page 12A

exceeded the \$1,000 federal contribution limit and pledged not to "undertake any activity" that violated the Federal Election Campaign Act.

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," the agreement stated.

Mrs. Ferraro has not disclosed details about her husband's financial situation in her congressional reports, as required by federal ethics statutes, claiming that she meets all three of the government's legal standards for exemption from such disclosures.

Members of Congress are not required to reveal financial information about members of their immediate family if the business activity "is the sole interest or responsibility of the spouse or dependent child and the reporting individual has no knowledge of the item," according to one of the standards.

Also, the information does not have to be disclosed if income or holdings of family members were

"not in any way, past or present, derived from the income, assets or activities of the reporting individual," or the lawmaker does not gain or expect to gain financially or economically from the holdings.

"If I have to report all of this kind of thing, other people in similar situations should," said Mr. Hansen. "Why should they try to send me to jail and send her to the White House? Her case basically parallels the experiences I've had with the federal paperwork establishment," he said.

Mrs. Ferraro's New York office did not respond last week to telephone inquiries from The Times about her FEC case and the financial disclosure matter.

Pam Fleischaker, a press aide, told the Associated Press over the weekend she did not know enough about the 1978 FEC case to compare the two. "This was a very minor violation," she asserted.

"I think people like to scrutinize very hard when someone's running for national office, and they should," she said. "They're not going to find anything on Geraldine Ferraro."

Ferraro Didn't Disclose Assets of Wealthy Spouse

By a WALL STREET JOURNAL Staff Reporter

SAN FRANCISCO—Democratic vice-presidential designate Geraldine Ferraro may have a political problem: her failure in past years to disclose the assets of her wealthy husband, John A. Zaccaro.

House members must by law disclose assets of their spouse unless the member has "no knowledge" of such assets and doesn't expect to benefit from them, among other prerequisites. But Rep. Ferraro is a stockholder of her husband's real-estate development firm and is its secretary and treasurer.

[A spokesman for Rep. Ferraro said last night that within 30 days she would make a voluntary disclosure of her 1983 federal income tax return. But the spokesman said he didn't know if Mr. Zaccaro's assets or income would be disclosed.]

Husband's Finances Excluded**Ferraro Says Ethics Reports Sound**

By Charles R. Babcock
Washington Post Staff Writer

Rep. Geraldine A. Ferraro (D-N.Y.) said yesterday that she didn't violate House rules when she omitted the financial holdings of her husband, New York real estate executive John A. Zaccaro, from her annual financial disclosure statements. But she promised to make a full disclosure of both his and her holdings and tax returns within three weeks.

House rules require members to disclose the holdings of their spouses unless they have no knowledge of, and derive no benefit from, the spouse's assets.

Questions have been raised about Ferraro's annual House statements because she lists herself as a shareholder and secretary/treasurer of her husband's real estate management firm, P. Zaccaro Co. Inc.

In a statement issued by her office as her first formal comment on the issue, Ferraro, the Democratic nominee for vice president, said, "My financial disclosure forms for 1979 through 1984 complied with what is required of members of Congress who have spouses with separate financial holdings."

Instructions for members prepared by the House Committee on Standards of Official Conduct (ethics) says the benefit test "should be interpreted very broadly" and that the member must be able to say he or she "neither derives, nor expects to derive, any financial or economic benefit from the item."

The member would benefit if income from the spouse's holdings were used for vacations, education of children or maintaining a home, the booklet added.

See FINANCES, A4, Col. 1

Ferraro Calls Ethics Reports Sound**FINANCES, From A1**

Ferraro was not available yesterday to answer questions about the statement. But a Mondale-Ferraro campaign attorney said that Ferraro and her husband filed separate tax returns and that the "benefit" rule "has to be read with common sense or it is an exemption that applies to no one."

The attorney said Ferraro's accountant was told by the ethics committee staff that her husband met the exemption standard when she entered Congress in 1979, but didn't get the opinion in writing. The attorney did not rule out the possibility that Ferraro might

amend her disclosure statements to add Zaccaro's holdings.

Rep. George Hansen (R-Idaho) has pointed out that he was recently convicted of making false statements for willfully failing to disclose his wife's holdings on his House statements.

In her statement yesterday, Ferraro said that she will disclose her husband's holdings in a financial statement she is required to file with the Federal Election Commission within 30 days of being nominated.

She will do so, she said, because "my husband and I believe it is in the public interest to do so and because the office of vice president is

one of high public trust. My husband and I agree that any exemption from disclosure for him which might otherwise be available is outweighed by my nomination and its responsibilities."

She added that the FEC disclosure will also include his and her tax returns "for the past several years."

Ferraro's running mate, Walter F. Mondale, released a copy of his tax return last year. President Reagan has released his annually since entering the White House. Vice President Bush's taxes are done by the trustee of his blind trust, so he doesn't have a copy of his tax return to release, according to spokesman Shirley Green.

APPENDIX D
BEFORE THE
COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

IN THE MATTER OF A
COMPLAINT BY THE WASHINGTON LEGAL FOUNDATION
AGAINST REPRESENTATIVE GERALDINE A. FERRARO

COMPLAINT

Pursuant to Clause 4(e)(2)(B) of Rule X of the House of Representatives, and Rule 9 of the rules of the Committee on Standards of Official Conduct (Committee), the Washington Legal Foundation (WLF or Complainant), hereby submits this complaint and exhibits thereto against Congresswoman Geraldine A. Ferraro and requests an immediate investigation of the matters alleged herein and related matters that may be incurred during the course of the Committee's investigation. In particular, we request the Committee to investigate possible falsification, misrepresentations, and omissions made by Congresswoman Ferraro in her financial disclosure reports filed for the years 1978-1983 with respect to her holdings as well as those of her husband and children.

We request that this complaint be considered at the Committee's next regularly scheduled meeting of August 8, 1984

pursuant to Rule 3(a) of the Committee's rules or as soon as possible thereafter.

The Foundation is a nonprofit public interest law firm with 85,000 members nationwide, and has represented over 100 U.S. Senators and Congressmen, both Democrats and Republicans, in various legal matters in the courts and agencies. We further request that WLF and its attorneys be permitted to attend any such meetings of the Committee as may be permitted by the rules or by past practice.*/

It is imperative that this Committee act promptly to investigate these irregularities. The fact that Congresswoman Ferraro has indicated that she will disclose additional financial information as a candidate for Vice President should in no way delay the Committee's proceedings. Any such information will not excuse any omissions she has made in her 1978-1983 disclosure reports. The financial information required by the Ethics in Government Act to be filed by her as a Vice Presidential candidate is precisely the identical information which she is required to disclose as a Congresswoman, the only difference being the place of filing, i.e., the Federal Election Commission.

In support of this complaint, we make the following allegations with supporting evidence attached hereto.

*/ Upon a complaint filed by Common Cause in 1976 against Congressman Robert L.F. Sikes for his alleged failure to disclose certain holdings, this Committee permitted Common Cause and its counsel to attend an executive session of the Committee with Congressman Sikes and his counsel. See "In the Matter Of A Complaint Against Representative Robert L.F. Sikes," Report by the Comm. on Standards of Official Conduct, House Report No. 94-1364 at 2.

ALLEGATIONSI. CONGRESSWOMAN FERRARO HAS FAILED TO DISCLOSE HER HUSBAND'S FINANCIAL HOLDINGS AS REQUIRED BY THE ETHICS IN GOVERNMENT ACT

For the years 1978-1983, Congresswoman Ferraro has failed to disclose the financial holdings of her husband certifying that she is exempted from doing so under the Ethics in Government Act (See Exhibit A). Improperly certifying the exemption subjects the reporting individual to civil as well as criminal penalties under 18 U.S.C. Sec. 1001.

In order to be exempted from such disclosure, Ferraro must meet all three criteria under 2 U.S.C. Sec. 702(d) (1)(D) relating to holdings:

- (i) which the reporting individual certifies represent the spouse or dependent child's sole financial interest or responsibility and which the reporting individual has no knowledge of;
- (ii) which are not in any way, past or present, derived from the income, assets, or activities of the reporting individual; and
- (iii) from which the reporting individual neither derives, nor expects to derive, any financial or economic benefit.

These three criteria are further listed and described in the instructions that are attached to the disclosure forms. It is clearly understood that this exemption is to be rarely used and that the application of the three criteria should be broadly interpreted to prevent nondis-

closure. The instructions make this point clear when it states:

"In general, the reporting individual is required to include financial information concerning his or her spouse or dependent children. However, in certain limited circumstances, the truly independent financial interests of a spouse or dependent would be exempt from disclosure." (Emphasis added)

It is clear that the law as written and as applied by the House of Representatives, would interpret any spousal exemption very narrowly. Indeed, it is complainant's understanding that over 95 percent of the Members of Congress do not claim the exemption and disclose the financial holdings of their spouse and dependent children.

Complainant alleges that Congresswoman Ferraro does not meet one or more of the criteria which would qualify her to claim exemption to disclose her husband's assets. Failure to meet any one of the three criteria disqualifies her exemption.

A. Congresswoman Ferraro Appears To Have Some Knowledge of Her Husband's Holdings and Therefore She Fails the "No Knowledge" Criteria For the Exemption

It is complainant's contention that Congresswoman Ferraro does not meet the "no knowledge" criteria and therefore must disclose her husband's financial holdings. The principal support for complainant's contention is the fact that Congresswoman Ferraro has indicated in her disclosure forms filed from 1978 to 1983 that she has a close financial

and fiduciary relationship with her husband's company, the P. Zaccaro Company. In her first disclosure report filed on May 15, 1979 for the prior calendar year 1978, Congresswoman Ferraro listed herself as an "Officer" of the P. Zaccaro & Son Company. In her second report filed in 1979, she listed herself as "Secretary and Director" of her husband's company; 1980 as "Secretary and Director"; and for 1981-1983 as "Secretary and Treasurer." In addition, she listed in all six annual disclosure reports that she owns one share of stock in her husband's company valued between \$5-\$15,000.*/

As a shareholder, officer, director, secretary and especially treasurer, of a closely-held business corporation, it strains credulity for Congresswoman Ferraro to certify that she has "no knowledge" at all of her husband's financial holdings or interests. Indeed, many news articles and editorials describing Congresswoman Ferraro's failure to disclose her husband's financial holdings have similarly expressed grave doubts about the legitimacy of her claim that she has "no knowledge" of her husband's holdings. See Exhibit B. Many members of the public have also expressed justified skepticism about the legitimacy of her exemption to report her husband's holdings. It is accordingly in the public interest that this Committee investigate this matter promptly. It is inconceivable that as a director and

*/ Ferraro obviously had enough knowledge of her husband's company to place a monetary value on her share of stock in the company.

treasurer of a corporation, Ferraro has "no knowledge" of the financial dealings of that corporation, unless she has abandoned all obligations of a treasurer or director under New York corporation law.

There is additional evidence to indicate that Congresswoman Ferraro has some knowledge of her husband's assets. In 1978 when she first ran for Congress, it is a matter of public record that her committee improperly received \$134,000 from her husband's funds as well as from her children's trust accounts. Part of this loan included a loan on May 10, 1978 in the sum of \$25,000. As collateral for the loan, Mr. Zaccaro pledged a joint account at the East River Savings Bank in New York, Account No. 3002820. Although it is not known how much money was or is in that account, Mr. Zaccaro testified in an affidavit, dated February 9, 1979, submitted to the Federal Election Commission under oath that the account was opened in 1971 and contained funds contributed by both himself as well as from his wife Geraldine Ferraro. See Zaccaro Affidavit, Exhibit C.

On September 15, 1978, proceeds from that account in the amount of \$25,000, plus interest, was paid back to the East River Savings Bank as payment for the original loan on May 10 of \$25,000. The existence of this joint account, in and of itself, indicates that it is not the "sole financial interest" of her husband, and that she cannot claim "no knowledge" of that account. As noted below with respect to her children's trust accounts, her husband also testified

that the funds deposited therein were funds from both himself and his wife. As part of its investigation, this Committee should determine what other joint accounts are maintained by Congresswoman Ferraro and her husband and dependents.

Besides her role as an officer, director, treasurer and shareholder of her husband's company, she also had some knowledge of her husband's company by the fact that she apparently maintained her law offices at her husband's company in 1978, and maintained her campaign's headquarters there as well from 1978 until 1984. The address listed on her legal stationery as well as the address listed for her campaign for every election since 1978 has been "218 Lafayette Street, New York, New York 10012." (Exhibit D). That address is the same address as her husband's company. Indeed, not only is she the treasurer of her husband's corporation, Mr. Zaccaro was the treasurer of his wife's congressional campaign since September 1982 and has signed all of his wife's FEC disclosure reports as treasurer since that time through 1984. See Exhibit D.

There is probable cause to believe that Congresswoman Ferraro does not meet the "no knowledge" criteria which must be read narrowly, and therefore, an investigation is warranted.*/

*/ There is also cause to believe that her campaign has received illegal in-kind corporate contributions from her husband's corporation violation of the election laws. There are many apparent violations of the election laws which WLF will bring to the attention of the Federal Election Commission.

In response to criticism of her failure to disclose her husband's assets and holdings, Congresswoman Ferraro has stated that she will make public certain financial information when she files her disclosure form as candidate for the Vice Presidency with the Federal Election Commission. She claims that she believes this information should be forthcoming as a matter of "the public interest." WLF wishes to note, however, that the information required to be disclosed by Congresswoman Ferraro as a vice presidential candidate with the Federal Election Commission is exactly the same information that she is required to disclose with the Congress under the Ethics in Government Act. The same law requires Members of Congress and candidates for President and Vice President to disclose exactly the same information. The only difference in the law is that candidates for President or Vice President file their forms with the Federal Election Commission. Consequently, it is not merely "in the public interest" that requires Ms. Ferraro to disclose her husband's assets, it is the law.

B. Congresswoman Ferraro Does Not Meet Criteria No. 2 for the Exemption Because Her Husband's Holdings Are Derived From Her Income or Assets

It is also clear that Congresswoman Ferraro failed to meet the second criteria, of Section 702(d)(1)(D), namely that her husband's holdings are "not in any way, past or present, derived from the income, assets, or activities of

the reporting individual." Certainly, as a stockholder in her husband's company, Congresswoman Ferraro owns an asset from which her husband derives income. She is, plain and simple, part owner of the company. In addition, it appears that he is also deriving money from the company through the "activities of the reporting individual," namely, her activities as director, secretary, and treasurer of the corporation. Presumably, by carrying out her duties, her husband is able to derive income from the company.

C. Congresswoman Ferraro Does Not Appear To Qualify For Criteria No. 3, the "Benefit" Test

By claiming the exemption on all her disclosure forms, Congresswoman Ferraro further certified that she neither derives nor expects to derive any financial or economic benefit from her husband's holdings. She seems to clearly fail this benefit test inasmuch as she is receiving an economic benefit to the extent that the share of her ownership in her husband's company increases as he produces profits for that company. Furthermore, by having joint savings or other accounts, as she appears to have with her husband, she is deriving economic benefit by the additional interest earned on that account. In addition, she is enjoying the benefits of the three expensive homes that her husband owns himself, or in joint ownership with her, as well as other benefits such as her housekeeper, vacations, and the like. The House manual states that this "benefit" test is to be read broadly.

It is clear from the foregoing that Congresswoman Ferraro does not qualify for the exemption from reporting her husband's financial holdings inasmuch as she fails to meet one or more of the criteria discussed above.

II. Failure to Report Her Dependents' Financial Holdings

While the media has focused on Congresswoman Ferraro's failure to report her spouse's holdings, and justly so, she has also failed to report the financial holdings of her dependent children in her disclosure forms filed since 1978. In order to be exempt from disclosing her children's holdings, she has to meet the same three criteria as discussed above with respect to her spouse. Congresswoman Ferraro fails to meet one or all of the criteria with respect to her children, and therefore she has falsely certified that she is exempt from so reporting.

As indicated above, when she first ran for Congress in 1978, not only did Congresswoman Ferraro illegally receive loans from her husband, she also invaded trust accounts or custodial accounts of her children's college funds to help finance her 1978 race. The amounts involved totalled at least \$24,000 from her daughter Donna Zaccaro, Laura Zaccaro, and her son John Zaccaro, Jr. in which she was the custodian. For a breakdown of the amounts, see Exhibit E which is an excerpt of a FEC document in MUR 892.

In her husband's February 9, 1979 affidavit filed with the Federal Election Commission, Mr. Zaccaro identified

several other trust or custodial accounts for his children which were invaded by him in order to help fund his wife's political campaign. On page 3 of his affidavit, he identifies Account No. 3-260954-7 as held in the name of "Mr. John Zaccaro Custodian for Donna Zaccaro under the Uniform Gift to Minors Act." He stated that the account was opened in 1974 and "the funds deposited therein were my personal funds or personal funds of my wife." Mr. Zaccaro identifies two other accounts which were custodial accounts for his daughter Laura Zaccaro No. 3-60955-4 and 3-260956-2 both at the East River Savings Bank. He stated that these accounts were opened in 1974 and also all the funds therein were his funds or the personal funds of his wife. In a Washington Post article by Charles Babcock dated July 29, 1984, he quotes an FEC internal memorandum which said that Mrs. Ferraro had called the FEC and told an FEC employee that the loan money had come from a joint account with her husband and from "college funds set up for her children." (Exhibit F.) She said she was trustee of those accounts and said, therefore, she had control of that money. Regardless of whether she was a trustee on all or some of the accounts, several things are indisputable: (1) Congresswoman Ferraro knew about all of these accounts, and (2) by her husband's own affidavit, Mrs. Ferraro contributed to some of these accounts. Accordingly, it appears that Congresswoman Ferraro falsely certified that these accounts were "the sole interest"

of her children and that she had "no knowledge" of these accounts.

Congresswoman Ferraro also appears to have falsely certified as she qualifies for criteria No. 2 inasmuch as the savings accounts of her children are in fact derived from the income, assets, or activities of the reporting individual, namely, Congresswoman Ferraro, since she and her husband contributed to those accounts. Finally, she appears not to satisfy criteria No. 3 since she appears to have derived some financial or economic benefit from the savings accounts. Indeed, in her first disclosure form for 1978 she indicated that she received as income from her children's savings in the amount of \$100.01 to \$1,000. Thus, not only has Congresswoman Ferraro appeared to have falsely certified that she is entitled to the exemption with respect to disclosing her husband's assets, she also has appeared to falsely certify that she is similarly entitled not to report her children's assets.

III. ERRORS, OMISSIONS AND MISREPRESENTATIONS IN CONGRESSWOMAN FERRARO'S DISCLOSURE FORMS FROM 1978 THROUGH 1983.

In addition to failing to disclose her husband's financial holdings and those of her children as required by law, Congresswoman Ferraro also appears to have misreported her own financial activities, as discussed below.

A. Sale of half-interest in property at 231-235 Center Street.

In an attempt to rectify the problem of her campaign committee receiving \$134,000 in funds owned or controlled by her husband, including those in which he or she was a custodian for her children's savings, Congresswoman Ferraro sold her half-interest in property on Center Street and a half-interest in a mortgage on Bowery Street. As indicated in the Washington Post article of July 29, 1984, Congresswoman Ferraro purchased a building with the Melro Co., a Manny Lerman partnership, for \$175,000. Manny Lerman is a business associate of her husband's. She purchased the property on May 1, 1978, a few days before she formally became a candidate for Congress, from Polarob Realty Corp., a "dummy corporation." She then sold the property on or about October 5, 1978 for one-half the valuation of \$325,000. Thus, rather than selling the property on the open market, Manny Lerman purchased Geraldine Ferraro's share in the property. He assumed her one-half share of the outstanding mortgage of \$125,000 and, in addition, paid her \$100,000 cash for her interest. Thus in order to compute her capital gain on that transaction, one would take the \$325,000 sale price valuation minus the \$175,000 purchase price, for a total of \$150,000 gain. If you divide by 2,

Congresswoman Ferraro's share is a \$75,000 capital gain on the sale of her interest.

However, in her 1978 disclosure form under item B "Income", she lists the capital gain for the sale of the property and places the value of it between \$15,000 and \$50,000. Clearly, she has under-reported the amount of capital gain she received on the property. The disclosure of her 1978 tax returns which she has indicated she is going to make public along with her and her husband's other returns should clarify the amount of the short-term capital gain realized in this transaction, as well as the amount of tax paid on that gain. Other questions include whether she received any rental income on the property.

B. Sale of Mortgage on 124-126 Bowery St.

Mrs. Ferraro also sold a half an interest in a mortgage at 124-126 Bowery in October 1978 for the sum of \$30,000 to help repay the family loans to her campaign. This interest on the mortgage was also purchased by Manny Lerman. However, Mrs. Ferraro does not report receiving any interest income from this mortgage at all during 1978 and it appears that there is either an omission or some other irregularity associated with her ownership in this mortgage.

C. \$40,000 Bank Loans and Phantom Savings Account

Having transferred the proceeds from these two properties for the total of \$130,000 to her campaign which went to pay campaign expenses and repay her family loans, Congresswoman Ferraro took out personal loans in late October and early December from the First Women's Bank of New York for a total of \$15,000 and from the East River Savings Bank for a total of \$25,000. This additional \$40,000 was lent to her campaign

for her 1978 race. However, at the time Mrs. Ferraro received \$40,000 in loans from these two banks, she had no interest in any property to serve as collateral according to her 1978 disclosure forms. The question is how could she obtain \$40,000 in personal loans from two banks at very favorable interest rates when she apparently lacked collateral and especially where the banks must have known that she was going to use the proceeds of that money for a political campaign? It appears that some form of collateral was used for part of these loans from an examination of her FEC reports.

In her FEC report covering the period from November 28, 1978 to December 31, 1978, Schedule D of that report lists a \$25,000 loan from the East River Savings Bank on October 23, 1978 at only a "7 1/2 percent interest (on Passbook)." See Exhibit G. Thus, it appears that this loan may have been secured by her savings account at that bank. Ferraro does list as income in her 1978 disclosure report "interest" on "savings" in the category range of \$1,000 - \$2,500. In order to generate that kind of interest in a year, the amount of her savings at a normal passbook rate of 5 1/4 percent would be in the \$19,000-\$48,000 range. However, this is a phantom savings account because it appears nowhere on her 1978 disclosure form as an asset of hers, even though she reports receiving interest on it.

The related question is what did she use as collateral for the second loan for \$15,000 she received from the First Women's Bank on December 1, 1978, after her election, for 8 1/2 percent interest? While the answers to these questions might reveal the existence of FEC violations such as illegal bank loans, this inquiry is well within this Committee's jurisdiction to ensure

that full disclosure was made under the Ethics Act.

D. Dreyfus Liquid Fund

In her 1982 report, Ferraro reports receiving in addition to interest an additional \$1,000 to \$2,500 in "Dividends" from an "Investment Fund." It appears that this investment fund must be her shares in the Dreyfus Liquid Fund which she listed on her 1982 report. The Dreyfus Liquid Fund is a money market fund that invests in securities and pays out what normally would be considered interest as dividends instead. However, there appears to be a discrepancy in reporting these dividends or the amount of shares she owns. Ferraro has listed the value of the Dreyfus Fund between \$0.00 - \$5,000. Giving her the benefit of the doubt by assessing the value of the Fund at the \$5,000 maximum, and the dividends at the minimum value of \$1,000, and assuming she bought into the Fund on January 1, 1982, that would mean she made a remarkable minimum of a 20 percent rate of return. If the Fund is less than \$5,000 and the dividends are more than \$1,000, and the holding period less than a year, the rate of return would be greater than 20 percent.

E. Reporting of Honoraria.

This Committee notified Congresswoman Ferraro that she omitted various dates of the speeches that generated the honoraria. Such reporting of dates are required by law and indicate that this Committee does not excuse misreporting no

matter how minor it appears to be to some. In response to this Committee's notification, Congresswoman Ferraro supplied the missing information by letter dated May 17, 1983. However, in doing so, she changed the identity of the source of a \$500 honoraria from the "Washington Caucus" to "Akin, Gump, Strauss, Hauer & Feld," Robert Strauss's law firm. Which group is the source of this honoraria or was this a second honoraria?

F. Irregularities in Reporting Bond Holdings.

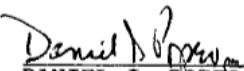
In her 1983 disclosure form, she reports purchasing bonds for \$60,000. However, she reports receiving income in the form of interest on these bonds in the \$50,000 - \$100,000 range. How can she possibly earn \$50,000 a year minimum on bonds purchased for only \$60,000? This would represent an astronomical rate of return from 80 to 160 percent. Clearly, an investigation into this irregularity is warranted.

It is clear from the discussion in Parts I-III above, there is ample evidence of violations of the Ethics Act's disclosure requirements by Congresswoman Ferraro, and that this Committee has, in the past, investigated similar violations and imposed disciplinary measures. See In The Matter of Representative George v. Hasen, Report of the Comm. on Standards of Official Conduct, Report No. 98-891 (July 19, 1984).

CONCLUSION

There is more than probable cause to believe that Congresswoman Geraldine A. Ferraro has violated the Ethics in Government Act by failing to report her husband's financial holdings, those of her children, and by failing to report accurately her own holdings and transactions. Consequently, the Washington Legal Foundation requests that the Committee immediately investigate the matters described herein, and if found to be true, to recommend to the House of Representatives that Congresswoman Ferraro be reprimanded or other appropriate action. The reputation of the House of Representatives rests upon the earnestness with which the House examines these serious charges when they arise and acts, where warranted, to preserve the integrity of the House and its rules. We request that we be kept informed of the progress of this complaint and reserve the right to amend or supplement this complaint in the future.

Respectfully submitted,



DANIEL J. POPEO

General Counsel



PAUL D. KAMENAR

Executive Legal Director

AUGUST 6, 1984

WASHINGTON LEGAL FOUNDATION
1705 N Street, N.W.
Washington, D.C. 20036
202-857-0240

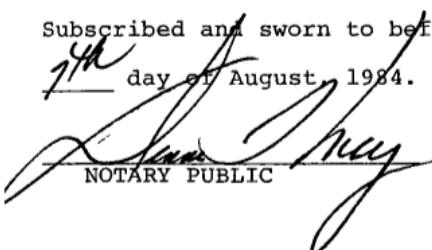
VERIFICATION UNDER OATH

Paul D. Kamenar, Executive Legal Director of the Washington Legal Foundation, 1705 N Street, N.W., Washington, D.C. 20036, being first duly sworn, says that he has read the foregoing complaint and knows the contents thereof, and that the same is true to his knowledge and belief.



PAUL D. KAMENAR
Executive Legal Director
Washington Legal Foundation

Subscribed and sworn to before me this
14th day of August 1984.



Sean J. May
NOTARY PUBLIC

My Commission Expires August 14, 1985

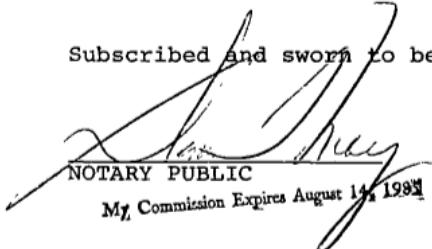
AFFIDAVIT

I hereby certify that the following Members of Congress have declined in writing to transmit the Washington Legal Foundation's complaint against Congresswoman Geraldine A. Ferraro to the Committee on Standards of Official Conduct.

1. Congressman F. James Sensenbrenner, Jr.
2. Congressman Dan Burton
3. Congressman Philip M. Crane


PAUL D. KAMENAR
Executive Legal Director
Washington Legal Foundation

Subscribed and sworn to before me this 24th day of August, 1984.


NOTARY PUBLIC

My Commission Expires August 14, 1984

EXHIBITS A-G TO COMPLAINT BY WASHINGTON LEGAL
FOUNDATION AGAINST CONGRESSWOMAN GERALDINE A.
FERRARO



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UNITED STATES HOUSE OF REPRESENTATIVES

Office of the Clerk 110-115 TH 4-37

Washington, D.C. U.S. House of Representatives

ETHICS IN GOVERNMENT ACT OF 1978 (2 U.S.C. §§ 701-709)

FINANCIAL DISCLOSURE STATEMENT

Caraldine A. Ferraro
(Full Name)22 Dauphin Street
(Mailing Address)ID # MC
(OFFICE USE ONLY)

Brent Villa, N.Y. 11375

 Check if this is an amended Statement.

INDIVIDUAL REPORTING STATUS

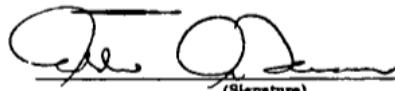
(Check one only)

 MEMBER OF U.S. HOUSE OF REPRESENTATIVES—DISTRICT ____ STATE ____ CURRENT OFFICER/EMPLOYEE/PRINCIPAL ASSISTANT—EMPLOYING OFFICE ____ NEW OFFICER/EMPLOYEE/PRINCIPAL ASSISTANT—EMPLOYING OFFICE ____

NOTE: Requirements for new officers/employees/principal assistants differ substantially from those of Members of Congress and current officers/employees/principal assistants. Please read instructions on reverse side carefully.

May 15, 1979

(Date)



(Signature)

NOTE: Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions. See 2 U.S.C. § 706 and 18 U.S.C. § 1001.

RETURN COMPLETED COVER PAGE AND STATEMENT
(WITH 2 COPIES OF EACH) TO:

The Clerk, U.S. House of Representatives
Office of Records and Registration
1825 Longworth House Office Building
Washington, D.C. 20515

ETHICS IN GOVERNMENT ACT OF 1978—FINANCIAL DISCLOSURE STATEMENT

Name of Person Filing: Hon. Geraldine A. Ferraro Page: 1 of 1

NOTE: See reverse side for Detailed Filing Instructions and Exemptions. If a fictional name is required, use continuation sheets provided. Complete all parts. (If None, so indicate)

SECTION I

A. INCOME (including honoraria) from any source received during preceding calendar year aggregating \$100 or more in value. Exclude income from current U.S. Government employment.

SOURCE	TYPE (salary, pension, honoraria, etc.)	AMOUNT & VALUE
Queens District Attorney	Salary 1/1 - 6/1/78	\$9,140
Private Law Practice	Fees	\$7,000

B. INCOME from dividends, interest, rent, capital gains (including trusts or other financial arrangements), received during the preceding calendar year exceeding \$100 in value. NOTE: For Sections III, indicate Category of Value: Category I—\$100.01-\$1,000; II—\$1,000.01-\$2,500; III—\$2,500.01-\$5,000; IV—\$5,000.01-\$15,000; V—\$15,000.01-\$25,000; VI—\$25,000.01-\$50,000; VII—Over \$50,000.

SOURCE	TYPE	CATEGORY OF VALUE (I, II, III, IV, V, VI, VII)
Savings	Interest	II
Capital Gain	Sale of Property	V
Savings	Children	I

SECTION II

A. GIFTS of transportation, lodging, food or entertainment aggregating \$250 or more in value received from any source during the preceding calendar year.

IDENTITY OF SOURCE	BRIEF DESCRIPTION
NONE	

B. GIFTS other than transportation, lodging, food or entertainment aggregating \$100 or more in value received from any source during preceding calendar year.

SOURCE	BRIEF DESCRIPTION	VALUE
NONE		

C. REIMBURSEMENTS received from any source aggregating \$250 or more in value in preceding calendar year.

IDENTITY OF SOURCE	BRIEF DESCRIPTION
NONE	

NOTE: For Sections III-V below, indicate Category of Value: Category I—\$1,000.01-\$5,000; II—\$5,000.01-\$15,000; III—\$15,000.01-\$25,000; IV—\$25,000.01-\$50,000; V—\$50,000.01-\$100,000; VI—Over \$100,000.

IMPORTANT—For new Officers and Employees Only: In Sections III, IV, VI, and VII, the Reporting Individual Should List the Information Required as of Date Not More Than 31 Days Prior to the Date of Filing. The Information Listed Below is Current as of July 1, 1978.

SECTION III

INTEREST IN PROPERTY HELD during preceding year in a trade or business, or for investment or production of income including trusts or other financial arrangements with a fair market value exceeding \$1,000 at the close of the preceding calendar year.

PROPERTY	CATEGORY OF VALUE (I, II, III, IV, V, VI, VII)
One-half interest in property 231-235 Centre St., N.Y., N.Y.	IV
One-half interest in mortgage 124-126 Bowery, N.Y., N.Y.	III

SECTION IV

LIABILITIES (total) owed to any creditor which exceeds \$10,000 at any time in the preceding calendar year and any revolving charge account with an outstanding liability over \$10,000 at the close of the calendar year.

PROPERTY	CATEGORY OF VALUE (I, II, III, IV, V, VI, VII)
First Women's Bank New York, N.Y. Personal Loan	II
East River Savings Bank New York, N.Y. Personal Loan	III

SECTION V

PURCHASE, SALE OR EXCHANGE during the preceding calendar year which exceeds \$1,000 in real property, stocks, bonds, commodities futures, or other form of securities.

BRIEF DESCRIPTION	DATE	CATEGORY OF VALUE (I, II, III, IV, V, VI, VII)
Sale - Half interest in property 231-235 Centre St. 10/78		IV
Sale - Half interest in mortgage 124-126 Bowery 10/78		III

SECTION VI

POSITION HELD on or before date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any bar, credit organization, any labor organization, or educational or other institution other than the United States.

POSITION	ORGANIZATION
Officer	E. Taccaro & Son Co.

SECTION VII

AGREEMENTS AND ARRANGEMENTS with respect to future employment, leave of absence, during the period of the reporting individual's Government service, continuation of payments by a former employer other than the U.S. Government, and any continuing participation in an employee welfare or benefit plan maintained by a former employer.

PARTIES TO	TERMS
NONE	

INSIDE MAR

UNITED STATES HOUSE OF REPRESENTATIVES
Committee on Standards of Official Conduct

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT FOR 1979

FORM A (For use by Members, officers, and employees)

Geraldine A. Ferraro

Deepdale Rd.

Forest Hills, NY 11375

(Office Use Only)

Check the appropriate box and fill in the blank.

 Member of the U.S. House of Representatives District _____ State _____ Check if amended Statement. Officer or Employee—Employing Office

Note: Please read instructions carefully. Sign this form on the reverse side. Attach additional sheets if needed; identify each sheet by showing your name and the section being continued. Complete all parts. (If None, so indicate.) Please type or print clearly.

I. INCOME

A. The source, type, and amount of income (including honoraria and date received) aggregating \$100 or more in value received from any source during the preceding calendar year. Exclude income from current U.S. Government employment.

SOURCE	TYPE	AMOUNT
American Enterprise Institute	Honorarium	\$200.00

B. The source, type, and category of value of income from dividends, interest, rent, and capital gains received from any source during the preceding calendar year which exceeds \$100 in value. Note: For this part only, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$2,500; C—\$2,501-\$5,000; D—\$5,001-\$15,000; E—\$15,001-\$50,000; F—\$50,001-\$100,000; G—over \$100,000.

SOURCE	TYPE	CATEGORY
Interest	Savings	C

II. GIFTS AND REIMBURSEMENTS

A. The source and a brief description of gifts of transportation, lodging, food, or entertainment aggregating \$250 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION
None	

B. The source, a brief description, and value of all other gifts aggregating \$100 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION	VALUE
None		

C. The source and a brief description of reimbursements aggregating \$250 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION
None	

NOTE: For Parts III, IV, and V below, indicate Category of Value, as follows: Category A—not more than \$5,000; B—\$5,001-\$15,000; C—\$15,001-\$50,000; D—\$50,001-\$100,000; E—\$100,001-\$250,000; F—over \$250,000.

III. HOLDINGS

The identity and category of value of any interest in property held during the preceding calendar year in a trade or business or for investment or the production of income, which has a fair market value exceeding \$1,000 as of the end of the year property.

IDENTITY	CATEGORY
East River Savings Bank	C
Ridgewood Savings Bank	P
Common Stock	
1 Share P. Zaccaro Co., Inc.	B

IV. HANDBOOK

The Identity and category of value of the total liabilities owed to any creditor which exceeds \$10,000 at any time during the preceding calendar year.

IDENTITY	CATEGORY
East River Savings Bank	C
The First Womens Bank	C

2. TRANSACTIONS

A brief description, the date, and category of value of any purchase, sale, or exchange during the preceding calendar year which exceeds \$1,000 in real property, or in stocks, bonds, commodities futures, or other forms of securities.

BRIEF DESCRIPTION	DATE	CATEGORY
None		

VI. POSITIO. S

The identity of all positions held on or before the date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution.

POSITION	NAME OF ORGANIZATION
Secretary and Director	P. Zaccaro Co., Inc.

VII. AGREEMENTS

A description of the date, parties to, and term of any agreement or arrangement with respect to: future employment; leave of absence during period of government service; continuation of payments by a former employer other than the U.S. Government; and continuing participation in an employee welfare benefit plan maintained by a former employer.

DATE	PARTIES TO	TERMS OF AGREEMENT
	None	

XIII. ADDITIONAL INFORMATION

A Are you aware of any interests in property or liabilities of spouse or dependent child or property transactions by spouse or dependent child which you have not reported because they meet the three standards for exemption? YES NO
(See Instructions)

B Do you know your spouse or dependent child receive income from or have a beneficial interest in a trust or other financial arrangement whose holder was not reported because the trust is a "qualified blind trust" or other excepted trust? YES NO
(See Instructions)

NOTE: Any individual who knowingly and wilfully falsifies, or who knowingly and wilfully fails to file this report may be subject to civil and criminal sanctions. (2 U.S.C. 706 and 18 U.S.C. 1001).

1964-1965 Date 4-29-70

INSIDE MAIL

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UNITED STATES HOUSE OF REPRESENTATIVES

Committee on Standards of Official Conduct

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT FOR 1980

FORM A—For use by Members, officers, and employees

GERALDINE A. FERRARO
 (Full Name)
14 LIFESPAN E. RD.
 (Billing Address)
FOREST HILLS, NY.

MC
 5-1980
 5-1980
 (Office Use Only)

Check the appropriate box and fill in the blanks.

 Member of the U.S. House of Representatives—District 9th State NY Check if Extended Statement. Officer or Employee—Employing Office _____

Note: Please read instructions carefully. Sign this form on the reverse side. Attach additional sheets if needed; identify each sheet by showing your name and the section being continued. Complete all parts. (If None, so indicate.) Please type or print clearly.

I. INCOME

A. The source, type, and amount of income (including honoraria and data received) aggregating \$100 or more in value received from any source during the preceding calendar year. Exclude income from current U.S. Government employment. Do not include here income reported in part I—II below.

SOURCE	TYPE	AMOUNT
<u>AMERICAN ENTERPRISE INST</u>	<u>HONORARIA</u>	<u>200</u>
<u>FOR PUBLIC POLICY RESEARCH</u>	<u>"</u>	<u>100</u>
<u>NATIONAL TOWN MEETING</u>	<u>"</u>	<u>50</u>
<u>QUALITY BANKERS OF AMERICA</u>	<u>"</u>	<u>100</u>
<u>COOPERATIVE INC.</u>	<u>"</u>	

B. The source, type, and category of value of income from dividends, interest, rent, and capital gains received from any source during the preceding calendar year which exceeds \$100 in value. Note: For this part only, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$2,500; C—\$2,501-\$5,000; D—\$5,001-\$10,000; E—\$10,001-\$25,000; F—\$25,001-\$100,000; G—over \$100,000.

SOURCE	TYPE	CATEGORY
<u>INTEREST</u>	<u>SAVINGS</u>	<u>C</u>

II. GIFTS AND REIMBURSEMENTS

A. The source and a brief description of gifts of transportation, lodging, food, or entertainment aggregating \$250 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION
<u>NO NF</u>	<u>"</u>

B. The source, a brief description, and value of all other gifts aggregating \$100 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION	VALUE
<u>NONE</u>		

C. The source and a brief description of reimbursements aggregating \$250 or more in value received from any source during the preceding calendar year.

SOURCE	BRIEF DESCRIPTION
<u>NONE</u>	

(OVER)

APR 30 1982

UNITED STATES HOUSE OF REPRESENTATIVES

Committee on Standards of Official Conduct

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT FOR 1981

FORM A—For use by Members, officers, and employees

JOHN J. FERRANO
 (Full Name)
22 BEECHWOOD RD
 (Mailing Address)
TONAWANDA, HILLS, NY 11371

M

(Office Use Only)

Check the appropriate box and fill in the blanks.

 Check if amended Statement. Member of the U.S. House of Representatives—District _____ State _____ Officer or Employee—Employing Office _____

Note: Please read instructions carefully. Sign this form on the reverse side. Attach additional sheets if needed; identify each sheet by showing your name and the section being continued. Complete all parts. (If None, so indicate.) Please type or print clearly.

I. INCOME

A. The source, type, and amount of income (including honoraria and data received) aggregating \$100 or more in value received from any source during calendar year 1981. Exclude income from current U.S. Government employment. Do not include here income reported in part I-B below.

SOURCE	TYPE	AMOUNT
<u>CHARTER FLIGHT ATTENDED</u>		<u>1,500</u>

B. The source, type, and category of value of income from dividends, interest, rent, and capital gains received from any source during calendar year 1981 which exceeds \$100 in value. Note: For this part only, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$2,500; C—\$2,501-\$5,000; D—\$5,001-\$15,000; E—\$15,001-\$50,000; F—\$50,001-\$100,000; G—over \$100,000.

SOURCE	TYPE	CATEGORY
<u>INVESTMENT</u>	<u>Savings</u>	<u>D</u>

II. GIFTS AND REIMBURSEMENTS

A. The source and a brief description of gifts of transportation, lodging, food, or entertainment aggregating \$250 or more in value received from any source during calendar year 1981.

SOURCE	BRIEF DESCRIPTION
<u>None</u>	

B. The source, a brief description, and value of all other gifts aggregating \$100 or more in value received from any source during calendar year 1981.

SOURCE	BRIEF DESCRIPTION	VALUE
<u>None</u>		

C. The source and a brief description of reimbursements aggregating \$250 or more in value received from any source during calendar year 1981.

SOURCE	BRIEF DESCRIPTION
<u>None</u>	<u>RECEIVED \$120. FOR TRANSPORTATION THAT WENT TO TEL C. (WEEKEND)</u>

(OVER)

3 2 0 0 0 4 3 1

388 U.L. A 16

NOTE: For Parts III, IV, and V below, indicate Category of Value, as follows: Category A—not more than \$5,000; B—\$5,001-\$10,000; C—\$10,001-\$25,000; D—\$25,001-\$50,000; E—\$50,001-\$75,000; F—\$75,001-\$100,000; G—more than \$100,000.

III. HOLDINGS

The identity and category of value of any interest in property held during calendar year 1981, in a trust or in any other form of ownership, if any, which has a fair market value exceeding \$100 at the end of the year.

IDENTITY	CATEGORY
HAROLD L. TOWN	B
EDWARD L. TOWN	B
UNIVERSITY NATIONAL PARTNERSHIP	F
TRUST FUND	C
COMMON STOCK	
100 PRACTICE L. L. C.	A

IV. LIABILITIES

The identity and category of value of the total liabilities owed to any creditor which exceeded \$10,000 at any time during calendar year 1981.

IDENTITY	CATEGORY
TOWN	

V. TRANSACTIONS

A brief description, the date, and category of value of any purchase, sale, or exchange during calendar year 1981 which exceeded \$1,000 in real property, or in stocks, bonds, commodities futures, or other forms of securities.

BRIEF DESCRIPTION	DATE	CATEGORY
None		

VI. POSITIONS

The identity of all positions held on or before the date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, or employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution.

POSITION	NAME OF ORGANIZATION
SECRETARY & TRUSTEE	PRACALCO L. L. C.

VII. AGREEMENTS

A description of the date, parties to, and terms of any agreement or arrangement with respect to: future employment; leave of absence during period of government service; continuation of payments by a former employer other than the U.S. Government; and continuing participation in an employee welfare benefit plan maintained by a former employer.

DATE	PARTIES TO	TERMS OF AGREEMENT
	None	

VIII. ADDITIONAL INFORMATION

A. Are you aware of any interests in property or liabilities of a spouse or dependent child or property transactions by a spouse or dependent child which you have not reported because they meet the three standards for exemption? YES NO

B. In 1981, your spouse or dependent child receive income from or have a beneficial interest in a trust or other financial arrangement whose holdings were not reported because the trust is a "qualified blind trust" or other excepted trust? YES NO

NOTE: Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions, (2 U.S.C. § 1706 and 18 U.S.C. § 1001).

Signature:  Date: 4/29/82

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT

COST OF TRAVEL

Continuation Sheet

Amount of trip (in dollars) for which you are claiming a refund
100.00

	<u>TRIP</u>	<u>AMOUNT</u>
ABROAD ENROLLING INSTITUTE SCHOOL TRAVEL TABLE TO RUSSIAN FOR AE HONORARIA	200	
WASH. D.C. EXPENSES FOR WORK OF PAPER TO STUDENTS	50	
ANNUAL TRAVEL TO WINTER SPEECHING COUNCIL MEET IN CLOUD AND MOUNTAIN TERRAIN	750	
STONY VALLEY SPRING FEST TRAVEL INC WINTER TRAVEL TO SO. CALIFORNIA TO TELL THEIR FRIENDS ABOUT THEIR REPRINTS AND THEIR WORK	500	
TOTAL		<u>1500</u>

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UNITED STATES HOUSE OF REPRESENTATIVES

Committee on Standards of Official Conduct

~~HAND DELIVERED~~

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT FOR 1982

FORM A—For use by Members, officers, and employees

GEACINE A. FERNARO
22 DEEPDALE RD
MAILING ADDRESS
FOREST HILLS, N.Y. 11375

M

(Office Use Only)

Check the appropriate box and fill in the blanks.

Member of the U.S. House of Representatives—District 9th State N.Y.

Officer or Employee—Employing Office _____

 Check if amended statement.

Note: Please read instructions carefully. Sign this form on the reverse side. Attach additional sheets if needed; identify each sheet by showing your name and the section being continued. Complete all parts. (If None, so indicate.) Please type or print clearly.

I. INCOME

A. The source, type, and amount of income (including honoraria and date received) aggregating \$100 or more in value received from any source during calendar year 1982. Exclude income from current U.S. Government employment. Do not include here amounts reported in part I-B below.

SOURCE	TYPE	AMOUNT
<u>SCHEDULE ATTACHED</u>		<u>3,310</u>

B. The source, type, and category of value of income from dividends, interest, rent, and capital gains received from any source during calendar year 1982 which exceeds \$100 in value. Note: For this part only, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$2,500; C—\$2,501-\$5,000; D—\$5,001-\$10,000; E—\$10,001-\$25,000; F—\$25,001-\$100,000; G—over \$100,000.

SOURCE	TYPE	CATEGORY
<u>INTEREST</u>	<u>SAVINGS</u>	<u>B</u>
<u>DIVIDENDS</u>	<u>INVESTMENT FUND</u>	<u>B</u>

II. GIFTS AND REIMBURSEMENTS

A. The source and a brief description of gifts of transportation, lodging, food, or entertainment aggregating \$250 or more in value received from any source during calendar year 1982.

SOURCE	BRIEF DESCRIPTION
	<u>None</u>

B. The source, a brief description, and value of all other gifts aggregating \$100 or more in value received from any source during calendar year 1982.

SOURCE	BRIEF DESCRIPTION	VALUE
	<u>None</u>	

C. The source and a brief description of all reimbursements aggregating \$250 or more in value received from any source during calendar year 1982.

SOURCE	BRIEF DESCRIPTION
	<u>None</u>

8 3 0 7 0 0 9 1 4 1 1

NOTE: For Parts III, IV, and V below, indicate Category of Value, as follows: Category A—net more than \$5,000; B—\$5,001-\$15,000; C—\$15,001-\$50,000; D—\$50,001-\$100,000; E—\$100,001-\$250,000; F—over \$250,000.

III HOLDINGS

The identity and category of value of any interest in property held during calendar year 1982 in a trade or business, or for investment or the production of income, which had a fair market value exceeding \$1,000 as of the end of the year.

IDENTITY	CATEGORY
RIDGEWOOD SAVINGS BANK	A
CITIBANK SAVINGS	A
EAST RIVER SAVINGS	A
FIRST WOMEN BANK	B
CONGRESSIONAL CREDIT UNION	A
DREYFUS INVESTMENT	A
COMMON STOCK	
(1) SHARE P. ZACARDO CO. INC	B

IV. LIABILITIES

The identity and category of value of the total liabilities owed to any creditor which exceeded \$10,000 at any time during calendar year 1982.

IDENTITY	CATEGORY
None	

V. TRANSACTIONS

A brief description, the date, and category of value of any purchase, sale, or exchange during calendar year 1982 which exceeded \$1,000 in real property, or in stocks, bonds, commodities futures, or other forms of securities.

ITEM DESCRIPTION	DATE	CATEGORY
None		

VI. POSITIONS

The identity of all positions held on or before the date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution.

POSITION	NAME OF ORGANIZATION
SECRETARY TREASURER	P. ZACARDO CO. INC

VII. AGREEMENTS

A description of the date, parties to, and terms of any agreement or arrangement with respect to: future employment; leave of absence during period of government service; continuation of payments by a former employer other than the U.S. Government; and continuing participation in an employee welfare or benefit plan maintained by a former employer.

DATE	PARTIES TO	TERMS OF AGREEMENT
	None	

VIII. ADDITIONAL INFORMATION

A. Are you aware of any interests in property or liabilities of a spouse or dependent child or property transactions by a spouse or dependent child which you have not reported because they meet the three standards for exemption? YES NO

B. Do you, your spouse or dependent child receive income from or have a beneficial interest in a trust or other financial arrangement which holdings were not reported because the trust is a "qualified blind trust" or other exempted trust? YES NO

NOTE: Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this Report may be subject to civil and criminal sanctions, (2 U.S.C. 1706 and 18 U.S.C. 1001).

John Q. Davies Mar. 7 1982

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Part 1

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT

G-FARADIAS L FERRARI

Continuation Sheet

89

Source, Type, Amount, Category, Description or Value
(As Applicable)

		TYPE	AMOUNT
A	PROKIN'S 1ST SPEECH	HONORARIA	200
	OUTDOOR ADVERTISING ASSY. OF NY SPEECH	"	500
	COMMODITY EXCHANGE INC. NEW YORK - SPEECH	"	1000
	WASHINGTON CAUCUS - SPEECH	"	500
	CHICAGO MERCHANTILE EXCHANGE - TOUR OF EXCHANGE AND SPEECH	"	1,000
	AMERICAN VINTNERS - SEPT 1ST PROGRAM - SPEECH	"	60
	NEW YORK UNIVERSITY - SPEECH	"	50
		TOTAL	3310

7 3 0 7 0 7 9 3 5 8 7

**HAND DELIVERED!**HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515GERALDINE A. FERRARO
5TH DISTRICT, NEW YORK

May 17, 1983

U.S. OFFICE OF THE CLERK
1983 MAY 18 AM 4:15Benjamin Guthrie
Clerk of the House
H105 The Capitol
Washington, D.C. 20515

MC/

Dear Sir:

I recently received notification from the Committee on Standards of Official Conduct that dates for honoraria received for 1982 were not included in my recently filed disclosure form. I am attaching the information you requested.

I am sorry for any inconvenience this omission may have caused the Committee and/or your office.

Sincerely,

A handwritten signature in black ink, appearing to read "Geraldine A. Ferraro".
Geraldine A. Ferraro
Member of CongressH
Enclosure

2 3 9 7 0 0 9 3 , 8 3

HAND DELIVERED

μe✓

Honoraria - 1982

Brookings Institution	200.00	2/11/82
American University, Washington Semester Program	25.00	3/12/82
Outdoor Advertising Assoc. of New York	500.00	3/31/82
Commodity Exchange, Inc., NY	1,000.00	6/28/82
American University, Washington Sem. Program	35.00	8/16/82
New York University	50.00	8/31/82
Chicago Mercantile Exchange & Chicago Board of Trade	1,000.00	11/23/82
- Akin, Gump, Strauss, Erster & Feld	500.00	12/9/82

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UNITED STATES HOUSE OF REPRESENTATIVES

Committee on Standards of Official Conduct

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT FOR 1983

FORM A—For use by Members, officers, and employees

Geraldine A. Ferraro

(See Name)

22 Deepdene Road

(Mailing Address)

Forest Hills, NY 11375

NY 15 7/9/83

MC

(Office Use Only)

Check the appropriate box and fill in the blanks.

Ex. Member of the U.S. House of Representatives—District 9 State N. Y.

 Check if amended statement. Officer or Employee—Employing Office _____

Note: Please read instructions carefully. Sign this form on the reverse side. Attach additional sheets if needed; identify each sheet by showing your name and the section being continued. Complete all parts. (If None, so indicate.) Please type or print clearly.

I. INCOME

A. The source, type and amount of income (including bonuses and date received) aggregating \$100 or more in value received from any source during calendar year 1983. Exclude income from current U.S. Government employment. Do not include home income reported in part I-B below.

SOURCE	TYPE	AMOUNT
Schedule Attached		3,600.

B. The source, type, and category of value of income from dividends, interest, rent, and capital gains received from any source during calendar year 1983 which exceeds \$100 in value. Note: For this part only, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$5,000; C—\$5,001-\$10,000; D—\$10,001-\$20,000; E—\$20,001-\$50,000; F—\$50,001-\$100,000; G—over \$100,000.

SOURCE	TYPE	CATEGORY
Interest	Savings	A
Dividends	Investment Fund	A
Interest	Bonds	F

II. GIFTS AND REIMBURSEMENTS

A. The source and a brief description of gifts of transportation, lodging, food, or entertainment aggregating \$100 or more in value received from any source during calendar year 1983.

SOURCE	BRIEF DESCRIPTION

B. The source, a brief description, and value of all other gifts aggregating \$100 or more in value received from any source during calendar year 1983.

SOURCE	BRIEF DESCRIPTION	VALUE
None		

C. The source and a brief description of reimbursements aggregating \$100 or more in value received from any source during calendar year 1983.

SOURCE	BRIEF DESCRIPTION
Chinewy Cultural University	Air fare: New York-Taiwan Taiwan—New York; Food and lodging

(OVER)

8 0 7 0 1 1 0 1 1 5

NOTE: For Parts III, IV, and V below, indicate Category of Value, as follows: Category A—not more than \$1,000; B—\$1,001-\$11,000; C—\$11,001-\$50,000; D—\$50,001-\$100,000; E—\$100,001-\$250,000; F—over \$250,000.

III. HOLDINGS

The identity and category of value of any interest in property held during calendar year 1983 in a trade or business, or for investment or the production of income, which had a fair market value exceeding \$1,000 as of the end of the year.

IDENTITY	CATEGORY
Ridgewood Savings Bank	A
Congressional Credit Union	A
East River Savings Bank	A
Dreyfus Liquid Fund	A
Dreyfus Reserve Fund	A
Bonds - MAC	C
N.Y.C. G.O.	C
Gloversville	B
Common Stock -	
(1) Sh. P. Zaccaro Co., Inc.	B

IV. LIABILITIES

The identity and category of value of the total liabilities owed to any creditor which exceeded \$10,000 at any time during calendar year 1983.

IDENTITY	CATEGORY
None	

V. TRANSACTIONS

A brief description, the date, and category of value of any purchase, sale, or exchange during calendar year 1983 which exceeded \$1,000 in real property, or in stocks, bonds, commodities futures, or other forms of investment.

BRIF DESCRIPTION	DATE	CATEGORY
Purchase Bonds - 25M MAC	1/12/83	C
25M N.Y.C. G.O.	1/13/83	
10M Gloversville	2/8/83	B

VI. POSITIONS

The identity of all positions held on or before the date of filing during the current calendar year as an officer, director, trustee, partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise, any nonprofit organization, any labor organization, or any educational or other institution.

POSITION	NAME OF ORGANIZATION
Secretary & Treasurer	P. Zaccaro Co., Inc.

VII. AGREEMENTS

A description of the date, parties to, and terms of any agreement or arrangement with respect to: future employment; leave of absence during period of government service; continuation of payments by a former employer other than the U.S. Government; and continuing participation in an employee welfare or benefit plan maintained by a former employer.

DATE	PARTIES TO	TERMS OF AGREEMENT
	None	

VIII. ADDITIONAL INFORMATION

A. Are you aware of any interests in property or liabilities of a spouse or dependent child or property transactions by a spouse or dependent child which you have not reported because they meet the three standards for exemption? YES NO (See Instructions)

B. Do you, your spouse or dependent child receive income from or have a beneficial interest in a trust or other financial arrangement whose holdings were not reported because the trust is a "qualified blind trust" or other exempted trust? YES NO (See Instructions)

NOTE: Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions, (2 U.S.C. § 706 and 18 U.S.C. § 1001).

Signature	Date
	May 8, 1984

ETHICS IN GOVERNMENT ACT—FINANCIAL DISCLOSURE STATEMENT

Geraldine A. Ferraro

Continuation Sheet

Part	Source	Type	Amount	Category	Description or Value (As Applicable)
------	--------	------	--------	----------	---

A	Avon Products Co. - Speech	Honoraria	2,000.
	<u>IMPACT</u> - Briefing	-	100.
	<u>New York State Home Economics Assoc.</u> - Speech	-	100.
	<u>American Univ. Washington Semester Program</u> - Speech	-	50.
	<u>Union of American Hebrew Cong.</u> - Speech	-	100.
	<u>Outdoor Advertising Assoc. of America</u> - Speech	-	500.
	<u>Institute of Outdoor Advertising</u> - Speech	-	500.
	<u>Center for Study of Democratic Inst.</u> - Speech	-	50.
	<u>American Enterprises Inst. Congress Project Dinner</u>	-	<u>200.</u>
		TOTAL	3,600.

A20 THE NEW YORK TIMES, THURSDAY, JULY 26, 1984

Rep. Ferraro's Transactions Detailed in Public Records

The following article is based on reporting by Ralph Blumenthal and Jeff Gerth and was written by Mr. Blumenthal.

An examination of public records provides further details about the finances of Representative Geraldine A. Ferraro and her husband, John A. Zaccaro, including several transactions involving Mrs. Ferraro, her husband and his business associates that figured in a 1979 inquiry by the Federal Election Commission.

Michael S. Berman, an aide to Walter F. Mondale, said in an interview this week that he had recently asked lawyers to go over the finances of the Queen Congresswoman and her husband, including the election commission matter, to make more information available.

Since Mr. Mondale, the Democratic Presidential nominee, selected Mrs. Ferraro as his running mate July 12, she, her campaign aides and Mr. Zaccaro have turned away questions about their finances with the explanation that information would be made public in 30 days, as part of a required disclosure by Vice-Presidential candidates.

Mrs. Ferraro, in a statement issued Tuesday in Washington, reiterated that timetable and said the data to be released would include several years of Federal tax returns for herself and her husband, who filed separately.

Matter of 'Public Trust'

Mrs. Ferraro said she planned to include her husband's financial holdings in that disclosure "because my husband and I believe that it is in the public interest to do so and because the office of Vice President is one of high public trust."

However, Representative Ferraro repeated her contention that she was correct not to list her husband's holdings on her annual Congressional financial disclosure forms, which require a listing of all the holdings of the legislator, their spouse and their dependent children, unless exempted. It is not clear whether Mr. Zaccaro's finances fulfilled the conditions for exemption.

Mrs. Ferraro listed herself as secretary and treasurer and as a shareholder of P. Zaccaro & Company, the real estate firm founded by Mr. Zaccaro's father, and thus might be considered to have benefited from her husband's holdings.

Examination of public real estate and other records, meanwhile, has yielded a partial picture of the family's holdings. These include three homes, a vacant parcel of resort land and several corporations and partnerships that own real estate in the Little Italy and Chinatown sections of Manhattan. The Zaccaro company also manages other properties.

Family Role in Campaign

Mr. Zaccaro inherited the company from his father, Philip, who founded it in 1935. When the elder Mr. Zaccaro died in 1971, he left an estate valued at \$667,337.42, which came to \$307,662.07 after taxes.

Records show that Mr. Zaccaro and his associates played a role in financing Mrs. Ferraro's political career.

In 1978, in Mrs. Ferraro's first race for Congress, her campaign received about \$130,000 in money from her family, including \$110,000 in loans from her husband. The Federal Election Commission questioned the funds.

According to public records, in the course of the commission's inquiry and subsequent Congressional filings, Mrs. Ferraro, her campaign and her husband gave varying accounts of the source of the loans and the value of the transactions used to pay them back.

Ultimately, it was determined that the majority of the funds had come from loans obtained by Mr. Zaccaro using accounts separate from those of Mrs. Ferraro. Under election law, Mr. Zaccaro could loan or contribute a maximum of \$1,000 to his wife's campaign, while the candidate herself was not subject to any limitation.

The election commission's inquiry ended in 1979 when Mr. Zaccaro and the Ferraro campaign agreed to pay a total of \$750 in fines for civil violations of the election laws. Mrs. Ferraro's campaign had to refund the family loans with allowable funds. Records show that these funds came from two transactions by Mrs. Ferraro in 1978.

In one transaction, in October 1978, she sold for \$100,000 her half interest in property she owned in lower Manhattan. The buyer was the Melro Company, which owned the other half. According to public records, Melro is a family partnership headed by Murray Lerman, a business associate of Mr. Zaccaro's.

Mrs. Ferraro and Melro had acquired the property from a company controlled by Mr. Zaccaro in May 1978, shortly before Mrs. Ferraro declared her Congressional candidacy, according to public records and an attorney for Mr. Zaccaro.

Records show that the Polarob Realty Corporation bought the property for \$175,000 on May 1, 1978, then immediately transferred ownership to Mrs. Ferraro and Melro for an undisclosed amount.

Polarob was a "dummy corporation" used by Mr. Zaccaro "to avoid personal liability," according to Murray Kalik, a principal in Polarob who was once a lawyer for Mr. Zaccaro.

Samuel Feldman, an attorney speaking for Mr. Lerman, said Mrs. Ferraro had made a "small capital gain" on the transaction.

On her financial disclosure form for 1978, Mrs. Ferraro valued the capital gain on the sale at \$15,001 to \$30,000. On the same form, she listed both her interest in the property and the sale's value at \$3,001 to \$15,000. It was not clear how the gain on the sale could be greater than the value of the sale.

The second transaction that Mrs. Ferraro used to repay her campaign for her husband's loans was the sale for \$30,000 of her half interest in a mortgage on another property at 124-26 Bowery, she told the election commission.

On her financial disclosure report for 1978, Mrs. Ferraro valued her interest in the mortgage at \$2,501 to \$5,000. It was not clear why this valuation varied from the \$30,000 value listed with the election commission.

The House financial disclosure forms do not require members to list residences or vacation homes unless the properties are held for investment or income. Accordingly, Mrs. Ferraro did not list her house in Queens, in a section of Forest Hills where brokers say the average house costs around \$400,000.

Mrs. Ferraro also did not list a \$200,000 condominium in the Candle Reef development on St. Croix in the Virgin Islands and a vacation house, assessed at \$195,000, on Neptune Walk in the community of Saitaire on Fire Island.

Later yesterday, P. Zaccaro & Company issued a statement in response to questions about its management of a lower Manhattan building housing a tenant, Star Distributors, that law-enforcement officials have previously described as a distributor of pornography linked to organized crime.

Mr. Zaccaro said he would investigate the use of the space, at 200 Lafayette Street, and that, if necessary, he would take "immediate action" to end the lease.

By Charles R. Babcock
Washington Post Staff Writer

August 6, 1984
Washington Post Weekly

THE DEMOCRATS

Ferraro's Financial Statements

She says she didn't break the rules by omitting her spouse's holdings

Rep. Geraldine A. Ferraro of New York said last week she didn't violate House rules when she omitted the financial holdings of her husband, New York real estate executive John A. Zaccaro, from her annual financial disclosure statements. But she promised to make a full disclosure of both his and her holdings and tax returns within several weeks.

House rules require members to disclose the holdings of their spouses unless they have no knowledge of, and derive no benefit from, the spouse's assets.

Questions have been raised about Ferraro's annual House statements because she lists herself as a shareholder and secretary/treasurer of her husband's real estate management firm, P. Zaccaro Co. Inc.

In a statement issued by her office as her first formal comment on the issue, Ferraro, the Democratic nominee for vice president, said, "My financial disclosure forms for 1979 through 1984 complied with what is required of members of Congress who have spouses with separate financial holdings."

Instructions for members prepared by the House Committee on Standards of Official Conduct says that the benefit test "should be interpreted very broadly" and that the member must be able to say he or she "neither derives, nor expects to derive, any financial or economic benefit from the item."

The member would benefit if income from the spouse's holdings were used for vacations, education of children or maintaining a home, the booklet added.

Ferraro was not available last week to comment about the statement. But a Mondale-Ferraro campaign attorney said that Ferraro and her husband filed separate tax returns and that the benefit rule "has to be read with common sense or it is an exemption that applies to no one."

The attorney said Ferraro's accountant was told by the ethics committee staff that her husband met the exemption standard when she entered Congress in 1979, but didn't get the opinion in writing.

The attorney did not rule out the possibility that Ferraro might amend her disclosure statements to add Zaccaro's holdings.

Republican Rep. George Hansen of Idaho has pointed out that he was recently convicted of making false statements for willfully failing to disclose his wife's holdings on his House statements.

In her statement last week, Ferraro said she will disclose her husband's holdings in a financial statement she is required to file with the Federal Election Commission within 30 days of being nominated.

She will do so, she said, because "my husband and I believe it is in the public interest to do so and because the office of vice president is one of high public trust. My husband and I agree that any exemption from disclosure for him which might otherwise be available is outweighed by my nomination and its responsibilities."

She added that the FEC disclosure will also include his and her tax returns "for the past several years."

Chicago Tribune, Thursday July 26, 1984

Ferraro defends disclosure filing

By James O'Shea
and Dorothy Collin
Chicago Tribune

WASHINGTON—Democratic vice presidential nominee Geraldine Ferraro said Wednesday that she has complied with federal laws requiring congressmen to disclose their personal finances even though she filed no information on the holdings of her husband, a New York real estate broker.

In a statement issued by her office, Ferraro also pledged to make public her tax returns from several years and those of her husband, John Zaccaro.

"As the Democratic nominee for vice president," Ferraro said, "I am required to make financial disclosure to the Federal Election Commission (FEC) within 30 days of nomination. I plan to include my husband's financial holdings in that disclosure, because my husband and I believe that it is in the public interest to do so and because the office of vice president is one of high public trust."

The statement came as questions lingered about inconsistencies in Ferraro's financial reports and about whether she should have disclosed holdings of her husband in the reports filed with Congress since 1979, when she was elected a New York representative.

REP. GEORGE HANSEN [R., Idaho] recently was sentenced to a maximum of 15 months in jail and was fined \$40,000 for filing false financial reports with Congress, because he failed to disclose the income of his spouse. Hansen, who

● Campaign rhetoric is snowballing between the White House and Capitol Hill. Page 9.

has appealed the conviction, is threatening to play up the Ferraro situation as he fights a House move to discipline him.

"If they are going to cook [Hansen], there are going to be other geese in the pot," said James McKenna, staff attorney for Hansen. McKenna said Hansen has written a letter to Rep. Louis Stokes [D., Ohio], chairman of the House Committee on Standard of Official Conduct, complaining that the financial disclosure of more than 20 others congressmen contained similar omissions of spousal holdings.

"Among those . . . it's obvious that one is the lady who is now the vice presidential candidate," McKenna said. "She has in effect told the House to go to hell."

Meanwhile, a House Republican leadership aide said there had been discussions among other Republicans about requesting an investigation into Ferraro's financial disclosure statement. "As yet," he said, "there are no organized plans to do anything. The feeling is to lay off."

In the statement released by her office, Ferraro said that her husband's holdings were "separate" from hers, a status that would mean they were exempt from disclosure. Under federal law, members of Congress don't have to disclose the financial holdings of their spouses if they don't derive any economic benefit from them or

don't expect to derive any benefit in the future.

BUT FERRARO'S comments still don't answer specific questions that cast some doubt on whether her claim for the exemption of her husband's holdings is legitimate.

In one section of her financial disclosure, for example, she says she is an officer and a director of P. Zaccaro & Co., the family's New York real estate firm. It is unclear how Ferraro could be an officer and stockholder in the company and not derive any benefits from it.

Moreover, records at the FEC and in Congress say that Ferraro in 1978 paid off illegal loans to her campaign made by her husband and children by selling two assets she owned—a half-interest in a New York mortgage sold in October, 1978, for \$30,000 and a half-interest in some real estate that sold for \$100,000 the same month.

But her financial disclosure for 1978 doesn't list any rental income from the real estate or interest income from the mortgage for the portion of the year that she owned them, which raises a question of when and how she obtained the property that was sold to resolve the FEC's complaint.

On Wednesday, Ferraro did address one discrepancy in her 1984 financial disclosure. The 1984 statement said that she had bond income of anywhere from \$50,000 to \$100,000 in 1984. However, she reported owning a total of \$60,000 worth of bonds, meaning she would be earning a rate of interest somewhere between 8% and 16% percent.

Porn Firm Said Tenant Of Zaccaro

Husband of Ferraro Will Probe Report

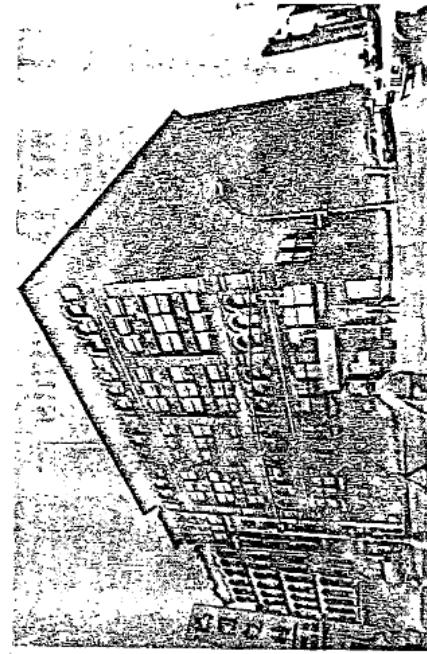
By Charles R. Babcock
and Margot Hornblower
Washington Post Staff Writers

The husband of Democratic vice-presidential nominee Geraldine A. Ferraro manages a seven-story building near the edge of New York's Chinatown that is partly rented to a company that has been identified as a distributor of sexually explicit magazines.

John A. Zaccaro said in a statement yesterday that he didn't know the business of the company to which he rented two floors of space in early 1982 and has no knowledge now of the space's "exact use." He said he has asked his attorney to investigate its use, and that if reports of a pornography business are true he will try to break the lease. Zaccaro is head of P. Zaccaro Co. Inc., a real estate management company founded by his father. In her annual congressional disclosure statement, Ferraro lists herself as a shareholder and secretary-treasurer of the company, but has not reported her husband a financial holding because, she says, the law does not require it.

A spokesman said yesterday that she also had no idea of who rented space in the building, at 200 Lafayette St., to Employees There Inc., a version of the name of the company that is renting space in the building that Zaccaro manages.

Zaccaro's office address



Associated Press
View of commercial building, managed by John A. Zaccaro, at 200 Lafayette St., near New York's Chinatown.

advertised in early 1982 that space was available.

The ad was answered by a "Name" that Grami, on behalf of the company named BO-NA-TE. Grami stated that BO-NA-TE was a warehousing company that needed extra storage space. Zaccaro rented it for two floors for three years. The rent checks come from BO-NA-TE to his real estate management firm.

A man who said he worked for Star Distributors and identified himself as Jose Rivera said the boxes were being taken to the fifth floor, which he said is occupied by Star.

A Bonate Distributors is listed in the telephone book at 150 Lafayette St., the same address as the office of Star Distributors.

Special correspondent John Kennedy contributed to this report.

In a 1978 article on the pornography business, *Forbes* magazine cited a New York State Commission of Investigation report as saying that Star Distributors had begun as a producer of nude magazines and by 1979 had "all the trappings of a pornographic conglomerate," including adult book stores, printing and film processing.

Forbes said Star's local New York distribution outlet was Bonate Distributors Inc., a version of the name of the company that is renting space in the building that Zaccaro manages.

Star Distributors' office address in New York is listed as 150 Lafayette St. Employees There Inc. also has no idea of who rented space in the building, at 200 Lafayette St., to Employees There Inc., a version of the name of the company that is renting space in the building that Zaccaro manages.

Zaccaro said yesterday that he

is managing the building he

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Washington Times
August 2, 1984

ETHICS

From page 1A

O'Neill not so sure now about ethics law

By George Archibald
The Washington Times

House Speaker Thomas P. O'Neill yesterday suggested that Congress ought to rewrite its ethics law in the wake of the conviction of one Republican member and growing interest in the financial disclosure statements by the Democratic vice-presidential nominee.

Both Democrats and Republicans believe Congress, not the Justice Department, should discipline its members for filing false financial disclosure reports, Mr. O'Neill, a Massachusetts Democrat, said.

"It was common talk in the cloakroom on both sides (during the Tuesday debate) that the original law was drafted wrongly," Mr. O'Neill told reporters.

"It was never the intent for Congressmen to allow themselves to be

see ETHICS, page 12A

sympathetic to Mr. Hansen's problems, but "the difference is that I claim an exemption and still claim that exemption and he never claimed an exemption" from reporting the financial situation of his spouse.

She said that Mr. Hansen was unwilling to disclose the contendents — a claim disputed by the Idaho Republican — and said she will be doing so, not as a member of Congress but as a candidate for the vice presidency — though she is both.

Mr. Hansen said he was never told or given the opportunity to amend his financial disclosure before his conviction, and cannot do so now without further jeopardizing himself during appeals of his felony conviction.

Mr. O'Neill declined to comment on Mrs. Ferraro's situation Tuesday. But, pressed by reporters, he said, "I don't think that in any way she has broken the law, from what I hear around here."

He said he expects Mrs. Ferraro will provide additional details on her finances. She has said she will disclose family financial information, which she did not report on her House ethics statements. In a report to the Federal Election Commission by the middle of this month.

Mr. O'Neill said there is a lot of talk by House members about changing the law to prevent the Justice Department from continuing criminal prosecution of lawmakers for financial disclosure violations. "But who will have the courage to do anything about it, I don't know," he said.

trustee, and has other reported discrepancies on her ethics filings involving real estate holdings and transactions.

Other lawmakers are questioning her argument that she is legally exempt from the disclosure requirement because she has "no knowledge" of her family's financial activities and does not stand to benefit from them — now or in the future.

Several congressmen, including at least one member of the House Committee on Standards of Official Conduct, have received public complaints about Mrs. Ferraro's disclosure omissions since they were first publicized last month, it was reported yesterday by Capitol Hill sources.

Neither the committee nor the Justice Department will say whether an investigation of alleged ethics violations by Mrs. Ferraro is under way.

Under complicated House rules, if the ethics panel does not initiate its own investigation of alleged improprieties, or if a criminal conviction is not first handed down against a lawmaker, formal complaints to the committee by the public can trigger a probe after three lawmakers have refused in writing to transmit the complaints to the panel.

Mr. Hansen was prosecuted under a criminal false statements law, enacted long before the 1978 Ethics in Government Act which provided only civil penalties for improper financial disclosure statements required of federal officials with salaries of \$50,000 or more.

Mrs. Ferraro, a three-term New York congresswoman has failed to report her husband's assets and liabilities, even though she is part-owner and secretary-treasurer of his multimillion-dollar real estate development firm, P. Zaccaro Co. Inc.

She has also omitted information about her children's financial holdings, for which she is the legal

adjudicated by the Justice Department."

Mr. O'Neill's comments — his first public acknowledgement of a threat to congressional autonomy since the indictment of Rep. George Hansen, R.-Idaho, a year ago — came in the wake of charges that Democratic vice-presidential nominee Geraldine A. Ferraro may also have filed false financial disclosure reports.

Mr. Hansen faces up to 15 months in jail and \$40,000 in fines following his conviction for not disclosing financial transactions of his wife, even though his rationale for omitting the information had been accepted for six years by the House ethics panel. His conviction has been appealed.

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Mrs. Ferraro, a three-term New York congresswoman has failed to report her husband's assets and liabilities, even though she is part-owner and secretary-treasurer of his multimillion-dollar real estate development firm, P. Zaccaro Co. Inc.

She has also omitted information about her children's financial holdings, for which she is the legal

Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: MUR 892(78)

AFFIDAVIT

JOHN A. ZACCARO, being duly sworn, deposes and says:

I am responding herein to a letter to me from William C. Oldaker, General Counsel, Federal Election Commission (the "Commission"), dated January 11, 1979, concerning contributions made by me to the Committee to Elect Geraldine Ferraro (the "Committee"), and the list of questions enclosed therewith.

Question 1(a). The source of the May 10, 1978 loan to the Committee in the amount of \$25,000 was a loan taken by me from the East River Savings Bank. I signed a \$25,000 demand note and, as collateral security for the loan, assigned and pledged the balance of East River Savings Bank Account No.

held in the name of "Mrs. Geraldine A. Zaccaro or Mr. John A. Zaccaro." At the time of the loan, the balance in Account No. was sufficient to repay the loan in full. On September 15, 1978, funds in that account were transferred to repay the full amount of the loan plus interest thereon. That account was opened in 1971, and all of the funds deposited

therein were the personal funds of Geraldine A. Ferraro, my wife, or the undersigned. My personal funds, as referred to herein, were derived primarily from salary and commissions from my business, and those of my wife were derived primarily from salaries earned by her.

Question 1(b). The source of my August 15, 1978 loan of \$20,000 to the Committee was a loan I received from the Massachusetts Mutual Life Insurance Company in the amount of \$20,000. In obtaining this loan, I borrowed against several life insurance policies of that company on my life. Massachusetts Mutual issued a check in the amount of \$20,000 to the order of "John A. Zaccaro," and no documents were signed by me in connection with the loan.

Question 1(c) and 1(d). The source of the funds for the August 31, 1978 loan in the amount of \$25,000 and the September 5, 1978 loan in the amount of \$25,000 made by me to the Committee was a loan of \$50,000 which I obtained from the East River Savings Bank. I signed a demand note for \$50,000 dated August 29, 1978, and, as collateral security for the loan, pledged and assigned to the bank the balance of East River Savings Bank Account No.

held in the name of "Mrs. Rosina Vacca or Mr. John A. Zaccaro." Mrs. Vacca is my mother. On the date of the loan I deposited \$5,665.70 into Account No. , which funds I had withdrawn the same day from East River Savings Bank Account No.

held in the name of "Miss Rosina Vacca or Mr.

John A. Zaccaro." The balance of Account No. (including the \$5,665.70 deposit) securing the loan was sufficient on August 29, 1978 and thereafter to repay the \$50,000 loan in full. All of the funds deposited in both of the accounts were my personal funds. Account No. was opened in 1974, and Account No. was opened in April 13, 1978 with funds transferred from East River Savings Account No. held in the name of "Mrs. Rosina Vacca or Mr. John A. Zaccaro." The latter account was opened in 1974, and all of the funds deposited therein were my personal funds.

Question 1(e). The source of funds for the August 3, 1978 loan of \$5,000 to the Committee was East River Savings Bank Account No. held in the name of "Mr. John A. Zaccaro, Custodian for Donna A. Zaccaro Under the Uniform Gifts to Minors Act." The funds were withdrawn from the savings account on August 2, 1978, and no documents were signed by me in connection with the withdrawal. The loan was repaid by the Committee, and \$5,000 was deposited in the account on October 11, 1978. The account was opened in 1974 and the funds deposited therein were my personal funds or personal funds of my wife.

Question 1(f). The source of funds for the July 12, 1978 loans to the Committee in the amount of \$10,000 was two savings accounts: \$5,000 withdrawn from East River Savings Bank Account No. held in the name of "Mr. John A. Zaccaro, Custodian for Laura A. Zaccaro Under the Uniform Gifts to Minors Act," and

\$5,000 withdrawn from East River Savings Bank Account No.

held in the name of "Mr. John A. Zaccaro, Custodian for Laura A. Zaccaro Under the Uniform Gifts to Minors Act." Each of these accounts were opened in 1974 and all of the funds deposited therein were my personal funds or the personal funds of my wife. No documents were signed by me in connection with these withdrawals. The loans were repaid by the Committee, and \$5,000 was deposited in each account on October 11, 1978. It should be noted that Account No. is now held in the name of "Mr. John A. Zaccaro, Custodian for John Zaccaro, Jr. Under the Uniform Gifts to Minors Act." This change was made subsequent to the aforementioned transactions to correct an error made by the bank when the accounts were opened. I had intended to open an account for each of my three children and the bank instead put two of the accounts in the name of Laura and none in the name of John, Jr.

I believe the circumstances surrounding the making of these loans are relevant to the Commission's consideration of this matter. Prior to the time any of those loans were made to the Committee, a meeting was held by various persons associated with the Committee and the election campaign to discuss, among other things, how the campaign would be financed. Among those in attendance at the meeting were David Blanksteen, Treasurer of the Committee, David Stein, an attorney who I was advised had formerly worked for the Federal Election Commission, and myself.

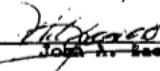
At that meeting, concern was expressed by those present that there be strict compliance with all Federal regulations concerning campaign receipts and expenditures. We were then advised by Mr. Stein that the proper method of funding the campaign in order to avoid any of the limitations imposed by Federal law was to have members of the candidate's immediate family loan the Committee the necessary funds. Relying on this advice, the loans discussed above were made to the Committee. In this regard it should be noted that the candidate herself had more than sufficient assets owned in her own name prior to becoming a candidate, and at all times thereafter, to have contributed to the Committee an amount equal to the loans made by members of her family. Accordingly, had we been properly advised as to the Federal limitations on contributions, such personal assets would have been utilized in lieu of the loans from me and our children.

On September 11, 1978, after all of the aforementioned loans had been made to the Committee, we were advised by the Federal Election Commission that loans from family members constituted contributions subject to the statutory limitation of \$1,000 per person, per election. It was on that date that the letter received indicating possible violations. Upon its receipt, a telephone call was immediately made to the Commission for clarification, which advised us of the status of loans from

members of a candidate's immediate family. Thereafter, the candidate, Committee and I made every possible effort to raise funds for the Committee as soon as possible to pay back the loans from family members. As previously reported by the Committee by letter of October 5, 1978, all loans in excess of \$1,000 from family members were repaid by the Committee.

As stated above, at the time the aforementioned loans were made to the Committee I believed they were in full compliance with all Federal laws and regulations. In this regard I was relying on the advice of an attorney whom I had every reason to believe was fully familiar with such Federal rules and regulations.

In view of the foregoing, I respectfully request that no action be taken against me and that this investigation be resolved as expeditiously as possible. Every effort has been made by me and the Committee since the initial notification of a possible violation to make full reports to the Commission of the status of the loans, and every possible effort was made to have them immediately repaid.


John A. Saccaro

Subscribed and sworn to before
me this 9th day of February, 1979.


Notary Public

MARY E. HANRICK
NOTARY PUBLIC
State of New York
County of Bronx
Notary Reg. No. 1579

Geraldine A. Ferraro
Attorney at Law

Received 5/14/78
RECEIVED
218 Lafayette Street 1078 MAY 22 AM 8:32
New York, N.Y. 10012
U.S. HOUSE OF REPRESENTATIVES

May 16, 1978

Clerk of the House of Representatives
1036 Longworth House Office Building
Washington, D.C. 20515

NY 0910

Dear Sir:

Please accept this letter, in lieu of F.E.C. Form 2, as my Statement of a Candidate for Nomination or Election to Federal Office.

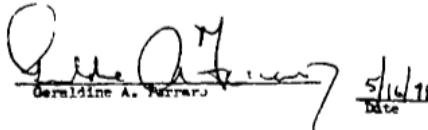
My full name is Geraldine A. Ferraro, my address is 22 Deepdene Road, Forest Hills, New York 11375, and I am seeking the Democratic Party nomination to run for the House of Representatives from the Eighth District of New York.

I hereby designate the Committee to Elect Geraldine Ferraro to Congress as my Principal Campaign Committee, for the 1978 primary and general election. The Committee's address is 218 Lafayette Street, New York, New York 10012.

I hereby designate the Atlantic Bank of New York of 123 William Street, New York, NY 10038 as the campaign depository to be used by myself and my principal campaign committee.

I hereby certify that the above named committee and authorized agents thereof will receive and disburse all funds in support of my candidacy in the above elections. Based upon this certification, I hereby request a waiver of my reporting responsibility.

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


Geraldine A. Ferraro
5/14/78
Date

FEC Form 1
July 1976
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20443

REGISTERED POLITICAL COMMITTEE

Submitting any contribution for federal offices and maintaining assets or expenditures in excess of \$1,000 in any calendar year in support of such contributions.

(See Reverse Side For Instructions.)

14 OF 17

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161 1-2-14

Note: Committees authorized by a candidate to receive contributions and make expenditures in connection with his/her election or reelection are not subject to this form.

Name of Committee (in full) Check if name or address is changed

Committee to Elect Geraldine Ferraro to Congress

Mailing Address (number and street)

218 Lafayette Street

City, State and ZIP code

New York, NY 10012

2 079707

3 Date

May 16, 1978

4 Is this an amended statement Yes No
If "YES" FILL IN ONLY THOSE LINES ON
WHICH THERE HAS BEEN A CHANGE

Check one
XOR This committee has been designated as the principal campaign committee for **Geraldine Ferraro** (Name of Candidate)

a candidate for **House of Representatives** in the **1978 Primary & General** Election
(Federal office sought) (Year of election)

to be held in the State of **New York** (State in which election is held)

(THE PRINCIPAL CAMPAIGN COMMITTEE WILL FORWARD TO THE COMMISSION A COPY OF THE STATEMENT OF ORGANIZATION FOR EACH AFFILIATED COMMITTEE REQUIRED TO FILE WITH IT.)

(b) This committee is supporting only one candidate, and is authorized by _____ (Name of Candidate)

to receive contributions and make expenditures with respect to the _____ (General, Primary, Runoff, etc.)

Held in _____, and will file all reports and statements with the candidate's principal campaign committee, _____ (Year of election in State)

(Full name of principal campaign committee)
(ATTACH A COPY OF CANDIDATE'S WRITTEN AUTHORIZATION) (FEC FORM 3a)

(d) This committee supports only one candidate _____ but is not an authorized committee. (Name of Candidate)

(e) The committee supports more than one Federal candidate and is not a party committee.

(f) The committee is a _____ committee of the _____ Party.
(National, State, county, etc.) (Democratic, Republican, etc.)

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8 Names of affiliated or connected organizations	Mailing address and ZIP code	Relationship

If the registering political committee has identified a "connected organization" above, please indicate type of organization
 Corporation Labor organization Membership organization Trade association
 Corporation without capital stock Other (please specify) Cooperative

Submit additional information on separate continuation sheets appropriately labeled and attached to this Statement of Organization. Indicate in the appropriate section above when information is contained on separate sheet.

1. Name of Party	2. Name of Candidate
3. Address	4. Check Position if different than candidate referred to above
5. City, State, Zip	6. Date Position is effective

5. 32nd Infantry Street
6. New York, NY 10012

4. TYPE OF REPORT	
<input type="checkbox"/> April 15 Quarterly Report <input type="checkbox"/> May 15 Quarterly Report <input checked="" type="checkbox"/> October 15 Quarterly Report <input type="checkbox"/> January 31 Year End Report <input type="checkbox"/> July 31 Mid Year Report (Non-election Year Only)	<input checked="" type="checkbox"/> Twelfth day report preceding <u>General</u> <small>(Type of election)</small> election on <u>9/23/82</u> in the State of <u>New York</u> <input type="checkbox"/> Thirteenth day report following the General Election on _____ in the State of _____ <input type="checkbox"/> Termination Report

This report concerns activity for - Primary Election General Election Special Election Run-off Election

SUMMARY		Column A Total Period	Column B General Veterans
6. Net Contributions (other than loans)			
6A. Total Contributions (other than loans) from Individuals	\$ 16,045.00	\$ 85,200.63	
6B. Total Contributions Received from Organizations	\$ 0	\$ 0	
6C. Net Contributions (other than loans) from Organizations (Line 6B from 6A)	\$ 16,045.00	\$ 85,200.63	
7. Net Operating Expenses			
7A. Total Operating Expenses (other than from Cash FPL)	\$ 6,912.22	\$ 25,743.42	
7B. Total Expenses to Operate the Organization (Line 14)	\$ 0	\$ 0	
7C. Net Operating Expenses (other than from Cash FPL)	\$ 6,912.22	\$ 25,743.42	
8. Cash and Cash Equivalents of Non-borrowed Funds (Line 13)	\$ 74,746.58		
9. Other and Obligations Owed to the Organization <small>(Excludes gifts on Schedule C or Schedule D)</small>	\$ 0		
10. Other and Obligations Owed BY the Organization <small>(Excludes gifts on Schedule C or Schedule D)</small>	\$ 0		

For further information regarding
Political Committee Reporting
Call Press Office
Local Office

11. Signature of Person Responsible for Completing this Report
12. Signature of Person Completing this Report
13. Signature of Person Completing this Report
14. Signature of Person Completing this Report

15. Signature of Person Completing this Report	16. Signature of Person Completing this Report
17. Signature of Person Completing this Report	18. Signature of Person Completing this Report

GERALDINE A. FERRARO FOR CONGRESS '82
218 LAFAYETTE STREET
NEW YORK, NY 10012

RECEIVED
10/26/82

OCT 2 1982

October 26, 1982

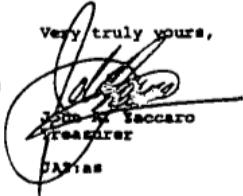
Office of the Clerk
U.S. House of Representatives
Longworth House Office Bldg., Rm. 1036
Washington, D.C. 20515

RE: Geraldine A. Ferraro for Congress '82
Identification No. C-093297

Gentlemen:

This is to advise you that a contribution in the amount of \$1,000.00
was received from Machinists Non-Partisan Political League,
1300 Connecticut Avenue, N.W., Washington, D.C. 20036 on
October 25, 1982.

Very truly yours,


John M. Teccaro
Treasurer

UAW

RECEIVED
OFFICE OF THE CLERK
U.S. HOUSE OF REPRESENTATIVES
OCT 28 AM 11:13

RECEIVED
U.S. HOUSE OF REPRESENTATIVES
OCT 28 1982

REPORTS OF RECEIPTS AND DISBURSEMENTS
For Authorized Committees

(Summary Page)

JAN 31 1984
CERTIFIED MAIL

MAIL AREA		MAIL AREA	
1. Name of Committee (in Full) Geraldine A. Ferraro for Congress '82	2. FEC Identification Number C-093297	3. Is this Report an Amended Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<i>094480</i>
Address (Number and Street) 218 Lafayette Street	4. Check if address is different than previously reported		
City, State and Zip Code New York, NY 10012			

5. TYPE OF REPORT			
<input type="checkbox"/> April 15 Quarterly Report	<input type="checkbox"/> Twelfth day report preceding election on 1/15/84		
<input type="checkbox"/> July 15 Quarterly Report	<input type="checkbox"/> Through day report following the election on 1/15/84		
<input type="checkbox"/> October 15 Quarterly Report	<input type="checkbox"/> In the State of NY		
<input checked="" type="checkbox"/> January 31 Year End Report	<input type="checkbox"/> Non-election Report		
<input type="checkbox"/> July 31 Mid Year Report (Non-election Year Only)			

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	<u>7/1/83</u> through <u>12/31/83</u>		
6. Net Contributions (other than loans)			
(a) Total Contributions (other than loans) (From Line 11(a))		2,225.00	3,025.00
(b) Total Contribution Refunds (From Line 20(d))			
(c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a))		2,225.00	3,025.00
7. Net Operating Expenditures			
(a) Total Operating Expenditures (From Line 17)		1,760.93	3,710.25
(b) Total Offers to Operating Expenditures (From Line 14)			
(c) Net Operating Expenditures (Subtract Line 7(b) from 7(a))		1,760.93	3,710.25
8. Cash on Hand at Close of Reporting Period (From Line 27)		1,198.67	
9. Debts and Obligations Owed TO The Committee (Balances off on Schedule C or Schedule D)			
10. Debts and Obligations Owed BY The Committee (Balances off on Schedule C or Schedule D)			

I certify that I have examined this Report and to the best of my knowledge
and belief it is true, correct and complete.For further information, contact:
Federal Election Commission
Toll Free 800-424-9530
Local 202-623-4068

John A. Zaccaro

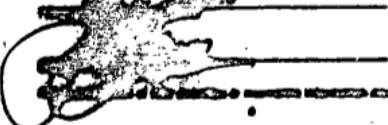
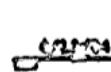
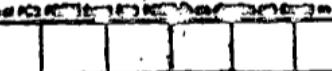
John A. Zaccaro
Signature
Date

1/24/84

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

All previous copies of FEC FORM 3 and FEC FORM 3a are obsolete and should no longer be used.

FEC FORM 3 (2/80)

Quarterly Report	
Section A. Report for Congress '84 Address Number and Street 218 Lafayette Street City, State and Zip Code New York, NY 10012	
<input type="checkbox"/> Check if address is different than previous report.	
4. TYPE OF REPORT	
<input checked="" type="checkbox"/> April 15 Quarterly Report <input type="checkbox"/> July 15 Quarterly Report <input type="checkbox"/> October 15 Quarterly Report <input type="checkbox"/> January 31 Year End Report <input type="checkbox"/> July 31 Mid Year Report (Non-election Year Only)	
<input type="checkbox"/> Political Party Reporting <input type="checkbox"/> Section 49 <input type="checkbox"/> Non-political Party Reporting	
The Report concerns activity for - <input type="checkbox"/> Primary Season <input type="checkbox"/> General Election <input checked="" type="checkbox"/> General Session	
5. SUMMARY	
6. Net Contributions (other than Normal) a. Total Contributions (other than Normal) From Line 11 sub \$2,720.00 \$2,720.63 b. Total Contributions Refunds (From Line 23 sub) c. Net Contributions (other than Normal) (Line 6 sub less 6 sub) 2,720.00 2,720.00 7. Net Operating Expenditures a. Total Operating Expenditures From Line 17 1,437.81 1,437.81 b. Total Other than Operating Expenditures (From Line 28) 1,437.81 1,437.81 8. Cash on Hand at Close of Reporting Period (From Line 23) -0- 9. Other and Miscellaneous Report To The Committee Miscellaneous on Schedule C or Schedule D 10. Other and Miscellaneous Report BY The Committee Miscellaneous on Schedule C or Schedule D	
I certify that I have prepared this Report and to the best of my knowledge it is true and correct.	
For Senator Daniel Patrick Moynihan Printed Name Title Date (02/17/84)	
	
I declare under penalty of perjury that the information contained in this Report is true and correct.	
	
I declare under penalty of perjury that the information contained in this Report is true and correct.	
	

DOCUMENT EXCERPT FROM FEDERAL ELECTION
COMMISSION ENFORCEMENT ACTION MUR 892.

-2-

By letter dated October 30, 1978, the committee treasurer indicated that the loans received from the candidate's family should be attributed to each individual as follows:

<u>Loan in the name of</u>	<u>Date</u>	<u>Amount</u>	<u>Source</u>
John Zaccaro, Sr.	5/10/78	\$25,000	Joint savings account in the name of "Mrs. Geraldine A. Zaccaro or Mr. John A. Zaccaro. Payable to either or survivor."
	8/15/78	\$20,000	no explanation
	8/31/78	\$25,000	no explanation
	9/5/78	\$25,000	no explanation
Donna A. Zaccaro	6/20/78	\$ 5,000	Savings account in the name of "Geraldine A. Zaccaro custodian for Donna A. Zaccaro."
	8/13/78	\$ 8,000	Savings account in the name of "John A. Zaccaro custodian for Donna A. Zaccaro" to the extent of \$5,000 and "Geraldine A. Zaccaro custodian for Donna A. Zaccaro" to the extent of \$3,000.
John A. Zaccaro, Jr.	6/20/78	\$ 5,000	Savings account in the name of "Geraldine A. Zaccaro, custodian for John A. Zaccaro, Jr."
	8/3/78	\$ 3,000	
Laura A. Zaccaro	6/20/78	\$ 5,000	Savings account in the name of "Geraldine A. Zaccaro custodian for Laura A. Zaccaro."
	7/12/78	\$10,000	Savings account in the name of "John A. Zaccaro custodian for Laura A. Zaccaro."
	8/13/78	\$ 3,000	Savings account in the name of "Geraldine A. Zaccaro custodian for Laura A. Zaccaro"
<u>TOTAL:</u>		<u>\$ 134,000</u>	

2/ Although the October 30th letter only explained the May 10th contribution from John Zaccaro, Committee reports indicate the nature of the loans to be demand loans at 5 1/4% interest, unsecured, borrowed on a life insurance policy and/or transferred from bank account.

EXHIBIT E

Property Deals Helped Ferraro Pay for '78 Race

By Charles R. Babcock
Washington Post Staff Writer

Democratic vice presidential nominee Rep. Geraldine A. Ferraro (D-N.Y.) raised \$100,000 in 1978 for her first congressional campaign by selling her interest in a New York building to her partner after they determined that its value had nearly doubled in the five months they had owned it, according to real estate records and attorneys for the Mondale-Ferraro campaign.

This is one of a complicated series of Ferraro transactions that are not unusual in commercial property dealings. The details show how real estate helped finance her first congressional race.

Ferraro and her partner, Manny Lerman, bought the building for \$175,000 on May 1, 1978, but agreed to use a \$325,000 valuation when Lerman purchased her half interest five months later, Oct. 5, 1978, the records show.

At the time Ferraro was trying to raise \$130,000 to pay back loans made by her husband and children to her 1978 campaign. This occurred after the Federal Election Commission had notified her that the loans exceeded the \$1,000 campaign contribution limit for individuals. The law puts no limit on what a candidate can lend to his or her own campaign.

See FINANCES, A6, Col. 1

Ferraro's Real Estate Dealings Helped Finance '78 Campaign

FINANCES, From A1

Ferraro and a Lerman partnership had each put up \$25,000 cash and took out a \$125,000 mortgage in May, 1978, to buy the \$175,000 two-story commercial building on the corner of Centre and Grand Streets in lower Manhattan. Lerman is a business associate of Ferraro's husband, John A. Zaccaro, a New York real estate executive.

The \$325,000 figure used in October, 1978, was based on a review of recent sales in the area, rather than a formal appraisal, Ferraro attorneys said last week.

When Lerman bought Ferraro's share, he assumed the \$125,000 mortgage and gave Ferraro a \$100,000 check, records show. This gave Ferraro a 400 percent return on the \$25,000 she had invested five months and five days earlier.

Lerman could not be reached for comment last week. Ferraro has designated two lawyers working for the Mondale-Ferraro campaign to answer questions on her finances.

These attorneys said the building's value was properly increased because Ferraro and Lerman got "a great deal" at \$175,000 when they bought it from Norfolk Realty Corp. In addition, the attorneys said the \$325,000 valuation was comparable to sales then of other area buildings—a standard method of determining the value of real estate.

"She was entitled to what they could get in the marketplace at the time," said one of the lawyers, who declined to be named. He added that all the records of the transaction could not be reviewed on short notice, but said he was certain that the matter was handled correctly and was a straight-forward real estate transaction.

Lerman also figured in raising the other \$30,000 Ferraro needed to repay the disallowed \$130,000 in campaign loans. A Lerman family partnership paid her \$30,000 on Oct. 4, 1978, for her half interest in an unrecorded mortgage on another piece of New York property at 124-126 Bowery in lower Manhattan. Ferraro had paid \$35,000 for that interest in November, 1977. Ferraro's attorneys said, and, thus, lost \$5,000 on the transaction.

With the \$130,000 Ferraro raised in October, 1978, she paid back the family loans. Her campaign attorney at the time emphasized that her husband and children had

had sold. This attorney also said she would be required to pay a capital gains tax on some of the profit.

After an investigation of the family loans to the Ferraro campaign, the FEC fined her campaign committee and her husband a total of \$750. The file that includes the agreement closing the case shows that the FEC accepted Ferraro's explanation that she had received incorrect legal advice and that she had adequate personal funds to have made the loans herself.

Ferraro announced last week that she will soon make a full financial disclosure, including details of her holdings and those of her husband and their tax returns.

Since Ferraro was nominated earlier this month, several questions have arisen about her finances and those of her husband, whose real estate firm manages more than 20 residential and commercial buildings in New York City.

Last week there were reports that a tenant in one of the buildings Zaccaro manages is an alleged pornography dealer. Zaccaro said he will investigate and oust the tenant if the reports are true.

A Lerman partnership is owner of record for the building where space is rented to the alleged pornography dealer. But Ferraro's attorneys said Zaccaro told them that he also owned a half-interest in that building at 200 Lafayette St. through a partnership with Lerman. This ownership interest is not recorded in the city's records.

In 1978, Ferraro's campaign reported that her children had given unsecured, interest-free loans to the campaign that were drawn against accounts Ferraro and her husband had set up for the children's college educations.

On Sept. 7, 1978, the FEC notified Ferraro's campaign that the loans appeared to exceed legal limits. On Sept. 13, the day after Ferraro won the Democratic congressional primary, FEC analyst Laurie Castaneda wrote an internal memo saying that Ferraro had called to explain that she "was under the impression" that there was no limit on such loans. She added that the loan money had come from a joint account with her husband and from "college funds set up for her children. She was trustee of those accounts and said, therefore, she had control of that money." Castaneda wrote.

was her money and that she was in control of those funds," she could amend her reports to attribute the loans to herself. Instead, Ferraro sold her interests in the Centre Street and Bowery properties.

Details of Ferraro's 1978 acquisition of the half-interest in the Centre Street building, which now houses a restaurant and machine shops, were not at first clear from the public records. Murry Kalik, Ferraro's attorney on the real estate transactions, said in telephone interviews last week that a "dummy corporation," Polarob Realty Corp., had been used to buy the property.

The same day, May 1, Polarob conveyed the deed to Ferraro and a partnership called Melro Co., which included Lerman. Kalik said the dummy corporation was used to protect the owners from personal liability on the mortgage.

The members of the Melro partnership are not recorded in New York County, but Kalik and Ferraro's attorneys said last week that Lerman was a principal in Melro.

The mortgage on the Bowery property Ferraro said she sold for \$30,000 in 1978 to help repay the family campaign loans is not recorded in New York County. Her attorneys said this was done to save the recording fee.

But Ferraro's attorneys last week provided documents showing that Ferraro had a 50 percent interest in that mortgage. It was bought from the National Bank of North America for \$70,000 on Nov. 25, 1977, according to records. Ferraro's attorneys said she had acquired her share for \$35,000, but did not have a copy of the check.

When she sold her interest in October, 1978, it was to the Melro Co., the partnership that includes Lerman.

Samuel Feldman, an attorney representing Lerman, said that Lerman bought the mortgage for his children as a gift.

After Ferraro repaid her husband and children in 1978, she borrowed \$40,000 from two banks, so her loans to her first congressional campaign totaled \$170,000.

She used leftover money from her 1980 and 1982 congressional campaigns to pay herself back, according to FEC records. The latest 1984 filing shows that she is owed about \$50,000 from the 1978 campaign.

Special correspondent John Ken

Castaneda told *Newsweek* that it was not unusual for campaign committees to have loans from their spouses and children.

NOV. 28 - Dec. 31, 1978

AMERICAN
REVIEW
NOV. 1978
Federal Election Commission
25 K Street, N.W.
Washington, D.C. 20463

DEBTS AND OBLIGATIONS

Supporting Line Numbers 12 and 13
of FEC FORM 3

(Indicate Primary or General Election for each entry)

Page 1 of 1 forLine Number 1See Separate Schedules for
each numbered item

Name of Candidate and Committee as Paid		Date (month, day, year)			Amount of Original Debt, Contract, Agreement or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
GERALDINE A FERRARO 220 FERNDALE RD. FORREST HILLS, N.Y. 11375					\$	\$	\$ 170,000.00
<input type="checkbox"/> Primary <input checked="" type="checkbox"/> General <input type="checkbox"/> Other							
NATURE OF OBLIGATION (Details of Debt): SOURCE OF FUNDS LOCATED AT - 100,000. 1) 10/1/78 - SALE OF MORTGAGE IN PROPERTY LOCATED AT - 231 CENTER ST NYC 30,000. 2) 10/1/78 - SALE OF 1/4 MORTGAGE ON PROPERTY LOCATED AT 134-1/2 BROADWAY NYC 25,000 3) LOAN FROM EAST RIVER SAVINGS BANK (01/03/78) 15,000 4) LOAN FROM FIRST WOMEN'S BANK (01/01/78) 120,000							
Full Name, Mailing Address and ZIP Code of Debtor or Creditor		Date (month, day, year)			Amount of Original Debt, Contract, Agreement or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
					\$	\$	\$
<input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other							
NATURE OF OBLIGATION (Details of Debt):							
Full Name, Mailing Address and ZIP Code of Debtor or Creditor		Date (month, day, year)			Amount of Original Debt, Contract, Agreement or Promise	Cumulative Payment To Date	Outstanding Balance at Close of This Period
					\$	\$	\$
<input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other							
NATURE OF OBLIGATION (Details of Debt):							
SUBTOTALS this period (by month):					\$	\$	\$
TOTAL this period (for page this line number only):					\$	\$	\$
Carry outstanding balances only to appropriate line of summary							

EXHIBIT G

APPENDIX E

RULE 9. (a) A complaint submitted to the Committee under clause 4(e)(2)(B) of Rule X of the Rules of the House of Representatives shall be in writing and under oath, setting forth in simple, concise, and direct statements—

(1) the name and legal address of the party filing the complaint (hereafter referred to as the “complaint”);

(2) the name and position or title of the Member, officer, or employee of the House of Representatives alleged to be in violation of the Code of Official Conduct or a law, rule, regulation, or other standard of conduct;

(3) the nature of the alleged violation, including, if possible, the specific section of the Code of Official Conduct or law, rule, regulation, or other standard of conduct alleged to have been violated; and

(4) the facts alleged to give rise to the violation. When facts are alleged upon the information and belief of the complainant, the complaint shall so state and set forth the basis for such information and belief.

(b) All documents in the possession of the complainant that are relevant to and in support of the allegations shall be appended to the complaint.

(c) A complaint by a Member of the House of Representatives may be transmitted directly to the Committee. A complaint by an individual not a Member of the House may be transmitted through a Member who agrees, in writing, to accept it for that purpose. If a complaint by an individual not a Member of the House is submitted to three Members of the House who refuse, in writing, to transmit the complaint to the Committee, the complainant may transmit the complaint directly to the Committee, provided an affidavit is attached stating, under oath, the names of the Members to whom the complaint was submitted and by whom it was rejected in writing.

APPENDIX F
BEFORE THE
COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

IN THE MATTER OF A
COMPLAINT BY THE WASHINGTON LEGAL FOUNDATION
AGAINST REPRESENTATIVE GERALDINE A. FERRARO

SUPPLEMENTAL EVIDENCE IN
SUPPORT OF COMPLAINT

INTRODUCTION

On August 7, 1984, the Washington Legal Foundation (WLF or Complainant) lodged a formal legal complaint including Exhibits A-G with this Committee against Congresswoman Ferraro alleging violations by her of the Ethics in Government Act (EIGA) in the filing of her disclosure reports for each year from 1978-1983. The principal violations of the EIGA are three: (1) her failure to list her husband's assets, liabilities and transactions during the reporting periods; (2) her failure to list her children's assets, liabilities and transactions; and (3) misreporting or failing to report fully her own assets, liabilities, and transactions, as well as other required information such as income.

On August 20 and 21, 1984, Congresswoman Ferraro publicly released certain financial and other information including her and her husband's income tax returns from 1978 to 1983. The information released not only confirms some of the particular charges made by WLF, but also raises additional violations of EIGA such as her failure to report approximately \$60,000 she received as income in 1978 from the sale of JEB Realty.

It should be first noted that despite her public statements that full disclosure has been made, Congresswoman Ferraro has yet to disclose her husband's holdings, liabilities, and transactions for the years 1978-1982 as required by EIGA. The EIGA does not require disclosure of income tax returns and such information is of little or no use in determining the information required by law, i.e., her and her husband's assets, holdings, and liabilities*/

The additional evidence provided herein is not to be construed as constituting another complaint against Congresswoman Ferraro but only as additional and supplemental evidence in support of WLF's initial complaint in order to assist the committee in its investigation.

*/ The financial disclosure report filed by Congresswoman Ferraro on August 20, 1984 with the Federal Election Commission only listed the assets, liabilities, and transactions of her spouse from 1983. Wholly lacking is any such information for 1978-1982 as required by law. Such information may also help to explain how she and her husband attained a net worth of \$3.8 million while reporting a combined taxable income for 1974, 1975, 1976, and 1977 to be only \$29,000 on the average for each year. See 1978 Schedule G attached hereto as Exhibit H.

Inasmuch as Congresswoman Ferraro has not publicly proffered any reasons justifying her failure to report the substantial financial holdings of her dependent children from 1978-1982, Complainant will focus this supplemental filing on her failure to report her husband's assets, liabilities, and transactions, as well as the misreporting of her own financial information.

I. FAILURE OF CONGRESSWOMAN FERRARO TO DISCLOSE HER SPOUSE'S ASSETS, LIABILITIES AND TRANSACTIONS

As originally charged by WLF, Congresswoman Ferraro has failed to disclose her husband's assets, liabilities and transactions for the years 1978-1983. WLF has charged that she is not entitled to be exempted from reporting her husband's financial information since she does not meet the three criteria under 2 U.S.C. §702(d)(1)(D), i.e. (1) that she has "no knowledge" of the items; (2) that such items were not derived from her income, assets, or activities, and (3) that she derives, nor expects to derive any benefit from them.

None of the information provided by Congresswoman Ferraro since the filing of WLF's complaint or public statements made by her or her agents entitles her to the spousal exemption. If anything, WLF's charges have been further corroborated, and in some cases established conclusively.

Congresswoman Ferraro has repeatedly claimed in public that she is entitled to the exemption, stating that she has

consistently "checked the box" on her disclosure forms certifying to the applicability of the three criteria. The principal justification for her position is that she and her husband have separate financial lives as evidenced by their filing of separate tax returns since 1979.

This purported reason is faulty for a number of reasons. In the first place, the filing of separate tax returns is irrelevant in determining whether the reporting individual meets the three statutory criteria. Rep. Ferraro has benefited or expects to benefit from her husband's assets, regardless of the filing of separate returns. She has specific knowledge of her husband's assets that she has failed to report, such as joint bank accounts, her husband's ownership of two-thirds of P. Zaccaro Company, Inc., ^{*/} and his repurchase of her interest in the 231 Centre Street property after she had sold it in 1978 to repay the illegal loans from her husband and children's savings accounts to her campaign. ^{**/}

^{*/} While it appears that Ferraro owns one share and her husband owns two shares of P. Zaccaro Co., Inc., she and her husband certified under penalties of perjury in August 1983 before the State of New York Insurance Department that she and her husband owned only one share each. See Exhibit I.

^{**/} Even assuming that the filing of separate returns has some relevance in determining the spousal exemption, which it clearly does not, Congresswoman Ferraro filed a joint return with her husband in 1978, and by her own standard, is therefore not entitled to the spousal exemption for that year.

Further, on August 21, 1984, Congresswoman Ferraro seemed to contradict her repeated insistence that she felt sure that she was entitled to the spousal exemption since 1978. When asked by a reporter at her August 21, 1984 press conference held in New York City about the legitimacy of her claimed exemption, Congresswoman Ferraro, in a candid and revealing admission, stated:

REP. FERRARO..."When I read that exemption, and I did it, believe it or not, as recently as last May when I filed on it [i.e. May 1984 for calendar year 1983], I said [to my husband], "Honey, you have to file disclosure." And he said, "No," he said, "take a look at the exemption." And I did. The exemptions talk about assets and liabilities. I read that as meaning do I get any income from his firm that I'm gonna have to address. Do I own any of that business...." [emphasis added]

This admission is remarkable in several respects. First, it belies her prior insistence that she felt that she was entitled to the spousal exemption every year since 1978. If Rep. Ferraro was so sure she was entitled to the exemption all these years, why was she approaching her husband as late as May 1984 telling him "you have to file disclosure" of his assets, liabilities and transactions? Did she have similar conversations with her husband in prior years expressing doubt about her entitlement to the spousal exemption?

Secondly, Rep. Ferraro's statement indicates that her husband prevailed upon her not to file or disclose his financial information. It is most revealing that her

husband, the non-lawyer, is telling his wife, the lawyer and the Congresswoman that she is misreading the law and that his assets need not be disclosed.

Thirdly, her contention that she construed "assets and liabilities" to mean "income" is implausible for any experienced legislator and attorney. But even so, the answers to her rhetorical questions on the matter undercut her own position. Ferraro stated, "I read [the exemption] as meaning do I get any income from his firm that I'm gonna have to address. Do I own any of that business...." The answers to both of those questions is "yes," whereas a negative response would imply that she felt she was entitled to the exemption. Thus, even by her own reckoning, Rep. Ferraro could only conclude that she was not entitled to take the exemption.

For the reasons stated herein and in WLF's original complaint, it is clear that Congresswoman Ferraro was not entitled to the spousal exemption and that she herself recognized her ineligibility to such exemption as late as May 1984.

II. CONGRESSWOMAN FERRARO MISREPORTED
OR FAILED TO REPORT FULLY THE REQUIRED
INFORMATION OF HER OWN FINANCES

Besides the continued failure to disclose her husband's assets, liabilities, and transactions, WLF's complaint charged that Congresswoman Ferraro violated the Ethics in

Government Act by not fully reporting her own finances. Indeed, information released by Ferraro confirms the validity of WLF's charge that Ferraro under-reported the capital gain on the sale of the 231 Centre Street property.^{*/} The capital gain of \$68,439 on the Centre Street property was originally reported on her 1978 income tax return as being only \$6,189. She blamed the error on her accountant and paid the back taxes. However, a month after filing her original 1978 tax return, Ferraro filed her 1978 ethics disclosure report listing the gain to be between \$15,000 and \$50,000 which is more than what she had reported to the IRS but still less than the true amount.

A major item entirely omitted from her 1978 disclosure report under the income category was the capital gain of \$58,646 she received on the sale of JEB Realty in 1978. The original Schedule D of her 1978 IRS return showed a capital gain of \$58,646 attributed to her as the wife by the

^{*/} This property was sold to help repay the illegal loans from her husband for her 1978 campaign. At her August 21, 1984 news conference, a reporter asked why she would invest \$25,000 of her money for the property a few days before she formally announced her candidacy for a race that eventually cost approximately \$250,000. She responded that she did not think at the time that the race would be so expensive since prior races in Queens, N.Y. were not that expensive. However, an article in the New York Times Magazine, October 19, 1980 at 31 stated that the race cost \$252,000, "only \$2,000 more than she had estimated." Id.

otation "(W)." See Exhibit J-1.*/ That she was an owner of JEB Realty is further confirmed by her reporting receiving \$876 as interest income in 1978 from JEB Realty on her IRS Form 13. See Exhibit J-3. Thus, this is a triple violation since she failed to disclose as income the capital gain on the sale of JEB Realty, the interest she received from JEB Realty, as well as the transaction itself, i.e., the sale of JEB Realty.

Another item missing from her report which was required to be disclosed was her income from P. Zaccaro Co., Inc. For example, she reported in her 1981 income tax return that she received income of \$2,962 from the P. Zaccaro Co., Inc. but failed to disclose that fact on her 1981 EIGA disclosure report.

Ferraro also failed to list as an asset the amounts owed to her by her campaign committee since 1978 which ranged from \$170,000 in 1978 to approximately \$50,000 today.

She also failed to disclose as holdings her ownership of four lots on Fire Island, New York held solely in her name and valued by her in her report filed with the FEC to be in the \$100,000 to \$250,000 range. While personal residences need not be disclosed, these four lots appear to be investment properties instead and thus should have been reported.

*/ The amended 1978 return filed on August 19, 1984 shows the gain on the sale of JEB Realty to be \$61,259 instead of the earlier reported \$58,646. See Exhibit J-2.

As for disclosing her positions as an officer in P. Zacarro Co., Inc., she reported in her Congressional reports for 1981, 1982, and 1983 that she was "Secretary and Treasurer." However, in the disclosure report filed with the FEC, it appears that she never was the Secretary or Treasurer of the Company, but rather was a Director since May 1971 and Vice President since November 1973. See Exhibit K. She either was the Secretary and Treasurer or she was a Director and Vice-President. These offices are clearly distinct from one another and there can be no excuse for her misreporting such basic and ascertainable information.

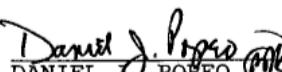
In addition, she failed altogether to list her positions with at least eight other corporations or organizations for the respective reporting periods. For example, she failed to disclose in her 1978, 1979, and 1980 disclosure reports that she was a director of the Freann Realty Corporation which was dissolved in 1980. See N.Y. Times Aug. 16, 1984, at B11, col. 3. She also failed to disclose her position in other organizations such as the Pension Rights Center. See Exhibit K. The law requires all such positions to be disclosed, including those of "any nonprofit organization ... or any educational or other institution."

CONCLUSION

For all the foregoing reasons and those stated in WLF's complaint and Exhibits, the Washington Legal Foundation

submits that since 1978, there have been and continue to be numerous and substantial violations of the Ethics in Government Act by Representative Ferraro. Accordingly, it is in the public interest that this Committee take prompt action to investigate these apparent violations and to impose appropriate sanctions.

Respectfully submitted,



DANIEL J. POPEO *(initials)*
General Counsel



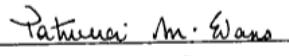
PAUL D. KAMENAR

Executive Legal Director

September 11, 1984

WASHINGTON LEGAL FOUNDATION
1705 N Street, N.W.
Washington, D.C. 20036
(202) 857-0240

Subscribed and sworn to before me this 11th day of
September, 1984.



NOTARY PUBLIC

My Commission Expires December 14, 1986

1040
U.S. Internal Revenue Service► See instructions on pages 3 and 4.
► Attach to Form 1040.

1040

Name(s) as shown on Form 1040

Your social security number

JOHN A AND GERALYNNE ZACCARD

Base Period Income and Adjustments	(a) 1st preceding base period year 1977	(b) 2d preceding base period year 1976	(c) 3rd preceding base period year 1975	(d) 4th preceding base period year 1974
1 Enter amount from: Form 1040 (1977)—line 34. Form 1040A (1977)—line 10.	42,548.			
2 Multiply \$750 by the total number of exemptions claimed in 1977.	4,500.			
3 Taxable income (subtract line 2 from line 1). If less than zero, enter zero (see instructions).	38,048.	25,215.	21,508.	31,080.
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931.				
5 If you checked, on [2 or 4 enter \$3,200] (in columns your 1978 Form 1 or 4 enter \$2,200) (b), (c), 1040, box (3 enter \$1,600) (and (d))		3,200.	3,200.	3,200.
6 Base period income (add lines 3, 4 and 5).	38,048.	28,415.	24,708.	34,280.
Computation of Averageable Income				
7 Taxable income for 1978 from Schedule TC (Form 1040), Part I, line 3.	86,581.			
8 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5).				
9 Subtract line 8 from line 7.	86,581.			
10 Excess community income.				
11 Adjusted taxable income (subtract line 10 from line 9). If less than zero, enter zero.	12 125,431.			
12 Add columns (a) through (d), line 6, and enter here.				13 37,620.
13 Excess 30% of line 12.				
14 Averageable income (subtract line 13 from line 11).				14 48,952.

Do not complete rest of form if line 14 is \$3,000 or less. You do not qualify for income averaging. **G**

Computation of Tax	
15 Amount from line 13	15 37,620.
16 20% of line 14.	16 9,520.
17 Total (add lines 15 and 16).	17 47,140.
18 Excess community income from line 10.	18
19 Total (add lines 17 and 18).	19 47,140.
20 Tax on amount on line 19*	20 14,170.
21 Tax on amount on line 17*	21 9,680.
22 Tax on amount on line 15*	22 4,490.
23 Subtract line 22 from line 21.	23
24 Multiply the amount on line 23 by 4. Note: If no entry was made on line 8 above, skip lines 25 through 27 and go to line 28.	24 17,960.
25 Tax on amount on line 7*.	25
26 Tax on amount on line 9*.	26
27 Subtract line 26 from line 25.	27
28 Tax (add lines 20, 24, and 27). Enter here and on Schedule TC (Form 1040), Part I, line 4 and check Schedule G box. Then go to Schedule TC (Form 1040), Part I, line 5.	28 32,110.

*Caution: Use Tax Rate Schedule X, Y or Z from the Form 1040 instructions to figure your tax on lines 20, 21, 22, 25 and 26. Do not use tax tables.

Page 2 of Schedule G — DOES APPLY DOES NOT APPLY TRIPPLICATE

EXH. H

License refused *80.00*

License issued *NOV 1 1983*

License No. 136495
ZACCAR136495C

ZACCARD P CO INC
216 LAFAYETTE ST
NEW YORK NY 10012

ZACCARD JOHN A P
ZACCARD GERALDINE A VP

RENEWAL NOVEMBER 1, 1983 OCTOBER 31, 1985

If a corporation or partnership desires to designate an ADDITIONAL OFFICER, DIRECTOR OR MEMBER to act on its behalf, or if a REPLACEMENT of an active officer, director or member is contemplated, the proper form for use in applying for the requisite license SHOULD BE REQUESTED AT ONCE. The name and address of the proposed sub-licensee should be furnished.

Form No. 0

See enclosed circular letter for information regarding correct amount of fee

STATE OF NEW YORK
Insurance Department

APPLICATION FOR BROKER'S LICENSE

To the Superintendent of Insurance of the State of New York:

The UNDERSIGNED CORPORATION, being the holder of a license to act as broker, hereby applies for a like license for the period indicated above, and for that purpose submits the following statements and answers to the questions contained in this application:

1. Name of applicant *P. Zaccardo Co., Inc.*
2. Principal insurance business address *218 Prince Street, New York, NY 10012*
3. Give name in full, title of office and residence of each of applicant's officers and directors.

Name	Title of Office	Residence Address
<i>John A. Zaccardo</i>	<i>President</i>	<i>22 Deepdene Rd., Forest Hills, New York, 11375</i>
<i>Geraldine A. Zaccardo</i>	<i>Vice President</i>	<i>22 Deepdene Rd., Forest Hills, New York, 11375</i>

(Advise immediately, in writing, of any change in officers or directors)
4. Give names in full of all officers and directors of applicant who desire to be named as sub-licensees (active officers and directors) in the license applied for herein.

<i>John A. ZACCARO</i>	<i>Geraldine A. ZACCARO</i>
------------------------	-----------------------------

(If more than one officer or director is named, an additional fee for each such additional officer or director must be paid.)

5. Give names in full and addresses of all stockholders of record of applicant-corporation and total number of shares owned by each.

Name	Address	Number of Shares Owned
<i>John A. Zaccardo</i>	<i>22 Deepdene Rd., Forest Hills</i>	<i>1</i>
<i>Geraldine A. Zaccardo</i>	<i>22 Deepdene Rd., Forest Hills</i>	<i>1</i>

(If additional space is required, a separate sheet may be attached)

If any of such shares of stock is held by such stockholders in any capacity other than as beneficial owner, state name and address of each beneficial owner of such stock together with number of shares so held.

(If additional space is required, a separate sheet may be attached)

6. Give each line of business in which each stockholder is engaged, except where there are more than fifty stockholders, give the name, address, percentage of stock held and the business in which each of the ten largest stockholders is engaged.

<i>John A. Zaccardo</i>	<i>Real Estate & Insurance</i>
<i>Geraldine A. Zaccardo</i>	<i>Attorney</i>

(If additional space is required, a separate sheet may be attached)

EXH. I

Form 1040)		Schedule D (Form 1040) (see instructions page 19)				
Department of the Treasury Internal Revenue Service		Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)				
		► Attach to Form 1040. ► See Instructions for Schedule D (Form 1040.)				

Name(s) as shown on Form 1040

1978

JOHN A. S. GURARDO 2475 ADO

Your social security number

Part I. Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares of "E" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, or estimated (see instructions page 19)	f. Gain or (loss) from all sales during entire tax year (d less e)	g. Enter gain or (loss) from sales after 10/31/78
1. <i>Mr. Hale Investment Corp.</i>						
✓11-35 CENTEX ST	5-1-78	10-6-78	96500	70311	6189	(N)
✓Affiliate w/ GARDEN STATE	10-5-78		30000	55700	(55700)	(D)
✓Affiliate w/ GARDEN STATE	5-9-78			55700	(55700)	(H)
2. <i>REGARD Co.</i>						
2. Enter your share of net short-term gain or (loss) from partnerships and fiduciaries	2					
3. Enter net gain or (loss), combine lines 1 and 2.	3	(1311)				
4. Short-term capital loss carryover attributable to years beginning after 1969 (see instructions page 19).	4	()				
5. Net short-term gain or (loss), combine lines 3 and 4, column (f).	5	(1311)				

Part II. Long-term Capital Gains and Losses—Assets Held More Than One Year

1. <i>JES REALTY (FJA) CORPORATION</i>	16-9-57	10-14-78	8-10-78	65009	38345	✓8664	(W)
7. Capital gain distributions	7						
8. Enter gain, if applicable, from Form 4797, line 6(e)(1) (see instructions page 19)	8						
9. Enter your share of net long-term gain or (loss) from partnerships and fiduciaries	9						
10. Enter your share of net long-term gain from small business corporations (Sub- chapter S)	10						
11. Net gain or (loss), combine lines 6 through 10.	11	85310					
12. Long-term capital loss carryover attributable to years beginning after 1969 (see instructions page 19).	12	()					
13. Net long-term gain or (loss), combine lines 11 and 12, column (f).	13	85310					

NOTE: If you have capital loss carryovers from years beginning before 1970, do not complete Parts III, IV, or VI. See Form 4798 instead.

Part III. Computation of Capital Gain Deduction

(Complete this part only if line 14 shows a gain)

14. Combine lines 5 and 13, column (f), and enter here. If result is zero or a loss, do not complete the rest of this part. Instead skip to Part IV, line 24 on page 2.	14	83999	✓12
15. Enter line 13, column (f) or line 14, whichever is smaller. If zero or a loss, enter zero and skip to line 23.	15	83999	
16. If line 11, column (g) is a gain, combine lines 3 and 11, column (g), and enter here. If this line or line 11, column (g) shows a loss or zero, enter a zero and skip to line 20.	16	0	
17. Enter line 11, column (g) or line 16, whichever is smaller.	17	0	
18. Enter line 15 or line 17, whichever is smaller.	18	0	
19. Enter 60% of amount on line 18.	19	0	
20. Subtract line 18 from line 15.	20	83999	
21. Enter 50% of amount on line 20.	21	41999	
22. Add line 19 and line 21. This is your capital gain deduction.	22	41999	
23. Subtract line 22 from line 14. Enter this amount on Form 1040, line 14.	23	41999	

EXH. J-1

SCHEDULE D
(Form 1040) **Capital Gains and Losses** (Examples of property to be reported on this
Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not
losses) on personal assets such as a home or jewelry.) **1978**
Department of the Treasury
Internal Revenue Service
► Attach to Form 1040. ► See Instructions for Schedule D (Form 1040.)

1978

Name(s), as shown on Form 1040 Your social security number

John A. and Geraldine Zaccaro

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

a. Kind of property and description (Example: 100 shares of "C" Co.)	b. Date measured (Mo. - Day, Yr.)	c. Date sold (Mo. - Day, Yr.)	d. Gross sales price less expenses of sale	e. Cost or other basis; an adjustment from instructions (page 19)	f. Gain or (Loss) from net sales during entire year of item (d)	g. Enter gain or (loss) from sales after 5/31/78
1 one half interest-						
231-35CenterStreet	5-1-78	10-5-78	158,750	90,311	68,439	
Mortgage-230Grand	1977	10-5-78	30,000	35,000	(5,000)	
option Hester St.		5-9-78		2,500	(2,500)	
NYC						

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

6 JEB Realty (final liquidation)	61,259	
16 E. 92nd St. 12-28-74 6-21- 65,009	38,345	26,664
	78	
7 Capital gain distributions	7	
8 Enter gain, if applicable, from Form 4797, line 6(a)(1) (see instructions page 19)	8	
9 Enter your share of net long-term gain or (loss) from partnerships and fiduciaries	9	
10 Enter your share of net long-term gain from small business corporations (Sub-chapter S)	10	
11 Net gain or (loss), combine lines 6 through 10	11	87,923
12 Long-term capital loss carryover attributable to years beginning after 1969 (see instructions page 19)	12	()
13 Net long-term gain or (loss), combine lines 11 and 12, column (f)	13	87,923

NOTE: If you have capital loss carryovers from years beginning before 1970, do not complete Parts III, IV, or VI. See Form 4798 instead.

Part III Computation of Capital Gain Deduction
(Complete this part only if line 14 shows)

14	148,862
15	87,923
16	
17	
18	
19	
20	87,923
21	43,961
22	43,962
23	104,900

EXH. J-2 *5-23* *REVERSE TO COMPLETE PAGE 2*

FORM 13 - DIVIDEND INCOME - 1976

JOHN A & GRACINE ZACCARO

8

11506

FORM 14 – INTEREST INCOME – 1978

FORM 13 - COPYRIGHT 1978 PROGRAMMED TAX SYSTEMS, INC.

EXH. J-3

ANSWER

EXH. K

Name and Address of Organization	Type of Organization	POSITIONS HELD	Page 26	Schedule D
P. Zaccaro Co., Inc. 218 Lafayette St. N.Y., N.Y. 10012	Real estate management	Position Held Director Vice President	From May 1971 Nov. 1973	To Present Present
Marymount Manhattan College 221 East Seventy First Street N.Y., N.Y. 10021	Educational	Board of Trustees	Mar. 1986	Present
Merchant Marine Board of Visitors	Educational	Board of Visitors	Feb. 1981	Present
Maritime Administration U.S. Merchant Marine Academy King's Point, N.Y. 11024	Educational	Board of Directors	Nov. 1983	Present
The Pension Rights Center 1346 Connecticut Avenue, N.W. Washington, D.C. 20036	Educational	Advisory Committee	May, 1982	Present
League of Italian Americans for the Arts P.O. Box 357 Great Neck, N.Y. 11021	Cultural	Board of Directors	May, 1983	Present
National Italian American Foundation 666 11th Street, N.W. Suite 800 Washington, D.C. 20001-4596	Cultural	Board of Directors	Oct. 1982	Present
Institute for Art and Urban Resources 46-01 21st Street Long Island City, N.Y. 11101	Educational	Board of Directors	Dec. 1980	Present
Lexington School for the Deaf 30th Avenue & 75th Street Jackson Heights, N.Y. 11369	Educational	Member of Advisory Committee	1983	Present
Mount Vernon College 2100 Rockhall Road, N.W. Washington, D.C. 20007	Educational			

APPENDIX G

THIRTY-EIGHTH CONGRESS
 LOUIS STOKES OHIO CHAIRMAN
 NICK JOH RAHAL W. VA
 ED JENNINGS CA
 RICHARD HORNIGRASS CALIF
 VIC FASIO CALIF
 WILLIAM J. COYNE PA

FLOYD D. SPENCE SC
 BARRY B. COVAREL JR. NY
 JOHN T. MYERS ND
 HARRY W. COLE CO
 JAMES V. HANSEN UTAH
 THOMAS J. BILLY JR. VA
 JOHN M. SWANNER STAFF DIRECTOR

U.S. House of Representatives

COMMITTEE ON STANDARDS OF

OFFICIAL CONDUCT

Washington, D.C. 20515

APPENDIX G

September 12, 1984

HAND DELIVER

Honorable Geraldine A. Ferraro
 U.S. House of Representatives
 312 Cannon House Office Building
 Washington, D.C. 20515

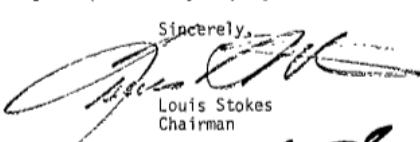
Dear Representative Ferraro:

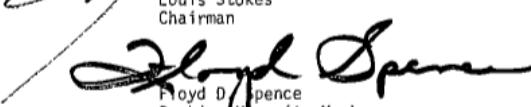
By direction of the Committee on Standards of Official Conduct, we hereby notify you that the Committee has received a complaint from the Washington Legal Foundation alleging you violated House Rule XLIV (Financial Disclosure). Said complaint has been determined to fall within the jurisdiction of the Committee and merit further inquiry. A copy of the Complaint and Supplemental Evidence in Support of Complaint is enclosed.

The complete text of a resolution agreed to by the Committee at its meeting on September 12, 1984, is also attached, along with a copy of the Committee's Rules of Procedure.

Pursuant to Rule 11(a)(2)(A) of the Committee's Rules, you have the right "to present to the Committee, orally or in writing, a statement respecting the allegations with respect to which the inquiry is being held." If you wish to appear before the Committee to present oral testimony under oath, you must so inform the Committee within five days of the date of this letter, and a Committee meeting will be scheduled for the purpose of receiving that testimony. If you wish to present a written statement, it must be received by the Committee by 5:00 p.m., Friday, September 21, 1984. Failure to respond within these time limits will be deemed a waiver of your rights to present a statement during the preliminary inquiry.

Sincerely,


 Louis Stokes
 Chairman


 Floyd D. Spence
 Ranking Minority Member

CC: Anthony A. Lapham, Esq.
 Stephen J. Pollak, Esq.

NINETY-EIGHTH CONGRESS
 LOUIS STOKE, OHIO CHAIRMAN
 ANNE DIX RAVALLI, W. VA.
 ED JENNINGS, GA.
 JULIAN C. DIXON, CALIF.
 VICTOR COYNE, PA.
 WILLIAM J. COYNE, PA.

FLOYD D. SPENCE, S.C.
 BARTER B. CONASLE, JR., N.Y.
 JOHN T. MYERS
 HARRY BROWN, C.O.D.
 JAMES V. HANSEN, UTAH
 THOMAS J. BULEY, JR., VA.
 JOHN M. SWANNER, STAFF DIRECTOR

U.S. House of Representatives

COMMITTEE ON STANDARDS OF

OFFICIAL CONDUCT

Washington, D.C. 20515

September 12, 1984

Whereas, a properly filed complaint has been put before the Committee on Standards of Official Conduct alleging violations of House Rule XLIV (Financial Disclosure) by Representative Geraldine A. Ferraro,

Now therefore be it Resolved, that the Committee determines pursuant to Committee Rule 10(b) that violations alleged in the complaint are within the jurisdiction of the Committee and merit further inquiry, and

Be it further Resolved, that this Committee conduct an inquiry pursuant to Committee Rule 11(a) to determine whether such violations have occurred, and that Representative Ferraro and the Washington Legal Foundation be immediately notified of this action.

Agreed to: 12 ayes

0 nays

APPENDIX H

BEFORE THE
COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF
REPRESENTATIVE GERALDINE A. FERRARO
RESPECTING THE ALLEGATIONS OF THE COMPLAINT
OF THE WASHINGTON LEGAL FOUNDATION

Stephen J. Pollak
Anthony A. Lapham
Wendy S. White

Shea & Gardner
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036
202/828-2090

Attorneys for Representative
Geraldine A. Ferraro

October 1, 1984

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
A. The WLF Complaint.....	2
B. Representative Ferraro's Financial Disclosures to Date.....	6
II. REPRESENTATIVE FERRARO REASONABLY AND CORRECTLY ASSERTED THE SPOUSAL AND DEPENDENT CHILDREN'S EXEMPTION.....	10
A. Representative Ferraro's Section 102 Reports	10
B. Financial Disclosure Under the Ethics in Government Act.....	11
1. The Overall Statutory Reporting Scheme.....	12
2. The Exemptions.....	15
3. Pertinent Legislative History.....	16
4. The Instructions Pamphlet and the Ethics Manual.....	21
a. Instructions Pamphlet.....	22
b. Ethics Manual.....	29
5. The Instructions Attached to the Disclosure Forms.....	30
C. The Grounds and Reasonableness of Representative Ferraro's Exemption Claims	32
D. Historical Experience as to Use of the Exemption.....	44

	<u>Page</u>
III. REPRESENTATIVE FERRARO MADE NO WILFUL ERRORS, OMISSIONS OR MISREPRESENTATIONS IN HER DISCLOSURE FORMS IN THE YEARS 1978-1983	52
A. Sale of Her One-Half Interest in 231 Centre Street.....	54
B. Mortgage on 124-26 Bowery Street.....	56
C. Bank Loans to Representative Ferraro in 1978.....	57
1. East River Savings Bank Loan.....	57
2. First Woman's Bank of New York Loan.....	58
D. Dreyfus Liquid Fund.....	58
E. Reporting of Honoraria.....	59
F. Bond Holdings.....	60
G. JEB Realty Corp.....	61
H. P. Zacarro Co., Inc.....	61
I. 1978 Campaign Committee Debt to Representative Ferraro.....	63
J. Fire Island Lots.....	66
K. Positions in Charitable and Educational Organizations.....	67
IV. THE ALLEGATIONS AGAINST REPRESENTATIVE FERRARO ARE NOT SUFFICIENT TO WARRANT FURTHER ACTION BY THIS COMMITTEE.....	69
A. Congressional Use of Its Self- Discipline Power.....	70
1. Representative Robert L.F. Sikes.....	71
2. Korean Influence Investigation.....	73

	<u>Page</u>
3. Abscam.....	75
4. Representative Charles H. Wilson.....	76
5. Representative Charles C. Diggs, Jr.....	76
6. Senator Edward W. Brooke.....	78
7. Senator Herman E. Talmadge.....	80
8. Representative George V. Hansen.....	82
B. Evaluation of the Cases.....	88
CONCLUSION.....	90

Index to Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1978 dated September 30, 1984
2	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1979 dated September 30, 1984
3	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1980 dated September 30, 1984
4	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1981 dated September 30, 1984
5	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1982 dated September 30, 1984
6	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1983 dated September 30, 1984

<u>Exhibit Number</u>	<u>Description of Document</u>
7	Washington Legal Foundation, <u>Annual Report</u> , Letter of the General Counsel (1983)
8	Ethics in Government Act Report (Form 278) dated August 20, 1984
9	Geraldine A. Ferraro Form 1040, U.S. Individual Income Tax Return for the year 1979
10	Geraldine A. Ferraro Form 1040, U.S. Individual Income Tax Return for the year 1980
11	Geraldine A. Ferraro Form 1040, U.S. Individual Income Tax Return for the year 1981
12	Geraldine A. Ferraro Form 1040, U.S. Individual Income Tax Return for the year 1982
13	Geraldine A. Ferraro Form 1040, U.S. Individual Income Tax Return for the year 1983
14	Geraldine A. Ferraro Form 1040X, Amended U.S. Individual Income Tax Return for the year 1983, dated May 10, 1984
15	John A. Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1979
16	John A. Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1980
17	John A. Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1981
18	John A. Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1982
19	John A. Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1983
20	John A. and Geraldine Zaccaro Form 1040, U.S. Individual Income Tax Return for the year 1978
21	John A. and Geraldine Zaccaro Form 1040X, Amended U.S. Individual Income Tax Return for the year 1978, dated August 19, 1984

- v -

<u>Exhibit Number</u>	<u>Description of Document</u>
22	Geraldine A. Ferraro Income Tax Summary, 1979-83
23	John A. Zaccaro Income Tax Summary, 1979-83
24	Summary Statements of Financial Condition, Geraldine A. Ferraro and John A. Zaccaro, dated July 31, 1984
25	Statement Concerning P. Zaccaro Co., Inc. dated August 20, 1984
26	Statement Concerning Certain Properties Managed by P. Zaccaro Co. dated August 20, 1984
27	Statement Concerning Ms. Ferraro's Repayment of the Family's Loans to her 1978 Congressional Campaign dated August 20, 1984
28	Press Conference Transcript, August 21, 1984
29	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1978 dated May 15, 1979
30	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1979 dated April 29, 1980
31	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1980 dated May 3, 1981
32	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1981 dated April 29, 1982
33	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1982 dated May 9, 1983
34	Financial Disclosure Statement of Geraldine A. Ferraro for the year 1983 dated May 8, 1984
35	1978 Blank Financial Disclosure Statement with Instructions
36	1979 Blank Financial Disclosure Statement with Instructions
37	1980 Blank Financial Disclosure Statement with Instructions

<u>Exhibit Number</u>	<u>Description of Document</u>
38	1981 Blank Financial Disclosure Statement with Instructions
39	1982 Blank Financial Disclosure Statement with Instructions
40	1983 Blank Financial Disclosure Statement with Instructions
41	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1982 dated May 17, 1983
42	Amended Financial Disclosure Statement of Geraldine A. Ferraro for the year 1983 dated May 8, 1984
43	H. R. Rep. No. 94-1364, 94th Cong., 2d Sess. (1976) (Sikes Report)
44	H. R. Rep. No. 95-1817, 95th Cong., 2d Sess. 1978) (Korean Influence Investigation Report)
45	H. R. Rep. No. 96-930, 96th Cong., 2d Sess. (1980) (Wilson Report)
46	H. R. Rep. No. 96-351, Vol. I, 96th Cong., 1st Sess. (1979) (Diggs Report)
47	S. Rep. No. 96-40, 96th Cong., 1st Sess. (1979) (Brooke Report)
48	Staff of Senate Select Comm. on Ethics, <u>Report on the Investigation of Senator Herman E. Talmadge (Vol. I)</u> (Comm. Print 1980) (Talmadge Report)
49	H. R. Rep. No. 98-981, Vol. I, 98th Cong., 2d Sess. (1984) (Hansen Report)

STATEMENT OF
REPRESENTATIVE GERALDINE A. FERRARO
RESPECTING THE ALLEGATIONS OF THE COMPLAINT
OF THE WASHINGTON LEGAL FOUNDATION

I. INTRODUCTION

This statement is submitted on behalf of Representative Geraldine A. Ferraro in connection with the resolution adopted by the Committee on Standards of Official Conduct on September 12, 1984, approving a preliminary inquiry based on a Washington Legal Foundation ("WLF") complaint alleging violations of House Rule XLIV respecting financial disclosure, and in response to the letter of the same date from the Chairman and the Ranking Minority Member advising Representative Ferraro of her right to present a written statement respecting the allegations in the WLF complaint.

Putting aside its obvious political purpose, the WLF complaint concerns the adequacy of the financial disclosure statements that Representative Ferraro filed as a member of Congress, for each of the years 1978-1983, pursuant to the requirements of Sections 101(a) and 102 of Title I of the Ethics in Government Act of 1978 ("the Act"), 2 U.S.C. §§ 701(a), 702, which apply to legislative branch personnel. As Representative Ferraro has publicly acknowledged, those statements ("Section 102" or "disclosure" statements) contained inadvertent and non-willful mistakes. None of those mistakes involved information

that, had it been correctly reported, would have cast any cloud or suspicion on her integrity or performance of her public duties. As described below, she has redeemed her public pledge to correct those mistakes. The question to be answered by this Committee's preliminary inquiry is therefore whether, as the WLF evidently believes, these acknowledged and now corrected mistakes should be treated as actionable violations of House Rule XLIV, which incorporates the financial disclosure provisions of Title I of the Act, or rather, as Representative Ferraro believes, no actionable violation should be found and the matter closed without further proceedings. ^{1/} This statement will discuss the surrounding factual circumstances and the legal considerations that in Representative Ferraro's view are relevant to a determination of that question.

A. The WLF Complaint

The allegations in the WLF complaint, and the supplement to that complaint that the WLF filed with the Committee on September 11, 1984, divide into three parts. The allegations in the first part (Complaint at 3-10; Supplement at 3-6) deal with the spousal exemption claimed by Representative Ferraro in her

^{1/} Representative Ferraro has filed today with the Clerk of the House amended disclosure statements for the years 1978 through 1983 correcting the errors and omissions she has been able to identify with the assistance of Arthur Young & Company, Certified Public Accountants. Copies of these amended statements are attached in a separately-bound appendix as Exhibits Nos. 1-6.

Section 102 statements for each of the years 1978-1983. The WLF contends that she was not eligible to claim that exemption in any one of those six years.

The second part (Complaint at 10-12) deals with the dependent children's exemption on which Representative Ferraro also relied, again wrongly according to the WLF complaint.

The allegations in the third part (Complaint at 13-17; Supplement at 6-9) concern a variety of items that either were included in one or another of the six statements, but were allegedly misreported, or that were not reported at all but allegedly should have been. The WLF complaint and its supplement also raise questions about still other items of reported information, which it suggests without exactly alleging must also have been misstated by Representative Ferraro.

All of the WLF allegations and questions will be taken up in the sections of this statement that follow, in the order in which they appear in the WLF complaint and its supplement. We will show first that the spousal exemption was validly claimed by Representative Ferraro or that at the very least she acted in good faith under a reasonable interpretation of the law. We will also show that WLF has misconceived the scope and meaning of the spousal exemption, which is hardly surprising given the ambiguities and contradictions in the statutory language itself, the absence of any relevant advisory opinions or judicial

interpretations, and the inadequate and confused guidance that has been communicated or made available to members of Congress with respect to the exemption. The absolutist concept of the exemption advocated by the WLF -- that is, that if Representative Ferraro knew anything about any aspect of her husband's financial affairs, she was required to report every aspect of those affairs -- whatever might have been said for it in another age and social context, is utterly at odds with the current American reality respecting the role of women, the emerging place of women in public and political life, and the growing number of marriages in which both spouses pursue separate and independent professional careers.

We will present essentially the same points in regard to WLF's allegations having to do with Representative Ferraro's dependent children, because the Act makes financial information as to dependent children either reportable or exempt on the same basis and terms as financial information concerning a spouse.

We will then address one at a time WLF's allegations that apart from her allegedly invalid exemption claims Representative Ferraro either misreported or failed to report a variety of matters on one or another of her disclosure statements. Some of the charges in this category are simply erroneous, factually or legally or both. Others are true, in the sense that Representative Ferraro in fact did misreport or omit to

report the particular matters involved. But what is not true in any instance is that any such failures were either deliberate or willful or that they concealed or were calculated to conceal improper conduct or conduct bearing on her integrity or performance of her public duties.

Not even the WLF, despite its political orientation and self-proclaimed close ties to the White House,^{2/} contends that this is a case involving any improper motive, or any underlying financial interest or transaction of a questionable character that Representative Ferraro would have had some reason, or might have had some intention, to conceal. Consequently, in the last section of this statement, we show, by reference to prior Committee and House and Senate precedents, that any further action by this Committee would be unwarranted and inappropriate.

Before turning to the specific allegations of the WLF complaint, however, it is important to keep in mind the context in which the complaint was filed and the sweeping financial disclosures that Representative Ferraro has already made -- not in response to the WLF complaint -- but in connection with her candidacy for Vice President.

2/ See the WLF's "Annual Report 1983," page 5, attached as Exhibit No. 7.

B. Representative Ferraro's Financial Disclosures to Date

Starting with her nomination on July 19, 1984, as the candidate of the Democratic Party to be Vice President of the United States, Representative Ferraro's financial affairs and the financial affairs of her family have been the subject of detailed public disclosure by her, ceaseless comment by her political opponents, and searching examination by the press. As a nominee for Vice President, Representative Ferraro became subject to certain provisions of Title II of the Act relating to executive branch personnel. Specifically, she was required by Section 201(c) of the Act to file, within 30 days of her nomination, a financial disclosure report containing the information prescribed by Section 202(b) of the Act. 5 U.S.C. app. at 994-1000 (1982 ed.). She filed that report ("Form 278") covering the 19-month period from January 1, 1983, through July 31, 1984, with the Federal Election Commission on August 20, 1984, but did not limit her disclosures to the information prescribed by Section 202(b). Instead, she included a Schedule B showing purchases, sales and exchanges of property dating back to January 1, 1983, and a Schedule C showing gifts and reimbursements dating back to January 1, 1983, even though none of this information was required to be disclosed. Likewise, in the remaining schedules, she included information not required to be disclosed.

At the same time, and again going beyond any legal requirement, Representative Ferraro released her own separate federal income tax returns for the years 1979-1983, the federal income tax returns of her spouse, John A. Zaccaro, for the same five-year period, and the joint federal income tax return and amended return that she and Mr. Zaccaro filed for the year 1978. In addition, she released summaries of both sets of separate tax returns for the 1979-1983 period, a current statement of her own and Mr. Zaccaro's financial condition, showing assets, liabilities, and net worth, and factual statements relating to several matters, including P. Zaccaro Co., Inc.^{3/}

Representative Ferraro has described the release of these materials as the most sweeping and comprehensive disclosure of financial information ever made by a candidate for national office, and so far as we know no other candidate or member of the press or the public, even the WLF, has stepped forward to dispute or deny that claim. Nor, so far as we know, have the personal and family financial affairs of any other candidate ever been the subject of a nationally televised press conference of the kind to

^{3/} Copies of the Form 278 and the other materials Representative Ferraro released on August 20, 1984 are attached to this statement as Exhibits No. 8 (the Form 278), Nos. 9-19 (the ten separate tax returns), Nos. 20-21 (the 1978 joint return and amended joint return), Nos. 22-23 (the two summaries of the separate tax returns for the period 1979-1983), No. 24 (the joint statement of financial condition), and Nos. 25-27 (the several factual statements).

which Representative Ferraro submitted herself on August 21, 1984, for close to two hours. A full transcript of the press conference, in which Representative Ferraro dealt with some of the same matters raised by the WLF complaint and its supplement, is attached as Exhibit No. 28.

To aid in the preparation of the Form 278, and for the related purposes of preparing the statement of financial condition and reviewing the tax returns that she also elected to make public even though not compelled by any statute or regulation to do so, Representative Ferraro and Mr. Zaccaro, her husband, retained Arthur Young & Company, a nationally prominent certified public accounting firm. The decision to retain that firm was not just a wise precaution but an absolute necessity, because its services, including the interviews and examination of financial records that it conducted, were essential to the collection and compilation of the information that Representative Ferraro disclosed, both pursuant to statutory mandate and otherwise on August 20, 1984.

These circumstances are important to understand for three reasons: first, because Representative Ferraro's status as a nominee to be Vice President and her massive release of financial information on August 20, 1984, combined to put a spotlight of unprecedented intensity on the Section 102 statements that she had filed as a member of Congress for the years 1978-1983;

second, because the fact-gathering and review procedures employed by Representative Ferraro in relation to the Form 278, and in relation to the statement of financial condition and the tax returns that she released, brought to light certain mistakes in her Section 102 statements; and third, as will appear below, because these same fact-gathering and review procedures, followed by the release of the Form 278 and other materials, had the effect of making much of the information involved known for the first time not just to the general public but also, as that information related to the financial affairs of Mr. Zaccaro, known for the first time to Representative Ferraro.

At her press conference on August 21, 1984, Representative Ferraro committed herself to correcting any mistakes in her Section 102 statements that had come to light during the preparation of the Form 278, and any other mistakes that a further review of those statements might identify. See Transcript of Press Conference, Exhibit No. 28, p. 45. The engagement of Arthur Young & Company was continued for the purpose of assisting in that further review, which has now been completed. The results are reflected in the amended Section 102 statements that Representative Ferraro has filed today with the Clerk of the House. The filing of these amended statements represents a fulfillment of her press conference commitment.

III. REPRESENTATIVE FERRARO REASONABLY AND
CORRECTLY ASSERTED THE SPOUSAL AND
DEPENDENT CHILDREN'S EXEMPTION.

A. Representative Ferraro's Section 102 Reports

Representative Ferraro was elected to Congress for the first time in November 1978, and took her seat as a member of the Ninety-Sixth Congress in January 1979. On May 15, 1979, she filed her first financial disclosure statement as a member of Congress. She filed the required forms annually thereafter through May 1984. ^{4/}

None of Representative Ferraro's Section 102 statements included any financial information regarding the asset holdings, liabilities, or property transactions of either Mr. Zaccaro or, except in the case of the statement for the year 1978, any of their dependent children. She omitted information of this type from all the statements because it was largely unknown to her and because she therefore believed herself to be exempt from any

4/ The original Section 102 statements that Representative Ferraro filed with the Clerk of the House for the years 1978-1983 are attached to this statement as Exhibits Nos. 29-34. Blank copies of the disclosure forms that were in use in each of these years, together with the applicable reporting instructions, are attached as Exhibits Nos. 35-40. Copies of earlier amendments to the 1982 statement, filed on May 17, 1983, and to the 1983 statement, filed on May 8, 1984, both adding information relative to the dates on which honoraria were received in those years, are attached as Exhibits Nos. 41 and 42. Finally, as already noted, copies of Representative Ferraro's amended Section 102 statements filed today with the Clerk of the House are attached as Exhibits Nos. 1-6.

obligation to report such information, under the terms of the so-called spousal and dependent children's exemption set forth in Section 102(d)(1) of the Act.

Representative Ferraro herself made the year-to-year decisions to claim the exemption as to spouse and dependent children information in reliance on her interpretation of the applicable instructions attached to the disclosure forms. She neither sought nor obtained any outside legal advice in that connection.

In the following sections we will outline the reporting system of which Representative Ferraro's disclosure statements were a part, and discuss the spousal and dependent children's exemption she claimed. We will review the legislative history of the exemption and the various instructions which are relevant to its use. We will show that Representative Ferraro reasonably claimed the exemption. Finally, we will comment on the historical record of the exemption's use.

B. Financial Disclosure Under the
Ethics in Government Act

The Ethics in Government Act became law on October 26, 1978, after two years of legislative consideration and debate. The financial disclosure provisions of the Act, while spread out over three titles applicable to personnel in each of the separate branches of government, have the common purpose of establishing a safeguard against conflicts of interest. In restated terms, the

rules are aimed at minimizing, through public disclosure of financial information, the risk that public office will be used or exploited for private gain or advantage.

1. The Overall Statutory Reporting Scheme

On May 15 of each year, members must file with the Clerk of the House statements reporting 10 categories of information about their own financial affairs. Those categories are set forth in Section 102(a). Among the types of information to be reported are:

- Under Section 102(a)(1)(A), "The source, type, and amount or value of [earned] income," other than government salary, "and the source, date, and amount of honoraria from any source, received during the preceding calendar year, aggregating \$100 or more in value."
- Under Section 102(a)(3), "The identity and category of value of any interest in property held during the preceding calendar year in a trade or business or for investment or the production of income, which has a fair market value which exceeds \$1,000 as of the close of the preceding calendar year, excluding any personal liability owed to the reporting individual by a relative or any deposits aggregating \$5,000 or less in a personal savings account."
- Under Section 102(a)(4), "The identity and category of value of the total liabilities owed to any creditor other than a relative which exceed \$10,000 at any time during the preceding calendar year," excluding any mortgage on a personal residence of the member or the member's spouse," excluding loans secured by a personal motor vehicle or

certain other personal effects, and excluding certain revolving charge accounts.

- Under Section 102(a)(5), "A brief description, the date, and category of value of any purchase, sale, or transfer during the preceding calendar year" involving an amount in excess of \$1,000 and involving either real property, other than property used solely as a personal residence of the member or the member's spouse, or any forms of securities, but excluding transactions between members and their spouses or dependent children.

Subject to the minimum dollar thresholds stated in these provisions, below which there is no reporting obligation, this required information, other than earned income and honoraria reportable by exact amount, is reportable by categories of value that start at "not more than \$5,000" and top out at "greater than \$250,000." See Section 102(c)(1). Income that consists of dividends, interest, or rent, and that is derived from interests in property as defined in Section 102(a)(3), must also be reported, as must capital gains derived from transactions as defined by Section 102(a)(5), if that income or those gains exceed \$100. See Section 102(a)(1)(B), which also sets up the categories of value in which such income or gains must be reported, starting with "not more than \$1,000" and reaching a high of "greater than \$100,000."

Among the other types of information required to be reported, in this instance by exact amount, are gifts from

sources other than relatives. See Section 102(a)(2)(A)-(B). That is, intra-family gifts are excluded from reporting by this section, just as intra-family loans are excluded both as assets and liabilities under Sections 102(a)(3) and 102(a)(4), and intra-family transactions are excluded by Section 102(a)(5).

The obligation of members to disclose information as to the financial affairs of spouses and dependent children is governed by Section 102(d). That section makes the following categories of such information reportable:

- Under Section 102(d)(1)(A), as to spouses only, the sources but not amounts of earned income exceeding \$1,000, or in the case of self-employed spouses, only the nature of the spouse's business or profession.
- Under Section 102(d)(1)(B)-(C), as to spouses only, the identity of the sources of gifts and reimbursements not received totally independent of the spouse's relationship to the member, a description of each such gift or reimbursement and in some cases the value of such gifts.
- Under Section 102(d)(1)(D), as to both spouses and dependent children, all information required to be reported by Sections 102(a)(3)-(5) as to interests in property, liabilities, and transactions as described in those sections.
- Under Section 102(d)(1)(A), as to spouses and dependent children, income exceeding \$100 derived from reportable interests in property as described in Section 102(a)(3).

Unlike the obligation of members to disclose the specified information as to their own financial affairs, which is unqualified except for trust arrangements outlined in Section 102(e), the obligation to disclose information as to spouses and dependent children is subject to two exemptions, both set forth in Section 102(d).

2. The Exemptions

The broader of the two Section 102(d) exemptions, while not claimed or ever available to Representative Ferraro, is nevertheless significant because of the light that it sheds on the other Section 102(d) exemption that she did believe to be available to her and that she did claim. The broader exemption is found in Section 102(d)(2). It altogether eliminates any obligation to report any financial information respecting a spouse who is living apart from the member "with the intention of terminating the marriage or providing for permanent separation."

The other exemption, and the one that Representative Ferraro claimed, is found in Section 102(d)(1)(D). It absolves the member, with respect to "items described in [Sections 102(a)(3)-(5), relating to interests in property, liabilities and property transactions]," from any obligation to disclose such "items"

- "which the [member] certifies represent the spouse's or dependent child's sole financial interest or responsibility and which the [member] has no knowledge of";

- "which are not in any way, past or present, derived from the income, assets, or activities of the [member], and"
- "from which the [member] neither derives, nor expects to derive, any financial or economic benefit."

None of the key words or phrases in this exemption -- item, sole financial interest or responsibility, no knowledge, and financial or economic benefit -- is defined anywhere in the Act. But as will be seen in a moment, the absence of definitions is just the beginning of the problems facing a member in arriving at an understanding of what this exemption means or when it applies. Not the least of those problems is to see how the exemption could ever be given a workable meaning if the "no knowledge" criterion is to be taken at face value.

Whatever else the exemption may mean, however, it is clear enough that it was intended to apply in the case of at least some working marriages in which the spouses are living together, because the broken marriage situations are taken care of by the broader and separate Section 102(d)(2) exemption.

3. Pertinent Legislative History

As already noted, in its enacted form the more limited Section 102(d)(1) exemption involved a triple standard -- namely, (1) no knowledge of an "item" representing a spouse's or dependent child's sole financial interest or responsibility; (2) no

derivation of such an item from the member, and (3) no benefit or expectation of benefit from the item by the member.

The second of these standards is of only minor significance in this case, because the WLF complaint does not seriously press the idea that Mr. Zaccaro's financial interests, or those of any dependent child, were derived from Representative Ferraro's income, assets or activities.^{5/} The other two standards are important, however, and they will be referred to sometimes in this statement as the "knowledge" standard and the "benefits" standard.

A few words need to be said about the history of the exemption. The exemption was the product of a Conference Committee compromise between competing House and Senate versions of bills passed by the House on September 27, 1978, (H.R. 1) and by the Senate on June 27, 1977 (S. 555). As adopted by the House, the exemption was cast in terms closely resembling those ultimately approved by the Conference Committee, except that

^{5/} The WLF touches this standard only once, with the lame contention that Mr. Zaccaro, as a two-thirds owner of P. Zaccaro Company, must have derived some interest of financial value from Congresswoman Ferraro's role as a one-third owner and as an officer and director of that company. See Complaint at 8-9. This contention is insupportable, probably even as a theoretical matter but certainly as a factual matter given Representative Ferraro's record of inactivity and non-involvement in the affairs of the P. Zaccaro Co. See the factual statement concerning that company attached to this statement as Exhibit No. 25.

there was no standard referring to knowledge at all, let alone any standard making lack of knowledge an exemption prerequisite.^{6/} As adopted by the Senate, although again it closely resembled the final legislation in other respects, the exemption did include provisions having to do with knowledge. The Senate language would have exempted from any reporting requirement "any specific information concerning interests of a spouse or dependent if the reporting individual certifies to the supervising ethics office that: (A) he or she has no knowledge of such information; (B) he or she has made every reasonable

6/ Section 103(d)(1)(D)(2) of H.R. 1 contained the following exemption language as to dependent children, which was duplicated exactly in another section dealing with spouses:

"Each report shall also contain all information listed in paragraphs (4), (5), and (6) of subsection (a) respecting any dependent child of the reporting individual other than respecting items which the reporting individual certifies represent the dependent child's sole financial interest or responsibility and which are not in any way, past or present, derived from the income, assets, or activities of the reporting individual; and from which the reporting individual neither derives, nor expects to derive, any financial or economic benefit."

effort to obtain the required information from his or her spouse or dependent * * *.^{7/}

These differences between the House and Senate bills were not mentioned in the Conference Committee report, H. Rep. No. 95-1756, 95th Cong., 2d Sess., October 11, 1978, which included no explanatory comment whatever relating to the exemption and nowhere explained the reasons for the compromise that was reached. Nor was there any discussion of the exemption or the compromise when the Conference Committee report was considered in the House and Senate and the legislation went to final passage.

Without more to go on in the Conference Committee report, it is not readily apparent how that committee could have

^{7/} The complete text of the exemption in the Senate bill, Section 303(c)(2) of S.555, was as follows:

"For the purposes of subsection (a)(3) and subsections (e) through (i) of section 302, a reporting individual shall also report the interests of the spouse or dependents of that individual: Provided, That a reporting individual shall not be required to report any specific information concerning interests of a spouse or dependent if the reporting individual certifies to the supervising ethics office that: (A) he or she has no knowledge of such information; (B) he or she has made every reasonable effort to obtain the required information from his or her spouse or dependent; (C) he or she derives and expects to derive no benefit from such interests; (D) and that such interests were not derived directly or indirectly from interests or income formerly owned or controlled by the reporting individual."

taken a House bill that had no exemption standard at all having to do with knowledge, and a Senate bill that spoke in terms of knowledge of "specific information," and come away with an exemption standard expressed flatly in terms of "no knowledge." As will become apparent below, this result and the "no knowledge" language in the exemption have produced some confusion, but, except on the part of the WLF which holds to an absolutely literal reading of this language, there appears to be widespread agreement that despite this language the exemption must be read to allow for some level of knowledge for otherwise it would be completely meaningless.

What does reflect itself clearly in the legislative history is that the Conference Committee eliminated any duty to obtain knowledge where none exists. The Senate bill would have imposed such a duty, in the form of a certification by a member or other reporting person claiming the exemption that "he or she has made every reasonable effort to obtain the required information from his or her spouse or dependent," but that idea was simply scrapped, probably for the very good reason that it would have encroached much too far on the marital relationship.

So far as concerns the benefits standard in the exemption, while there is evidence in the legislative history that it was intended to have broad effect, the standard cannot reasonably be read so broadly as to have the effect of nullifying the

exemption altogether. This would be the practical outcome if the interpretation in the WLF complaint were to be accepted. Nor can this standard fairly be understood except in relation to whole fabric of the exemption, which by its terms is made available not on an all-or-nothing basis but rather on an item-by-item basis. See Section 102(d)(1)(D) of the Act. This is a point about which we will have more to say later.

4. The Instructions Pamphlet and the Ethics Manual

While the matter of the disclosure of financial interests of a spouse came up in the recent proceedings involving Congressman George Hansen, discussed below, and in a 1977 advisory opinion interpreting House Rule XLIV as it stood in its pre-Ethics Act incarnation,^{8/} the meaning of the exemption in the Act has never been litigated or construed in any advisory opinion. However, the subject of spouse and dependent children reporting and the exemption are treated in a pamphlet prepared by this Committee's staff in February 1980, Instructions for Completing Financial Disclosure Statement Required by Ethics in Government Act of 1978 for Use by Members, Officers, and

8/ Advisory Opinion No. 12, Select Committee on Ethics, December 1, 1977, clarifying House Rule XLIV, as amended on March 2, 1977, including the requirement in that rule that spouse interests be disclosed if they were under the member's constructive control. Advisory Op. No. 12 is reprinted in the Ethics Manual for Members and Employees of the U.S. House of Representatives (1984) at 176.

Employees of the Legislative Branch ("Instructions"),^{9/} and more briefly in the 1984 edition of the Ethics Manual for Members and Employees of the U.S. House of Representatives ("Ethics Manual") prepared at the direction of this Committee and in earlier editions of that manual.

a. Instructions Pamphlet

The February 1980 Instructions pamphlet elaborates on the meaning of the three exemption standards. In regard to the knowledge standard -- that is, the statutory condition that there be "no knowledge" of items of financial interest of a spouse or dependent child before the exemption can be claimed as to such items, the meaning ascribed is as follows:

"The 'knowledge test' means that the reporting individual has no detailed or specific knowledge of a financial interest or responsibility of the spouse or dependent child. For example, if the reporting individual knows that his or her spouse has inherited stock in a number of different corporations, but does not know the identity of those corporations nor the extent of the stock holdings, the individual would be considered to have no knowledge of that financial interest for purposes of this exemption. If the other standards for exemption are met, there is no obligation on the part of the reporting individual to obtain the information necessary to disclose the

^{9/} Representative Ferraro's counsel are informed that this pamphlet was approved by the then Chairman of the Committee but has never been formally considered or approved by this Committee as a whole.

financial interests of the spouse or dependent." Id. at 5.

Leaving aside the last sentence, which implies that under some circumstances there is an affirmative duty to search out unknown information -- which is just the concept that Congress rejected when it passed the Act -- this view of the knowledge standard embraces the common sense idea that the statutory term of "no knowledge" must be understood as meaning no "detailed or specific knowledge." There could scarcely be any other rationally defensible view, because generalized knowledge of a spouse's financial affairs must surely exist in any working marriage, so that setting the standard at that level would in effect destroy the exemption. Furthermore, it would be mindless to suppose that the exemption ever could or would be exercised as to financial information about which a member had literally "no knowledge." In other words, an informed decision to claim the exemption necessarily requires enough information to make such a decision, a circumstance that is recognized by the wording of the applicable question on the disclosure forms themselves.^{10/} Therefore, although it is true that the statutory "no knowledge"

10/ That question, as it appears on the forms for the years 1979-83, is: "Are you aware of any interests in property or liabilities of a spouse or dependent child or property transactions by a spouse or dependent child which you have not reported because they meet the three standards for exemption? (See instructions)"

language is somewhat misleading, any reasonable and fair-minded interpretative response would rule out the premise of the WLF complaint, which is that the exemption can only be claimed in an information vacuum.

Unfortunately, what the Instructions pamphlet gives by way of common sense in its commentary on the knowledge standard it takes away in its commentary on the benefits standard, which it explains in these terms:

"The 'benefit test' that must be met should be interpreted very broadly. This standard for exemption requires that the reporting individual 'neither derives, nor expects to derive, any financial or economic benefit from the item.' The individual would benefit if income from the holdings of a spouse or dependent was used, for example, for vacations, the education of dependents, the maintenance of a home, etc. In addition, the potential receipt of benefit from interests held by the spouse or dependent would apply if the reporting individual had the possibility of an inheritance from the interest. Thus, the benefit test should be construed quite liberally." Id. at 6.

The trouble with this interpretation is that it overwhelms the exemption, by endorsing an essentially limitless concept of benefits. Further, it cannot be squared with the basic statutory scheme contemplating a claim of the exemption on an item-by-item basis rather than in an all-or-nothing fashion. Finally, it would detract from rather than contribute to the fundamental objective of the Act, which is to lessen the risk of conflicts of interest.

There can be little room for doubt that over the six-year period covered by her Section 102 statements Representative Ferraro has enjoyed benefits, within the meaning of the commentary in the Instructions, derived from Mr. Zaccaro's financial interests. The same must certainly be true of any working marriage, unless the marital partners go to extraordinary and unnatural lengths and employ a fleet of bookkeepers to keep separate every aspect of their lives in which the financial resources of one spouse could possibly benefit the other. Representative Ferraro made this same point in her press conference on August 21, 1984, when she asked whether the law would insist that, in order to support a valid exemption claim, she and Mr. Zaccaro should have separate refrigerators.^{11/} The example suggested by that question is no more extreme than the examples given in the Instructions pamphlet commentary, all of which involve benefits of the kind that move back and forth in virtually every marriage. Indeed, to expand a bit further on one of the other examples cited in that commentary, assuming that a husband and wife did go to the extreme of always paying their own exact separate share of the expenses (travel, lodging, food, etc.) when they took a vacation together, even then it would not be clear that there had been no exchange of benefits, because absent sufficient

11/ See Exhibit No. 28 at pp. 10-11.

financial resources on the part of both, the expenses could not be split. In that sense each would still be receiving a benefit from the financial resources of the other.

In the Ferraro/Zaccaro marriage, as is probably not uncommon of other marriages in which both spouses are independently pursuing full-time professional careers, the economic benefits received by Representative Ferraro, attributable to her spouse, flowed from a pool of resources created by her spouse's business activities -- real estate investments and transactions in the case of Mr. Zaccaro. Representative Ferraro, in general, as we discuss below, knew little or nothing about those particular investments or transactions, except that collectively they had a favorable net result which was beneficial to her as well as to Mr. Zaccaro.

In such a circumstance, under the pamphlet instruction on benefits and the theory of benefits advanced in the WLF complaint, the Act would give rise to an across-the-board obligation to report detailed information on each of those particular investments, transactions, and even the liabilities that had combined, in what amounts and what proportions Representative Ferraro did not know, to produce that favorable net result. But that approach would defeat the right to claim the exemption selectively by item, because it would mean that if any routine economic benefit of a marriage were to be derived from the "sum

total of the items and activities potentially subject to the exemption, then all of the individual items and activities that were pieces of that total would become reportable. Such an outcome would be still more difficult to justify in light of the provisions of Sections 102(a)(2)(A)-(B) and 102(a)(3)-(5) of the Act, specifically excluding intra-family gifts, liabilities, and transactions from any reporting obligation of a member, even when such activities directly involve, and presumably might benefit, the member.

In addition, the approach taken by the Instructions pamphlet would revive, with a vengeance, the requirement discarded by the Congress when it passed the Act -- namely, the affirmative duty to make "every reasonable effort to obtain the required information" from a spouse or dependent child. The receipt of a single benefit, for example the deposit of a spouse's funds into a joint checking or savings account, could activate such a duty with respect to the whole range of a spouse's financial activities, even though that benefit and those funds were not traceable to any one of those activities as opposed to any other and even though the details of each of those activities were unknown to the member.

The root philosophy of the Act is that disclosure is the best way to deal with potential conflicts between the personal financial interests of a public official and the honest

performance of public duties. In other words, disclosure is seen by the Act not as an end in itself but rather as a way of avoiding and controlling any temptation to use public office for private gain. Without knowledge, however, there can be no such temptation, and it therefore would be destructive of the Act's fundamental purposes to interpret the exemption, as the pamphlet instruction on the benefits standard seems to favor, so as to require that, where the details of a spouse's financial activities are unknown to a member, the member must become informed about those details just for the sake of being able to report them. Such an interpretation would be especially inappropriate if it were to come in the case of a member, such as Representative Ferraro, who has never been accused of any conflict of interest or misuse of public office and whose voting record is proof that she was never influenced by her spouse's real estate interests in the performance of her legislative duties.

12/ As Congresswoman Ferraro noted in her press conference on August 21, 1984:

"Check the National Realtors Association and find out what my rating is with those people over the last several years.

(Footnote continued on following page)

Counsel for Representative Ferraro are informed that the Instructions pamphlet is not circulated in regular course to the members, but rather is simply made available through the Clerk's office on request. Representative Ferraro has no recollection of ever having seen or asked to see that pamphlet, or even having been aware until the last few months that there was such a pamphlet.

b. Ethics Manual

Apart from the instruction sheets attached to the disclosure forms themselves, the only relevant guidance that has been circulated to members is the Ethics Manual. The 1984 edition of that manual, like its two predecessors, contains a short section on the matter of financial disclosure respecting spouses or dependent children. That section includes a four-line summary of the exemption which omits any mention of the "no knowledge" aspect of the exemption criteria and therefore appears to

(Footnote continued from preceding page)

"In the 96th Congress, according to the realtors in this Country, I voted against them 88-percent of the time. I voted against them in the 97th Congress 75-percent of the time.

"Compare that with my senior citizens' rating which ran 100-percent."

Exhibit No. 28 at 12.

authorize an exemption with respect to financial interests as to which the member does have knowledge.^{13/}

5. The Instructions Attached to the Disclosure Forms

Members were first required to file Section 102 statements on May 15, 1979, Representative Ferraro's freshman year in the Congress, covering information for calendar year 1978.

Instruction sheets were attached to the first year disclosure forms, just as they were in all subsequent years. The first year forms and instructions were both revised in the second year (the statements due on May 15, 1980, covering calendar year 1979) and have remained substantially constant ever since.

The first-year instructions on spouse and dependent children disclosure, see Exhibit No. 35, said simply that information respecting financial interests of a spouse or dependent children was to be reported in designated categories. However, as

13/ The full text of the paragraph that summarizes the exemption is as follows:

"All the information required to be disclosed by the reporting individual must also be disclosed in the report concerning the financial holdings, debts, and transactions in property or securities of such person's spouse and dependent children, other than those items which are certified to be the sole financial interest or responsibility of the spouse or child and of which the reporting individual neither derives nor expects to derive any financial or economic benefits."
Ethics Manual at 115 (underscoring supplied).

to the information called for by Sections III, IV, and V of the form (interests in property, liabilities, and property transactions), the instruction was to "exclude items" meeting the three exemption standards, which were then quoted verbatim without any explanatory comment or elaboration. As noted below, however, the form itself did not include any question designed to elicit whether the exemption was being invoked.

The second-year instructions on spouse and dependent disclosure, unchanged in subsequent years, see Exhibits Nos. 36-40, commenced with the comment that:

"In general, the reporting individual is required to include financial information concerning his or her spouse or dependent children. However, in certain limited circumstances, the truly independent financial interests of a spouse or dependent would be exempt from disclosure."

The instructions then went on to say that disclosure of interests in property, liabilities, and property transactions (Parts III, IV, and V of the form) "is exempted when all three of the following circumstances are met," after which the statutory language was quoted and a note was added to the effect that if "the reporting individual does not disclose certain financial interests or liabilities of the spouse or dependent children because these three standards for exemption are met, he or she must so indicate in Part VIII of the Statement." In her Section 102 statements for the years 1979-1983, Representative Ferraro

invoked the exemption by answering "Yes" to the Part VIII question referenced in the reporting instruction attached to the forms.

While the revised instructions were slightly more informative than their first-year counterpart, which read more like a direction to exclude exempted information, none of these instructions recited the explanations contained in the Instructions pamphlet discussed above, which in any event was not printed until February 1980. That is, nowhere in any of these instructions was there any advice that the benefits standard should be construed in the manner outlined in the pamphlet, let alone any advice that a member had a duty to investigate a spouse's financial affairs in order to obtain and report previously unknown information about those affairs. Nor, for that matter, are any of the instructions clear on the issue whether the exemption can be taken on an all-or-nothing basis or whether, as we believe to be the correct although not obvious procedure, it is to be claimed selectively on an item-by-item basis.

C. The Grounds and Reasonableness of Representative Ferraro's Exemption Claims

In this section of this statement, we show that the exemption claims asserted by Representative Ferraro were in accord with the letter and spirit of the Act and were reasonable,

both as to her spouse and her three dependent children.^{14/} The points of special importance in this regard have to do with the separation between the professional and financial lives of Representative Ferraro and Mr. Zaccaro, and, most critical of all, the principles and understandings around which their marriage has been organized. The most elemental kind of privacy concerns are obviously implicated by this latter subject, but the Committee's action in opening a preliminary inquiry, which necessarily must center on the issue of Representative Ferraro's knowledge of her husband's financial activities and affairs, has left her no choice but to give the Committee a window through which to look inside her marriage.

For his entire professional life, and his married life with Representative Ferraro, Mr. Zaccaro has been engaged in the real estate business in New York City. Over the years he has been active in that business both in his individual capacity, as an investor and as a broker in the purchase and sale of real estate, and as an officer and part-owner of corporations,

^{14/} Representative Ferraro and Mr. Zaccaro have three children, one of whom reached her majority on November 25, 1982, and has not lived in the family household since fall 1983. All three were dependent children, within the meaning of Section 107(7) of the Act, during the period covered by her Section 102 statements for the years 1978-82 and two remained dependent children through 1983.

principally P. Zaccaro Co., Inc., and Frajo Associates Inc., and as a participant in real estate partnerships.

P. Zaccaro Co. is now, and always has been since its founding in 1935 by Mr. Zaccaro's father, a small closely-held family business engaged primarily in real estate management operations. It has also operated, although less frequently than Mr. Zaccaro in his individual capacity, as a broker. As has been true at least since 1978, it owns no real estate. It has minimal assets and a record of either very modest earnings, or in some years losses. Representative Ferraro became associated in that business as a director in 1971 and an officer in 1973, and in September 1974 she became a one-third owner as a result of the transfer to her by Mr. Zaccaro's mother of one of the three outstanding shares in the company. At the same time the other two outstanding shares were transferred to Mr. Zaccaro by his mother. At no time did Representative Ferraro ever receive a salary from the company, and except for the period 1971-1974, when she maintained her private law practice in company office space and performed a few company-related functions outlined in Exhibit No. 25 attached hereto, she was never active in the company's day-to-day operations. Mr. Zaccaro has always exercised the sole responsibility for reviewing the company's financial statements and maintaining its books and records. Starting in 1974, when she became Assistant District Attorney in Queens

County, Representative Ferraro's role in the company became almost entirely nominal, notwithstanding her positions as officer and director and as a part-owner. See Exhibit 25. However, in some years, including two years covered by her Section 102 statements, she did earn reportable dividend income attributable to her ownership interest.^{15/}

Frajo Associates Inc. is a real estate investment corporation that was wholly owned by Mr. Zaccaro's mother until 1980, when she transferred a 23.9 percent ownership interest to Mr. Zaccaro.^{16/} Representative Ferraro has never been an officer or director of the corporation, and has never had an ownership interest. Nor has she ever had an ownership interest in any of the real estate partnerships in which Mr. Zaccaro has invested, or in any of the real estate properties, other than personal residences, owned in whole or in part by Mr. Zaccaro in his personal capacity. Nor has she ever received any income directly from Frajo Associates or from Mr. Zaccaro's other real estate investments.

^{15/} At no time did Representative Ferraro use the offices of P. Zaccaro Co. as her campaign headquarters, as WLF alleges. Complaint at 7. The office of P. Zaccaro Co. is in Manhattan and not in Representative Ferraro's congressional district. See Exhibit No. 25 hereto.

^{16/} This ownership interest increased to 30.55 percent in 1983. See Exhibit No. 8, p. 11.

Representative Ferraro has pursued a separate professional career as a private attorney, a prosecutor for Queens County, and beginning in 1977, as a candidate for political office and member of Congress. Each of those stages of her career has involved demanding full-time responsibilities. Only prior to 1974 did her career intersect with Mr. Zaccaro's real estate career, and then only sporadically, and since 1974 the two career tracks have been unconnected and independent^{17/}. Not only did the two careers not overlap professionally, but by and large Representative Ferraro did not mix socially with Mr. Zaccaro's business associates. That is to say, to whatever extent Mr. Zaccaro's business and social activities may have been intertwined, that practice did nothing to inform Representative Ferraro about his financial affairs, because she was equally an outsider on both fronts.

The separateness of Representative Ferraro's and Mr. Zaccaro's professional lives was also echoed by the separateness of their financial lives, which became more pronounced after her election to Congress. Even before being elected, she had maintained a separate checking account, funded by her own

17/ According to records on file in the Senate, Senator Paul Hatfield of Montana claimed the spousal exemption in his disclosure statement dated May 15, 1979, covering calendar year 1978, on the grounds that: "My spouse's assets were not obtained in any way from my assets. She was a practicing attorney prior to our marriage and continued her business ever since."

earnings and used to pay personal expenses.^{18/} Following her election she established another separate checking account (the account with the Sergeant at Arms of the House referred to on page 6 of the Form 278 attached as Exhibit No. 8), again funded exclusively by her own earnings and used to pay her personal expenses, including the expenses of the separate apartment that she rented in early 1979 in the District of Columbia. At about the same time, she established her own credit card accounts, on which she has always paid all billings with her personal funds, and she and Mr. Zaccaro decided that they would henceforth file separate income tax returns, as in fact they did starting with the returns filed in 1980 for tax year 1979. Representative Ferraro never had or sought access to any of Mr. Zaccaro's separate returns, which were revealed to her for the first time during the preparation of the Form 278 in August 1984, just before they were also released to the public. Nor has Representative Ferraro ever had or sought access to any of the partnership or corporate tax returns filed by any of the real estate companies,

18/ The WLF complaint alleges that Representative Ferraro must have misclaimed the exemption to the extent that she and Mr. Zaccaro maintained any joint savings accounts. That allegation is incorrect. Such accounts, to the extent reportable at all, are reportable as a member's assets, because the joint nature of the accounts gives the member control of the funds. The existence of such accounts is thus a matter to be reported under the heading of a member's own financial holdings, not as a spouse holding.

including P. Zaccaro Co., in which Mr. Zaccaro has had financial interests.

While the WLF complaint dismisses the decision to file separate tax returns as an irrelevant consideration, the legislative history of the Act scarcely supports that view. For example, in the Senate debates on S. 555, in a colloquy about the exemption and particularly about the benefits standard, Senator Javits suggested that:

"[P]erhaps a proper distinction might be the following, that where the husband and wife file a joint return, he is obliged to give all this information, but where the husband and wife file separate returns, then constructive trust rule applies." 123 Cong. Rec. S. 10757 (Daily ed., June 27, 1977).

Senator Ribicoff, the Senate manager of the legislation, expressed himself as being uneasy with such a flat distinction, but responded that:

"I say that, to me, where the spouse really has an independent career, to a great extent is separate and apart from the Government official, and their life is on that type of level, I can understand that there was no connection. Where the official spends his time in the U.S. Senate, and has love and affection for his spouse who is completely independent, I can understand a certification. This would be acceptable, and I think our colleagues know that." Id.

Senator Ribicoff was not in disagreement that separate tax returns could make a difference in the application of the exemption, only that there should be no automatic distinction of the

kind proposed by Senator Javits, and that all measures of independence, including career independence, should be considered.^{19/} See also Report of House Judiciary Committee together with Minority, Additional, Separate and Supplemental Views on H.R. 1, Ethics in Government Act of 1977, H. Rep. No. 95-800, 95th Cong., 1st Sess., page 107, in which several members joined in a supplemental statement referring to the potentially important impact of separate tax returns in administering the exemption.

In short, while we do not contend that the decision of Representative Ferraro and Mr. Zaccaro to file separate tax returns was of controlling significance in regard to her entitlement to claim the exemption, we do contend that it counts heavily in that regard, both because of what it signified about her lack of knowledge of Mr. Zaccaro's financial affairs and because of

19/ Earlier in the same colloquy, Senator Percy remarked that:

"This is a male institution as of now, but we are talking about the executive branch as well, and a great many employees there. We are talking about the problem that would be encountered when the administration seeks out, say, a wife of some prominent businessman, whose business affairs are very sizable. The wife is brought into Government at a very high level and requires his full and complete disclosure. This presents, I think, a considerable problem." 123 Cong. Rec. S. 10757 (Daily ed., June 27, 1977).

what it symbolized about their independence and her determination to set up a separate financial identity.

The ultimately important facts about the exemption claims, however, relate not to different career tracks and the distance that Representative Ferraro and Mr. Zaccaro put between themselves financially, although those facts are important, but rather to the operative realities of their marriage. As she has said publicly, in more colorful terms than she cares to repeat, Mr. Zaccaro is a strong-willed man who values his financial privacy not just in relation to the world but in relation to Representative Ferraro as well. Quite simply, his business activities, including his real estate investments and transactions and his debts, were not a topic of discussion within the marriage. Even less were they the subject of joint planning or shared decisions. The strength and success of the marriage has depended on Representative Ferraro's understanding and acceptance of this reality, which in any event she never had any inclination to reverse or modify given the full-time demands of her own career.

Even had Representative Ferraro seen the financial disclosure provisions of the Act as requiring her to reorient the internal structure of her marriage, which she did not, it is far from clear that Mr. Zaccaro would have been amenable to such a reorientation. The odds are very high that he would not have

been amenable, just as he had a strong negative reaction to the idea of releasing his tax returns after Representative Ferraro received the Democratic Party's nomination to be Vice President, despite the fact, demonstrated on their release on August 20, 1982, that they showed nothing adverse about him or his activities.

In short, the items of financial information that Representative Ferraro would have been required to report had she not claimed the spousal exemption were not among the items of information that were shared within her marriage. Furthermore, even had the Act incorporated a duty of the sort that would have been imposed by S. 555 as that legislation passed the Senate but that was deleted by the Conference Committee -- namely, a duty to make "every reasonable effort to obtain the required information from his or her spouse or dependent" -- it is doubtful that her position on the exemption would have changed, because it is uncertain what level of effort would have been reasonable under the marital circumstances and because it is doubtful that at any reasonable level such an effort would have met with any success.

20/

20/ For a case in which lack of knowledge was not even put forward at all as being among the grounds on which the spousal exemption was claimed, see the financial disclosure report of Senator John Warner dated May 15, 1979, in which the claim was explained on the basis that: "Pursuant to Pre-Nuptial and other agreements, the reporting individual has no constructive control."

As for her dependent children, their financial affairs, not extensive to begin with, were likewise largely controlled by Mr. Zaccaro, who made such investments on their behalf as he thought appropriate, without prior consultation or subsequent discussion with Representative Ferraro.

Obviously it is not now possible for Representative Ferraro to reconstruct an absolutely accurate picture of the knowledge she possessed about the financial interests of Mr. Zaccaro and her dependent children as of the dates, going back to May 15, 1979, when she filed her Section 102 disclosure statements. It may well be, for example, that she had small bits and pieces of information or had heard the names of properties in which Mr. Zaccaro was investing. But what she can say with assurance is that at all times she lacked detailed or specific knowledge of his business activities and his financial holdings and those of the children, that this circumstance was natural and even inevitable in the context of her marriage, and that she took the exemption believing herself entitled to do so for this reason, and also because that action corresponded to her own view of her independence and because it never occurred to her that the benefits standard might be construed so broadly as to undercut the exemption if a member received routine economic benefits characteristic of any working marriage.

In retrospect, and for the same reasons, Representative Ferraro continues to believe that her exemption claims were proper, and consequently her amended Section 102 statements, filed today with the Clerk of the House, continue to show those claims in the answers to the key question on Part VIII of the forms. In two respects, however, she has concluded that items of financial information as to Mr. Zaccaro and her dependent children should have been reported, and to that degree and that degree only she has withdrawn her exemption claims in order to include these items on her amended statements.^{21/}

The first of these previously unreported items concerns the ownership interest of Mr. Zaccaro in P. Zaccaro Co., Inc., and the category of value of that interest. Representative Ferraro agrees that this information probably must have been known to her as a function of her ownership after 1974 of a one-third interest, and therefore should have been reported, as it is

^{21/} The amended statements also include the information required by Section 102(d)(1)(A), without regard to the spousal exemption, as to the sources of Mr. Zaccaro's earned income and, so far as he was self-employed, the nature of his business. This information should have been shown on all the original statements but was inadvertently omitted. It should be noted here that this information is not called for in so many words on the face of the forms, and the need to report it is only apparent from a close reading of the instructions, so that inadvertent mistakes are easy to make. Without knowing how many other members have spouses with earned income, it is impossible to know by reviewing the annual compilations of disclosure statements how many other members may have made this same inadvertent mistake.

on the amended statements.^{22/} The other item that she agrees should have been reported notwithstanding her exemption claims, and that is also included on the amended statements, relates to the existence and category of value of the savings accounts for the dependent children at the East River Savings Bank as to which Mr. Zaccaro had signing authority.^{23/}

D. Historical Experience as to Use of the Exemption

The standard disclosure form that was in use for the year 1978, see Exhibit No. 35, did not include any question designed to elicit whether or not the spousal or dependent children exemption was being claimed. Nor did the 1978 form, or for that matter any of the different forms that were used in subsequent years, require that any reported items of financial

22/ So far as concerns any potential conflict of interest, the inclusion of this information on the original Section 102 statements would have added nothing of possible importance to the information actually reflected on those statements. That is true because Representative Ferraro disclosed her own correction with P. Zaccaro Co., so that it could hardly have mattered, for conflict of interest purposes, that her spouse also had an interest in that company.

23/ The other trust accounts for the dependent children that are mentioned in the WLF complaint (pp. 10-11), as to which Representative Ferraro was custodian and herself had signing authority, were reportable as her own holdings because of her control. These accounts therefore raise no exemption issue as to any failure to report dependent children information. In her statement for the year 1978, the interest income from these accounts was in fact reported, and in the other years, the accounts were included in her reporting of her holdings and interest income.

information regarding a spouse or dependent child be separately identified -- that is, they did not require that items be broken down in such a way as to indicate which belonged to the member and which belonged to a spouse or dependent child.^{24/} In consequence, there is no way to tell from the face of her Section 102 statement for the year 1978 that Representative Ferraro claimed the spousal and dependent children exemption, although in fact she did. Nor is there any way to tell, by reviewing the Section 102 statements filed for 1978 by other members of Congress, all of which are collected in a single bound volume just as they are for all subsequent years, how many of those other members, or which of them, claimed the same exemption that Representative Ferraro claimed. In other words, so far as anyone can tell without an investigation of facts outside those reported on the Section 102 statements, it is impossible to know whether Representative Ferraro was the only member of Congress to claim the exemption for the year 1978 or whether that exemption was claimed in that year by many if not most members of Congress.^{25/}

24/ The reporting instructions applicable to the disclosure forms for the years 1979-1983 provided specifically that "the person reporting need not identify which items belong to a spouse or dependent."

25/ A few members did separately identify spouse and dependent children items of financial information in their 1978 statements, so that in these few cases it is apparent that no exemption was claimed or at least that none was claimed in an across-the-board fashion.

Even if this Committee were to consider that she erred in claiming the exemption in her Section 102 statement for the year 1978, it would be far out of line to bring a charge against her for that error. Among other things, the Act was then in its infancy and Representative Ferraro had not been a member of Congress during the 1977-1978 period when the legislation was debated and passed. For another thing, it could not fairly be found that she misclaimed the exemption without also finding that the applicable reporting instructions, see pages 30-32 above and Exhibit Nos. 35-40 attached, which did nothing to illuminate the meaning of the exemption, were sparse to the point of being deceptive, and therefore that any error was excusable. And finally, because the disclosure forms were not drafted in such a way as to permit any calculation as to which or how many other members of Congress made the same mistake as Representative Ferraro, assuming she made any mistake at all, it would be grossly unfair to single her out, many years later, as the only member to be called to account for a lapse that, if it occurred at all, may have been commonplace.

As noted above, the different disclosure form that was placed into use for the year 1979, and that remained in use for all subsequent years, Exhibits Nos. 36-40, did include a question that called for an affirmation or denial that the spousal or

dependent children's exemption was being claimed. That question asked as follows:

"Are you aware of any interests in property or liabilities of a spouse or dependent child or property transactions by a spouse or dependent child which you have not reported because they meet the three standards for exemption? (See instructions)"

The form made this question answerable "Yes" or "No," and Representative Ferraro invoked the exemption by answering "Yes" in her statements for each of the years 1979-1983. She was not alone among members of Congress in taking that action in any one of those years. Indeed, not only was she joined by others in taking this same action, but in each of these years an even larger number of members took no action one way or the other on the exemption -- that is, they responded to the first Part VIII question on the disclosure forms, which is the question relating to the exemption, by simply leaving it blank, without answering either "Yes" or "No" or even "Not applicable."^{26/}

^{26/} The February 1980 Instructions, state in the instructions on page 20 respecting Part VIII that the exemption question is to be answered "No" if the member "included all information required with respect to a spouse or dependent child," and "N/A" if the member "is unmarried or otherwise is not required to report such information." In other words, under all circumstances the question must be answered, and in no circumstances is it an appropriate or permissible response to leave the question blank.

- 48 -

A review of the annual compilations of the Section 102 statements filed by all members of Congress reveals the following statistical history:

- In the statements for the year 1979, the exemption was claimed by 18 members, excluding Representative Ferraro, and 32 other members failed to answer the question calling for an indication whether or not they were claiming the exemption.
- In the statements for the year 1980, the exemption was claimed by 22 members,^{27/} excluding Representative Ferraro, 39 other members failed to answer the exemption question, and 3 other members answered "not applicable."
- In the statements for the year 1981, the exemption was claimed by 21 members, excluding Representative Ferraro, 46 other members failed to answer the exemption question, and 2 other members answered "not applicable."
- In the statements for the year 1982, the exemption was claimed by 23 members, excluding Representative Ferraro, 41 other members failed to answer the exemption question, 2 other members originally left the question blank but answered it "No" in the amended filing, and 4 other members answered "not applicable."
- In the statements for the year 1983, the exemption was claimed by 17 members, excluding Representative Ferraro, 17 other members failed to answer the exemption question, 23 other members originally left the question blank but

^{27/} One member answered the exemption question "Yes" as to "Income" and "No" as to "Other."

answered it "No" in a follow-up letter, 3 other members originally left the question blank but answered it "No" in an amended filing, and 3 other members answered "not applicable."

In total, the exemption has been claimed, by members other than Representative Ferraro, on 101 occasions over the 1979-1983 period,^{28/} and on 177 other occasions over that period, other members have failed to indicate whether or not they were claiming the exemption. Further, for the reason already indicated -- namely, that reported financial items of members and their spouses and dependent children need not be separately identified -- it is unclear how much reporting of spouse and dependent children information was done by the great majority of members who did not claim the exemption in their statements for the years 1979-1983.^{29/}

Representative Ferraro would not pretend to have an opinion, if only because she is unfamiliar with the personal

28/ This figure does not mean that the exemption was claimed by 101 separate members, because some claimed it more than once, just as Representative Ferraro did, but only that it was taken 101 times by one member or another.

29/ Some members, although not very many, did separately identify spouse and dependent children items of financial information in their statements for the years 1979-1983, just as a few members did in 1978. See the annual bound compilations of the financial disclosure statements by members of the House. In all other cases, as allowed by the reporting instructions, any spouse or dependent children items were apparently combined with member items in such a way as to make it impossible to know how many of the former were included in the statements.

circumstances of other members, as to whether the exemption was properly claimed in the other instances in which it has been taken, or whether it might properly have been claimed in some instances in which it was not taken.^{30/} However, if the exemption is as narrow as the WLF complaint suggests, and the benefits standard is as broad as indicated by the explanation in the February 1980 Instructions, it is not credible to think that there are any working marriages that would leave a member eligible to claim the exemption, let alone as many such marriages as would justify all the exemption claims that have been made. That is, if Representative Ferraro mistook the scope of the exemption and its eligibility requirements, then others must have done so as well.

Despite the fact that Representative Ferraro's exemption claims, and the similar claims made by others, were all openly reported on the disclosure forms, at no time have any of her claims, or as far as she knows the claims of others, been the subject of any challenge or question, until now. If the exemption really offers so little room to members, then one would expect that in the name of fairness the Committee would have taken some steps to alert the members that the exemption area was

^{30/} For the same reason Representative Ferraro is unable to comment on recent uses of the exemption by executive branch officials, including several of Cabinet rank.

dangerous territory and that any claims should be double-checked. As it is, however, apart from the February 1980 Instructions pamphlet which receives no regular distribution, and the Ethics Manual which suggests that no knowledge is not a precondition to claiming the exemption, members are left to their own devices with only such guidance as is reflected by the reporting instructions attached to the disclosure forms. As we have shown, these are much too limited to give adequate warning that the Committee might enforce an interpretation as restrictive as the one suggested by the WLF complaint.

Not only has there been no question raised before now about the assertion of exemption claims, there has been no effective enforcement even of the requirement that members indicate whether an exemption claim is being made at all. The evidence of that record of nonenforcement is the fact that on 177 occasions during the 1979-1983 period disclosure forms were filed without answers to the Part VIII exemption question. While the number of such incomplete forms declined in 1983, evidently as a result of the Committee's efforts to stimulate follow-up letters or amendments, the net effect of the reporting record over the 1979-83 period is that Representative Ferraro cannot tell, and the public cannot tell, how many members have actually made use of the exemption. Were it available, that information might well show that she had considerably more company in her exemption position

than is now demonstrable, and this highlights to an even greater extent the inappropriateness of further action by this Committee.

**III. REPRESENTATIVE FERRARO MADE NO WILLFUL ERRORS,
OMISSIONS OR MISREPRESENTATIONS IN HER
DISCLOSURE FORMS FOR THE YEARS 1978-1983.**

In its complaint filed August 7, 1984, and the Supplement to the Complaint filed September 11, 1984, WLF alleges that Representative Ferraro misrepresented certain of her own financial affairs, in addition to its claims that she improperly asserted the spousal and dependent children's exemption. In this section we respond to each of the allegations.

WLF has alleged, by our count, 18 errors, omissions or misrepresentations in the financial disclosure statements filed by Representative Ferraro for the years 1978 through 1983. What we show in this section is that:

- (1) Six of the allegations made are simply wrong -- the reporting was fully complete and correct;
- (2) In six cases, the asset or income at issue was disclosed, but the value of the item was miscategorized (either overstated or understated) or the item did not appear on the form in the proper place;
- (3) With respect to the allegations dealing with the positions held by Representative Ferraro in P. Zaccaro Co., Inc., Freann Realty Corporation, and other corporations or organizations, Ms. Ferraro disclosed but misdescribed her positions with P. Zaccaro, held no position with Freann Realty, and did fail to disclose her positions on the boards or committees of seven

educational or cultural organizations,
such as Lexington School for the Deaf;
and

- (4) In five instances, omissions were in fact made --
 - (a) \$7,779 of gross rental income from 231 Centre Street which, after related operating expenses were taken into account, constituted a loss (1978);
 - (b) A one-third interest in JEB Realty valued at \$61,259 (a company which had been liquidated by year end (1978));
 - (c) Interest of \$876 received from JEB Realty (1978); and
 - (d & e) Dividend income from P. Zaccaro Co. (\$732 in 1980 and \$2,962 in 1981).

In short, the WLF complaint correctly identifies five omissions on Representative Ferraro's disclosure statements and six cases where items disclosed were miscategorized or misplaced on the form. All of these mistakes were inadvertent and in no way intended or calculated to withhold information relevant to the evaluation of her performance of her public duties. While Representative Ferraro regrets and does not seek to avoid responsibility for these mistakes, she looked to her accountant, who also prepared her income tax returns, for assistance in completing her financial disclosure statements and relied heavily on the accuracy and completeness of his work.

A. Sale of Her One-Half Interest
in 231 Centre Street

WLF's complaint alleges that Representative Ferraro sold her one-half interest in property at 231 Centre Street in lower Manhattan and underreported the capital gain on that transaction in her disclosure statement covering that year. Specifically, WLF asserts that her share of gain was \$75,000 whereas the 1978 disclosure form in Section 1B listed capital gain of a range of value between \$15,000 and \$50,000. WLF also asks whether Representative Ferraro failed to report rental income received from this property. Complaint at 13-14.

As acknowledged by WLF in its Supplement, pp. 6-7, on August 20, 1984, Representative Ferraro disclosed the facts concerning the 231 Centre Street sale which she made in October 1978 in order to raise the funds needed to repay campaign loans from her husband and children then being questioned as improper by the Federal Election Commission. On August 20, 1984, she released her joint tax returns for 1978 and a detailed statement concerning the transaction. See Exhibit Nos. 20, 21 and 27 hereto.

The sum of the matter is that Representative Ferraro acquired a one-half interest in the parcel of land with a commercial building on it at 231 Centre Street pursuant to a purchase contract of January 12, 1978. She and the owner of the other one-half interest, Melro Company, bought the property for \$175,500 on May 1, 1978. The seller took back a purchase money

mortgage for \$124,605. Of the remaining cash portion of the purchase price, \$50,895, Representative Ferraro paid one-half.

After Representative Ferraro learned that the family loans had to be repaid, Mr. Zaccaro negotiated for purchase by Melro Company of Representative Ferraro's one-half interest in 231 Centre Street. The sale took place on October 5, 1978, and the net proceeds from the sale of Representative Ferraro's one-half interest were approximately \$100,000 (\$325,000 minus the mortgage of \$124,600, divided by two).

Representative Ferraro's financial disclosure form for 1978 disclosed in Section V her sale of the 231 Centre Street property during 1978. The form understated her capital gain on this sale, listing the range of value as Category V, \$15,000 to \$50,000. As reflected in the amended federal income tax return she filed on August 20, 1984, and released the same day, Exhibit No. 21 hereto, her gain was \$68,439, and the proper category of value for the report, accordingly, was Category VI, reflecting the range of \$50,000 to \$100,000.

In response to WLF's question concerning her receipt of rental income and the reporting thereof, she received gross rental income during 1978 from her ownership of the one-half interest in 231 Centre Street of \$7,779. The report omitted this income from Section IB which should have shown it at a value of Category IV. Had the applicable instructions called for reporting of net rather than gross income, there would have been