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August 5, 1998

Mr. N. Bradley Litchfield
Associate General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: AOR 1998-13

Dear Mr. Litchfield:

I am writing in response to questions raised by the Federal Election Commission (the "FEC") concerning Lawrence, O'Donnell, Marcus, L.L.C.'s ("LOM") non-repayable draw account. LOM's responses to the FEC's questions are, as follows:

QUESTION (a) With respect to item 2: Please clarify the relationship between the Undistributed P&L Account ("UPLA") and the member's Non-Repayable Draw Account ("NRDA"). Does the member's share of the UPLA correspond to the amount he may withdraw from his NRDA? For example, if a member's share of the UPLA is 10%, would it follow that in any given month, some fractional portion of the 10% is credited to his NRDA which may then be withdrawn by the member at his discretion?

ANSWER (a) A member's share of the UPLA does not correspond to the amount he may withdraw from his NRDA. The UPLA is a separate account from the NRDA. Each member of the firm receives an account statement every month which indicates the amount of money credited to him in his NRDA. In this example, 10% of the firm's Undistributed P&L would be credited to this member's NRDA.

All of the funds credited to and held in a member's NRDA are his personal funds. He may withdraw such funds and use them at his discretion at any time, provided that he does not withdraw a significant amount from his NRDA on any given occasion. In the event that a member decides to make a significant withdrawal from his NRDA, he is obligated to notify the firm's management committee and obtain their approval before making that withdrawal.

Supplement to
AOR 1998-13

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COMMISSION
OFFICE OF THE
GENERAL COUNSEL

QUESTION (b) With respect to item 3: What is meant by the member's "salary"? Is this a predetermined amount that is fixed regardless of the firm's profits or losses? Does the Operating Agreement or other governing document provide the payment of a salary? If so, please provide a copy of the relevant sections. Redactions of any actual dollar amounts may be made.

ANSWER (b)

(1) A member's salary is a predetermined amount that is fixed regardless of the firm's profits or losses.

(2) There is nothing in the Operating Agreement or other governing documents that provide for the payment of a salary to members.

QUESTION (c) With respect to item 4: Please describe the method to be used to make a political contribution from the NRDA. Would a firm member withdraw funds from his NRDA, deposit them in a personal account entirely separate from LOM, and then draw a check on that account to make the contribution? If not, describe the process that would be used to convey funds from the NRDA to a political committee when a member makes a political contribution. Please provide a sample of the check or draft instrument used, if it is not a personal instrument drawn on a member's personal bank account. You may redact account numbers and replace a real member's name with a fictitious name (e.g. John Doe).

ANSWER (c)

(1) The process that would be used to make a political contribution from a member's NRDA is, as follows: a check would be drawn on the LOM account used for withdrawals from the NRDA's of members; the member's NRDA would be debited and a check would be sent to the candidate or political committee. Pursuant to your request, a sample of such a check is attached.

(2) A member may withdraw funds from his NRDA and deposit them in a separate, personal account from which he makes a contribution to a candidate or political committee.

QUESTION(d) With respect to item 5: Explain the relationship between the withdrawal of money from his share of the firm's profits in the UPLA and a withdrawal from the NRDA. Could a withdrawal from the UPLA mean a withdrawal of funds before they are credited to the member's NRDA?

ANSWER (d) A member may withdraw funds from his NRDA throughout the year. If he wants to withdraw a significant portion of those funds, he must first obtain approval from the firm's management committee. A member may not withdraw funds from the UPLA before they are credited to his NRDA.

QUESTION (e) With respect to item 6: Is this end-of-year distribution made to the NRDA? Is this the only distribution to the NRDA?

ANSWER (e)

(1) At the end of the fiscal year, the firm closes its books, divides the net profit pursuant to each member's ownership percentage, and then credits each member's NRDA with their share of the firm's profits. After the member receives his share of the profits in his NRDA, management committee approval is still required if he decides to withdraw a significant amount from that account. Members are encouraged to use most of their profits to increase their share in the firm's Stated Capital account, and most do so. Retiring members are free to withdraw all of their funds from their NRDA at the end of the fiscal year.

(2) In addition to the end-of-year distribution, a member's salary and interest on capital (from his share of the firm's Stated Capital account) are also deposited in his NRDA.

QUESTION(f) If the safeguards and procedures fail for some unforeseen reason (even though you assert that this would not occur) and a firm member, at the end of the year, has made greater withdrawals from his NRDA than his share of the UPLA, would LOM take the position that it has no legal right to recover the shortfall from the member?

ANSWER (f) First, it is not possible for a member to withdraw from his NRDA more than his share of the UPLA. Second, in the extremely unlikely event that the firm experiences such a large loss that a member's share of profits at the end of the year is insufficient to cover withdrawals from the NRDA during the year, each member's funds in the firm's Stated Capital account are available to offset such losses. LOM would not take the position that it has a legal right to recover the shortfall from the member's NRDA.

If you have any further questions or need additional information, please do not hesitate to contact me.

Sincerely,



Lyn Utrecht

enclosure

LAWRENCE, O'DONNELL, MARCUS LLC

61 BROADWAY
NEW YORK, NY 10006

CHASE MANHATTAN BANK
55 WATER STREET
NEW YORK, NY 10041

1-12/210 0668

CHECK NO.

023314

23314

THOUSAND DOLLARS AND NO CENTS

DATE 04/14/98 AMOUNT \$1,000.00*

PAY TO THE ORDER OF

Richard J. ...
AUTHORIZED SIGNATURE

⑆023314⑆ ⑆028787⑆